

**THE INDIAN COMMERCIAL BANKING
SYSTEM IN THE NEXT DECADE
- THE ROLE OF SMALL BANKS**

Dr. S. S. Tarapore



FORUM
OF FREE ENTERPRISE

INTRODUCTION

Crystal ball gazing of the evolving role of Indian commercial banking system in the next decade is, indeed, a very fascinating subject *per se* and more so when most expert projections about economic progress of India are found to be so positive. Going forward, India is perceived to be on the threshold of accelerated economic growth given such formidable growth drivers like high savings and investment rates, demographic dividend, rapidity of urbanisation, flourishing entrepreneurship, inevitable thrust on infrastructure investment, huge potential for attracting foreign capital and technology, and so on. The next decade is going to be one enhancement of economic growth momentum and gradual enrichment of the people of India.

Against this backdrop, we are very pleased to publish and offer to our avid readers the text of an excellent commemorative lecture delivered by Dr. S. S. Tarapore, on the occasion of the 94th Foundation Day celebration of the Karur Vysya Bank. Since its inception in 1916, this bank has made consistent progress and has invariably upheld basic business values and placed this bank on very sound footing. The author rightly acknowledges this bank having become "a role model for others to emulate".

On this great occasion in the life of such successful and living institution, there could not have been any other better person than to have Dr. Tarapore to reflect upon the vital subject of evolving role of commercial banking in the coming decade. Having been associated with the Reserve Bank of India in various top positions (including being its Deputy Governor) and with his scholarship and vast experience, he doubtless provides the most appropriate choice to reflect upon various critical issues and challenges of commercial banking over the next decade.

"Free Enterprise was born with man and shall survive as long as man survives".

- A. D. Shroff
Founder-President
Forum of Free Enterprise

Incidentally, we must also take this opportunity to appreciate the outstanding contribution made by the author for being one of the principal architects in calibrating the reforms process of Indian banking and also facilitating through his comprehensive two Reports, the progress of Capital Account Convertibility during the crucial phase of 1995 to 2005. In retrospect, most of the recommendations of these two vital reports have proven their validity and wisdom, especially in the context of the global financial crisis of 2008 and its aftermath.

After providing a very brief historical perspective of the rapid progress of the Indian commercial banking between 1960 and 2010, the author envisages five-fold growth of bank deposits between 2010 and 2020 and incremental 400 million new users of banking system. But having recognised such vast potential of banking expansion, Dr. Tarapore covers the whole gamut of issues and challenges ranging from risk management to regulatory aspects of banks and non-banks; from a sustainable approach to interest rate fixation to ownership of banks; from role of deposit insurance to issues relating to deregulation of savings bank interest rate; from financial inclusion to improvement in customer services for the common person; and from entry of new private sector banks to allowing industrial and business houses to promote banks; and so on. While evaluating some of these complex and inter-related issues, the author has taken a very balanced approach.

Given the vast expanse of range and dimensions of the issues, it is extremely important for the Forum of Free Enterprise to place it before the wider audience as a part of its objective of creating awareness and generating informed public discussion and debate, with a view to creating the

appropriate climate for policy making involving participation of all the stakeholders; it cannot just be an exclusive prerogative either of the Ministry of Finance or the Reserve Bank of India. The Forum, also greatly acknowledges the fact that Dr. Tarapore has spoken with so much of appreciation the role played by late Mr. M. R. Pai in taking up the cause of depositors' rights. Also, there is a distinctive concern which the author shows not only in highlighting the challenges before the evolution of commercial banking over the next decade, but sets out the importance taking up the cause of depositors as well as of financial inclusion and financial literacy. We are confident that this comprehensive and well-thought out lecture will be of great value to all concerned.

Mumbai

30th October 2010.

Sunil .S. Bhandare

THE INDIAN COMMERCIAL BANKING SYSTEM IN THE NEXT DECADE - THE ROLE OF SMALL BANKS

Dr. S. S. Tarapore*

Size of the Banking System : Over the next decade, the aggregate deposits of the commercial banks are estimated to rise five fold from Rs 449 lakh crore in March 2010 to Rs 2,335 lakh crore by the end of March 2020 and there would be approximately 400 million additional users of the banking system. These are mere'extrapolations and the eventual numbers could be significantly higher depending on the growth of nominal gross domestic product (GDP), the penetration of the banking system and nature of banking operations which could undergo a complete metamorphosis. It is, admittedly difficult to comprehend these mind boggling numbers but a better foresight can be obtained by a hind sight of 50 years ago. In 1960, the outstanding total deposits of the entire banking system was only Rs 3,000 crore.

Suffice it to say that technology would undergo a prbgressive change and it would be necessary to have a fusion of modern technology with banking operations. What is important is that the regulators and the banks accept that newer non-bank participants will enter the financial system and the challenge is not to merely ban new activity but to mitigate risks in the system.

* *The author is a former Deputy Governor of RBI. The text is based on the Commemorative Lecture at the Karur Vysya Bank Founder's Day Celebration in Mumbai on 21" September 2010.*

Risk Management : Risk management is the most talked about issue at the present time, yet many decision-takers as well as regulators are clueless as to how risk management has to be undertaken. The danger is that a couple of whiz kids are assigned the task of risk management while the decision-takers continue to take decisions on operations oblivious to the risks. Again, there is the temptation to make a quick buck without comprehending the hazards in complex transactions.

Furthermore, it is recognized that if borrowers of banks undertake undue risks, these eventually devolve on to bank balance sheets and hence banks need to proactively understand the nature of transactions undertaken by their constituents.

Macroeconomic Risks : The biggest risk is inappropriate macroeconomic policies **which can** greatly weaken the financial sector. Overall economic policy imperatives may call for inappropriately low interest rates which expose banks to risks and moreover there can be major asset-liability mismatches. For instance, a very low interest regime discourages financial savings while encouraging borrowers to be profligate. Faced with these large mismatches depositors and borrowers may enter into risky transactions.

Banks and Non-Bank Regulation : There is always a lurking fear in the minds of commercial bankers that the regulatory system is not equitable as between banks and non-banks. Banks are subject to tight regulation and strong suasion by the authorities to undertake transactions which they would not undertake on the basis of their own judgment. A glaring illustration is the whole issue of financial inclusion which serves a wider welfare function but may not be viable from the individual bank's viewpoint. Of course, the authorities would, from the sidelines, urge that financial inclusion is a win-win situation which it may well be - but banks are required to play their cards based on an uncertain faith.

A Sustainable Approach to Interest Rate Fixation : Another big hazard to banks is that interest rates in the economy are wrongly priced in relation to the natural factor endowments. The authorities may make lending rates artificially low and, therefore banks are compelled to offer interest rates which are not remunerative to depositors and there could well be a shift of stable deposits away from banks. The strongly held and dangerous view among macro policymakers is that depositors have nowhere to go and eventually they would meekly accept lower and lower deposit rates. Savers could take inappropriate risks which they do not fully comprehend and the financial system could go into a tailspin.

Banks often despair that non-bank financial institutions could wean away deposits from banks. This is a faulty understanding of the functioning of the banking system. When non-banks garner resources, funds may shift from one bank to another bank but the overall level of deposits remains unchanged. What would happen is that there would be increased volatility of deposits. Thus, disintermediation alters the **composition** of deposits but not its **level**.

Almost forty years ago, the then Governor, the late Mr. L.K. Jha, pithily set out a sustainable approach to interest rate fixation. The objective should be to pay the highest possible rate to depositors and the lowest possible rate to borrowers. The whole process is one of conjectural variation where depositors and lenders size each other up and the resolution is as fair as possible. It could be argued that with interest rates being deregulated the authorities are not responsible for the way the deposit and lending rates configuration takes place. In actual fact, the authorities have a major say in determining the interest rate structure through their macro policies. In the present situation, the total bias against the depositors creates distortions in the system.

Who Owns Banks? : There is a need to ask ourselves the questions as to who really owns the banks? Is it the equity shareholder, or the government or the regulator or the borrower? The fact is that none of these have a legitimate claim to being the owners of banks. The real owners of banks are the depositors and without the depositor there would be no bank. In practice, however, there has been a disenfranchisement of the depositors' rights. The usurpers claim that they are the rightful owners of the banks. The worst atrocity is that borrowers invariably hijack banks claiming that banks have a social obligation to provide cheap credit to borrowers. As the champion of depositors' rights, the late Mr. M.R.Pai would often say, that banks live on the ignorance of depositors and bank managements tilt the level playing field in favour of borrowers. Once depositors are aware of their rights, and exercise them, banks which ignore the depositors' interest would be in deep trouble.

Role of Deposit Insurance : In the 1960s, India was one of the earliest countries to recognize the role of deposit insurance. Despite having set up deposit insurance in the early 1960s, it is unfortunate that the development of deposit insurance in India has been stunted. The way deposit insurance works in India is that the premium is a flat percentage paid uniformly by all banks and there is no relationship between risk and the deposit insurance premium. The deposit insurance agency is merely a whipping boy which has to pick up the pieces after there has been mismanagement and borrowers have plundered a bank.

An insidious strand of thought has developed that in a democracy no bank should be allowed to fail and, hence, the approach in India is not to countenance a commercial bank failure after the failure of the Palai Central Bank in 1960. It is unbelievable, but true, that in India no bank has been allowed

to fail in 50 years. Failing banks are just merged with other banks and the Deposit Insurance Corporation merely picks up the tab. This fosters reckless banking and leads to the primacy of borrowers.

The banking regulator is not free from blame. Despite erudite Reports by Committees, the RBI, as the banking regulator, does not want the emergence of the deposit insurance agency as regulator. This is most unfortunate.

One of the most important issues in the area of regulation is not whether bank regulation should be within or outside the RBI but that it is time to give the deposit insurance agency its rightful place as being the paramount regulator, admittedly within a limited remit of representing the depositors' interest. It is surprising, that opinion makers are oblivious of this anomaly and concentrate their energies on whether the RBI or another separate agency should be the regulator/supervisor of the banking system.

If banks are regulated and supervised by the Deposit Insurance Corporation (DIC) as far as deposit activities are concerned, the depositors' interest would be better protected.

The DIC would be able to impose differential deposit insurance premium based on the performance of banks. The argument against this is that there could be a run on those banks which are charged a higher premium. This is not a legitimate concern. The urban co-operative banks were graded by the RBI and depositors looked for an assurance that a bank was Grade I. Banks with lower grades were not displaying their grade. If we are serious about protecting the interests of depositors it should be made mandatory for a bank to prominently display its grade at each branch. This way the depositor would be given relevant information while placing deposits. Furthermore, where banks undertake flagrant violations of the regulatory prescriptions, in extreme cases, the deposit insurance

facility could be withdrawn for such banks and the facts put in the public domain.

Given the Departmental pecking order in the RBI, the DIC would just not be allowed to develop into a regulatory force. Thus, reform has to come from outside. The RBI and the government, should give priority to legislation to empower the DIC.

Need for Uniform Legislation in the Banking Sector :

At the present time, the legislative structure for banking is exceedingly complex. There are a variety of Acts governing the State Bank of India, the Associate Banks, the nationalized banks and other private and foreign banks. It is time that this rag-tag legislative framework is scrapped and an all embracing single Act enacted to replace the multiple legislations. All banking companies should be required to be incorporated under the Companies Act. The government, as majority owner in the public sector banks, can, as part of its proprietary role, set out additional prescriptions for these banks. The Union Budget of February 2010 gave an undertaking to set up a **Financial Sector Legislative Reforms Commission (FSLRC)** to rewrite and clean up the financial sector laws to bring them in line with the requirements of this sector. Although it is seven months since the Budget announcement one does not see any signs of life regarding the proposed FSLRC.

The Case for Deregulating the Savings Bank Interest Rate :

The RBI has, since the late 1980s, undertaken careful and measured steps to deregulate deposit rates and now only one deposit rate, viz., the Savings Bank deposit rate is controlled. The background to continued control of the Savings Bank deposit rate was that it was felt that there should be, at least, one signaling rate. With the emergence of the **repo** and reverse **repo** as RBI policy signaling rates, continued regulation by the RBI of the Savings Bank deposit rate is long since redundant.

Till 2002, the Savings Bank deposit rate was moved up and down in alignment with the overall structure of interest rates. For the past eight years, there has been a virtual paralysis of policy. A frozen Savings Bank deposit rate of 3.5 per cent, in splenic isolation, does not speak well about the RBI. Either the RBI should regulate this rate properly or it should move out of regulating this deposit rate. The ostensible reason for freezing the Savings Bank deposit rate is that any increase in the rate is costly for banks. This conclusion is based on comparative statics. The dynamics of this is that with slightly higher rates more deposits could flow into Savings Bank accounts. The Savings bank accounts were meant for relatively small deposits but now large depositors, who should be maintaining current accounts, masquerade as Savings Bank account holders. More importantly, with the emphasis on Financial Inclusion and the opening up of a large number of No frills accounts it would only be fair that these savers are adequately remunerated. Taking all these issues into account, the RBI could consider the following measures:

The RBI should alter its prescription of a 3.5 per cent fixed rate on Savings Bank deposits to a **minimum** rate of 3.5 per cent and banks should be free to offer higher rates. As Deputy Governor Ms. Usha Thorat has said, banks should be required to offer a uniform Savings Bank deposit rate to all customers and at all locations. Banks with relatively lower Current and Savings Accounts (CASA) would find it beneficial to offer slightly higher interest rates, while banks with very large CASA may not wish to offer higher rates on Savings Bank accounts. Since depositor loyalty is strong, it is unlikely that there would be any significant instability due to deregulation of the Savings Bank deposit rate.

In the recent period, the RBI has instructed banks to pay interest on Savings Bank accounts on a daily product basis-

a suggestion first mooted by Ms. K.J.Udeshi, Chairman Banking Codes and Standards Board of India (BCSBI). To avoid misuse of this facility, interest should be given only on balances on any day not exceeding Rs 2 lakh; and deposits in these accounts above Rs 2 lakh should not be taken into account while working out the daily product basis for purposes of paying interest.

The total debits/credits in a Savings Bank account should be restricted to 52 entries per annum and excess entries should be subject to a heavy charge' at the discretion of the bank. Banks already have the freedom to impose charges on cheque book facilities. This would ensure against misuse of this facility by large depositors.

The Savings Bank policies of each bank should be settled by each bank's Board which should be required to give attention to ensuring that any changes in the Savings Bank interest rate by the bank does not adversely affect its bottom line.

The Savings Bank interest rate issue has been hanging fire for an inordinately long time and the present policy does not reflect distributive justice. Governor Dr. D. Subbarao has introduced into the lexicon of Indian banking the term *festina lente* (make haste slowly). While this has, by and large, served the Indian financial sector well over the years, the Savings Bank interest rate issue is one instance where *festina lente* would not be appropriate.

Some Regulatory Issues : While there is considerable euphoria that NPAs have come down in the Indian banking system, in the context of increasing globalization and possibilities of domestic shocks, the NPA ratio could well rise in the near future. It is, therefore, essential that margins have to be adequate to enable banks to make appropriate forward-looking provisions. The present prescribed provisioning coverage ratio is set at 70 per cent for NPAs. It should be the

endeavour to move the PCR to 100 per cent or more, so that profits are set aside in good times to be drawn upon in bad times (Deputy Governor, Ms. Usha Thorat at the FICCI-IBA Conference, September 8, 2010).

Monetary policy is not suited for tackling sectoral overheating and there is some merit in addressing sectoral issues through regulatory policy to tackle possible asset bubbles. While cynics have argued that this is akin to a resurrection of the old selective credit controls, which have been given up, the pragmatic use of regulatory policy has served India well. Care needs to be taken to ensure that while tightening the regulatory norms, easing of these norms should not go below the optimal level desired in normal times.

Inter-regulatory conflicts have come to the fore in the recent period. This is inevitable with the blurring of distinctions between different segments of the financial sector. What is unfortunate is that the proposed *Financial Stability and Development Council (FSDC)*, with the Finance Minister as Chairman, will *inter alia* deal with inter-regulatory conflicts and also deal with **Financial Inclusion** and **Financial Literacy**. The RBI and other regulators have expressed deep concern about this development. The RBI Annual Report has been forthright in asserting that a Committee (or Council) cannot assume executive responsibility in a crisis. Dr. Bimal Jalan, former Governor RBI, has cautioned that in no parliamentary democracy is a formal committee set up of the type envisaged for the FSDC. He has unequivocally recommended that the government should drop the idea of setting up of the FSDC. It would be best if inter-regulatory conflicts are remitted to an eminent Group of Arbitrators with first hand knowledge of financial policies and operations.

Financial Inclusion : There is considerable policy attention to the issue of Financial Inclusion. The No-Frills accounts are

a first step in providing an identity to the weaker sections of society. According to Deputy Governor, Ms. Usha Thorat, (Business Standard September 10, 2010) the next step is to provide affordable finance. The banks would need to charge higher rates of interest taking into account risks. As banks have the advantage of raising funds at relatively low rates of interest they would be in a position to lend at rates lower than charged by Micro Finance Institutions (MFIs). This would also have the effect of bringing down the rates charged by MFIs. The policy objective is to reach out to the 100,000 habitations with a population of 2000 or more. Bank branches would cover about a third of these habitations. Hence it will be necessary to use Business Correspondents (BC). Innovative technology is welcome, subject to ensuring that bank funds are not kept outside the banking system at any point of time and that non-banks do not undertake any direct or indirect lending activities. Furthermore, there should be a failsafe mechanism to ensure security of transactions. Subject to this advanced technology has much to contribute towards financial inclusion.

Financial Inclusion and Financial Literacy are too important issues to be merely tagged on to the proposed FSDC which itself is problematic. The task of Financial Inclusion and Financial Literacy is of such great importance that it is best remitted to a dedicated **High Powered Commission on Financial Inclusion and Financial Literacy**, with well-defined areas of jurisdiction and clearly set out powers.

Improved Customer Service for the Common Person : For many years, it has been regrettably observed that the quality of banking services for the Common Person have been unsatisfactory. From 2004, the RBI took concerted action to improve the quality of service. In this context, as part of a collaborative effort by the RBI and banks, a Banking Codes

and Standards Board of India (BCSBI) was set up in February 2006. The BCSBI sets minimum standards of service and banks have entered into a covenant with the BCSBI committing to maintaining these standards. The collaborative effort is yielding good results as banks are increasingly taking ownership of this objective. Incognito visits to banks reveal that there has been a significant improvement in the quality of service during the past five years.

There appear to be some tentative thoughts regarding introduction of legislation to ensure improved customer service. Apart from the efforts of the Banking Ombudsman and the BCSBI, the Consumer Protection Act has operated extremely well and the Consumer Courts have given legitimate grievances quick relief. To supplant the effective Consumer Courts by a new untested legislation could be a major setback to bank customers. Hence, it would be preferable if the authorities strengthen the Banking Ombudsman and the BCSBI. It would be unfortunate if the good work undertaken by the Banking Ombudsman and the BCSBI is supplanted by untested legislation. Customer service is an attitude of mind and this cannot be brought about by legislation. The government and RBI should reinforce the existing institutions dedicated to customer service. Banks should not have attitudinal problems that an agency financed by them should not name and shame in pointing out systemic deficiencies. The writing on the wall is clear and banks should take voluntary action to bring about a significant and enduring improvement in customer service. Legislation to bring about improved customer service in the financial sector has not been successful in a number of countries. In India, the government should not be trigger happy and resort to the stance: "Give me a problem and I will provide a legislation to resolve it."

Future of Public Sector Banks : Public sector banks (PSBs) now account for a little over 70 per cent of the commercial banks assets; the share of these banks could fall to say 60 per cent in the next decade. While the PSBs have responded well to the increasingly competitive environment, there are some issues which need early attention.

A number of committees have recommended that the government should give up majority ownership in these banks. This issue has been considered by governments of different hues but political economy considerations hold sway and the issue of giving up majority ownership by the government just does not arise. Since government financing has been provided on the basis of each bank's need, the banks grow at approximately the same pace and the public sector banking system veers to the lowest common multiple. Sooner or later all public sector banks will hit the 51 per cent government ownership rule. The government should not follow a passive policy of providing capital as asked for by all public sector banks. A viable strategy could be to selectively increase government capital only in the stronger PSBs. That way the stronger banks will grow faster and the weaker banks will grow slower and thereby the overall public sector banking system would be stronger.

A whole gamut of issues will need attention in the next decade-loan processing, recoveries, customer service, quality of staff, remuneration and overall governance. It is not reasonable to have one regulatory framework for PSBs and another for the rest of the system. Attention will need to be given to avoiding regulatory capture by the PSBs to change the regulatory system to accommodate the PSBs.

While the posts of Chairman and Managing Director are, by regulation, required to be separated in the private sector

banks, in the case of PSBs this has not been implemented despite the Ganguly Committee Report. Again, broad governance issues, selection of top management and a whole of gamut of issues need to be left to the boards of PSBs. The present system of the government acting like a "super-board" for the PSBs has to be given up. The government should ensure that by virtue of ownership it does not act like a "super regulator" for PSBs. The government should restrict itself to its rights as proprietor.

Private Sector Banks and Entry of New Banks : The share of all private sector banks, which at present is about 20 per cent, could rise in the next decade to around 30 per cent of the total banking system. The labeling of private sector banks as "old and "new" is inappropriate and should be done away with. For a start, the RBI should give up this nomenclature in its Reports as also its regulatory mind set. Such a classification is derogatory for those banks which were established earlier - a case in point being the Karur Vysya Bank. After all, the authorities do not classify the PSBs as "oldest: (SBI Group), "old" (the 14 nationalised banks) and "new" (the 6 banks which were nationalized later)!

The RBI has released an excellent *Discussion Paper on Entry of New Banks in the Private Sector (August 11, 2010)*. A few observations on the Paper would be apposite.

On the minimum capital requirement, the RBI would be well advised to fix the threshold at Rs 500 crore to be raised to Rs 1,000 crore in five years. The requirement for the promoter's share at 40 per cent with a lock-in for five years is a salutary guideline and should be retained. The promoter should not be allowed to participate in the increased capital from Rs 500 crore to Rs 1,000 crore; this would automatically reduce the promoter group's share from 40 per cent to 20 per

cent. The proposal to reduce the maximum foreign shareholding from the present 74 per cent to less than 50 per cent is desirable to ensure domestic majority ownership and prevent majority foreign shareholders from masquerading as domestic banks.

Allowing Industrial and Business Houses to Promote Banks : Under the extant guidelines (2001), promotion of new banks by industrial houses is prohibited. The time has come to shed antediluvian fears of industrial houses. The world of 2010 is vastly different from that of 1969. There are a whole host of safeguards on concentration ratios and connected lending. We have crossed the **Rubicon** by allowing industrial houses to set up NBFCs, mutual funds and insurance companies. Moreover, industrial houses have been allowed to enter telecom, power, defense and infrastructure. To deny industrial houses entry into banking would tantamount to self-flagellation which would ultimately result in a weak banking structure. There can be a number of safeguards to avoid the recurrence of the pre-1969 problems of industrial houses cornering credit. Illustratively, a bank set up by an industrial house should not be allowed to lend to any Group company. It is intended to put all applications by industrial houses in the public domain. If this procedure is adopted all applications by other entities should be also put in the public domain. Beyond a point transparency can be counter-productive.

The ground realities are that political economy considerations would overarch on technical judgment and the RBI would be well advised to use an External Group of Advisers, of eminent standing, to guide the RBI in screening the applications. This mechanism has worked well in the past and could be of use in the present screening of applications for bank licenses.

Role of Small Banks in the Next Decade : Fashions of the time are fickle. Until the recent global financial crisis the overwhelming opinion was that large banks were the order of the day. In the aftermath of the crisis the dictum "too big to fail" has now become "too big to save". We in India have to avoid the swings in international fashions.

In India there is a niche area for efficient well run small banks. These banks have an inherent advantage of knowing their clientele and hence these banks have an edge over impersonalized banking. As Deputy Governor, Dr. Subir Gokarn said, there is no unambiguous relationship between scale and efficiency (FICCI-IBA Conference, September 9, 2010).

It is, however, dangerous for a bank to undertake growth of business for growth's sake. Furthermore, there are inherent problems in small banks trying to become Pan-India banks as they would be out of their locale. Equally, banks should not be so small and restricted to a very small geographical area that it is totally crippled by a natural calamity. The golden mean for a small bank would be to increase its spread to areas familiar to it.

There are problems in plunging into mergers. Mergers are blood-letting and invariably the bank carries a baggage which it could do without. There is no substitute for organic growth.

The views expressed in this booklet are not necessarily those of the Forum of Free Enterprise.

SHAILESH KAPADIA

(24-12-1949 – 19-10-1988)

Late Mr. Shailesh Kapadia, FCA, was a Chartered Accountant by profession and was a partner of M/s G.M. Kapadia & Co. and M/s Kapadia Associates, Chartered Accountants, Mumbai.

Shailesh qualified as a Chartered Accountant in 1974 after completing his Articles with M/s Dalal & Shah and M/s G.M. Kapadia & Co., Chartered Accountants, Mumbai. Shailesh had done his schooling at Scindia School, Gwalior and he graduated in Commerce from the Sydenham College of Commerce & Economics, Mumbai in 1970.

Shailesh enjoyed the confidence of clients, colleagues and friends. He had a charming personality and was able to achieve almost every task allotted to him. In his short but dynamic professional career, spanning over fourteen years, Shailesh held important positions in various professional and public institutions. His leadership qualities came to the fore when he was the President of the Bombay Chartered Accountants' Society in the year 1982-83. During his tenure he successfully organized the Third Regional Conference at Mumbai. He was member, Institute of Fiscal Studies, U.K.; member of the Law Committee and Vice-chairman of the Direct Taxation Committee, Indian Merchants' Chamber. He was also a Director of several public companies in India and Trustee of various public Charitable Trusts.

He regularly contributed papers on diverse subjects of professional interest at refresher courses, seminars and conferences organised by professional bodies.

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*"People must come to accept private
enterprise not as a necessary evil, but
as an affirmative good".*

- Eugene Black
*Former President,
World Bank*

FORUM

of Free Enterprise

The Forum of Free Enterprise is a non-political and non-partisan organisation started in 1956, to educate public opinion in India on free enterprise and its close relationship with the democratic way of life. The Forum seeks to stimulate public thinking on vital economic problems through booklets, meetings, and other means as befit a democratic society.

In recent years the Forum has also been focusing on the youth with a view to developing good and well-informed citizenship. A number of youth activities including essay and elocution contests and leadership training camps are organised every year towards this goal.

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