

moment did not arrive, he could continue to appear solvent, though he might really have become insolvent.

It took long in banking history before this simple truth was 'vividly perceived and the Bank of England was given the monopoly to issue bank notes payable to "bearer on demand". The Peel Act, 1844, fixed the "fiduciary" issue at the limit of £14 millions which could be exceeded only with gold and silver backing. The "fiduciary" portion alone was to be without "backing" in gold. The regular or non-fiduciary portion was, to be capable of being redeemed in gold, a material of universal value.

The question of "backing" has now lost all significance, who should give the "impress" of value to the money to be circulated being alone in controversy. It was discovered by actual experience that the material on which the impress was made did not affect the use or acceptability of money. That "paper money" is allowed to circulate or accepted for payments because there is "backing" for it, is still a lingering superstition even among educated persons. As on 26th March, 1965, as against Notes in circulation in the Indian Union of Rs. 2,646.89 Crores, the Reserve Bank of India held gold and bullion worth only Rs. 133.76 crores (valued at Rs. 62.50 per tola since October 1956, and at Rs. 21.24 per tola before that date) ¹ The balance of the "backing" consisted of debts owing to the Reserve Bank, excluding the small quantity of silver included in Rupee coin of Rs. 97.75 crores.

The question how 'money' which has only a token or symbolic value does its work deserves some discussion. The core of the matter is that beliefs or accepted notions are capable of producing real consequences, though the beliefs or notions themselves might not be based on reality or proved or existing facts. *Vedantins* will point to the example of dreams where a thief facing you or a snake chasing you causes perspiration and makes you bawl out. A wife living in a distant place and receiving a false telegram that her

husband was dead weeps and experiences the reality of grief though the husband might in fact be alive. The imagined sight of a snake in a rope lying on your path causes fear and trepidation. The point in all these illustrations is that a belief will cause real consequences though it has only an imaginary or unreal backing.¹ Other illustrations can be given where mere beliefs, though based on no proved or provable facts, effectively cause real consequences. Hindus who believe in *Rahukalam* on Sunday evenings avoid doing important things then. Their conduct is influenced as effectively as if that belief were a known and tangible pointer of ill success.

The acceptance and circulation of paper currency or credit money should be likened to the phenomena above illustrated. That the currency is freely accepted is due to the current and common belief in its value and usability. Observation of this fact from childhood fixes this in the consciousness of everybody. It is not knowledge or consciousness of the law of "legal tender" that makes possible the ready passing of currency notes from hand to hand. Nobody feels or raises a doubt during the course of their circulation. The case becomes different when paper currency of one country passes into the frontiers of another country. Then it is vividly brought out that its value or so-called "purchasing power" was purely artificial, which is sustained by the political fiat and the *acceptance habit* in the country of its origin.

This established fact of experience enables Governments to put notes in circulation in such quantities as they may need and consider "safe". But this notion about "safety" is a relic of the past, when finance was supposed to function "honestly", only if the notes were backed by gold. In subsequent stages "gold and securities" were allowed as backing for the notes. "Securities" - another name for debts - were regarded as good and safe for purposes of "backing" paper currency. Under Indian Paper Currency Act

¹ Real effect can ensue from unreal causes e.g. dreams. B.S.Vritti, II-E-A.



1910 (S.19) "Sterling Securities" and Rupee securities constituted the bulk of the "backing". The former were debt-bonds in sterling of the British Government. The "Rupee Securities" were debt bonds of the Indian Government. The debt bonds signed by private British citizens were also later allowed as "backing" [Reserve Bank of India Act II of 1934, S. 33 (6) (b).] In previous enactments, the foreign securities were required to be a ratio of the Notes in circulation moving up proportionately with the expansion of the circulation. But since 1957, the gold and foreign securities are fixed amounts, permitting the desired expansion of paper currency, requiring only expanded rupee securities to support it. As already remarked the Rupee Securities are only debts of the Indian Government expressed in Rupees. The borrowing of, debt by the Executive of the India Government is not now subject to any limit, though Article 282 of the Indian Constitution provides for the Parliament setting a limit.

As at 26-3-1965, gold and bullion backing was only 5 per cent of the notes in circulation. Foreign securities which were Rs. 603.15 crores in 1951-52 had fallen to Rs. 77.46 crores on 31-3-65. After the amendment in 1957 of Section 33 of Reserve Bank Act the "backing" by way of gold and Foreign securities together need be only Rs. 200 crores.

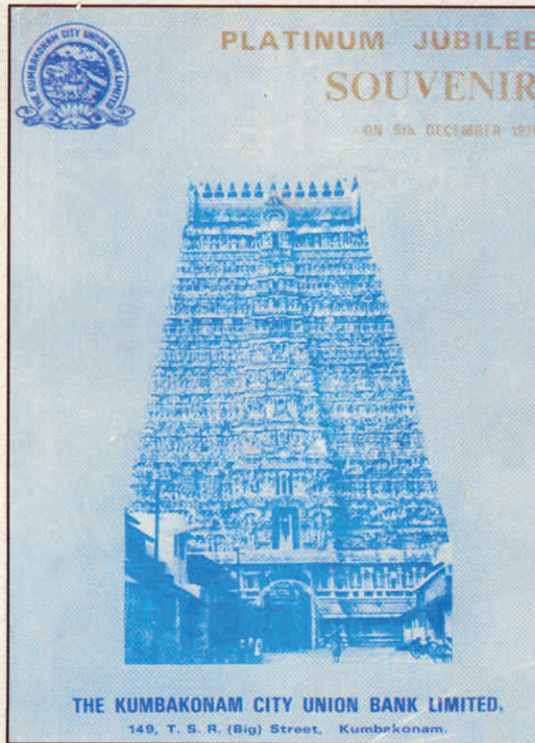
Currency notes (except the one rupee note signed by the Government itself) are promises signed by the Governor of the Reserve Bank. The Reserve Bank is the debtor. Its assets as seen from the above consist in most part of the debt-bonds of foreigners or of our own Government. The currency note is a promissory note bearing no interest against the debtor. The Reserve Bank acts only as the umpire. As umpire it makes the promises to the public on behalf of the India Government. Pursuing the matter further, the society over which the Government holds political power is the ultimate debtor. In a theoretical and remote sense, an individual who holds a

currency note is a creditor of the whole society for its amount, and also a debtor being a unit of the society which is debtor. Currency notes are only circulating debts having these unique features (1) bearing no interest; (2) where the society which accepts its circulation is debtor and creditor at the same time for its amount; (3) the debt money in the form of notes can be contracted and expanded, without the consent of the public who are made debtors and creditors involuntarily; (4) the Government employing its Central Bank as an agent for this purpose, and (5) political power being the source and lever for operating the money medium. The economic power flowing from the money operating power, besides sustaining the economic activities of society, at the same time strengthens the political power for doing good or evil to society. With the vast extent of money power in its hands, those controlling the Government for the time being can promote industry, trade and general well-being, or use the same to strengthen a political party, enrich or impoverish selected individuals or groups or squander and waste the money resources created. Ignorance or misapplication of the basic operations of the money economy might lead to economic disaster and social misery.

In the foregoing "securities" are stated to be the backing for paper money. Security is a peculiar word used in credit economics. It denotes the means by which a debt can be realised. A house or land owned by a person is not "security," in his hand. When he mortgages it for a debt it becomes a security. Paper currency backed by securities is, except for a very negligible fraction, only debt secured by debt. In modern credit economics, several debts can be securities for one another in a series, as will be explained in the chapters following. The last "debt-security" in the series might be so tenuous as to rest on a mere belief in its value. Occasions or necessity for realisation of actual value are not expected or allowed to arise during the circulation, of these debt monies.



FROM THE ARCHIVES...



FROM THE ARCHIVES...

The Directors and Management of KCUB Ltd.



FROM THE ARCHIVES...



The Great Trio



Music concert by Smt. M.S. Subulakshmi during Platinum Jubilee Celebrations

FROM THE ARCHIVES...

Platinum Jubilee Celebrations

BOARD OF DIRECTORS

- Shri. K. Srinivasan, Chairman
 .. N. Dasarathy
 .. G. S. Swaminatha Chettiar
 .. M. V. Balarama Iyer
 .. R. Narayanasami
 .. T. K. Krishnamoorthy
 .. M. Mahalingam
 .. W. R. Krishnamoorthy Rao
 .. V. S. Ramamurthy Iyer
 .. N. Navaneethakrishnan



1904-1979

INVITATION



PROGRAMME

- Prayer
 Welcome Address: **Shri. K. Srinivasan, Chairman.**
 Presidential Address: **Shri. G. Karuppiah Mooppanar**
 Inaugural Address: **Dr. Rajah Sir**
M. A. Muthiah Chettiar
 Jubilee Address: **Shri. M. V. Arunachalam**
 Release of the Souvenir: **Shri. G. Swaminathan, M. L. C.,**
 Deputy Chairman,
 Tamil Nadu Legislative Council
 Issue of Platinum Jubilee
 Certificate: **Shri. O. R. Srinivasan**
 (Former Chairman of the Bank)
 Felicitations: **Very Rev. Msgr.**
Fr. M. Anthony David
 Vicar General, Diocese of Kumbakonam
Shri. S. R. Radha, M. L. A.,
 Chairman,
 Tamil Nadu Tourism Development
 Corporation Ltd.,
Shri. K. S. Mani, M. L. C.,
Hajee E. S. M. Packir Mohamed
Shri. N. Kasiraman
Shri. S. P. Ramen
 Deputy General Secretary, State Bank
 Staff Union. (Madras Circle)
 Vote of Thanks: **Shri. W. R. Krishnamoorthy Rao,**
 Director
 National Anthem

Music
 6-05 P. M. Sangeetha Kalanidhi.
Smt. M. S. SUBBULAKSHMI

THE CHAIRMAN, BOARD OF DIRECTORS AND MEMBERS OF THE STAFF

of

THE KUMBAKONAM CITY UNION BANK LIMITED

CORDIALLY INVITE YOU TO THE BANK'S

PLATINUM JUBILEE CELEBRATIONS

TO BE HELD AT 11-00 A. M. ON SUNDAY THE 9th DECEMBER 1979

at

THE BANK'S REGD. OFFICE AT No. 149, T. S. R. (BIG) STREET,
 KUMBAKONAM.

SHRI G. KARUPPIAH MOOPANAR, M. P.,

will preside

DR. RAJAH SIR MUTHIAH CHETTIAR OF CHETTINAD,

Kt., B. A., D. Litt.,

(Pro-chancellor, Annamalai University)

will inaugurate the function

SHRI M. V. ARUNACHALAM

(Industrialist, Madras.)

will deliver the Jubilee address

FROM THE ARCHIVES...

THE CITY FORWARD BANK LTD., KUMBakonam, 16.10.1937



1st Row Sitting - K.S. Venkatarama Iyer Ayl., T.R. Thiagaraja Sastrial Ayl., V. Nadimuthu Pillai Ayl., M.L.A., M.R. Natesa Iyer Ayl.,
G.S. Subbaraya Chettiar Ayl., R. Muthuswami Iyer Ayl.
2nd Row Standing - R. Subramanian, V. Seshan, R. Sethuraman, N.V. Natarajan,
3rd Row Standing - K. Kuppusami Pillai, R. Muthukrishnan.

THE CITY FORWARD BANK LIMITED, KUMBakonam. SILVER JUBILEE 01.07.1954



SITTING : Messrs. K.S. Venkattarama Iyer, M.V. Balarama Iyer, G.S. Swaminatha Chettiar, (Directors.) C. Ramaswami Mudaliar,
M.P. (President of the Function.) T.R. Manickam Pillai, T.R. Thiagaraja Sastrial, (Directors.)
STANDING : Sri R. Subramanian, Managing Director. Sri A. Ramaswamy Iyengar, (Legal Advisor.)



FROM THE ARCHIVES...

THE CITY FORWARD BANK LTD., KUMBAKONAM, 16.04.1965



SITTING : (Left to Right) : Shri N. Ramakrishan, (Messrs.G Natesan & Co., Auditors.) Shri A. Ramaswamy iyengar,(Legal Adviser)
 Shri G.S. Swaminathan, (Lresident) Shri M.V. Balaram, (Director), Shri T.D. Govindasami,(Director)
 Shri N. Panchapakesan, (Messrs. K. Narayanaswami & Co., Auditors)

STANDING: (Left to Right): Shri V. Krishnamurthi (Director) Shri R. Subramanian, (Managing Director)



Executive Director with Executives of yester years

FROM THE ARCHIVES...

CUB In the Media

சிட்டி யூனியன் வங்கி பன்னாட்டு வர்த்தகப் பணி பிரிவு, சென்னை.
பதிவு அலுவலகம் : சும்பகோணம் புதிய அலுவலக திறப்பு விழா

சிட்டி யூனியன் வங்கி
வங்கித் தொழில் நிறுவன இ-தலை
புதிதாக அமைக்கப்பட்டுள்ள
"பன்னாட்டு வர்த்தகப் பணி பிரிவு"
தொடக்கவிழாவுக்கு உடனடி அழைப்புகள்
அறிவிப்பு அனுப்புகிறது.

நாள் : 11 செப்டம்பர், 2005, திவ்யபிரகாசம்
குறை : எண் 10.00 மணி
தலை : 705 (995) எண், அமை எண், சென்னை

தீபாவளி வாழ்த்துக்கள்

"நாம் தற்போதுள்ள நேரம் நேரமாக இருக்க வேண்டும் என்ற மனப்பான்மையை வளர்த்துக் கொள்வதற்காக இந்த தீபாவளிப் பண்டிகையின் பணம். நமக்கு நமக்கு உள்பட மற்ற மக்களுக்கும் உதவிகளை வழங்க வேண்டும் என்ற நாம் மனப்பான்மை மீட்டிக்கொள்ள வேண்டும்."

— தங்களுக்கு உதவிகளை வழங்கி உதவி உதவி

100/100
எங்கள் வங்கியின் வாழ்வு 100 (100) ஆம் வருடத்தின் வங்கியின் விலாசம் 100% நமக்கு உள்பட மற்ற மக்களுக்கும் உதவிகளை வழங்க வேண்டும் என்ற நாம் மனப்பான்மை மீட்டிக்கொள்ள வேண்டும்."

CUB TROPHY
THE EXCITING
TODAY
95
Teams in action to
the trophy.

Bothi Jagarjan, I.A.S.
Collector, Thanjavur
be the Chief Guest.

CITY UNION BANK LTD.,
Registered Office: Kumbakonam-612 001.
(Authorized Dealer in Foreign Exchange)

All are invited.

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Heading for a Century
Partnership with the
Customers.
91 years of service in the field.



FROM THE ARCHIVES...

CUB In the Media



FROM THE ARCHIVES...

CUB In the Media

CUB NEWS

OUR INTEREST IS IN YOUR INTEREST

OUR TERM DEPOSITS

10% p.a.

12% p.a.

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THE KUMBAKONAM CITY UNION BANK LTD.

Registered Office: Kumbakonam - 612 001

CITY UNION BANK LTD., KUMBAKONAM

The Chairman and the Board of Directors of

rededicate to better service and progressive customer satisfaction by providing a fully air-conditioned and totally computerised

MAIN BRANCH, KUMBAKONAM
at 149, TSR Big Street, Kumbakonam - 612 001.

SHRI. G. R. MOOPANAR declares open the premises in the august presence of

SHRI. N. KASIRAMAN (M/s. RAMAN & RAMAN (P) LTD.) on Sunday the 11th May, 1997 at 6.05 p.m.

Kindly grace the occasion by your presence

Soliciting your continued patronage and support

G. Sankaran Branch Manager **K. Venkataraman** General Manager **V. N.**

CITY UNION BANK
149, TSR Big Street, Kumbakonam
(Authorised Dealers in Foreign Exchange)

At the stroke of midnight, when the India shall awake and...

Today, India has indeed woken up and kept its eye with alerting, realising Jawaharlal Nehru's dream. Millions spanned on the stroke those words on the night of August 15th. Among them was City Union Bank and thousands of its customers. Customers who have found in CUB, a dependable friend.

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149, TSR Big Street, Kumbakonam
(Authorised Dealers in Foreign Exchange)

2-ங்கன் சம்பளத்தின் முதல் செலவை ஒரு சேமிப்பாகட்டும்!

இந்திய சேமிப்புகள்

சீட்டு யூனியன் வங்கியின் மாதாந்திர சேமிப்புத் திட்டத்தில் !!

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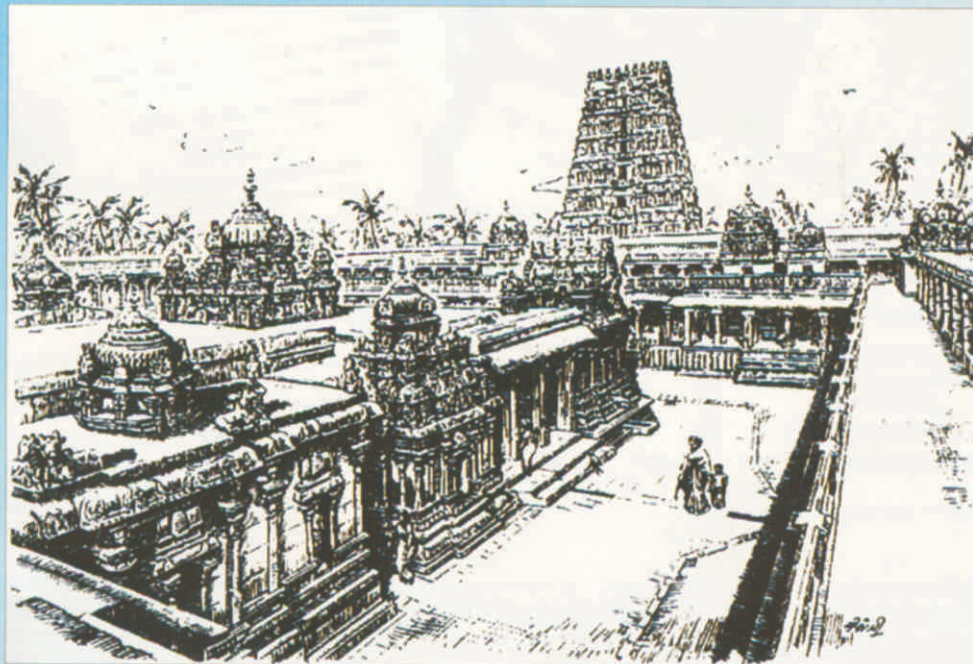
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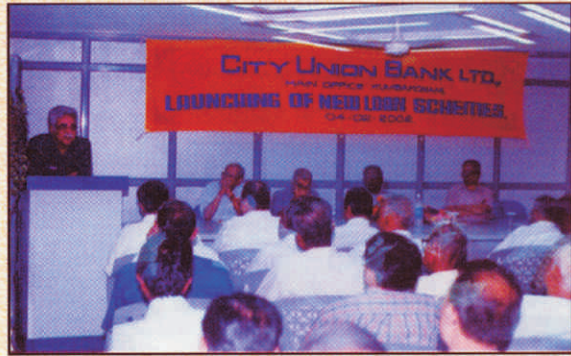




*CUB's Commitment
to
Social Welfare
&
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CUB'S GESTURE TO SOCIAL WELFARE



CUB'S GESTURE TO SOCIAL WELFARE



CUB'S GESTURE TO SOCIAL WELFARE



Award from NABARD for achieving targets in SHG Loans



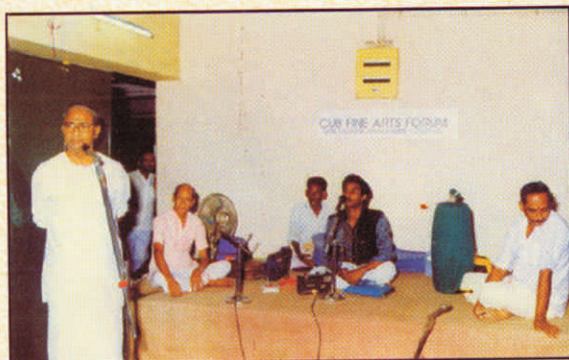
PROMOTION OF CULTURAL ACTIVITIES



PROMOTION OF CULTURAL ACTIVITIES



PROMOTION OF CULTURAL ACTIVITIES



SILVER JUBILEE CELEBRATIONS OF RAM NAGAR, COIMBATORE BRANCH



SNAP SHOTS ON THE AWARD OF PENSION







*Tributes to our
beloved Chairman
V. Narayanan*