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DEVELOPMENT OF BANKING INSTITUTIONS IN INDIA IN THE EIGHTEENTH-NINETEENTH CENTURY

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Prior to the eighteenth century there does not appear to have been institutionalised banking as we know now in the modern sense. *Amarakośa*, a thesaurus of Sanskrit, attributed to the sixth century A.D. mentions thirteen synonyms for money, two for treasure or bullion, and one for coin. The word *Rūpyam* used for coin seems to suggest that the legal tender was silver. From this word we receive the name of our national coin, the rupee. Silver and gold were undoubtedly the prefered treasure. Copper, which interestingly bears the *Mleccha-mukham* was probably a latter introduction from the European and Arab traders from the west.

From time immemorial the banker has been an important member of the Indian society. The banker was an important member of the kings council of ministers. The principal source of revenue was the land tax which was usually collected in kind. It was exchanged for treasure in the form of bullion or coins with the merchant. The occupation of a merchant or banker was hereditary as were other occupations in accordance with the time honoured traditions of caste system *(varṇāśramadharma)*. The merchant class traditionally carried on the business of banking also. They also issued *hundis* (corruption of the persian word Hindvi), the fore-runner of the present day bank drafts or cheques. They advanced loans on interest with suitable securities and collaterals.

Gold and silver coins were withdrawn from circulation and melted down into metal for making ornaments, icons, utensils etc. For petty bazar transactions, substitute money notably cowrie shells were used. Thus, operation, Greshams law kept the coins out of circulations. This preference for hoarding gold and silver and storing it as ornaments explains the disappearence of these metals from circulation. Pliny commenting on this practice called India the "sink of precious metals".

The business of banking in India prior to the setting up of institutionalised banking was chiefly confined to issuing and discounting of bills of exchange, money-lending, money changing or exchanging coins of one kind into another. The merchant bankers rarely received deposits. It was more or less in the same state as the money lending was in existence with the goldsmiths of London who had so vigorously opposed the renewal of the Charter of the Bank of England in the eighteenth century. The rate of interest among the natives was variable and always enormous. The caste-system formed a cabal who exploited the illiterate peasant mercilessly. Almost every *ryot* had an account with the village banker, called *Mahājan* who valued the peasants crop on his own terms. He supplied seed for food on which he expected an interest in kind of 50 % and also seed for sowing on which the interest collected at the time of harvest was 100 %. The real interest would be somewhat less since the produce at the time when the peasant approached the banker for loan was priced higher. During lean periods, the farmer had to pay off the debts by delivering almost the entire crop, and of course, during periods of famine, the entire debt was carried over to the next bumper crop period. It was to the merchant's advantage that most of the ryots were unlettered.

The zamindari system under which the company collected taxes was a contract tax system and the zamindars themselves assessing the revenue to be paid by sub-tenants. The government collected tax in cash from the zamindar who collected the share of produce from the sub-tenants in kind. So, as may be expected, the *ryot* was usually heavily indebted to the zamindar as well as the *mahājan*.

Confusion of Coins

There were in the market a wide conglomeration of coins and as may be expected, money changing was a profitable business. Hand loans were given out at a monthly rate of 5 to 6 per centum. The extent of gold and silver disappearing from circulation due to the eagerness of Indians for precious metals was and perhaps is enormous. In early part of 1856, Colonel Sykes, the Chairman of the East India Company, published a paper "External Commerce of British India", in which the following passage occurs. "...Within the present century, India has received above 100 million pounds sterling which has never left the country." The silver received has been chiefly in coin, and yet it has not affected the prices. There is little doubt that prior to the mutiny of 1857-58, the expectation of some great and terrific event, led to more than ordinary absorption of priecious metals which were converted to bracelets, anklets, ear-rings, neck-laces and waist-bands, as the safest mode in which treasure could be preserved. At the late sale of 'Kirwee' prize property by Messrs Hamilton & Co., there were to be found massive silver trappings of elephant, with chains sufficiently thick and large to serve as the ground tackling of a vessel of tewnty-five tons.

Rich natives hoard as well as the poor. Money-lenders usually keep their whole fortune, in coin, hidden about the house. Some years back, King of Oudh had secretly kept half a million sterling away in coins. At Benares, a *Rājā* had a quarter million. Ranjit Singh of Punjab had a million, late king of Ava (Alwar ?) had a million and a half. When the fort of Scindhia was taken, atleast a quarter of a million was found. At the fall of Seringapatam, one million was found. When Emperor Shah Jehan died, he had in coin, not less than a sum of twenty-four million sterling. It can be said that hoarding was a national pastime of India. The pre-occupation with treasure for its own sake and hoarding it without mobilising it, can be said to be the cause of poverty of Indian masses. The truth of the famous saying of Juvenal "Crescit amor nummi quantum ipsa pecunia crescit" (Love of money grows as money itself grows.) is best illustrated by the above examples. The confusion was mistaking money for capital wealth, and not goods for which money has to be exchanged, without which money would be worthless.

As a result, there was not much effort at development of the resources, nor the encouragement of the creative talents among the masses. The early bankers depended only on their own capital for increasing their capital which promptly went into hoards and there to sleep until natural demise or slaughter orphaned them. David Ricardo has said that a bank should never be started if it produced no other profit other than that derived from the use of its own capital. The real advantage of a bank commences only when it uses the capital of others. The study of the European and American experience amply illustrates this. It is interesting that one of the names for money in sanskrit is *dravyam* which means fluid (that which flows). It has been interpreted by the *puṇdits* that it indicates its wasting character, tendency of money to leak away. But a truer analogy would be that it is like blood or water which must circulate in order to fulfil its social function. Money is the life of commerce and industry only when it flows round the body of the society like the blood in the human body, providing nutrient to the tissues and carrying away waste products. Or like water, which applied injudicious quantities will irrigate a plant but in excess it will drown and kill them. Blood or water stagnating will make it impure and poisonous or noisome. Bank must function like the heart attracting money into deposits and mobilise it through judiciously released credit as from a sprinkler head to irrigate the fields of industry and creative activity. Henry Ford said of money "Money is like an arm or leg —use it or loose it." "Gold is the most useless thing in the world, I am not interested in money but in the things of which money is merely a symbol." Francis Bacon also had the right idea when he wrote "Money is like muck, not good unless it is spread." Somerset Maugham said "Money is like a sixth sense—you can't make use of the other five without it." It is a great motivator of human effort. Money works only in circulation.

Establishment of institutionalised banking in India must be credited to the British. The Bank of Hindustan, established in India in 1790 (Calcutta) can be said to be the first functional banking concern in India, was an establishment of Ms. Alexander & Co., a leading Calcutta firm of the period. Before that the banking business was the prerogative of the great agency houses of Calcutta, who conducted all kinds of banking business for the whole civil and military services, planters and merchants scattered over Upper India. They were the true merchant princes of India. The bank had a note issue that varied considerably, sometimes amounting to as much as twenty to twenty-five lakhs to a low two to three lakhs. These notes were mainly confined to Calcutta and its immediate environs, since the government refused to allow these to be received into the Collectorate and moffusil treasuries, they were not accepted as legal tender. An advertisement appears in the Calcutta Gazette of March 28th, 1799 by this bank offering to act as agents to "Calcutta Exchange Lottery".

The next bank to come into existence was the Bengal Bank which existed in Calcutta as far back as 1790. Concurrent with the above also came the General Bank of Calcutta, which was started by another mercantile firm. There was also a bank in Madras Presidency started also in 1791 under the style Carnatic Bank. There is no trace of any bank in Bombay around this period.

At the beginning of the eighteenth century the European mercantile community being small, the government, which was constantly engaged in wars and required large sums of money, it was obliged to depend on native mercantile community for the required money. The mode of raising money was by the issue of what were called as Treasury Bills. These bills could not be cashed except at a heavy discount due to scarcity of coin and also a combination of native brokers who distributed paper. Mr. Tucker, the Accountant-General at Fort William suggested in 1801 that a bank be established which, besides securing many commercial advantages, would prevent the heavy depreciation of Treasury Bills. As early as 1787, the court of Directors of the East India Company had prohibited the government from extending their support to Banking Institutions in Calcutta. Also, they had negatived a suggestion to start a Government Bank in Madras. Nevertheless the government decided to support Mr. Tucker's scheme, and in 1806 recommended to the Directors to establish a bank at Calcutta, in which the Government was to have the power of nominating Directors and to be a holder of a large proportion of the share capital, as well as a trustee for the share holders guarranteeing the responsibility of the establishment. The Court of Directors were guarded in agreeing to the establishment of the bank. They objected to the principle of becoming a partner in the bank, but nevertheless added that, if their consent were thought material to the formation or success of the institution, they would acquiesce, and concluded by saying that they would give a latitude to the Bengal Government to subscribe to the extent of ten lakhs, towards its capital.

The bank first opened under the name of Calcutta Bank on May 1, 1806 with a Capital of fifty lakhs out of which ten lakhs was to be contributed by the East India Company. This later evolved into the Bank of Bengal. The bank received the charter of Incorporation, duly confirmed by the Court of Directors in 1809. Under the charter terms, which are indicative of the special objects with which the bank was created, limited the stock that can be owned by a single individual to one lakh, obviously prevent the bank falling into the hands of few monopolists. The advances to individuals was also limited to one lakh to ensure that the capital would be available for the benefit of the greatest benefit of greatest number, as well as the bank's greater safety. The restriction of the Bank's advance to the Government was five lakhs. This restriction appears to be in line with the constitution of the Bank of England which restricted the advances to the crown which Pitt got set aside later in 1793 which has been recounted in Part I. The author of the scheme declared that his object was to prevent the bank from being too deeply in the affairs of the government and to preserve its commercial character with which the bank was started. The condition that the bank should not hold more than 25 lakhs of Company's paper in its own right was also inserted with the same object. It was also laid down that the bank should not interfere with any established business, and was accordingly prohibited from engaging in any trade or in any kind of agency for buying and selling of public securities and goods.

The most important provision was the one requiring maintenance of cash reserve of at least one-third of the outstanding liabilities payable on demand, and limiting the total liabilities of all kinds to the amount of the bank's capital. This last rule limited the total advances to fifty lakhs or even less as all other liabilities were to be taken into account in applying the limit. The government reserved to itself ample powers of control. Three nominees of the government from among its officers were on the board, who could communicate confidentially and directly with the government. Even if they could not absolutely dictate the policy to be persued, they could bring strong pressure to bear on the Directors. They could also call for bank records and appoint an officer to inspect them. They could require the directors to furnish any information respecting the affairs and transactions of the bank and state thereof. Lastly, the office of the Secretary and Treasurer was held by a Covenanted Civilian almost continuously up to the time of the Mutiny. The rate of interest was limited to 12% per annum.

In the beginning the bank's affairs were conducted in complete accord with the charter. In 1817 it was found that by maintaining a rate of interest of 6 to 8% when the money was very scarce, they were playing into the hands of the shroffs, who took advantage of this low rate and to relend at exorbitant interest. It was then decided to 'float' the rate of interest according to conditions of business.

In 1822, the Directors asked the government to sanction the increase of capital from 50 to 100 lakhs, the reduction of the cash reserve limit to one-fourth of the outstanding liabilities, and removal of the restriction prohibiting notes in excess of its capital. This restriction, the Governor-General observed was "preposterous", and the next charter of 1823, permitted note issues up to four times its capital. But these measures were considered by the government to obviate the necessity of increase in capital and was accordingly negatived. The delay involved in a reference to England in those days was considerable, and it was not until 1829 that the Court of Directors confirmed the charter of 1823 stipulating that the Bank increase the capital by 20 lakhs. By then the bank itself was unwilling to increase its capital, and further reference to the Court of Directors was not disposed off till 1835, thirteen years after the point under reference had arisen. In the first thirteen years the affairs of the bank were conducted with considerable caution and it was declaring a dividend of 9% on an average. The current accounts and the bills discounted were very low and bulk of the capital resources were mobilised under loans.

In 1820, the Rajkishen Dutt forgeries were discovered. The bank had advanced some money on some Company's paper which had been certified as genuine by the bank. The signature of the Financial Secretary, it turned out, had been fraudulently obtained. Then it was discovered that the paper itself was forged and the Government declined to make good the loss of 3½ lakhs. The case was carried by the Bank to the

Privy Council without success. No dividend could be declared, and as a result the bank's shares fell from 60% premium to par.

Meeting the Crisis of 1830's

1829 and 1832 were years of severe crisis and many of the largest commercial houses failed although the bank did not seem to come to much harm. The Bank had however stepped in to help one of the biggest Calcutta firms, Messrs Alexander & Co., by advancing directly and indirectly, large sums. When the firm failed in December 1832, the Bank had taken over and worked the large indigo factories, being unable to sell these securities to advantage. These actions were contrary to the charter which had prohibited the Bank expressly in engaging in trading activities. The government directors had concurred throughout, without even mentioning the facts to the government. They joined the mercantile directors in defending themselves. "The occasion was one," they said, "which called for extra-ordinary action, and prompt aid. Although they were aware of the literal objection to the charter, they held that they did not go against the spirit of the charter as the contingency was one which it could never have contemplated. Elsewhere it was held that the rule limiting the advances to one lakh was "avowedly and openly contravened" from the first. Though the Bank was not imperilled, the losses due to bad debts was excessive between 1829 and '35 as a result of Rajkishen Dutt forgeries and the above incident. The loss in bad debts was over 7 lakhs.

The Governor-General however took an amazingly lenient view of the extraordinary failure of the Bank to abide by the charter, and the failure of the Directors to perform their duty. He observed that the restrictions the charter had placed on the advances was not realistic and did not meet the conditions of the country at large nor even that of the City itself. It placed the government Directors, who had no personal interest, in a compromising position of having to allow unauthorised advances which might otherwise be judicious and proper. He also obligingly adviced that the newspaper reports respecting the conduct of the Directors had given him a favourable impression of their management. He strongly recommended that the charter should be revised.

To such encouragement the Directors readily responded and came forward with numerous proposals for the revision of the charter, enlarging its freedom of action. It was also proposed that year (1833) that the Bank should take over civil and military disbursements in the Presidency towns, which suggestion was delayed owing to some difficulty in settling the terms. The government rejected the Bank's offer on the ground that no appreciable saving would result. But twenty-five years later the arrangement was actually implemented. The Bank itself had entertained the proposal with considerable hesitation. The transfer of government business would have involved large increase of routine work, which was usually badly performed. The minutes written by the Directors often took three days more for an applicant for a discount to get an answer.

Even obtaining a simple loan with the best security required a whole day, and four or five hours to get paid off. The elective Directors freely expressed that "The Bank will never be what it ought to be while its principal officer, the Secretary and Treasurer who only looks to the position as a stepping stone to something better." In contrast to this, in the private banks a "discounter got his money by taking a chair for five minutes, and redeeming a note takes no time at all." The papers of the Bank at the time give indications of the unpopularity of the official Secretary at the head of the institution. In 1840 a non-official was appointed for the first time inspite of strong protest from the Government.

But between the elective Directors and the Government nominees there was no friction at all and the Government Directors identified themselves fully with the interests of the Bank. In an able minute written by Mr. Dorin, an official Director, who had been previously a Secretary to the Bank and who consequently rose to the position of a Member of the Council, dealing with the opening of a branch in the North-Western Provinces; he outlined more tempting prospects offered by the establishment of branches at Madras and Bombay. Then turning to the question of convertibility of the Bank's notes over an extended area, he outlined a system of circles with notes payable at circle offices and the Bank head quarters. This scheme was not unlike to what was actually adopted in 1862 by the Government. The time however, the directors felt, was not ripe for such extensive operations. Only a month before, the scheme of extending the Bank's operations had been debated, for also establishing a "Great Banking Establishment for British India". Some thought it "very possible", others thought that the object might be better accomplished by the Government Chartering independent banks in those towns. The question came before the Proprietors six months later, and was disposed off by a resolution affirming, "it is not at present desirable to extend the operations of the Bank either by the way of agencies or branches in any manner to place the assets or responsibilities of the Bank beyond the immediate control of the Calcutta Directors." It was undoubtedly, a wise and cautions approach. The Proprietors at the same meeting were asked to concur to certain modifications of the existing charter.

Charter Revised

The alterations proposed were sweeping and the Government of India themselves had taken the lead in suggesting them. They had considered the limit to advances absurd and the draft bill omitted it. They maintained it inescapable that the cash reserves be maintained at one-fourth, and exceeded the "proportions assumed by best conducted banking establishments of Great Britain." The Government of India had of their own accord cut out the clause giving powers to make bye-laws which they felt "never likely to be used as it was not made use of in the past." They also included a power to deal with exchange bills, and to facilitate remittances by appointment of agents and correspondence etc.

On most of these points very different view was taken by the ultimate authorities—the proprietors of the Bank and the Court of Directors of the East India Company. The proprietors had already expressed themselves a policy of branch expansion although they did not object to such power being taken in the bill. They also added the words "in India" to the clause "buying and selling bills of exchange", thus voluntarily tying their hands, on one of the most profitable and important banking venues, a restriction which was to prove very inconvenient later. The cash reserve was restored by the Court of Directors to one-fourth and limit of loans was raised to Rs. 3 lakhs. The prohibition against grant of holding of bank shares had been omitted from the draft bill but was ultimately maintained. Therefore the new Charter Act as passed in 1829 did not materially differ from its predecessors.

The capital of the Bank at the end of this period stood at a little over one crore. The Court of Directors of the Company had insisted on the increase of capital from 50 to 70 lakhs, in compliance with their orders of 1829. Shortly thereafter, the *sicca* rupees were replaced by company's new rupee (1836). The Act of 1836 had fixed the revised capital at Rs. 75 lakhs, the nearest round number of capital required by the charter in new coinage. The proprietors themselves revised their earlier stand not to increase the capital by 37½ lakhs in 1838. The reason for this sudden change of policy was perhaps to level up the Union Bank, an unchartered competetor started in 1829, which was challenging the supremacy of the Bank of Bengal. The capital of the Bank stood at 107 crores only for the next 20 years.

The Great Indian Mutiny of 1857 threw an exceptional strain on the resources of the Bank as may be expected. The Government and the commercial community were both hitting the Bank for loans. There was a disagreement in the Board of Directors on how the situation should be met. The Government Directors favoured the increase of interest rates to discourage all unnecessary borrowing. The elective Directors who outnumbered the Government Directors by two to one, insisted that the rate of interest be maintained as at present and make the loans selective, and to selected individuals only. The Government Directors recorded a note informing the Government of the state of affairs, protesting against the action of the majority. When the Government called for the explanation of the majority of the directors, they refused to give any. Government decided not to press for this unwise step. Meanwhile the Bank's cash reserves went below the statutory minimum. On the 21st of July 1857 they had cash reserves of 127 lakhs and the note circulation was 160 lakhs, and loans against Government paper was 157 lakhs. By 2nd October, the cash reserve fell to 56 lakhs and the outstandings 222 lakhs; the loans on security of Government paper 203 lakhs and the note circulation had fallen to 115 lakhs. Shortly after, the cash balance fell below the statutory minimum by five lakhs. The Government Directors again proposed the raising of discount rates on outstanding loans; but the elective Directors again overruled them. The Government then privately announced their intention of seeking an injunction restraining the Directors from making any further accommodation. The Directors then capitulated, although they formally protested, alleging that the Bank had been "out of rule" on many previous occasions and no notice had been taken by the Government Directors and that nothing short of suspension of cash payment could have prevented the Bank from appearing "out of rule" for a time. "The Government replied that the rule must be rigidly observed in future. The Company Court of Directors to whom the correspondence was forwarded supported the action of the Government Directors and gave instructions that the latter should always keep in touch with the Government concerning the affairs of the Bank.

Three years later in 1860 the Government themselves issued notes in excess of the statutory limit of two crores. The legislation of 1862-'63 removed most of the restrictions of the earlier period, and the constitution of the Bank was liberalised. The Bank had been sponsored, set up and nurtured on the pattern of the Bank of England, a pattern which almost every country in the world had adopted, including those who had fought against Britain.The Bank was held under tighter leash than the private Banks.

THE PRESIDENCY BANKS

Two other Presidency Banks were started and nurtured by the Government of India in Madras and Bombay. The Bank of Madras was started under an enactment in 1843 with a capital of eighty lakhs, of which three lakhs was subscribed by the Government. On formation of this Bank, the Government Bank of Madras was abolished. This latter Bank was very successfully managed by government officials alone. It was not very successful in the beginning. Once its cash balances fell to 4 lakhs while its outstandings were in excess of 36 lakhs. The charter of the Bank of Madras was practically the same as the charter given to the Bank of Bengal in 1839. On the second occasion when the Bank again ran into trouble, the Government had to act as a lender of the last resort charging 8% for the accommodation. After withdrawal of the right of note issue in 1862, which affected all the three Presidency Banks, it was given a fresh charter similar to the Bank of Bengal. Directors were given power to increase the capital to 60 lakhs, which fell to 56 lakhs when the government cancelled its share holdings.

The Bank of Bombay was incorporated in 1840 with a capital of 50 lakhs of which Government subscribed three. Its note issue was limited to two crores. Revision of charter became necessary when the right of note issue was withdrawn in 1862. This act gave the Directors the power to raise the capital to 210 lakhs. Advantage was taken of this to increase the capital to 104½ lakhs in the same year and again to 209 lakhs in 1864. Due to mismanagement by unprincipled secretaries and inexperienced directors, the bank ran into serious trouble and went into liquidation in 1868. A new Bank was chartered with a capital of 100 lakhs of which 50 was paid up immediately and the rest in 1874. The government took shares in the reconstituted Bank of Bombay as without such assistance the Bank could never have been established. Government ceased to be a shareholder in 1876. The government shares were placed on market instead of being cancelled, hence there was thus no reduction in capital.

A commission set up under the Chairmanship of Sir C. Jackson to enquire into the causes of failure of the old Bank of Bombay. The commission ascribed the following causes to its failure:

(*a*) The charter which had removed many restrictions had permitted the Bank to engage in business of an unsafe character;

(*b*) Abuse of powers given by the charter by weak and unprincipled secretaries;

(*c*) Negligence and incapacity of the directors;

(*d*) The very exceptional nature of the times.

Regarding the first cause, Sir Jackson summed up in a dictum: "The great lesson the failure taught was that Banks should never lend money on promissory notes in a single name or on joint promissory notes when all the parties were borrowers and not any of them surety for others."

Regarding the "exceptional nature of times", it was the euphoria of speculation on which the Bombay market, typically, lost its head. The following extract from the speech one of the directors made at the meeting of the proprietors:

"In the first place these losses are not the result of the last few months, but of transactions extending as far back as 1861. And to get at the causes we must look further back—to the Civil War in America which cut off the chief supply of cotton from European Cotton Trade, and led to a price rise, which gave Cotton merchants and dealers of Bombay the opportunity of realising profits previously unheard of. These profits as they returned to Bombay produced a plethora of wealth far beyond the requirements of bonafide trade for which some form of investment was absolutely necessary; hence the introduction of endless schemes and joint stock companies, the shares of which rose invariably to a price which naturally led to the formation of more and more business, too many of which was merely to give greater facilities to extend credit and encouraging speculation. Then came the most unfortunate step, the doubling of Bank's capital, giving it another million sterling to find employment for—at a time when credit was inflated to a most dangerous extent and when every sound principle of business finance was deranged. The panic which was sure to follow on cessation of hostilities in America, brought about a reaction in prices corresponding to the high rates which had previously ruled. It was found that our capitalists almost without exception had the greater part of their wealth locked up in property, the value of which was rapidly vanishing. Any desire to realise it only hastened the downward course, and debarred many from the attempt."

The report of the Commission says:

"Almost everyone in Bombay appears to have become wild with the spirit of speculation. Companies were started for every imaginable purpose; banks and financial institutions and associations, land reclamation, trading, cotton cleaning, pressing and spinning, coffee companies, shipping and steamer companies, livery stables, hotel companies, veterinary companies, companies for making bricks and tiles. The shares of most of these companies were sold at high premia as soon as they were brought into the market."

As an example of the speculative fever, the Commission cites the instance of Back Bay shares, which the Government of Bombay were interested to aquire and applied for approval of Government of Bombay. On this being refused the shares were placed on the market and were taken up at a premium of 500 per centum, on the paid up value. So it was all over again as had happened in John Law's time in the 18th century in France. History shows that it has a tendency to repeat itself, where money is concerned.

The Commission noted that during August 1863 to June 1864, the Directors passed a resolution prohibiting the Secretary from making advances on shares without reference to the Board. But, though the loans were not openly made on the shares, the Secretary opened cash-credits and discounted bills on promissory notes signed only by the borrowers, and concealed the fact from the Directors. He also ceased to maintain the discount list showing credit of each merchant. In this period the capital was raised to 2 crores.

The period from June 1864 to April 1865 was a period of speculation. The Directors formally sanctioned grant of loans on the securities to one name and embarked on "the most rockless system of advances". One Director Premchand Raichand, obtained loans for himself and his friends, to an amount exceeding a crore of rupees. At the end of the period, the Directors rescinded their previous resolution not to advance on shares, and authorised the Secretary to make such advances at his discretion up to limits included in some cases large part of the whole premium at which the shares were selling at that time. Advances were made even on shares which had not been fully paid up and the Bank thus became liable to further calls. In the six weeks following, twenty-two advances were made on shares, on fourteen of which the Bank ultimately lost 13 lakhs. At this time there was a change of Secretary. The total loss during the management of the outgoing secretary was ultimately proved to be over 1½ crores.

In 1865-66 the affairs of the Bank were beginning to attract the attention of the Governments, and the rumours of the doings reached even the Secretary of State in England. But the improvement in quality of management was slight or not noticeable at all. A panic in Bombay in June 1866 caused a run on the Bank which was stopped by the Government undertaking to advance 150 lakhs, from the reserves if necessary. In August the Directors looked into the affairs of the Bank and they found that by that time they had lost only 30 lakhs. A little later, the prices of shares improved and could have been taken advantage of by selling shares they held as securities in the market. But the policy of forbearance was pursued and the favourable moment slipped by.

In April 1866 to December of that year, there were further troubles. In April 1866 the directors had advanced Rs. 25 lakhs to Premchand/Raichand to prevent his stopping payment. He was already indebted to the Bank to the tune of 23 lakhs which were irrecoverable. The Bank also helped Asiatic Bank which was in similar difficulties. In July that bank owed Bank of Bombay 12 lakhs with only one lakh of good securities to cover it. The Asiatic was allowed to continue to draw till September when it failed. 20 lakhs were found to be owing to the Bank. The securities which were not negotiable, included the assignment of stock in trade of a druggist and of claims on an insolvent estate. In October the Bombay Legislature passed an Act depriving the Bank of the Power to advance on shares.

By December 1866 the Bank was ruined and virtually in liquidation. In January '67, the capital was reduced from two crores to one crore, but the 500 rupee shares had fallen to Rs. 250 only. In February 1867 there was another run and was again allayed by the Government promising to advance funds to support the Bank, but not till 169 lakhs had been withdrawn in a few days. In August the loss of capital was estimated to be 1½ crores. On 13th. January it was decided to wind up the Bank. The Government was left with a balance of 25 lakhs to enable the private depositors to be paid in full—the new bank assuming all the liabilities of the old Bank, to the tune of 50 lakhs. This is the dismal story of the Bank of Bombay which holds important lessons for posterity on the penalties of mismanagement.

In 1867 a proposal to amalgamate all presidency banks was submitted by Mr. Dickson, the Secretary and Treasurer of the Bank of Bengal which ultimately led to the passing of the Presidency Banks Act 1876. This later led to the establishment of Imperial Bank of India and later still, the State Bank of India. This integration was to be completed only in the succeeding century. As mentioned, the story of the development of banking institutions extends well into the twentieth century as does the developments in Science and Technology.

A process of evolution may be clearly seen in the survey we have undertaken in three parts. The historical revue brings to mind an old saying:

> When wealth is lost nothing is lost.
> When health is lost something is lost;
> But,
> When character is lost everything is lost.

There were other private banks also started in India in the 18th century which had various fortunes. All the banks except for a few were instruments of the moneyed class. It would take too much space to review the history of each and everyone. The list of banks in the last century with some notes is appended and their full history is recorded in the references. It is needless to say that all the banks were more or less patterned on the English banks. One worthwhile point that may be noted is that the deposit mobilisation was weak, and the failures may be all traced to euphoria and speculation, the traditional bank of money.

An important development was that the Government of India began to see the need to establish a Reserve Treasury system to deal with the functions of a central bank that was found to be increasingly inescapable. The proposal was sent to the Secretary of State to Her Majesty's Government by Government of India on June 30, 1874. The proposed reserve was two million pounds sterling. This system was finally replaced by the Reserve Bank of India in the twentieth century.

BANKS FOR THE SMALL MAN

As in England, the banks in India were mostly instruments of the moneyed class. The Government, however saw the need to provide for the smaller man also. The most notable of these is the Agra Savings Fund which was established in 1842. Its business as well as that of the Uncovenanted Service Bank was to provide for the members of the uncovenanted civil and military service facilities for saving as well as their modest banking needs, and encouraging among them habits of frugality and show what a modestly started concern with careful and dedicated management could achieve. The Fund commenced its operations with a capital of Rs. 1,500 in 30 shares of Rs. 50 each. Agra United Service Bank acted as Treasurers. By 1842 July 1 there were four interest depositors aggregating to Rs. 164-12-0. By next January these rose to 8 totalling to Rs. 510-7-1. By June there were 18 depositors with total of 1,902-10-11. In 1843, the capital stock had risen to Rs. 4,000 and commanded a premium of 26 per cent. 1845 saw the capital stock rise to Rs. 5,000 and the Fund declared a dividend of 20%. In 1846 the capital was increased to Rs. 10,000 and a dividend of 16% was declared. The shareholders presented to the Secretary, Mr. Parry a gold watch in appreciation of 'unwearied zeal, judgment and ability'. The shares commanded a premium of 40%. In 1849 the directors released further stock, all of which was taken up at a premium of 40%. The proceeds of the premium on new stocks was partly transferred to a reserve and bonus fund and half was distributed as bonus to shareholders in addition to a dividend. The lowest dividend declared by the Fund was 16%. By then the Fund had a capital of Rs. 15,000 and a Reserve-cum-Bonus Fund of Rs. 4,500.

The Uncovenanted Service Bank was another scheme started as a bank for the uncovenanted members of the Company's civil and military service, started in 1846. Later in 1949 the shares were thrown open to the public with the condition that only members of the uncovenanted service were eligible to serve on the management. By then the capital had risen to Rs. 30,000 in 600 shares of Rs. 50 each commanding 10% premium. For this institution also the Agra and United Service Bank acted as treasurers. The latter was a chartered bank started in 1833 as a much larger solid concern which later shifted its head quarters to London in 1857.

The Government Savings Bank was established on the model similar to the Post Office Savings Bank of the present century. The full details of the correspondence and its establishment are given on pages 336-42 of Reference 1. The deposits were received in instalments of Re. 1. When the sum exceeded Rs. 1,500, it was transfered from the Bank to the Government agent for the purchase of a Government note at 4% or any other Government loan which may be preferred and pointed out by the depositor. The depositor could also withdraw the entire amount if he so chose. Interest was allowed at 3% per annum. Deposits and withdrawals was on a pass-book similar to the one currently in use in postal savings bank.

Conclusions

In conclusion the historical survey of money and banking institutions shows that money is a token for facilitating formal social transactions involving exchange of goods. It was a universal token for exchange, and no more than a convenience for facilitating keeping track of social transactions among the individuals. The supply of tokens had to bear a certain ratio with reference to the exchangeable goods and services. The price of money was dependant on this ratio alone without reference to its intrinsic value. In fact the intrinsic value of money is purely incidental and secondary. But as the psychological attachment to money grows, so does its loss in real value. The penalty one paid for the obsession was in panics and hardship. Up to a certain limit, the results were undoubtedly beneficial, and beyond that, ruinous. This is a lesson that humanity finds hardest to learn. Confusing money with prosperity is the world's greatest delusion. Possession of money in itself does not confirm the virtue of the possessor. If anything, it may be said that virtue is in inverse proportion to possession of wealth. Money is however, a great motivator. It motivates men to purposeful action. But if the motivation is to possess money only, all other things of real value are forfeited. It certainly does not confer happiness.

The story of money does not end with this survey which is confined only to the nineteenth century. The development of the science of economics lies in the twentieth century inasmuch as the development of science and technology also lies in the twentieth century. We may say that man's organizational and economic forces gathered themselves to the great leap that was to come in the twentieth century. The formation of the trust companies a development of the twentieth century, gave speculation a nationalising impetus, which has been uniformly the grave-yard of all monetary systems of the world a power to organise themselves. But this does not seem to have helped them in fore-stalling the eventual day of reckoning. The urge to speculate takes many guises to tempt people into the self defeating destructive excercises of the past. The final lesson may be summed very succinctly "More is ruinous". Repeatedly the fateful Law syllogism "More should be better", intrudes to tempt people into further panics and crises.

"The real price of everything, what everything costs to the man who wants to acquire it, is the toil and trouble of acquiring it"; wrote Adam Smith in his book

Wealth of the Nations (1776). Money is no substitute to action particularly social initiative and creative action. John Maynard Keynes wrote in 1932 and '47:

"Both of the two opposed errors of pessimism which now made so much noise in the world will be proved wrong in our time—the pessimism of the revolutionaries who think that things are so bad that nothing can save us but a violent change, and the pessimism of our reactionaries who consider the balance of our economic and social life is so precarious that we must risk no experiments."

"Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct economists. Madmen in authority, who hear voices in the sir, are distilling their frenzy from some academical scribblers of few years back, I am sure that power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas." (*General Theory of Employment, Interest and Money,* 1947).

"The moral problem of our times is concerned with love of money, with the habitual appeal to the money motive in nine-tenths of our activities of life, with universal striving after individual economic security as the prime objects of endeavour, with the social approbation of money as the measure of constructive success, and the social appeal to the hoarding instinct as the foundation of the neccessary provision for the family and the future."

The banking institutions in the last century developed in periods of stress and crisis that came in waves in resonance with financial crisis of other parts of the world. Institutionalised Banking developed under the guidance of the British and is crystallised now with the Reserve Bank and State Bank of India. The appendix at the end of the paper provides thumb nail sketches of some of the Banks that flourished and collapsed during that period. It is interesting to note that there is an evolutionary movement apparent in the fragment of history presented above. As with Science and Technology, the theory of economics and financial institutions was in a state of constant flux responding to the challenging demands posed by the rapidly developing technology. But the major changes were to come later in the twentieth century. Further lessons had to be learnt from the inflation of the 1923's in Germany, and the Great Depression of the '29-'30's of the present century.

Persuit of wealth led to the one great disillusionment that money should not be confused with wealth or prosperity. Money is only a convenience for trade and commerce. It is a token for the exchange of goods and sevices. The real wealth however lies in the things which can be exchanged for money. No amount of money, be it gold itself, can produce the essentials such as rice, clothing and housing. These call for effort, organisation and social will. The greater lesson that posterity had to learn was that 'When character is lost all is lost'. That money excercises a corrosive influence on character, particularly on all human values, has been emphasised again and again by all great religions. One has to look beyond money for things that really matter, happiness and contentment. But money still remains a convenience like the sixth sense. As Somerset Maugham has succinctly put it, "you cannot use the other five without it."

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APPENDIX I

Annotated list of banks started in India in the 19th century

1. BANK OF BENGAL under charter from 2-1-1809. Capital 50 lakhs. The bank formed the nucleus of the Presidency Banks and later the State Bank of India. (P. 95 ref—1)

2. THE ORIENTAL BANK CORPORATION. First started under the title Bank of Western India in Bombay in July 1842 with a capital of 50 lakhs (500,000 pounds sterling) in 10,000 shares of Rs. 500 each. Registered in 1845 under Joint-stock Bank Act as a corporate bank with letters patent under the above name. The head quarters was changed from Bombay to London. It developed into a solid concern in 1862 with branches in Bombay, Calcutta, Madras, Singapore, Hong Kong, Shanghai, Mauritius, Melbourne and Sydney; and sub-agencies in Galle and Kandy in Sri Lanka. (P. 144—1)

3. THE BANK OF MADRAS. Started under charter in 1843 with a capital of 30 lakhs, in 3,000 shares of rupees one thousand each. The charter was in all respects similar to the Bank of Bengal. It was later merged into the Presidency Banks complex. It had an agency at Cochin which was later upgraded into a Branch. (P. 151—1).

4. THE BANK OF BOMBAY chartered in 1840 with a capital of 50 lakhs. (Actually 52.5 lakhs in 2,250 shares of Rs. 1,000 each.) The Bank subsequently went into liquidation in 1868. A new Bank of Bombay was Chartered and took over all the liabilities of the first Bank. It finally merged under the Persidency Banks Act of 1876. (P. 161—1 P. 20—2)

5. THE UNION BANK was first established in 1829 it was a Joint-stock Bank without charter. Capital 16 lakhs in 600 shares of Rs. 2,500 each. In 1839 the firm got

into some trouble with advances to indigo factories on personal securities of the borrower which resulted in its failure in 1847-48. There was a fraud by manipulation of accounts by one Mr. Simms, the accountant, which was discovered in 1949 that many accounts were found hopelessly overdrawn. This lead to an investigation that revealed that entries in cash book and ledgers were altered. The sad story is recounted in great detail in reference 1 (pages 177-200).

6. THE BANK OF HINDUSTAN. A private bank, a branch of Messrs Alexander & Co., started around 1790. It was about the oldest banking institution in India. It issued notes which were current in Calcutta, their volume varying between two and a half to about twenty-five lakhs. On two occasions it successfully withstood considerable runs, once in 1819 and again in 1829. It continued functioning till 1832 when a crisis of considerable proportions hit India. (P. 200—1)

7. THE COMMERCIAL BANK, started operations in 1819 as a banking partnership. The average note circulation was 16 lakhs, and it continued operations till the end of 1828. In 1829 The Union Bank was projected and established. As the new establishment was principally raised by the partners of this bank, its operations were gradually narrowed down. When the failure of Ms. Mckintosh & Co. was involved in the crash of 1832, the settlement of the affairs of the bank devolved around Baboo Dwarakanath Tagore, the only surviving solvent member, who finally adjusted all claims against the bank. (P. 202—1)

8. THE CALCUTTA BANK was established in 1824 by Ms. Palmer & Co. Its operations as a bank of issue ceased in 1829, before the failure of the house, in consequence of the arrangements which were afoot for establishing the Union Bank. The Calcutta Banks note circulation averaged 20 lakhs.

9. THE BANK OF MIRZAPORE was started by one Mr. Bathurst, a person of plausible manners and suave address and gentlemanly appearance, with the support of a Calcutta firm. He won over the support of the local business community and operated from 1835-36 to 1837 when it collapsed. (P. 203—1)

10. THE AGRA AND UNITED SERVICE BANK LIMITED. This bank dates its rise from the collapse of the Calcutta Agency houses in 1829-30, which corresponds to the American panic of the same time as well. Incidence of the resonance of the panics round the world is remarkable. This shows how the world came to be unified in the matter of misfortunes. This was the first moffusil institution founded more or less on their debris. The intention in setting it up was to provide a venue for the people of all grades in the civil and military cadres of the East India Company, an institution which would receive their monthly savings and put it to use for their own benefit. The plan was drawn up by an eminent member of the civil service—attributed to Dr. Henderson. The capital was ten lakhs in 4,000 shares of Rs. 250 each, which was paid up by 31st December 1836. It was placed in the hands of some expe-

rienced commercial gentlemen. The shares commanded a good premium. Under careful and capable management the institution grew and its head-quarters was shifted to London in 1857. (P. 204-222—1)

11. NORTH-WESTERN BANK OF INDIA. The bank was originally started as a private bank in January 1840 under the designation Mussoori Bank, with a capital of Rs. 50,000. The capital was doubled and seven other men joined the founders, M/s. Solaroli, Troop and Angelo (in 1841). It was later converted into a joint-stock bank with a capital of 5 lakhs ($1{,}000 \times 500$) under the superintendence of board of directors and three trustees. The bank was restyled as above. The bank's affairs were conducted satisfactorily till 1847, and even till the '50s. In 1851 certain delinquencies were noticed and there was a panic as these leaked out. An army court of enquiry was constituted to investigate into the affairs of the bank. The delinquencies were found to amount to a large amount the aggregate loss nearly Rs. 1,30,000. The bank was finally put into liquidation in 1859. The shareholders received Rs. 182 per share. (P. 222-233—1)

12. DELHI BANK CORPORATION LIMITED was established in 1844 under the designation of Delhi Bank with a capital of Rs. 12 lakhs in 2,400 shares of Rs. 500 each, which was later raised to 4,800 shares. The commercial crisis of 1848 injuriously affected the value of the shares, as did all other banking institutions. In 1860 the bank sought to be registered under the above style. The bank was purely local in character and later established branches in Allahabad, Calcutta, Lucknow and Mussoorie.

13. DACCA BANK, established on 1st July 1846 with a capital of 5 lakhs in 1,000 shares of Rs. 500 each. The bank functioned purely as a local bank with very limited business. In 1862, the bank was taken over by the Bank of Bengal.

14. THE BENARES BANK established in 1844-45 under the influence of Col. Pew who, some years earlier was a man of considerable fortune, and unbounded credit. He was however obsessed with a zeal for speculation, and the Bank of Benares was his brain child. It commenced operations in 1845 with a proposed capital of Rs. 5 lakhs, raised by sale of 1,000 shares of Rs. 500 each and Rs. 250 being paid up. The first instalment was all that was paid up, and even this was done by borrowing from the bank on the security of its own scrip. Unable to call up the full price of shares, the bank determined to issue new shares. In 1849 formidable irregularities were discovered in the management; the Directors having purchased their stocks from borrowings from the Bank, they held their ground by the value of the votes of the parties who had not paid up their shares, and who had paid the first instalment of their share by loans from the Bank at 12% interest. When the bank stock was selling at 30 to 50% discount, the Directors purchased the stock of their friends at par. They also invested nearly all the capital in Ganges Steam Navigation Company, from which it could not have been withdrawn under any circumstance. Almost all the

Directors of the bank being army officers, the matter underwent strict investigation. The details of the proceedings are interesting, and is fully chronicled in reference 1 (pages 236 to 292). The enquiries received wide publicity and two officers were court-martialed and cashiered.

15. SIMLA BANK LIMITED. This bank commenced business in 1844 with a capital of 5 lakhs. The bank had a promising start but seems to have suffered in the crisis of 1848-49. The capital was increased and in 1848 was 16 lakhs of which 14,62,000 was fully paid up. In 1854 the bank divided itself and one half continued under the above style and the other was established as The London and Eastern Banking Corporation Limited with head quarters in London.

16. THE LONDON AND EASTERN BANKING CORPORATION LIMITED, arose out of a schism of the last bank in 1854. It started with a nominal capital of 500,000 pounds sterling of which half was paid up. The number of shareholders were 98. This bank attained a degree of notoriety perhaps surpassing that of Benares Bank under the magic wand of management of Dr. J. E. Stephans. The Bank had branches in Calcutta and Bombay. In the first half yearly meeting in 1855, itself a dividend of 6% was declared, purportedly out of profits derived from some unspecified operations carried out at the head office in London. In 1856 July, the second meeting of the shareholders was held where it was reported that an audited profit of £ 25,378 caused the chairman to eulogise on Bank's prosperity. But in March 1857 the commercial circles learnt the astounding news that the Bank was in trouble. Out of the paid up capital of 250,000 st. 237,000 had been advanced as loan upon a mortgage to the estates of Col. Waugh one of the Directors and to the manager, and also to Mr. Fendal, and Col. Curtiss, other directors. It transpired that the charter itself was fraudulently obtained. The bank was placed in liquidation. The details of ensuing action etc. are chronicled on pages 295 to 316 of reference 1.

17. THE CAWNPORE BANK was established as a partnership concern with a capital of 5 lakhs by officers of the Indian Army and English merchants of Cawnpore. The trustees were Col. Pew and Col. Wilcox the ex-Directors of the ill-starred Benares Bank. The capital was later increased to 20 lakhs. The bank established branches at Patna and Tirhoot and by 1847 the paid up capital was 10.5 lakhs. The bank suffered in the crisis of 1848 in England and Calcutta and by 1851 it ceased to exist.

18. THE AGRA SAVINGS FUND was established in January 1842 with the object of providing a fund to the uncovenanted servants of the Company who wish to borrow and deposit their savings, thus encourage in the economically weak to encourage habits of frugality. The fund commenced with a capital of Rs. 1,500 in 30 shares of Rs. 50 each. The Directors worked in an honorary capacity and worked the institution with great degree of prudence and skill. The capital was raised in modest steps and by 1843 had a capital of Rs. 4,000, Shares commanding a premium of 26%, and declared a dividend of 20% on shares. In 1846 the capital had increased to Rs. 10,000

and an accumulated reserve of Rs. 2,000. The Agra United Service Bank acted as treasurers for this fund. By 1849, the capital stood at Rs. 15,000 with an accumulated reserve of Rs. 4,500 and the shares commanded a premium of 40%. The lowest dividend up to that time was 16%. (See pages 321-326 of reference 1.)

19. UNCOVENANTED SERVICE BANK LIMITED. This institution was set afoot at Agra on March 17, 1846 for placing within reach of the members of the uncovenanted service an establishment with advantages which the smallness of means of the majority would avail themselves of for their benefit. In 1847 the Bank distributed a dividend of 12%. The Directors recommended that the rule restricting the sale of stock to the members of the uncovenanted services only be relaxed and ¼ of the shares be thrown open to the public. The grateful shareholders presented to Mr. J. McKenzie with a gold watch suitably inscribed, costing 25 pound st. The Bank made good progress and by '49 the capital stood at Rs. 30,000 in 600 shares each commanding a premium of 10%. The sale of stock was further liberalised, but the Directorship was restricted to the members of the uncovenanted services only. The Agra United Service Bank acted as treasurers to this Bank also. (See Pp. 326 to 329 of reference 1.)

20. THE COMMERCIAL BANK OF INDIA. The Bank was established at Bombay in 1845 for affording aid and encouragement to the local trade. The number of shares subscribed were 8,772 which was taken up in a day by the large body of residents of Bombay. The bank had no charter. By 1846, the paid up capital stood at Rs. 37,43,000 and the reserve fund at Rs.42,085-5-6. In 1848, the crisis had the affecting of the shares and resulting in some depression. Of the capital of Rs. 1 crore, the amount of paid up capital was Rs.37,43,000, the sum being reduced from Rs. 43,86,000 by purchase of shares by the Directors to the account of the Bank, the discount arising from this purchase being credited to the reserve fund which stood at Rs. 1,32,456-10-1. The history of the bank and its progress and vicissitudes are chronicled in pages 326 to 336 of reference 1. By 1863, the entire capital of 50 lakhs was paid up (500×10,000 shares). The bank by then was a flourishing and solid concern with branches at Calcutta, Hong Kong, Shanghai, Foochow, Hankow and London.

22. GOVERNMENT SAVINGS FUND was established on 1st November 1833, not very long after the disastrous failure of all large commercial houses. Its object was to provide to the British and native population a venue for investing their savings free from all vagaries of commerce. It was conceived and established as a government concern modelled on the post office savings bank which later became transformed. The Financial Department notification in respect of its establishment is reproduced in full on pages 336 to 342 of reference 1. The Bank of Bengal took over the functions of purchasing, keeping of securities purchased on behalf of this Bank, from 1856 when the Agency which was hitherto entrusted with this work was abolished.

23. BANK OF ASIA. This concern was projected in February 1841 in London through the exertions of Mr. Robert Montgomery Martin who was appointed the

Secretary. The project was received with enthusiasm in Bombay. Total number of shares subscribed was over 4,000, which were alloted to London, Bombay, Calcutta, Ceylon and to China. There was some difficulty regarding charter, which though Earl of Auckland had approved, the Directors of the East India Company quashed it. In 1841 there was some misunderstanding between Mr. Martin and one of the Directors, Mr. Jardine, the provisional chairman. And due to many dissensions that arose in consequence, the Bank broke up. (Pp. 342-346—1).

24. EAST INDIA BANK. Cap. £ 250,000 Projected but never started. The Scheme is reproduced on Pp. 346-352 of reference 1, contains some materials of historical interest, their condition in these times.

25. CHARTERED BANK OF ASIA. Set afoot in 1852 with capital of £. st. 1,000,000 in 40,000 shares of £. 25 each of which £. 5 on each share was subscribed. The shareholders by a majority vote decided on a merger with the Mercantile Bank of India, London and China. The bank formally wound up in 1856. (Pp. 352-357 of ref. 1)

26. CHARTERED BANK OF INDIA, LONDON AND CHINA was established in 1853 and was projected by some European residents and some Parsee and Gujerati businessmen of Bombay with a capital of 50 lakhs in 20,000 shares of Rs. 250 each, to carry out business at Bombay, London, Ceylon and China. The entire capital was subscribed and paid up. In 1854, the negotiations for the amalgamation of Bank of Asia with the present bank came up and was confirmed by the shareholders in a meeting. The Bank worked well and prospered. The Bank opened branches in Bombay, Calcutta, Madras, Singapore, Colombo, Hong Kong, Shanghai, Kandy, Mauritius, and Penang. (Pp. 357-362—ref. 1)

27. BANK OF CEYLON was established in Colombo in 1841 with a capital of £. st. 125,000 subscribed some London merchants with the avewed purpose of fostering cultivation of coffee. It later took up other banking business as well. It had branches in Kandy and in all presidency towns of India. In 1847 the price of coffee in London fell to disastrous levels (12 shillings a cwt.). The bank's capital was locked up and estates sold for a song. It ultimately lost £. st. 28,000. The Oriental Bank Corporation stepped into take over the business and liabilities. The Bank of Ceylon issued notes which the Government of Ceylon recognised for all payments and for custom duties. The notes were payable in demand. The Chettiar traders of South India acted as bankers for supplying spices. In 1848 the Oriental Bank took over the business of this bank entirely assuming all liabilities. (Pp. 363-367)

28. CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA was established in 1853 by some London capitalists to share the extended sphere of Australian and Indian adventure. There was some initial difficulty in obtaining a charter. Australians opposed the charter in their country vehemently to the introduction of an Anglo-Saxon Bank. In 1855 the two Banks finally amalgamated. By 1863 the bank was firmly established

with branches in Singapore, Hong Kong, and Shanghai; and Agencies in Calcutta, Bombay and Rangoon. (Pp. 366 to 373—Ref. 1)

29. LONDON BANK OF AUSTRALIA AND INDIA. Std. 1852-'53. Capital £. st. 500,000 (20 × 25,000 shares). Paid up 50,000 £. st. Failed to obtain charter owing to opposition in Australia. The Directors returned the share capital deducting 1 S. 2 d. for preliminary expenses.

30. PUNJAB BANK LTD. Capital Rs. 5 lakhs (100 × 5,000 shares). Hd. Qrs. at Rawal Pindi with branches in Peshawar, Multan and Poona. Started in later 19th century.

31. SINDH, PUNJAB AND DELHI BANK CORPORATION LTD. Cap. £. st. 1,000,000 (200 × 50,000 shares). The first issue was 25,000 shares with half subscribed (10 per share). Started in 1860. Branches in Karachi, Lahore, Amritsar and Delhi; and later branches proposed at Multan, Hyderabad (Sindh) and Shikarpur.

32. CENTRAL BANK OF WESTERN INDIA. The Bank formed in Bombay in November 1860 with a capital of 50 lakhs (250 × 20,000 shares). In 1863 negotiations were started to amalgamate it with the Bank of Hindustan, China and Japan which will give it a capital of 75 lakhs. (Pp. 375-376—1)

33. THE BANK OF HINDUSTAN, CHINA AND JAPAN LIMITED. The Bank was announced in 1862 with a capital of £. st. 1,000 (100 × 10,000 shares) of which only 25 £. st. have been called up. (Pp. 377-378—Ref. 1)

34. BANK OF ROHILKHAND (RAMPORE) start with the support of Nawab of Rampore, a native state. There was much opposition from the local money-lenders who saw it as a threat to their usurious calling.

35. PEOPLES BANK OF INDIA LIMITED. Bank started with a capital of 5 lakhs (100 × 5,000 shares) intending to serve the needs of small middle class person who wished to save by degrees and have a bank for his small credit needs and a checking account cashing small cheques. The large banks looked at small depositors with a jaundiced eye as they were unprofitable and the bank had to charge higher discounts to meet the expenses. (Pp. 373-381, Ref. 1)

36. THE COMPTOIR D'ESCOMPTE OF PARIS. Cap. 40,000,000 Francs (£. st. 1,600,000) with a reserve fund of 8,350,000 (£. st. 334,000). The only French bank operating in India, had branches in Calcutta, Bombay, Bourbon (Reunion) and Shanghai. The overtones of conservative and extremely cautious attitude of the French may be seen in the description of this bank given at Pp. 382-390.

37. BENGAL BANK was started in 18th century and was in existence around 1790 and ceased to be in existence in 1800. The bank is not to be confused with the Bank of Bengal.

38. BANK OF INDIA. The Bank was projected in 1828, by Raj Kishore Dutt whose forgeries put Bank of Bengal to considerable embarrassment in 1829. Pran Kishan Haldar a wealthy supporter of Raj Kishore Dutt got his fingers badly burnt in this nefarious scheme.

39. GENERAL BANK OF INDIA was in existence in 1790. Nothing much is known except that it was probably a concern started by a mercantile firm in Calcutta.

40. THE CARNATIC BANK was in existence in 1791 in Madras Presidency. The banking business in South India was mostly in the hands of Chettiars and banking came late through the efforts of the British.