CHAPTER I

INTRODUCTION
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India embarked on the path of planned economic development in 1951. It has mobilised vast resources, in terms of money, material and human power to achieve higher levels of output and standards of living. Taxation, borrowing and deficit financing have all been pressed into service for achieving these twin objectives. Despite the massive efforts on mobilisation and direction of resources into productive channels, the achievements have fallen short of expectations. Inter-sectoral imbalances, inter-personal inequalities and inter-regional disparities have increased, instead of diminishing, as initially desired. Large scale resort to deficit financing has accentuated inflationary pressures. Resort to external borrowing has increased the burden of the external debt. Taxation has reached the limits of squeeza- bility, and its incidence has mostly fallen on the relatively poorer section of the society.

In such a context, there is a progressive realisation that unless internal savings are accelerated, mobilised and invested in accordance with planned priorities, development of the economy will neither be stable, nor equitable. This requires that in years to come, greater emphasis will have to be placed on development of
instruments and institutions through which the savings of the people can be created and attracted towards priorities projects to fulfil the goal of economic development, with stability and social justice. It further requires that our future strategies will have to focus on attention on "balanced regional growth".

The doctrine of decentralisation can be fully and usefully applied in the sphere of finance, by planning and organising the monetary structure of the country on a regional basis so as to meet the financial requirements and mobilise the savings of each region. The money market provides the necessary mechanism for achieving these objectives and speeding up capital formation and thus paving the way for fuller economic reconstruction and development.

The assumption underlying the present study is that mobilisation of internal savings, at this stage will lead to greater self-reliance and at the same time, avoids resorting to heavier doses of deficit financing, taxation and external borrowing. Against such an assumption the aim of the study is to find out how far the present financial mechanism as obtained in Karnataka has succeeded in mobilising necessary financial resources for meeting the rising investment demands. What have been the obstacles, organisational or procedural, if any in achieving the targets of
mobilisation? What changes in the organisational structure of the money market or in the instruments used by it for achieving targets are considered necessary in the light of available statistical data on the point.

There has not so far been any analytical study of this type. There have been some studies of isolated money markets elsewhere in the country, but even these studies that were undertaken are rather old and outlived their utility from the viewpoint of making a significant contribution to the goal of economic development and inter-regional parity in the present conditions.

The study of the Indian Money Market with special reference to Calcutta Money Market by B.C. Ghosh 1 relates to the pre-war period when plans of economic development had not even started. The study of the Bombay Money Market by H.T. Parekh 2 published in 1953 relates to pre-independence period. It could not obviously anticipate the problems likely to emerge from excessive deficit financing or heavy external borrowing. At that time we had sufficient accumulated balances which could be run down by Central Government

to meet its modest needs of economic development envisaged under the First Five Year Plan. There were, moreover, accumulated Sterling Balances available to cushion the impact of external borrowing. The study is therefore, of limited significance in the present context. The last study published in 1963 relates to the Kanpur Money Market by S.D. Tripathi. This study does indicate the effect of external borrowing to some extent. But, as is well known, most of the adverse effects of external borrowing came to light only in 1966 when the rupee had to be devalued. Deficit financing on a massive scale was adopted after the end of the Second Five Year Plan. The rapid increases in indirect taxes were also witnessed in the successive Central and State budgets after 1961. In view of these concrete facts, even the study of Tripathi fails to serve as a basis for spelling out the suggestions for re-organisation of the money market adumbrated in the present study. Apart from this, far-reaching changes have occurred after nationalization of commercial banks in July, 1969. To-day Indian banks no longer serve urban interests alone. Banks have gone to rural areas in a big way when compared to pre-nationalization period. The scope and scale of banking have also undergone substantial changes in response to the socio-economic

needs of the community and the adoption of the development oriented monetary policy by the Reserve Bank of India. This adds a new dimension to the problem and requires a new appraisal of trends that have developed in recent years. Moreover, none of the three studies stated here relates to the Bangalore Money Market. Every market, it will be conceded, has its own peculiar characteristics and requires specific approaches for its development. Economic Development is a process and Prof. Galbraith says, "At each stage along with this continuum there is an appropriate policy for further advance. What is appropriate at one stage is wrong at another." 4 There is no single answer to the policy package for a developing economy. It is especially so in case of financial institutions for a developing economy of a vast country like India where a regional planning should answer clearly identified needs of regions and take account of their growth potentials and natural resources. Hence justification of the present study.

Methodology:

At the outset relevent data relating to the potential of economic development of the State and the overall financial requirements for the said development had to be collected with a view to assessing the existing available internal resources mobilised by

organised financial institutions against such a background. For
the purpose of arriving at reasonably reliable estimates of resources,
published Balance Sheets of the six commercial banks of Karnataka
origin had to be collected for five years period (1970-75). The
data relating to deposits and advances of other banks of Non-
Karnataka origin had to be apportioned for the State of Karnataka
on the basis of number of branches operating in the State of Karnataka
vis-a-vis their total number of branches in the country. For purpose
of comparison of Karnataka State with other advanced States of the
country like Maharashtra and West Bengal, data published in the
"Statistical Tables relating to Banks in India" and "Basic Statistical
Returns" published by the Reserve Bank of India, for the five years
had to be taken and suitably processed. To make the comparison more
effective, several ratios and percentages and per capita availability
had to be worked out. In regard to the figures relating to different
districts of the State of Karnataka, assistance was sought from the
The figures relating to Co-operative banks were mostly obtained from
the "Reviews of Co-operative Movement in India" and "Statistical
Statements relating to Co-operative Movement in India", published by
R.B.I. Data relating to Stock Exchange was directly obtained from the
Secretary, Stock Exchange, Bangalore. The published material had to be
supplemented with the material obtained from various sources on the
basis of personal interviews and discussions.

The data thus collected from various sources had to be tabulated
and interpreted to arrive at appropriate findings both in regard to
their quantitative significance and qualitative impact.
Market and the Money Market:

The market is an institution in which buyers and sellers of a commodity communicate with each other with a view to buying and selling whatever they wish to acquire or dispose of at a certain price. In the Money Market it is the money that is being 'sold' (lent) and 'purchased' (borrowed) at a certain price (the rate of interest). Here the word 'money market' is used in the plural because, in one sense, there is National or International market for loanable funds, and in the other, there are easily distinguishable local and regional markets. Each one of them is composed of many markets for different types of funds. There are demands for funds with different maturities, with different degrees of liquidity and risk. Similarly, traders in money, because of the kinds of institutions as they are, because of laws and customs which govern them, because of current financial conditions and expectations, wish to make loans of different types. Hence, no market is one whole market. It is made up of several markets and follows that there is not one interest rate but a 'structure' of interest rates. Money markets are in part self contained and, in part, inter-connected. Funds may move among different segments of the money market and may also move among different regional markets. To the degree that one type of loanable funds can move
readily from one segment to another, from one regional market to another, interest rate tends to equalise. However, there are other types of credit which are not readily transferable from one segment to another, between one region and another. In such cases, interest rates may vary among markets. Such variations reflect differences in costs of extending credit and the differences in degree of competition.

A money market of a country or a region denotes a reference to the lending and borrowing activities of institutions and individuals. It also refers to the structure of interest rates which is the function of the nature of the market, the nature of the demand for and the supply of money in the economy. The money market structure connotes the inter-relationship and linkage which join the various institutions and individuals either as caterers or as borrowers of finance. Excepting the minority of individuals who organise the business in money in their isolated individual capacity, the rest of the organised institutions normally form a part of the bigger structure and all of them come under the guidance of the super patriarch — the Central Bank of the country. Looseness of structure indicates the want of closely knit structure in which the various components stand intimately woven. The organised relationship and specialisations allude to the diversity
of functions for the discharge of which the component units of a money market operate in a specialised way with a specialised set of borrowers.

Like the constituents of a commodity market, constituents of the money market are governed by consideration of maximum personal advantage. It does not hold good in the case of the Central Bank of the country as it has to act as the guardian of the money market in the interest of the economic welfare of the community as a whole. The money market in the country could be said to be well developed only when the broad social objective, which it is expected to serve, is adequately achieved in practice.

'The broad social objective of the money market is to make available for development activity a plentiful supply of investible funds at reasonable rates of interest to undertake capital formation, so as to raise effectively the production potential of the nation or the region. It is for these reasons that the money market has been variously described as a base on which the monetary edifice of a country or a region is built. It is the axle on which the big wheel of financial mechanism revolves.'

Even though money market has been described variously by different authorities on the subject, there is no unanimity of opinion, regarding the exact scope and definition of this term which
is conceived and interpreted in two different ways and from two different points of view — viz. the "Broad" and the "Narrow".

Those who view it from a broad angle consider it to be the aggregate of agencies which deal in money or an organisation for dealing in borrowed funds or the body of aggregation of dealers in money or most widely the entire mechanism employed in financing business of all types. Lavington has gone a step further and divided the money market into inner and outer spheres — means for communicating their demand for, and supply of, loanable funds, the inner constituting a nucleus of specialised institutions such as banks, the market for negotiable securities, the bill brokers and trust and finance companies and the outer extending beyond this centre, including the work of solicitors, brokers of securities and the entire system of trade and credit. L.C. Jain also affirms that the term 'money market' may be used in a broad sense.

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7. Straker, F. The Money Market, 1930, p. 17
sense so as to include the stock exchange and the instruments of company promotion. Similar views have been expressed by B. Ramachandra Rao who maintains that the money market refers to the vast array of specialising institutions, such as the banks, stock exchange, bill brokers, acceptance houses, trust and finance companies and other specialised credit agencies. Likewise, according to Spicer, money market indicates the collection of all dealers in money on a large scale, and includes, besides banks, Issuing Houses, Bill Brokers, Accepting Houses, Discount Houses, Insurance Companies, Financial Houses, Stock Exchanges, Capital Markets and activities in Foreign Exchange and bullion.

On the contrary, in a narrow and generally accepted sense, a money market is a market dealing in short-term funds. In its most restricted sense, it deals in standardised short-term credit instruments where lenders and borrowers do not deal directly but through middlemen or dealers, or as an institution dealing with liquid funds and their day-to-day employment.

11. Ramachandra Rao, B - Banks and the Money Market, 1933, p.6
view, the term 'money market' may be defined as referring to the organisation meant for lending and borrowing of short term funds through the use of such instruments as commercial bills of exchange, short term Government securities, Bankers' Acceptance, etc. Marcus Nadler also observes that a money market is the centre where surplus funds from financiers are made available to the needy ones who desire short term accommodation. In this sense, the money market covers dealings more or less in standardised types of highly liquid loans provided by the acceptance market, the commercial paper market, the short-term treasury bill market and the call money market. In short, it represents the aggregation of facilities of the mechanism through which short term funds are loaned and borrowed. Again, in this sense, the money market is distinct from, as well as supplementary to, the commercial banking system. Metaphorically, the whole banking system can be compared to a smoothly revolving wheel and the most important cog of the wheel is the money market.

On a close examination of the term 'money market' in its two meanings, it can be seen that the distinction is illusive and superficial. The two types of activities cannot be clearly demarcated

as they are intimately connected and inter-related. It is merely a matter of duration or tenure of credit. The conception of money market and its scope expands with the development of financial institutions in a country. In a perfectly developed country, a money market may consist of a number of divisions and sub-divisions incorporating a number of specialised agencies which cater to different types of requirements, each devoted to a particular type of credit operation, and each constituting a separate market in itself. Even then, they may be so inter-connected with each other that they may be perfect in themselves, on the one hand, and helping each other, on the other. This conception represents the broad idea of a money market. Contrary to this, in an underdeveloped country with underdeveloped banking facilities, the meaning of the money market becomes narrower. As the economy develops with banking development and specialised markets, the study becomes deeper.

**Multifaceted Functions:**

In whatever sense a money market is conceived, it certainly plays a vital role in the economy it serves. An organised and well-developed money market performs manifold functions, which may be enumerated as under:

1. Money is made available at cheaper rates in adequate quantities and at short notice.
2. The extremes in the flow of funds—gluts and scarcities—due to seasonal variations are minimised.

3. It stabilises the purchasing power of money by maintaining a steady and regular flow.

4. A money market not only maintains a relative uniformity of rates on its part but also controls, guides and regulates those at other centres.

5. Through various kinds of credit instruments and media of exchange suitable for different borrowers, it channelises the available funds—in the shape of cash and credit—and they minimise the disturbances in the credit structure.

In short, it tends to strike equilibrium between the demand for, and supply of, loanable funds and allocate savings into investment, and brings about rational allocation of resources. By promoting liquidity and ensuring the safety of financial assets, it encourages savings and investment. The money market also ensures the flow of funds from one sector to another and thus promotes financial mobility. A well organised money market is very essential for providing the elasticity in the flow of funds. A well developed money market is vital for implementing the monetary policy of the Central Bank.

16. Subrata Chatak. Rural Money Market in India, McMillan, New Delhi, 1976, p.6
PREREQUISITES

1. **Presence of a Highly Organised Banking System:**

It implies that the banking system as a whole should not only be of varied type but also be wellknit together, and it should function in a properly co-ordinated and integrated manner.

2. **Existence of Competitive Sub-Markets:**

Besides a highly organised banking system, there should be a trend to develop a number of sub-markets for specialised dealings in funds for various maturities and against different collaterals e.g., the call money market, the bill market, the treasury bill market, etc. There should also be a keen but healthy competition among the constituents as well as the buyers inter se in the sub-markets. It is essential that the whole of the market should have an integrated structure in which sub-markets should be inter-dependent and influenced by other parts. They should, not only be competitive but also complementary to one another.

3. **Cheap, Adequate and Timely Supplier of Funds:**

The money market for its efficient working should have ample resources to finance dealings in different sub-markets. As pointed earlier, the funds must be available in time and in adequate quantities at cheap rates and in the form required.
4. **Regular and Steady Flow of Funds:**

Not only should there be cheap, adequate and timely supplies but there must also be reasonable regularity and steadiness in the flow of funds. It is only then that the stability in the value of money can be attained and undue disturbances avoided both in the credit structure of the country and the money market.

5. **Suitable Channels for Investment:**

There should also be sufficient opportunities where people may apply their savings. A money market should provide channels through which the savings of the community may be made available for industrial and commercial enterprises including the State.

6. **Periodical Evaluation:**

The organisational soundness and efficiency of a money market is to be measured by the use people make of the facilities provided by its institutions and by the agility, receptiveness and capacity, which it displays in filling up the gaps in its structure or removing the operational shortcomings therein, if any. This can be possible only through periodical evaluation by official, non-official and working institutional agencies, which would naturally take note of functional shortcomings and recommend improvements aiming at greater efficiency and smoother working.
Stages of Development

Powell has graduated the evolution of a money market into three stages; the initial stage, the intermediary stage, and the final stage.

1. The Initial Stage

The first and the incipient stage is the evolution of the money market is the collection of the credit material. It has to be aggregated into huge masses through the agency of banks. First of all, money should be tempted out of small hoarders and thrust into useful activities.

2. The Intermediary Stage

The next stage in the evolution of the financial mechanism is reached when there is a conscious and properly co-ordinated directing of function. Financial mechanism becomes conscious of itself, and of its own existence, and tries to protect, guide and control its own future. It is in this intermediary stage - an era of experimentation - that financial organism is put to trial now and then.

3. The Final Stage

The last stage is the evolution of financial organism as a whole perfected and thoroughly organised, with proper correlation, inter-connection and due juxtaposition of the several elements,

influenced by general economic conditions, the financial organism reaches its perfection.

THE EVOLUTION OF BANGALORE MONEY MARKET

A brief History of Bangalore City:

Bangalore is a corrupted form of "Bangaluru", "Bengalu" in Kannada means boiled beans and 'uru' means village. It owes its origin particularly to Hoysala Kings. It was during the regime of Vira Ballala in 1171 - 1219 A.D., that it came to light. This was a place where once King Vira Ballala was stranded and where the waylaid king spent one night, feeding his horse on some boiled beans. Hence the name Bangaluru or Bangalore.

The Bangaluru did not attain importance till the regime of Kempe Gowda, a Chieftain of Vijayanagara Empire (1516 - 69 A.D.) Kempe Gowda obtained permission from emperor Achutaraya to establish his capital here and in 1537 A.D. he built a mud fort and gave the name Bengaluru to the town which he visualised.

18. District Gazetteers - Published By Government of Karnataka
In the middle of the 17th century, Bangalore was for some time, the local headquarters of the Sultan of Bijapur, and after him the Marathas held it for some time. Chikkadevaraya of Yadav of Mysore Kings acquired it from Marathas in 1687 A.D. In the 18th century, the weakness of its ruler gave an opportunity to Hyder Ali to usurp power and he ruled the city.

The British captured the town in 1739 and in the same year, Lord Cornwallis installed (on behalf of the British Govt.) Krishna Raja Wodeyar of Mysore Kings as the ruler of the State. Following the widespread disorder in the State, the British resumed administration in 1831, and retained power till the rending of the State to the Dynasty in 1881.

In 1882, the site of Bangalore cantonment was handed over to the British Government and was administered as a separate military station. Following independence and retrocession of the cantonment in 1949, the city and the cantonment were amalgamated into one municipality and the present Corporation of the city came into being.

**Industrial Development of the City**

The city with its salubrious climate was known outside the state mainly for its sandal soap. This soap was the first among the many to attract foreign markets for goods manufactured in the State. In regard to industries, Bangalore was trying to keep in
line with other cities in textiles and to an extent in the manufacture of Oodubathies or joy sticks, besides porcelain tiles and pottery. The oldest industrial units are: the Bangalore Central Industrial Workshop (1897), the Bangalore Woolen Cotton and Silk Mills (1884) and the Maharaja's Mills (1887). Another was the Mysore Soap Factory which was established in 1919 for the manufacture of toilet soaps, washing soaps and cosmetics. It was managed by Industries Department of Mysore. The Government Porcelain Factory established (in 1930) had to face rough weather, and finally managed to have Japanese collaboration. The Government Electric Factory was started (in 1935) for the manufacture of transformers, transmission lines, towers, etc. This was developed with the help of the West German Firm A.E.G.

Another private limited company of the Government is the Mysore Lamp Works (1936) with 39.4 per cent of shares held by Government. The Radio Electric Manufacturing Company, popularly known as REMCO, was commenced in 1936 for the manufacture of Radio receivers, Water Meters, Cables and Tapes. This was later developed with foreign collaboration.

The Mysore Stone ware Pipes and Potteries and the Mysore Tobacco Company were established in 1937 and the Mysore Vegetable Company in 1938. In the same period, Mysore Waterproofs Company was also formed for the manufacture of insulating varnishes and enamel paints.
Bangalore began to take giant strides with the advent of second World War. The first attempt was to establish the Hindustan Air Craft, now known as Hindustan Aeronautics. This was followed by the Indian Telephone Industries, and the Hindustan Machine Tools, besides Bharat Electronics. The New Government Electric Factory and the National Aeronautical Laboratory which were added at that time, enhanced the importance of the city. Along with the programmes of the State-owned industrial establishments, many ancillary industries in the private sector have come-up. Some of them are mentioned below:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Units</th>
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<tbody>
<tr>
<td>Ceramics and Glass Products</td>
<td>18</td>
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<tr>
<td>Chemicals</td>
<td>67</td>
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<tr>
<td>Electrical appliances</td>
<td>61</td>
</tr>
<tr>
<td>Ferrous and Non-Ferrous</td>
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<td>Food beverages and Tobacco</td>
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<td>General Engineering</td>
<td>27</td>
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<td>Leather and Rubber Products</td>
<td>16</td>
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<tr>
<td>Paper pulp and allied products</td>
<td>15</td>
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<tr>
<td>Printing</td>
<td>79</td>
</tr>
<tr>
<td>Textiles</td>
<td>331</td>
</tr>
<tr>
<td>Wood Products (Saw Mills and Furniture)</td>
<td>56</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>364</td>
</tr>
</tbody>
</table>

The Banking Development in the City:

As a result of the widespread and rapid growth of industries banking also developed side by side. In 1907, the Bangalore city Cooperative Bank was started. It was followed by the Bangalore Central Co-operative Bank in 1908. The Bank of Mysore (1913), the Apex Bank (1915), the Grain Merchants Co-operative Bank (1921) and the Manikvelu Banking Corporation (1922) also came into being. Devanga Bank and the Vyaya Bank commenced functioning in 1925 and 1930 respectively.

The growth and development of Bangalore is phenomenal in recent years, particularly after the integration of the Kannada speaking people with Bangalore as capital of the integrated State. Its salubrious climate with no extremes of temperature and the central location in South India, its protected water supply and the availability of electric power, the liberal policy followed by the State Government in encouraging industries, have been responsible for the present industrial activity in and around Bangalore. In fact, Bangalore has come to be recognised as the most sought after place for the location of new industries and institutions of all India nature. Bangalore is also an educational centre. It has become the seat of national institutions, like the Indian Institute of Science, Raman Institute, All India Institute of Mental health, Institute of Socio-Economic Change, Indian Institute
The location of vital industries in addition to numerous cloth, cotton silk and engineering industries and handicrafts like Handlooms, Carpets, Agarbathi, etc. has changed the face of Bangalore and made it one of the most important industrial centres of resurgent India. The industrial activity has naturally augmented commercial activity prompting numerous reputed firms to open their branches and agencies here. The local markets thus buzz with activity at all times throughout the year.

Historically, the development of money market in Bangalore to its present position, can be studied under two periods:

1. Early period upto 1900
2. Present era, that is from 1901 onwards.

The early history of the development of Bangalore money market is not authoritatively known.

Before 1900, the persons who operated in the Bangalore money market were traders and indigenous financiers. To cope with the increasing demand for funds created by comparatively rapid growth of industries, a number of Indian Financiers began to operate. Communitywise, they can be broadly classified as Devanga, Vyayas and Marwaris. All the three communities competed with each other to
secure a premier position in the Bangalore money market. However, these communities did not encourage private deposits, and so most of the people who made savings either hoarded them or lent to their friends and relatives. These communities used to therefore, operate with their own funds.

The gradual decline of indigenous and cottage industries, in the face of the newly started large scale industries and the changes that were brought about by the development of the railways, post and telegraph and other means of communication, led to the establishment of Banks on the modern lines after 1900. With reduced business and small scale resources, Traders and indigenous financiers began to feel themselves handicapped in their competition with the commercial banks and began to lose ground just as in England where the private family bankers had to give place to larger joint stock banks.

The features of the Bangalore money market at the end of 19th century may thus be summed up as:

1. Despite the growth of Bangalore as industrial and commercial town, there was no simultaneous growth of supporting money market.

2. Money lenders and indigenous financiers played an important role in this period.

3. There was no coordination between the mofussil and the urban segments of the money market.

4. As credit was not developed, there was no free flow of capital from one centre to another and even within the same centre.

5. The lending business was arbitrary and subjective and depended on personal whims and outlook of the money lenders rather than on the credit worthiness of the borrower or the project for which money was needed.

6. Naturally, interest rates differed very widely.

Present Era, that is, 1900 onwards:

As pointed out earlier, Bangalore began to make rapid strides in Industrial and Commercial activities along with the establishment of a number of joint stock banks to mobilise the funds and to finance the temporary needs of the commercial community during this period. The Swadeshi movement and the two world wars, gave further stimulus in this direction, although progress was punctuated by depression and banking crises at times. At present, all the nationalised banks and the banks in the private sector maintain their branches here.
A clearing house, which is an essential adjunct of every developed money market, was established in 1940 with a view to providing forum where the various banks of the city could settle the mutual obligations without delay and inconvenience.

From its very inception on 1st April, 1935, the R.B.I., has maintained a branch consisting of both the Issue and Banking Departments at Bangalore which exercised the stabilising influence on the money market. With its nationalisation in 1949, it has been instrumental in carrying out the monetary policy of the State in the interest of the country as a whole.

Co-operative Banks form an important part of money market, as they provide banking facilities to agriculturists, small scale artisans, salary earners, employees and petty traders. The movement began in 1907 with the establishment of the Bangalore City- Co-operative Bank, and gathered appreciable momentum by 1915, with the establishment of the Apex Bank.

Specialised markets such as the Stock Market and the Bill Market serve as supplements and adjuncts to the money market proper and, as such form an important prerequisite of a developed money market. A stock market, under the name of the Bangalore Stock Exchange, was established in 1963 in order to provide a ready market for various types of securities.
The inauguration of the Bill Market Scheme, by the R.B.I., in January, 1952, provided further fillip to the development of the money market.

Specialised agencies did not lag behind in adding their mite to this development. The Mysore Chamber of Commerce and Industries extended considerable assistance in evolution of the money market and in organising trade, industry and commerce.

It will be obvious that in the light of the stages laid down by Powell, the Bangalore Money Market had just entered into the first stage at the end of the last century. The present century marks the establishment of new credit institutional agencies and strengthening of the old institutions.

In brief, the present money market includes the operations of the R.B.I., the Commercial Banks, both nationalised and non-nationalised, a Foreign Exchange Bank, the Co-operative Banks, the Indigenous bankers and the activities of the specialised markets and agencies. With these developments, the money market could be said to have crossed the first stage.

However, the Bangalore money market remains underdeveloped in the sense that per capita deposits and advances are found to be
lower when compared with other advanced states of Union. The gap between the demand for funds and available supply continues to increase not only in aggregate terms, but also in terms of individual sectors. There are missing links in the money market. The financial mechanism has not been able to mobilise the savings to the hilt and divert them into proper channels. The specialised markets are there, but they suffer from various handicaps, and the specialised agencies have not come up to the standard and they have not cared to co-ordinate the activities for the common good.