

REPORT OF THE COMMITTEE ON BANKING STATISTICS*

1. Introductory

The Reserve Bank of India calls for a number of returns and statements and other information from banks for the effective control and supervision over the monetary and credit system of the country and for the management of its exchange reserves. The statutory powers for this purpose have been conferred on the Reserve Bank by the Reserve Bank of India Act, 1934, the Banking Regulation Act, 1949 and the Foreign Exchange Regulation Act, 1947. Besides, the Deposit Insurance Corporation Act, 1961, requires the insured banks to submit certain returns to the Deposit Insurance Corporation periodically (Annexure I).

2. The returns may be broadly classified into (i) statutory, i.e. those primarily required for watching the compliance by banks with the various statutory provisions and (ii) statistical i.e. for studying the trends in banking and credit. The returns submitted by banks and authorised dealers to the Department of Banking Operations and Development and to the Exchange Control Department, respectively, fall in the former category, while those submitted to the Economic and Statistics Departments of the Bank are generally of a statistical nature. There is, however, no hard and fast dividing line between the two categories of returns. Some returns of the former group are used for statistical purposes and *vice versa*. Thus, the returns and statements received by the Exchange Control Department from banks constitute the basic data for the compilation of balance of payments statistics, while some of the returns obtained by the Economic Department (e.g. fortnightly survey of bank advances) are used to verify the compliance by banks with the selective controls in operation. Similarly, the weekly return submitted by scheduled banks to the Reserve Bank is partly statutory and partly statistical in nature. A good part of the data collected in the various returns are published by the Bank regularly in its publications viz. Report on Currency and Finance, Report on Trend and Progress of Banking

in India, Statistical Tables relating to Banks in India and the Monthly Bulletin.

3. From time to time, the Bank has been reviewing the question of bringing about uniformity of concepts and simplification of returns submitted by banks. An inter-departmental sub-committee, appointed by the Inter-Departmental Committee on Banking Statistics, which examined the various returns, in this connection, made the following recommendations in 1957 :

- (i) as far as possible, all the returns except the balance sheet should relate to the same day i.e. Friday;
- (ii) information on current, savings and fixed deposits should be collected in the weekly return by splitting up demand and time liabilities into a number of sub-items;
- (iii) in the monthly return on form XIII (now XII) the item 'bills purchased and discounted' should cover also export bills purchased and discounted and held in India ;
- (iv) investments in Government securities should be split up in Form XIII (now Form XII) to get information on Central Government and State Government securities, Treasury bills, etc.;
- (v) it would be desirable to combine in one return, the information reported by banks in four returns viz. Forms III, X, XI and XIII (now Form XII).

4. The third and fourth recommendations of the sub-committee have been fully implemented, while the second and last recommendations have been partially given effect to. In the weekly return, demand and time liabilities were sub-divided into deposits and other liabilities, since November 25, 1960; however, the break-up of current, savings and fixed deposits, as suggested by the Committee was not introduced. Further, in July 1965, the

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return on Form XI was dispensed with and its features were included in Form XIII (renumbered as Form XII). Along with this modification, two other changes were also made with a view to reducing the work-load on banks. In Form IX, the particulars of offices are now required to be given only at the end of December and not at the end of each quarter, as was called for earlier. Another modification intended to reduce the burden on banks is that in the new Form XI banks are not required to give particulars of deposits standing to the credit of each inoperative account.

5. Form III is applicable only to non-scheduled banks which are required to report every month to the Reserve Bank their cash reserves as on each Friday. It is understood that the Department of Banking Operations and Development is examining the feasibility of combining this return with the return on Form X which requires the banks to report their liquid assets as on each Friday, every month. This is a further step in the direction of reducing the number of statutory returns suggested by the Sub-committee.

6. Since the Sub-committee examined the problem and made its recommendations, a number of developments have

Need for fresh review of the problem of banking Statistics

taken place in the field of banking statistics. The Deposit Insurance Corporation, which was set up in January 1962, is obtaining data from

the insured banks through its periodical returns on Forms I to V. The Economic Department is obtaining returns from individual branches of scheduled commercial banks on the security-wise classification of advances on Form 7 and the stocks of foodgrains pledged to banks on Form 8. The Department has also conducted, from time to time, *ad hoc* surveys such as the survey of medium-term advances of banks and the liabilities of banks on account of guarantees, underwriting etc. By virtue of the powers conferred by Section 45(c) of the Reserve Bank of India Act, the Bank is obtaining in quarterly returns from all scheduled commercial banks information on credit limits sanctioned by banks and advances outstanding against them. At the same time, the frequency of some of the surveys conducted by the Economic Department, viz.,

the survey of ownership of deposits and the survey of bank advances was reduced, making them annual surveys, while the half-yearly survey of interest rates was discontinued. However, the comparability of data collected in various returns still continues to be vitiated owing to differences in the definition of some items, e.g. capital, reserves, deposits, borrowings etc. The data collected by the Bank are also found to be inadequate for certain purposes e.g. flow of funds and savings studies. The reference date of some of the surveys conducted by the Economic Department, namely, survey of ownership of deposits, survey of investments of banks and survey of purpose-wise distribution of bank advances, has already been changed to March 31 to be on par with other financial data available for the purpose of these studies. The study of inter-sectoral flow of funds requires also a more detailed break-up of assets and liabilities of banks than is available in the current weekly and monthly returns and in the balance sheet.

7. This has necessitated a review of the position regarding the scope of the returns and the standardisation of concepts with the view to increasing the utility of banking statistics. The Bank, therefore,

appointed in February 1966 a Committee under the Chairmanship of Shri V. G. Pendharkar, Economic Adviser to the Reserve Bank of India, consisting of officers of the Bank and a representative each of the State Bank of India, the Indian Banks' Association and the Exchange Banks' Association. The following were the members of the Committee: Shri M. D. Bhat, Dr. V. V. Bhatt, Shri M. L. Gogtay, Dr. D. R. Khatkhate, Shri K. P. N. Nair, Shri M. Narasimham, Shri S. Ramachandran and Shri K. R. Viswanathan (Member-Secretary) of the Reserve Bank of India. Shri K. K. Banerji of the State Bank of India, Shri M. Mathias of Mercantile Bank Ltd. (Representative of the Exchange Banks' Association) and Shri S. G. Shah of the Indian Banks' Association. Shri C. N. Sivabhushnam and Shri A. N. Mulla were later appointed members, respectively, in place of Shri M. L. Gogtay and Shri S. Ramachandran (posted on other duty) and Shri B. L. Bahl served as a member in place of Shri A. N. Mulla at the last two meetings.

8. There were no formal terms of reference, but the Committee was asked to examine the returns submitted by banks to the Reserve Bank, with special reference to the statutory requirements, and with a view to securing consistency and uniformity in concepts as between different returns and to reducing the workload on banks. The first meeting of the Committee was held on February 29, 1966 at which the Chairman explained the circumstances leading to the setting up of the Committee and stressed the need for streamlining the procedure adopted by banks for the collection and submission of returns to the Reserve Bank.

9. The Committee felt that considerable importance should be attached to the timely and correct reporting by banks which is essential not only for a proper assessment of the working and growth of the banking system, but also for the formulation of measures by the Reserve Bank for the regulation of banks and for the provision of assistance to banks. Although it was known that a few banks were having special units for the collection and compilation of statements and returns, the Reserve Bank did not have full information on the statistical set-up in banks. It was, therefore, decided that a questionnaire be issued to banks to elicit information from them in this regard. Accordingly, a questionnaire was issued to all scheduled commercial banks in March 1966.

II. Constituent items in the returns*

10. The Committee examined the concepts and the definitions of items included in the returns, with a view to ensuring uniformity and thereby enhancing the comparability and consistency of data compiled from the various returns. The individual returns were then examined so as to decide the items and their coverage, taking into account operational and statistical requirements. It was decided that the weekly return being the most frequent should contain the minimum number of items; the monthly return may have a larger coverage and only the annual return may call for a detailed classification of all the items of liabilities and assets of banks.

The annual surveys conducted by the Economic Department would provide supplementary information on the liabilities and assets of banks available from the annual return, the reference date of these returns being the same, viz., March 31.

11. At present, liabilities are classified into demand and time categories in the weekly return and returns on Forms III, X and XII. This was introduced at a time when the cash reserve requirements were different for the two types of liabilities. In view of the subsequent statutory amendment in terms of which there is now the application of a uniform cash ratio for demand and time liabilities, the Committee recommends that classification of liabilities into demand and time in the various returns may be discontinued.

12. The method of showing paid-up capital in some of the returns is not uniform. In the monthly return on Form XII, while calls received in advance are included in paid-up capital, 'forfeited shares' are shown separately. In Form 4(A), both 'calls received in advance' and 'forfeited shares' are excluded from paid-up capital and included in 'other liabilities.' In the balance sheet, however, forfeited shares are added to paid-up capital, though shown separately. Since the figures of 'forfeited shares' are available in the balance sheet once a year, there is no need for getting them in the monthly returns. The Committee suggests therefore that the procedure adopted in the balance sheet, of adding forfeited shares to paid-up capital may be extended to Form XII and Form 4(A) returns also. As regards calls received in advance, the Committee is of the opinion that they are not part of banks' paid-up capital, as they are in the nature of outside liability. It is, therefore, suggested that the procedure followed in Form XII of adding calls received in advance to paid-up capital may be discontinued, and instead they may be included in 'other liabilities' as is done in other returns.

* Please see Annexure II for definition of the various items.

13. At present, 'reserves' are distinguished from 'provisions' on the basis of the definition given in the Part III of Schedule VI to the Companies Act, 1956. The term 'provision' is defined in the Companies Act, 1956 to mean the amounts written off or provided for depreciation, renewal or diminution in the value of assets or for known liabilities the amount of which cannot be determined with substantial accuracy. However, where the amounts provided for are in excess of what is considered by the directors to be reasonably necessary for the purpose, the excess amount should be treated as 'reserve.' The Department of Banking Operations and Development has advised the banks in its circulars of October 15, 1959 and January 15, 1962 to observe this legal distinction between reserves and provisions. Banks normally treat as part of their published reserves general reserve, statutory reserve, dividend equalisation fund, share premium account, development rebate reserve, building and development reserve and any special reserve which they may like to disclose to the public in their annual balance sheet. The Committee suggests that the present position may continue in this regard.

14. The present classification of deposits is not uniform. In the balance sheet and in some of the returns (e.g. Classification of deposits Forms XI and XII of the Banking Regulation Act), deposits are classified into current, savings and fixed, while some other returns (weekly return and survey of ownership of deposits) they are classified into demand and time deposits. The Committee feels that uniformity in classification of deposits into current, savings and fixed in all the returns would be desirable as this is in conformity with the accounting practices of banks. It is also suggested that these three categories of deposits should cover all deposit liabilities of banks and that a separate category 'other deposits' which is found in some returns (Form 4(A)—Statistical Tables relating to banks in India—and Form XI) should be discontinued. It may be mentioned

in this connection that the Sub-committee had recommended the discontinuance of a residual category called 'other deposits', as it felt that such deposits as security deposits, and provident fund deposits ought to be treated as 'other liabilities, rather than included in the category 'other deposits.' This recommendation has not so far been implemented. This Committee suggests that this may be given effect to in all returns.

15. The present position regarding the classification of inter-bank items such as deposits, borrowings etc. in the various returns is not quite satisfactory, and the liabilities and assets do not tally in respect of these returns. There is lack of uniformity among banks in the treatment of inter-bank deposits and borrowings, some banks classifying some of the inter-bank deposits as inter-bank borrowings, while some others showing a part of inter-bank borrowings as inter-bank deposits. To do away with this difference in reporting, it is suggested that inter-bank deposits at call or short notice not exceeding 14 days should be treated as inter-bank borrowings and shown as such in the returns. The corresponding item on the assets side would be 'money at call and short notice.' All other types of deposits of commercial banks, co-operative banks, land mortgage banks and of overseas correspondents should be classified on the basis of definitions provided for the three categories of deposits, namely, current, savings and fixed deposits in Annexure II. As in weekly and monthly returns, inter-bank deposits should also be shown separately in the balance sheet. In order to obtain information on inter-bank borrowings under one head, the Committee suggests the following classification in the various returns except in the balance sheet.

- (i) Reserve Bank of India*
- (ii) State Bank of India
- (iii) Subsidiaries of the State Bank of India
- (iv) Industrial Development Bank of India
- (v) Agricultural Refinance Corporation
- (vi) Other commercial banks

* At present there is some discrepancy between the outstanding amounts of borrowings of scheduled commercial banks reported in their weekly consolidated statement and those shown in the weekly statement of affairs of the Reserve Bank of India due to the fact that in respect of non-reporting banks, the previous week's figures are taken in the consolidated statement.

- (vii) Co-operative banks (including land mortgage banks and credit societies).

16. In the balance sheet, cash in hand, balances with the Reserve Bank as well as with the State Bank are all clubbed together in the item 'Cash in hand and with the Reserve Bank and State Bank.'

There is also no break-up of cash held in India and outside India. Further, this item in balance sheet expressly includes foreign currency notes, while in other returns foreign currency notes are not treated as part of cash reserves, as they are not considered to be assets in India. With a view to providing fuller information to the public, the Sub-committee had therefore suggested that the item may be split into (i) cash in hand, (ii) with Reserve Bank of India and (iii) with State Bank of India and other notified banks, item (i) being further divided into (a) cash held in India and (b) cash held outside India. This recommendation has not, however, been implemented in the balance sheet so far. Foreign currency notes and coins held by offices in India should not be included in item (i) (a)—cash held in India, but they should be treated as 'other assets.' The Committee suggests that the break-up of the item, as suggested above, should be called for in the special annual return on liabilities and assets recommended in paragraph 21.

17. In accordance with the definition suggested for inter-bank borrowing earlier, the Committee recommends that money at call and short notice in all returns including the balance sheet should be confined to funds lent to banks at call or short notice of 14 days or less, whereas 'due from banks' should cover all other inter-bank loans and advances. As some banks extend money at call in foreign countries also, the Sub-committee had suggested that the item 'money at call and short notice' should also be split up into (a) 'In India', (b) 'Outside India', but so far this recommendation has not been implemented. In view of its usefulness, this information should be obtained from banks. As it is likely that money at call and short notice is also extended to non-banking institutions such as discount houses in foreign countries, it would be useful

to sub-divide (b) further into (i) to banks and (ii) to others. As it is not necessary to publish these details in the balance sheet, this information may be obtained in the special annual return.

18. The term 'loans and advances' covers loans, overdrafts and cash credits, while bills purchased and discounted

Loans and
advances and
Bills purchased
and Discoun-
ted

cover bills of exchange, hundis, demand drafts and cheques purchased and discounted.

The two items together constitute what is called "Bank Credit." In the presentation of loans and advances in the balance sheet, the banks are permitted to show the figures *less* bad and doubtful debts for which provision has been made to the satisfaction of the auditors. On the other hand, the *gross* amount of loans and advances is reported in other returns. Although the banks are required to disclose certain particulars of advances in the balance sheet, one of the items being "debts considered doubtful or bad not provided for," banks invariably do not report any figures in this item. This is so because they make provision for such debts to the satisfaction of the auditors, the amount of provision being determined by the auditors with reference to the estimated amount of bad or doubtful debts. The intention behind this procedure seems to be to prevent the banks from including advances which are not likely to be recoverable and to enable the auditors to exercise a careful scrutiny of the advances portfolio of banks and to satisfy themselves as to the adequacy of the provision for bad and doubtful debts. As the auditors examine the amount of doubtful debts, they are also empowered to decide the quantum of provision to be made for such debts. The Reserve Bank officials pay due attention to this matter at the time of inspection of banks. The figures of main liabilities and assets of individual banks are published by the Reserve Bank in its annual publication, 'Statistical Tables relating to Banks in India' and the published figures of advances are inclusive of bad and doubtful debts of individual banks. The Committee feels that it is not therefore necessary to suggest any change in the existing balance sheet procedure in this regard.

19. There is no uniformity in the treatment of kuri and chitti funds in the various returns.

Kuri and Chitti Business In some of the statistical returns e.g. Form 4(A), they are included in loans and advances, while in other returns (Forms 3 and 7) they are excluded. In Forms 1 and 4(A), kuri and chitti deposits are not treated as part of banks' deposits. So far as statutory returns are concerned, the requirement is that only the net position of a bank's kuri and chitti business should be shown, as 'other assets,' or 'other liabilities' as the case may be. The Committee feels that although banks are permitted to do this business only as an agency business, kuri funds are no different from the other funds handled by banks and it would be desirable from the economic point of view to treat kuri deposits as part of banks' deposits and kuri loans as part of their loans and advances.

20. Investments in Government securities are shown at book value in the weekly return,

Mode of Valuation of Investments in Returns in the monthly return (Form XII) and in the balance sheet. The third schedule to the Banking Regulation Act, 1949, which prescribes the form of the balance sheet, requires banks to state mode of valuation (cost or market value) in the balance sheet, subject to the requirement that if the book value of investments is higher than the market value, the market value is also shown in the balance sheet, separately.* Since the cost of these investments as shown in the banks' books is generally higher than the market value, banks keep a cushion in the form of investment depreciation reserves to absorb the loss which may result from the sale of securities. Investments in shares and debentures are generally shown at or below market value. In the monthly return on liquid assets of banks (Form X), however, banks are required to report investments valued at a price not exceeding the current market price so that only the actual realisable value of investments is taken into account for determining the liquidity cover against demand and time liabilities in India. No change appears necessary in the present practice in this regard.

III. Periodicity of Returns

21. Several statistical and statutory returns are on a Friday basis (weekly or monthly), while the annual survey returns are as on March 31, so as to correlate these data with the data on Government accounts and other data now available on a fiscal year basis. The survey of debits to deposit accounts with banks which is being conducted on a calendar year basis may, therefore, be changed to cover the financial year from April to March. The Committee considered the question whether the balance sheet and profit and loss account of banks could also be changed from the calendar year to the year ending March 31, in view of the usefulness of these data for flow of funds, national income, savings etc. The calendar year was adopted by the Banking Companies Act, 1949, as it was found that all the bigger banks used to close their accounts as on December 31. This practice is also being followed generally by banks in other countries and it would be convenient for banks to retain the present system and close their accounts as on December 31. However, in order to supplement budgetary and other data as on March 31, it is considered desirable to have detailed information on assets and liabilities of banks as on March 31, which would facilitate the study of savings pattern, flow of funds, etc. It is, therefore, suggested that a special return on liabilities and assets as on March 31 may be called for from all commercial banks. The data available from this return and those from the annual surveys of ownership of deposits, purpose-wise distribution of advances and investments of banks would provide comprehensive data on the pattern of liabilities and assets of banks. In view of this suggestion, the weekly return under Section 42(2) of the Reserve Bank of India Act, and the monthly return under Section 27 of the Banking Regulation Act, 1949, as on March 31, now being called for may be discontinued. This would avoid any additional burden on banks consequent on the introduction of the special annual return as on March 31.

22. It is understood that change in the Government's accounting year is under consideration. As the special annual return is

* This requirement was relaxed for some years when the market value of government securities recorded a sharp fall.

designed to obtain banking data on a fiscal year basis, the recommendation made by the Committee regarding the date of the return will have to be considered in the light of decisions taken by the Government.

IV. Rationalisation of Existing Returns

23. In the present monthly return on Form XII, liabilities and assets do not tally as they are confined to liabilities payable and assets held in India. The Committee therefore suggests that information relating to foreign assets and liabilities of Indian branches of banks may be obtained in the present monthly return on Form XII. Accordingly suitable footnotes have been added to the form of the return, specifying the additional items for which data are required. The weekly return now being submitted by the scheduled banks will continue to be confined to the banks' business in India, with fewer items than in the monthly return, both being prepared on Friday basis. As regards the other returns submitted by banks to the Department of Banking Operations and Development, the proposal to combine Form III with Form X has already been referred to. The other periodical returns are Forms I, IV, IX and XI which are not such as to impose any undue burden on banks, as the banks are quite familiar with them. These are also necessary for discharging the statutory responsibilities vested in the Reserve Bank.

24. With a view to bringing about uniformity in concepts and enhancing the utility of data obtained through various surveys, the *proformae* of the surveys on ownership of deposits, purpose-wise distribution of bank advances, debits to deposit accounts with banks have been modified. In the form of survey of ownership of deposits (Form I) additional information is proposed to be obtained on maturity-wise classification of fixed deposits on the basis of original maturity of such deposits. The survey of bank advances has been enlarged to include data on size-wise classification of bank credit and medium term loans to industry. The list of industries and trades has been recast on the basis of standard industrial classification adopted by the Government of India. The existing survey of debits to deposit accounts with banks is proposed to be expanded into a survey of credits and

debits with a view to facilitating the measurement of debits-credits relationship. It is also suggested that, as mentioned earlier, this survey be conducted on April-March basis on the lines of the other surveys. No changes are proposed in the existing annual surveys of investments of banks and of earnings and expenses of banks, fortnightly survey of banks advances and weekly survey of money rates. In regard to the information obtained on Form 4(A), which is used for the compilation of 'Statistical Tables relating to banks in India', the changes proposed are only of minor nature and the form will continue to be filled on the basis of balance sheets of banks as on December 31.

25. The Deposit Insurance Corporation has advised the insured banks to discontinue the returns on Forms III and IV, relating to interest rates on deposits, from the month of April 1967 and half year ending June 1967, respectively. In view of the utility of the data to the Bank for policy purposes, the Committee feels that the Survey of Interest Rates, on Deposits and Advances which was formerly conducted by the Economic Department and which was discontinued consequent on the Deposit Insurance Corporation calling for this information could be revived. A simple *proforma* has been designed for this purpose and it is suggested that the survey may be conducted as on the last Friday of April and October to coincide with the end of busy and slack seasons. This survey will not impose any additional burden on banks as it is in substitution of the existing returns submitted to the Deposit Insurance Corporation and the date of the survey is so fixed as not to trouble the banks with too many returns as on March 31. In view of this proposed survey, the quarterly return on loans and advances classified according to the interest rates, submitted by 20 selected banks to the Department of Banking Operations and Development, may also be discontinued.

26. The present survey of export and import bills is a quarterly survey and detailed information on foreign bills purchased and discounted by banks is obtained on currency-wise and country-wise basis. Since this survey involves considerable work for banks, it is suggested that this could be converted into a half-yearly survey. In order to study

trends in bill business during the busy and slack seasons as also to reduce the burden on banks at the time of their half-yearly and annual closing of accounts, it is suggested this survey be conducted as at the end of April and October. Further, with a view to improving the usefulness of data collected under this survey, it is suggested that the scope can be enlarged to cover non-bill transactions also, so as to broaden its coverage into an Export and Import Finance Survey.

V. Returns submitted by Authorised Dealers

27. Banks which are authorised to deal in foreign exchange under the Foreign Exchange Regulation Act, 1947 are required to submit to the Reserve Bank of India five tri-monthly returns and seven monthly statements and two quarterly statements on foreign exchange transactions. Besides, 16 banks at Bombay, Calcutta and Madras are also required to report daily transactions in foreign currencies to the Reserve Bank of India. The returns and statements are required by the Bank for exercising effective control over the foreign exchange transactions and provide valuable data for the compilation of balance of payments accounts. The authorised dealers have been submitting most of these returns for a number of years and have not experienced any difficulty. In view of this, no changes are proposed in them.

VI. Co-operative Banking Statistics

28. With the extension of some of the provisions of the Banking Regulation Act to co-operative banks on March 1, 1966, the co-operative banks are also required to submit returns to the Reserve Bank as prescribed in the Act. Consequently, it is possible for the Reserve Bank to collect statistics pertaining to the operations of co-operative banks on the lines of the data called for from commercial banks. The integration of co-operative banking statistics with commercial banking data would fill an important lacuna in the availability of banking statistics. Though in the initial stages there is bound to be time-lag between the two sets of data, it would be desirable to make them as nearly comparable as possible. It is suggested that the Reserve Bank may take steps to ensure this as early as possible.

VII. Procedure Regarding Implementation

29. The Committee feels that the existing statutory requirements and the differences Amendments in regard to scope and to the Reserve Bank of India Act and the Banking Regulation Act in connection with the submission of returns by banks coverage among different returns detract from the usefulness of data for analytical and comparative purposes. Further, changes in law take considerable time to be effected and each time the form is amended a notification has to be issued in the Gazette, giving due notice of change to the public. It is, therefore, felt that the relevant clauses of the Reserve Bank of India Act, 1934 and the Banking Regulation Act, 1949 might be amended, so as to delete from them details of returns to be submitted by banks. The only exception to this will be Section 29 of the Banking Regulation Act, which requires the banks to prepare balance sheet and profit and loss account as per the forms appended to the Act. The Banking Regulation Act contains also a general provision *i.e.* Section 27(2) which reads as follows :

“The Reserve Bank may at any time direct a banking company to furnish it within such time as may be specified by the Reserve Bank, with such statements and information relating to the business or affairs of the banking company (including any business or affairs with which such banking company is concerned) as the Reserve Bank may consider necessary or expedient to obtain for the purposes of this Act, and without prejudice to the generality of the foregoing power may call for information every half-year regarding the investments of a banking company and the classification of its advances in respect of industry, commerce and agriculture.”

As this Section gives general power to the Reserve Bank to call for returns from banks, it is suggested that this could be used by the Reserve Bank to obtain any information it requires from banks from time to time.

30. As regards the weekly return, specific reference to the particulars required to be furnished by the scheduled banks in the weekly return submitted under Section 42(2)

of the Reserve Bank of India Act may be deleted. The sub-section may be amended to read as under :

- (2) "Every scheduled bank shall send to the Reserve Bank, a return in the form prescribed by the Reserve Bank and signed by two responsible officers of such bank, showing its liabilities and assets in India at the close of business on each Friday and every such return shall be sent not later than five days after the day to which it relates."

Provided that where Friday is a public holiday under the Negotiable Instruments Act, 1881, for one or more offices of a scheduled bank, the return shall give the preceding working day's figures in respect of such office or offices, but shall nevertheless be deemed to relate to that Friday :

Provided further that where the Bank is satisfied that the furnishing of a weekly return under this sub-section is impracticable in the case of any scheduled bank by reason of the geographical position of the bank and its branches, the Bank may allow such bank—

- (i) to furnish a provisional return for the week within the period aforesaid to be followed up by a final return not later than ten days after the date to which it relates, or
- (ii) to furnish in lieu of a weekly return a monthly return to be sent not later than fourteen days after the end of the month to which it relates giving the details specified in this sub-section in respect of such bank at the close of business for the month."

VIII. Miscellaneous

31. The replies received from banks in response to the Committee's questionnaire referred to earlier indicated that 44 out of 75 banks had no separate department or unit at the Head Office for compilation and supply of statistics to the Reserve Bank. Further, out of 31 banks which had a separate unit or department at

Statistical
Organisation
in Banks

the head office, only 10 banks had staff exclusively assigned for statistical compilation and reporting purposes. Only two banks reported having a separate unit for attending to the statistical work in branches. It was found that most of the staff had no statistical qualifications, although they had adequate banking experience. The information obtained from banks on the statistical organisation showed that many banks did not attach the necessary importance to the compilation and the reporting of statistics bearing on their operations. The Committee suggests, therefore, that the banks may be requested to strengthen their statistical units so as to put the collection of banking data and compilation of returns on a sound basis. The staff employed for this purpose should be on a whole-time basis at least at the head offices of banks. The Reserve Bank may also agree to requests from banks for training their officers and supervisory staff in charge of statistical units/departments, in the methods of compilation of statistical returns submitted by them.

32. The Committee has endeavoured to reduce the burden involved in compiling returns, consistent with the obligations imposed by law on the Reserve Bank to exercise supervision over banks and with the need for getting adequate data on banking trends, required for the formulation of appropriate credit policy. The concepts evolved by the Committee and their uniform application in the returns would simplify the work at both branches and head offices. Besides, the Committee has taken care to ensure that there is no addition in the number of returns to be submitted by banks. The Committee feels that the implementation of its recommendations would lead to a reduction in the work-load on banks in regard to the compilation of returns.

Work-load on
Banks

IX. Summary of Main Recommendations

- (1) The classification of liabilities into demand and time categories in the various returns may be discontinued (paragraph 11).
- (2) The item "forfeited shares" may be added to paid-up capital in Form XII and Form 4(A), as in the Balance sheet (paragraph 12).

- (3) 'Calls received in advance' should not be added to paid up capital in Form XII, but should be included in 'other liabilities' (paragraph 12).
- (4) The distinction between reserves and provisions made in the Companies Act, 1956 may be maintained (paragraph 13).
- (5) A uniform classification of deposits into current, savings and fixed deposits should be introduced in all returns except in the balance sheet where contingency accounts are added to current accounts. It is not considered necessary to change the procedure in regard to this item in the balance sheet as the break-up suggested by the Committee would be available in the present return on Form 4(A). Inter-bank deposits should also follow the classification suggested above except that inter-bank deposits at call or short notice not exceeding 14 days should be treated as inter-bank borrowing and shown as such in the returns. As in the annual and monthly returns, inter-bank deposits should also be shown separately in the balance sheet (paragraphs 14 and 15).
- (6) From the economic point of view, Kuri deposits should be treated as part of banks' deposits and Kuri advances as part of banks' loans and advances (paragraph 19).
- (7) As information available in the balance sheet does not meet the requirements of data for special studies such as flow of funds, savings estimates, etc. it is suggested that a special annual return on liabilities and assets of banks as on March 31, every year may be obtained from all banks. The data collected from banks through the annual surveys as on the same date would supplement the information available from the special return. This date, *i.e.* March 31, is subject to the decision that may be taken by the Government in regard to the change in its accounting year (paragraphs 21 and 22).
- (8) The present monthly return on Form XII may be expanded by the addition of footnotes to get information relating to foreign liabilities and assets of the Indian branches of banks. The weekly return applicable to scheduled banks will contain fewer items of liabilities and assets than the monthly return, both being prepared on a Friday basis (paragraph 23).
- (9) A half-yearly survey of interest rates on deposits and advances may be undertaken by the Economic Department of the Bank, in substitution of the returns on deposit rates submitted by insured banks to Deposit Insurance Corporation and the return on loans and advances classified according to interest rates, submitted by selected banks to the Department of Banking Operations and Development (paragraph 25).
- (10) Since the integration of co-operative banking statistics with commercial banking data would fill in an important lacuna in the availability of banking statistics, the Committee suggests that the Reserve Bank may take steps to ensure this as early as possible (paragraph 28).
- (11) It would be desirable to delete the specific references to details of returns to be submitted by banks from the existing provisions of the Reserve Bank of India Act and the Banking Regulation Act, except in regard to banks' balance sheet and profit and loss account (paragraph 29).
- (12) The commercial banks may be advised to organise their statistical units so as to put the collection and reporting of the banking data on a sound basis. The staff to be employed for this purpose should be on a whole time basis at least at the head offices of the banks. The Reserve Bank may also agree to requests from banks for training their officers and supervisory staff in charge of statistical units/departments in the methods of compilation of statistical returns submitted by them to the Reserve Bank (paragraph 31).

ANNEXURE I

LIST OF RETURNS BEING SUBMITTED BY COMMERCIAL BANKS
TO THE RESERVE BANK OF INDIA

| Department and Nature of Return | Section of the Act | Periodicity | Reporting Banks |
|----------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------|-------------------------------------|
| I. Department of Banking Operations and Development. | | | |
| 1. Scheduled Banks' Business in India. | Section 42(2) of Reserve Bank of India Act. | Weekly | All Scheduled Banks |
| 2. Credit Information (party-wise) | Section 45(c) of Reserve Bank of India Act. | Quarterly | -do- |
| 3. Remuneration to Directors | Section 10 (Rule 5) of Banking Regulation Act, (Form I). | Yearly | All Commercial Banks |
| 4. Shareholdings of Chairman, Managing Directors, etc. | Section 12(4) of Banking Regulation Act, (Form II) | Initially and in case of change | -do- |
| 5. Cash position of non-scheduled Banks. | Section 18 (Rule 10A) of Banking Regulation Act, (Form III). | Monthly | Non-scheduled Banks |
| 6. Limits and outstanding amounts of unsecured Loans. | Section 20 of Banking Regulation Act, (Form IV.) | Monthly | All Commercial Banks |
| 7. List of offices opened/closed | Section 23 (Rule-13) of Banking Regulation Act, (Form IX). | Quarterly | -do- |
| 8. Maintenance of percentage of assets. | Section 24 of Banking Regulation Act, (Form X) | Monthly | -do- |
| 9. Unclaimed deposits | Section 26 of Banking Regulation Act, (Form XI). | Yearly | -do- |
| 10. Assets & Liabilities of Banking Companies. | Sections 25 & 27 of Banking Regulation Act, (Form XII). | Monthly | -do.- |
| 11. Assets and Liabilities of foreign offices. | Section 27 of Banking Regulation Act. | Monthly | Indian Banks having offices abroad. |
| 12. Savings deposits-breakdown into demand and time liabilities | No. 7 of Scheduled Banks' Regulations | Half-yearly | All Scheduled Banks |
| 13. Advances at various rates of interest. | Statistical return | Quarterly | 20 selected scheduled banks. |
| 14. Balance Sheet and Profit and Loss Account. | Section 29 of the Banking Regulation Act. | Yearly | All Commercial Banks |
| II. Deposit Insurance Corporation | | | |
| 1. Premia assessment & advance premium due. | Form I | Quarterly | All Commercial Banks |
| 2. Distribution of deposit accounts | Form II | -do.- | -do.- |
| 3. Rates of interest on deposits (Minimum, Maximum and Usual rates). | Form III | Monthly | To be discontinued from June 1967. |
| 4. Distribution of deposits, rate-wise. | Form IV | Half-yearly | |
| 5. Distribution of deposit accounts | Form V | Yearly | All Commercial Banks. |
| III. Economic Department— | | | |
| 1. Survey of ownership of deposits | Statistical (Form I) | Yearly | All Commercial Banks. |
| 2. Survey of investments | „ (Form 2) | -do.- | -do.- |

| Department and Nature of Return | Section of the Act. | Periodicity. | Reporting Banks. |
|------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|--------------|----------------------------------------------------------------------------------------------------------------------------|
| 3. Survey of advances (Purpose-wise) | Statistical (Form 3) | Yearly | All Commercial Banks |
| 4. Statistical Tables relating to Banks in India. | „ (Form 4A) | -do.- | -do.- |
| 5. Earnings & expenses of banks.. | „ (Form 4B) | -do.- | -do.- |
| 6. Survey of debits to deposit accounts | „ (Form 5) | -do.- | All scheduled banks. |
| 7. Survey of advances — security-wise. | „ (Form 7A & 7B) | Fortnightly | -do.- |
| 8. Survey of stocks of foodgrains.. | „ (Form 8) | Monthly | From selected offices of scheduled banks. |
| 9. Survey of export & import bills | „ | Quarterly | From banks which are Authorised dealers. |
| 10. Survey of ownership of Central & State Government securities | „ | Yearly | Information obtained from all scheduled banks reporting holdings of Government securities on behalf of their constituents. |
| 11. Survey of major authorised dealers' transactions in foreign exchange. | „ | Daily | From 16 banks at Bombay, Calcutta and Madras. |
| IV. Statistics Department— | | | |
| 1. Survey of money rates | „ | Weekly | From 10 banks at Bombay, Calcutta and Madras. |
| V. Exchange Control Department— | | | |
| 1. Return of transactions in sterling by authorised dealers—Form R1. | Section XXX of the Exchange Control Manual. | Trimonthly | All Authorised Dealers |
| 2. Return of transactions in U.S. dollars by authorised dealers—Form R2. | -do.- | -do.- | -do.- |
| 3. Return of transactions in sterling area currencies (other than pounds sterling) by authorised dealers—Form R3. | -do.- | -do.- | -do.- |
| 4. Return of transactions in non-sterling area currencies (other than U.S. dollars) by authorised dealers—Form R4. | -do.- | -do.- | -do.- |
| 5. Return of operations on non-resident rupee accounts of banks—Form R5. | -do.- | -do.- | -do.- |
| 6. Statement of import letters of credit opened or bank guarantees issued. | -do.- | Monthly | -do.- |
| 7. Statement of import letters of credit/bank guarantees outstanding and import letters of credit/bank guarantees cancelled. | -do.- | -do.- | -do.- |
| 8. Statement of export letters of credit. | -do.- | -do.- | -do.- |

| Department and Nature of Return | Section of the Act | Periodicity | Reporting Banks |
|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|-------------|------------------------|
| 9. Statement of guarantees issued on behalf of non-residents. | Section XXX of the Exchange Control Manual | Monthly | All Authorised Dealers |
| 10. Statement of foreign currencies held abroad and of rupee balances held in bilateral account countries by authorised dealers. | -do.- | -do.- | -do.- |
| 11. Statement of operations on non-resident accounts of foreign Governments. | -do.- | -do.- | -do.- |
| 12. Statement of credits to U.S. and Canadian dollar accounts. | -do.- | -do.- | -do.- |
| 13. Statement of balances held by non-resident individuals and firms (Excluding non-resident banks, Government and Semi-Government institutions). | -do.- | Quarterly | -do.- |
| 14. Statement of blocked accounts and securities. | -do.- | -do.- | -do.- |

ANNEXURE II

DEFINITION OF MAIN ITEMS OF LIABILITIES AND ASSETS OF BANKS

1. Paid-up capital consists of the amount of capital called up and paid-up, as well as the amount of forfeited shares. Calls received in advance should not be included in paid-up capital.

2. Reserves should be distinguished from 'provisions', as laid down in Part III of Schedule VI to the Companies Act, 1956. The expression 'reserves' does not include any amount retained by way of providing for any known liability the amount of which cannot be determined with substantial accuracy. Any amount set aside by way of provisions should not therefore be included under the head 'Reserve Fund and Other Reserves.' However, provisions in excess of the known requirements can be included in reserves. Examples of reserves are general reserve, statutory reserve, dividend equalisation fund, share premium account, development rebate reserve, building and development reserve and any special reserve which the banks may disclose in the balance sheet.

3. Current deposits refer to deposits payable on demand or not later than 14 days,

with or without notice. Thus, current deposits would include call deposits (other than from banks), unclaimed deposits, overdue fixed deposits, credit balances in cash credit accounts and interest due on these accounts.

4. Savings deposits are not, however, to be included in current deposits and they are to be shown separately in all the returns.

5. Fixed deposits comprise all deposits with a fixed maturity of 15 days or more, call deposits payable after 14 days' notice, cash certificates, recurring or cumulative deposits, kuri and chit fund deposits. Interest payable on fixed deposits, as well as margin and lien deposits, provident fund and security deposits should be treated as 'other liabilities' in all returns.

6. Borrowings from banks comprise not only money borrowed at call and short notice, but also deposits accepted for periods not exceeding 14 days from other banks. The expression 'banks', in this context, refers not only to commercial banks (including overseas correspondents) but also to co-operative and land mortgage banks.

7. Cash in hand should exclude foreign currency notes and coins held by offices in India, as well as postage stamps.

8. Balances with the Reserve Bank of India do not include deposits maintained by banks with it under Section 11(2) of the Banking Regulation Act, 1949 or money in transit from one office of the Reserve Bank to another.

9. Money at call and short notice comprises all funds lent at call or short notice of not exceeding 14 days, including deposits placed with other banks at call or short notice not exceeding 14 days.

10. Loans and advances include loans, cash credits and overdrafts, kuri and chitti loans, as well as loans on mortgages and deposits kept with non-banking institutions. Advance payments of expenses (e.g. rent) or income-tax, should be excluded. Loans and advances should be reported in all the returns (other than in the balance sheet) *inclusive* of suits filed, decreed, bad and doubtful debts.

11. Due from banks comprises loans and advances made to other banks, including co-operative and land mortgage banks and overseas correspondents.

12. Bills purchased and discounted should also include hundis, demand drafts and cheques purchased and discounted.

13. Investments in Government securities should include investments in Indian (Central and State) Government securities, including Treasury Bills, Treasury Deposit Receipts, Treasury Savings Deposits Certificates, Government Prize Bonds and National Savings Certificates.

14. Fixed deposits with other banks comprise term and notice deposits placed with other banks for periods exceeding 14 days.
