No Title

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Introduction

With the growth of industrial civilization the system of Joint-stock Banking has developed into a pivotal structure on which is balanced and poised the entire economy of a country. In every sphere mediaeval individualism has yielded to corporate living. Isolated industrial guilds of the past centuries have melted into oblivion and in their place we have to-day giant organisations of mass-production, effectively pooling up the nations' entire resources, in men and meterials, and probing deeply the optimum of potentialities. Further still, the latest techniques of cartelisation that transcends national boundaries seek to integrate the wealth of all countries and the equipments of all nations into one economic whole. This process of synthetic evolution, though occasionally retarded by political upheavals, seems to be the inevitable course of human civilization. But what is directly relevant to the present topic is the growing complexity that this progressive integration has introduced into the economic structure of the modern society.

Trade and commerce have changed and so have changed the ways and means of production. In short, the human society has drifted off its old moorings of isolated regionalism towards economic internationalism. Indeed, the process has not been uniform, nonetheless it has been steady and sure, and the effects thereof accumulated through centuries make little short of a revolution.

The morphology of this socio-economic revolution can be clearly studied in the banking system all over the civilised world. In India such a study would be of special interest in-as-much-as the decaying links of a long past era still lingers side by side of the progressive modern institutions. Though the entire credit system, as demanded by the speedy re-orientation of socio-economic conditions, is fast adapting itself to a new pattern, one may still meet the shroff at the street corner and the unscrupulous moneylender in a village *hat*. This profession of private money-lending has long lost its commercial utility, yet it is far from being completely defunct and still fills up some vital lacuna in the structure of our rural finance. With the steady expansion of Branch Banking these obsolete remnants of mediaeval economy will go out of existence ; but to attain this stage and thus to complete the circuit of orientation, joint-stock banking in India will be required to cover a long way ahead. Another anachronism that deserves notice is the Post Office Savings Bank system which still operates with undiminished energy and causes diversion of large capital savings from the sphere of commercial investment. Truly enough, the Post Offices covering the whole country with a net-work of branches, offered initial banking facilities at a time when Joint-stock Banking had not taken a firm root in the soil of the land. Since the inauguration of the system in 1882, Post Offices have accepted deposits and offered interests, have provided limited facilities for investment and inland remittances. Apart from issuing Cash Certificates and Defence Savings Certificates, the Post Office, just in the fashion of a Commercial Bank, undertakes to purchase various Government Securities on behalf of its clients. In a country of agricultural predominance, with abundant but petty savings, the system of Post Office Banking must necessarily play an important role. That at one time it met out an urgent demand of the nation's economic life is apparent from the fact that in the very first year of its introduction as many as 4,243 Post Office Savings Banks were operating in the country with 40,000 depositors on record and a balance of 28 lakhs of rupees. The table below indicates the continual expansion of Post Office Savings Bank system.

TABLE I

Growth of Postal Savings Bank

Year	No. of Banks	No. of A/cs	Total balance held (Rupees)
1882-83	4,200	50,000	50,00,000
1885-86	5,800	1,00,000	2,00,00,000
1890-91	6,400	4,00,000	6,00,00,000
1895-96	6,300	6,50,000	9,00.00,000
1900-01	6,600	8,00,000	10,00,00,000
1905-06	8,000	11,30,000	14,00,00,000
1910-11	8,900	14,50,000	17,00,00.000
1915-16	10,000	16,50,000	15,00,00,000
1920-21	10,600	19,00,000	22,70,00,000
1925-26	11,000	23,00,000	27,00,00,000
1930-31	12,800	24,70,000	37,00,00,000
1935-36	12,900	35,00,000	67,00,00,000
1940-41	11,800	over 45,00,000	78;00,00,000*

* The Peak-point was reached in 1938-39 when the total balance was about 83 crores,

Calculated on the basis of these figures it appears that in 1940-41 the Postal Savings Bank system was able to receive one active account for every 90 persons and a deposit of nearly 2 rupees per head. Investments in Post Office Cash Certificates also worked out at Rs. 1½ per head of the total population. Here, it may be argued that the Post Office Savings Bank system had helped to pool up and encourage small savings all over the country and has rendered no mean service by way of introducing preliminary banking habits amongst the masses. Nonetheless, it must be realised that the vast capital resourses so locked up in Post Office Savings are not unoften expended on non-productive items and thus lost to the country. It is high time now that this wasteful diversion of capital should not be allowed to continue. Moreover, the development of Joint-stock Banking in India has already reached a stage at which the Postal Savings Bank system must necessarily enter into competition.

Here, it may be recalled that the history of Joint-stock Banking in India does not go far into the past. The first Joint-stock Bank was started in 1770, but a purely Indian Joint-stock Bank did not come into existence earlier than 1881. At the initial stage, Joint-stock Banking evolved and developed under European control and patronage. Towards the beginning of this century, however, Indian initiative and enterprise appeared in the field in the wake of the Swadeshi movement. Thus, in 1905, there were 9 Joint-stock Banks (each with capital not less than Rs. 5 laks) operating in the country and together commanded a total deposit of Rs. 12 crores. Since then Indian banking enterprises have made a slow but steady progress, and if the odds and adversities they had to struggle through are fully recounted no word of admiration would be undue to the pioneers. As late as the beginning of this century and practically prior to the last Great War, the scope of initiatives in the field of banking were delimited by dual competition—on the one hand, the State patronised Presidency Banks and on the other, powerful foreign institutions. But above all, what counted most as serious impediments were the colossal conservatism of the people and the economic inertia resulting from continued political uncertainties in the country. It was during the Great War (1914-18) that there happened a final breakaway from the shackles of the past, a past characterised by social stagnation and economic disintegration. Signs of dynamism in the life of the nation were unmistakable, and these were encouraged by war conditions abroad and sustained inwardly by a new surge of political consciousness. In the field of trade and industry hosts of enterprises appeared with fresh initiative, and though in the long run some of them came to grief under the impact of world-wide depression, they paved the way to economic regeneration. A new era of industrial creativeness had its foundation laid down and since then the ambit of our national life has expanded in every direction. Fiscal autonomy, though partial, and the policy of discriminating protection accelerated industrial progress, and the monopolistic hold of foreign mercantilism began to wane away. As would be inevitable in these circumstances, the financial resources of the country, long frozen in private hoardings or put to ill uses, came to be gradually mobilized and irrigated into productive channels. Indian bankers and banking institutions played their role in the service of the nation, and if their achievements have not always been up to the expectation, the causes behind must be reckoned with. The amalgamation of the Presidency Banks into the Imperial Bank of India created a powerful organization with a net-work of branches all over the country. Operating as a banker to the Government, it started with an advantage uncommon to any individual banking institution. Serving more or less the purpose of a Central Bank, it harboured all kinds of ordinary banking business and naturally impeded the growth of other Joint-stock Banks. Until the inauguration of the Reserve Bank of India, a banker's bank in the true sense of it, things did not improve much and the first grade Joint-stock Banks had to face serious competition with the Imperial Bank. Thus, in 1933 the total public deposit received by 26 Joint-stock banks (with capital and reserve of 5 lakhs and over) together amounted to Rs. 44 crores as against the deposit balance of Rs. 74 crores of the Imperial Bank of India. In 1931 the figures were Rs. 62 crores and 63 crores respectively.

TABLE II

Year	No. of Joint Stock Banks	Deposit Balance: Imperial Bank: Public	Deposit Balance: Imperial Bank: Private	Deposit Balance: Joint-stock Banks	Total
		Rs.	Rs.	Rs.	Rs.
1922	27	14,15,73,000	57,00,57,000	61,63,86,000	1,32,80,16,000
1923	26	8,56,94,000	74,19,51,000	44,42,82,000	1,27,19,27,000
1924	29	7,50,26,000	76,71,22,000	52,50,52,000	1,36,72,00,000

TABLE II—*Contd.*

Year	No. of Joint Stocks Banks	Deposit Balance Imperial Bank Public	Private	Joint-Banks	Total
		Rs.	Rs.	Rs.	Rs.
1925	28	5,46,44,000	77,83,33,000	54,49,36,000	1,37,79,13,000
1926	28	6,45,36,000	77,89,70,000	59,68,02,000	1,40,03,08,000
1927	29	7,20,23,000	72,07,22,000	60,84,11,000	1,40,11,56,000
1928	28	7,94,86,000	71,30,44,000	62,85,36 000	1,42,10,66,000
1929	33	7,59,97,000	71,64,31,000	62.72,03,000	1,41,96,31,000
1930	30	7,36,91,000	76,60,06,000	63,21,81,000	1,47,18,78,000
1931	33	8,32,11,000	63,85,64,000	62,23,48,000	1,34,41,23,000

Then again, there was the impact of depression, a phenomenon of unprecedented magnitude that wrought havoc all over the civilized world. India could not escape the inevitable. On the contrary, being a predominantly agricultural country the strain on her economy was in certain respects comparatively more serious. In the glut and rot that followed, many an Indian industry was lost. Many Joint-stock enterprises were wrecked and a number of banking institutions collapsed. Inefficient management and fraudulent manoeuvring by designing persons might have been resposible for certain cases of failure ; nonetheless, the epidemic of company failures was the direct consequence of economic depression. Vast capital resources in different provinces thus evaporated and soon there ensued a general sense of panic. This completed the vicious cycle, and continued flight of capital away from investment further aggravated the situation. For some time the whole country's economic life ebbed lower and lower still. To general admiration of the people the first grade Indian banks managed to meet the situation by cautiously steering their course through the typhoon. But it must be conceded that the general situation in the country was definitely unhelpful to the natural growth of Joint-stock Banking. A set-back was visible and the stagnation continued till at last in 1934-35 the country seemed to emerge slowly out of the rot.

But as Providence would have it, soon there came another boom. In September, 1939, the ramblings of the World War started in Europe and drew all nations of the globe into the vortex of the *blitz*. Trade and commerce of the world were suddenly dislocated. This time India was destined to play a more vital role and we had the embarrassment of witnessing the War on our own soil. Years roll by but the war continues and the situation remains unchanged.

Thus, within the country we have ruinous inflation caused by the inflow of huge war finances. Shortage of food-stuffs and consumers' goods has created a scarcity below the famine level. Control of production, and diversion of industries from civil to military purposes and last of all rigid restriction of inland trade movements have conspired to bring about a crisis that has not passed off yet. The prevailing conditions are again detrimental to sound and healthy progress of the banking institutions in the country. An emergent situation has its urgent problems and the banking houses, that may be called the custodians of the nations' finances, have been required to meet them with care and caution. How the war has affected the general trend of economic life and the money market in particular are best studied in the life of a representative credit institution of the country and in the present bulletin we place before the interested public an analytical study of our own institution, Messrs. Nath Bank Limited, which has, to-day, developed into a national institution of wide repute and integrity.

Role of the Reserve Bank

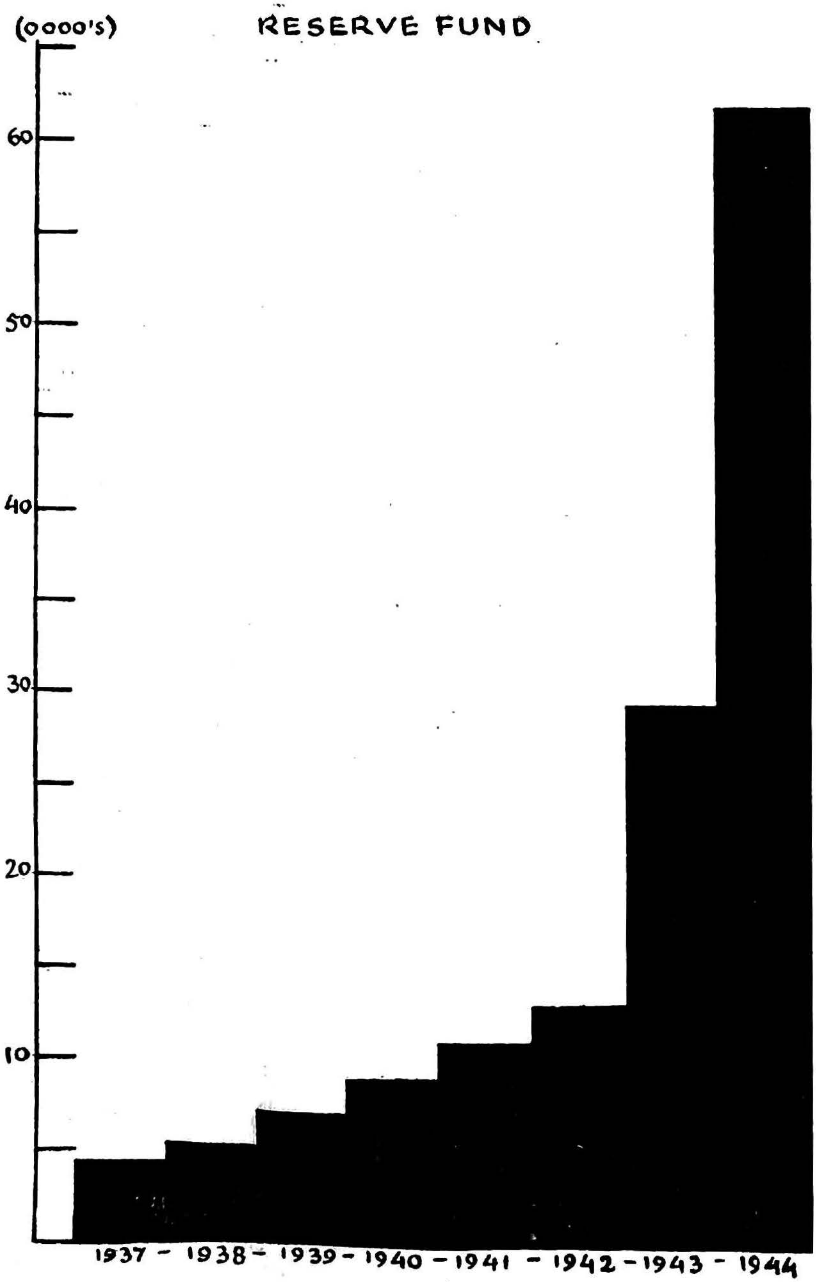
Despite what has been stated above, it needs be appreciated that the Reserve Bank of India since its inception has endeavoured to smoothen banking business in the country and to evolve standardised banking practices. Its operations, though still limited in certain respects and do not comprehend the entire field of banking, have nonetheless tended to consolidate banking system as a whole and this, in fact, should be the prime object of a Bankers' bank To-day, it cannot be denied that the Reserve Bank by its direct control and more so by its indirect influence has brought to bear on the money market a growing steadiness, which in itself is a great advantage to the banking institutions and to our national economy. Nonetheless, it has yet to cover a long way ahead before it can claim to fulfil all the multifarious duties and obligations as the apex bank of the country. Our needs are vast and equally vast would be the task of meeting them squarely. But we hope, the Reserve Bank will make speedy advance and in near future will stand up to meet the needs of our national life.

Regrettably there is little of an organised Bill Market in the country and in the matter of discounting, individual banks exercise their own discretion in the absence of any common practice. It is only in respect of a few counters that the Reserve Bank offers rediscounting facilities and in this very limited sphere Joint-stock banks are enabled to undertake discounting freely. Thus, in absence of an organised Bill Market the much-needed co-operation between financial houses and the trades and industries of the country has not developed to the extent desired and in fact, the free flow of industrial capital has been seriously impeded. It is high time now that the Reserve Bank of India should take early initiative in the matter and thereby remove a lacuna in the structure of our money market.

Another feature that deserves increasing attention of the Reserve Bank is the vast requirements of agricultural credit, particularly in view of post-war developments. Agriculture is the main axis of Indian economy and its improvement on modern scientific lines is being rightly emphasised as the prime concern of re-construction scheme. This, however, postulates free influx of capital, to meet seasonal demands as well as regular and more persistent requirements. As we know, the Reserve Bank has its own agricultural credit department; but here too, it has at best touched only the fringe of the problem. If the hopes and aspirations raised by the post-war scheme are to be fulfilled, a definite agricultural credit policy should be evolved and should be pursued assiduously. In this respect the responsibility of the Reserve Bank is paramount and a bold lead should come from it without delay.

History

The early history of Messrs. Nath Bank Ltd., reads romantic. In fact, it would be no exaggeration to say that its life-story is a lesson in itself in-an-much-as its career through strife and struggle conveys the message of success to those who can apply themselves to the task with courage, conviction and sincerity of purpose. In 1926, the Institution had its unostentatious birth under an insignificant tin-shed at Noakhali, a mofussil town in Bengal. At the time there was hardly any bank, worth its name in that mofussil town, far away from the metropolis, and the local people had but little appreciation of the social utility of modern banking. Evidently thus its scope was limited and activities circumscribed. But gradually it came to attract public


(0000's)
RESERVE FUND
60
50
40
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1937 - 1938 - 1939 - 1940 - 1941 - 1942 - 1943 - 1944

attention and its usefulness as answering a crying need of the locality was recognised soon. Spontaneous support and patronage was being received from all quarters and the institution's asset of public confidence began to swell. Still, however, it was only in 1932 when a branch was opened in Calcutta that the real foundation of the bank was laid down. Luckily enough, Calcutta branch proved successful well beyond expectation of the authorities and the Head Office of the bank was shifted to the metropolis. This has been the cardinal point in the life of the institution and since then it has evinced vigorous activity and expansion in every sphere. Figures and graphical presentations in the following pages will fully substantiate the statement.

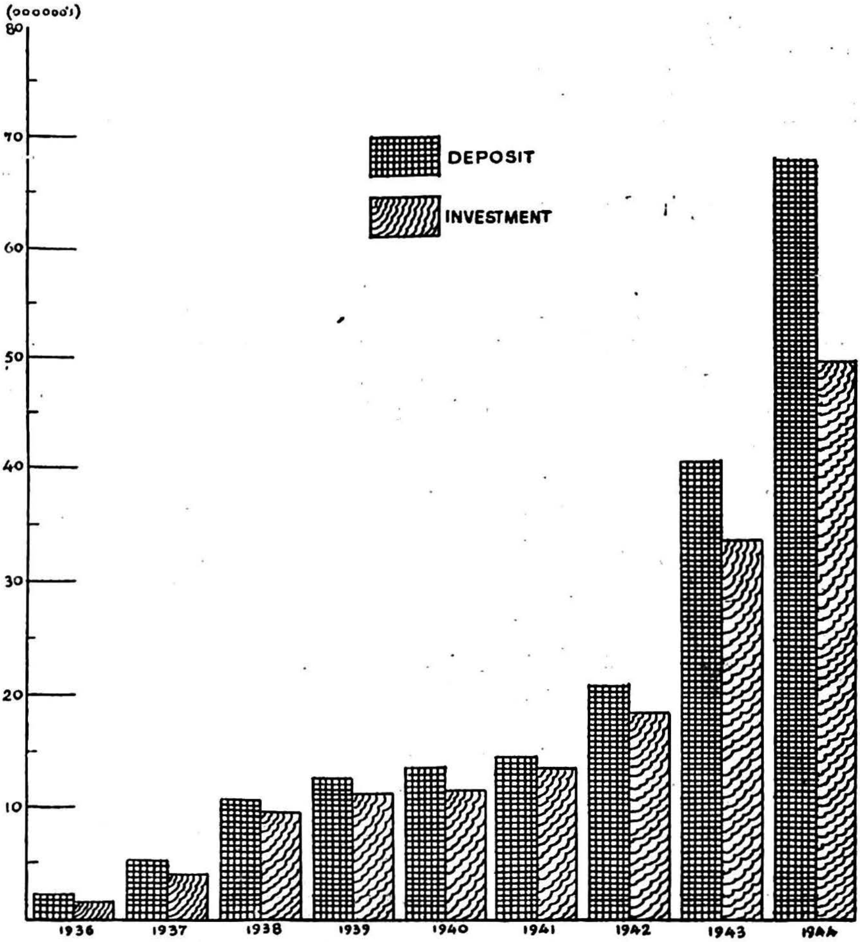
Capital Structure

The strength of a structure is the strength of its base. A large construction can be maintained only on a solid foundation, suitably laid to bear the entire structural load and provided with a margin of safety for emergent conditions. This is the primary law of constructional engineering, but is equally applicable to credit institutions like banking houses. Of course, in the last analysis the strength of a bank is the measure of public confidence it commands.

Still, however, to guarantee safety to its numerous clientele and to assure efficient working a bank must possess inherent financial integrity in the form of what is collectively termed as "capital structure". As is commonly known the capital structure of a bank comprises of two items, namely (1) paid-up capital, and (2) reserve fund. In the development stage, increase in volume of business and hence in liabilities should be accompanied by a reasonable addition to both the items above and a consequent strengthening of the capital structure. That the authorities of Nath Bank Ltd., have been keenly alive to this all-important consideration would be evident from the following figures :

TABLE III

Year	Paid-up Capital Rs.	Reserve Fund Rs.	Total Rs.
1937	5,26,575	45,000	5,71,575
1938	6,87,012	53,500	7.40,512
1939	8,60,528	75 000	9,35,528
1940	9,62,946	90,000	10,52,946
1941	11,07,007	1,10,400	12,17,407
1942	12,20,365	1,30,400	13 50,765
1943	20,20,732	2,96,950	23,17,682
1944	34,13,793	6,33,360	40,47,153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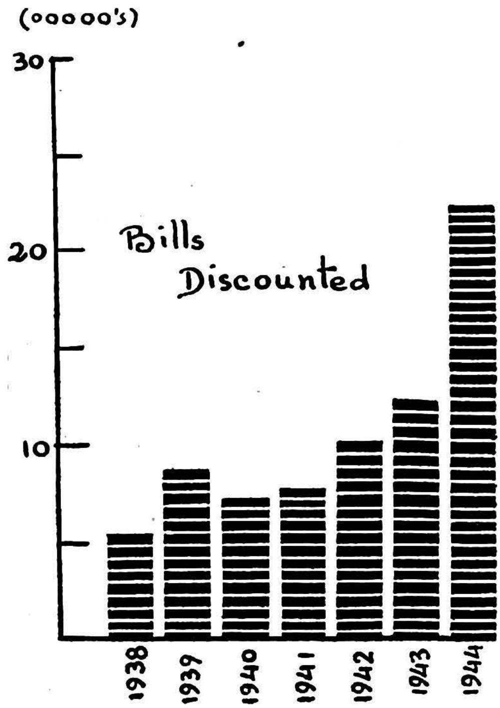
DEPOSIT
INVESTMENT
1936
1937
1938
1939
1940
1941
1942
1943
1944

Thus in 1944 the paid-up capital and reserve fund of the bank was rupees 40,47,153 as against rupees 5,71,575 in 1937. For some time the authorities have been contemplating to raise further share-capital, but up till now it has not been possible due to restrictions placed by the Central Government upon the joint-stock companies in general. It is, however, expected that in near future Government permission will be available enabling us to issue further shares of the bank. As to the Reserve Fund, the graphical representation on page (8) palpably indicates a measure of steady progress.

Growing Resources

Logical sequence of inflational economy naturally leads to swelling bank deposits. During the present war this has happened more or less in every country, and in India the effects of unlimited currency expansion have assumed a relatively stronger tone. For this, however, the causes are obvious and may be traced to the very fundamentals of the Government of India's policy in regard to financing the War. As would be generally admitted, inflation up to a degree is almost unavoidable and may even be considered helpful in emergent conditions of a war when the entire production-machinery of the country needs be abruptly switched over to the top gear. But in the long run, inflation begets inflation and recoils against the agency of production that it seeks to accelerate, and if left uncontrolled, ultimately leads adrift the entire economy of the country. This is exactly what has happened in India in course of the last five years. War purchases, as commonly known, have been largely financed by issue of fresh currency *ad infinitum.* But the productive machinery was not sufficiently invigorated and tended to lag behind, continually increasing the disparity. At the other end, import difficulties and allied causes created a scarcity of consumption goods, thereby strengthening further the inflationary tendencies. Moreover, the Government of India considered necessary to restrict the flotation of new industrial enterprises, with a view to maintain plethoric condition in the money market and to obtain easy accommodation for defence loans issued. The cumulative effect of all these have been fully reflected in the tones and over-tones of the monetary system and particularly the credit-structure. The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Bills
Discounted
1938
1939
1940
1941
1942
1943
1944

major tendency, however, is noticed in the inflow of large deposits into the coffers of banking houses and the consequent expansion of demand liabilities.

TABLE IV

Year	* All the Indian Banks Total Deposit Rs.
1939	24,22,449,000
1940	26,57,189,000
1941	30,09,623,000
1942	43,15,518,000
1943	62,86,329,000

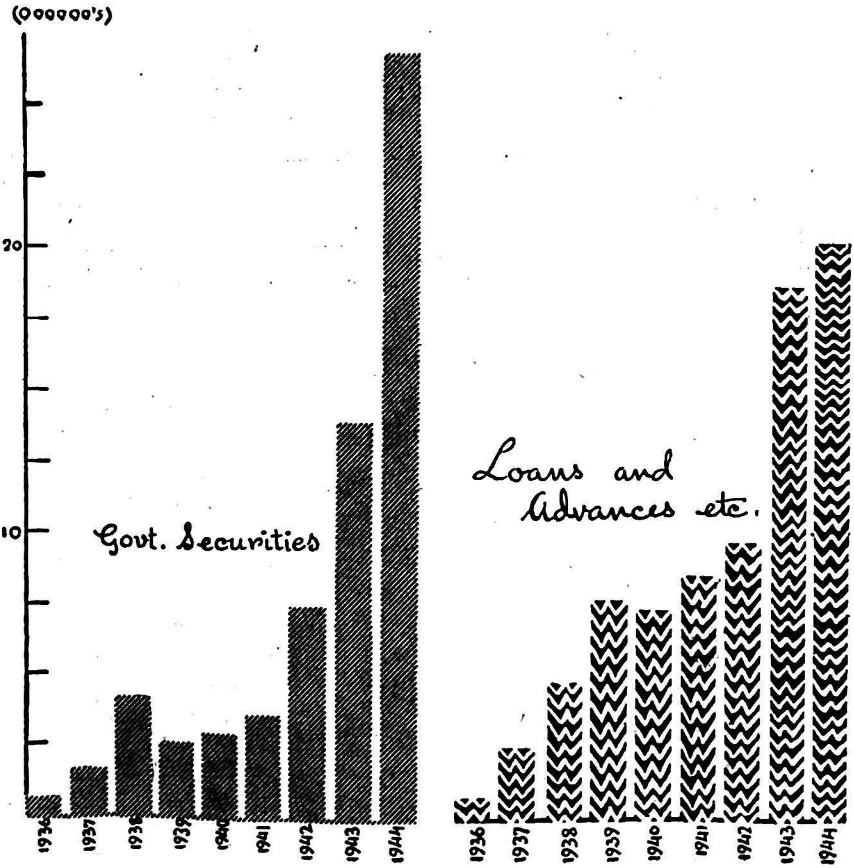
* Exchange Banks excluded.

The case of Messrs. Nath Bank Ltd, has been no exception and as one of the top-rank Indian banks it has been able to command large financial resources, received in the form of deposits.

TABLE V

Year	Total Deposit Rs.
1937	50,64,034
1938	1,03,89,519
1939	1,17,68.339
1940	1,34,94,261
1941	1,43,04,328
1942	2,06,21,445
1943	4,03,89,854
1944	6,75,53,153

The above tables clearly evidence the dominant tendency of increasing bank deposits quite in response to the ever-expanding currency. Still, however, critical analysis of the position will reveal a persistent lag between the measure of currency expansion and the volume of deposit influx into the banking system, indicating thereby that a large amount of capital has either run into private hoardings or has been scared away from banks for some reason or other. It is commonly alleged that avoidance of income-tax and other levies such as sale-tax etc. works as a strong incentive for keeping away from bank a considerable part of savings by a section of the business community, particularly the black market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Govt. Securities
Loans and
Advances etc.
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racketeers. Doubtless, the allegation has a grain of truth in it and is responsible, at least partially, for increased speculation in bullion (gold and silver), jewelleries and other forms of cash-commodities. Nonetheless, this frozen capital will gradually de-hoard itself in the long run and the actual rate of de-hoarding will depend on the growing banking habits of the people as also the increased banking activities. The fact, however, indicates enough scope for branch banking

TABLE VI

Deposits (In thousand)

Year	Scheduled Banks	Other Banks	Co-operative Banks	Total
	Rs.	Rs.	Rs.	Rs.
1939	18,85,749	1,48,866	3,87,834	24,22,449
1940	20,90,145	2,66,168	3.90,876	26,57,189
1941	23,79,639	2,48,200	3,81,784	30,09,623
1942	35,27,983	3,47,071	4,40,457	43,15,518
1943	53,41,839	4,64,935	4,79,455	62,86,329

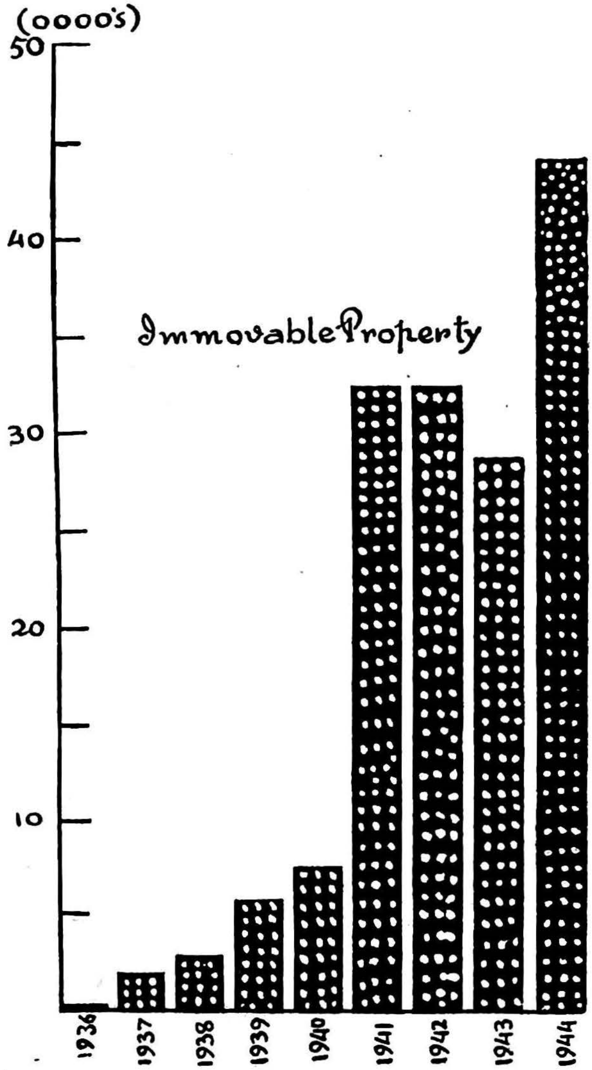
TOTAL NUMBER OF OFFICES

	1938	1941	1942	1943	1944
Imperial Bank of India ...	358	401	392	398	419
Other scheduled Banks ...	677	954	974	1400	1902
Foreign Banks ...	93	99	84	84	86
Total ...	1,128	1,454	1,450	1,882	2,401

The authorities of Messrs. Nath Bank Ltd. have also availed of the opportunity to open new branches at important industrial centres of the country. The recent important addition is the Bombay branch which is likely to derive special advantages from the increasing trade relations between the two premier cities of India. It is no little gratifying to note that the bank has to-day as many as 37 branches operating in different provinces.

Investment

The next major item of inquiry is investment. Deposit, in the last analysis, is the liability side of a bank and investment alone is its earning side. So the problem of investment deserves more careful consideration. The joint-stock banks in India, by their very nature and constitution are restricted in making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Immovable Property
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1937
1938
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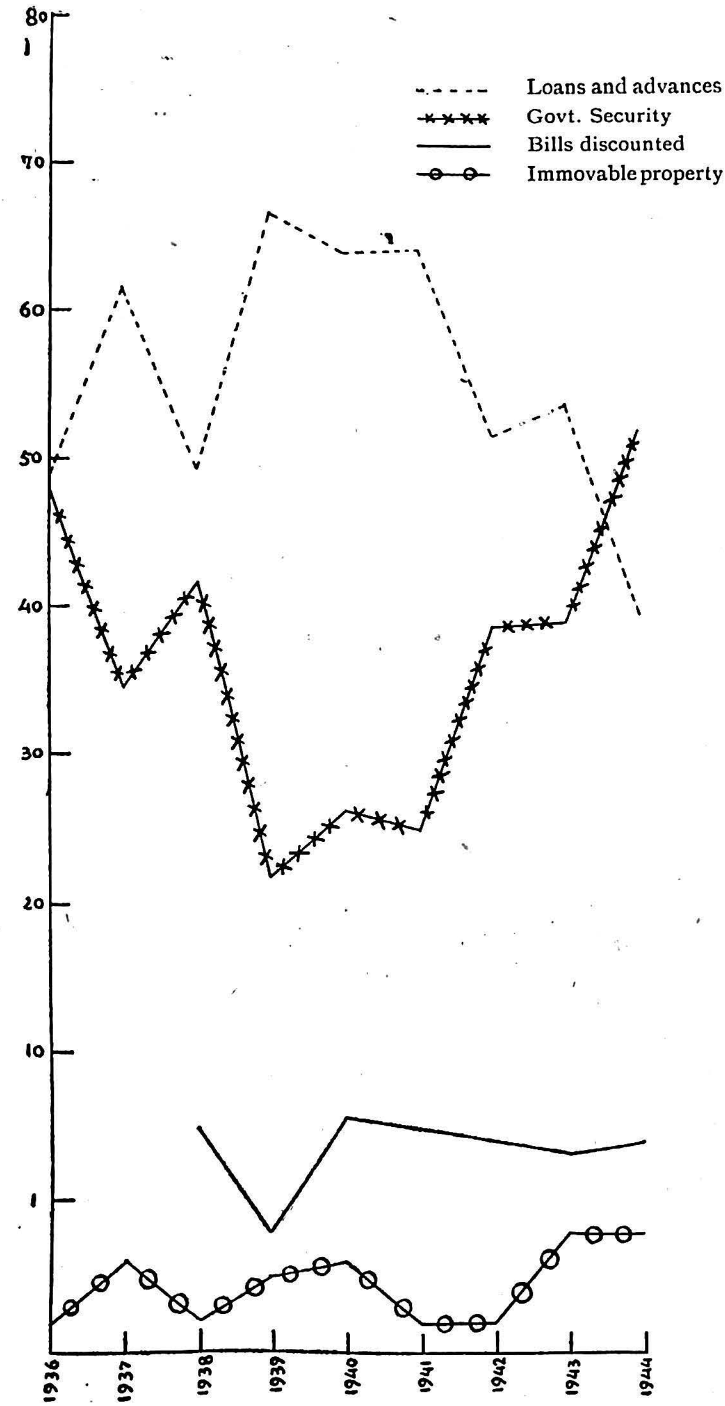
1942
1943
1944

long-term investments to any considerable extent. Investment on long-term, particularly on industrial projects not only amounts to blocking up of capital but also involves an extra dose of risk, which any commercial bank cannot and should not undertake. Generally, banking houses afford facilities for short term credit in the form of loans and advances by hypothecation of readily marketable stocks and discounting of bills, and thus provide a part of working capital for trades and industries of the country. Industrial shares are, however, held temporarily by way of short-term investment and this too is done on careful discrimination. It is only a percentage of the time-deposits that may be loaned out for any longer period. Thus joint-stock banks are required to maintain liquidity of position and naturally, therefore, bills and securities are preferred as investments. This is particularly so in a period of emergency such as the present war, when the general public are less inclined to block their savings in fixed deposits and insist on possessing cash credits on current account. Moreover, the continued scarcity of goods and rationing of consumption, diverted a percentage of usual family expenditure to forced savings at a considerable sacrifice and privation of the people, and this inflow of deposits can hardly be regarded as bank money. Consequently, it is widely apprehended that soon after the cessation of hostilities and relaxation of goods market, the cumulative effect of dammed-up demands for consumption will cause increase of withdrawals. With this prospect of immediate post-war years, banks must need maintain liquidity of position sufficient to meet the requirements. But at the same time it must be acknowledged that no bank can afford to keep idle any very large volume of its deposit money without incurring loss. So, invest it must ; but the manner of investment should be carefully chosen so as to enable easy conversion into cash at short notice, when necessity arises. During the War-years large issues of Government loans of different categories, and particularly Treasury Bills have afforded this much needed opportunity and generally speaking the Indian Banks have been able to suitably adjust their investment side. The tables below reveal the investment side of Nath Bank Limited and must be acknowledged as ideal distribution, best suited to the prevailing conditions in the country.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Loans and advances
Govt. Security
Bills discounted
Immovable property
1936
1937
1938
1939
1940
1941
1942
1943
1944

TABLE VII

Analysis of Investments

Period	Immovable Properties	Govt. Securities Etc.	Loans & Advances Etc.	Bills Discounted	Total Investments
1937	20.346	14,24,837	25,17,354	...	39,62,537
1938	27,998	41,04,278	48,56,160	5,75,967	95,64,403
1939	55,690	25,53,362	76,00,525	8,80,863	110,90.440
1940	71,262	30,97,165	74,48,722	7,28,514	113,45,663
1941	320,354	35,07,948	86,52,364	7,67,890	132,48,556
1942	3,20,072	71,18,854	96,01,087	10,15,763	180,55,776
1943	2,80,020	1,35,99,425	1,85,97,299	12,16,412	336,93,156
1944	4,34,209	2,61,38,207	2,00,68,279	23,36,672	489,77,367

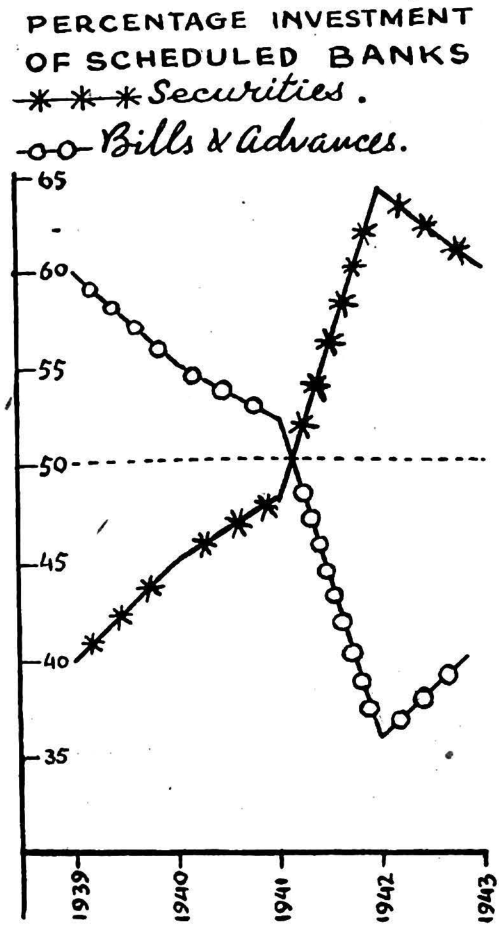
Viewed in this perspective, it should be no surprise to learn that in the sphere of bank investment there has been a continued displacement of bills discounted and other forms of loans by Government paper. This has been a major tendency since the beginning of War, and it is estimated that over 50 per cent of bankers' assets are to-day lodged in Gilt-edged and short-term bills. Some of the bigger institutions, having comparatively larger clientele and larger deposit funds have been constrained to invest in Gilt-edged securities even upto 70 per cent of their total assets. The following table showing the percentage distribution of different investments of Nath Bank Ltd., indicates rapid increase in Government securities. In 1936, total value of Government securities held amounted to Rs. 7,15,915 only as against Rs. 2,61,38,207 in 1944, constituting 53.3 per cent of total investment.

TABLE VIII

Percentages of different investment

year	Immovable property	Govt. & other Securities	Loans & Advances	Bills discounted
1936	·2	49·1	50·7	...
1937	·6	35·9	63·5	...
1938	·2	43	50·8	6
1939	·5	23	68·5	·8
1940	·6	27·2	65·6	6·6
1941	2	26	66	6
1942	2	40	53	5
1943	·8	40·2	55	4
1944	·8	53·3	40·9	5

These large volumes of Government securities now held by the bank constitute a bulwark of safety and in general, it may be said that the liquid position of the bank has improved considerably and hence its solvency.


PERCENTAGE INVESTMENT OF SCHEDULED BANKS
Securities.
Bills & Advances.
65
60
55
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35
1939
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1943

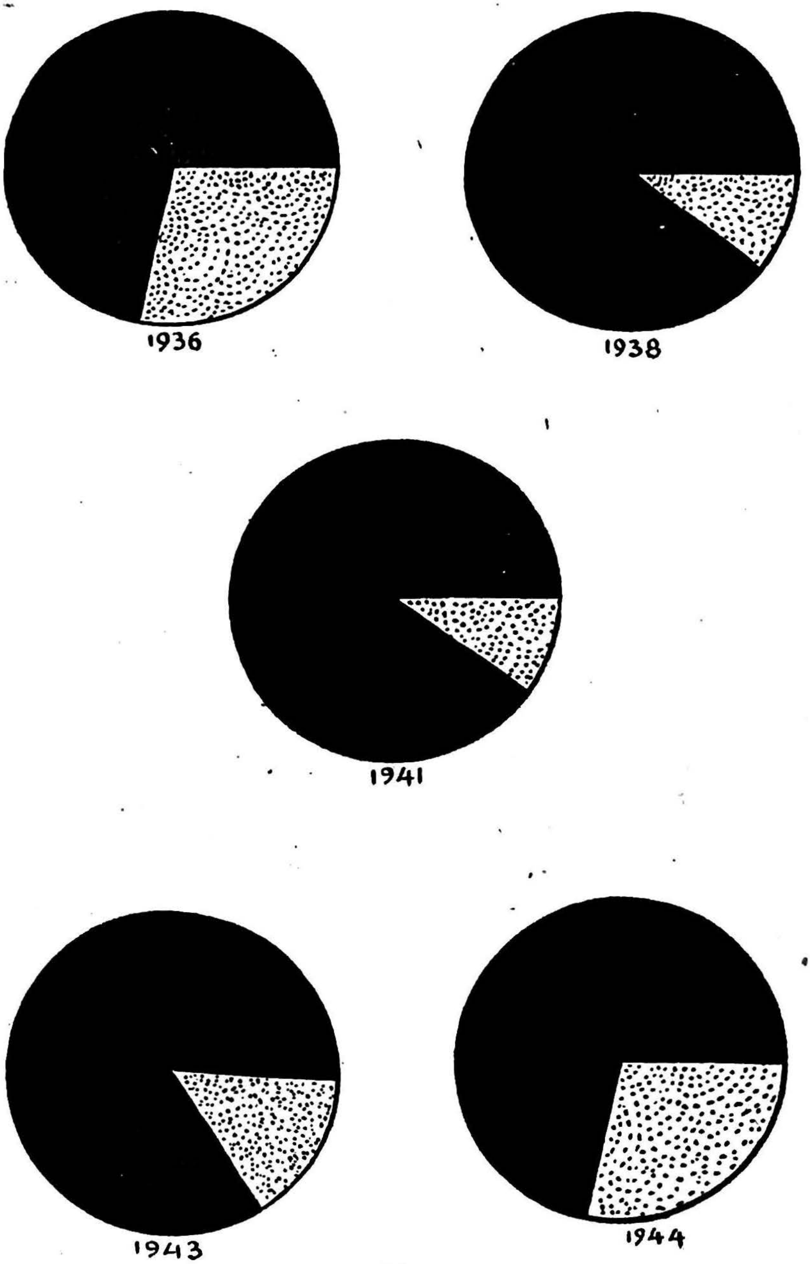
Future of the Money Market

As has been shown above, the success of Government loans has been mainly due to liberal contributions by the Indian banks. But at the same time, it must be realised that the Indian banks in General, and Nath Bank Limited being one of the top-rank Scheduled banks, have come to acquire heavy stakes ; and consequently, the future of banking has been more closely twined with the prospects the Gilt-edged market will fare in the future. There seems to be a popular misapprehension that Government papers will face a slump as it happened after the last Great War. In fact, probabilities are more for the reverse to happen. Large scale economic re-orientation envisioned in Government's post-war reconstruction schemes postulates the continuation of the present easy condition in the money market. If post-war re-construction is to have its way, bank rates must necessarily be maintained low. In certain quarters it is even suggested that cessation of hostilities will not immediately bring down the scale of Government expenditure, but will only transfer the expenses from Defence and Military to the Development departments. In all probability, this is very likely to happen and then Government must continue to borrow in the market and for that matter, must suppress any toning up of the bank rate, and this in itself will help to maintain the Gilt-edged section. It will, therefore, be acknowledged that the banks' stake in Government Papers does involve very little of risk, and on the contrary strengthens the baffle-wall at the door against any future emergency.

Conclusions.

The prospects of Indian banking may well be studied in the growth and achievements of the Nath Bank Limited, one of the most representative and progressive banks in the country. From what has been said in the foregoing pages, it will be readily appreciated that the general expansionist tendency is strongly reflected in the life-curve of the Nath Bank Limited. Under the able guidance and intelligent piloting of Mr. K. N. Dalal, Managing Director, this bank has risen from its humble beginning to occupy a front-line position in the entire banking world. In every direction it has expanded fast apace and has

Percentage of Investment.
To Deposit.



come to enjoy wide confidence of its ever-growing clientele. The future too promises untold possibilities.

It will not be out of tune to note here that the authorities of the bank, in full appreciation of the growing complexities of the banking problems and practices, have introduced certain new innovations that are still rare in the field of Indian business. Just to take one example, a well-equipped Department of Research and Statistics has been added recently, with a view to maintaining a close contact with the changing economic life of the country. Unfortunately, the importance of research and statistics still goes ill-appreciated in our country. But one who has the knowledge and fore-sight must concede that if Indian banks ever aspire to attain parity with their comrades in the field in other more advanced countries of the world they must conform to scientific methods adopted by the latter. Moreover, to be forewarned is to be forearmed. In these days when economic re-orientation is speedily happening all the world over and business practices are assuming complexities, it is imperative for a banking institution to keep sharp vigilence on the trends and tendencies of the national and international markets. Thus, a department of Research and Statistics must be considered as an essential part of a growing banking institution, Therefore, it is much gratifying that we are today able to announce that the Department of Research and Statistics, attached to our bank is already performing the functions expected of it and all our investments are being checked and scientifically guided by it.

Before we conclude, another common question needs be answered. It is believed in certain quarters that in post-war years huge influx of foreign capital through the agency of foreign banks operating in India will jeopardise the interests of Indian banks. Evidently, this apprehension has no basis and the major tendencies in the international market point otherwise. Firstly, it requires little arguing to understand that after this war the only country that will be left with any large exportable capital would be America. But here again the vast financial demands to meet the requirements of rebuilding the war ravaged continent of Europe will be the first charge on the American capital market and hence little will be available in near future for investment in India. Secondly, exchange restrictions will act as a brake on the inflow of foreign capital in India, except capital from Britain, a country that will emerge with heavy international debts and hence will be little disposed to export capital overseas. Thirdly, it can be said that in the past, Indian banks made their headway inspite of competition by foreign banks. Against all odds they have strived and strived successfully and have now assumed the control of a major part of the entire money market in the country. Lastly, the future of Indian banks lies in the hands of their Indian patrons—their own country men ; and it would be no idle presumption to expect that if a struggle comes, nationalist India will stand by its own banking institutions. and the will of the people must win.

It can no longer be doubted that Indian banking system will in immediate post-war days, play a vital role in the economic and industrial life of the country. The success in mobilising the nation's capital resources by the popular banks will determine the prospects of post-war reconstruction ; and it is believed that in appreciation of this fact the different sections of the community will undertake voluntary saving and will thus enable their bankers to contribute their quota towards economic rebuilding of the common Motherland. In the name of the Country, in the name of the Nation and in the name of India's teeming millions this is also our appeal to our numerous patrons, clients and their friends and families. By supporting us they will support the National Cause.

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