THE UNITED COMMERCIAL BANK LTD.

The following is the summary of the speech delivered By Shri G. D. Birla, Chairman of the United Commercial Bank Ltd., at the Bank's 9th Ordinary General Meeting held on 27th March, 1952 in Calcutta

MR BIRLA prefaced his remarks by expressing profound sorrow at the death of His Majesty King George VI and Mr Liaquat Ali Khan, the Prime Minister of Pakistan.

Referring to the Bank's business he said that the deposits of the Bank at the end of 1951 stood at Rs 29,58 crores showing small recession which, however, was in accordance with the general trend of shrinkage in deposits of banks. The Bank's cash in hand and balances with banks stood at Rs 5.04 crores which give the ratio of 15 per cent to deposits. The Bank's investments stood at Rs 12.13 crores which gave ratio of unencumbered investments to deposits at 33.5 per cent Cash balances with banks and unencumbered investments amounted in the aggregate to Rs 14.96 crores.

Referring to the raising of the Bank rate Mr Birla said that this increase had led to heavy fall in the price of all fixed interest healing securities. But the United Commercial Bank on account of its cautious policy was able to show its securities at or below market price.

The amount of bills purchased and discounted went up to Rs 4.21 crores from Rs 3.37 crores. in the field of foreign exchange business the amount of bills payable outside India stood at Rs 2.46 crores as compared with Rs 1.50 crores at the end of 1950. The amount of Letters of Credit, Guarantees, etc., was Rs 10.15 crores as compared with Rs 9.18 crores at the end of 1950. The Bank's advances stood at Rs 13.70 crores as compared with Rs 13,39 crores at the end of 1950. The ratio of advances to deposits was 46.3 per cent against a similar ratio of 59 8 per cent for all the Scheduled Banks. The liquidity of the. Bank's business continued to be high nearly 100 per cent of demand deposits. The profits of the Bank also improved from Rs 34.07 lakhs to Rs 35.03 lakhs. On the expenditure side, there has been some increase in the salaries and allowances and this is due to the terms of the Sen Award. The Bank also made contribution during the year to some charitable and public funds and the amount of such contribution was just below Rs 51,000. Mr Birla examined the suggestion made by some shareholders for increasing the dividend of the Bank's shares. In view, however, of the uncertain conditions of the money market he thought that the return of 4 per cent free of tax should be considered fair and reasonable in the case of a young bank.

The Bank has been expanding its activities by opening branches at several places in India, and in Singapore in Malaya and Akyab in Burma. He added that a branch at Hongkong was opened on the 18th of March. To meet the problem of personnel of a growing bank like this the Bank started a Staff Training College where promising young officers of the Bank are given an intensive course of training.

Referring to the General Elections Mr Birla said that India's were the biggest elections in the democratic world and they had been conducted very well. He congratulated Mr Sukumar Sen, the Election Commissioner, for the successful conduct of the elections. Mr Birla pointed out that one meaning of the election was that the country in the main does run believe in communist or socialist ideologies. In this connection frustration *of* the educated middle classes and absence of economic advancement and failure to utilise their youthful energies have to be taken into account. Mr Birla thought that the elections had successfully proved the following five points:

(i) That the Indian people value democracy and can exercise the vote wisely.

(ii) India believes in private economy and has no leanings to socialist or communist ideology.

(iii) Everyone desire Government to have realistic approach to all questions.

(iv) There is a great deal of frustration amongst educated young men of the country and this must be dealt with.

(v) People are not entirely satisfied with the record of the Congress party and have given it one more chance.

As regards., the future economic programme of the country Mr Birla gave priority No. 1 to economic expansion and increased production. Incentives for savings and capital formation, friendly relations with countries that can help us financially, a well-balanced programme to expand all types of economic activity, technical training for workers and a change in the social outlook were essential before production could improve. Mr Birla thought that there was at present satisfactory co-operation between our country and the other democratically minded countries in the world. But Government did not realise that the high taxation policy at home hinders rapid economic growth. Government's attitude towards labour and its labour policy must also be based on realism. Even the most devastated countries of Europe have now made good their damage and are producing more than their pre-war standards, while we have been promised by the Planning Commission a bare: pre-war availability of essential consumer goods and that too after five years. Mr Birla thought tins was " a sad commentary indeed on the country's economic state ". Mr Birla, however, made an exception and approved our Government entering into special agreement with certain oil producing company which will expand our economy and create new avenues of employment for our young men.

Mr Birla then referred to the unprecedented tightness in the money market, deterioration in the value of Government and industrial securities, and losses sustained by the investing public and institutions. Mr Birla argued that the expansion in the credit during the last year had been necessitated by the legitimate needs of Indian commerce, and industry. Had the banks failed to increase their lendings, necessitated by higher prices, there would have been shrinkage in business and of production which would have further aggravated the economic weakness of the country and led to more unemployment.

Referring to the restrictions of credit to business and industry Mr Birla said that these are recoiling on the country's production capacity. He, however, congratulated the Reserve Bank for their introduction of new lending facilities in the form *of* three months' bill which they may hold from their borrowers for seasonal credit requirements. This latest scheme of the Reserve Bank of India deserves warm support of all hanks. Mr Birla also referred to the increase in the Bank of England rate last November and again in the second week of March this year and said that in India the money market did not turn really easy in the slack season of 10,51 owing to the following causes:

(1) The Government policy of budgeting for big revenue surplus effected the contraction of currency.

(2) The policy of liberalisation of imports and large increase in imports of foodstuffs have drained off the country's money supply.

(3) The total expenditure on elections is estimated at over Rs 50 crores, As a substantial portion of this has been made available by the banks, there is naturally contraction of credit.

In view of these factors, the re-establishment of comfortable credit conditions should be the major aim of Government's financial policy. Mr Birla suggested in this connection the raising of a fund from the' money market through the medium of Treasury Bills. Re-examination of the import policy also appeared necessary. While there can be no two opinions on the need for food imports nothing should be done while dealing with these imports which will impair rural economy by involving competition between domestic produce and foreign produce.

In his concluding remarks Mr Birla pointed out that our balance of payments position is also none too good. There are heavy food imports and in addition there is a falling off in the overseas demand for India's principal exports. Much bigger exports are therefore necessary and Mr Birla warmly welcomed the recent announcement of Government regarding reduction of export duty on jute goods and vegetable oils and a few other products. "Prosperity," said Mr Birla, " cannot be created by curtailment of Government expenditure on essential projects or by planning large *revenue* surpluses or by depressing prices to such levels as would cause distress and misery." He therefore suggested spending money on production projects and the aim in all cases should be to increase our production, agricultural as well as industrial. This process should be helped by greater' supply of money even at the risk of a slight inflation, " In the initial stages of such a policy." concluded Mr Birla, " there might be a little rise in prices but after the lapse of a year or two, when goods are produced in greater abundance, prices will come' down and bring about real prosperity because it would mean great supply of goods, increased employment and lower prices."