

ELEMENTARY BANKING

BY

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IN THE DAYS OF JOHN COMPANY, ECONOMICS

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To
The Sacred Memory
of
THE LATE SIR ASUTOSH MOOKERJEE,
KT., C.S.I.
In humble appreciation of
all that he has done
for the cause of higher education
in Bengal

PREFACE TO THE FIRST EDITION

This book contains an elementary survey of the general principles of Commercial Banking theory meant as an introduction for the use of Indian students who would like to get clearer and firmer notions of the subject than they can obtain by reading any of the text books written by Western writers.

The fundamental principles of banking theory are explained in a simple way. This is a sort of synthesis of earlier studies made by acknowledged writers in the domain of banking and currency. The theoretical principles are described in the light of the most recent knowledge as set forth in literature which is not very easily accessible to most students. Banking is becoming a profession and a sound knowledge of theory is essential for success besides the accuracy and experience which banking practice can furnish. This little book will furnish the needed groundwork in banking theory.

31st March, 1924.

B. RAMCHANDRA RAU.

PREFACE TO THE SECOND EDITION

The aim of the revised and enlarged edition is not to explain the methods of book-keeping adopted by banks or the legal aspects of banking practice or to describe the banking operations in minute detail. As a teacher of fifteen years' standing I consider myself qualified to discuss these measures but I have set them aside for more detailed treatment in a separate volume. I have accordingly dealt with the part played by banks in the complex processes of our social economy. As an outsider practical bankers would certainly question my competency to deal with matters of banking practice in a thorough manner. I may be belittled as a "man of mere theory," but it must be borne in mind that "theory is the soul of facts." I have endeavoured to supplement each chapter by making reference to recent discussions on some of the aspects of banking credit dealt with in that chapter.

The oft-repeated subject as to how and in what manner bank deposits are created has been referred to in the section on bank deposits. The evolutionary practices in the matter of credit control are referred to in the section on the Central Bank of Issue. The banking remedies for checking the trade booms and depressions have been referred to in the appropriate section on bank advances. As a matter of fact every section has been enriched by substantial and useful additions with reference to the changing practices of

the post-war gold standard, the development of open-market operations in New York, the growth of New York as a major lending centre and the narrowing of the gold points as a result of economies in the transport of gold.

The lack of authentic banking statistics properly compiled by authoritative people is a great drawback. A closer acquaintance with the detailed operations of our banking mechanism and the drawing of any orderly knowledge from a mass of these figures become impossible in the absence of detailed statistics, regularly collected and promptly published. Comparison with other countries is often indulged in by other writers on banking, but the few banking statistics that are available lie scattered in several places and are not placed on a plane of comparability with other countries. Details of the most vital features are not to be had anywhere in an easily accessible form. Nothing is so deplorable as the damming up of this source of knowledge and unless such figures, extending over fairly long series of years, are available in course of time no practical conclusions of any great value as regards quantitative or qualitative banking development can be drawn. Besides this there ought to be proper co-ordination of statistical work of different departments and the annual banking blue book should attempt to gather and publish such valuable statistics.

The lines of development of Indian banking and the detailed study of the present-day situation are dealt with in my books entitled *Banks and the Money Market*, *Organised Banking in the Days of John*

Company published by Messrs. Lal Chand & Sons and my *Present-day Banking in India* published by the Calcutta University. This is a companion volume to them.

My obligations are to the other writers who are mentioned in the bibliography. Although I have been very diligent in getting ideas on banking problems from all standard treatises on banking, my ability to approach the Indian banking conditions is curtailed to a great extent by the lack of bulletins published by banks stating their facts and figures in an intelligible manner. Barring the monthly notes of the Central Bank of India nothing valuable in this direction has been attempted by the other Indian joint-stock banks. It is a pity that a diligent student of Indian banking can secure more information on foreign banking systems than on the banking system of his own country.

23rd January, 1933.

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