

MCQ Question · mcqquestion.com

L.K. Jha: 8th Governor of the Reserve Bank of India

Free · Share

L.K. Jha: 8th Governor of the Reserve Bank of India

Lakshmi Kant Jha (1913–1988) was an Indian Civil Service officer. He served as **Governor of the Reserve Bank of India** from 1967 to 1970. He then became India's ambassador to the United States and later Governor of Jammu and Kashmir.

His RBI years are the ones exams ask about. Bank nationalisation happened in his term.

This article follows his life in order. It shows what the RBI did, what it did not do, and which dates exams mix up.

Who was L.K. Jha, and what was his rank among Governors?

Which Governor was he, and when did he serve?

Jha was the **8th Governor** of the Reserve Bank of India. He served from **1 July 1967 to 3 May 1970**.

He was a member of the Indian Civil Service. Before RBI he was **Secretary to the Prime Minister**.

The Lok Bhavan profile says he worked under both Lal Bahadur Shastri and Indira Gandhi.

This background matters. The Governor came straight from the Prime Minister's office, not from inside the central bank.

Sources: rbi.org.in; jklokbhavan.nic.in

What do we know about his life dates?

Jha was born on **22 November 1913**. He studied at Cambridge and held an honorary D.Litt. He belonged to the Indian Civil Service.

He was a nominated Rajya Sabha member from **7 July 1986 to 16 January 1988**. He died in 1988.

The Rajya Sabha record also calls him an author of books on economic matters.

Sources: cms.rajyasabha.nic.in

Which books did he write?

Two titles are linked to Jha. One is **Mr. Red Tape**. The other is **Economic Strategy for the 80s: Priorities for the Seventh Plan**.

The second title shows his later interest in planning. It looks ahead to the Seventh Five-Year Plan.

Exam questions on his books are rare. Still, the pairing of a civil servant with a title on red tape is easy to remember.

Sources: jklokbhavan.nic.in; cms.rajyasabha.nic.in

> **Quick check 1.** L.K. Jha was Secretary to the Prime Minister before he became RBI Governor. *(True or False?)* See answer ↓

What happened at the RBI during his term?

What was social control of banks, and why did it come first?

In **1968** social controls over commercial banks were introduced as an experiment. A **National Credit Council** was set up as part of them.

The idea was simple. The state wanted banks to lend to priority sectors, but without owning them. Social control tried to steer private banks.

Gold controls were also put on a statutory basis in this period. Deposit insurance was in principle extended to cooperative banks. An Agricultural Credit Board was set up.

One RBI publication dates social control to 1967. The Governors' page says 1968. For exams, link the National Credit Council with 1968.

Sources: rbi.org.in

Why did India nationalise banks?

Before 1969 the banking sector was organised in the private sector. Banks found it unprofitable to keep a large number of small accounts. So they lent very little to rural areas.

Nationalisation was an attempt to use the scarce resources of the banking system for planned development. It brought savings and credit to farmers and small borrowers.

The step came after social control. The experiment of 1968 was followed within a year by outright ownership.

Sources: rbi.org.in

Which big banking step came in 1969?

In **1969** the government nationalised **14 major commercial banks**. The RBI itself says this step did not have the Reserve Bank's endorsement.

So the Governor of the day did not push it. Do not call it his idea.

The link to Jha is only one of timing. It happened in his term, and the RBI then had to run the new system.

Sources: rbi.org.in

Quick check 2. The RBI endorsed the 1969 nationalisation of 14 banks. *(True or False?)* See answer ↓

What is the Lead Bank Scheme, and who shaped it?

The **Lead Bank Scheme** was introduced in **1969**. Its aim is that individual banks adopt particular districts as pace-setters in banking.

Three bodies shaped it. A **Nariman Committee** of banks, headed by F.K.F. Nariman of Union Bank of India, drew up a coordinated plan to spread banking facilities. A **Gadgil Study Group** was set up by the National Credit Council. It recommended an area approach in October 1969.

The RBI then finalised the scheme. So it is not credited to Jha alone.

Sources: slbcdelhi.pnb.bank.in; rbi.org.in

When was the second round of nationalisation?

Six more banks, each with deposit liabilities of **₹200 crore and above**, were nationalised in **April 1980**.

After this, the number of public sector banks, including State Bank of India and its associates, rose to 28. They held 91 per cent of the banking sector’s deposits.

So India’s two nationalisation years are **1969 and 1980**.

Sources: rbi.org.in

When was the RBI itself nationalised?

The Reserve Bank came into public ownership on **1 January 1949**. This is separate from the later bank nationalisations.

The 75th year of that ownership was marked in 2023. Exams often offer 1969 as a trap for this event.

Sources: rbi.org.in

> **Quick check 3.** The RBI itself was nationalised in 1969, along with 14 commercial banks. *(True or False?)* See answer ↓

1949 RBI itself
1969 14 commercial banks
1980 6 more banks, deposits over ₹200 crore

Read the strip left to right. The RBI came first. Commercial banks followed in two rounds. Jha's term sits in the middle step.

What did Jha do after leaving the RBI?

Where did he serve as a diplomat and governor?

Jha left the RBI in May 1970 to become **Ambassador to the United States**. He left before his term as Governor was complete. He held the post until 1973.

During the interregnum, B.N. Adarkar held the Governor's post from 4 May to 15 June 1970. S. Jagannathan then took over.

Jha was **Governor of Jammu and Kashmir** from 3 July 1973 to 26 February 1981.

Sources: jklokbhavan.nic.in; rbi.org.in

Which committees did he lead?

Jha chaired the **Indirect Taxation Enquiry Committee**, which reported in 1978. An RBI study on India's tax system names it with Jha as chairman.

That committee is part of the long road to value-added tax and then GST. An Indian Express explainer traces that road.

In 1981 he chaired the **Economic Administration Reforms Commission**. The Indian Express recorded studies done by Jha as its chairman.

Sources: rbi.org.in; indianexpress.com

What did Jha do in Washington in 1981?

A US State Department cable describes L.K. Jha as **Chairman of the Indian Economic Administration Reform Commission**. On 2 July 1981 he called on the US Secretary of State.

His stated purpose was to exchange views on North/South relations before the Cancun Summit. The cable calls him a former Brandt Commission member.

It also says his friendship with the Secretary dated from the early 1970s. Jha was then India's ambassador.

Sources: history.state.gov; indianexpress.com

> **Quick check 4.** Jha served as Ambassador to the United States after leaving the RBI. *(True or False?)* See answer ↓

1967 RBI Governor
1968 National Credit Council
1969 14 banks nationalised
1970 Ambassador to US
1973 Governor of J&K
1981 Reforms Commission

> **Quick check 5.** The Lead Bank Scheme is credited to L.K. Jha alone. *(True or False?)* See answer ↓

What traps do exam questions set?

Which facts get mixed up?

The RBI was nationalised in **1949**. Commercial banks were nationalised in **1969 and 1980**.

The 1969 step was not endorsed by the RBI. The Lead Bank Scheme came from committee reports, not from Jha alone.

Social control and the National Credit Council came in **1968**, before nationalisation.

Jha left the RBI in May 1970 for Washington. He did not go to Jammu and Kashmir until 1973.

Sources: rbi.org.in; slbcdelhi.pnb.bank.in

Practice MCQ

Practice MCQs

1. L.K. Jha served as which numbered Governor of the Reserve Bank of India, from 1 July 1967 to 3 May 1970?

A. 3rd

B. 8th

C. 1st

D. 14th

See answer ↓

2. Before becoming RBI Governor, L.K. Jha served in which role, under both Lal Bahadur Shastri and Indira Gandhi?

A. Chief Election Commissioner

B. Finance Minister

C. Attorney General

D. Principal Secretary to the Prime Minister

See answer ↓

3. L.K. Jha's tenure as RBI Governor also saw which major 1969 government action?

A. Nationalisation of 14 major commercial banks

B. Demonetisation of high-value notes

C. Creation of SEBI

D. Introduction of the rupee's free float

See answer ↓

4. After stepping down as RBI Governor in 1970, L.K. Jha took up which diplomatic posting?

A. Permanent Representative to the UN

B. Ambassador to the United States

C. High Commissioner to the UK

D. Ambassador to the Soviet Union

See answer ↓

5. What is the basic aim of India's Lead Bank Scheme?

A. Big banks should open offices in every district

B. Individual banks should adopt particular districts for intensive development

C. There should be stiff competition among nationalised banks

D. All banks should focus solely on mobilising deposits

See answer ↓

6. In which two years did India's bank nationalisation happen?

A. 1969 and 1980

B. 1947 and 1991

C. 1935 and 1956

D. 1991 and 2016

See answer ↓

7. In which year was the Reserve Bank of India itself nationalised, distinct from the later nationalisation of commercial banks?

A. 1935

B. 1949

C. 1929

D. 1914

See answer ↓

Answer Key

1. **B.**
   Jha served as RBI Governor from 1 July 1967 to 3 May 1970. The RBI list of Governors places him eighth.
   ↑ Q1
2. **D.**
   Jha was Secretary to the Prime Minister before his appointment as Governor. He worked under Shastri and Indira Gandhi.
   ↑ Q2
3. **A.**
   Fourteen major commercial banks were nationalised in 1969, during Jha's term. The RBI did not endorse the step.
   ↑ Q3
4. **B.**
   Jha became India's Ambassador to the United States in May 1970, before his term as Governor was complete.
   ↑ Q4
5. **B.**
   The Lead Bank Scheme assigns individual banks to particular districts for intensive development. The RBI finalised it in 1969.
   ↑ Q5
6. **A.**
   Fourteen banks were nationalised in 1969. Six more followed in April 1980.
   ↑ Q6
7. **B.**
   The RBI became state-owned on 1 January 1949. Commercial banks came later, in 1969 and 1980.
   ↑ Q7

Quick-check answers

1. **True.** The RBI list of Governors says he served as Secretary to the Prime Minister before his appointment. ↑ 1

2. **False.** The RBI list of Governors says the step did not have the Reserve Bank's endorsement. ↑ 2
3. **False.** The RBI came into public ownership on 1 January 1949. The 14 commercial banks followed in 1969. ↑ 3
4. **True.** He moved to Washington in May 1970 and served until 1973. ↑ 4
5. **False.** The scheme came out of the Nariman Committee and the Gadgil Study Group. The RBI finalised it in 1969. ↑ 5

Curated by Arsalan Zuberi · mcqquestion.com

Scan to read online

https://mcqquestion.com/articles/indeco0170-lk-jha-8th-governor-of-the-reserve-bank-of-india/