Book Review

Editor’s Note
Our policy is to review all books which are either sent to us or in our opinion are useful to our readers.


The first volume of the history of the Reserve Bank of India (1935-51) was published in 1970 and reviewed in Finance India Vol. XXX No. 4 September 2016. This second volume of RBI covers the larger part of the first two decades after independence. This was the period when pioneering steps were taken to strengthen, develop, and diversify the country’s economic and financial structure. RBI played a crucial and supplementary role in bringing about structural changes in the economy. In this process, RBI transformed itself in a considerable manner. This second volume of RBI, not only narrates history of the process of change in RBI itself, but also depicts country’s economic development during early years of independence. Dr. Balachandran was entrusted with the writing of the history in 1995. Dr. Balachandran had been guided by the Committee of Direction which was set up as soon as the decision to write the present volume was taken i.e 1990. Membership of the committee remained more or less same except Shri R.N. Malhotra. Shri R.N. Malhotra ceased to be part of the committee after he relinquished office as Governor. The Committee of Direction discussed from time to time the chapters written by him and offered advice to various issues. However, Dr. Balachandran had full freedom to express his views in the book, even when members were not in agreement with him.

This book contains eight sections viz Monetary and credit policy; Financing Governments; Rural Credit; Towards a state Banking sector; Banking development; Financing Industry; The external sector; and the Bank and governments. Each section contained two chapters except first section.

First section of this volume is organized in three separate but related chapters. The first began with a broad overview of fiscal developments during the three five-year plan periods and of the Bank’s evolving attitude towards
deficit financing and its impact upon monetary variables in the economy. Apart from defining the context for monetary policy, deficit financing also raised new questions about currency management and the effectiveness of the Bank’s existing tool-kit of monetary policy. In addressing these questions, the Book endeavored to augment its powers, as well as adopt the Indian currency and monetary apparatus for the changes and challenges lying ahead. Its efforts in this direction are also discussed in this chapter. The second and third chapters of this section presented largely chronological account of the Bank’s monetary and credit policies during 1951-67. What was in the beginning of a heterodox view on monetary policy issuing from Yojana Bhavan had, by the end of these years, became a ruling orthodoxy within the portals of the Reserve Bank of India.

Second section of this volume dealt with the evolution and discharge by the Reserve Bank of its responsibilities for the management of the public debt of the central and state governments and its role as their banker. This part is presented in the form of two chapters. Chapter five concerned largely with the Bank’s role in managing the public debt of the central government and its conduct of the latter’s market loans and treasury bill programmes. It also contained a brief account of the Bank’s financing of the ways and means requirements of the central government against the creation of ad-hoc treasury bills. The discharge by the Bank of its functions in relation to state governments forms the subject of chapter six. In 1954 and 1966, the central government floated combined loans to raise its own requirements as well as those of state governments.

The RBI was a pioneer central bank in the sphere of rural credit. Its founding Act and subsequent amendments entrusted to the Bank responsibility for enlarging the availability of rural credit. The year covered by this volume were marked by a number of initiatives culminating in the Bank and the government taking a more direct role in setting up and developing co-operative and other types of rural credit institutions. This part of the volume has two chapters. Chapter seven began with a brief summary of the developments culminating in the setting up of the All India Rural credit survey, outlines the principal features of its report, and the official and non-official response to it. Chapter eight discussed the Bank’s role in restricting the short-term co-operative credit structure and reviews its growing differences with the government over same basic principles of co-operative organization. It concluded with an account of the Bank’s efforts to gear rural credit institutions to meeting the financial requirements of the so-called green revolution.

Fourth section of this volume too is organized in two chapters. The first chapter covered the story of the formation of the State Bank of India. Chapter ten, narrated the takeover of the major state associated banks. The formation of the State Bank group was an outcome of the Report of the All-India Rural credit survey. The nationalization of the Imperial Bank and the formation of the subsidiaries of the State Bank of India differed in matter of detail from
the blueprint of the rural credit survey. The State Bank group expanded greatly after it was felt more on the small industrial sector than in the sphere of rural or co-operative credit.

The RBI inherited a fragile and unwieldy banking structure when the Banking companies Act, passed in 1949, entrusted it with the responsibility for overseeing the health of India’s banking system. The immediate effect of the Banking companies Act was to expand the responsibilities of the Bank in two directions, a) supervising the working of banking companies and detecting and correcting deficiencies in their functioning. Licensing banks, chapter ten discussed the Bank’s regulatory activities and initiatives. Chapter twelve discussed the licensing of banking companies, Bank’s contribution to consolidating the Indian banking system. The collapse of the Plai central Bank in August 1960 was widely regarded as an instance of regulatory failure. The Plai collapse spurred the Bank’s determination to strengthen the banking system and safeguard against similar crises in the future. Deposit insurance, which the Bank introduced in 1962, was an important outcome of these events. Chapter twelve, concluded with a brief survey of Indian banking growth.

In the early 1950, industry was a more familiar terrain for the Bank than agriculture. Indian commercial banks, and through them the Reserve Bank, already had some experience of financing the working capital requirements of industry. The government took steps to establish a number of industrial development institutions in the first half of the 1950s. The main elements of the story of the Bank’s involvement in financing industry are narrated in chapter thirteen and Chapter fourteen. Chapter thirteen began with a brief account of the work of the committee on Finance for the private sector which the Bank constituted in consultation with the government (Shroff Committee). Report marked an important stage in the evolution of ideas about increasing institutional financial support for the non-agricultural sector. Chapter fourteen, elaborated Bank’s more important initiatives to meet the credit needs of small industries and exporters. It outlined the Bank’s role in facilitating the operations of industrial finance corporations in the states, promoting the years covered by the volume. The history of the Reserve Bank of India during 1950s and 1960s thus holds important and abiding lessons not only for our own present and future, but also more widely for other central banks and the financial sectors of developing economies.

This is a comprehensive history of the Reserve Bank of India, the country’s central bank and its most important financial institution. It is based on unrestricted access to the bank’s records. Once the chapters were written, the staff of history cell undertook the elaborate and painstaking exercise of verifying the details and the data, made important suggestions for revisions. The history of public institution serves one important function which is not always apparent. A history based on official documents and

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making the later available to the interested public, together constitute an important exercise in public accountability. Not only was the Reserve Bank an active agent and participant in the process of planned development, the institution was also greatly transformed by its demand and challenges. The Reserve Bank of India 1951-1967, detailed its role in mobilizing resources from central and state governments, regulating the banking system, and establishing an institutional infrastructure for agriculture and long term industrial credit in India. This volume concluded with an elaborate survey of evolving relations between the supply of credit to small industrial borrowers, and expanding credit facilities for exporters.

The next three chapter (fifteen to seventeen) presented a survey of the relevant developments in India’s external economic policies and financial diplomacy, and an account of the Bank’s role in relation to them. Chapter 15, dealt with issues of reserve utilization and management arising from India’s membership of the sterling ore and the restrictions arising there from. A brief background account of sterling balance negotiations are also covered in this chapter. Chapter sixteen is devoted to an account of India’s efforts to mobilize external resources to meet the longer-term financing needs of the second and third plans, the short-term balance of pressures to which the Indian economy was subject during these years, and the manner in which the Bank and the government sought to cope with them. Severe draught and a freeze in western aid led to Rupee’s controversial devaluation in June 1966. Chapter seventeen, concluded with an account of the devaluation and its immediate aftermath. There are three appendixes (E,F and G) at the end the book relating to this part of the volume.

The concluding chapter, 18 offered an interpretative account of the evolution of relations between the Reserve Bank and the governments in India during the central bank and central and State governments in India during these two decades.

The depth and detailed study from inside, of the functioning of major public institutions in post-1947 India, makes it a path breaking book. I am sure and hopeful that this volume will be read as an important contribution to the history of central banking in general, and in the developing countries in particular. It is an essential reading for students; researchers; teachers of economics, history and of political science; policy makers; banking bureaucrats and politicians. It is a must for each and every library, as in many ways, the Reserve Bank of India, 1951-67, a pioneering book. Lastly, I would like to thank Oxford University Press for publishing this volume, which has incredible usage in academic world. The only negative aspect is of its bulkiness. It contains “1190” pages. This may be because of original documentations, quotes and rare photographs. Readers will find worthwhile to hold and read.

Indian Institute of Finance
Delhi & Greater Noida

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Gosh, B. N.; Managing Soft Skills for Personality Development; 2016, McGraw Hill Education (India) Pvt. Ltd. Delhi, India, pp. 286, Price ₹695

The significance of personality development transcends beyond the individual domain of corporate success. This is one of the reasons why the modern corporate sector is now engaged in soft skill development to make the hard skill endowment of its professionals more complete, effective and successful with the development, demand for labour is increasing, yet we have unemployment (skilled as well as unskilled). They may possess the necessary hard skill but still lack in soft skills and desirable personality traits. In fact soft skills and personality traits are complementary in nature. The title of the book reflects an interlocking relationship between what seems to be two apparently different domain. The focus of this book is to acquaint the readers with different facets of personality development that are compatible with soft skill development.

The framework of this book encompasses three inter-related dimensions: Self-Discovery and Goal setting; on the basis of values, attitudes, belief and positive thinking. "Where you are and where you want to go “. Instrumentalities: Interpersonal Relation & communications; Group discussion, Presentations, Interviews, Public speaking, Team Work, Etiquettes and Manner, Body language, “How to get ready through soft skill development; Motivation and Decision-making; Leadership, conflict resolution, time and stress management and management of emotional intelligence.” How to go ahead to achieve the Goal.”

Personality development starts with the idea of discovering one’s own potential and the goal and purpose of life. Goals and personality traits are different for different types of professions. Once goal is laid down. Constant efforts through some instrumentalities are needed to achieve that goal. Once personality becomes presentable and acceptable to the society, one needs motivation, decision making skill to achieve the desired set goal. This book contains twenty chapters written by experts. The editor and the contributors of this volume broadly agree with the idea that soft skill development will make the hard skill more meaningful and perfect under all situations.

Ghosh in Chapter one, explained soft skills as the gateway to success. The development of inner power, potential and personality (soft skill) makes you successful as human being. In Chapter three, author touched upon the interrelation between beliefs, values, attitudes and virtues. In the journey to ethical life, belief plays a major role. Attitude is a combination of rationality, emotion, thoughts and action. In chapter four, Gosh and Aker, narrates about the power of positive thinking. Positive thinking is a positive mental attitude that firmly believes that things will soon be better. It is related to optimism. In chapter fourteen, author Gosh, emphasized on “Time Management”. Time is uniquely critical resource and needs to be utilized in an efficient way to ensure maximum efficiency and economic benefit. Dr. Gosh talked about conflict and conflict management in Chapter seventeen.
This chapter concentrated on three aspects namely; the nature, genesis and typology of conflicts; causes of conflicts; and methods of conflict resolution. Stress Management has been discussed by Ghosh in Chapter eighteen. Stress can be managed by using various ways such as Pranayam, Yoga, time management, meditation, relaxation, prayer, music, exercise etc. (Advice given in Bhagavad Gita).

Nambiar discussed about “Self-Discovery and Goal setting” in chapter II of this book. One needs to discover one’s potentials, one’s strengths, one’s abilities, one’s purpose and one’s weaknesses. The more one knows about oneself, the more one can transform one’s life, so look inward and discover one’s potential.

M. Hossein Motaghi Pisheh discussed about motivation in chapter five. Motivation refers to the cause of behavior. Managers ought to be cautious of the fact that each individual is unique and would react uniquely to any situation. Consequently, they must scrutinize individuals and situations in order to craft a strategy for workforce motivation. Interpersonal relations and communication, have been discussed in chapter six, by Shibu. This chapter explored the functions and models of communication, and the importance of communication skills and interpersonal relationships in humanizing personal and professional effectiveness.

Nejati and Shafaei in chapter seven, discussed the importance of public speaking. Authors investigated the challenges faced by a majority of people when they speak in public and introduced approaches to encounter these challenges. They also provided a step by step guide for improving one’s public speaking skills and to developing a successful public speaking strategy. Importance of “Group Discussion” is explored in Chapter eight by Sumana Shome. The objective of group discussions is to have the skills required to engage every other member in the group, build a consensus, create a receptive environment and resolve conflicts that are inherent in any group activity. Ambeesh Mon discussed importance of body language in chapter nine, body language is an essential element in communication. It conveys a major chunk of the message. In chapter ten, Adel Tajasom explored the concept of team work and how to create a valuable team that gives high quality. Teamwork is a combination of individuals, behaviours and attitudes that are used to achieve a mutual goal. Mokhtar and Haron provided a unique perspective on interviews, with a presentation of an easy to understand write-up that describes both sides of the coin—the interviews and the interviewee in chapter eleven. Presentation as a way of communicating ideas and information to an audience, discusses in chapter twelve by Jano. Structure and strategy offer ways in which to prepare the stages of the presentation, ranging from introduction, body to the conclusion.

In today’s inter-reliant, international and culturally diverse world economy, cross cultural difference can have a significant impact on business success. Good manners and professional etiquette are therefore essential prerequisites to being a professional taking cue of the relevance of etiquette
in the societal interrelationship in chapter thirteen. Asis Kr. Pain attempted to elucidate the importance of etiquette in today’s society. Seena M.Mathai in Chapter fifteen, intended to help reader to understand the different concepts of personality, the major determinants of personality, stages of personality development, different theoretical models pertaining to personality development and the different constraints in developing a personality. Mathew and Mathai discussed relevant topics for decision making: Definition, stages and phases, different types, models, different steps in the process, group decisions etc in chapter sixteen. Corporate world is constantly confronted with situations that demand decision-making. Gupta explored, developed and enhanced the innate leadership qualities that are hidden in people. Leadership is a critical management skill, it is the ability to motivate a group of people towards a common goal. Real life examples like Laxmi Mittal, Bill Gates etc have been given by the author to enhance the usage of this book. Concept of “Emotional Intelligence” has been discussed by Chopra in chapter twenty. Achieving success at work and in life depends not only on the intelligent quotient (IQ) but also significantly on the phenomenon of emotional intelligence.

This book has many differentiating characteristics: Each topic is written by an expert- economist, political scientist, psychologist, physician, management, specialist, professional trainer etc; On the basis of their specialization and excellence, experts have been selected from five different countries, including India, Iran, Cyprus, Malaysia and the United Kingdom. The book has been balanced in terms of depth and range; Language is simple, precise, lucid and incisive. Every chapter has summary except one, key terms, test questions and references. The editor and the contributors of this book broadly agree with the fact that soft skill development will make the hard skill more meaningful and perfect under all situations. Outcome of a teamwork, content coverage is exhaustive and very well compiled. It is very good book for students, teachers and managers of all fields. Even politicians and beurocrates will also be able to learn from it for their day to day problems. Book is written in very simple and self explanatory mode. Above all, I must thank McGraw Hill Education (India) Pvt. Ltd., for publishing a very light, easy to handle and read like a soft side book.

Indian Institute of Finance          Manju  Agarwal
Delhi & Greater Noida


Government and consumers are the biggest stakeholders for any organization. The organization, its meaning and existence is defined by these two stakeholders. Strategic and operationalactors need to align their strategic and operational policies in the interest of these two big stakeholders.
Governments and consumers possess the power that decides the fate of any business entity. Earnings of any business entity are declared in the interest of its stakeholders and nation as and when they comply with regulations. With the ever increasing complexities of the business structures, businesses and developments on the financial landscape, the regulations and regulators have been constantly developing, upgrading or revising the existing set of compliance measures with new Act/s and regulatory bodies. The changes in the compliance mechanism pose a risk to the existing frameworks of business which add to the further cost of doing business. Yet it has been found that with stricter compliance regime, there is greater confidence among the participants which further fosters business and trade.

This book in the most logical and systematic manner explains the origins of regulations, regulators and development of organization structures that enable compliance in the Banks and Financial services in the best interest of the different stakeholders globally. It breaks the myths behind compliance with facts. The book explains the benefits and cost structures of compliance with different operational actors strongly advocating that compliance creates greater and higher return on investments in the financial industry.


At the global level Bank of International settlement (BIS) created after the collapse of Bretton Woods in 1974, facilitated the development of capital adequacy standards internationally with the development of Basel Norms namely Basel I, Basel II, Basel III. These norms were guided by the need for a
multinational accord to strengthen the international banking system and to remove competitive inequality. They are today the guiding force in all internationally competitive financial systems. Compliance to these norms adds to the confidence of the international financial market players.

The author has recognized the drivers of compliance as direct drivers, indirect but potent drivers and the ideal drivers. The ideal drivers are increasing complexity of financial services products, wider adoption of critical regulations, visibility of regulations, regulatory rigor, enhanced disclosure norms and self regulatory organization. The indirect but potent drivers are media scrutiny, growing awareness among consumers of their rights, globalisation of business, technological advancements and cross authority expectations. The ideal driver is the insight that good compliance makes good business sense. The author defines regulations as those that protect consumers and prudential norms that are specific to the industry. A simplified version of the BIS regulation and supervision guidelines is also available in the book. The author strongly advocates that compliance is intrinsic to the operations of financial services and needs to be an internal risk control function that mitigates compliance risk. Compliance is not advocated by the existence of regulatory framework or regulators but by the potential business integrity has to create and give meaning growth returns to financial organization several examples have been used to explain this like that of Wolfburg Group. The role of the compliance owners at all levels is further emphasized. Centralised, Decentralised, Hybrid and matrix models of compliance have been discussed with other models that their extension. While the need for compliance may be questioned, the benefits outweigh the cost, which have been explained in a simple and understandable manner.

The integrated financial system with special niche of money markets, capital markets, over the counter markets, foreign exchange and commodities markets overlap with the existing activities of financial intermediaries like banks, insurance companies, finance companies, corporations, mutual funds and other that enable financial disintermediation with new and innovative financial instruments. Understanding the interdependence of the financial system and regulators makes it easier to understand the need for complex and burdening compliance issues. The author continues to emphasize on the role of the operational heads as compliance stakeholders within the organization. She also lays emphasis on the organization structures that create realistic and effective compliance program using strategic and policy frameworks, structural frameworks and operational frameworks. The author clearly distinguishes between financial and compliance risk using the much accepted definitions of the different authorities in this field. Systematic Risk can be reduced if compliance risk is taken care of by the different banks and financial institution protecting them from any major glut or crisis. The idea is reemphasized by the last two chapters.
The book is well designed giving simplistic understanding of the compliance framework and organizational framework when understood and implemented can provide protection from any risk to the enterprise and to the system overall. The book is good for banks, financial institutions, non banking financial companies, insurance companies, pension funds, investment companies and other intermediaries.

Indian Institute of Finance          Yamini Agarwal
Delhi & Greater Noida


Corporate Finance is one of the most interesting subjects, I have been teaching to my MBA (Finance) students for over a decade now and Principles of Corporate Finance is one of the finest books I have read in my life. While the authors are only four but the book gains a lot of insights from Professors of London Business School, MITs Sloan School of Management and the University of Pennsylvanias Wharton School, who have been duly acknowledged. The pedagogical features are unique as it features practice boxes and numerous examples. Excel treatment and excel exhibits are suited to the needs of current day managers. The problem sets, finance on the web section and mini cases make this book interesting for future managers. Use of Instructors Manual, Test Bank, Computerized Test Bank and Power Point presentations implies the work of many Professors of Finance while offering international quality teaching to their students.

The subject is introduced to the readers in an extremely simplified manner. One can understand the goals and responsibilities of a finance manager and a corporation. One can learn the concept of Present value and practically apply it to concepts like planning for retirement.

Valuation of bonds has been explained using present value concepts and real data from National Stock Exchange of India. Use of currency in Euro somewhere and Rupees somewhere may confuse the students. One can learn impact of interest rates on bond prices, concepts of duration, volatility, default risk and analysis of term structure of interest rate from this book.

Valuation of stocks has been explained in a very detailed manner with practical examples of companies like Infosys, Hindustan Unilever and ACC etc. One can learn Discounted Cash Flow (DCF) Valuation Model in detail from this book. For undertaking capital budgeting decision one can learn tools like Net Present Value (NPV), Internal Rate of Return (IRR), Payback and Discounted Payback for evaluating projects. Capital rationing enables a finance manager to evaluate projects when limited funds exist.

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Since the concept of Net Present Value is in tune with the objective of maximization of shareholders wealth, it has been explained in detail. Special scenarios of investment timing, long and short lived equipment, replacement and excess capacity have been discussed in detail.

Concepts of Risk and Return enable a reader to understand the benefits of diversification. Portfolio Theory and Capital Asset Pricing Model enables a reader to gain better understanding for undertaking investment decisions.

Cost of capital enables a manager to understand which projects give returns higher than cost of capital. One can learn how to estimate beta for calculating the cost of equity. Also a manager can learn to calculate the weighted average cost of capital which may serve as their hurdle rate for new investments.

With the help of Sensitivity Analysis, Scenario Analysis, Operating Leverage and the Break Even Point Analysis, Monte Carlo Simulation, Real Options and Decision Trees, one can identify real life situations and their likely impact on the NPV/IRR of a firm.

While most managers pursue the goal of wealth maximization, there are some who pursue their personal goals at the cost of firms goals. This leads to agency problem. A snapshot of Agency problem, management compensation and performance measurement can also be read in this book. Concepts of Net Return on Investment and Economic value Added (EVA) provides numerical measures of performance measurement.

Efficiency in capital markets depicts how far one can exploit the market based on technical analysis, fundamental analysis or insider information. The chapter on efficiency enables us to understand weak form efficiency, semi strong efficiency and strong form of efficiency and its implications on Corporate Financing. The basic question of how much should be equity and how much should be debt is answered in this book. Discussion on Venture Capital, how to issue an Initial Public Offering (IPO), Private placements and public issues provide the base for understanding the process of issue of share capital.

The pay-out policy discusses whether a company should pay dividends or not. If dividends are declared, then whether it should be cash or bonus shares? Should the firm buyback its shares? The impact of share buyback on the DCF valuation of shares is an important concept for finance manager and can be read in detail in this book. I observed that more focus has been given to practical aspects like the impact of taxes on pay-out policy as compared to other books which would focus on theories and models like Walters Model, Gordons Model or Modigliani Miller Model.

The debt policy of firm has an effect on the market evaluation of firm, while many theories oppose this statement like the Net operating income approach or the Modigliani and Miller (MM) theory. Many theories like the Pecking order theory of financing or the MM theory with corporate taxes
support the statement that debt policy does affect the valuation of a firm. The debt policy affects the overall weighted average cost of capital and in effect it has an impact on the value of firm. The trade-off theory enables us to understand the extent to which a firm may borrow without increasing the bankruptcy costs.

There are two types of options namely American option and European option. Call and puts may be combined in any manner to give rise to a particular payoff. One may use a simple valuation model, binomial method for valuing options and the Black-Scholes Formula to compute options value. Credit Scoring, Market based Risk Models and Value at Risk aid in predicting the probability of default in bonds. Different kinds of debt include Long term bonds, Asset-Backed Securities, Privately Placed Bonds, Convertible Bonds, Bond-Warrant Package, Commercial Paper and Medium Term Notes. The concept of leasing as a part of debt financing has also been discussed. The financial decision of a firm, whether one should buy or lease is an important decision affecting profitability.

While Risk is inherent in all financial transactions, steps can be taken to mitigate risks. One can gainfully use insurance products, options, forward and futures contracts, swaps (interest rate or currency) and Hedging to prevent jeopardy to the value of a firm. Managing risks in international markets further complicates the risk management process as one has to cope with different currencies, interest rates and inflation rates.

Financial Analysis with the help of financial ratios enables evaluation of a company's performance vis-a-vis competitors. Working Capital decisions related to cash, inventory and receivables have been discussed briefly towards the end. A greater coverage of this topic would have been more suitable. Discussion on Mergers, Corporate Control and Governance enables a reader to gain a holistic view of Corporate Finance.

The appendix consists of answers to select basic problems. Solution to all the problems would have been more suitable. This is an excellent book and I strongly recommend it to all the students who are currently pursuing MBA (Finance) or PGDM (Finance).

Indian Institute of Finance
Saurabh Agarwal
Delhi & Greater Noida