

# Indian Financial System

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ISBN: 978-81-7446-999-1

*First Edition: New Delhi, 2012*

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Published by Anurag Jain for Excel Books, A-45, Naraina, Phase-I, New Delhi - 110 028  
and printed by him at Excel Printers Pvt. Ltd., Plot No. 317, Sector-7, Phase-II, IMT Manesar, Gurgaon - 122 050

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# Annexure 12.1

## Note on Indian Systems of Banking from Ancient to Modern Times

The concepts of money, currency, money circulation, money-lending and banking have to be understood in the context of value creation and value distribution (or value capture) in a given economy and society. The organizing principle of work, forms and places of work, production relationships and interplay of factors of production form the basis of value creation in an economy. The relative importance placed on use of own funds versus borrowed funds for engaging in economic activities, the use of productive assets for generating one's own livelihood by being self-employed versus being employed by somebody else for a wage/salary, as well as the centrality of various corporate forms of association and for engaging in business activity nurtures different systems of money lending and banking.

Informal systems of work and formal systems of work are both valid under different sets of circumstances. Informal systems of work basically depend on verbal transactions for validation while formal systems of work essentially depend on written transactions. Which of them constitutes the mainstream and which constitutes the shadow system depends on the changing circumstances in a society and economy over time. Encouragement and promotion of either system is linked to the economic incentives provided at any given point in time.

The centrality of verbal transactions versus written transactions creates its own systems of functioning and terms of engagement for individual to individual, individual to organization (corporate, state), and organization to organization transactions. The evolution of a high trust society also takes different forms under both the systems of functioning.

The value creation and value distribution (or value capture) processes for different sets of people defines the nature of exploitation and usury in a given economy and society. The nature of intermediation which is encouraged between lenders and borrowers affects the value creation process for different sets of people and consequently the value distribution (or value capture) process also. What transactions are termed as exploitative is therefore a relative phenomenon. Accordingly, the differential emphasis of the following continuua characterize the systems of business activity which emerge in any society and economy:

- The trust – mistrust continuum
- The written transactions – verbal transactions continuum
- The organized – unorganized continuum
- The individual – corporate continuum
- The short term – long term continuum
- The self-employed – other-employed continuum–
- The risk taking – risk avoiding continuum
- The real value – virtual value continuum
- The private funding – public funding continuum

Money-lending and banking are essentially systems which operationalize the cost of money and also benchmark the opportunity cost of money for business transactions. Amounts of loan, rates of interest, period of loan, security and risk of loan, purpose of loan, repayment of loan, and consequences of default of loan are the basic details which are negotiated between the lender and borrower. These details can be legislated upon and regulated by the state or they can be left to self-regulation by the lenders and borrowers. The form of work

and production relationships of the majority of the people determine the organizational forms which bring people together. The craft and trade guilds have been the basis for organizing people in India for centuries, beginning from ancient times till the present times. Proprietorship, partnership, and community ownership have been the predominant forms of business with full liability for losses on the owners, partners, and members of the business. These forms of business put a premium on use of own funds for investing in business and the opportunity cost of own funds is the minimum return that is expected to make the business venture attractive and worth putting effort in. The lower status ascribed to people borrowing funds for business activity is a concomitant of the premium ascribed to use of own funds. The low level of intermediation between lender and borrower is a systemic response for encouraging and promoting use of own funds for business in a full liability form of business organization. Further, interest rates are set which benefit the saver as the borrower obtains access to funds only because the saver has saved funds and because the saver as lender is also bearing the full liability of the loan in case of default or inability to repay by the borrower. Full liability forms of business also discourage long-term loans because of the inherent risk involved in any business activity. Such a universe of money-lending and banking has evolved in India over the past two millennia and more as the Indian system of banking. This system has also been labelled as 'indigenous banking systems' by various scholars. Till the arrival of the British-owned East India Company in India and subsequently its growth as a colonial power, Indian systems of banking flourished and prospered. In fact, a very high level of systemic sophistication has been developed over the centuries in Indian systems of banking. Large volumes of business have been achieved and real wealth has been created which has made the world envious of India in the past centuries. The share of India in world GDP from the first to the twentieth century A.D., as measured by Angus Maddison (2001: 263), is shown in the following table:

**India's Share in World GDP**

Year	1	1000	1500	1600	1700	1820	1870	1913	1950	1973	1998
Per cent share of world GDP	32.9	28.9	24.5	22.6	24.4	16.0	12.2	7.6	4.2	3.1	5.0

As can be seen in the table, India had an enviable share of world GDP until the eighteenth century, which is when the British colonial rule began to have a tighter grip over the Indian economy. Over the next two hundred years, India's share in world GDP fell consistently. India is slowly re-emerging as an important player in the global economy in the present times.

The Indian system of banking has survived the vicissitudes of time and regime change under different forms and types of state governance over the centuries. This has been the mainstream system of money-lending and banking in India, whose functioning has been understood and internalized by all stakeholders in the economy and society. It has been largely self-regulated and had the sanctity of the rulers and law givers as a valid and accepted system till the time the British colonial powers introduced Western systems of banking in India, sporadically in the eighteenth century and more successfully in the early parts of the nineteenth century. Even though there have been many invasions into India over the centuries, the invaders have mainly stayed back to rule the lands they captured and made India their home country. They extracted tribute from the population but this was retained within the treasuries in India itself. The invaders did not develop linkages for exporting tribute out of India to some distant and far away land. Nor did they use India as a base for promoting the economy and business activity of another country. Hence, the systems of Indian banking did not experience any pressure to undergo fundamental structural changes to facilitate the export of tribute out of India or to strengthen the economy of another country. The British colonial rule was a major discontinuity in the history of Indian systems of banking. Initially the British traders and rulers used the existing channels of Indian banking and money-lending to export their traded and raided wealth out of India into Britain. But slowly and surely they introduced Western systems of banking to develop direct linkages for exporting tribute to the British Crown and revenues to British-owned businesses through British-controlled entities. Simultaneously,

these Western systems of banking were meant to provide more control and power to the British rulers in India for promoting trade, commerce and industry which would benefit them more than the Indian population. The Industrial Revolution in Britain and the forces it unleashed in terms of industrial manufacturing and new systems of workplace organization reinforced this process and further strengthened the Western systems of banking in India.

The basic characteristics of the Indian system of banking have been to operationalize the following aspects:

1. Short-term loans directly between lender and borrower.
2. The full risk is borne by the lender with own funds.
3. The lower social status accorded to a borrower.
4. The ownership of assets — land, capital, gold/silver, cattle/livestock, craft skills, trading skills, etc. as a means of sustaining livelihoods and wealth creation.
5. Interest margins/spreads which benefit the lender to encourage self-employment as a preferred livelihood option for the majority.
6. Transactions in cash and in kind.
7. Full liability of risk and loss in business transactions.
8. High trust levels.

This system has been able to cater to the money-lending and banking needs of the people in a multi-layered system of rural and urban participants. It has been operationalized in a decentralized manner in different parts of India through networks of community and family. The multiplicity of currency and coinage, rights to mint coinage, existence of superior and subordinate money and coinage, different legislations for tax and revenue collections, tax farming arrangements, collection of taxes in cash and/or kind, financing the rulers for wars, conquests, raids, etc., was almost a structured diversity of the economic systems in existence in various parts of India which were under the governance of different rulers over the centuries. The terms used for moneylenders and bankers also differed from region to region. The Indian systems of banking incorporated money-lending as a fulltime occupation for some people and money-lending and banking as one activity in a portfolio of livelihood activities for other players.

Many historians and scholars have documented the functioning of the Indian systems of banking. Some snippets about the interest rates and the functioning of the Indian systems of banking from ancient to medieval to recent times, drawn from the works of historians and scholars, are given in the following paragraphs.

Dr. Y. V. Reddy, the then Deputy Governor of the Reserve Bank of India, in a public talk in 1999, provides information on interest rates in banking in ancient India as follows:

‘Like in many other aspects we have a long tradition of banking. Evidence regarding the existence of money-lending operations in India is found in the literature of the Vedic times, i.e., 2000 to 1400 B.C. The literature of the Buddhist period, e.g., the Jatakas, and recent archaeological discoveries supply evidence of the existence of Shresthis, or bankers. From the laws of Manu, it appears that money-lending and allied problems had assumed considerable importance in ancient India.

What were the interest rates? The role of interest rates was recognized in ancient India. Interest rates were prescribed by almost all Hindu law-givers Manu, Vasistha, Yajnavalkya, Gautama and Baudhayana and also Kautilya. A common base number was 15 per cent per annum — what the banker economist Dr. Thingalaya calls the Hindu rate of interest. Incidentally, this is higher than the current Prime Lending Rate (PLR) of many banks!

It was not as though everyone used to get loans at PLR. Only prime borrowers got at PLR, though the basis was different then. According to Manu and Vasistha, the interest rates were not to vary depending on the risk involved or the purpose for which the money was borrowed. But they were directly linked to the caste classification of the borrowers. Brahmin was to be charged 2 per cent, Kshatriya 3 per cent, Vaisya 4 per cent and Shudra 5 per cent per month. However, Chanakya's interest rate structure was risk weighted since the rate of interest increased with the risk involved in the borrower's business. The interest rate worked out to be 15 per cent per annum for general advances. The traders were charged a rate of 60 per cent per annum. Where the merchandise had to pass through forests, the traders had to pay 120 per cent per annum while those engaged in the export-import business handling sea-borne cargo had to pay 240 per cent per annum.'

Krishna Mohan Shrimali (2002: 18, 19) sheds some light on the credit and banking systems in India between 600-1200 A.D. as follows:

'The availability of credit is an integral element of a real monetary economy. The early *Smritikaras* laid down norms for regulating pledges, sureties and rates of interest. The post-tenth century evidence throws additional light, insofar as we are informed about the strong presence of land, cattle, grains, cloth and houses for raising loans. The documentary evidence of the *Lekhapaddhati* showing the practice of mortgage (twelfth/thirteenth centuries) as a means of credit has been too well known to be repeated here. Similarly, varieties of *hundikas* (bills of exchange) mentioned in post-tenth century sources also take cognizance of agricultural products, animals, etc.— for example, *dhanya-hundika*, *yava-godhuma hundika*, *ghoti-kanama-hundika*..

The role of money in a society can also be understood in terms of the rate of interest on investments and loans. An analysis of the cumulative evidence of literature and epigraphs of early medieval texts (both literary and epigraphic) shows that the rate of interest varied between 10 and 33.3 per cent per annum. Generally, historians have tried to explain such a phenomenon in terms of the money supply. Thus, the high rate at Bhinmal (30 to 33.33 per cent) was the result of the need to encourage donations while the low rate (12 per cent) mentioned in the Jalor inscription (VS 1323 = AD 1266) was possible because of the capital being easily available. A deposit in the Mahavira temple at Arasana fetched only 10 per cent interest, which is sought to be explained thus: 'its credit was high and with the rich Jain community to patronize it, it had no need to bring in fresh deposits by promising high rates of interest' (D. Sharma 1959:300-01). Traders undertaking high-risk ventures on the high seas or in forests infested with robbers had to be prepared for very high rates of interest that ranged between 120 per cent and 240 per cent per annum. It has also been argued that the increase in the rate of interest 'does not seem to be so much the result of a stronger tendency of exploitation or of the growing importance of the rentier class as of the comparative absence of coins and decline of trade' (Sharma 1983: 193-217). Occasionally, disturbed political conditions also accounted for fluctuating rates of interest.'

Amiya Kumar Bagchi (2002: xxiv) has described the functioning of this system around the time of the arrival of the British in India as below:

'In British India, the established Indian bankers continued to handle a considerable part of their usual business, that is acting as *sarrafs* or money-changers, giving money that is acceptable for payment of taxes or for transactions over long distances for lower order money which would be accepted only in local exchanges; advancing money to peasants, artisans or landlords for their consumption or production needs; engaging in the remittance of money from one location to another by using *hundis* or bills of exchange, Indian-style; acting as bankers to most of the Indian rulers whom the British kept on their thrones on strict condition of subservience to British rulers. Their capital and credit networks included communities all over India, but particular nodes of that network generally were controlled by family groups and clans. Joint stock banking was practically unknown. The bankers and money-lenders often combined these activities with trade in a large variety of commodities. But with the establishment of British rule over most parts of India and those included generally the most densely populated and productive regions, they were deprived of their functions and the resulting profits as bankers to the government.

Rajat Kanta Ray (2002:118,119,122,123,126) explains the slow process of transition that the Indian banking system underwent in the course of the nineteenth and twentieth centuries under British rule as:

‘The rise of an organized European-dominated corporate sector in the Indian economy in course of the nineteenth century created an unprecedented division of the economic space between *le blanc et le noir*. The pre-existing indigenous system of trade and finance was subordinated to Western banks and corporations, and out of this process the subordinated Indian part of the commercial system emerged in a new form, and was redefined as the bazaar. The corporate sector, almost entirely white in the high noon of imperialism, seemingly had in this obscure dark under-space, its incomprehensible other. But in fact, both the corporate sector and the bazaar represented interlocked forms of capital seeking to penetrate a chronically deficit, monsoon-driven agricultural economy in which there was a hiatus between the fixed system of rural, exploitative credit and the forms of mobile credit represented by banks and corporations, and by *shroffs* and *arhatiyas*.

...At the turn of the twentieth century, the process gathered momentum and the integrative commercial devices called *hundi* and *arhat* quickened the financial operations of the bazaar. These devices had existed in the old Indian economy. For carrying *hundis*, Indian bankers had their own special couriers since they distrusted the European post, and it was believed that their couriers conveyed information long in advance of the government mail (Cooke 1983: 21). The railways, cables and the telegraph changed all that, and the space was absorbed as a subordinate sphere in the wider imperial economy of the late nineteenth century (Hoey 1880: 63).

In the re-drawn economic space, the upper sphere belonged to a small set of exchange banks and European managing agencies operating on a high profit margin, and the lower sphere to a mass of 'native' bankers and commission agents conducting a large volume of small transactions at a low profit margin.....the moneylender operated with his own capital. The banker in the larger centres of commerce, on the other hand, was into credit-generating *hundi* operations and he thus dealt with other people's capital, mobilizing it for commercial rather than agricultural operations. The moneylender financed the cultivator by advancing him money for the purchase of seed, plough-cattle and ornaments, and got the money back in grain by hypothecating the crop. The banker did not enter this type of petty commodity production. He financed trading operations between market towns and seaports, either by financing commission agents (*arhatiya*) who guaranteed long-distance deliveries or by acting as commission agents themselves. In this type of operation, the general credit of the country, the state of trade, export conditions, and the question whether credit was good or bad, figured importantly — considerations that did not enter into the moneylender's more restricted business (*Parliamentary Papers* 1898: 695-96, 698, 700). The moneylender's rates were necessarily much higher than the rates at which the banker discounted traders' *hundis*.

Banks and Shroffs constituted distinct monetary circuits through which capital moved far and wide, but moneylenders were outside the orbit of these movements of money. The impetus behind the monetary movements derived from 'busy' season and the 'slack' season, which were closely linked to the agricultural calendar... accordingly, both bank and bazaar rates climbed in busy season and sunk in slack season, but moneylenders' rates, which were fixed according to the credit of the individual borrower, did not go through such fluctuations. The distinction between these rates were specified by the Deputy Controller of Currency in northern India who reported, in 1922, that apart from the bank rate, there were three distinct rates in his circle: (1) as between shroff and shroff; 5 to 9 per cent according to seasons (2) as between shroffs and traders on demand promissory notes, ornaments, etc., 2 or 3 per cent above the bank rate, and (3) as between the village *bania* and the *zamindar* for small unsecured advances, 12-24 per cent (MacWatters 1922: 28). Of these rates, the bank rate, the inter-shroff loan rate (at 5-9 per cent, this was no higher than the usual bank rate) and the discount rate of traders' *hundis* by shroffs fluctuated from season to season, but the interest rate on loans by shroffs to *zamindars* and *ryots* did not undergo such seasonal variations and usually ruled twice or thrice higher. The rates ruling in the bazaar were thus, distinct from the bank rate on the one hand, and the moneylenders' rate on the other.

....

*Hundi* and *arhat* were the twin instruments in the great expansion of the bazaar from 1858 to 1929, powerfully aiding the thrust into futures trade (*vayade ka sauda*). Without these two indigenous devices, the railways and telegraph by themselves would not have fostered the long-distance inland trade and its integration through the development of futures. *Hundi*, or the inland bill of exchange, was supposed by C.N. Cooke to have been a corruption of the word *Hindwi* or *Hindoo*, 'a word which is Persian, and, therefore, evidently given to them by Mahomedan conquerors' (Cooke 1863: 21). Actually, the word was a modification of *hundika*, a Sanskrit word derived from the verb *hundi*, that is, to collect (see Apte 1959: s.v. *Hundika*). This bill also served as an instrument for credit, and as its use proliferated in the prosperous years before 1929 it largely became the instrument through which bankers raised funds from pensioned people and widows, who purchased it for the interest it offered. The *hundi* was thus a substitute for the deposit, which, as far as shroffs were concerned, was evidently contracting in this period. *Arhat*, too, was an indigenous word, meaning 'agency for selling someone else's goods by charging commission' and also 'the godown where such goods are stored' (Prasad, Sahay and Srivastava 1943: s.v. *arhat*). The *arhatiya* gave a guarantee in a transaction between the buyer and the seller who might be at a great distance from each other, and he therefore charged a higher commission than an ordinary broker (*dalal*) who simply brought the buyer and seller together. The acceptability of the *hundi* as a bill of exchange and a credit instrument over the longer distances of the railway network required the generation of trust, and trust was predicated on the commission agency system which now came into its own. For the use of merchants, annual directories were published, which detailed hundreds of market towns (*mandis*) along the railway routes, with a list of commission agents and banks at each *mandi*. The banking communities that typically specialized in the business of discounting *hundis* usually doubled as commission agents and perhaps also combined this business with wholesale trade on their own account. The Marwari bankers of Bombay and Calcutta did this, but the Multani bankers of Bombay acted only as commission agents and never as wholesale traders.'

These systems of money-lending and banking have survived till the present times in India — only their relative proportions in the Indian economy compared to Western systems of banking have decreased over the past two hundred years, and even more so in the years after India became independent in 1947.

Bagchi (2002: xi) further explains the continuity of this system till the late nineteenth century as follows:

'There is a strong continuity in the institutional basis of the use of money and credit in the domestic economy of India from the late sixteenth century under Mughal rule and the late nineteenth century under British rule. In order to grasp the nature of the continuity we have first of all to recognize that, however integrated the whole economy might appear from the vantage point of Delhi, Agra or Calcutta, that integration concealed many breaks and differences of intensity of contact within the highly complex network of a commercialized economy which has not got rid of private coercive and discriminatory power in most walks of life. To be more specific, we should recognize that in Mughal India as in British India, there were many circuits of exchange of goods and money, very often (but not always) with different kinds of money being used as the typical medium of exchange in different circuits. Concurrently and overlaying these connected but separate circuits of exchange, there were also circuits of credit very often with the same controllers on the lending side operating different circuits with different rules. Even at the top of the hierarchy and circuits of exchange, the royal money or the publicly recognized money might have strict limits within which they might be used and it would be wrong to generalize about the effects, for example, of the changes in the supply of such money without recognizing those limits. To take two examples from the Mughal period and the late colonial period, respectively, how many peasants or artisans ever handled a *mohur* (*muhr*) with the imprint of the reigning Padshah, and how many of them ever handled even a 100-rupee note, let alone a 10,000-rupee note, issued by the colonial government?'

The real discontinuity in the Indian systems of banking came with the increasing control of the British colonial powers over Indian territory. Sporadically in the eighteenth and more successfully in the early part of the nineteenth century, the British introduced Western systems of banking in India, first as joint stock banks

and then as joint stock banks with limited liability, to serve their colonial purposes. This has gone hand in hand with the emergence of the joint stock company with limited liability form of business in the mid-nineteenth century (by law after 1860 and by case by case royal charter or parliamentary charter before that), to become the turning point in shifting the focus of the economy from savers to borrowers and from savers to investors. The Western system of banking in India was very small in size in the initial period and utilized the Indian systems of banking from its very inception. The Western style banks also utilized the services of Indian employees to interface with the Indian system of banking and the Indian systems of banking utilized some of the funds of the Western style banks. The rates of interest charged by both the systems of banking bore some relationship with each other. However, the expansion of colonial power led to legislations which slowly and systematically captured the space of the Indian systems of banking in the economy. Several Indian princely states and entrepreneurs also set up Western style joint stock banks with limited liability. The Western system of banking was upheld as the legal and valid system for money-lending and banking by the British and the Indian system was slowly subordinated to it, in the official functioning at least. The Indian systems of banking were referred to as 'unorganized banking', perhaps for the first time, by the British only because they could not understand it fully or control it fully. But by calling it 'unorganized banking' the Indian system did not become unorganized — it had different principles of organizing and continued to function on those principles. It only got a lesser status in the economy and the British colonial powers were successful in projecting the Western system of banking as a superior system of banking. The joint stock limited liability form of business provided great scope for developing large scale businesses and for privatizing the profits and socializing the losses of business activity and thus, became a very attractive form of business activity for the British and Indian businessmen. The British rule over India led to standardization of currency, coinage, and money; uniformity of taxation and revenue collection systems and uniformity of legislation and judicial systems for various facets of life. A written constitution was adopted by India after it gained independence from the British rule in 1947. Many of the laws which were framed by the British during their colonial rule for banking and business activity continued after India became independent. And till the present times, the term 'unorganized' is used in official statistics to increasingly refer to more and more areas of the economy which are not regulated by the government — to the extent that 92 per cent of the economy today is referred to as 'unorganized sector'!

The increasing space occupied by the Western system of banking has resulted in bringing about many shifts in the Indian economy, before and after Independence in 1947, which are called as modernizing the official Indian economy. These shifts can be listed as below:

1. Shift from individual persons to juridical persons
2. Shift from full liability to limited liability joint stock companies (banking and other industries)
3. Shift from low intermediation to high intermediation between lender and borrower
4. Shift from decentralization to centralization in operations for achieving scale and large geographical coverage
5. Shift from private to public funding (state backed)
6. Shift from almost universal coverage to selective coverage of population - extent of inclusiveness
7. Shift from benefiting the lender to benefiting the borrower who is able to show high profits
8. Shift from valuing use of own funds to use of borrowed funds
9. Shift from valuing self-employment for the majority to valuing other-employment for the majority
10. Shift from savers to investors in the stock market
11. Shift from saving to consuming.

In spite of the tremendous expansion of the Western system of banking in India, it has not been able to displace the Indian system of banking. Both systems of banking co-exist today and are even interconnected. Today, the credit operations of the former are referred to as institutional credit and the latter as non-institutional credit in official government policy. The interest rates of the Western system of banking are regulated on the principles of modern economic theories and monetary policies which favour the borrower. Unprecedented scale of business has developed over the years in India, particularly since 1991. The development of the stock market has reinforced this trend and further increased the premium placed on large borrowers in the form of existing listed companies, emerging listed companies growing from large projects, and as drivers of future growth of the economy. P. Chidambaram, the then Finance Minister of India, said, "In 2005 Indian banks financed 35% of the country's GDP, whereas Indian banks must explore the ways to raise this to 50%."

The form of work which has a recognized employer-employee relationship recognized by the law is encouraged for more and more people in the population. To encourage this form of work, large businesses are incentivised to create more employment, generate more revenues, pay bigger and bigger salaries and pay packages to employees, earn more profits and pay more taxes to the government. They are also incentivised to list on the stock market. This is the preferred way to regulate more and more sectors of the economy. Growth is incentivised by raising debt and equity. The rates of interest for the debt of the big companies have to be kept sufficiently low to enable them to cover the cost of debt and still generate high profits. This, in turn, leads to offering even lower interest rates on deposits to savers in the economy. Debt is possible for some people/entities in the economy because other people are saving. Yet the person who saves does not receive a good return on the savings. If the person desires good returns on savings then official policy encourages investment in equity and participating in the stock market.

Investors, whether individuals or corporates, can rightfully earn high annual returns of 20 to 40 to 100 per cent or even more through the stock market. Private equity benchmarks its returns at 30-40 per cent annually. Investment banks complement the universal banks to generate higher returns from the stock market for themselves and other players. These rates of return are considered necessary to encourage infusion of funds into large business entities. So the shift to Western systems of banking and economic organization means encouraging every saver to become an investor in the stock market and earn high returns through that route. The Indian systems of banking generated and still generate these kind of returns through interest rates, but they are regarded as exploitative!

The development and refinement of the joint stock company with limited liability, as an organizational innovation for doing business over the past two hundred years of industrialization, has been at the root of this shift from saver to borrower and from saver to investor in the global economy as a whole. It has created virtual wealth in the form of market capitalization of companies on the stock exchanges. It has led to greater inequity in society even as it has helped to create more material wealth and improved standards of living for people in some countries. It has concentrated risk-taking, mediated through the stock markets, in the hands of a few large players and hence increased the vulnerability of the economic and financial system as a whole. It has led to other-employment as a preferred form of work for large numbers of people. It has encouraged conspicuous consumption and it has contributed to global warming. It is pertinent to reassess the role of the joint stock limited liability form of business in the light of the current debate on the causes of the great global recession of 2008-2009 as well as the concerns about climate change and sustainable business. The Western systems of banking also need to be reviewed accordingly to bring about a balance between the real and the virtual wealth created by business. The consequences of money-lending and banking as a reasonable and/or as an exploitative transaction are now borne by different sets of people as compared to the Indian system of banking. The role of money-lending and banking for sustainable scale of operations of business has to be reviewed in the context of allowing banking and business organizations to become too big to fail or too big to survive.

**(This note has been contributed by Dr. Usha Jumani, Fellow IIMA, Social Researcher and Activist)**

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