

THE HISTORY
OF THE
BANK OF BENGAL.

AN EPITOME OF A HUNDRED YEARS
OF BANKING IN INDIA,

BY

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P R E F A C E .

THE facts which go to make the History of the Bank of Bengal, as detailed in the following pages, have been principally gathered from the Bank's records. A certain amount of information has also been obtained from the book "Banking in India," published by the late Mr. Chas. Northcote Cooke, Deputy Secretary of the Bank in 1863, and in one or two instances the writer is indebted to the "Account of the Presidency Banks" written by Mr. J. R. Brunyate, c.s.

In dealing with the incidents of the Bank's History, comment, except such as may have appeared necessary after the perusal of the sometimes voluminous records relating to particular points, has been almost entirely refrained from, and the reader is left to form such opinion as he may from the bare record of events. Every care has been taken to ensure accuracy as to details, but, as regards one or two items, and in particular, Appendix E, containing a list of the Bank's Officers since 1806, reliable information has been difficult to secure, and approximate accuracy is the best that can be attained. Events have, as far as possible, been dealt with in the order in which they occurred, but, in some instances, particularly in the last two or three Chapters, it has been found necessary to describe in one place various items extending over a long period, and exact chronological sequence has been sacrificed to general expediency.

That there is ample scope for a much more elaborate history is obvious, and the necessity for such is particularly apparent when an attempt is made to follow in detail such questions as the Bank's relationship to Government and the history of Paper Currency in India. Regarding the former of these two items, it is hardly too much to say that the various agreements which have been in force during the past half century have shown an increasing tendency to be more in favor of Government than of the Bank or the public.

The Bank was started by Government with the primary object of improving the depreciated currency of 1806: this it achieved without difficulty. Thereafter, for half a century, the Bank laboured, under the supervision and with the assistance, often volunteered, of the Government, in creating and accustoming the people of the country to a Paper Currency. In 1862 the apple was ripening and Government plucked it, giving the Bank what were supposed by them to be compensating advantages, which have steadily dwindled in value ever since. The Paper Currency has, however, multiplied nearly seven times, and it is interesting to note what has become of the privileges which the Government were pleased to give the Bank in exchange. The subjoined table shows that about ninety per cent. of them have been bit by bit withdrawn by Government. Comment is needless.

AGREEMENT WITH GOVERNMENT, 1862.

The custody of the whole of its Treasury balances at Head Office and Branches (average in 1862, $4\frac{1}{2}$ crores).

The major portion of the Treasury balances were withdrawn in 1876 to form the Reserve Treasury. Average balances at Head Office and Branches are now under Rs. 2 crores.

The use of a guaranteed minimum of Rs. 50 lacs at Head Office for Banking purposes.

Reduced to Rs. 45 lacs in 1866. Reduced to Rs. 35 lacs in 1876. Nature of agreement also changed. Govt. do not give the use of the balance, but merely agree to pay interest on any sum it may fall short of the amount mentioned.

A yearly payment of Rs. 43,606 on account of Establishment at Head Office.

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A yearly payment of Rs. 24,990 on account of Branches.

Withdrawn in 1866.

The management of the Government Currency by the Bank on commission.

Withdrawn in 1866—compensation of Rs. 2,25,000, as being one year's commission, paid to Bank by Government.

Prestige of Government's being a large shareholder and lending three important officials as Directors.

Withdrawn in 1876.

No limit regarding advances to individuals.

Limit imposed, 1876.

No necessity for the maintenance of a fixed proportion of Cash to Liabilities.

.....

Power to guarantee renewal of bills at the time of discounting them.

Withdrawn in 1870.

Management of Public Debt Office given to Bank in 1866—remuneration Rs. 3,500 per annum per crore.

Remuneration reduced to Rs. 2,000 in 1886.

CHARTER OF 1862.

The foregoing may appear to be a somewhat strong indictment, and, in submitting it to his readers, the writer would venture to remind them that the individual facts narrated will all be found described in detail in the Bank's History following. That this is the first occasion on which these items have been assembled in coherent form is a mere matter of incident.

Looking back through the century of time which has elapsed since the Bank first saw the light, it is interesting to note how the Institution has time after time come unscathed through the various financial upheavals which have marked the history of finance in India. The crises of 1832-33, 1857, 1863-64 and the terrible times of 1866 have left it with a record of a minimum of 22·5 per cent. of Cash to Liabilities—a figure which it is difficult to help comparing to the Bank of England's percentage of five in the last mentioned year.

As a profit-making concern the Bank has never failed to pay a dividend for a full year, and has shown average profits as detailed below :—

Periods.		Average annual Profits, including additions to Reserve Fund.
1806-1860 10·1 per cent.
1860-1872 11·2 „
1872-1887 11·3 „
1887-1904 14·0 „

In concluding, the writer would beg to state that no attempts at any particular literary style have been made in compiling this little volume, but rather has endeavour been made to express concisely and in simple language the following details of the History of India's leading Bank.

BANK OF BENGAL, }
Calcutta, December 1904. }

G. P. SYMES SCUTT.

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