PREFACE

The period since 1939, is of special significance in the history of money and exchange in India. During the Second World War, the policies regarding money and exchange had to be subordinated to the paramount need of war finance. The Reserve Bank of India had to be armed with more and more powers for effective and rigid control of credit and foreign exchange. It became clear that the Reserve Bank of India has to function in close co-ordination with the Government of India and its activities must be directed in furtherance of the Government policies, motivated by the support to allied war efforts.

Since 1951, we have been passing through an era of economic planning. Planning is a continuous process and the various five year periods are simply convenient yardsticks for measuring progress, charting directions and checking any unfavourable deviations. Monetary process and economic growth are vitally related. Monetary policies can play an important role in achieving the objectives of planned economic development.
In a country like India where money market is not fully developed and where a part of the economy is still non-monetary, effectiveness of the monetary policies is, no doubt, reduced and the physical controls become imperative. But even so, physical controls have to be closely co-ordinated with the long term monetary policies. The economic growth in developing countries, presents a variety of monetary problems that cannot be tackled merely by conventional methods of monetary and credit control. The success of the monetary authority depends upon its capacity to make adaptions and devise innovations in them. Balance of payments deficit and the shortage of foreign exchange are always associated with the developing economies and effective steps have to be taken to enforce proper exchange control measures.

When a country is trying to develop rapidly, the resources of goods and skilled manpower fall short of the requirements. There is a tendency for the government as well as individuals to try to spend more than what is currently produced at home or obtained through imports. If the community tries to do this, inflation becomes likely. The whole development programme itself may be jeopardised unless proper precautions and checks are provided in this regard.
We have tried to study the events in the field of currency and exchange in India in the light of what has been stated above. Various measures pertaining to currency and exchange in India, have been assessed and the causes of their success or failure have been analysed. Thus, this work is an objective assessment of the events and policies regarding currency and exchange in India since the beginning of the Second World War.

The Indian currency, circulating outside India, constitutes one of the most important currency and exchange problems of the country. However, this problem has somehow missed the attention of those who have made studies in the field of monetary problems of India. A note on the subject has been added as an appendix to this study.

The present work is the result of the study of all available literature on the subject. Besides books and journals, the publications of the International Monetary Fund, the Reserve Bank of India and the Planning Commission have been particularly useful in the preparation of this work. Some information has also been obtained through correspondence with the Reserve Bank of India, the Nepal Rashtra Bank and the I.M.F.
I must acknowledge my gratitude to Dr. P.K. Seth of the Department of Commerce, University of Saugar, Sagar, for guiding me in the present study. It would not have been possible for me to complete this work, had I not been continuously getting encouragement and guidance from him.

I take this opportunity to thank the authorities of the I.M.P., the Reserve Bank of India and the Nepal Rashtra Bank, who have helped and encouraged me by furnishing a lot of information, required by me for completing this work. I also owe gratitude to Dr. R.P. Roy, Head of the Department of Commerce and other teachers in the Department for the advice and suggestions, given to me from time to time. My thanks are also due to the University of Saugar and the University Grants Commission, who sanctioned travel grant to me and thus, made it possible for me to avail of the inexhaustible literature on my subject at the National Library, Calcutta.

Department of Commerce
M.G.M. College
Itarsi (M.P.)
November, 1965

Gobinda Lal Chatterjee
8.11.65