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**Mumbai's First Bank, 1720: The Beginning of Banking on the Bombay Island**

*Durgadas Ramkrishna Amladi*

This paper is the life story of the Bombay Bank, the first bank on Bombay Island, established in 1720. Though it was the very first government bank in Mumbai, now the financial capital of the Indian Nation, very few details of the bank's operations are available in the hitherto published literature. Being the first of its kind on the Bombay Island, any detailed information relating to the bank assumes great significance for researchers because this bank marks the beginning of banking on the Bombay Island.

This paper, exclusively covering information about this Bombay Bank, is based mainly on the detailed study of the East India Company's Diaries in manuscript and also other relevant archival records of the time.

The principal objective of this work is to present the findings of this detailed study in a consolidated, coherent and brief format, with a view to sharing it with the research fraternity. This narration covers most of the relevant aspects about the bank, starting right from its founding in 1720, personnel, management and operations; and finally the compelling circumstances leading to its closing down by the founders themselves within a short span of just sixty years.

**Sensitivity of Investment and Growth to Changes in Real Interest Rates in India**

*Sitikantha Pattanaik*  
*Harendra Behera*  
*Rajesh Kavediya*  
*Abhiman Das*  
*Arvind Kumar Shrivastava*  
*Himanshu Joshi*

Monetary policy is often expected to adopt a pro-growth stance in a phase of prolonged slowdown in growth and sluggish investment activities. Sacrificing inflation, i.e. lowering nominal policy rate even when inflation persists at a high level, is a convenient means to lower real interest rates, which in turn could be seen as a pro-growth stance of monetary policy. Using both firm level and macroeconomic data, and alternative methodologies – such as panel regression, VAR, quantile regression and simple OLS – this paper finds that for 100 bps decline in real interest rate, investment rate may improve by about 50 bps and GDP growth may pick up by about 20 bps. This paper, however, provides robust empirical justification against pursuing a policy of lowering monetary policy interest rates when inflation persists above a threshold level of 6 per cent. The beneficial impact of lower real rates on growth that may be achieved through higher inflation tolerance is more than offset by the harmful effect of high inflation, particularly when it exceeds a threshold level of 6 per cent.

## **Interval Estimation of Mutual Fund Performance**

*Ram Pratap Sinha*

The existing literature on portfolio benchmarking includes two approaches – one based on the modern portfolio theory (which relies on normality of return distribution) and another on the concept of stochastic dominance. The present study seeks to integrate both of them in the context of non-parametric framework of performance using the concept of stochastic dominance. Moreover, the study makes interval estimation of performance by using bootstrap DEA.

*Brief Articles, Notes and Comments*

## **Green Banking in Bangladesh: Progress, Problems and Prospects**

*Md Shahid Ullah*

Environmental concern is at the centre of Green Banking (GB) policies and strategies. Considering the importance of green banking, Bangladesh Bank (BB), the central bank of the country, has undertaken a number of initiatives. The broad objective of the paper is to assess the achievements of Bangladesh in eco-friendly banking. The specific objectives of the paper is to review the relevance of GB, the policy, regulatory and business environment of GB; to assess the achievements and prospects of GB and to identify impediments on the way to reaching a green economy in Bangladesh. The study finds that the policy initiatives for GB are numerous; however, one-size fits all policy, weak enforcement of environmental laws, unpreparedness of the banks, market imperfection and ignorant customer group are the major hinderances in doing GB. The coordinated efforts of Bangladesh Bank, banks, government, consumers and pressure groups are essential to attain the vision of a green economy in Bangladesh.

## **Book Reviews**

### **Pension Reform in India: The Unfinished Agenda**

**H Sadhak**

New Delhi, Sage Publications India Pvt. Ltd., 2013, xviii + 507 pp., Rs. 1250.00.

*Reviewed by* V G Subramanian, Former General Manager, Bank of Baroda; and Former Advisor, Bank of Baroda and Dena Bank.

### **Partisan Investment in the Global Economy: Why the Left Loves Foreign Direct Investment and FDI Loves the Left**

**Pablo M Pinto**

Cambridge University Press, New York, xix + 288 pp., \$ 32.99

*Reviewed by* Dr Smita Roy Trivedi, Faculty Research Associate, National Institute of Bank Management, Pune