50 Years of Central Banking in India

By

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Indians realised the economic necessity of having a Central Bank of India as early as 1773. However it took them 162 years to have one as it was denied to them on one pretext or the other. Ironical it does look, that the actual establishment of the Reserve Bank of India, as the central bank of the country, in 1935 was dictated by a political necessity instead of an economic indispensability. The White paper of 1933 on Indian Constitutional Reforms made the establishment of the Reserve Bank a prior condition for the grant of provincial autonomy and a federal government. Once we had it and also seen its working for the last 50 years, it is necessary to take stock of its working. Its Golden Jubilee is really a befitting occasion for casting a glance at the institution's past and also for looking forward to the future.

Sir Chapman's (the Librarian of the Bank of England) famous observation about Bank of England—"the Bank itself in 1944 was further from 1944 than 1944 was from 1884 and in some important ways further from 1944 than 1944 was from 1744" is justifiably applicable to the Reserve Bank of India. Indeed, as the following explanations will reveal India has experienced a quiet banking revolution in the last 50 years. Much water had flown in the sacred Ganges during last 50 years and so also Reserve Bank had changed a lot—flowing its actions from one situation to another-from one part of the country to another, from one sector to another and at the same time maintaining its separate and distinct identity. What Ganges is to economic-socio life of India, Reserve Bank is to eco-financial life of India. The crux of the scene is that Reserve Bank now is no longer just a controller of funds but has emerged as an innovator of economic, social and political change. The comments by the Prime Minister Mr. Rajiv Gandhi on its Golden Jubilee Celebrations on June 1,19 5 are worth quoting. To quote "The Reserve Bank has now served India for 50 years through many phases of our development and progress, helping us to strengthen our development process, helping us to keep the poorest in our country to move ahead. The role that the Reserve Bank has played, looking back now, is quite different from what its founders had envisaged. It is today one of the prime movers of our development. With the public sector having entered banking the Reserve Bank bears now tremendous responsibilities for guiding our whole banking system. The role of the Reserve Bank goes beyond the financial responsibilities it carries It also has the social responsibility for the development of our people."

Reserve Bank is the federal central banking institution. A central bank is the apex institution of a country's monetary system The monetary system itself is a dominant part of the financial system. The Reserve Bank, thus, also becomes the apex institution of the financial system. It, accordingly, plays a leading role in organising, running, supervising, regulating and developing the monetary-financial system.

All things change and Reserve Bank has also undergone many revolutionary changes ever since its inception. At this young age, by central banking standards, Reserve Bank has gathered a rich variety of experience in the regulation and control of a more unorganised money market than the organised one as also in the task of promoting the development of the underdeveloped Indian economy. In the last 50 years, the range of the functions of the Reserve Bank has steadily expanded from discharging the traditional central banking functions and the regulatory ones for securing monetary stability to taking on an active, developmental and promotional role to meet the demands and aspirations of a developing economy.

The Reserve Bank was modelled on Bank of England, the then existing pattern of central banks, and its role was conceived mainly to be regulatory, except for the statutory obligation to grant accomodation to banks for financing agricultural operations and marketing of crops However, the last five decades have seen revolutionary political and economic changes which has greatly influenced the career of the Reserve Bank. The working of RBI can safely be divided into three stages, namely :

(1) the Inception years which were basically formative

(2) the Planning years which were basically more responsive to economic needs, and

(3) the Nationalisation years which were basically reflected in its new role.

The first stage—The inception

In its first 15 years, RBI was mainly concerned with the problems of organisation and consolidation of the functions of a note-issuing authority and as banker to the Central and Provincial Governments. During these formative years, it had to face a number of problems both functionally and in terms of the area of operations. Although Burma was separated from India in April 1937, the Reserve Bank functioned as the currency authority of Burma till the 5th June, 1942 and as banker to the Burmese Government till the end of March 1947. The Reserve Bank rendered the Central banking services to the Dominion of Pakistan until the 30th June 1948. Within India, with the integration of the princely states with the Union of India and the coming into force of the Constitution of India in January 1950, the Reserve Bank jurisdiction, which until then was confined to Part A States was extended to the whole of India. The status of the RBI was also transformed from that of a shareholders' institution to one of State ownership, consequent on its nationalisation effective from 1st January 1949. Workwise, from 1935 to 1939 it just set in and its working was fairly colourless headed by Sir Osborne Arkell Smith who was as conservative a Governor as will suit the British Government. In the wars and post-wars years, the problem of war finance, repatriation of the sterling debt and the planning and administration of exchange control engaged its attention, though a bit late. The RBI through its first Indian Governer, Shri Chintaman Deshmukh, a member of the I. C. S., negotiated successfully, at Bretton Woods, for the establishment of the International Monetary Fund and the International Bank for Reconstruction and Development. The RBI delegation was ultimately able to get over and above the two Plans presented-the Keynes Plan and the White Plan-to get added the phrase "to assist in the fuller utilisation of the resources of economically underdeveloped countries" after the agreed sentence-'to facilitate the expansion and balanced growth of international trade', to the Preamble of these twin world institutions. The attaining of Independence on 15 August, 1947 and the partition of India meant certain serious challenges to Reserve Bank which arose both from the division of the assets of the Reserve Bank and from its responsibility for currency and banking over the whole country. It was in a crisis of trust that the Reserve Bank stood like a rock and faced those challanges successfully.

The Second Stage - The Planning

With economic development of India, assuming a sense of urgency and significance in the fifties with the launching of the First Five Year Plan, a variety of development and promotional functions came to be performed by banks which, in the past, were regarded as being outside the normal purview of Central banking. The Reserve Bank did a remarkable job under the Governorship of Benegal Rama Rau who was greatly assisted by Dr. B. Vekatappiah, a member of the I. C. S. and the Deputy Governor of Reserve Bank. These two together changed the thinking-structure of the Reserve Bank on rural credit so as to bring it in match with industrial finance. Subsequently, the Reserve Bank did build up a sound and adequate banking and credit structure. It also evolved a system of supervision and control of commercial banks, which was later extended to the cooperative banking sector. The Reserve Bank of India Act, 1935, itself had made agricultural credit a sphere of its special responsibility and accordingly it took a leading role in extending, widening and deepening of the rural credit institutional set-up. It was instrumental in establishing several financial institutions which has gone a long way in the mobilisation of community's savings and capital formation. Concurrently with the promotional stance ; additional powers of credit control were acquired and control techniques were adopted to suit the complex and economic situation.

The Third Stage - The Nationalisation

The Social Control over banks (1968), the nationalisation of 14 major banks (1969) and of 6 banks (1980) led to the enormous growth of Reserve Bank's responsibilities' particularly in the matter of extension of banking facilities in terms of their geographical coverage and directing the flow of credit to the neglected sectors of the economy. This has gained further impetus in the context of the implementation of 20-Points Programme.

The banking policies and practices have been directed towards helping in attaining the socio-economic goals. Since the 1970's, it has reoriented the banking policy as an active instrument of growth and for serving a progressive reduction in inequality in income, concentration of economic power and regional disparities in banking facilities. Particular mention can be made of those additional responsibilites in relation to the regulation of foreign exchange transactions under the comprehensive new enactment of 1973, the progressive expansion in the volume and scope of its refinance facilities for agricultural and rural development and the management of the country's foreign exchange reserves. In a nutshell, the Reserve Bank has been successful in attaining the goals of promotion of monetisation and monetary integration of the economy, filling in the gaps in the financial infrastructure, meeting the credit needs of the economy subject to the requirement of sectoral allocation and above all, in rendering support to the planning authority in efficient and productive deployment of investible funds so as to maximise growth with stability and social justice.

In view of the enormous achievements of Reserve Bank, it is thought fit to confine commentary to certain selected and important spheres only.

Reserve Bank as the Monetary Authority

One of the basic and most important functions of Reserve Bank is to regulate the money system. The Preamble to the Reserve Bank of India Act, 1935, states "to regulate the issue of Bank Notes and the keeping of reserves with a view to securing monetary stability in India and generally to operating the currency and credit system of the country to its advantage". This is as true today as it was fifty years ago. As the monetary authority of the country the Reserve Bank has striven to achieve a stable financial enviornment, to promote a sound financial infrastructure and to reconcile the demands of growth with the objective of price stability. Reserve Bank actually works to develop, strengthen and nurse the monetary and financial system, but also face the natural limitations to influence the quantity, the quality and the price of finance. Through prudential management of foreign exchange reserves, it has endeavoured to keep the balance of payment on an even keel.

Reserve Bank and Financial Infrastructure

The Reserve Bank has played every significant role in bringing about a notable transformation in the financial infrastructure of the economy. Its leadership role in the area expanded considerably when the Government acquired the commanding heights of the banking sector in 1969 by nationalising 14 banks. In fact, supervision and control over branches of banks have become crucial in the wake of phenomenal expansion of Indian banking both functionally and geographically. The tremendous job actually done can be seen if we analyse the whole banking scenario in proper persepective. The main indicators as explained below sum up the trends.

Items	1969	1984	Compound Annual Rate of Growth (Percentage)
	Amount in Rs. Crores		
(1) Deposits	5173	69804	18.9
(2) Advances	3729	46764	18.4
(3) Branches (numbers)	8321	48113	12.4
(4) Number of employees	2,20,000	7,00,000	8
(5) Number of deposits accounts—end of			
March—1970	21,664,000		
March—1980	1,15,443,000		18.2
(6) Number of advance accounts—end of			
March—1970	17,35,077		
March—1980	2,25,56,778		26.1

This is an excellent record. It is very clear that within a decade and a half since 1969, there has been more that four-fold increase in the number of bank branches, twelve-fold expansion in deposits, eleven-fold increase in advances and nine-fold rise in the number of borrowal accounts In 1980, the banking industry had more than 10 crores customers with an estimated three million transactions per day. Moreover, the banking facilities have gone into the interior of the country —nearly 57% of the branches are in the rural areas.

Reserve Bank and Agricultural Credit.

The contribution of Reserve Bank in the field of rural credit has been acknowledged by the Prime Minister, Sh. Rajiv Gandhi, in the following words—"Normally banks restrict themselves to the financial aspect to see how industry and technology can progress, but the Reserve Bank has to move into a completely new sector, which is the development of our rural areas. This is the responsibility of developing our most backward areas, of helping the poorest and the most depressed and deprived of our society to come up and be equal with the rest of our society." As a matter of fact, the Reserve Bank is one of the few central banks in the world that provides short term refinance facilities from out of its own resources. The new features of the flow of credit is that it is made available to the farmers through multi agencies at a concessional rate of interest. The Reserve Bank has, over the last 50 years of its existence, developed appropriate techniques and procedures, formulated credit discipline and adopted a well coordinated and integrated approrch which has resulted in streamlining the rural credit system at all levels. Undoubtedly, it has played a pioneering role in developing rural credit and guiding and supporting cooperative institutions for short, medium and long terms financing of agriculture. The culmination of these developments was the setting up, in 1982, of the National Bank of Agriculture and Rural Development.

Reserve Bank and Industrial Finance/Development

Post independence industrial development in India is the consequence of a variety of long stifled growth impulses, unutilised natural, human and institutional resources, and emergent economic opportunities coming together in a synergic ferment in a latered enviornment of hope and expectancy. Finance is one of the biggest constraints to industrial development. The RBI saw to it that industry does not die due to financial starvation. It has been instrumental in bringing about an institution spectrum. In the chronological order these development banks or financial institutions are listed as follows :

1. The Industrial Finance Corporation of India (IFCI)—1948
2. State Financial Corporations (SFCs) 1952 onwards
3. Industrial Credit and Investment Corporation of India (ICICI)—1955 and in the private sector
4. Life Insurance Corporation —1956
5. Refinance Corporation for Industry (RCI)—1958 since merged with IDBI in 1964

6. Industrial Development Bank of India (IDBI)—1964 This now works as the Apex institution for industrial finance.

7. Unit Trust of India (UTI)—1964

8. Industrial Reconstruction Corporation of India (IRCI)-1971 now Industrial Reconstruction Bank of India

9. General Insurance Corporation (GIC)—1972

10. Export Import (EXIM) Bank——1982 This now works as the apex bank for foreign trade finance.

Of these institutions, the Reserve Bank was directly involved as promoter and part or full owner in IFCI, SFCs, IDBI and UTI. It was indirectly involved in others in a variety of ways, without direct supervisory or other roles. At present, there are 60 development banks with a wide network of branches. In this transformation, the Reserve Bank has played a catalytic role of crucial importance. In the process, its own character was substantially modified from that of a conventional monetary authority to that of an instrument of change.

RBI and Planning and Economic Intelligence

Through it vast reservoir of experts in economics, finance and statistics, the Reserve Bank has built up a fine economic intelligence body to compile authentic statistical data and present objective interpretation thereof for the public. The RBI has over the years encouraged economic research activity as an aid to policy making. Apart from developing a strong economic and statistical research department within the Bank, it has extended assistance to universities and other institutions for research works. The Reserve Bank Bulletin, Report on currency and Finance, Annual Report, Report on Trends and Progress of Banking in India, and other statistical publications are highly valued for their analysis, objectivity and clarity. The bank also runs a number of training colleges for Bank employees The RBI has also decided to set up at Bombay, the 'Indira Gandhi Institute of Development Research' dedicated to the study of economic development issues from national and international perspectives. The advisory role of the RBI in relation to planning has been performed over the years by the bodies of Government and the Planning Commission, specially those concerned with the resource mobilisation and financing aspects of the plans. Not an insignificant extent, in the early phase of planning, during the first few plan periods, the Reserve Bank's contribution to planning was enhanced by its advantage alone in having a well equipped economic research department to assist in discharge of the Bank' advisory as well as operational responsibilities for planning. The main function of Reserve Bank of maintining monetary stability of the economy is itself a highly relevant aspect of planning, by setting the appropriate framework for it, and to the extent the bank succeeds in this, it makes its best contribution to planning.

RBI and Management of the Public Debt

The Indian Government has been a traditional borrower. At present it has the largest volume of outstanding public debt among the developing countries. In fact the Government borrows increasing amounts every year and RBI has to be on its guard all the times to manage these within declared monetary and fiscal policies. The origin of India's public debt may be attributed to the Anglo-French wars in the south. Inspite of East India company's unwillingness to incur debt, the total amount of the outstanding rupee and sterling loans together still amounted to about Rs. 50 crores on the eve of the 1857 revolt of Indian arrangement. Borrowing for the purposes of financing railway construction and productive public works like irrigation canals came to be permitted for the first time in 1867. This started an era of avoiding unproductive debt. The uncovered debt was brought down to a mere Rs. 33 crores at the end of March, 1915. The total funded debt of the central government was only Rs. 950 crores, distributed in the ratio of 54:46 as between sterling and rupee, when the RBI took over the responsibility for managing it in 1935. The total amount of the provinces' market debt was only about Rs 18 crores in 1935. All these debts were managed by the Comptroller and Auditor General of India till 1913 and by the Controller of Currency thereafter upto 1935 when RBI was established. All loans taken at 33½% rate of interest which was regarded as a standard borrowing rate for almost 50 years. And upto 1946 only one sterling loan was floated after the bank was established ; and even the existing sterling debt was mostly repatriated to India by the end of march 1944, with the result that the bank was free to concentrate on grooming and developing the local rupee market. The bank first rupee loan was oversubscribed many times within a few minutes. Because of political happenings in the country, the RBI could not innovate much in the next thirty five years, so much so that even the Government loan could not be floated without RBI's support. It was only in early seventies that RBI was able to create stable ond orderly conditions, in which steadily increasing amounts could be borrowed every year, not only on behalf of the governments—central and states, but also on behalf of various autonomous bodies.

Over the years, there has been an enoromous increase in the outstanding volume of India's public debt and also in the frequencies and size of loan floatations. The Reserve Bank has also acquired considerable experience and expertise in the management of this debt. The Reserve Bank has actually faced the most difficult periods with success and without sacrificing the public interest. However, it has not been able to solve all the problems related to the public debt. The Central Government debt in the form of treasury bills has not been monitored and controlled to anything like the same extent as in the case of market debt. There also exists a yawning gap between the treasury rate and the yields on the dated securities. The economy also cannot bear the existing high rate of statutory liquidity ratio all the times or even for a very long period. It is also inevitable that in order to increase the profitability of banks, they should be given more freedom to invest their funds. The average maturity of the central government's outstanding market debt should be reduced. Debt management does have monetary implications. It is necessary, therefore, that it should be consistent with the objectives and targets of the monetary policy.

Declining Status of Reserve Bank vis-a-vis Government

After independence, the role of the Reserve Bank and its relationship with the Government was given a new look but at that time nothing was done to injure the status and image of the Reserve Bank. Over the last twenty years, however, there has been a drastic change in the attitude of the Government and the relationship between the two had drastically changed much to the loss of the status of Reserve Bank. A few factors have caused this change resulting in a loss of *defacto* control by Reserve Bank and a corresponding gain to control by the Central Government. The Haridass Mundhra case in 1957 caused bad blood between the Government and the Reserve Bank. In between 1960 and 1969, a series of events happened which politicised the economic matters. The Reserve Bank was suddenly projected as a conservative, private-sector oriented and status-quo minded institution. It suited the Government to allow twisting of the image of the Reserve Bank because by doing so, it was simply passing on its own failure to the Reserve Bank.

The biggest change in the Government-Bank Relationship in recent years emnates from a change in New Delhi's perception of the financial world. Upto late 1960s cooperative societies and commercial banks were regarded as necessary and convenient agencies for disbursal of credit provided by Reserve Bank or counterpart funds or even budgetary allocations. Around 1969, two factors changed the concept and the complexion of the whole set-up. These factors were :

(1) Planners and policy makers in Government suddenly realised that domestic savings were flowing increasingly into bank deposits and that financial development was an effective aid to resource mobilisation.

(2) The second factor was the 'knowledge' that a varieties of budgetary problems could be solved or remedied or reduced by enlarging the access of Government sector to the deposit resources of commercial banks. In fact concept of Social Control of banking initiated the move towards erosion of the Reserve Bank's authority and status as the sole monitor of banking practices and institutions, culminating with the nationalisation of 14 big banks in 1969. In the mid 70s the Government of India forced the Reserve Bank to do three things on non-economic considerations. These were :

(i) to adjust the Statutory Liquidity Ratio and its public debt operations in such a way as to enhance greatly the government's share in the capital market ;

(ii) to curb the extension of commercial banks credit to the private sector specially to the large and medium industries sector ;

(iii) to provide bank credit for crude oil imports, food procurement, cotton-procurement and public sector requirements besides priority sector financing.

To sum up, the new found habit of viewing commercial banks deposits as part and parcel of the consolidatsd found of India, or of plan resources for investment gained ground and virtually all policy was oriented towards subordinating monetary and credit policies to the need of fiscal convenience. This declining status has obviously cost something significant and crucial to the Reserve bank which may have serious consequences in the times to come. A few of such disturbing factors may thus be looked. These are :

(1) The Reserve Bank's control over monetary expansion has now virtually got limited to curbs over the creation of credit by the commercial banks. At the height of it, the Reserve Bank had no option but to simply increase the money supply to cover deficits in the central budget.

(2) Further, for a pretty long time the Reserve Bank had to remain a silent spectator to the unauthorised overdrawing by State Governments. Almost each State Government indulged heavily in unauthorised overdrafts from Reserve Bank which it could not stop due to political reasons thongh legally empowered to do so. It was only in 1985 that it gathered the courage to stop this evil and that too when it was assured of the support and cooperation of a finance minister who means business and in the right spirit.

(3) The Reserve Bank's supervision of the banking system, instead of continuing on traditional lines of credit, began to focus on the question of ensuring an equitable distribution of resources between industries, large and small, between urban and rural areas as well as to agricultural and other priority sectors including exports. It was in this sphere that the Government trespassed and decided and continue to decide the basic policies and priorities, leaving to the Reserve Bank, its application at once.

(4) The 1969 nationalisation and the simultaneous creation of a Department of Banking under the Ministry of Finance, gave the Government, the powers to control the banking industry directly and not just indirectly through regulatory powers of Reserve Bank. At present the Government plays the dominant role in regulating the banking activities, partly in exercise of the proprietorial powers of the Government. The Reserve Bank role has disguisedly become secondary.

(5) The Government now also controls development banking in India by taking away powers from Reserve Bank and establishing other Apex bodies directly under its control. The IDBI, the EXIM BANK and the NABARD are the glaring examples of this trend. While these banks became independent of the Reserve Bank, their subordination to the Ministry of Finance became greater rather than increase their operational freedom as envisaged while taking over these institutions. One really gathers the feeling that the prime consideration for separating them from Reserve Bank was to stretch the government hold over them.

Initially, the Reserve Bank enjoyed and used all powers of exchange control except the issu of import licence which was the domain of the Government. In all other matters Reserv Bank was having the undisputed entitlement for opening of letters of credit and makin remittances. Over the years, the Government has trespassed even in this regard of releasin of foreign exchange and enjoys the self-obtained decision-making power. The Reserve Ban is left with the formalities of issuing authorisations and checking receipts and remittances.

It is rather a matter of concern that the Reserve Bank's vast capabilities are grossl under-utilised while the Government's limited manpower having lesser expertise and ex perience is overstretched. The slide which started in 1969 was arrested neither by ebb and flov of economic events, nor by the changes in government, nor by the decline in the quality o government administration. The 1969 banks' nationalisation made bank management a part o the Government's bureaucracy. The Emergency settled once for all the issue in favour of th government by *force majeure*. By 1980, the Reserve Bank's autonomy became a matter o past. It should be the consensus of all that what is required by the government must be ex- pert, independent and fearless advice on monetarv policy for which Reserve Bank is positivel the most competent. The problem of ensuring independence of the Reserve Bank is essentiall political. The need of the hour is to take a political decision to confer a functional antonomy on the Reserve Bank whose relations with the Central and State Governments should be that of a client and an expert adviser. The Finance Minister must take the ultimate fiscal and monetary decisions. The Government even by reserving its undisputed right to dictate to the Reserve Bank, should evolve the convention of consultations between the Reserve Bank, the Planning Commission and the Parliament. As a matter of fact the question should be whether Reserve Bank is an autonomous agent or not but that there is no clear understanding as to where and to what extent it is autonomous and has the authority. On the other hand, Indian States lack full confidence and trust in Reserve Bank. They believe that it is not a central bank but a monitoring policeman of the Central Government. States must remember that Reserve Bank is the federal central banking situation.

Reforming Reserve Bank

The controversies can have an endless debate. It is a good exercise, instead, to do the maximum to reform what ails and to bring something good out of what we have. The following suggestions are necessary to improve the working of Reserve Bank.

(1) Instead of taking *ad hoc* political decisions and imposing these on Reserve Bank for implementation, the Government should clearly spell out the role of Reserve Bank particularly as a custodian of the internal and external value of our currency and as the monetary advisor to the Government.

(2) Instead of merely following avoidable routines, the Reserve Bank should develo

the expertise to anticipate financial development -—internal and external— —and be really ready with alternative strategies.

(3) It should be clear to all that public borrowing in India is merely and only a form of deficit financing. By all standards it is just a formality of asking the banking sector to subscribe to the central or state government loan. Reserve Bank should be equipped with more powers to check the inflationary mode of financing development.

(4) The Reserve bank has no option but to curb more vigorously the financial indiscipline emerging either at the Central government level or at the State government level. The criticism that Reserve Bank is merely a mouthpiece of the Government stands justified when one sees that it rightly opposes overdrafts by State governments but keeps mum on Central government deficits which are relatively more damaging.

(5) Today, Reserve Bank has in effect become a department of the finance ministry. This is against the interests of the country as well as that of the government itself. The relationship between the Reserve Bank and the Government should be that of an expert adviser and a client.

(6) It is high time that we decide about the micro-functions like Credit Authorisation Scheme and macro-functions like money-supply and management of foreign exchange reserves be separated and possibly all micro functions to be performed by the Ministry of finance.

Immediate Tasks before Reserve Bank

Over and above the relationship it has or can have with the government, there should not be any doubts about a few tasks that the Reserve Bank faces in as far as the banking sector is concerned. A few such tasks are explained below.

(1) The Reserve Bank must attempt to the question of efficiency in commercial banks. At present the time taken in completing any banking transaction is colossal. Time means money, particularly in banking, because delays results in a loss of interest. The economy cannot be taken to 21st century unless the banking sector overcome its own backwardness.

(2) The Reserve Bank should also take a lead to improve the profitability of the banking industry. Public sector does not and should not negate profitability considerations. One starting point could be to check high costs and delays. Recent measures taken by Government has reduced banks' profitability and as such, for correction needs involvement and support of the government. It cannot be denied, however, that factors leading to loss of profitability can best be diagonised by the Reserve Bank than the government.

(3) The Reserve Bank must play its secondary role of keeping a watch on gov ment policies, priorties and performances and to detect weaknesses more purposefully fearlessly. It must evaluate the merit of such policies and suggest to the government a the inherent weaknesses and dangers in the decisions taken by the government. It can suggest new policies and new initiatives.

(4) The Reserve Bank should exercise its studies, researches and publications to n the people aware of which way the economy is moving and what the in balances in it are. may also help the government to face the populist pressures more meaningfully.

Now a days it is, almost daily, repeated that India must be prepared for the century as though an entirely new strategy for development and sophistication is a condi of success. The broad quality of the Reserve Bank requires, management wise, an internati standard. We also know that challanges of the future will be more arduous than those of past.