A STUDY IN GENERAL AND SELECTIVE CREDIT CONTROL
(With special reference to India)

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Definition of credit - what is meant by credit analysis -
credit analysis and the underdeveloped economy - 1 - Loan for
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Loan for industrial expansion - 3 - Finance for the removal
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theory - Liquidity theory and the qualitative credit control -
The limitations of the shiftability theory - India and the
shiftability theory.

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Ambit of credit control - the radius of credit control
and the central bank. Credit control and the operations of
banks - the "dynamic side" of banking control.

(iii)
Summary - Chapter scheme.

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Cheap money in America - the 'thirties - the war years - the post war period up to the start of Korean War. Departure from cheap money and trend after the Korean crisis.

Some other countries: France after liberation - Direct Credit Control - Federal Republic of Germany - Belgium - the Netherlands.

Conclusion.

CHAPTER III.

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(1)

The traditional weapons of general credit control - 1 - The evolution of the theory of bank rate. The impact of the discount rate upon the economic structure. A. The effect of a change in the long-term rate of interest. B. The impact of short-term rate of interest. Decline in the importance of bank rate. Rate of interest and the debt policy of government. Measures to rejuvenate interest rate as a means of control.

2. Open market operation - the relationship of economic variables - an evaluation of open market operation - open market operation in India - assets of the Issue Department - Assets of the banking department.


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The Mechanism for the Selective control of credit.

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1. - Instalment credit control - connotation of the term -
Bonds for the purchase of real estate - purchase or improvement of new construction. India and instalment credit control.

2. - Margin requirements. Hypothetical illustration of the effectiveness of the weapon. Margin Trading in India.

3. - The rationing of credit - a) cheap money policy and credit rationing - b) credit rationing as a permanent adjunct of the economic policy of a state - “Soviet experiment”.


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Test Tube Devices.

a) Reserve variation according to the velocity of deposit accounts. Application of the automatic variation in India.

b) Silvio Gesell's Free Money - the effect of the plan on the rate of interest - the effect of the scheme on consumption investment and saving - the appropriate field of its application in backward economy.

c) Cent per cent money.

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Conclusion.
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IN INDIA.

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The question of branch banking - A - The intensity of
competition - The 'ANOP' or the degree of concentration -
the intensity of competition and the comparative efficiency
of the biggest seven banks - Allahabad Bank of India -
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the progress so far achieved. Concentration of branches and
the need for a proper branch expansion programme. The
scheduled and the non-scheduled banks and their respective
place in branch banking - Restriction on branch banking.
Banking facility and rural credit. Conclusion.

( ii )

Amalgamation - pros and cons of amalgamation - arguments
against amalgamation. A more detailed analysis: a) Capital and
reserves. b) advances investments and the cash ratio. c) banking
expenses and amalgamation.

Concentration - deposit concentration - concentration
of branches - the scheme for bringing about amalgamation.
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The reorganisation of the indigenous banking system. Structural arrangements considered: a) The association of the indigenous bankers and the money lenders b) the establishment of Kommandit Relationship. The scheme sponsored by the Reserve Bank. The causes of the failure - the lack of a comprehensive approach. c) the establishment of direct contact between the Reserve Bank of India and the Indigenous Bankers. The Reserve Bank's scheme. Supervised credit in agriculture: need for a machinery - the problems facing a system or supervised credit. 1) Community Projects 2) Panchayats. Conclusion.

(iv)

Remittance facilities - the remittance facilities - and the availability of funds to the private sector - rural sector - Conclusion.

Appendix I: Branch Banking
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side considered. The supply of finance from commercial banks. The trend up to the fourth quarter of 1948 - after 1948. B) The demand for bill as a method of finance: 1) the availability of alternative and at the same time cheaper methods of finance; 2) the non-existence of a great volume of standardized hundis of eligible quality; 3) the absence of genuine trade bills resulting from the lack of warehousing facilities. The recent efforts in creating a bill market. Storage facilities and an elastic Flow of Rural credit.

CHAPTER V.

SELECTIVE CONTROL OF INVESTMENT CAPITAL.

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A) Control of credit institutions.
B) Capital market control.
C) The task of supervision.

(1)

The control of the capital market in India - stock exchanges and the capital market - the statutory power to control the capital market - the objectives of control and the degree of success. (a) objectives; b) The degree of success.

Capital market. Institutional organisation of Capital market and the pattern of the Distribution of their Funds.

A) Special financing bodies: 1. - Industrial finance corporation of India - The type of business - and the resources of the Corporation - the operation of the Corporation -
purpose-wise distribution.

2. Special bodies for small and medium scale industries - Cottage small and medium scale industries and the Five Year Plan - the needed structure for the selective allocation of credit: a) Industrial co-operatives; b) State participation in the Industrial Development; c) Industrial finance corporation of States. Summary and conclusion.

B) Control of the asset portfolio of some institutional investors by statutory provisions: - Banks - the pattern of their investment and their loan and advance policies - legal basis governing the composition of the asset portfolio of commercial banks in India - i) control exercised in the interest of sound banking; ii) controls which can be exercised with the purpose of imparting selectivity to loans and advance policies of banks. a) Advances purpose-wise distribution of the resources of banks - Industry - Agriculture - Commerce - Indian Scheduled Banks and London Clearing Banks - ii) Advances according to security. b) Investment.

2) Insurance Companies - principles guiding the investment policy of an insurer - objectives of statutory regulations Statutory restrictions on the investments of life insurance companies, in India. The 1938 Act and the control exercised over insurers' investment. The Insurance Act, 1938 as modified in 1950 - Some proposed Amendments. Trends in
the investment of Insurance companies introduction - the unstable element in the insurance fund - Government of India Securities, British and Colonial Securities, and Post Trust and Improvement Trust Securities - Company shares - investment in land and house property - cash balances.


(ii)

Rural Finance.

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Appendix I to III.

CHAPTER VI.

DYNAMICS OF SAVING IN AN UNDERDEVELOPED ECONOMY (with special reference to saving as a problem of confidence).

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(i)

Saving and the problem of Capital formation. Modern theory. A) Pattern of development in Western economics. B) what determines the pace of development in an over-populated and planconscious India? The effect of government expenditure on capital formation through credit institutions - Case studies. Relaxation of assumption and the effect of the growth of population.

(ii)

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Company Laws: a) The need for a co-ordinating centre. The second step in Company promotion. The co-ordination of national interest with the interest of shareholders. b) The proper representation of shareholders. The question of voting
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Proxies. The mode of voting for electing office holders.
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unwary investors. Prospectus underwriting. Timing of
subscription and allotment. The distribution of dividends
and surplus assets. Option and new issues. A proper
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cost structure. Remuneration of directors - borrowing
power of the directors. Loans and advances by the
directors. Investment by the directors. remuneration
of the managing agents. Views of managing agents on
future capital issue of books and assets. Managing agents
competing interest. Conditions of employment of managing
agents. Transfer of assignment of managing agency agreement.
e) Audit and auditors. The position of the auditors -
vis-a-vis the management. Auditing report on the companies
owned and controlled by the state. Inspection and investi-
gation. Winding up. The recommendation of the committee.

(iii)

The Banking Law.
The purpose of a banking Company Law. Principles of banking
legislation: a) Banking organisation; b) Management of the
Banking Companies; c) Inspection and audit; d) Suspension of payment by the liquidation of banking Companies. Simplification of liquidation proceedings. Preferential treatment to small savings.

The Assets and Liabilities Insurance Corporation of India.

(iv)

The Insurance Law.

1. Registration. 2. - Capital and reserve requirement. 3. - Audit and actuarial report. 4. - Policyholders' directors. 5. - Control of Insurance expenses. 6. - Insurance Association of India - Powers and functions of the Executive Committee.

(v)

Cooperative Societies Act.


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Conditions for the efficient working of stock and commodity markets. The components of stock market in India. The need for unitary control. The nature of control. What is to be controlled? a) Speculation, corner and bear raids; b) the constitution, the bye-laws and the management of
stock exchanges. How to control speculation? a) facilities given for the settlement of contracts. Badla facility. The reversal of contract and the payment of difference on the basis of 'making up price'. The service of Badliwala and margin tradings. Blank transfers. b) The control of the facilities. Conclusion.

CHAPTER VII.

Credit policies (Part II)