

Perspectives on the History of the Reserve Bank of India

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This article takes a bird's eye view of the history of the Reserve Bank of India and unravels the treasure trove embodied therein. Spanning over five volumes, the Reserve Bank's history is an insightful account of its policies, operations and institutional evolution. During the journey, its public policy initiatives and institutional, structural and financial reforms transformed the Indian economy. It is not only an institutional history of India's central bank, but also a major part of India's economic and financial history. Presented in a lucid, interesting and analytical way, it is a precious repository of knowledge for everyone.

Introduction

The fifth volume in the series 'The Reserve Bank of India' has been recently published by the Reserve Bank. With this, a new milestone is reached, as India's central bank has completed the documentation of its history for 73 of its 88 years' of existence, thereby throwing light on a major part of its life. This article presents an encapsulated view of the journey of the Reserve Bank and its contributions to the economy that left footprints on the sands of time. Section II explains the significance of recording history and outlines the developments in economic history. Section III takes stock of published histories of central banks across the world. Section IV explains the process of preparation of the Reserve Bank's history volumes and highlights their features. Section V summarises the content in the first four history volumes. Section VI elaborates on the latest fifth

volume. Section VII gives the overall perspectives. Section VIII concludes.

II. Why History?

In his welcome remarks at the release of the fourth volume of RBI History, the erstwhile Governor Dr. Subbarao said, "...at least in matters of economics and finance, history repeats itself, not because it is an inherent trait of history, but because we don't learn from history and let the repeat occur". History is a precious teacher. The documentation of history is important for several reasons. First, history strengthens and keeps our faith alive during testing times and helps us tide over the critical phases. Second, achievements in the past give inspiration for present performance that builds our future. Third, historical documents serve as a permanent institutional memory. They concretely bring out contemporary policies, thought processes and decisions. They guide the policymakers in resolving policy dilemmas by deriving insights from time and context specific policy responses. The economic regularities are better understood from history and enable the policymakers to make predictions and prepare for black swan events. Fourth, history acts as a permanent repository of knowledge. It is a contribution to economic literature and serves as a valuable reference for researchers. Fifth, history documents form the institutional memory – a precious and permanent knowledge base – that helps everyone in their personal, social, public and professional life and respective work areas. Finally, documentation of history is a value addition. Unlike the periodic publications which are generally the factsheets of the near term, a history publication is an interesting story that covers the developments over a longer period. The former are photographs or snapshots while the latter is a complete film unravelling the whole story and giving deep insights.

The Economic History

Economic history combines economics with history. The field of economic history began in the

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The author expresses gratitude to Dr. Tirthankar Roy for his valuable inputs and to Dr. Sitikantha Pattanaik and Dr. D. P. Rath for their encouragement.

The views expressed are those of the author and do not necessarily represent the views of the Reserve Bank of India.

late nineteenth century to explore why Western Europeans and Americans prospered and attained productivity-led growth. It tried to find the causes of economic growth and inequality. The rise in global trade, investment and industrialisation were the main driving forces. Economists such as Karl Marx, Adam Smith and Max Weber propounded that competitive markets without government interference created incentives for work leading to a rise in productivity. In the second half of the twentieth century, the newly independent nations in Asia and Africa tried to gain self-reliance for their development. The debt crisis led by East Asian economies in the eighties somewhat mollified the reservations against capitalism. Since 2000, with the economic emergence of China and India, the field focused on the histories of Africa and Asia. During the last decade, there emerged new research areas including inequality among countries, how the states acquired the capability to build economic systems, and interaction between the changes in environment and economies. The history of central banks is a part of economic history. We now turn to this segment.

III. Histories of Central Banks

Central banks are at the heart of the economy and society. Their operations and policies impact the lives of millions of people. Publication of their histories creates a permanent institutional repository. These documents show the effectiveness of the role played by central banks in shaping their economies. The analysis and interpretation of events and policies therein act as a permanent reference for the policymakers and their advisers. In the economic literature, we come across the published histories of some of the leading central banks. Prominent among them include the US Federal Reserve, Bank of England, Banque De France and German Bundesbank. The other lesser known are those of the Bank of Canada, Reserve Bank of Australia, Bank of Japan and Bank of Italy. The Bank of England's commissioned histories include John Clapham's 'The

Bank of England: A History', John Fforde's 'The Bank of England and Public Policy, 1941-1958', Elizabeth Hennessy's 'A Domestic History of the Bank of England, 1930-1960', and Forest Cappie's 'The Bank of England 1950s to 1979'. The coverage of these books consists of the central bank's association with the government, their policies under various governors, internal workings, organisation, personnel policy, the periods of growth, innovation and inflation. 'A History of the Federal Reserve' by Allen Meltzer is a research work. In addition to history, it also deciphers the major macroeconomic crises concerning policies of the Fed. 'The History of the Bundesbank: Lessons for the European Central Bank' by Jacob de Haan is not an official history. In this, we learn about lessons for the ECB from the Bundesbank's successful management of inflation and an assessment of the Bundesbank's policies. Bank De France's commissioned history is written by an economist from the Paris School of Economics. It throws light on the relationship between the Bank and the government. Though brief histories of many central banks are mentioned on their websites, the commissioned histories in published book form are only a few as mentioned above. The Reserve Bank of India is one among the select few countries in the world which have commissioned the documentation and publication of their histories.

IV. History of the Reserve Bank

The significance of the Reserve Bank's history cannot be overstated. According to the Reserve Bank's first Indian Governor C. D. Deshmukh, it is the financial history of India. In the words of former Reserve Bank Governor Bimal Jalan, "The Reserve Bank's history was 10 per cent its own history and 90 per cent history of the country's economy and thus a treasure trove for research on the economic development in India". Realising its importance, the process of preparing the history of the Reserve Bank commenced way back in 1967 with a compilation of the history and management of India's monetary

sector and then the publication of the first history volume in 1970. The preparation of history and its publication goes through a systematic process.

The Process of Preparation

The process of writing history is based on extensive research and analysis. The history volumes are prepared by the History Cell, an in-house entity in the Department of Economic and Policy Research. An advisory committee comprising experts in various domains from outside the Reserve Bank is appointed with the approval of the central board. An eminent person is appointed as the author. A team of consultants is also appointed comprising senior officers retired from the service of the Reserve Bank. A concept paper is prepared to conceptualise the content of the volume. The records of historical value are collected from the RBI Archives and various departments of the Reserve Bank. Other relevant information, data and publications are also compiled. In addition, to record the history through oral evidence, discussions are held with persons who worked and got associated with the Reserve Bank during the period under consideration. These consist of former Governors, Deputy Governors, economists and bureaucrats. The meetings of the advisory committee are conducted periodically and various issues are discussed therein. Once the draft volume is ready, comments are sought from the central government. After considering these, the volume is finalised and published. Titled 'The Reserve Bank of India', the history spans over five volumes published so far (Table 1).

The Salient Features

The Reserve Bank's history has several distinguishing features. First, it is an authentic account, as it is based on official and authentic records and sources. Second, it is an unbiased document. The fact that it is prepared under the guidance of an advisory committee comprising eminent persons usually from outside the Reserve Bank bestows

Table 1: The History of the Reserve Bank of India at a Glance

Volume No.	Year of Publication	Period Covered	Chairman of Editorial / Advisory Committee	Publisher
1	1970	1935-51	C. D. Deshmukh	Reserve Bank of India
2	1998	1951-67	C. Rangarajan	Oxford University Press
3	2005	1967-81	C. Rangarajan	Reserve Bank of India
4	2013	1981-97	Bimal Jalan	Academic Foundation
5	2022	1997-2008	Narendra Jadhav	Cambridge University Press

objectivity. The independence granted to the team of writers makes it free from being an official record and maintains transparency. Third, each volume covers a sufficiently long period to capture a meaningful historical phase. An analysis of the duration of the history volumes reveals that the period of volumes ranged from 11 to 16 years. Volumes 1, 2 and 4 were for the periods of 16 years each, while Volume 3 was for 14 years period. The period for Volume 5 was the smallest at 11 years. The average period for all volumes is about 14 years. Fourth, the history volumes are written with a considerable lag. This helps the appropriate evaluation, as with time, the impact of the actions and decisions is more visible. The lag between the end year of the reference period of the volume and the year of publication of the volume ranged between 14 to 31 years for the five volumes published so far. The lag was smallest for Volume 5 and largest for Volume 2. The average lag was 21 years. Fifth, the history volumes have both chronological and functional blends. The volumes contain information and analysis of the policies and operations of the Bank as they evolved. Sixth, a wide gamut of sources is used for preparing the history including official files, board resolutions, circulars, speeches of top management, electronic resources, material from other regulatory bodies and government, articles from newspapers, journals, etc. This enriches the publication. Seventh, to have wider dissemination and reach, the history

volumes are printed in book form as well as placed on the Reserve Bank's website in due course. While two volumes were published by the Reserve Bank, three were published through private publishers. Finally, with comprehensive information and analysis including hitherto unrevealed information, and written in a lucid language, reader-friendly style, and easy-to-hold size, the Reserve Bank history makes an interesting reading for everyone.

V. The Four Volumes

The gist of the story in the first four volumes of Reserve Bank history is encapsulated below.

First Volume (1935-51)

A fascinating feature of this volume is that it gives information about the banking, exchange and monetary system in India that prevailed for a century before the establishment of the Reserve Bank. The volume is divided into four phases viz., preparatory (up to 1935), formative (1935-39), war 1939-45, and post-war (1945-51). The preparatory period covers the genesis of central banking in India, the existing banking, currency and exchange system before the establishment of the Reserve Bank, and details of the RBI Act. In view of growing demands on the financial sector of India, the Royal Commission on Indian Currency and Finance (1925) recommended the creation of the Reserve Bank of India for maintaining monetary stability and pooling of monetary reserves to serve the nation's needs. The Reserve Bank commenced its operations on April 1, 1935 initially with traditional functions such as currency issuance, banker to banks and government, and non-traditional functions like the development of rural cooperatives and credit to agriculture. The formative period covers the Reserve Bank's policies, operations, its role as a bank of bankers, efforts towards agricultural finance, and information about board and shareholders. After the establishment of the Reserve Bank, in the initial years prior to the outbreak of World War II, the Bank

was entrusted with exchange control. Financing the war expenses by the Reserve Bank led to inflation. The account during the war years deals with organisational matters, agricultural credit, exchange control, financing of war, commercial banking, repatriation of sterling debt, and currency arrangements after the war. The analysis for the post-war period covers organisational changes in the Bank, partition-related matters, exchange and management, global financial institutions, steps in the provision of agricultural finance, the Act for regulation of commercial banks, and the Bank's role as employer. With the then Governor C. D. Deshmukh's vision and initiative, the Department of Research and Statistics was set up in Reserve Bank in 1945 for undertaking research and providing guidance to the Bank based on it. The foresight of the Reserve Bank was commendable because at that time, even the contemporary developed countries had not sufficiently recognised the role of research in central banks. In the post-war period, monetary policy focused on inflation control. It also underwent a journey from a privately owned entity at its establishment to a nationalised institution. After independence, it assumed a new responsibility for the economy. The Rural Banking Enquiry Committee and All India Rural Credit Survey Committee were appointed.

Second Volume (1951-67)

The second volume was published during the fiftieth year of Indian independence. Its period encompasses a major part of the first two decades after independence. The main theme of the volume is the Reserve Bank's public policy initiatives, institution building, and establishing the foundations of central banking. It elaborates on how central banking was built upon its four main pillars viz., monetary policy, regulation and development of commercial banks, the institutionalisation of agricultural credit, and the institutionalisation of financing to industries. Monetary policy's interface with short-term pulls

and requirements of government financing, funding the budget deficits through a system of ad hoc treasury bills, initiating the system of maintenance of minimum forex reserves for currency issue, variable cash reserve ratio (CRR), and statutory liquidity ratio (SLR) has been narrated.

On the background of the banking crisis, the Reserve Bank strengthened the country's banking system and introduced deposit insurance through the setting up of Deposit Insurance Corporation with an initial insurance cover of Rs. 1,500. During the period, the Reserve Bank came across the peculiar demands of the developing and emerging nation. It brought out changes in the financial and economic landscape of the country through its development, diversification and strengthening. The development of a cooperative movement was initiated. As recommended by the Shroff Committee¹, the Reserve Bank established institutions for the long-term financing of the industrial sector. The base for institutional credit to industry and agriculture was created. This is one of the unusual or non-traditional functions taken up by any central bank. The mobilisation of savings was also institutionalised through the creation of financial intermediaries and assets. Unit Trust of India (UTI) was set up to channelise small savings directly into the capital market. Such efforts spread credit to the unreached sections of society and developed the financial system of the country. The efforts towards the institutionalisation of both savings and credit resulted in multiple benefits. The development of the financial system strengthened the monetary transmission mechanism. The rise in bank deposits reduced their reliance on the Reserve Bank for funds, thereby strengthening the use of monetary instruments and increasing the efficacy of monetary policy. The higher mobilisation of funds also reduced the government's deficit financing requirements. The

year 1967 witnessed a breakthrough due to various crises and policy responses for their resolution.

The period was marked by new vistas such as the Green Revolution, the institution of the All India Rural Credit Survey, and the creation of the State Bank of India. There are interesting accounts of various developments such as deficit financing, the beginning of five-year plans, public debt management, regulation of banks and norms therefor, the banking crisis in Kerala, consolidation of commercial banking through a reduction in their number to impart viability, development of institutional infrastructure through the establishment of institutions like Industrial Development Bank of India (IDBI), and devaluation of Rupee. The volume also highlights the long-term overseas funding by the government for the development of the nation. The narrative pertains to banks and governments, the external sector, industrial financing, rural finance, government financing, banking for state governments, and monetary policy. In the whole process, the organisation witnessed the transformation of itself. A remarkable feature of this volume is that the Bank's select documents were published for the first time.

Third Volume (1967-81)

The third history volume was published when Reserve Bank completed seventy years. It records the transformations witnessed in the financial infrastructure of India during the period. The period was marked by increased regulation of the Reserve Bank in all financial activities. The major event was the nationalisation of fourteen banks. Social control over banking transformed the operations and orientations of commercial banks. There was a spread of banking to semi-urban and rural parts of the country. Credit largely spread to the unreached sections. Lead Bank Scheme was introduced to address the issue of dwindling credit-deposit ratio and to make credit available to unreached persons. The side effects of the

¹ The Committee on Finance for the Private Sector was appointed by the Reserve Bank of India in 1953 with A. D. Shroff as its Chairman.

process occurred with impairment in the efficiency and viability of banks that came to the surface in the subsequent period. Major ownership of the government over banks caused dual control issues. The financial system deepened. Reserve Bank had to resolve the issues of whom to lend, how, and how much. The financial sector expanded and diversified. IDBI and UTI were set up respectively for the provision of long-term finance to the industry and to provide safe havens to the small savers. Later, they were delinked from the Reserve Bank due to coordination issues.

From the 1970s, fiscal policy dominated the scene and monetary policy had to play a subservient role. Monetary tools were used only when inflation reached alarming proportions, and during the rest of the times, the government's financial needs were accommodated. CRR was deployed. Monetary management was supply-driven at times of shortage of agricultural output. SLR was deployed for mobilising resources for the government from captive sources. The resultant scarcity of credit led to its directed allocation. Priority sector lending was incentivised with the system of refinancing. The interest rates were administered. Ad hoc Treasury Bills kept on renewing thus laying the foundations of automatic monetisation.

The inspection system was realigned by the Reserve Bank to ensure the viability of banks in the light of branch expansion. Centre-wise inspection with reduced frequency to explore the business potential and resolve local issues became a new focus. The deposit insurance cover was extended to cooperative banks. Deposit Insurance and Credit Guarantee Corporation (DICGC) was formed through the merger of two entities Deposit Insurance Corporation (DIC) and Credit Guarantee Corporation (CGC) for the protection of small depositors and provision of guarantee cover for credit to small borrowers.

The Reserve Bank succeeded in balancing between the compulsions of fiscal policy and containing the

inflation caused by the unexpected external shocks in the seventies including oil shocks and the Bangladesh war. There were foreign exchange shortages. The Bretton Woods system collapsed, and the system of flexible exchange rates came up as a part of the new international financial system. The Reserve Bank contributed to the global discussion on the reform of the international monetary system as advocated by the developing countries and managed the process of change. The policy and priorities, especially in exchange control, exchange rate management, and banking had to be frequently experimented and changed due to several crises. The policies were aligned with development and plan priorities. The volume, for the first time, elaborated on the Reserve Bank's external sector management. The other developments covered in the volume included the Reserve Bank's initiatives in designing banknotes of new denominations, opening new issue offices and currency chests, and expansion of management teams, departments and offices.

Fourth Volume (1981-97)

The fourth volume is in two parts. The first phase of the period comprised consolidation and early liberalisation during 1981-89. The volume elaborates on these in the areas of policy on rural credit, banking supervision, finance, fiscal-monetary interface, balance of payments, exchange control and monetary policy. Subsequently, it analyses the next phase of crisis and reforms during 1989-97 consisting of the balance of payments crisis of the early nineties and the reforms initiated in its aftermath to manage it. The reforms included liberalisation in the external sector, monetary policy, management of debt, institutional reforms in banking and financial institutions and markets, and development of the rural sector and agriculture. The organisational matters include initiatives in communications and institutional reforms.

The country grappled with several uncertainties

during the period such as drought in 1987, reduction in banks' profitability, reduced strength of monetary policy due to administered interest rates, and imbalances on the external front caused by the fixed exchange rate system. In these circumstances, it was necessary to control inflation, rectify fiscal imbalance, attain monetary stability, and restore export competitiveness. The government and the Reserve Bank had to deal with the severe strain on the external payments front. A major programme on economic reforms was initiated of which the Reserve Bank was a significant partner. Its role consisted of creating ideas, processing proposals and executing reforms.

The institutional setup for rural financing was created through the establishment of National Bank for Agriculture and Rural Development (NABARD) in 1982. Efforts were made to develop the financial markets including the money market. The establishment of Securities and Exchange Board of India (SEBI) boosted the development of the capital market. The Sukhamoy Chakravarty Committee changed the perspectives and approach towards monetary and interest rate policy and fiscal-monetary coordination. The exports revived due to the devaluation of the Rupee. Liberalised Exchange Rate Management System (LERMS) was instituted. There was a shift from direct to indirect instruments of monetary policy. As per the recommendations of the Narasimham Committee, reforms were carried out in the financial sector. With the agreement between the government and the Reserve Bank to phase out the system of ad hoc treasury bills and stop the automatic monetisation of fiscal deficit, the Reserve Bank got further space in its monetary policy operations. Efforts were made to attain consolidation in commercial banking and strengthen supervision in the non-banking sector. Thus, this volume is a story of the paradigm shift in economic management in the wake of the crisis and the subsequent trajectory of reforms adopted by India that put it into a new orbit.

VI. The Fifth Volume (1997-2008)

The fifth volume of the Reserve Bank's history is an interesting story of the developments in its policies and operations in major functional areas during the period. Its theme is 'managing change'. This experience is relevant in today's dynamic policy environment in which change is occurring very fast and the policymakers face the challenges to cope with it dynamically. The story begins by explaining the macroeconomic context. The economic reforms undertaken since the mid-eighties coupled with integration with the global economy and its continued momentum despite the changes in governments bore positive fruits and resulted in economic growth and betterment in all parameters. The economy remained insulated from the Asian financial crisis and stayed stable. The Reserve Bank could successfully face the global headwinds with a monetary policy armed with new instruments, excellent coordination with markets and government, legal refinements and technological advances.

The period 1997-2008 dwelled between the Asian currency and financial crisis and the beginning of the global financial meltdown. During this period, against the backdrop of a swiftly evolving macroeconomic environment, the Reserve Bank initiated significant institutional, structural, and financial market reforms and facilitated faster integration of the Indian economy with the world economy. The space was created for monetary policy. The Reserve Bank phased out the system of automatic monetization of government deficit through agreements with the government, rationalized and strengthened monetary policy operating instruments, viz., the institution of Liquidity Adjustment Facility (LAF) as the principal instrument of monetary control through Repo Rate and a unique and innovative Monetary Stabilization Scheme (MSS); focused on building financial market

institutions such as The Clearing Corporation of India Ltd. (CCIL); built up the payment system infrastructure such as Real Time Gross Settlement (RTGS) System, Delivery versus Payment (DvP), Negotiated Dealing System (NDS) and Electronic Clearing Service (ECS); strengthened the regulatory and supervisory processes for banking and non-banking sectors; adjusted its approach to achieve and sustain financial stability; and created a sound legal structure through legal and other amendments in the larger public interest and for ensuring economic stability. The landmark legislative reforms included an amendment to the RBI Act, 1934 by removing the floor and ceiling on CRR and prohibiting the Reserve Bank from payment of interest on CRR balances, an amendment to the Banking Regulation Act, 1949 removing the floor rate for SLR thereby imparting flexibility and effectiveness in monetary management, repealing of Foreign Exchange Regulation Act (FERA) and establishment of new legal framework under Foreign Exchange Management Act (FEMA) marking a clear regime shift, putting in place a sound legal structure for providing flexibility and ensuring outcome and accountability through legislations such as Government Securities Act, 2006, Payment and Settlement Systems Act, 2007 etc. Thus, the foundation and construction of the present modern system were laid out through achieving various milestones.

The deregulation of the external sector resulted in high capital inflows and a rise in forex reserves. This caused various challenges which were dealt with through a hierarchical approach to the flows and responsiveness to environmental conditions. Non-debt creating flows such as foreign direct investment (FDI) and foreign institutional investment (FII) in equities were encouraged along with long-term flows within the debt. The speed of reform was governed by market conditions. In good years, the deregulation was faster. Simultaneously, the development of financial markets was carried forward. The gradualist

reform approach proved right on the advent of the global financial crisis (GFC) in 2008.

The policy on exchange rates curbed the extreme volatility in exchange rates through foreign exchange market intervention and adopted measures to prevent speculative onslaughts in the currency market. The goal of market stability was attained. The foreign exchange reserves management is aimed at safety, liquidity and optimisation of returns. Measures for the development of financial markets were aimed at structural reforms that impacted institutions, instruments, procedures, and participants with a focus on the money market. These imparted liquidity and depth to the money market and government securities transactions. The transaction cost declined. The macroeconomic stability and strong economic growth facilitated the transition. Reserve Bank played an effective role in the switchover from a regulated to a market-based system of managing public debt. It comprised of the institutional change in the securities market, the changed relationship between the Bank and the government, and modification in procedures and processes. The Reserve Bank played a crucial role in the new Fiscal Responsibility and Budget Management (FRBM) legislation. It initiated active consolidation of the gilts portfolio and propagated the need for separating debt and monetary management. Far-reaching changes took place in the debt management of states. The Reserve Bank started a collaboration with the states through consultation, mutual trust, and dialogue. It initiated strategy on ways and means advances and investment of cash balances.

The Reserve Bank played a significant role in developing the payment and settlement system for retail and large value payments and electronic clearing service and fund transfer. The evolution of state-of-the-art payment systems paved the way for a shift from paper-based to electronic systems. Reserve Bank also assumed oversight over payment systems. Electronic payments were made mandatory between

markets and Bank-regulated entities. The introduction of RTGS in 2004 and National Electronic Fund Transfer (NEFT) in 2005 were landmark developments. With the setting up of CCIL in 2002, the settlement of transactions in markets strengthened. At the heart was safeguarding the interests of consumers and the safety in transactions that was achieved with the help of technology and the resolution of legal issues which mainly comprised of the enactment of the Payment and Settlement Systems Act, 2007.

In the area of currency management, technological and distributional improvements were initiated to remove currency shortages, handle counterfeits, and improvement in the quality of notes. 'Clean Note Policy' boosted the improvement in the quality of notes. Currency Verification and Processing System (CVPS) for counting, sorting, and online destruction of unfit notes, and the Shredding and Briquetting System (SBS) cleaned up the process and improved efficiency in internal operations. As the automated teller machines (ATMs) gained popularity, the denominations of bank notes changed. The public awareness campaigns reduced the value of counterfeits.

On the front of bank regulation, reforms were carried out through negotiation with the government as the latter was the owner of the largest part of the banking system. Efforts were made to establish a level-playing field between them through competition. Due to the fast adoption of technology, computerisation, efficient customer service, the introduction of innovative products, younger staff, and speedier decision-making, private sector banks increased their share of deposits. Comprehensive reforms bore the fruits as evident from the limited impact of the GFC of 2007-08, improvement in the performance of commercial banks while boosting financial innovation and competition. In the case of non-banking entities, the focus was on improving their efficiency and responsiveness to customers through improvement in governance and transparency. Due to the diversity

in circumstances of institutions, regional economic and political factors, dual control, and the Reserve Bank's limited authority over them, the transition was a complicated process. The success was achieved through consultation and negotiation.

The Reserve Bank also worked to upgrade the rural credit system, strengthen customer protection and service through initiatives like setting up of Banking Codes and Standards Board of India (BCSBI) and deepen financial inclusion. As regards the regulation of rural credit, the challenge was to revive banks and provide credit to priority sectors. Though the farmers' distress and banks' non performing assets (NPAs) continued during the period, the broadening of priority sector borrowers, reforms in local area banks and cooperatives, and the emergence of microfinance and Kisan Credit Cards (KCCs) indicated positive developments. The initiatives for financial inclusion such as the publication of bank-wise complaints made banks strengthen their mechanisms for redressal of customer grievances. Many new accounts were opened. This caused a change in public perception of the Reserve Bank.

Considering the significance of communication in the Bank's monetary, regulatory, and supervisory role, internal and external communication was given thrust. With a focus on transparency, information dissemination was undertaken with an increase in its clarity, quality, coverage, and timeliness. Thus, owing to its proactive leadership and emphasis on human capital through incentives, opportunities, training, and restructuring of its workforce, Reserve Bank became a resilient and dynamic organisation over the period.

An easy-to-hold size without compromising on the content makes the volume a perfect read. Spanning over fifteen chapters, it covers all functional areas of the Reserve Bank viz., monetary management, forex market, management of capital account, forex

reserves management, financial markets, public debt management, payment and settlement systems, currency management, regulation and supervision of the financial system, rural credit, financial inclusion, communication policy and organisational change. This is not just a narrative history of the Reserve Bank; it is also a rich resource for anyone interested in understanding how an emerging market central bank manages change, responds to challenges, and shapes the evolution of the economy through proactive and forward-looking reforms. The matters encapsulated in boxes on a variety of topics such as autonomy of the Reserve Bank, derivatives, separate trading of registered interest and principal of securities (STRIPS), separation of monetary and debt management, Indian Financial System Code, and shift from Ashoka Pillar Series to Mahatma Gandhi Series Notes make it an interesting read. Moreover, there are interesting debates, reflections, dissents, views, issues, contours, arguments, concepts, quotes from eminent policymakers, original notifications and letters, and photographs of historic events and persons. Thus, there is a take for everyone – laymen, policymakers, researchers, students, etc.

VII. The Perspectives

The Reserve Bank's history gives a comprehensive perspective on India's economic and financial landscape. It is a treatise on crucial themes of the Bank's formative phase, institution building, transformation in financial infrastructure, expansion in financial sector, management of external crisis, financial sector reforms, and management of change along with laying the foundations of a modern system. It is an inspiring story of how the central bank of a developing country contributed to the building of the nation and took it to the greater altitudes.

The Reserve Bank acted as an enabler for the multidimensional growth of economy by playing a catalytic role in development of a diversified

financial system with institutional credit and financial infrastructure. With multiple non-traditional functions, it took up a large and diversified gamut of responsibilities. With its early vision and foresight, it became a global pioneer in setting up systems like deposit insurance and a dedicated in-house department for research which contributed to the resolution of several policy dilemmas that arose from time to time. The Reserve Bank also acted as a macroeconomic stabiliser in many crises such as the world war, foreign exchange crisis, banking crises, oil crisis, the balance of payment crisis, Asian crisis, and various episodes of inflation. The challenges were tough, but those were insightfully resolved. The policies and functions were reoriented as per the needs of time. Various new functions were also taken up over the years. Many new frontiers were added, reforms were implemented and non-conventional policies and strategies were adopted with innovative approaches.

The story has many precious takeaways. With a long-term vision, dynamism, and commitment in its public policy, the Reserve Bank transformed the nation in several spheres and placed it into newer and higher orbits. This documented journey of the Reserve Bank sets an example that with gradualism, cautious sequencing and appropriate timing of reforms, appropriate blending of policies, spirit of dynamism, and paradigm shift in economic management in tune with the needs of time, the economic goals of the country could be achieved on a sustainable basis. India's experience in economic management has shown that the holistic and integrated approach enables steady march ahead on the path. An optimal combination of time-tested remedies along with the incorporation of new vistas has proved as a successful strategy for central banking policy. The Reserve Bank's contribution to building of the country's fiscal architecture, development and deployment of novel monetary tools and balancing of fiscal-monetary

objectives highlights the significance of monetary-fiscal coordination. Its own organisational evolution and transformation coupled with development of human and other resources over the years sets an example and imparts message that the organisational capacity building always pays dividends in the long run. With the approach of constant reorientation of existing functions, exploring new horizons for the resolution of emerging challenges, and capturing new opportunities, the Reserve Bank has played the role of an enabler and stabiliser for the country. Overall, the Reserve Bank's history denotes the contribution of India's central bank and its policies and operations in the construction and development of the national economy, and it is a reflection of the economic voyage of the country itself. It would always inspire and guide the further journey of the travellers in global economic spheres. It would continue to act as a lamp post showing the road ahead by throwing light on the road travelled.

VIII. Conclusion

The recording of economic history is significant as it guides in resolving policy dilemmas through insights into time and context specific policy responses. The Reserve Bank of India is one of the few central banks in the world which commissioned the publication of its history. With the recent release of the Fifth Volume, the Reserve Bank has completed documentation of a major part of its history. It is an authentic and unbiased account written lucidly. The five history volumes give a comprehensive account of the formative phase of the Reserve Bank, its policy initiatives, transformation in financial infrastructure, management of crises, process of change and introduction of reforms that led to building of modern systems. A crucial part of the economic and financial history of the country, these history volumes contain precious information and analysis of developments in policies and operations of the Reserve Bank during the period in an interesting way. It is the permanent and

inspiring institutional memory that would continue to give insightful guidance for contemporary policy decisions in future.

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