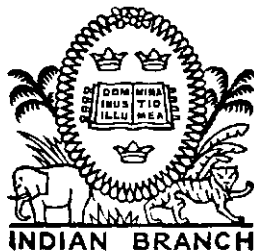


A STUDY OF THE INDIAN MONEY MARKET

WITH PARTICULAR REFERENCE TO THE CALCUTTA
MONEY MARKET

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IN MEMORY OF
MY FATHER

PREFACE

THIS book is an attempt at a comprehensive and critical study of the Indian money market, with particular reference to conditions in the Calcutta market. It is essentially a descriptive, not a historical, account. Its justification is that there does not exist, as far as I know, any adequate study of the Indian money market as a whole, or of any of our principal markets. All up-to-date enquiries have been concerned primarily with the development or the existing position of our banking system.

Any systematic enquiry into the working of the Indian money market has to contend with many handicaps. For one thing, there is not in India *one* single money market reflecting the financial and economic condition of the whole country. It is indeed not quite correct to speak of the Indian money market as one may of the London or even the New York money market. For another, statistical information in this country is still far from satisfactory. The lack of published statistics has sometimes had to be made up by information obtained by personal enquiries and from private sources. In this, I was considerably helped by the experience I had gained and the contacts I had made during the period I was associated with the Comilla Banking Corporation Ltd. In fact, I began first to be interested in the study of the conditions and problems of our money market while serving this institution, and this interest received a further stimulus as a result of my subsequent association with Calcutta University as a lecturer on 'Practical Banking'.

This study is divided into three parts. The first part is devoted to a critical examination of existing material and a descriptive account of the institutions of both the

organized and the bazaar sections of the money market, and covers common ground for any money market in India. The second part deals with the work of the Reserve Bank as the controller of credit and the operations of the two sections of the money market with special reference to conditions in Calcutta, and also attempts at an assessment of the resources of the Calcutta money market. The third part discusses the long-term capital market and also provides an estimate of the annual investment of the Calcutta capital market. In the absence of adequate statistical information, this estimate as also the assessment of the resources of the Calcutta money market can only be very tentative.

This book, except the last chapter, was completed in August 1941. It does not, therefore, incorporate changes that have taken place since then.

My debts in writing this book are many. From Dr M. M. Roy and Professor J. P. Niyogi, both of whom have kindly read the whole book in manuscript, I have received constant help and many valuable suggestions and to them I cannot adequately express my indebtedness. I also acknowledge my debt to Mr C. S. Rangaswami, Managing Editor of the *Indian Finance*, with whom I have had many long and instructive discussions on the actual working of money markets in India, and to Mr G. W. Tyson, C.I.E., Editor of *Capital*, for permission to read the old issues of the journal as also for help received from him.

Extant literature on the working of the bazaar section of the Indian money market is very scanty. It is particularly difficult to collect any statistical information. What facts have been stated here about the bazaar money market in Calcutta have been gathered by personal discussion with a number of indigenous bankers and moneylenders. Among them, Mr Khan Chand of Messrs Begraj Tahalram, and

Mr Tribhuvandas Bajaj of Messrs Nandramdas Kanyahalal deserve special mention, and to them I offer my grateful thanks.

I am also indebted to the Hon'ble Mr N. R. Sarker, Commerce Member of the Government of India, for his encouragement to the pursuit of economic studies generally and the use of his well-equipped private library. I also acknowledge my debt to Mr H. C. Sarcar, Agent of the Calcutta Branch of the Comilla Banking Corporation Ltd., for placing unreservedly at my disposal his intimate knowledge of conditions in the Calcutta money market. I should also like to express my sincere thanks, for help received in various forms, to Mr J. C. Sen, until lately Agent of the Calcutta Branch of the Comilla Union Bank Ltd., Mr A. C. Watkins of the Chartered Bank of India, Australia and China Ltd., Mr A. K. Sen of the Bank of India Ltd., Mr H. C. Paul of the Calcutta City Bank Ltd., Mr D. Ghosh of the Department of Industries, Bengal, and Prof J. Kellas.

I need hardly add that nobody but myself is responsible for the opinions expressed in this book.

CALCUTTA
January 1943

BIMAL C. GHOSE

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