PREFACE

In 1969 when foreign banks operating in India were not nationalised along with the major scheduled banks, the Government came in for sharp criticism on that score. Quite a large number of people in this country are still of the view that these banks ought to have been sent out of the country after the attainment of Independence because of the dubious role played by them during the British rule. Recorded testimonies of witnesses before the Central Banking Enquiry Committee, reveal how these banks indulged in serious malpractices and 'drained' the country's resources. They functioned only to promote the economic and commercial interests of foreign traders in utter disregard of the interests of the country in which they functioned. It was, therefore, naturally expected that free India would take the first opportunity to liquidate these vestiges of colonialism. But that was not done. Again, when the major commercial banks were nationalised in 1969, foreign banks were kept out of the nationalisation scheme. These incidents aroused my interest in the subject, and I decided to make an in-depth study of the problem. But as the study progressed, the difficulties of the task undertaken became more and more evident. The available literature on the subject is scanty. The foreign banks themselves show reluctance to furnish information beyond what they are legally required to submit to the Reserve Bank of India. The Reserve Bank, on its part, periodically publishes information pertaining to the deposits, borrowings, loans and advances,
investments and earnings of these banks. It is, however, felt that the Reserve Bank of India publications on foreign banks' businesses should reveal details of their transactions and they should be issued more frequently than is being done at present. Such detailed information, if made available, would promote better comprehension of the issues involved. The present study is a modest endeavour, based on such material and data as could be gathered through the author's earnest efforts. As I complete this study, I have a feeling of relief and satisfaction that my earlier fears and apprehensions with regard to the role of these banks have been largely dispelled. I am now of the view that the Government's sympathetic attitude — its soft-line policy — towards foreign banks is based on justifiable grounds. The bulk of the resources of these foreign banks are invested in Government securities. They also promote business collaborations and tourism. Further, because of their global affiliations they are in a position to serve as a clearing house for vital international economic and financial intelligence. As our economy progresses, we would find it advantageous to set up our own banks in various countries of the world. But this can be done only when we provide reciprocal facilities of a similar kind to other countries of the world. Such foreign banks as are operating in India at present, occupy only an insignificant place in the country's banking structure both from the points of view of deposits and investments. They are also under the complete regulatory control of the Reserve Bank of India and are treated as any other Indian scheduled bank. There is, thus, hardly any scope for mischief coming from them.
The study is divided into seven chapters. The first chapter analyses the country's banking structure as it obtains today. The second chapter discusses the important provisions of the Reserve Bank of India Act and the Banking Regulation Act. Attention is focussed on such provisions of the two Acts as deal with foreign banks. Chapter III studies the question of bank nationalisation in retrospect and brings out relevant issues which deserve further analysis and investigation. The chapter also examines the arguments given in favour of excluding the foreign banks from the nationalisation scheme. Chapter IV explains the historical background of foreign banks in India. Their origin, their organisational structure, their functioning and the interests which they were primarily expected to serve are highlighted and explained in detail. Chapter V and VI make an in-depth analysis of foreign banks' transactions within India. Chapter V studies foreign banks' deposits and assets; and chapter VI deals with their earnings and expenses. These two chapters contain important factual information with regard to their volume of deposits and borrowings, their pattern of investments and lending, their earnings and expenses and their performance vis-a-vis the Indian commercial banks. Chapter VII, the last one, sums up the study and presents the author's conclusion.

As I conclude this study, I am conscious of my many obligations to other people in varying degrees. The heaviest of them, which I most gratefully acknowledge here, is to my guide, Professor R.P. Roy, Dean of the Faculty of Commerce,
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A research scholar is difficult to live with - for himself as well as his family and friends - and I must in particular, thank my wife for her affectionate understanding and sympathy.

( A. RAMAN )