**The Politics of Bank Nationalization in India**

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This paper deals with the nationalization of fourteen scheduled commercial banks in 1969 by the Congress government headed by Indira Gandhi and is part of a larger study of Indian political structures and processes in the years of her first stint as prime minister, between January 1966 and March 1977, ending with her party’s post-emergency electoral loss in that year. This qualification has the important implication that the primary focus of the study is the politics that swirled around the issue of bank nationalization and its general outcomes rather than the technical aspects of the operations of the banks after nationalization.

The issue of bank nationalization had cropped up first in 1966 in the form of an election pledge. At an informal conclave of senior Congress party leaders following a Congress Working Committee (CWC) meeting soon after the Congress’s serious reverses in the general elections – its majority in the Lok Sabha was reduced from 361 seats out of 494 to 283 out of 520, while it was voted out of power in seven states – the issue of bank nationalization was raised, alongside a raft of other ‘socialist’ issues such as the imposition of urban land ceilings and collective farming. It was a matter of some significance that the latter meeting was held to discuss economic issues so that the CWC would be aware of what the government was capable of implementing while passing its economic resolution. It was felt, in context, that the government was possibly not in a position to implement the issues mentioned above, though that did not prevent the demand for the nationalization of banks from being raised.[[1]](#endnote-2)

The question of the nationalization of banks gained traction in the middle of May when the Hazari committeesubmitted its findings. The committee’s remit included a study of the industrial licensing and the banking systems.[[2]](#endnote-3) Among the recommendations made by the committee was the need for careful credit planning to reinforce priorities of national economic plans; and the need, too, for guidelines to apportion credit to different sectors of the economy against the backdrop of nation’s overall needs, not just in the light of collateral offered. It had also said that the big industrial houses should finance their investments from their paid-up capital and not from loans, so that public funds were available to smaller firms.[[3]](#endnote-4)

With the Hazari committee setting the ball rolling, sections of the political sector, most particularly in the Congress party, could not but run with it. Just a few days later, at a meeting of the CWC, the issue of nationalizing banks cropped up again. All present agreed that this election pledge had to be fulfilled, though, it appears, there was no clarity (or unanimity) on what exactly bank nationalization entailed, and what kind and degree of control would be exercised over the relevant banks. Thus opinions ranged from the idea that social control over banks would suffice, though what that entailed remained equally unclear – we shall have occasion to return to the distinction between the two later – to the idea that it meant greater powers of control for the Reserve Bank of India (RBI) for the good of the people.[[4]](#endnote-5) It bears noting at this point that though there was no unanimity or clarity on how exactly banks should have been nationalized, there was a widespread feeling in the party (or at least its leadership) on the need for bank nationalization. In other words, it was not the contentious issue it was later to become.[[5]](#endnote-6)

At a CWC meeting in early May, the demand for bringing banking institutions under control was raised again, along with the demands for nationalization of general insurance, a phased takeover the export-import trade and some other ‘socialist’ demands[[6]](#endnote-7) that later became the stock-in-trade of the ‘radicals’ in the party against the purported conservative proclivities of the oligarchs of the party, especially the ‘Syndicate’.[[7]](#endnote-8) But at this time, most of these issues, as mentioned above, did not seem to raised many hackles among the party leaders, though it was reported that deputy prime minister and finance minister Morarji Desai disagreed with the demand raised by Atulya Ghosh, the boss of the West Bengal unit of the party and a Syndicate member, for the abolition of privy purses paid by the government to rulers of the princely states (or their descendants) that had acceded to the Indian at the time of independence.[[8]](#endnote-9)

Not very many days later it was reported that Desai had reacted swiftly to reconstitute the boards of directors of the RBI and the State Bank of India, nationalized in 1955, in reaction to ardent pro-nationalization Congress leaders’ criticisms in respect of the presence of industrialists or their spokespersons on these boards.[[9]](#endnote-10) A month or so later, he asked representatives of banks to reorient lending policies in six weeks as a step towards the social control of banks, defined, against outright nationalization, i.e. the expropriation by the state of the shareholders of the banks of their holdings, as the exercise of greater control over the policies of private scheduled commercial banks by the government. The two sides agreed that banks should be more sensitive to people’s needs.[[10]](#endnote-11) At an All-India Congress Committee (AICC) meeting on 23 June 1967, it passed a ten-point programme, which included the objective of imposition of social control over banks and rejected nationalization.[[11]](#endnote-12)

But the contretemps facing the Congress party in the wake of the electoral debacle allied to the recommendations of the Hazari committee were forcing the government and the organization in a leftward direction, after what was perceived to be a rightward shift in the post-Nehru era both under Lal Bahadur Shastri and Mrs. Gandhi, culminating in the devaluation of the rupee, seen to be under pressure from what was to prove in later days a useful bogey – the United States. We shall not go into the involved politics surrounding the decision to devalue, nor its relative merits and demerits, except to note that it imparted to the byzantine internal politics of the Congress party a new dimension. The bickering and factional politics of the party, it is important to note here, created a divided high command, with oligarch pitted against oligarch, but also, crucially, widened the rift between the government and organizational wings of the party, epitomized by the virtual sundering of relations between the party president, K. Kamaraj, and the prime minister, Mrs. Gandhi. This in itself ratcheted up the problems of political survival with a reduced majority in parliament and the Congress party’s defeat in seven states. This, not unsurprisingly, gave the rank and file and second- or third-tier leaders space not just to manoeuvre but also to exert pressure. This opportunity was gratefully accepted by the motley group of young ‘radicals’, connected to or members of the Congress Forum for Socialist Action (CFSA), some of whom came to be known as the Young Turks. Thus at an AICC meeting in New Delhi, men like Mohan Dharia, one of the leading Young Turks, and S.N. Mishra, deputy leader of the Congress Parliamentary Party and member of the CFSA, attacked the government for not implementing the party’s programme, of which the nationalization of banks should have been, by their lights, an important part. But those taking part in aiming acerbic criticism at the government were not necessarily socialist; as noted, they constituted a motley crew of old socialists, those recently converted to socialism and the not-particularly socialists.[[12]](#endnote-13)

In late August, it was reported that the union cabinet would discuss the social control of banking alongside a raft of proposals to control, wages, incomes and prices.[[13]](#endnote-14) This, of course, was consequent to a Rajya Sabha debate in May 1967 on a non-official resolution tabled by Banka Behari Das, a Praja Socialist Party (PSP) member. The government accepted at the conclusion of the debate an amended resolution committing itself to measures, not excluding nationalization, to extend effective control over banking resolutions. Subsequently, after an examination of policies and practices, the policy of social control over banks was announced in parliament in December 1967.[[14]](#endnote-15) We shall return to what the policy was at a later stage.

Despite this, and despite the fact that the proposal for immediate bank nationalization had been defeated at the New Delhi AICC mentioned above, the demand for nationalization, i.e. the acquisition of the banks remained an issue. It is noteworthy that it was the finance minister’s rigid opposition to outright nationalization that blunted the demand, with the tacit support of the prime minister.[[15]](#endnote-16) In October 1967, when the AICC met again in Jabalpur, Desai fended off a vigorous challenge calling for outright nationalization, again with Mrs. Gandhi’s support. He had secured a majority some while ago in the Congress Parliamentary Party (CPP), whilst under attack from the Young Turks.[[16]](#endnote-17)

In September, Lalit Narayan Mishra, later a union cabinet minister, had called for bank nationalization,[[17]](#endnote-18) while a few days later the finance minister, Desai, while inviting foreign investment, said banks had to satisfy the credit needs of agriculture and small-scale industry.[[18]](#endnote-19) The latter statement being in line with the finance minister’s clearly and repeatedly stated opposition to complete nationalization.

The picture at the beginning of 1968 and through that year was fairly clear. Young Turks, socialists and assorted radicals were pushing for bank nationalization, but the party high command was fairly united behind Desai in opposing such a move for the time being, with the prime minister herself suggesting that the policy of social control should be given a chance for two years to deliver the desired results.

The following narration of events will I hope clearly show that the issue of nationalization of banks was a political instrument. The nationalization issue staged a comeback in the public domain with a pretty big explosion in 1969, however, as the internal divisions deepened in the Congress party, with Mrs. Gandhi’s camp on one side and the Syndicate on the other. By the time the AICC convened for its annual session in Faridabad, one of her biographers notes, infighting in the Congress had intensified to the point that the Congress president, S. Nijalingappa, a member of the Syndicate, launched a blistering attack on Mrs. Gandhi, focusing on economic policies, especially public sector inefficiency. While the Young Turks tabled censure motions against Nijalingappa, which were ruled out of order by him, Mrs. Gandhi spiritedly defended herself, not knowing that at a meeting of a small committee of leaders, Desai had found himself hopelessly outnumbered.[[19]](#endnote-20)

A newspaper also noted editorially that there was no point in passing a Congress Working Committee (CWC) resolution to deal with internal ‘revolts’ (in the context of strife-driven politics in Madhya Pradesh), nor would it succeed in achieving its aim when the top leadership – the notorious high command – was itself riven by divisions in outlook which caused mutual attempts at causing embarrassment. Thus, the editorial said, while dissenting opinions were necessary in the party, they should not be actuated by desire of a minority group to impose its will. The result was that political reverses had eroded its influence in the states and ability [or desire, my comment] to promote development and nurturing democracy.[[20]](#endnote-21)

In the same issue of the paper, a commentator noted much the same thing but with greater prescience and at greater length. In the context of a crisis in the party caused by allegations made against the finance minister in parliament by Chandra Shekhar, a Young Turk MP, the details of which need not detain us at present, he commented that though it was tempting to see the incident and its fallout as discord and division at the top, the problem was more complex. The CWC, he argued, was united in its desire to exercise control over the government, but beyond this it was hopelessly divided, this being true both of leaders and followers. These divisions led to mutual mudslinging and attempts to pull the rug from under each other’s feet. Low intrigue was resorted to in the belief that such behaviour wouldn’t upset the applecart. Thus, while top leaders like Mrs. Gandhi, Morarji Desai and Y.B. Chavan, the union home minister, did enough to antagonize each other, their camp followers exacerbated matters. The followers could be disciplined but the initiative would have to come from the top – in other words, from Mrs. Gandhi herself. But Desai’s reaction to the allegations made against him [he had threatened to resign] had put paid to this fond hope. Despite the CWC’s pontifications on discipline, the commentator went on to say, the prospect of taking corrective measures was problematic, especially with the CPP in turmoil, reflecting the dire straits of the entire organization, headed ineffectively by Nijalingappa. The Congress party was on a downward slope and would not be able to arrest its descent. Then he said with prescience, that the CPP turmoil could reflect the thought of a parting of ways, which could be expedited by the high probability that there would be a coalition government at the Centre after the 1972 elections. Bearing this in mind factions could choose to split earlier rather than later to line up possible partners, with S.K. Patil, one of the party bosses who comprised the Syndicate, favouring a coalition with the Jana Sangh, Swatantra Party and PSP, and others favouring a left coalition under Mrs. Gandhi.[[21]](#endnote-22) As we shall see, that is more or less what in fact hand before the year was out.

A couple of months after this piece was published, it was apparent that a serious clash was in the works over the presidential election, especially since in the interim, the AICC annual session at Faridabad had witnessed the clash between Nijalingappa and Mrs. Gandhi. All contentious issues had, however, been shelved, for consideration at later meetings of the AICC or the CWC scheduled to be held in Bangalore. A commentator pointed to the two wings within the Congress party, the organizational and parliamentary wings, and went on to say that with the possibility of hung parliament in 1972, Congress leaders like Kamaraj and Nijalingappa would plump for a presidential candidate steeped in the Congress tradition (whatever that meant). The Syndicate had already eliminated potential candidates like Gajendragadkar (a former Supreme Court judge) and Jayaprakash Narayan (or JP) who could have been acceptable to Mrs. Gandhi. In wanting a young, active candidate they had eliminated V.V. Giri, then vice-president, though he remained a possible candidate if the prime minister kept her options open. But, the commentator wrote, whatever happened, no one could take away the prime minister’s right to stamp her imprimatur on the party candidate, in other words exercise a veto. As was her usual style, Mrs. Gandhi *was* keeping her options open until at least another round of eliminations. Unlike the earlier commentator, this one opined that within the Congress the choice of candidate could lead to jockeying for prestige and position but not a showdown. To anticipate the outcome, the commentator could not have been more grievously in error.[[22]](#endnote-23)

The ‘jockeying’ referred to had begun by then, with groups within the Congress preparing tactical plans for the presidential poll in anticipation of scheduled meetings of the Congress Parliamentary Board (CPB) and CWC. One group had started a signature campaign for V.V. Giri, it was reported, while another felt that Neelam Sanjeeva Reddy, at that time Speaker of the Lok Sabha and a member of the Syndicate, was a “formidable” candidate.[[23]](#endnote-24)

It was, perhaps coincidentally but probably not, that C. Subramaniam, a cabinet minister, a member of the CWC and a close aide of the prime minister, floated a proposal to nationalize five or six banks, though his reputation was quite the reverse of a socialist. Desai shot down the proposal saying it was pointless since the social control policy hadn’t been given a proper chance.[[24]](#endnote-25) These proved to be the first direct shots across the bows.

Meanwhile, it was reported that the choice of the presidential candidate could be postponed until a meeting of the AICC, scheduled to be held in Bangalore to resolve matters shelved at Faridabad. It was thought that making the choice in the prevailing climate of acrimony would not be wise. It was also reported that Mrs. Gandhi and Nijalingappa had had talks but had failed to resolve the problem. Various combinations and formulae were doing the rounds, including a joint Sanjeeva Reddy-Giri ticket.[[25]](#endnote-26)

Prior to the Bangalore AICC session, it was reported that there would be a bitter wrangle over bank nationalization. The Young Turk Chandra Shekhar, had circulated a document on economic policy insisting on the inclusion of bank nationalization in the party programme,[[26]](#endnote-27) while the party president had circulated to the CWC (meeting on the eve of the AICC session) an official draft (prepared ironically by Subramaniam) that did not mention nationalization, but said the social control policy should be given a chance.[[27]](#endnote-28)

What happened next has been copiously documented. Mrs. Gandhi postponed her trip to Bangalore by a day, thus being unable to attend the CWC meeting. But her cabinet colleague Fakhruddin Ali Ahmed tabled at the CWC session a note by her (later coming to be known as ‘stray thoughts’) on agricultural, financial and industrial issues, which incorporated a number of policies and programmes mooted in Chandra Shekhar’s note, including the nationalization of financial institutions. Desai reportedly reacted saying this would shake confidence in the banking system since the social control policy announced in Parliament in December 1967 had been embodied in legislation in January 1969.[[28]](#endnote-29) Three strands were intertwining themselves: the growing schism within the party, the issue of bank nationalization and the contention over the Congress party’s presidential candidate.

The next day, at the AICC session, only Desai opposed bank nationalization; others either supported it or were noncommittal, amongst the latter Mrs. Gandhi, who left herself elbow room for the two options of outright nationalization or tighter control by government. Mrs. Gandhi’s note meant that the economic policy resolution prepared by Subramaniam would have to be enlarged or modified given that the ten-point programme adopted by the Congress at Delhi in May 1967 had favoured social control over nationalization, which did not figure in the resolution. It had been assumed that the Delhi decision had settled the issue. As for the details of the ‘stray thought’ note, it closely followed Chandra Shekhar’s, in passages verbatim; as far as nationalization of banks went, however, she followed Subramaniam’s formula referred to above, which envisaged nationalizing five or six banks or forcing scheduled commercial banks to buy more government securities to the tune of Rs 250 crore, and retiring industrialist chairpersons of private banks’ boards of directors.[[29]](#endnote-30)

But by the end of the AICC session, the Congress high command had once again displayed its talent for papering over internal differences. The resolution piloted by Chavan but moved by Desai dropped reference to nationalization in favour of tighter social control; it also dropped at Desai’s insistence a clause providing for an implementation report at the next AICC session, dropping the stipulation of ‘next session’. Chandra Shekhar kept up the pressure with a petition in favour of nationalization signed by 146 members. The radicals were happy since further discussions on the subject would have to factor in Mrs. Gandhi’s note; the prime minister was happy at catching the bosses off guard and deflecting attention from the presidential elections; and Desai was happy that his position remained the stated policy of the party and, by inference, the government.[[30]](#endnote-31)

It was reported the next day that with regard to the economic policy resolution, Desai had iterated his position that the social control policy was only six months old and expressed reservations about Mrs. Gandhi’s note, adding it held no surprises. He also said that banks could be asked to increase investment in government securities to the extent of 5 per cent and that the newly formed National Credit Council, which was to play a major role in implementing the social control policy, would discuss the matter. The finance minister also defended the role of industrialists as chairpersons of boards of directors of private banks, arguing they were not influenced by the private sector, though he admitted that the government would have to be alert to the possibility. But the paper with which differences were papered over proved to be very thin. Chavan, speaking after Desai, said with reference to nationalization that the direction had been set and could not be reversed.[[31]](#endnote-32) At the end, the economic policy resolution was passed in its original form, with Desai saying unity was needed and that there was no rift between him and Chavan though differences could remain.[[32]](#endnote-33) The high command called upon the central and state governments to act on Mrs. Gandhi’s note.

I have already pointed out that the issue of bank nationalization was inextricably linked to that of the Congress party’s presidential candidate and the politics surrounding it. In an amazing display of simultaneity, the CPB announced on the same day that it had nominated Sanjeeva Reddy by a division of four votes to two. Kamaraj, Patil, Desai and Chavan had voted for him; Indira Gandhi had proposed the name of Jagjivan Ram as a unity candidate; he and Nijalingappa abstained from voting, while Ali Ahmed voted with Mrs. Gandhi for her candidate. But this was just the beginning of a new round in a battle of attrition, some elements of which pertain to the issue of nationalization, which we will presently relate. But it needs to be said at this point that the bosses made their move not without apprehension, which is why they held back the announcement and asked Nijalingappa to talk to Mrs. Gandhi before it was announced. If these steps were intended to soften the blow, they failed. It was reported that when the prime minister left the CPB meeting she was supposed to have said that those who had foisted a candidate would have to “face the consequences”.[[33]](#endnote-34)

The shenanigans over the presidential candidature had two consequences, to anticipate the climax. The one that need not detain us was the split in the Congress following the result of the electoral contest, for Giri entered the fray and defeated the official Congress candidate.[[34]](#endnote-35) He could not be faulted given that the Congress bosses had taken the literally unprecedented step of not seeking to elevate the vice-president to the presidential post. The other, which concerns us directly, was, to put it bluntly, the nationalization of the fourteen large scheduled banks, sparing a few small banks and the branches of foreign banks. These two stories cannot, to be sure, easily separated, mainly because the events that led to the nationalization of banks also led, eventually, to the split in the Congress via the outcome of the presidential elections. But the two stories have to be told separately to keep the focus attention on the bank nationalization and because of the overall design of the project of which this paper is just one part.

Within days, reports surfaced that a bill would be prepared on the basis of the prime minister’s note to force cabinet colleagues to support measures approved by the CWC and AICC, even if they were not all part of formal resolutions.[[35]](#endnote-36) The very next day Mrs. Gandhi divested Desai of his finance portfolio. Desai quit, calling it retaliation against the CPB vote. Explaining her action, Mrs. Gandhi wrote a letter to Desai saying that given the party mandate, she wouldn’t like to burden him with the implementation of economic policy he did not agree with. What followed were efforts at managing what appeared to be a definitive crisis, with Desai refusing to withdraw his resignation despite a second letter from the prime minister.[[36]](#endnote-37)

Without too much of a fuss, Mrs. Gandhi promulgated an ordinance nationalizing fourteen major banks.[[37]](#endnote-38) The cabinet showed it the green light unanimously. The banks were estimated to have deposits totalling Rs 2,000 crore. At the end of June their outstanding credit was Rs 3,536 crore. Under the ordinance, each bank would be an individual corporate entity managed by government appointees, to which end, the existing boards of directors would be dissolved and advisory boards would take over; continuity of banking services would be maintained, however. A banking commission, already formed in January, would look into necessary structural change.[[38]](#endnote-39) Profits, it was later said, would be transferred to the government by each individual entity.[[39]](#endnote-40) I shall return to the objectives of bank nationalization, the need for it, if any, and the question of how bank nationalization played out, once I have pursued further the politics surrounding the issue and, briefly, how it survived legal hurdles to become law.

The ordinance was challenged in the Supreme Court, which stayed some of the provisions of the Banking Companies (Acquisition and Undertakings) Ordinance: it prevented the government from removing chairpersons, who had consequent upon the promulgation of the ordinance been designated custodians; and the provisions relating to compensation. The prime minister told the Rajya Sabha that till the disposal of the petition challenging the ordinance, the RBI would continue to advise the banks in accordance with the existing Banking Laws (Amendment) Act of 1968.[[40]](#endnote-41) A bank nationalization bill was subsequently moved in parliament; amendments for referral to a joint select committee and the inclusion of foreign banks within the ambit of the bill were defeated.[[41]](#endnote-42) The bill which was eventually passed by parliament was voided by the Supreme Court. It was reported that the finance ministry had ready emergency plans if some clauses were struck down, but was wrongfooted by the sweep of the verdict.[[42]](#endnote-43) An anomalous situation was created with government already in possession of the banks’ assets. Two options were reviewed: an appeal for a stay to introduce fresh legislation; or introduction of another ordinance. Amidst the debacle, the government could take heart from the court’s view that parliament had upheld the right of legislation to nationalize, though it had voided the particular act on a number of grounds, chief among which was that the government had been guilty of ‘hostile discrimination’ in banning the nationalized banks from engaging in any businesses and on the issue of compensation.[[43]](#endnote-44)

There were confabulations between Mrs. Gandhi, senior colleagues, officials and experts; the conclusion arrived at was that the entire banking industry need not be nationalized, though political pressure to do so would most likely build up, to meet the ‘hostile discrimination’ objection, the removal of a clause barring the erstwhile banking companies from carrying out non-banking businesses would suffice; and, it was felt, compensation was the real issue. There was some palaver as well on whether to take the ordinance route, the law ministry’s preference, or draft fresh legislation, the finance ministry’s preference.[[44]](#endnote-45) Finally, the ordinance route was favoured and an ordinance passed to meet the Supreme Court’s strictures as regards compensation, which was generous with provisions being made for payment in cash or in securities or a combination of the two, and ban on carrying out non-banking businesses, which was lifted.[[45]](#endnote-46) The government got leave to introduce fresh legislation, which was eventually passed, bringing the judicial saga to an end.[[46]](#endnote-47)

In the period of time that elapsed between the first ordinance and the passage of the final bill, bank nationalization became the focus of intense politics. Let me begin with an editorial comment because it will help us shift our focus back on the politics of bank nationalization and subsequently the substance of the policy.

*The Statesman* had assailed the bill on the standard line that it was an iniquitous attack on property immediately after nationalization.[[47]](#endnote-48) But in a later editorial it made interesting and connected points about bank nationalization. First, it said, the measure was hasty and legislation badly drafted and unlike the takeover of the Imperial Bank, which became the State Bank of India after nationalization, not preceded by proper groundwork, and pointed out that even the supporters of the bill had been in favour of referring it to a joint select committee. In fact, it pointed out with some justification, that even days before the promulgation there was no indication of how many banks would be taken over, citing Subramaniam’s proposal, repeated by Mrs. Gandhi, that five or six banks would be taken over. Second, it cast doubts about the prime minister’s statement that 95 per cent of people supported the bill, referring to what it called the orchestrated rallies outside her residence in favour of the bill after the original ordinance had been promulgated. Third, it asked somewhat rhetorically that if the measure was non-partisan why had it not been brought in earlier and why had the government experimented with social control.[[48]](#endnote-49) In essence, the editorial was saying that this was a partisan measure used by the prime minister in her battle with the party bosses, casting doubts about its relevance to the people and saying it was unnecessary.[[49]](#endnote-50) In fact the last point was explicitly made elsewhere as well, where it was argued that only 45 per cent of the banking business would be affected – the SBI and its subsidiaries accounting for 30 per cent and it was the small banks, which had been exempted, that served the small customers 20 per cent. (There is a 5 per cent deficit in the arithmetic, which we can assume was in the hands of foreign bank branches.)[[50]](#endnote-51)

The first point made is fair. As our brief tour of legal hurdles has shown, the first set of ordinance and bill was drafted badly and passed in haste. It was, for instance, also reported that the first, voided act was put up for the law minister, Govinda Menon, so late that he couldn’t study it properly but nevertheless gave it his imprimatur.[[51]](#endnote-52)

This does suggest that the law was introduced hastily for political gains, as the editorial comment suggests. But it does not logically, or factually, in any way imply that the kind of popular support for nationalization that Mrs. Gandhi claimed for it did not exist and that rallies had to be ‘orchestrated’ to manufacture support. On the contrary, it does suggest that popular support did exist for the policy measure, which is why Mrs. Gandhi banked on it to give her the upper hand in the battle for control over the party.[[52]](#endnote-53) Factually, it was clear that no major party opposed the move, except the Swatantra Party. The left and communist parties, and some in the Congress party, in fact wanted the measure to be more radical and include in its ambit the entire banking establishment, including foreign banks, and many, both in the ruling party and outside, felt that the compensation was too generous.[[53]](#endnote-54)

M.R. Masani of the Swatantra Party and A.B. Vajpayee of the Jana Sangh had attacked the first bill when it was introduced.[[54]](#endnote-55) Later the Jana Sangh merely asked for its referral to a joint select committee.[[55]](#endnote-56) But the most revealing political position on bank nationalization was that of the Congress (O), the Syndicate wing of the by then split Congress. It was probably par for the course for Kamaraj to call for follow-up action on nationalization, since he had always favoured the move.[[56]](#endnote-57) But it was not just Kamaraj. The parliamentary party of the Congress (O), CPP(O), had officially decided to demand nationalization of foreign banks, after the nationalization move. Though details of the meeting were not divulged, it was reported that Desai was party to the decision. It also decided to move amendments along such lines to the new banking bill. Asoka Mehta, once one of Mrs. Gandhi’s inner circle, told the CPP(O) that to navigate the objections of the Supreme Court all banks with deposits of Rs 50 lakh and above, or those which could reach that mark, would have to be nationalized. Nijalingappa was also quick to point out that the policy to nationalize banks was that of the undivided Congress, Mrs. Gandhi was trying to make political capital out of the measure.[[57]](#endnote-58) In a war of letters, preparatory to the great split, he had also accused Mrs. Gandhi of taking personal credit for bank nationalization.[[58]](#endnote-59) Even second-tier leaders Tarakeshwari Sinha and Sucheta Kripalani had written to Mrs. Gandhi seeking nationalization of foreign banks, while Sharda Mukherjee had demanded in the Lok Sabha debate that the bill be referred to a joint select committee.[[59]](#endnote-60)

What I am trying to show here is that bank nationalization was an intensely political and probably emotive affair. If Mrs. Gandhi used it as a political instrument in a political battle to achieve her ends, her immediate opponents spared no effort at denying her this success and trying to steal her thunder, while political parties in the visitors’ seats pushed their own rhetorical, political and opportunistic agenda as well.

But whether bank nationalization was used as a political instrument or not surely has no bearing on the merits of the case. An unnecessary and retrograde measure could be completely non-controversial and unanimous, while a necessary and progressive measure could well be a partisan political instrument. The question is that whether in the context of the times bank nationalization was necessary and if it was, did the implementation of the measure in the immediate years following its promulgation achieve its objectives, stated or otherwise.

In her broadcast to the nation on 19 July 1969, the day the fourteen banks were nationalized, Mrs. Gandhi explained that the measure was supposed to accelerate the objectives of social control: removal of control by a few; provision of credit to agriculture, small-scale industry (SSI) and exports (which came to be known as the priority sectors); professionalizing management; encouragement of a new class of entrepreneurs; and provision of adequate training and terms of service to bank staff. Later, in parliament, she emphasized the role of nationalized banks in fostering growth. These were the broad parameters; in operational terms nationalization envisaged a massive programme of branch expansion into unbanked areas to mobilize deposits and the diversification of bank credit to serve the needs of hitherto neglected sectors of the economy.[[60]](#endnote-61)

One of the major achievements claimed for nationalization was a rapid expansion of branches – the number of people served on average per branch going down from 69,000 on 19 July 1969 to 26,000 in June 1976. There was geographical spread as well, with the number of districts with a population-to-branch ratio of over 100,000 going down from 156 at the end of June to nineteen at the end of December 1975. Inter-regional disparities did not change substantially, however, with most of the change happening in the first two years after nationalization. Looking at the performance of the nationalized banks from the point of view of not just the opening of rural branches, no significant difference can be noted. For instance, between June 1969 to June 1975, only new rural branches accounted for a substantial increase in terms of both deposits and credit (60.60 per cent and 58.90 per cent), while in semi-urban, urban and metropolitan areas the figures ranged from 20 per cent to 28 per cent. More significant was the fact that the share of rural branches in total deposits and credit in this period was a mere 11.50 per cent and 8.40 per cent. Interesting, too, was the fact that in rural and semi-urban areas the share of agriculture and allied activities in total advances in June 1973 was just 28.70 per cent, while industry and trade accounted for 50 per cent. The study of banking policy already cited also found that the licensing policy followed by the RBI was just a little too hands-off, leaving wide powers of discretion to individual banks in choosing locations for new branches. Though immediately after nationalization the RBI issued a circular specifying the number of unbanked areas in which the newly nationalized would have to open branches, indicating a bankwise distribution, it issued another circular in February 1970 stipulating a ratio for opening new branches in metropolitan/urban areas, on the one hand, and rural/semi-urban areas on the other, which inevitably brought the idea of the profitability into operation. A combination of these two meant ultimately that the banking system had neither the incentive nor direction to meet the overall developmental needs of the country, especially with regard to addressing the problem of regional imbalances and rural backwardness.[[61]](#endnote-62)

Another positive feature has been noted: provision of credit to the priority sectors. D.N. Ghosh notes a sharp increase: in June 1969, public sector banks had borrowal accounts of Rs 2.6 lakh, rising to Rs 47.22 lakh in June 1976; in the same period the quantum of lending rose to Rs 441 crore to Rs 2,527 crore. The percentage of lending to the priority sectors rose in the same period from 14.90 per cent to 25.50 per cent. Within the priority sector, the most striking increase was in agriculture in which the share of direct finance (loans given to the end-user rather than to providers of inputs and services, state electricity boards for example) rose from 9.11 per cent to 28.73 per cent. The increase in direct finance as compared to indirect finance has been noted, alongside the provision of finance largely to better-off farmers. The thrust was to provide loans for infrastructure development in the form of minor irrigation projects, installation of pumpsets and so on. Of term loans provided, 62.30 per cent went to those with holdings above 10 acres and 20.8 per cent to those with 5-10 acres. This pattern – of providing credit to large and medium farmers – persisted despite RBI guidelines exhorting the nationalized banks to provide credit to small and potentially viable farmers, without any specific direction.[[62]](#endnote-63)

Further, Ghosh notes, there was a clear sectoral redeployment of credit (evident despite some problems of classification) between June 1968 and June 1976. Large and medium industry found their combined share dropping from 60.60 per cent to 37.99 per cent (though this statistic is rendered somewhat suspect because of classification issues); SSI found its share up from 6.9 per cent to 11.00 per cent (after peaking at 12.1 per cent in June 1972); agriculture went up from 2.2 per cent to 10.40 per cent, though the direct finance component within it went up from 4.00 per cent to 5.6 per cent.[[63]](#endnote-64)

Finally, for my purposes, Ghosh notes the RBI’s failures in respect of monitoring lending to prevent misuse od credit – commonly, for instance, the use of production loans to build inventories and stocks; he also notes that despite repeated attempts, the central bank failed to curb credit expansion to curb inflationary trends, but attributed that largely to government borrowing, both centre and state, the borrowings by public sector undertakings and entities like state electricity boards and loans for food procurement; in short to government passing expenditures previously met through budgetary resources on to the banking system.[[64]](#endnote-65)

If Ghosh was a kind critic of government policy following nationalization there were unkind ones around as well. And the columns of the *Economic and Political Weekly* gave them hospitable space. Thus, no sooner had the nationalization measure gone through, a correspondent enthused about its possibilities, urged integration of the banking system with the planning process, gave more general advice such as the need for a credit policy, but warned that business as usual would scupper the promise: changes in top personnel, lending policy was necessary; the present boards of the SBI and RBI, the correspondent warned, should not continue in present shape to let management continue in old style.[[65]](#endnote-66) In much the same vein of enthusiasm and exhortation, a correspondent warned that since the majority of credit would continue to go to big industry in the near future, credit policy would have to be calibrated against the underlying approach to the monopolies bill then being considered and licensing policy reform. It said credit must be treated as a scarce commodity and rates of interest had to reflect that scarcity.[[66]](#endnote-67)

In page after page, issue after issue, correspondents urged one fundamental point: that the derailed planning process had to be restored and within that process a bold, holistic credit policy had to be inscribed to bring out precisely those changes in the Indian economy that Mrs. Gandhi had promised in her post-nationalization broadcast. As the enthusiasm dimmed, the criticism of the government, the RBI and the nationalized banks started becoming strident and metronomic.

But in the early days, the tone was optimistic. Knowledgeable sources, a report said, had it that it should be possible “to stretch itself adequately” to open 4,000 new branches in three years in underbanked regions of Uttar Pradesh, Bihar, Madhya Pradesh, Orissa, Assam and Jammu and Kashmir.[[67]](#endnote-68) A report in a national daily, however, put out a much more cautious report: that an RBI committee had envisaged a two-phase plan for underbanked areas: some with 10,000-plus population to be banked by March 1970 and 197 towns with population less than 10,000 in Assam, Bihar, Jammu and Kashmir, Madhya Pradesh, Orissa, Uttar Pradesh and West Bengal by end-1970.[[68]](#endnote-69)

Mrs. Gandhi appeared to mean business when she told the custodians of the nationalized banks, within the stipulations of the Supreme Court order, to open branches, mobilize deposits and devise credit arrangements through personal investments. She also told them they would get treasury business and public sector accounts, which till then had been SBI’s sole preserve and warned them that she had come to hear that some bankers came under extraneous pressures “traceable to links with big business”.[[69]](#endnote-70)

At a session of the All-India Congress (R) Committee), a note to the committee said loans to agriculture had risen from Rs 162 crore Rs 250 crore (time period not specified) and 350,000 farmers had been covered. The report on the event pointed out that this could also have been achieved under the social control regime; in fact, it went on to say, it was likely that the momentum created in that period was responsible. It also said that banks were showing little initiative in reaching out to agriculturists, small industrialists and exporters – what had transpired till then did not amount to a policy, especially since there was no clarity on which segments of agriculturists were to be covered or what the impact would be on production or traditional suppliers of credit.[[70]](#endnote-71)

The first anniversary of bank nationalization, when the banks’ custodians met, passed without fanfare. A commentator said it had done so with good reason; deposit mobilization had slowed down. The writer also noted that the ratio of currency to monetary resources had gone up in a year of unprecedented growth of bank branches and this needed to be inquired into. Conceding the point that most of these branches had been opened in areas with low deposit potential, the columnist pointed out that even in farm-surplus areas deposit mobilization had not taken off, as in Punjab, even though procurement had put money into farmers’ hands.[[71]](#endnote-72) But on an optimistic note, another report said 1,067 branches had been opened in the first nine months after nationalization, of which 628 were in unbanked areas.[[72]](#endnote-73)

By the middle of 1971, after the Congress (R) – the Mrs. Gandhi faction – won an unprecedented majority in the Lok Sabha, a coherent credit policy had since not been worked out nor fundamental conceptual issues cleared, though two years had passed since the bank nationalization move had been announced. The debate over differential rates of interest made that quite obvious. The report of a committee set up by the RBI had recommended that weaker sections and the priority sector be provided loans at a rate of interest lower than the usual. This finally sparked off a debate, with some commentators pointing out that the rate of interest was not the real issue; the real issue was the availability of credit, given the fact that the bulk of credit available especially in rural areas was from moneylenders, which commanded a much higher rate of interest than any institutional credit anyway. Such were the issues that led critics to berate the government on its failure to implement the bank nationalization policy in any meaningful way.[[73]](#endnote-74)

But an official press note struck an obviously optimistic note: deposits up 17.6 per cent in June 1970-May 1971 as against 15.3 per cent June 1969-May 1970; 2,934 branches opened between 19 July 1969 and 30 April 1971; advances to ‘neglected sector’ rose faster in comparison to other banks, thus while the nationalized banks’ contribution had been 14.50 per cent in June 1969 and 21.20 per cent in June 1970, it constituted 22.8 per cent in March 1971. The riposte to this note was: So what? Private banks’ deposits had grown in the same period by 16.7 per cent; as far as new branches went, while the numbers opened had been 1,658 between July 1969 and June 1970, between July 1970 and April 1971 1,276 branches had been opened, with the monthly average down from 138 to 128. Excluding the SBI group, the figures were 99 and 80. Advances had gone down to Rs 15.20 crore between July 1970 and March 1971 from Rs 26.90 crore between July 1969 and June 1970. The statistical war was, however, a sideshow. The point of the riposte was that the nationalized banks seemed to be adrift, functioning without an overall plan. A further suggestion was that with the enthusiasm of the early months ebbing, the policy of bank nationalization was running aground.[[74]](#endnote-75)

Let me shift gears a little and fast forward to 1974. The burden of criticism in the early 1970s was that the government and RBI were not moving fast enough to formulate a coherent credit policy, to bring it into line with development goals, and the planning and budgetary process; in other words, it was in the realms of broader ideological and political issues. By the mid-1970s, these were not the main issues anymore. Expectations amongst the intelligentsia had evaporated. Now the criticism had more to do with technical issues: the nitty-gritty of credit-control mechanisms; persistent criticism of the RBI for sticking to failed formulae; the details of monetary policy as it related to seasonal credit expansion, not adequately compensated by contraction; and other minutiae. To this was added what seems suspiciously valid, if somewhat trenchant, criticism of the RBI (and, at least, by implication of the government) for not being able to force banks to direct credit to the priority sectors and colluding with large corporate houses, the substantial traders and peasants in misusing credit obtained for productive purposes to indulge in hoarding, stock-building, profiteering and related criminal activity, especially in periods of shortages and spiralling prices. [[75]](#endnote-76)

Six years or so after the bank nationalization law was passed, the eminent economist Bhabatosh Datta took a look at what it had achieved. First, he noted, the former owners were happy; they had not only been generously compensated, but since the compensation had been paid to the companies rather than individuals it could be used for new ventures. Moreover, the former owning groups found their influence with their old banks undiminished and no serious change in operations.

But it would be wrong, Datta argued, to say that no improvements had been made in the directions desired: deposits of public sector banks (including the SBI) had risen from Rs 3,897 crore at the end of 1958-69 to Rs 9,936 crore at the end of 1974-75 and thence to Rs 11,500 crore at the end of January 1976. The number of branches had increased from 6,595 at the end of June 1969 to 15,077 at the end of June 1975. Advances, too, had risen from Rs 2,783 crore in July 1969 to Rs 6,466 crore in December 1974; advances to the agriculture sector had risen from Rs 162 crore to Rs 706 crore, of which Rs 478 crore was in the form of direct finance. Advances to the priority sectors combined rose from Rs 645 crore to Rs 2,509 crore.

But, Datta showed, deposits of private scheduled banks rose 4.23 times in comparison to the 2.55 times achieved by the nationalized banks in six years; the SBI’s branches multiplied 2.21 times, those of its subsidiaries 1.95 times, those of the fourteen nationalized banks 2.29 times and those of the private scheduled banks 2.56 times. It could be argued, Datta went on, that the figures flattered the smaller private banks because they began from a low base, but the fact that their deposits rose from Rs 441 crore to Rs 1,869 crores and number of branches from 1,320 to 3,385 didn’t speak highly of the brave new world of nationalized banking. Moreover, if the performance of private banks was a matter of a deliberate licensing policy, it didn’t explain why, consistent with the objectives of nationalization in the first place, nationalized banks were not given priority; the logical policy would have been to bring all possible bankable assets under government control. As for rural branches, the figures, themselves not impressive, were rigged since most branches labelled rural were actually urban or suburban. Moreover, Datta added, it was not just a question of number of branches; at the end of June 1974 rural branches accounted for 7.8 per cent of deposits and 5.3 per cent of advances.

Datta concluded by damning the Lead Bank Scheme, the centerpiece of nationalized banking, with no praise, calling it a chaotic failure, not inconsiderably because of unhealthy oligopolistic competition via interest rate wars and competition for deposits.[[76]](#endnote-77)

This brief review of some of the outcomes of the nationalization of fourteen banks leaves us with some propositions: first, though a programme of branch expansion had been successfully undertaken, its early momentum was lost after a couple of years, especially with regard to concentrating on unbanked or underbanked areas; second, there was some success in deposit mobilization; third, redirection of credit to the priority sectors was not conspicuously successful up until the mid-1970s, though some re-allocation had happened; fourth, the success in channelling credit to the agrarian sector was vitiated, in terms of stated objectives, by the fact that credit was almost completely monopolized by the rich peasantry, which was not altogether surprising since the first few years of bank nationalization coincided with the new agricultural strategy or green revolution and the political economy of the agrarian sector; fifth, though large industry’s share of the credit pie was somewhat reduced the feeble attempts made by the RBI to impose credit-control measures could not prevent its ability, and the ability of big commercial players and rich agrarian interests, to circumvent these measures to direct credit received to purposes other than those stipulated; such credit was often, in fact, diverted to fund unlawful activities like hoarding and stockpiling scarce commodities in times of shortages and price rise, exacerbating the endemic economic crises of the time; and, finally, massive year-on-year credit expansion became difficult to control to a significant extent because of government borrowings, both at the centre and in the states, and the demands for credit made of the nationalized banks for purposes such as running public utilities like state electricity boards, transport corporations, and procuring foodgrains, earlier funded by the government itself through budgetary support or other means.

So the big gainers from bank nationalization were the rich peasants and government, while credit support for big business and industry was not compromised. The weaker sections and ‘small’ people had once again been given short shrift.

1. *The Statesman*, 8 May 1967. [↑](#endnote-ref-2)
2. The Hazari report became something of a cause célèbre. Towards the end of May, a radical Congress MP accused some ministers of being in the pay of the Birlas at a stormy meeting of the Congress Parliamentary Party. The impugned ministers were K.C. Pant and Satya Narain Sinha, with the former defending himself, arguing that he had been a Birla employee before becoming a minister, and the latter admitting two being a member of two Birla trusts. The opposition pressed for an inquiry, which was acceded to, but after having dragged on for over two years the issue was shelved. *The Statesman,* 27/29/30/31 May 1967; 1/2 June 1967. [↑](#endnote-ref-3)
3. *The Statesman*, 16 September 1967. [↑](#endnote-ref-4)
4. *The Statesman*, 12 May 1967. [↑](#endnote-ref-5)
5. Not unexpectedly, the communist parties were also pushing for bank nationalization. In August they were formulating a two-pronged approach: press for bank nationalization in parliament and mobilize support for a strike outside. [↑](#endnote-ref-6)
6. *The Statesman*, 13 May 1967. [↑](#endnote-ref-7)
7. The ‘Syndicate’ was a group of state party bosses, including some chief ministers, who gained control over the Congress organization some time before Jawharlal Nehru’s death. There was some amorphousness about the group, but those definitely in it were K. Kamaraj of Madras, S. Nijalingappa of Mysore, Neelam Sanjeeva Reddy of Andhra Pradesh, S.K. Patil of Maharashtra and Atulya Ghosh of West Bengal. The first three had at various points of time been chief ministers. [↑](#endnote-ref-8)
8. *op. cit.* [↑](#endnote-ref-9)
9. *The Statesman*, 17 May 1967. [↑](#endnote-ref-10)
10. *The Statesman*, 19 June 1967. [↑](#endnote-ref-11)
11. Francine R. Frankel, *India’s Political Economy, 1947-77: The Gradual Revolution*, Delhi, 1978, pp. 397-98. [↑](#endnote-ref-12)
12. *Economic and Political Weekly* (henceforth *EPW*), ‘Not a Simple Revolt’, Vol. II, No. 26, July 1, 1967, pp. 1151-52; and ‘Revolt in the AICC’,*EPW*, Vol. II, No. 26, July 1, 1967, pp. 1160-61. It needs to be noted that the terms socialism, socialist and left, were highly elastic in the context of Indian politics before and after, but especially after, 1947. For the Nehruvian period this point has been pursued in greater detail in Suhit K. Sen Sen, ‘The Transitional State: Congress and Government in U.P., c. 1946-1957’, unpublished Ph.D. dissertation, London, 1998. [↑](#endnote-ref-13)
13. *The Statesman*, 26 August 1967. [↑](#endnote-ref-14)
14. D.N. Ghosh, Banking Policy in India: An Appraisal, New Delhi, 1979, p. 216. [↑](#endnote-ref-15)
15. Inder Malhotra, *Indira Gandhi: A Personal and Political Biography*, London, 1989, pp. 109-111. [↑](#endnote-ref-16)
16. *op. cit*., p.111. [↑](#endnote-ref-17)
17. *The Statesman*, 12 September 1967. [↑](#endnote-ref-18)
18. *The Statesman*, 17 September 1967. [↑](#endnote-ref-19)
19. Malhotra, *Indira Gandhi*, pp. 115-16. The meeting was said to have been attended by Kamaraj, Subramaniam, Jagjivan Ram and Y.B. Chavan. No evidence for this meeting has been cited. [↑](#endnote-ref-20)
20. *The Statesman*, 14 March 1969. [↑](#endnote-ref-21)
21. ‘Congress Unable To Check Its Downward Drift’, Inder Malhotra, *The Statesman*, 14 March 1969. [↑](#endnote-ref-22)
22. ‘Choice of Presidency Exposes Pulls Within Congress’, S. Nihal Singh, *The Statesman*, 16 May 1969. [↑](#endnote-ref-23)
23. *The Statesman*, 19 June 1969. [↑](#endnote-ref-24)
24. *The Statesman*, 21 June 1969. [↑](#endnote-ref-25)
25. *The Statesman*, 8 July 1969. [↑](#endnote-ref-26)
26. Frankel refers to this note, but does not ascribe authorship to anyone. In her narrative, it was prepared by a small group of CFSA members. See, Frankel, India’s Political Economy, p. 416. [↑](#endnote-ref-27)
27. *The Statesman*, 9 July 1969. [↑](#endnote-ref-28)
28. *The Statesman*, 10 July 1969. Presidential assent for the bill was reported in *The Statesman*, 3 January 1969. [↑](#endnote-ref-29)
29. *The Statesman*, 11 July 1969. It would be useful at this point to differentiate between outright nationalization of and social control over banks. The former clearly meant complete takeover of banks on payment, in this case generous, compensation. This in turn meant in logistical terms that the government through, or in consultation with, the Reserve Bank of India (RBI) would constitute the boards of directors of the nationalized banks and appoint their chairpersons; additionally, it meant, at least on paper, that the nationalized banks would have to run their operations according to the directions of the RBI in respect of opening branches, setting interest rates both for deposits and advances, providing credit and other operations. Social control, on the other hand, meant that a newly created body, the National Credit Council (NCC), would assess the demand for credit from various sectors and determine priorities for grant of loans and advances. The objectives were broadly the same: divert credit from large industry and business towards what came to be known as the ‘priority sectors’ – agriculture, small-scale industry and exports. The council would be composed of representatives from various sectors; it was envisaged that the competing pulls of various interests would ensure a rational allocation of credit. It was further planned that a package of legislative measures would ensure that decisions taken by the RBI would be followed by the commercial banks. In short, the difference between the two was one of nuance in terms of achieving certain objectives. For a full discussion, see Ghosh, *Banking Policy*, pp,. 216-17; 226-228. A related development was the creation of a department of banking in the finance ministry, which reversed an earlier finance minister’s decision to give all banking functions to RBI. *EPW*, ‘Starting Points for a Policy Leap’, Vol. IV, No. 37, 13 September 1969. Another report said RBI had been placed under the department in all matters other than foreign exchange control; a deputy governor, who had taken over as secretary had secured larger remit than routine administration of nationalized banks, including supervision of National Credit Council. [↑](#endnote-ref-30)
30. *The Statesman*, 12 July 1969. [↑](#endnote-ref-31)
31. *The Statesman*, 13 July 1969. [↑](#endnote-ref-32)
32. *The Statesman*, 14 July 1969. [↑](#endnote-ref-33)
33. *The Statesman*, 13 July 1969. [↑](#endnote-ref-34)
34. *The Statesman*, 14 July 1969. [↑](#endnote-ref-35)
35. *The Statesman*, 16 July 1969. [↑](#endnote-ref-36)
36. *The Statesman*, 18 July 1969. [↑](#endnote-ref-37)
37. The banks were: Central Bank, Bank of India, United Commercial Bank, Bank of Baroda, Punjab National Bank, Union Bank of India, Dena Bank, United Bank of India, Canara Bank, Syndicate Bank, Indian Overseas Bank, Bank of Maharashtra and Indian Bank. [↑](#endnote-ref-38)
38. *The Statesman*, 20 July 1969. [↑](#endnote-ref-39)
39. *The Statesman*, 21 July 1969. [↑](#endnote-ref-40)
40. *The Statesman*, 23 July 1969. [↑](#endnote-ref-41)
41. *The Statesman*, 29/31 July 1969. [↑](#endnote-ref-42)
42. *The Statesman*, 11 February 1970. [↑](#endnote-ref-43)
43. *The Statesman*, 11 February 1970. [↑](#endnote-ref-44)
44. *The Statesman*, 12 February 1970. [↑](#endnote-ref-45)
45. *The Statesman*, 15 February 1970. The Supreme Court order also rekindled the debate on the right to property. Some of those opposed to the order wanted it removed point blank, while others wanted it removed as a *fundamental* right. I shall not go into this issue in detail. [↑](#endnote-ref-46)
46. *The Statesman*, 28 February 1970; 25 March 1970. When the Lok Sabha passed this hugely controversial bill, only eighty members were present. [↑](#endnote-ref-47)
47. *The Statesman*, 20 July 1969. [↑](#endnote-ref-48)
48. *The Statesman*, 12 August 1969. [↑](#endnote-ref-49)
49. Quite the contrary opinion was expressed by a correspondent, writing in EPW. In the context of the Congress (R)’s Azadnagar (Bombay) session, the writer said that though for the more sophisticated the effects of bank nationalization might have worn off, for ordinary people it remained a symbol of defiance of big business and held out hopes of change. *EPW*, ‘Azadnagar Socialism on Tap’, Vol. V, No. 1, 3 January 1970, p. 8. [↑](#endnote-ref-50)
50. *The Statesman*, 28 July 1969. [↑](#endnote-ref-51)
51. [↑](#endnote-ref-52)
52. On this ‘orchestration’, Frankel writes, “Although the demonstrations were, in part, organized by the CPI, the sentiments they tapped were clearly spontaneous.” See Frankel, *India’s Political Economy*, p. 420. [↑](#endnote-ref-53)
53. *The Statesman*, 15 February 1970; also see EPW, ‘Uncertainly Poised’, Vol. V, No 7, 14 February 1970, p. 70. [↑](#endnote-ref-54)
54. *The Statesman*, 27 July 1969. [↑](#endnote-ref-55)
55. *The Statesman*, 30 July 1969. [↑](#endnote-ref-56)
56. *The Statesman*, 12 February 1969. [↑](#endnote-ref-57)
57. *The Statesman*, 15 February 1970. [↑](#endnote-ref-58)
58. *The Statesman*, 31 October 1969. [↑](#endnote-ref-59)
59. *The Statesman*, 1 August 1969. [↑](#endnote-ref-60)
60. Ghosh, *Banking Policy*, pp. 227-228. [↑](#endnote-ref-61)
61. *op. cit.*, pp., 230-244*.* [↑](#endnote-ref-62)
62. *op. cit.*, pp., 269-302*.* [↑](#endnote-ref-63)
63. *op. cit*., pp., 305-308*.* [↑](#endnote-ref-64)
64. *op. cit*., pp., 305-330*.* [↑](#endnote-ref-65)
65. *EPW*, ‘Budget Plus Banks’, Vol. IV, Nos. 28-30, Special Number, July 1969, pp. 1093-94. [↑](#endnote-ref-66)
66. *EPW*, ‘Starting Points for a Policy Leap’, Vol. IV, No. 31, 2 August 1969, pp. 1093-94, p.1256. [↑](#endnote-ref-67)
67. *EPW*, ‘Programme for Branch Expansion’, Vol. IV, No. 32, 9 August 1969, p. 1292. [↑](#endnote-ref-68)
68. *The Statesman*, 15 September 1969. [↑](#endnote-ref-69)
69. *EPW*, ‘Modest Beginnings’, Vol. IV, No. 40, 4 October 1969, p. 1579. [↑](#endnote-ref-70)
70. *EPW*, ‘Economic Post-Mortem on the Split’, Vol. V, No. 25, 20 June 1970, p. 958. [↑](#endnote-ref-71)
71. *EPW*, ‘Unfinished Business’, Vol. V, Nos. 29-31, Special Issue, July 70, pp.1107-08. [↑](#endnote-ref-72)
72. *EPW*, ‘One Year After: The Prospect’, Vol. V, Nos. 29-31, Special Issue, July 70, p. 1129. [↑](#endnote-ref-73)
73. *EPW*, ‘How Cheaply to Lend Little’, Vol. VI, No. 27, 3 July 1971, p. 1305. [↑](#endnote-ref-74)
74. *EPW*, ‘Floundering Without a Plan’, Vol. VI, No. 29, 17 July 1971, p. 1414. [↑](#endnote-ref-75)
75. See for instance, *EPW*, ‘Credit Policy: Loss of Credibility’, Vol. IX, No. 17, 27 April 1974, pp. 692-94; *EPW*, ‘Money Delusion’, Vol. IX, No. 24, 15 June 1974, pp. 929-30; *EPW*, ‘Uneasy Portents’, Vol. XI, No. 4, 24 January 1976, p. 85. This is a small sample of *EPW*’s reportage on these issues. [↑](#endnote-ref-76)
76. Bhabatosh Datta, ‘The Banking Structure: A Re-Appraisal’, *EPW*, Vol. XI, No. 21, 22 May 1976, pp. 781-86. [↑](#endnote-ref-77)