

Chapter IV

FINANCIAL INTERMEDIATION IN INDIA
1951-52 to 1970-71

This chapter deals with the nature and extent of financial intermediation in India during the period 1951-52 to 1970-71. Section I briefly outlines the role of financial intermediaries in the process of financial growth. Section II presents an account of growth of indirect finance, the extent of indirect finance or financial intermediation, indirect finance according to the sector and according to the financial intermediaries.

Section IRole of Financial Intermediaries in the
Saving Investment Process

Financial intermediaries play an important role in the saving investment process as they tend to raise the levels of saving and investment and also help to allocate more efficiently scarce savings among alternative investment opportunities.¹

¹Gurley, John G. and Shaw, Edward S., Money in a Theory of Finance, The Brookings Institution, Washington, D.C. 1960, pp.195-196.

In an economy where financial assets do not exist, spending units will have to invest their savings in new tangible assets. Spending units cannot invest more than their savings, simply because there is no way to finance excess expenditures, while also other spending units cannot invest less than their savings because there are no financial assets for putting excess savings. As a result spending units will be forced to have balanced budgets i.e. savings will be equal to investments for each spending unit. In such an economy, where financial assets are absent, savings, investment and growth rate would tend to be low. Absence of financial assets in such an economy, will result in inefficient allocation of scarce resources. Superior investment opportunities according to their expected rates of return will not be selected in a situation of balanced budgets. Selection of an efficient investment project requires unbalanced budgets i.e. for some spending units investment should exceed their savings (i.e. budget deficits) and for others their savings should exceed investment (i.e. budget surpluses).²

The presence of money balances would improve the situation as these balances would permit some spending units with highly promising investment opportunities to make investment expenditures in excess of their savings, and would allow

²Ibid., p. 196.

others, who do not have such opportunities, to save in excess of their investment through the accumulation of money. Thus, by allowing some specialisation among spending units, money as a financial asset opens up the possibility of more efficient ordering of investment in the economy.³

Further improvement is made possible by the improvement of external financing through the development of intermediating techniques. The intermediating techniques turn primary securities into indirect securities for the portfolios of ultimate lenders. They provide to ultimate lenders a wide variety of financial assets particularly suited to their needs, and they also make it less necessary for borrowers to issue these securities which are ill-adapted to their own business.⁴

Financial intermediaries do not come into existence in an economy which is completely financially self-sufficient where spending units' budgets are balanced. In this economy there would be no need for external financing and would be without any financial asset. Thus, financial intermediaries presuppose absence of complete financial self-sufficiency and existence of surplus and deficit spending units.⁵ It should

³Ibid., pp. 196-197.

⁴Ibid., p. 197.

⁵Raymond W. Goldsmith, Financial Institutions, Random House, New York, 1968, p.23.

be noted that the existence of surplus and deficit spending units is a necessary condition but not a sufficient condition,⁶ as external financing may be direct one, because transfer of funds may occur directly between surplus and deficit spending units. Therefore, financial intermediaries come into existence and develop only as and when found necessary or found preferable to substitute indirect for direct finance, or to supplement direct by indirect finance.⁷ The reasons for the same can be summarised that surplus spending units would like to have the types of assets in their financial asset portfolios which differ from those which deficit spending units would prefer to issue as primary securities, and deficit units would want accommodation on terms which differ from those which surplus spending units are able or willing to grant. These differences may be with respect to maturity, legal character, size, currency, yield, risk, redeemability, or marketability of the security, and it may be about convenience and cost of transaction, or any combinations of these factors.⁸ Hence financial intermediaries acquire one type of security and issue another. It is this function of

⁶Ibid., p.25.

⁷Ibid., p.25.

⁸Ibid., p.26.

intermediation between ultimate borrowers and ultimate lenders, a process that involves "redirection and transformation of funds."⁹ Transformation of funds is a process that is economically, though not technically, equivalent to the transformation that occurs in the production of goods and services.¹⁰

In the process of financial accumulation, financial intermediaries mediate between ultimate borrowers and ultimate lenders. And thus, financial intermediaries enter during the process of financial development. Financial intermediaries acquire primary securities from ultimate borrowers and give indirect securities to ultimate lenders. That is, ratio of indirect finance to national income tends to increase during the process of financial development. It is this hypotheses of rising indirect finance to national income which we intend to examine.

Section II

Growth of Indirect Finance

In this section we discuss the growth of indirect finance. The net issues of indirect finance increased from Rs.8134 lakhs to Rs.148866 lakhs between 1951-52 and 1970-71

⁹Ibid., p. 5.

¹⁰Ibid., p.26.

as can be seen from Appendix Table IV-1. That is the absolute amount of the net issues of indirect finance have grown 18 times in 1970-71 as compared to that in the year 1951-52. Outstanding issues of indirect finance increased from Rs.1,373,74 lakhs to Rs.12,785,30 lakhs between 1950-51 to 1970-71 as can be seen from Appendix Table IV-1. That is, the absolute amount of outstanding issues of indirect finance have grown more than 9 times in 1970-71 as compared to their amount in 1950-51. Thus, on the basis of above examination of the net and outstanding indirect finance in absolute amount we conclude that there has been rapid growth of indirect financing.

Indirect Finance and National Income:

One of the characteristics of the financial development is the increase in the ratio of indirect finance to national income.

Table IV-1, column 4, presents the ratio from the flow dimension (i.e. the net indirect finance to national income ratio for the period 1951-71)

Table IV-1: Net Issues of Indirect Finance and National Income in India, 1951-71.

(Rs. in Lakhs)			
Period	Net issues of indirect finance	National Income	Indirect Finance Issue-income ratio (%)
1	2	3	$(\frac{2}{3} \times 100)$
1951-56	777,04	45,499,000	1.70
1956-61	2,268,46	58,288,000	3.89
1961-66	3,225,98	86,397,000	3.73
1966-71	5,140,08	14,657,000	3.50

Source: Col. 2: Column 11, Appendix Table IV-1.

Col. 3: Column 2, Table II-1.

Col. 4: $(\text{Column 2} \div \text{Column 3}) \times 100$.

From Table IV-1, it is seen that clear and decisive trend has not been observed. The indirect issue-income income ratio increased from 1.70 per cent in 1955-56 to 3.89 per cent in 1956-61. It slightly declined to 3.73 per cent in 1961-66 and further to 3.50 per cent in 1966-71.

Financial Intermediation Ratio:

One of the most important characteristics of a country's financial structure and development is the extent to which net issues of domestic primary securities are absorbed or held by financial intermediaries rather than by domestic

non-financial sectors, particularly domestic households. Financial intermediaries acquire primary securities from ultimate borrowers and provide indirect securities to ultimate lenders. This is known as process of indirect finance or financial intermediation. Financial intermediation would show the extent of direct and indirect finance in the process of financial accumulation. It would also reflect the degree of institutionalisation of saving and investment in the country's financial structure.

Generally, financial intermediaries tend to purchase an increasing proportion of primary securities during the process of economic development, as they become more and more active in the process of financial accumulation. Consequently, indirect finance ratio or financial intermediation ratio tends to increase during the process of economic development. This has been the experience of the American and Japanese financial development. In both the countries indirect finance ratio displayed an upward trend over the long-term growth process.¹¹ It is this hypothesis of rising indirect finance ratio or financial intermediation ratio which we intend to examine in the context of financial development in India during the period from 1951-52 to 1970-71.

¹¹David J. Ott., Financial Development of Japan, 1978-1958. The Journal of Political Economy, April 1961, p. 135.

Financial intermediation ratio is determined as the proportion of issues of domestic primary securities purchased by the Financial Intermediaries. It may be noted that foreign debt is excluded.

Table IV-2, presents the indirect finance ratio or financial intermediation ratio from the flow dimension (i.e. the ratio of net indirect securities to net issues of domestic primary securities for the period 1951-71).

Table IV-2: Financial Intermediation Ratio in India.

(Rs. in lakhs)			
Period Year	Net issue of Indirect Finance	Net Issues of domestic primary securities	Financial Intermedia- tion Ratio (%)
1	2	3	$\frac{4}{(2 \div 3)} \times 100$
1951-56	777,04	2,336,97	33.25
1956-61	2,268,46	5,632,24	40.27
1961-66	3,225,98	8,239,54	39.15
1966-71	5,140,08	11,807,95	43.53

Source: Col. 2: Column 2, Table IV-1.

Col. 3: Column 5, Appendix Table IV-8.

Col. 4 = (Column 2 $\frac{0}{0}$ Column 3) x 100.

From Table IV-2, column 4, it is seen that financial intermediation ratio has been on the upward scale during the period 1951-71. It was 33.25 per cent in 1951-56, increased to 40.27 per cent in 1956-61. During the period 1960-66 the ratio slightly declined to 39.15 per cent and during the last period the ratio increased to 43.53 per cent. Thus, this shows the upward trend in the indirect finance ratio during the period 1951-71. The upward trend in the indirect finance ratio indicates that the financial intermediaries purchased rising proportion of domestically sold net issues of primary securities during the period.

The above analysis of indirect finance ratio from the flow has revealed the upward trend in the indirect finance ratio during the period 1951-71. Thus, our findings i.e. increasing purchase of domestic issues of primary securities by the financial intermediaries and hence the rising indirect finance ratio during the period 1951-71 lends support to the stated hypothesis of rising indirect finance ratio during the process of financial accumulation and development.

And lastly, it should not be missed that upward trend in the indirect finance ratio indicates that process of financial intermediation has progressed, and hence the process of institutionalisation of saving and investment has also progressed during the period 1951-71.

Indirect Finance According to Sector:

Indirect finance can be examined according to sector, that is, the purchase of primary securities of each sector by the financial intermediaries. Table IV-3, gives the percentage of net issues of primary securities purchased by the financial intermediaries for each sector for the period 1951-52 to 1970-71.

Table IV-3: Percentage of Net Issues of Each Sector's Primary Securities Purchased by the Financial Intermediaries in India, 1951-71.
(in percentage)

Period Year	Government Sector	Corporate Sector	Household Sector
1	2	3	4
1951-56			
1951-56	37.26	26.09	36.62
1956-61	46.04	29.37	47.48
1961-66	42.87	29.48	85.29
1966-71	43.56	20.86	116.73
1951-71	43.50	25.48	83.01

Source: Col. 2: (Col. 5 \div Col. 4, Appendix Table IV-9) x 100
 Col. 3: (Col. 7 \div Col. 6, Appendix Table IV-9) x 100
 Col. 4) (Col. 9 \div Col. 8, Appendix Table IV-9) x 100

From Table IV-3, column 2, it is seen that the percentage of net issues of government sector securities purchased by



The financial intermediaries in relation to the government sector domestic securities issues accounted for 37.26 per cent for the entire period 1951-71. It was 37.26 per cent in 1951-56, increased to 46.04 per cent in 1956-61. It declined to 42.87 per cent in 1961-66 and slightly increased to 43.56 per cent in the last period 1966-71. Thus, the extent of indirect finance with regard to the government sector domestic securities has not shown any increase, yet the financial intermediaries purchased the sizable portion of government domestic securities. However, it should be noted that it does not necessarily reflect the financial intermediaries preference for the government securities as they are required to hold certain amount of government securities under the government regulation and pressure.

The extent of indirect finance has been much less in relation to the net issues of corporate sector securities. From Table IV-3, column 3, it is seen that the percentage of net issues of corporate sector securities accounted for 25.48 per cent during the period 1951-71. It was 26.09 per cent in 1951-56, increased to 20.37 per cent in 1956-61 and remained to 29.48 per cent in 1961-66. And during the last period 1966-71 it declined to 25.86 per cent. Thus, it has not shown any clear trend in the purchase of net issues of corporate sector securities.

The extent of indirect finance with regard to the net issues of household sector securities has been highest compared to the government sector securities and corporate sector securities. From Table IV-3, column 4, it is seen that the percentage of net issues of household sector securities purchased by the financial intermediaries accounted for as much as 83.01 per cent during the entire period 1951-71. Moreover, it is also observed that the purchase of net issues of household sector securities successively increased in each period, from 36.62 per cent in 1951-56 to 116.23 per cent in 1966-71. This shows the increasing role of financial intermediaries in the purchase of household sector securities. Here, it should be brought to the notice that in the estimation of household sector securities the borrowing from the unorganised agencies in the urban and city areas have not been included as we have no means to include them. Therefore, the percentage of net issues of household sector securities purchased by the financial intermediaries came out to be higher than otherwise would have been, if the household sector's borrowing from the unorganised agencies in the urban and city areas would have been included in the estimation of net issues of household sector securities. Even though, it reflects the increasing purchase of household sector securities. It also means that the organised financial institutions seems to be becoming increasingly important as the source of finance for the

agricultural sector, consequently the unorganised financing agencies or private agencies seem to be rapidly losing their importance as the supplier of credit or finance in the sphere of agricultural finance.

Indirect Finance by the Type of Financial Intermediaries:

There are two types of financial intermediaries - 'monetary' and 'non-monetary'. The monetary intermediaries buy the primary securities from the non-financial spending units and pay for them for these securities by creating debt of its own, in the form of currency, demand and time deposits. The non-monetary financial intermediaries also buy the primary securities and pay for them by creating debt, but their issues of indirect debt are not money but other claims which are attractive to creditors. The Reserve Bank of India, Scheduled and Non-scheduled commercial Banks are classified as the 'monetary' intermediaries, and Insurance Organisations, Co-operative Credit Institutions and the specialised financial institutions are classified as the 'non-monetary' intermediaries.

In the initial process of financial intermediation in the financial structure of a country, it is the monetary intermediaries which play major role, as they enter and develop first. This in turn gets reflected in the purchase

of primary securities by them also. Therefore, in the initial process of financial intermediation, it is the monetary intermediaries who tend to purchase the primary securities and hence the share of monetary intermediaries tends to be major one. Though, the non-monetary intermediaries enter relatively late in the process of financial intermediation, but as the financial structure of a country becomes more and more complex and variegated, the importance of non-monetary intermediaries tends to increase relatively over the long-run during the process of economic development. This in turn gets reflected in the purchase of primary securities by the non-monetary intermediaries. Thus, the indirect finance or purchase of primary securities by the non-monetary intermediaries tends to increase relatively along with the upward trend in the indirect finance over the long-run during the process of economic development. Thus, it is this hypothesis of major share in the purchase of the primary securities by the monetary intermediaries in the initial process of financial intermediation and relative increase in the purchase of primary securities by the non-monetary intermediaries during the process of economic development, which we seek to examine and analyse in the context of financial intermediation by the type of financial intermediaries in India during the period from 1951-52 to 1970-71.

Table IV-4: presents financial intermediation by the type of financial intermediaries during the period 1951-71. That is the table gives percentage of net issues of domestic primary securities purchased by the monetary and non-monetary intermediaries.

Table IV-4: Percentage of Net Issues of Primary Securities purchased by the Monetary and Non-Monetary Intermediaries, 1951-72. (Rs.in lakhs)

Period	Net issues of indirect finance by the Monetary Intermediaries	Net issues of indirect finance by the non-monetary Intermediaries	Net issues of domestic primary securities	% of net issues of Indirect Finance by the Monetary Intermediaries	% of net issues of Indirect Finance by the Non-monetary Intermediaries
1	2	3	4	5 ($\frac{2}{4} \times 100$)	6 ($\frac{3}{4} \times 100$)
1951-56	520,22	256,82	2,336,97	22.26	10.99
1956-61	1,683,61	584,85	5,652,24	29.89	10.38
1961-66	2,201,10	1,024,88	8,239,54	26.71	12.44
1966-71	3,412,16	1,727,92	11,807,95	28.90	14.63
1951-71	7,817,09	3,594,47	28,016,70	27.90	12.83

Source: Col. 2: Column 8, Appendix Table IV-11
 Col. 3: Column 9, Appendix Table IV-11.
 Col. 4: Column 3, Table IV-2.
 Col. 5: (Column 2 \div Column 4) x 100
 Col. 6: (Column 3 \div Column 4) x 100.

From Table IV-4 column 3 and 4, one thing that came out prominently is that the percentage of net issues indirect finance purchased by the monetary intermediaries has been more than that by the non-monetary intermediaries in each period. Net issues of indirect finance by the Monetary intermediaries accounted for 27.90 per cent and by the non-monetary intermediaries 12.83 per cent during the entire period 1951-71. Thus, the monetary intermediaries purchased relatively high proportion of net issues of domestic primary securities during the period. This shows that the Monetary intermediaries predominated the purchase of net issues of domestic primary securities. From the table it is also seen that net issues of indirect finance by the non-monetary intermediaries increased from 10.99 per cent in 1951-56 to 14.63 per cent in 1966-71.

Lastly, we summarise our findings. First of all, our analysis has shown the predominance of monetary intermediaries in the purchase of domestic primary securities during the period. Secondly, our findings have brought out that the upward trend in the purchase of domestic primary securities by the non-monetary intermediaries during the period. It is significant to note that our findings of financial intermediation by the types of financial intermediaries in India during the period 1951-71, substantiates

the generalisation that it is the monetary intermediaries tend to purchase relatively large proportion of primary securities in the initial process of financial intermediation and the purchase of primary securities by the non-monetary intermediaries tends to increase along with the upward trend in the indirect finance during the process of financial development.

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APPENDIX Table IV-1: Outstanding and Net Issues of Indirect Finance held by the Financial Intermediaries, 1950-51 to 1970-71. (Rs. in Lakhs)

Year	Out standing Govern-ment securities held by the financial inter- mediaries	Net issues of govern-ment security held by the financial inter- mediaries	Out standing corporate sector borrowing from financial inter- mediaries	Net issues of corporate sector borrowing from financial inter- mediaries	Out standing corporate sector long-term securities held by the financial inter- mediaries	Net issues of corporate sector long-term securities held by the financial inter- mediaries	Out standing household sector borrowing from the financial inter- mediaries	Net borrowing of the household sector from the financial inter- mediaries	Out- standing indirect finance held by the financial inter- mediaries
1	2	3	4	5	6	7	8	9	10 (2+4+6+8)
1950-51	980,62	-	179,79	-	47,57	-	165,76	-	1,373,74
1951-52	950,48	30,14	244,64	64,85	51,07	3,50	208,89	43,13	1,455,08
1952-53	958,96	8,48	232,22	12,42	54,17	3,10	224,89	16,00	1,470,24
1953-54	963,61	4,65	234,38	2,16	65,67	11,50	254,35	29,46	1,518,01
1954-55	1,082,89	119,28	282,94	45,56	74,01	8,40	294,74	40,39	1,734,64
1955-56	1,305,63	222,74	365,32	82,38	81,57	7,50	398,26	103,52	2,150,78
1956-57	1,541,32	235,69	491,01	125,69	82,97	1,40	485,75	87,49	2,601,05
1957-58	1,916,75	375,43	640,94	149,93	97,07	14,10	502,11	16,26	3,156,87
1958-59	2,243,48	326,73	688,32	47,38	107,07	10,00	577,92	75,81	3,616,79
1959-60	2,537,60	294,12	730,00	41,68	118,37	11,30	685,75	107,83	4,071,72
1960-61	2,608,34	70,74	906,22	176,22	133,17	14,80	771,51	85,76	4,419,24
1961-62	2,800,41	192,07	1,034,52	128,30	153,37	20,20	862,04	90,53	4,850,34
1962-63	3,016,82	216,41	1,158,96	124,44	190,07	36,70	992,52	130,48	5,358,37
1963-64	3,339,73	322,91	1,389,84	230,88	222,77	32,70	1,181,48	188,96	6,133,82
1964-65	3,670,71	330,98	1,615,72	225,88	268,27	45,50	1,299,23	117,75	6,853,93
1965-66	4,053,76	383,05	1,826,66	210,94	313,67	45,40	1,451,13	151,90	7,645,22
1966-67	4,278,08	224,32	2,096,15	269,49	352,77	39,10	1,692,18	241,05	8,419,18
1967-68	4,611,95	333,87	2,400,91	304,76	390,97	38,20	1,862,39	170,21	9,266,22
1968-69	4,971,53	359,58	2,490,49	89,58	432,37	41,40	2,254,32	391,93	10,148,71
1969-70	5,427,09	455,56	2,528,21	37,72	480,67	48,30	2,860,67	606,35	11,296,64

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Appendix Table IV-2: Outstanding and Net Issues of Government Securities held by the Financial Intermediaries, 1950-51 to 1970-71.

Year	(Rs. in Lakhs)						Total outstanding Government securities held by the financial Intermediaries
	Reserve Bank of India	Commercial Banks	Co-operative Institutions	Insurance Organisations	Other Financial Institutions		
	1	2	3	4	5	6	7 (2+3+4+5+6)
1950-51	486,63		324,90	33,00	128,39	7,70	980,62
1951-52	464,64		212,95	33,40	132,79	6,70	950,48
1952-53	449,86		521,41	35,70	146,89	5,10	958,96
1953-54	421,34		338,48	38,30	159,59	5,90	963,61
1954-55	503,95		365,75	40,90	166,49	5,80	1,082,89
1955-56	678,82		384,52	44,50	185,79	12,00	1,305,63
1956-57	884,97		371,66	51,30	220,89	12,50	1,541,32
1957-58	1,171,10		452,86	52,50	232,59	7,70	1,916,75
1958-59	1,291,26		624,43	58,30	262,19	7,30	2,243,48
1959-60	1,461,93		725,88	60,30	283,09	6,40	2,537,60
1960-61	1,632,20		569,35	65,10	328,59	13,10	2,608,34
1961-62	1,747,14		610,98	73,10	360,59	8,60	2,800,41
1962-63	1,911,42		602,61	87,50	405,79	9,50	3,016,82
1963-64	2,134,47		647,47	94,10	445,99	17,70	3,339,73
1964-65	2,337,92		724,70	105,80	472,39	29,90	3,670,71
1965-66	2,586,27		816,30	119,40	510,19	21,60	4,053,76
1966-67	2,684,92		897,87	133,60	542,19	19,50	4,278,08
1967-68	2,880,44		973,22	148,00	585,39	24,90	4,611,95
1968-69	3,061,48		1,061,36	178,00	649,59	21,10	4,971,53
1969-70	3,287,35		1,172,75	207,30	731,89	27,80	5,427,09
1970-71	3,713,73		1,366,62	238,40	821,89	16,50	6,157.14

Appendix Table IV-3: Outstanding Government Securities held by the Commercial Banks, 1950-51 to 1970-71. (Rs. in lakhs)

Year	Commercial Banks	Scheduled Commercial Banks	Non-scheduled Commercial Banks
1	(544)	3	4
1950-51	324,90	315,50	9,40
1951-52	312,95	296,05	16,90
1952-53	321,41	303,31	18,10
1953-54	338,48	318,88	19,60
1954-55	365,75	344,15	21,60
1955-56	384,52	359,90	24,62
1956-57	371,66	347,18	24,48
1957-58	452,86	440,45	12,41
1958-59	624,43	613,37	11,06
1959-60	725,88	714,73	11,15
1960-61	569,35	558,58	10,77
1961-62	610,98	601,39	9,59
1962-63	602,61	592,76	9,85
1963-64	647,47	639,69	7,78
1964-65	724,70	718,18	6,52
1965-66	816,30	810,69	5,61
1966-67	897,87	892,80	5,07
1967-68	973,22	967,03	6,19
1968-69	1,061,36	1,054,61	6,75
1969-70	1,172,75	1,166,83	5,92
1970-71	1,366,62	1,362,69	3,93

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Appendix Table IV-4: Outstanding Government Securities held by the Co-operative Institutions, Insurance Organisations and Other Financial Institutions, 1950-51 to 1970-71.

Year	(Rs. in Lakhs)					
	Co-operative Institutions	Net Issues of Government Securities held by the Co-operative Institutions	Insurance Institutions	Net Issues of Government Securities held by the Insurance Institutions	Other Financial Institutions	
1	2	3	4	5	6	
1950-51	33,00	-	128,39	-	7,70	
1951-52	33,40	40	132,79	4,40	6,70	
1952-53	35,70	2,30	146,89	14,10	5,10	
1953-54	38,30	2,60	159,59	12,70	5,90	
1954-55	40,90	2,60	166,49	6,90	5,80	
1955-56	44,50	3,60	185,79	19,30	12,00	
1956-57	51,30	6,80	220,89	35,10	12,50	
1957-58	52,50	1,20	232,59	11,70	7,70	
1958-59	58,30	5,80	262,19	29,60	7,30	
1959-60	60,30	2,00	283,09	20,90	6,40	
1960-61	65,10	4,80	328,59	45,50	13,10	
1961-62	73,10	8,00	360,59	32,00	8,60	
1962-63	87,50	14,40	405,79	45,20	9,50	
1963-64	94,10	6,60	445,99	40,20	17,70	
1964-65	105,80	11,70	472,39	26,40	29,90	
1965-66	119,40	13,60	510,19	37,80	21,60	
1966-67	133,60	14,20	542,19	32,00	19,50	
1967-68	148,00	14,40	585,39	43,20	24,90	
1968-69	178,00	30,00	649,59	64,20	21,10	
1969-70	207,30	29,30	731,89	80,30		

Note on the estimation outstanding government securities held by the co-operative institutions, Insurance organisations and other financial Institutions:

The figures of the outstanding government securities held by the cooperative institutions are estimated on the basis of figures of net issues of government securities held by the cooperative institutions, in the following manner: We obtained the figure of outstanding government securities held by the cooperative institutions for the year 1950-51. By adding the figure of net issues of government securities held by the financial intermediaries in 1951-52 to the figure of outstanding government securities held by the cooperative institution in the year 1950-51, we arrived at the figure of outstanding government securities held by the cooperative institutions for the year 1951-52. In the same way we arrived at the figures of outstanding government securities held by the cooperative institutions for each year. The estimated figures of outstanding government securities held by the cooperative institutions are given in column 2, Appendix Table IV-4. The figure of outstanding government securities held by the cooperative institutions for the year 1950-51 obtained from M.S. Joshi's "The National Balance Sheet of India," Table 1(a), Banking Sub-sector; 1950, 60; p. 13, University of Bombay, 1966. Here it should be pointed out that the figure we obtained is for the year 1949-50, but for our purpose we have treated the same figure for the year 1950-51. The reason is that the figure for the year 1950-51 is not available and figure is of small magnitude would not make big difference by treating the figure of 1949-50 for the year 1950-51. The figures of net issues of government securities held by the cooperative institutions (given in the column 3, Appendix Table IV-4) are obtained from "Financial Flows in the Indian Economy" published by the Reserve Bank of India.

Bulletin, Reserve Bank of India, Bombay, which gives the sources and uses of funds of all the sectors. Net issues of government securities held by the cooperative institutions are obtained from the uses side of the statement on "Financial Flows Co-operative Banks and Credit societies", from the issues of March 1967, July 1969, February 1972, May 1973 and August 1975, of the Reserve Bank of India Bulletin.

The figures of outstanding government securities held by Insurance Organisations are estimated on the basis of net issues government securities held by the insurance organisations. The figure of outstanding government securities held by the insurance organisation for the year 1950-51 obtained from the statement on "Assets and Liabilities of the Indian Insurance", section on Insurance, Statistical Abstract, India, Central Statistical Organisation, New Delhi. By adding the figure of net issues of government securities held by the insurance organisations in 1951-52 to the figure of outstanding government securities held by the Insurance organisations in the year 1950-51, we arrived at the figure of outstanding government securities held by the Insurance Organisation for the year 1951-52. In the same way we have estimated the figures for each year. (The estimated figures of outstanding government securities held by the Insurance Organisation are given in column 4, Appendix Table IV-4). The figures of net issues of government securities held by the Insurance Organisations obtained from the uses side of the statement on "Financial Flows Insurance", in "Financial Flows in the Indian Economy published in the issues March 1967, July 1969, February 1972, May 1973 and August 1975 of the Reserve Bank of India Bulletin, Reserve Bank of India, Bombay.

The figures of outstanding government securities held by the other financial institutions estimated on the basis of figures of net issues of government securities held by the Other Financial Institutions. The series of outstanding government securities held by the Other Financial Institutions estimated in the manner as we have estimated the series of outstanding government securities held by cooperative institutions and by Insurance organisations. (Estimated series of outstanding government securities held by the other financial institution is given in column 6, Appendix Table IV-4).

The figure of outstanding government securities for the year 1950-51 obtained from Table I(b) "Other Financial Intermediaries", 1950, 1961: The National Balance Sheet of India, by M.S. Joshi. Again the figure which we have obtained from above source is for the year 1949-50 treated as for the year 1950-51 for the same reason mentioned earlier. The net issues of government securities held by the other financial institutions (given in column 7, Appendix Table IV-4) are obtained from uses side of statement on "Financial Flows - Financial Corporation and companies" in "Financial Flows in the Indian Economy" published in the issues of March 1967, July 1969, February 1973 and August 1975 of the Reserve Bank of India Bulletin, Reserve Bank of India, Bombay.

Appendix Table IV-5: Outstanding and Net Corporate Sector Borrowing from Financial Intermediaries, 1950-51 to 1970-71.

Year	(Rs. in Lakhs)					
	1	2	3	4	5	6
	Outstanding borrowing from Banks	Outstanding borrowing from other Financial Institutions	Outstanding borrowing from statutory Financial Corporations	Outstanding borrowing from Financial Intermediaries	Outstanding borrowing from Financial Intermediaries	Net borrowing from Financial Intermediaries
1950-51	163,77	45	15,57	179,79	179,79	179,79
1951-52	226,28	53	17,83	244,64	244,64	64,85
1952-53	205,37	61	26,24	232,22	232,22	-12,42
1953-54	191,23	68	42,47	234,38	234,38	2,16
1954-55	225,23	76	56,95	282,94	282,94	48,56
1955-56	299,08	12,41	53,83	365,32	365,32	82,38
1956-57	400,07	16,59	74,35	491,01	491,01	125,69
1957-58	482,87	25,71	132,36	640,94	640,94	149,93
1958-59	491,65	29,61	167,06	688,32	688,32	47,38
1959-60	518,76	31,33	179,91	730,00	730,00	41,68
1960-61	679,38	46,74	180,10	906,22	906,22	176,22
1961-62	788,91	51,45	194,16	1,034,52	1,034,52	128,30
1962-63	898,50	50,66	209,80	1,158,96	1,158,96	124,44
1963-64	1,060,13	62,74	266,97	1,389,84	1,389,84	230,88
1964-65	1,259,04	70,22	286,46	1,615,72	1,615,72	225,88
1965-66	1,453,66	76,48	296,52	1,826,66	1,826,66	210,94
1966-67	1,597,72	110,91	387,52	2,096,15	2,096,15	269,49
1967-68	1,843,27	121,82	435,82	2,400,91	2,400,91	304,76
1968-69	1,930,57	126,57	433,35	2,490,49	2,490,49	89,58
1969-70	1,984,75	123,36	420,10	2,528,21	2,528,21	37,72
1970-71	2,206,74	118,97	401,16	2,726,87	2,726,87	198,66

Appendix Table IV-6: Outstanding and Net Corporate Long-term Security Issues held by the Financial Intermediaries, 1950-51 to 1970-71. (Rs. in lakhs)

Year	Outstanding corporate long-term security issues held by the commercial Banks	Outstanding corporate long-term security issues held by the Insurance Organisations	Outstanding corporate long-term security issues held by the other financial institutions	Outstanding corporate long-term security held by the other financial institutions	Net corporate long-term security held by the other financial institutions	Outstanding corporate long-term security held by the financial Intermediaries	Net corporate long-term security issues held by the financial Intermediaries	
1	2	3	4	5	6	7	8 (2+4+6)	9
1950-51	14,37	-	33,20	-	-	-	47,57	-
1951-52	14,37	-	36,70	3,50	-	-	51,07	3,50
1952-53	14,37	-	39,80	3,10	-	-	54,17	3,10
1953-54	14,97	60	50,70	10,90	-	-	65,67	11,50
1954-55	16,27	1,30	57,80	7,10	-	-	74,07	8,40
1955-56	16,47	20	64,30	6,50	80	80	81,57	7,50
1956-57	16,47	-	65,20	90	1,30	50	82,97	1,40
1957-58	16,47	-	78,40	13,20	2,20	90	97,07	14,10
1958-59	17,67	1,20	85,10	6,70	4,30	2,10	107,07	10,00
1959-60	24,97	7,30	86,90	1,80	6,50	2,20	118,37	11,30
1960-61	24,97	-	97,80	10,90	10,40	3,90	133,17	14,80
1961-62	26,37	1,40	112,00	14,20	15,00	4,60	153,37	20,20
1962-63	28,87	2,50	139,80	27,80	21,40	6,40	190,07	36,70
1963-64	32,37	3,50	160,90	21,10	29,50	8,10	222,77	32,70

Note on the estimation of corporate sector outstanding long-term securities held by the financial intermediaries.

Corporate sector long-term securities held by the financial intermediaries includes shares and debenture of the corporate sector held by the financial intermediaries. The series of outstanding corporate sector long-term securities held by the commercial banks is estimated on the basis of net issues of corporate sector long-term securities held by the Commercial Banks. For the year 1950-51 the figure of outstanding corporate sector long-term securities held by the Commercial Banks obtained from the statement on "Analysis of Investment of the Scheduled Commercial Banks", Trend and Progress of Banking in India, 1950-51, Reserve Bank of India, Bombay. By adding the figure of net issues of corporate sector long-term securities held by the Commercial banks in 1951-52 to the figure of outstanding corporate sector long-term securities held by the Commercial Banks in 1950-51, we arrived at outstanding corporate sector long-term securities by the commercial banks for theyear 1951-52. In the same way we have obtained the figure of outstanding corporate sector long-term securities held by the Commercial Banks for each year. The net issues of corporate sector long-term securities held by the commercial banks are obtained from uses side of the statement on "Financial Flows - Commercial Banks" in "Financial Flows in the Indian Economy", published by the Reserve Bank of India Bulletin, Reserve Bank of India, Bombay. The issues from whichwe haveobtained the figures are March 1967, July 1969, February 1972, May 1973, August 1975 of the Reserve Bank of India Bulletin. (The estimated series of outstanding corporate sector long-term securities held by the commercial bank is given in column 2, Appendix Table V-6).

The series of outstanding corporate sector long-term securities held by the Insurance Organisations estimated on the basis of net issues of corporate sector held by the financial intermediaries in the same manner as we have estimated the series of outstanding corporate sector long-term securities held by the commercial banks. The figure of outstanding corporate sector long-term securities held by the Insurance Organisations for the year 1950-51 obtained from statement on "Assets and Liabilities of Indian Insurance" section on "Insurance" in the Statistical Abstract - India, 1950-51, Central Statistical Organisation, New Delhi. The figures of net issues of corporate sector obtained from the uses side of the statement on "Financial Flows Insurance" in "Financial Flows in the Indian Economy" published in the issues of March 1967, July 1969, February 1972, May 1973 and August 1975 of the Reserve Bank of India Bulletin. (The estimated series of outstanding corporate sector long-term securities held by the Insurance Organisations is given in column 4, Appendix Table IV-6).

In the same manner we have estimated the series of outstanding corporate sector long-term securities held by the Other Financial Institutions as we have estimated the series of outstanding corporate sector long-term securities held by the commercial banks. The figures of net issues of corporate sector long-term securities held by the Other Financial Institutions obtained from the "uses" side of the statement on "Financial Flows - Financial Corporation and Companies" in "Financial Flows in the Indian Economy" published in the issues of March 1967, July 1969, February 1972, May 1973 and August 1975 of the Reserve Bank of India Bulletin.

Appendix Table IV-7: Outstanding and Net Borrowing of the Household Sector from the Financial Intermediaries, 1950-51 to 1970-71. (Rs. in Lakhs)

Year	Outstanding borrowing of the household sector from the cooperative Institutions	Outstanding borrowing of the household sector from the financial intermediaries	Outstanding borrowing of the household sector from the financial intermediaries	Net borrowing of the household sector from the financial intermediaries
1	2	3	4 (2+3)	5
1950-51	83,86	81,90	165,76	-
1951-52	97,29	111,60	208,89	43,13
1952-53	106,09	118,80	224,89	16,00
1953-54	117,65	136,70	254,35	29,46
1954-55	128,34	166,40	294,74	40,39
1955-56	149,96	248,30	398,26	103,52
1956-57	187,15	298,60	485,75	87,49
1957-58	199,51	302,60	502,11	16,36
1958-59	240,62	337,30	577,92	75,81
1959-60	303,45	382,30	685,75	107,83
1960-61	358,21	413,30	771,51	85,76
1961-62	421,84	440,20	862,04	90,53

Appendix Table IV-8: Outstanding and Net Issues of Domestic Primary Securities in India, 1950-51 to 1970-71.

(Rs. in lakhs)

Year	Outstanding stock of primary securities	Outstanding external securities	Outstanding domestic primary securities	Net issues of domestic primary securities
1	2	3	4 (2-3)	5
1950-51	5,659,91	32,03	5,627,88	-
1951-52	6,227,94	136,99	6,090,95	463,07
1952-53	6,447,76	138,53	6,309,23	218,28
1953-54	6,637,10	136,44	6,500,66	191,43
1954-55	7,257,69	133,20	7,124,49	623,83
1955-56	8,103,66	138,81	7,964,85	840,36
1956-57	9,075,84	160,98	8,914,86	950,01
1957-58	10,519,58	211,02	10,308,56	1,393,70
1958-59	11,876,86	391,35	11,485,51	1,176,95
1959-60	13,177,33	630,50	12,546,83	1,061,32
1960-61	14,358,05	760,96	13,597,09	1,050,26
1961-62	15,984,68	1,110,55	14,874,13	1,277,04
1962-63	17,813,87	1,379,03	16,434,84	1,560,71
1963-64	20,151,38	1,809,08	18,342,30	1,907,46
1964-65	22,083,22	2,192,23	19,890,99	1,548,69
1965-66	24,427,25	2,590,62	21,836,63	1,945,64
1966-67	28,043,81	2,940,63	25,103,18	3,266,55
1967-68	30,573,41	3,245,41	27,328,00	2,224,82
1968-69	32,978,00	3,577,42	29,400,58	2,072,58
1969-70	35,148,30	3,897,25	31,251,05	1,850,47
1970-71	37,818,62	4,174,04	33,644,58	2,393,53

Source: Col. 2: Column 2, Table II-2.

Col. 3: Column 3, Appendix Table II-1.

Col. 4: Column 2 minus 3.

Col. 5: For each year net issues of the domestic primary securities is the change in the outstanding domestic primary securities over the preceding year's outstanding domestic primary securities. (The figures of outstanding domestic primary securities are given in column 4).

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Appendix Table IV-9: Amount of each Sector's Net Issues of Primary Securities Intermediaries, 1951-52 to 1970-71.

Year	Net issues of government securities	Net issues of government sector external securities	Net issues of government sector domestic securities	Net issues of government sector securities purchased by the financial intermediaries	Net issues of corporate sector securities
1	2	3	4 (2-3)	5	6
1951-52	214,79	104,96	109,83	-30,14	240,06
1952-53	78,53	1,54	76,99	8,48	45,79
1953-54	24,24	- 2,09	26,33	4,65	53,81
1954-55	350,19	- 3,24	353,43	119,28	141,90
1955-56	311,13	5,61	305,70	222,74	348,24
1956-57	505,44	22,17	483,27	235,69	305,86
1957-58	698,23	50,04	648,19	375,43	624,50
1958-59	773,05	180,33	592,72	326,73	425,71
1959-60	853,47	239,15	614,32	294,12	270,96
1960-61	621,05	130,46	490,59	70,74	389,97
1961-62	840,67	349,59	491,08	192,07	604,71
1962-63	812,21	268,48	543,73	216,41	876,28
1963-64	1,089,82	430,05	659,77	322,91	1,047,23
1964-65	1,042,15	383,15	659,01	330,98	754,55
1965-66	1,416,26	398,39	1,017,87	383,05	788,47
1966-67	2,001,45	350,01	1,651,44	224,32	1,366,03
1967-68	1,106,01	304,78	801,23	333,87	1,278,58
1968-69	1,217,18	332,01	885,17	359,58	877,55
1969-70	1,158,18	319,83	838,35	455,56	491,88
1970-71	928,42	276,79	651,63	730,05	1,317,70

Source: Col. 2: Column 3, Table II-2.
 Col. 3: From 1951-52 to 1965-66, column 9, Appendix Table II-A-1 and from Appendix Table II-A-1.
 Col. 4: Column 2 minus Column 3.
 Col. 5: ...
 Col. 6: ...

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Appendix Table IV-10: Amount of Each Sector's Outstanding Primary Securities Held by the Financial Intermediaries, 1951-52 to 1970-71.

Year	(Rs. in Lakhs)							
	Outstanding government securities	Outstanding government sector external securities	Outstanding government sector domestic securities	Outstanding government sector securities held by the financial intermediaries	Outstanding corporate sector securities	Outstanding corporate sector securities held by the financial intermediaries	Outstanding household sector securities	
	2	3	4	5	6	7	8	
1951-52	2,874,84	136,99	2,737,85	950,48	1,613,09	295,71	1,740,01	
1952-53	2,953,37	138,53	2,814,84	958,96	1,658,88	286,39	1,835,51	
1953-54	2,977,61	136,44	2,841,17	963,61	1,712,69	300,05	1,946,80	
1954-55	3,327,80	133,20	3,194,60	1,082,89	1,854,59	357,01	2,075,30	
1955-56	3,639,11	138,81	3,500,30	1,305,63	2,202,83	446,89	2,261,72	
1956-57	4,144,55	160,98	3,983,57	1,541,32	2,508,69	573,98	2,422,60	
1957-58	4,842,78	211,02	4,631,76	1,916,75	3,133,19	738,01	2,543,61	
1958-59	5,615,83	391,35	5,224,48	2,243,48	3,558,90	795,39	2,702,13	
1959-60	6,469,30	630,50	5,838,80	2,537,60	3,829,86	848,37	2,878,17	
1960-61	7,090,35	760,96	6,329,39	2,608,34	4,219,83	1,039,39	3,047,87	
1961-62	7,931,02	1,110,55	6,820,47	2,800,41	4,824,54	1,187,89	3,229,12	
1962-63	8,743,23	1,379,03	7,364,20	3,016,82	5,700,82	1,349,03	3,369,82	
1963-64	9,833,05	1,809,08	8,023,97	3,339,73	6,748,05	1,612,61	3,570,28	
1964-65	10,875,21	2,192,23	8,682,98	3,670,71	7,502,60	1,883,99	3,705,41	
1965-66	12,291,47	2,590,62	9,700,85	4,053,76	8,291,07	2,140,33	3,844,71	
1966-67	14,292,92	2,940,63	11,352,29	4,278,08	9,657,10	2,448,92	4,093,79	
1967-68	15,398,93	3,245,41	12,153,52	4,611,95	10,935,68	2,791,88	4,238,80	
1968-69	16,616,11	3,577,42	13,038,69	4,971,53	11,813,23	2,922,86	4,548,66	
1969-70	17,774,29	3,897,25	13,877,04	5,427,09	12,305,11	3,008,88	5,068,90	
1970-71	18,702,71	4,174,04	14,528,67	6,157,14	13,622,81	3,252,84	5,493,10	

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Appendix Table IV-11: Outstanding and Net Issues of Indirect Finance held by the Monetary and Non-Monetary Intermediaries, 1950-51 to 1970-71. (Rs. in Lakhs.)

Year	Outstanding Indirect securities held by the financial Intermediaries	Outstanding Government securities held by the Monetary Intermediaries	Outstanding corporate securities held by the Monetary Intermediaries	Outstanding Household sector securities held by the Monetary Intermediaries	Outstanding indirect finance held by the Monetary Intermediaries	Outstanding Indirect finance held by the Non-monetary Intermediaries	Net Issues of indirect finance held by the Monetary Intermediaries
1	2	3	4	5	6 (3+4+5)	7 (1-6)	8
1950-51	1,373,74	811,53	178,14	45,50	1,035,17	338,57	49,57
1951-52	1,455,08	777,59	240,65	66,50	1,084,74	370,34	-27,23
1952-53	1,470,24	771,27	219,74	66,50	1,057,51	412,73	-12,99
1953-54	1,518,01	759,82	206,20	78,50	1,044,52	473,49	167,18
1954-55	1,734,64	869,70	241,50	100,50	1,211,70	522,94	343,69
1955-56	2,150,78	1,063,34	315,55	176,50	1,555,39	595,39	346,88
1956-57	2,601,05	1,256,63	416,54	229,10	1,902,27	698,78	450,13
1957-58	3,156,87	1,623,96	499,34	229,10	2,352,40	804,47	333,41
1958-59	3,616,79	1,915,69	509,32	260,80	2,685,81	930,98	351,23
1959-60	4,071,72	2,187,81	543,73	305,50	3,037,04	1,034,68	201,96
1960-61	4,419,24	2,201,55	704,35	333,10	3,239,00	1,180,24	282,80
1961-62	4,850,34	2,558,12	815,28	348,40	3,521,80	1,328,54	318,38
1962-63	5,358,37	2,514,03	927,35	398,80	3,840,18	1,518,19	530,06
1963-64	6,133,82	2,781,94	1,092,50	495,80	4,370,24	1,763,58	508,49
1964-65	6,853,93	3,062,62	1,291,41	524,70	4,878,73	1,975,20	561,37
1965-66	7,645,22	3,402,57	1,486,03	551,50	5,440,10	2,205,12	456,58
1966-67	8,419,18	3,582,79	1,635,49	678,40	5,896,68	2,522,50	535,02
1967-68	9,266,22	3,853,66	1,884,34	693,70	6,431,70	2,834,52	539,08
1968-69	10,148,71	4,122,84	1,978,34	869,60	6,970,78	3,177,93	772,44
1969-70	11,296,64	4,460,10	2,036,72	1,246,40	7,743,22	3,553,42	1,109,04
1970-71	12,785,30	5,080,35	2,258,81	1,513,10	8,852,26	3,933,04	

Estimation of outstanding Household sector securities held by monetary intermediaries:

The series of outstanding household sector securities held by the monetary intermediaries estimated on the basis of net issues of household sector securities held by the monetary intermediaries. We obtained the figure of outstanding household sector securities held by the commercial banks for the year 1950-51 from Table I (a), "Banking sub-sectors: 1950, 1961", in The National Balance sheet of India by M.S. Joshi, University of Bombay, 1966, p.13. The table gives assets and Liabilities Banking sub-sector from which item 64 of the Commercial Banks is the receivable from the household sector, is treated as the outstanding household sector securities held by the monetary sector securities held by the monetary intermediaries since the Reserve Bank of India does not lead credit to the household sector. Here it should be pointed out the figure which we have obtained is for the year 1949-50 but we have treated the same figure for the year 1950-51. As the amount is of smaller magnitude would not make much difference by treating the figure of 1949-50 as the figure for the year 1950-51. The net issues of household sector securities held by the Commercial banks are obtained from column 2, Appendix Table II-C-2. By adding the figure of net issues of household sector securities held by the Commercial banks to the figure of outstanding household sector securities held by the Commercial banks for the year 1950-51, we arrive at outstanding household sector securities held by the Commercial banks for the year 1951-52. In the same way, we arrived at the figures of outstanding household securities held by the monetary intermediaries for each year.