

MADRAS RECORD OFFICE.

Government of Madras.

of
Financial DEPARTMENT.

G.O. No.	304-5	Press
		Mis.
Dated	27 th May	1857

B. no. 3-13

Not to be folded or roughly handled

Fort Saint George, Financial Consultation, 2nd June 1857.

Read again letter from J. Ouchterlony, Esq., Chairman of a Meeting of Members of the Commercial and Trading Community of Madras, dated 29th February and recorded in Consultation of the 28th March 1856.

Read the following Minutes.

No. 3. By the Right Honorable the President, dated 20th March 1856, No. 252; on letter from J. OUCHTERLONY, Esq., Chairman of a Meeting of Members of the Commercial and Trading Community of Madras, dated 29th February 1856, No. 103.

A Memorial of this nature calls for the earnest consideration of Government, inasmuch as in forwarding it to the Governor General, some expression of the opinion of this Government on the subject would be expected.

The Memorialists assert, para: 1. The inability of the Bank of Madras to afford efficient Banking accommodation and they ground this assertion on the high Rates of Interest required at certain periods by the Bank.

It is very possible that the statement made by the Memorialists is correct, but I cannot think that they show it very conclusively.

Upon the reasons urged by them, it might be required that Capital should be found by somebody or other for any amount of wild speculation; that is to say if the demands of the public are to be the criterion.

There are two facts, however mentioned by them—which are of force.

The first is the increase of trade in Madras:

The second is the amount of accommodation which the Bank has actually given.

I think both these go to show that a larger power of accommodation is required, and might be employed by the Bank with safety to itself and with advantage to the public.

The augmentation of Capital Stock asked for is, moreover, not excessive, and I should on these grounds be disposed to recommend the Memorial favorably to the consideration of the Governor General in Council.

(Signed) HARRIS.

No. 4. By the Honorable Sir H. C. MONTGOMERY, Bart., dated 20th March 1856, No. 253.

I think before proceeding further Government should have the opinions of the Government Directors of the Bank.

(Signed) H. C. MONTGOMERY.

No. 5. By the Honorable W. ELLIOT, Esq., dated 22nd March 1856, on letter from the Chairman J. OUCHTERLONY, Esq., dated 22d March 1856, No. 103.

It is to be observed that this Memorial has originated during a period of great financial disturbance, when the rates of interest and discount had risen to an unprecedented height, not only in Madras, but also at Calcutta and Bombay, and even in England.

I apprehend that if reference is made to the other periods of restricted accommodation quoted, it will be found that a similar tightness of the money market was experienced elsewhere as well as at Madras.

The Bank requires a Capital sufficient to meet the requirements of the public under ordinary circumstances, not to meet the demands of extraordinary crises.

To provide for such occasions without increasing its terms of business would be to encourage speculation and to entail loss on itself.

A larger Capital than can be employed under the ordinary course of trade obliges the Bank to keep such surplus either lying idle, or, as has happened already, to invest it in Government or other Securities, in which case it cannot be realized in times of need without sacrifice.

I think the Government Directors should be called on for their opinion. I would also forward the memorial to the Accountant General as the financial Adviser of Government for a Statement of his views upon it.

I believe that scarcely any Shareholder of the Bank will be found among the subscribers to the Memorial, except members in Houses of Agency, and not many of these.

Fort Saint George, Financial Consultation, 2nd June 1857.

The business of the Bank is entirely in the hands of the leading Houses of Agency, and this monopoly of the Direction in their hands has always been objected to, as operating unfavorably both on the interests of the Bank and of the public, merchants, and traders dislike to have their transactions scrutinized by their mercantile brethren, and do not avail themselves of Bank accommodation, of which noted instances have more than once come before the public. The same class of Directors are likewise enabled to control the rules of business so as not to interfere with the business of their firms which still farther inconveniences the public and restricts the profits of the Bank.

What is required is a change in the system of Bank Government. Instead of a Board of Honorary Directors, there should be one or two paid Directors. This, and not increase of capital is, I imagine, the true mode of making the institution more useful to the public at large.

(Signed) WALTER ELLIOT.

Read also the following Papers

No. 6. From G. L. PRENDERGAST, Esq., Government Director of the Bank of Madras ;
to T. PYCROFT, Esq., Chief Secretary to Government, dated 5th April 1856.

SIR,

I have the honor to acknowledge the receipt of Extract of Minutes 28th Ultimo, calling upon the Government Directors of the Madras Bank severally to give their opinion upon the proposed extension from 30 to 50 Lacs, of the Capital of that Bank.

The experience I have derived, as a Director of the Bank is to the effect that whilst the fluctuations have been very great, the Bank at one time lending money at $3\frac{1}{2}$ per cent, at other times at 12 per cent, the pressure has been excessive from the deficiency of working Capital. If the Capital be increased, however, to 50 Lacs, I think some injustice may be entailed on the Shareholders, for, of course, the immediate effect will be to reduce the dividends. I am of opinion that the increase of Capital should not, at any rate for the present, exceed 10 Lacs, making the Capital, 40 Lacs altogether. By this measure, I believe, the dividends will not be too much reduced, whilst the pressure, now so often repeated, will not be so frequent and continued. It must be borne in mind that, the Usury Laws having been repealed, any interest may be charged and when the Madras Bank charges 12 per cent the charges outside in the Bazaar, will be 18 or 20 per cent. It is true that there are other Banks in Madras, but that circumstance will not produce relief on the occasions of the pressure in question. They follow, but do not lead, the Madras Bank. The Madras Bank is the regulator, so to speak, of the monetary transactions here, for, if it charges 12 per cent, the charge elsewhere will hardly be less any where within the Presidency, nay, almost certainly, it will be higher, and possibly considerably higher.

I believe that it was very unusual to find a charge made by the Government Bank of more than 7 per cent for interest on loans, for 23 years before it ceased to exist. But then the working of that Bank was under different influences. There was more consideration then for the public. In a private Bank the demand for money makes itself apparent in two ways, one by the pressure from without, to relieve itself from which the Bank must raise its rates in self-protection, the other by the desire within to obtain a high dividend : but the two equally work injuriously to the public, and the influential feeling in the imposing of restrictions is not one of consideration for the public at all.

(Signed) G. L. PRENDERGAST,
Government Director of the Bank of Madras.

No. 7. From S. D. BIRCH, Esq., Government Director of the Bank of Madras ;
to T. PYCROFT, Esq., Chief Secretary to Government, dated April 1857.

SIR,

In compliance with the Resolution of Government contained in Extract from the Minutes of Consultation in the Financial Department, No. 131, of the 28th Ultimo, I do myself the honor of submitting my opinion on the proposed extension of the Capital of the Bank of Madras.

(Signed) S. D. BIRCH,
Government Director, Bank of Madras.

Fort Saint George, Financial Consultation, 2nd June 1857.

1. The Memorial is addressed to Government by the mercantile and trading community of Madras, and prays, for reasons therein stated, that the Capital of the Bank of Madras may be increased from its present amount, viz., 30 Lacs, to 50 Lacs.

2. I shall not pause to consider here whether the course adopted by the Public Meeting is one that was contemplated by the terms of the clause of the charter quoted in the Memorial ; the Government will doubtless be well advised on this point, but, I may be permitted to observe, that I have always taken Clause IV to mean, that the Governor General of India in Council, without the intervention of the Legislative Council, might, upon due requisition from the Shareholders, authorize an increase to the Bank's Capital, but not that it vested him with a power to direct such at the solicitation of others.

3. It is urged, in the Memorial, that the Bank is unable to afford efficient Banking accommodation, and that the high rates of interest it has charged, and restrictions placed upon its business, owing to the insufficiency of its means, have been productive of inconvenience and evil.

4. I would beg permission to submit to the notice of Government two Minutes recorded by me in the Bank Books, which will shew that the question of an increase to the Bank's Capital, was under the discussion of the Board of Directors at the close of the year 1852. An appeal from certain of the Shareholders was submitted, I believe, by this Government to the Supreme Government, and replied to. The Bank had no notice of the nature of the reply, I am therefore unable to state upon what ground the Supreme Government declined to sanction the measure, but that they did so is my impression.

5. I am prepared to admit, to the fullest extent, that since the establishment of the Bank trade has increased, and that there exists a greater demand for Banking accommodation than there formerly did, but I am unable to see, looking to a fair return to the Bank Proprietors for their Capital, that the interposition of the Government, in the manner proposed, is likely to alleviate the inconvenience and evil complained of, and I do not hesitate to affirm that it would be a wrong done to the Shareholders. It may be urged that the requisition has been concurred in by some of the Shareholders, but it has to be shewn that any important portion of them are favorable to the proposition, and I must be permitted to observe that the principle which risks the lesser evil to insure the greater good, is applicable to Financial matters equally with others, and is often dictated by a wise policy.

6. The present Institution, as it is stated, superseded the late Government Bank. The means at the disposal of that establishment and the amount of business done by it were taken into consideration by those who framed the scheme for the Bank of Madras, and the result arrived at was, that a subscribed Capital of much less than 30 Lacs of Rupees would be sufficient. Looking to the experience of the other Presidencies, it was considered that when the Bank came into operation, it would create a Banking Capital sufficient, of itself, to meet the requirements of the Public. The Capital was, however, fixed at 30 Lacs, but so impressed with this idea were the first Directors, that they proceeded at once to invest the whole of the subscribed Capital in Government Securities.

7. It is stated in the Memorial, and proved by the Returns of the Bank, that the sources whence it was anticipated a Banking Capital would be derived have proved unproductive, and as regards the circulation of Notes, it is observed that there is no solid ground of supposition that any effectual remedy to the inconvenience now experienced, from the smallness of the means of the Bank, can be provided from that source. An increase to the paid up Capital is therefore solicited.

8. No representation that I could make, upon the injustice of a requisition based upon such grounds, could carry with it the weight to which the remarks of an able writer* and authority in Banking are entitled ; when treating upon the principles which should govern an increase to the Capital of a Bank, his observations are as follows. " It is difficult to state, in all cases, what proportion a Capital ought to bear to the liabilities of a Bank. Perhaps the best criterion we can have is the rate of dividend, provided that dividend be paid out of the business profits of the Company. When we hear of a Bank paying from 15 to 20 per cent dividend, we may be assured that the Capital is too small for the business. The liabilities of the Bank either in notes or deposits, must far exceed the Capital, although the proportion which the Capital of a Bank should bear to its liabilities, may vary with different Banks, perhaps we should not go far astray in saying it should never be less than one

* Mr. Gilbert.

third of its liabilities; I would exclude from this comparison all liabilities excepting those arising from notes and deposits. If the notes and deposits together, amount to more than three times the amount of the paid up Capital, the Bank should call up more Capital."

9. Testing the present application by these principles, we find that the interests of the Proprietary body have been altogether ignored; no mention whatever has been made of the rate of dividend, and it is shewn that the Banking Capital, (as it is usually called) instead of being largely in excess of the subscribed Capital is fully *one-fifth less*.

10. As the dividend realized is however an important element in the consideration of such a question as that now under discussion, it should have been mentioned. A statement prepared for the last four years, shews the average return to the Shareholders to have been 6.50 per cent per annum, the average since the establishment of the Bank has been 6.42 per cent per annum.

11. It cannot be urged that this is an excessive dividend, looking to the profits realized by other Banks in India as well as at home, it might rather, with fairness, be put forward as conclusive that the just expectations of the Shareholders have not been realized. It is admitted that every exertion has been made, on the part of the Bank, to extend its circulation, but unsuccessfully, and yet because that source of Capital, which depends solely and entirely upon the Public, has failed, the intervention of Government is sought to compel an increase of the subscribed Capital

Bank of Madras, Notes @ 18th April 1856, Rs. 14,78,400.

Bank of Bengal, Rs. 2,33,61,485.

Bank of Bombay Rs. 92,10,486.

without consulting the interests of the Shareholders. It cannot be urged that it has failed from a want of confidence in the Bank, nor that the Capital is too small to warrant a largely increased circulation of Notes, for the Charter permits an issue to the extent of a *Crore* and the returns of the Banks of Bengal and Bombay, establishments constituted upon the very same principles, shew, in the one instance, liabilities in the shape of notes and deposits, more than twice the amount of the Capital; in the other nearly twice the amount. It is laid down as a general maxim that "the greater the Capital the less the dividend," the condition of the proprietary body cannot therefore be ameliorated by such an increase as that sought for, except under very extraordinary circumstances, not likely to arise.

12. The idea sought to be conveyed, throughout the whole Memorial, appears to be, that the Bank of Madras is *bound* to have, at all times, such a sufficiency of funds as would give confidence to the Public in regulating their operations, that they will be able, when they require it, to obtain such assistance and accommodation as the nature or extent of their business may demand. No reason is urged in support of this, except the wants of the Public.

13. It remains therefore to see whether any and what peculiar privileges are secured to the Bank that constitute this claim of the Public, that "it should be placed in that position of security and usefulness which commercial interests require."

14. It can hardly be urged that the simple Act of Incorporation by which it enjoys the rights, privileges, and immunities, incident by law to a corporation aggregate, does this.

15. The provisions of its charter place many restrictions upon the business usually done by Banks.

16. Its exchange operations are limited to India, and confined within very narrow bounds owing to the transactions of the Government itself.

17. The permission to buy and sell Bullion admits of no practical application.

18. The only real privilege enjoyed by the Bank, that renders it accountable to the Public, is the power to issue Promissory Notes and this issue as has been stated extends by the charter to *one Crore*. The marginal return in the Memorial shews the maximum amount of Notes issued during the last eight years to have been Rupees 15,70,880, and it is notorious that any attempt to increase the issue, results in the Notes being put out of circulation and returns upon the Bank's hands.

19. It should also be borne in mind, that, out of this amount, one-fourth is required to be retained in the Bank's Vaults, in specie, so that for working purposes Rupees 12 Lacs is, I had almost said, the paltry amount that has been gained by this important privilege: on such insignificant grounds as these it cannot be urged that the Public have established a claim or have even a right to entertain any reasonable expectation that the Bank's Capital should be increased.

20. The position of the Bank of Madras is already a sufficiently anomalous one, without being made more so; by such a proceeding as that contemplated in the Memorial. It presents a feature in its returns not to be recognized, I believe, in those of any other Joint Stock Bank. *A Subscribed Capital exceeding its liabilities.*

21. I beg in support of this assertion to solicit attention to the following comparative statement, which exhibits a portion of the Balance sheet of several of the London Joint Stock Banks as closed at 30th June 1854; these figures have been extracted from a work entitled "Fenn on the Funds;" the returns of the Banks of Bengal and Bombay are from their published reports. The fact established by this statement requires no comment. The Bank of Madras *stands alone*, as an institution having a Banking capital, less than its subscribed Capital.

	Paid up Capital.	Deposits, Notes, and Circular Notes, &c.
	£	£
London and Westminster.....	1,000,000	6,892,470
Union Bank.....	422,900	7,031,477
London Joint Stock.....	600,000	5,837,900
Commercial Bank of London.....	300,000	1,265,908
Royal British.....	50,000	857,310
Bank of Australia.....	900,000	5,205,684
Oriental Bank.....	942,450	2,970,349
Bank of Bengal.....	1,070,000	2,336,148
" Bombay.....	522,500	921,048
" Madras.....	300,000	245,000

22. It should be noticed, in taking into consideration the subscribed capital of the Bank of Bombay, that the amount of Government Securities held, on its own account, is Rupees 35,71,000 so that in reality its paid-up capital, immediately available for business, is about one sixth of its liabilities. This appears to have been the consequence of an appeal made to the Honorable Court of Directors in 1852 for permission to modify the terms of the charter. The Bank had at that time a Banking Capital nearly equal in amount to that noted above, but sought to reduce its capital from Rupees 52,25,000 to 20 Lacs, the power to issue notes being restricted from 2 to 1 *Crore*. The alternative submitted for consideration was an investment in Government Securities to a much larger extent than was then held. The Court of Directors in their despatch of the 19th January, No. 1. of 1853, decline to sanction the reduction of capital, but observe "it may be necessary that the Bank, with a view to profit on its capital, should hold a larger quantity of Government paper than it would otherwise do."

23. I propose briefly to recapitulate the reasons that in my opinion are fairly to be urged against the proposed extension. That the course pursued by the public is not a legitimate one, and that the power to compel an increase of the Bank's capital is not provided by the Charter. That if such power does exist, its exercise in the present instance would not alleviate the inconvenience and evil complained of, and would be a wrong done to the Shareholders. That the want of means is attributable to the Public itself, and that the Shareholders have supplied all that could, on any fair principle, be required from them. That the profit yielded by the Bank has not realized the just expectation of the proprietary body, and that an increase to the capital would diminish the dividend. That the Bank of Madras is already placed in a false position by the public, and that to increase its subscribed capital would be to render that position a much more anomalous one. That the public can shew no just claim for the interposition of Government, from any privileges accorded to the Bank of which it can practically avail itself, and that the only one advanced, *viz.* the wants of the public, is not sufficient when it militates so entirely against the interest of the Bank proprietor.

24. It has been aptly remarked by a late Writer that "restrictions upon Banking are taxes on the public," and I cannot conclude these observations without drawing attention to the fact that the Bank, as now constituted, possesses in itself all the capabilities requisite to render it both useful and beneficial to the public, but it rests with the Government, and that public, by assisting it in its endeavours to put forth its resources freely and unrestrictedly, to enable the Institution to confer those advantages and to give that support to trade which was contemplated in its original establishment: aided and upheld by the Government in all reasonable attempts and well founded expectations of increasing its circulation of notes, and even moderately seconded by the public in its endeavours thus to create a Banking capital, the Bank of Madras cannot but, in due course, take that position to which it is fairly entitled.

(Signed) S. D. BIRCH,
Government Director, Bank of Madras.

Fort Saint George, Financial Consultation, 2nd June 1857.

If the arguments which have been adduced in favor of an increase to the Bank's capital had been based upon the grounds of a want of *means* to meet the growing requirements of trade, I might have concurred in the views of the memorialists, but the transactions of the Bank itself furnish conclusive proof that such is not the case, and its past experience tends to shew, I am of opinion, that there is an abundance of capital in the place, ample for all purposes, but that it has suited the holders to lock up their funds in such a manner as to render them dependant upon the Bank for accommodation, even under the ordinary fluctuations of trade.

Three-fourths and upwards of the Bank's advances are made upon the security of Government Bonds and in times of pressure this kind of business increases, and the private discount almost entirely disappears; moreover, I think it can be proved that the Funds of the Bank have not been required by or advanced to the public generally, but to a very small portion of that Public, this is made sufficiently clear by the annexed statement.

Another fact that impresses strongly upon my mind the absence of a want of capital, is that under any circumstances it is a most rare occurrence for the Bank to discount drafts or bills of exchange upon the other Banks or the leading mercantile houses, that such bills, to a tolerable amount, are frequently in the market will not be denied—but very rarely do they find their way into the Bank, and never to any amount.

This state of things appears to me to prove that there is no lack of *means*, and therefore no *necessity* exists for an increase to the subscribed capital of the Bank.

Neither am I prepared to admit that the Public have any *right* to expect the Shareholders should take such a step as that proposed.

The terms of the Charter provided for a paid up capital of 30 Lacs of Rupees, which was considered sufficient guarantee for the issue of Notes to the amount of a crore of Rupees, the Shareholders were fully entitled to expect that a Banking capital would be created at least equal in amount to the subscribed capital, but the records of the institution shew that these expectations have not been realized, the average of circulation and deposits for the last four years not amounting to more than Rupees 22,75,000, leaving, after the provisions of the Charter have been complied with, an amount available, equal to a little more than half the paid-up capital. It is in vain to talk of privileges accorded to the Bank by its Charter, when the two most important ones have been productive of such trifling results.

The Shareholders have performed their part of the compact, and if the Public are unable, or have been prevented by circumstances not within the control of the Bank's management, from creating such a Banking capital as might have reasonably been expected, the Shareholders cannot surely be held liable to supply the want of *accommodation* complained of, by an increase to their subscribed capital.

Whichever way the question is decided the Shareholders must be prepared to look for smaller dividends than they have lately realized, unless some means can be devised for increasing the Banking capital; by restricting their advances to the limit of their present capital they will probably compel those who have hitherto been their chief customers to keep a larger margin of available funds, instead of having the greater portion invested in Government Securities as heretofore; they may thus render the Bank liable to competition when the money market is easy, but with an increase of capital to the extent proposed they will require to invest a good portion in Government Securities, or will have such an amount of funds unemployed, during a great part of the year, as will most materially reduce their profits.

I should recommend the adoption of the former course as being less detrimental to the interest of the Shareholders and giving the Public no just cause for complaint.

(Signed) S. D. BIRCH.

(True Copy)

(Signed) S. D. BIRCH.

Fort Saint George, Financial Consultation, 2nd June 1857.

STATEMENT.

				Parties.	
1848	January.....	Loans...	7	5,54,166	
			77	4,31,505	
		Total ...	84	9,85,671	
"	April ...	Loans...	13	7,24,450	
			111	6,36,378	
		Total ...	124	13,60,828	
"	July ...	Loans...	4	5,30,000	
			4	2,58,000	
			11	3,16,450	
			19	11,04,450	
			129	5,95,780	
		Total ...	148	17,00,230	
"	October ...	Loans...	7	6,90,000	
			143	10,48,910	
		Total ...	150	17,38,910	
1850	January ...	Loans...	4	7,90,250	
			119	8,03,166	
		Total ...	123	15,93,416	
"	April ...	Loans ...	4	10,22,950	
			135	11,18,441	
		Total ...	139	21,41,391	
		Cost Credits...	28	6,74,587	
Parties 32	16,97,537		90	3,70,440	
225	14,88,881		118	10,45,027	
1851	January ...	Loans ...	10	14,14,950	
			146	10,78,235	
		Total ...	156	24,93,185	
		Cost Credits...	23	5,52,427	
			89	3,57,328	
Parties 33	19,67,377		112	9,09,755	
235	14,35,563				

(Signed) S. D. BIRCH:

I regret that I am unable to concur in the views expressed by the President, and assented to by a majority of the Board, that it is advisable to invest a portion of the Bank's capital in Government Securities.

The Board has before it, undisposed of, the question of an increase to the Bank's present capital, on the plea that its funds are insufficient to meet the wants of the Public, and with this question still pending, a proposition to invest one-third of the capital in Government Securities is brought under discussion.

Fort Saint George, Financial Consultation, 2nd June 1857.

I leave the inconsistency of these two propositions,—which appear so diametrically opposed to each other,—for the elucidation of those Directors who have advocated both.

The proposition for an increase of capital I opposed, because I believe the funds of the Bank, judiciously managed, to be sufficient to meet every legitimate requirement of trade, and I do not hold to the opinion that the Bank is bound to provide for every extravagant demand that may be made upon it for assistance.

I am adverse to an investment in Government Securities, because I conceive the Bank is bound to keep its Funds, to the fullest extent available for the accommodation of the public, and apart from any legal objection that may be taken to such a mode of investment, the difficulty of realizing at the very time specie is required, is patent to all who have been connected with the management of the Institution.

This is not the first occasion on which the Bank has had a temporary superabundance of Funds. In September 1846, the investments were down to Rupees 23,07,040. In November 1847, they were as low as Rupees 21,62,808, the specie was then Rupees 35,70,877, and in December following was as high as Rupees 36,25,327,—the very plan that is now proposed appears to have been adopted in 1848, and the Bank was a holder for the years 48–49–50 of Government Securities to the amount of about 5 lacs of Rupees, the embarrassments resulting from this measure, and the re-sales that were ere long compelled are matters of record.

Many causes have operated to produce our present condition, but among the chief have been the great influx of specie, and the abundance of capital available both here and at home, the late restrictions placed (wisely I am of opinion) on the business of the Bank have been urged as another cause, but I should conceive the two former ones alluded to, have prevented our testing the results likely to arise from the latter. Already it would appear a reaction has taken place in the Home Money Market, and doubtless the effect of this will become visible here ere long.

Had the inability to find means for the employment of a fair portion of the Bank's funds been a matter of some duration, this might be urged as a pretext for a permanent investment in Government Securities, of such an amount as experience had shewn to be in excess of the demands of the Public. I admit that figures are set forth in goodly array to endeavour to sustain this position, but facts have more weight with me, and I believe it cannot be denied that there have been times, when even at the exorbitant rates of interest and discount which ruled, the whole assets of the Bank have been insufficient to meet the requirements of the Public. I do not argue that the Bank was bound to meet these to their fullest extent, but I maintain that it tends to prove that the whole of its fund should be kept available for the purposes of legitimate Banking and that unless this is done the Public have a fair right of complaint against the management in times of pressure.

If there was a ready market for Government Securities in this place, the objection to a temporary investment in such would not be entitled to so much consideration; but experience has shewn that sales beyond a very trifling amount cannot be effected, except by a transfer from one kind of investment to another, and the disposal of its Securities does not necessarily ensure the Bank a better position.

I have merely to add that if the question is carried in favour of an investment in Government Securities, I shall consider it my duty to report the matter for the information of Government, not, I trust my colleagues will believe me, with a view to render them in any way obnoxious to remark, but merely to shield myself from a repetition of such grave censure as has of late been so unsparingly dealt out by Government to its nominees, should the measure be attended with the unfavorable results which I conceive will inevitably ensue from such a proceeding.

(Signed) S. D. BIRCH.

19th March 1853.

(True Copy.)

(Signed) S. D. BIRCH.

Fort Saint George, Financial Consultation, 2nd June 1857.

MEMORANDUM shewing the amount of Specie lying unemployed in the Bank of Madras, according to the weekly Returns furnished to Government for the years 1852-53-54-55-56.

Weekly Returns.		Amount of Specie.		Remarks.
		Rupees.	A. P.	
1852.				
Week ending	3d January...	14,66,179	4 4	
" "	10th "	11,82,374	6 11	
" "	17th "	10,77,312	15 7	
" "	24th "	10,11,779	0 2	
" "	31st "	9,11,936	0 4	
" "	7th February	8,45,440	4 2	
" "	14th "	8,32,757	6 10	
" "	21st "	10,19,011	13 5	
" "	28th "	10,39,198	9 11	
" "	6th March	14,37,656	12 6	
" "	13th "	15,66,348	4 3	
" "	20th "	18,50,002	0 11	
" "	27th "	18,53,627	1 7	
" "	3d April	22,41,901	11 8	
" "	10th "	23,40,853	3 6	
" "	17th "	24,05,430	14 6	
" "	24th "	22,41,841	1 5	
" "	1st May	21,98,473	7 11	
" "	8th "	21,85,538	0 11	
" "	15th "	21,17,290	9 2	
" "	22d "	20,70,858	2 1	
" "	29th "	21,97,243	2 8	
" "	5th June	22,10,919	13 11	
" "	12th "	21,21,531	8 4	
" "	19th "	20,42,252	1 10	
" "	26th "	20,22,093	10 7	
" "	3d July	19,66,478	3 7	
" "	10th "	19,86,522	2 10	
" "	17th "	20,76,112	15 2	
" "	24th "	21,52,340	14 2	
" "	31st "	22,62,079	6 5	
" "	7th August	22,33,988	13 5	
" "	14th "	23,26,304	15 6	
" "	21st "	23,50,784	14 8	
" "	28th "	25,75,645	0 8	
" "	4th September	25,32,783	13 9	
" "	11th "	25,59,147	4 5	
" "	18th "	25,75,085	0 6	
" "	25th "	25,92,621	11 0	
" "	2d October	26,32,036	7 8	
" "	9th "	25,24,653	2 2	
" "	16th "	25,92,378	0 0	
" "	23d "	27,61,719	5 4	
" "	30th "	29,45,698	11 0	
" "	6th November	30,20,827	14 6	
" "	13th "	27,90,963	3 3	
" "	20th "	28,66,299	11 9	
" "	27th "	31,85,087	9 3	
" "	4th December	32,53,712	3 6	
" "	11th "	32,58,233	5 4	
" "	18th "	32,51,832	15 8	
" "	25th "	35,13,156	10 2	
" "	31st "	34,47,560	0 3	
1853.				
Week ending	8th January...	34,04,207	8 9	
" "	15th "	33,15,093	4 6	
" "	22d "	32,30,838	7 4	
" "	29th "	31,64,908	10 4	

Fort Saint George, Financial Consultation, 2nd June 1857.

1853 (continued.)		
Week ending 5th February	31,84,265	10 0
" " 12th "	31,65,435	9 3
" " 19th "	31,58,820	3 8
" " 26th "	31,42,531	1 8
" " 5th March	32,74,800	0 10
" " 12th "	33,19,264	14 3
" " 19th "	32,85,618	3 8
" " 26th "	32,29,848	1 8
" " 2d April	32,90,569	2 10
" " 9th "	29,87,141	10 4
" " 16th "	27,72,365	4 10
" " 23d "	28,54,205	8 6
" " 30th "	27,73,394	2 6
" " 7th May	27,14,232	5 11
" " 14th "	26,75,490	12 9
" " 21st "	26,68,689	10 0
" " 28th "	27,93,701	8 3
" " 4th June	26,46,531	4 7
" " 11th "	25,30,582	5 9
" " 18th "	25,72,251	10 0
" " 25th "	24,30,528	6 5
" " 2d July	22,85,107	2 9
" " 9th "	21,68,872	10 7
" " 16th "	20,52,357	0 7
" " 23d "	21,15,392	2 4
" " 30th "	24,01,213	11 6
" " 6th August	25,18,905	0 4
" " 13th "	25,03,636	8 4
" " 20th "	24,96,369	1 1
" " 27th "	27,30,639	12 8
" " 3d September	25,99,685	4 5
" " 10th "	23,46,830	15 11
" " 17th "	22,99,808	9 11
" " 24th "	21,64,199	3 1
" " 1st October	21,10,674	6 10
" " 8th "	25,75,970	6 1
" " 15th "	28,23,359	9 5
" " 22d "	28,67,252	6 7
" " *27th "	30,96,710	2 6
" " 5th November	31,71,415	4 7
" " 12th "	34,63,295	11 6
" " 19th "	35,16,310	12 11
" " 26th "	35,41,831	9 11
" " 3d December	37,38,660	10 2
" " 10th "	36,59,704	15 4
" " 17th "	36,86,310	0 4
" " 24th "	36,60,423	2 3
" " 31st "	36,48,470	14 10

*This is a clerical error
it should be 29th.

1854.		
Week ending 7th January	35,00,181	14 11
" " 14th "	34,13,504	7 9
" " 21st "	34,11,471	4 9
" " 28th "	36,64,335	13 4
" " 4th February	38,27,757	10 11
" " 11th "	39,17,305	7 4
" " 18th "	41,11,384	2 11
" " 25th "	43,03,801	13 4
" " 4th March	40,97,096	11 9
" " 11th "	39,96,976	3 5
" " 18th "	39,57,612	9 8
" " 25th "	36,85,075	11 6
" " 1st April	37,31,793	10 5
" " 8th "	37,53,136	7 2
" " 15th "	37,20,618	11 3
" " 22d "	36,72,395	6 1
" " 29th "	33,73,587	15 2
" " 6th May	36,49,546	15 8
" " 13th "	36,05,385	14 7
" " 20th "	36,49,261	11 8

Fort Saint George, Financial Consultation, 2nd June 1857.

1854 (continued.)		
Week ending 27th May	36,62,756	8 2
" " 3d June	36,74,269	5 1
" " 10th "	36,85,341	15 5
" " 17th "	37,40,849	8 8
" " 24th "	36,45,184	4 0
" " 1st July	35,95,227	9 7
" " 8th "	35,49,250	13 9
" " 15th "	37,34,885	15 5
" " 22d "	37,35,823	5 8
" " 29th "	37,32,702	11 2
" " 5th August	37,56,627	11 7
" " 12th "	37,32,265	7 0
" " 19th "	37,47,114	1 11
" " 26th "	36,82,981	3 0
" " 2d September	36,74,013	0 7
" " 9th "	34,08,423	8 3
" " 16th "	33,63,355	4 0
" " 23d "	29,20,355	9 0
" " 30th "	27,84,735	15 9
" " 7th October	26,75,365	6 10
" " 14th "	25,96,316	10 7
" " 21st "	26,35,099	3 0
" " 28th "	27,75,259	0 2
" " 4th November	28,81,299	2 9
" " 11th "	28,34,430	9 4
" " 18th "	29,65,719	4 3
" " 25th "	28,77,591	13 0
" " 2d December	31,43,981	5 9
" " 9th "	31,56,487	7 3
" " 16th "	31,04,814	3 5
" " 23d "	27,69,447	8 1
" " 30th "	27,32,064	5 0
1855.		
Week ending 6th January	23,42,257	2 5
" " 13th "	17,37,079	7 1
" " 20th "	17,16,875	15 10
" " 27th "	15,57,380	7 5
" " 3d February	18,40,108	9 7
" " 10th "	18,74,448	10 9
" " 17th "	18,20,016	6 10
" " 24th "	18,90,945	15 2
" " 3d March	17,89,921	9 0
" " 10th "	16,69,751	4 4
" " 17th "	19,15,414	14 9
" " 24th "	20,80,291	4 0
" " 31st "	19,48,678	0 10
" " 5th April	19,41,984	7 0
" " 12th "	16,81,622	12 11
" " 19th "	18,08,526	13 8
" " 26th "	15,48,417	5 7
" " 3d May	25,05,005	15 9
" " 10th "	21,24,596	11 4
" " 17th "	22,28,439	14 10
" " 24th "	22,25,021	10 6
" " 31st "	22,26,137	13 11
" " 7th June	21,84,311	11 4
" " 14th "	18,43,922	0 0
" " 21st "	16,96,000	4 4
" " 28th "	13,99,605	5 2
" " 5th July	13,71,155	2 0
" " 12th "	15,16,894	2 4
" " 19th "	15,10,288	5 7
" " 26th "	15,46,437	12 9
" " 3d August	12,68,414	14 2
" " 10th "	12,30,031	12 7
" " 17th "	12,37,449	13 10
" " 24th "	13,41,961	6 6
" " 31st "	13,38,307	0 5
" " 7th September	12,65,144	14 0

Fort Saint George, Financial Consultation, 2nd June 1857.

1855 (continued.)			
Week ending	15th	September	13,18,044 5 2
" "	22d	"	14,85,605 8 0
" "	29th	"	16,66,900 4 0
" "	6th	October...	16,60,307 11 0
" "	13th	"	17,53,564 8 10
" "	20th	"	18,09,407 8 6
" "	27th	"	16,36,360 2 10
" "	3d	November	18,84,376 4 6
" "	10th	"	20,80,949 3 8
" "	17th	"	21,34,752 7 11
" "	24th	"	21,51,853 0 8
" "	1st	December	19,21,459 4 8
" "	8th	"	20,94,276 15 2
" "	15th	"	21,40,656 3 1
" "	22d	"	not received apparently.
1856.			
Week ending	5th	January	18,37,906 11 10
" "	12th	"	15,17,469 10 7
" "	19th	"	14,33,059 5 10
" "	26th	"	14,11,545 9 9
" "	2d	February	14,77,833 4 9
" "	9th	"	14,63,868 0 10
" "	16th	"	15,78,497 1 5
" "	23d	"	17,16,568 15 2
" "	1st	March	17,77,926 7 4
" "	8th	"	18,94,007 0 6
" "	15th	"	17,65,586 4 7
" "	20th	"	17,12,953 5 5
" "	29th	"	16,88,981 15 1
" "	5th	April...	19,43,453 6 11
" "	12th	"	17,99,084 12 4
" "	19th	"	18,07,008 10 9
" "	26th	"	19,32,608 3 8
" "	3d	May...	22,51,099 7 2
" "	10th	"	19,88,538 12 0
" "	17th	"	19,34,609 2 1
" "	23d	"	22,59,585 4 7
" "	31st	"	21,63,346 10 4
" "	7th	June	34,02,211 11 11
" "	14th	"	26,05,816 8 11
" "	21st	"	27,51,438 9 5
" "	27th	"	29,26,241 1 2
" "	5th	July	29,18,555 3 7
" "	12th	"	31,09,508 13 7
" "	19th	"	30,89,590 12 5
" "	26th	"	32,30,894 8 6
" "	2d	August	36,88,566 4 1
" "	9th	"	39,05,615 5 1
" "	16th	"	38,62,890 9 1
" "	23d	"	38,55,728 5 1
" "	30th	"	40,14,325 7 7
" "	6th	September...	39,76,101 11 0
" "	13th	"	38,84,379 3 5
" "	20th	"	37,60,788 11 7
" "	27th	"	40,65,504 2 2
" "	4th	October	40,41,002 2 5
" "	11th	"	41,31,400 6 7
" "	18th	"	46,43,695 15 2
" "	25th	"	45,12,717 5 5
" "	1st	November...	43,80,337 8 5
" "	8th	"	42,15,221 5 0
" "	15th	"	40,59,881 1 2
" "	22d	"	40,55,826 12 7
" "	29th	"	42,21,678 6 4
" "	6th	December	40,17,828 5 0
" "	13th	"	39,45,508 4 10
" "	20th	"	39,49,120 12 5

Fort Saint George, Financial Consultation, 2nd June 1857.

No. 8. Read the following letter from W. E. UNDERWOOD, Esq., Government Director Bank of Madras; to T. PYCROFT, Esq., Chief Secretary to Government, dated 16th May 1856.

SIR,

Para: 1. At a Public Meeting held at Madras of the mercantile and trading community, a Memorial was agreed to be addressed to the Supreme Government, which having been transmitted through the Madras Government, the Right Honorable the Governor in Council has been pleased, before passing orders upon it, to forward it to the Government Directors, who will severally give their opinion upon the proposed extension.

2. It is not my intention to enter into an examination of the Statements in the memorial, but fully impressed with the propriety of its prayer, I proceed to advert to the more prominent facts which in my mind, not only call for, but render imperative, an increase to the Capital of the Madras Bank, which the Bank is bound to provide.

3. The issue of a Prospectus detailing the business an institution proposes to transact, its Capital being subscribed on the conditions set forth, and a Charter of Incorporation granted to carry on its transactions, is bound to fulfil the guarantee offered on its Institution. I shall proceed to show, on this ground, that the Bank of Madras is bound by its contract with the public and the shareholders to increase its capital.

4. The Government Bank (having the Treasury as an unfailing resource) granted *unlimited* accommodation, and if it be true, as was stated, that the Madras Bank was originated from the *want* of *mercantile knowledge*, and *credit*, consequent upon which accommodation was occasionally refused to certain parties, it must be prominently borne in mind, that this was not occasioned BY THE WANT OF FUNDS. The resources of the Bank of Madras, compared with those of the late Government Bank, affords the memorial to the Government of India, I apprehend, an irresistible argument in its favor, inasmuch as the Bank of Madras has, in lieu of giving larger accommodation and increased facilities to trade, by its small capital exercised a detrimental influence.

5. At a Public Meeting held at Madras ——— The Sheriff in the Chair, a Prospectus was read and resolutions adopted to form a Committee to carry out the principles enunciated, and eventually the Madras Bank was constituted under Act IX of 1843.

6. The present Bank was established consequent upon "the limited facilities which are afforded to the Public of Madras by the existing Government Bank at this place." It was observed of the Government Bank that it is managed under "arbitrary and confused rules," conducted by covenanted officers, controlled by the Home Authorities, and that "it is not to be wondered at, that the Commerce of Madras fails to present those features of vigor and activity which the working of a liberal and well conducted Banking Establishment should have afforded. "It was contemplated that the proposed Bank would remedy these defects, and exercise a beneficial influence upon trade."

7. I respectfully submit the fulfilment of these conditions is imperative. If the capital of the Bank of Madras has granted these facilities to Trade, the Memorialists have *no case*; if it has not, the alternative is that its capital must be increased. The Bank lies under an obligation it has voluntarily undertaken and from which it cannot withdraw, and this is manifest if we consider it superceded an Institution which granted unlimited accommodation, and that when the Bank undertook to give *increased facilities*, its *practice* cannot be permitted to be the antipodes to its *professions*. It must fulfil them by an increase to its capital.

8. The proceedings of the Bank from year to year, proves that it commenced and continued its business with an insufficient capital. The supply has not been and is not equal to the demand. The prayer of the memorial appears just, inasmuch as it calls on the Bank to make good its professions, and to fulfil the objects for which, *and on which ground* alone, it was constituted.

9. An increase to the capital cannot be granted without the consent of the Governor General in Council, this is now sought to be obtained. I therefore offer the following observations to demonstrate that the concurrence in the prayer of the memorial by that high authority is an emergent necessity.

Fort Saint George, Financial Consultation, 2nd June 1857.

* Memorial to the Supreme Government laid before the Directors of the Bank.

10. The shareholders of the Bank laid before the Directors of the Bank, a proposal* for an increase of capital, and among other arguments used the following:

"That your memorialists are impressed with a conviction, from the experience of some years past, that the amount of the subscribed capital of the Bank of Madras is insufficient for the purposes for which that Bank was instituted, and that it might be increased, not only without detriment to the Shareholders, but probably with permanent advantages to them, and certainly to the great benefit of the community at large."

"During the 8 years which have passed since the establishment of the Bank, the trade of Madras has been considerably increased, there has been, in consequence, a growing demand for legitimate mercantile accommodation, which is partly illustrated by the following figures, shewing that the business investments of the Bank have been annually increased."

	1848.	1849.	1850.	1851.
"Average of 1848.				
"Rupees 31,62,788.		31,28,443.	33,56,446.	36,93,893."

"The Bank has many times found itself in the position of denying to the public, all and any accommodation."

"Your memorialists cannot doubt but that your Lordship will hold this state of things to be extremely unsatisfactory, considering the position held by the Bank of Madras as a public institution; and, as Shareholders, they cannot but view with apprehension the consequences of the repeated and continued pressures on the mercantile interests of the place, caused by the want of proper Banking accommodation. They consider the permanent prosperity of the Bank to be bound up with the well doing of the trade of the Presidency."

"Your memorialists, therefore, as Shareholders of the Bank, pray that the institution may be placed upon a wider and more secure basis, by an extension of the capital Stock, to the extent of 20 lakhs of Rupees, in terms of Section 14 of the Act of Incorporation."

11. The Directors at this period numbered among their body, men of talent, tried capacity, and mercantile experience. The majority were in favor of an increase to the capital, their opinions have been verified by the facts quoted in the Memorial, which contains a reiteration of the views of those Directors. If the Shareholders will not come forwards it is equitable and just to give the memorialists the opportunity of adding to the capital of the Bank of Madras. The imperative necessity for its increase they have demonstrated.

12. The Bank of Madras commenced its operations in 1843 by at once plunging into a grievous error, it invested 31 Lacs, that is, its whole subscribed capital, in the Funds,—this in the face of a proclamation "to grant facilities to Trade." This error was palpable, that it was so its results demonstrate. In 1845, the funded property was reduced to eleven and a half Lacs.

13. In 1846, a severe monetary pressure occurred, which was met by a further sale of the funded property.

14. In 1847 the pressure increased, and a further sale took place, leaving about two Lacs invested.

15. Thus the Bank at its outset invested its whole capital in the funds. In four years it was obliged to part with nearly the whole, at a most serious loss. The entire loss the Directors state to have been One Lac Thirteen Thousand Rupees. This is apparent from the annexed table taken from their report.

Fort Saint George, Financial Consultation, 2nd June 1857.

	Resale of Government Bonds, balance of				Contingent Charges connected therewith.		Total.		Written off.	
	Gain.		Loss.							
	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.
31st December 1845.	4,048	4 5	0	0 0	39,850	2 3	35,801	13 10	12,000	0 0
During 1846.	0	0 0	43,033	5 11	16,232	15 2	59,266	5 1	36,232	15 2
During 1847.	0	0 0	13,100	0 0	5,054	9 4	18,154	9 4	64,989	13 1
Total	4,048	4 5	56,133	5 11	61,137	10 9	1,13,222	12 3	1,13,222	12 3

16. The transactions of the Bank during the pressure of 1846 and 1847, prove that it had not a sufficiency of Banking Capital. In 1846 it was saved from stopping payment by the forbearance of its constituents, its cash being drawn down to five* Lacs

* Enclosure A. eight thousand. The proceeding of the merchants of Madras on this occasion, is one of those occurrences which reveal the honorable principles upon which their business is conducted. The absence of speculation. No mercantile firm experienced financial embarrassment from the stoppage of all sources of supply. Connected as I have been with the mercantile community of Madras since 1831, I trust, I may be permitted to bear my humble testimony to the principle which actuates them, and upon which all their transactions are and have been based.

17. In the following year, the specie was reduced to six Lacs forty thousand. In 1850, to seven Lacs. In 1851, five Lacs and a half, and 1852, to eight Lacs. In the year 1846,* all business ceased, no money could be obtained on security of any description, Government bills drawn by the Honorable the Court of Directors† on the Treasury, were refused discount, as well as discounts on private bills. I apprehend these facts are irrefragable evidence of an insufficiency of capital, for, in ordinary parlance, the resources of Bank were exhausted, accommodation was not to be had upon any terms, not even where the security proffered was undeniable and negotiable.

18. The transactions of more recent dates exhibit the same features, though the Bank Directors, taught by experience in the monetary pressure of 1855 and 1856, managed the Bank's affairs with caution and discretion. They kept in reserve specie to meet all liabilities.

19. It is very important, in order to obtain a just appreciation of the necessity of an increase to the capital of the Bank, that the working of the Bank during these two last years should be investigated.

20. The President was Mr. Nelson; his being elected to fill that office on two consecutive occasions, when by law his tenure of office had expired, is a better comment upon his qualification to fill this important office, than any other testimony, inasmuch as it is unprecedented.

21. On the 30th January, the demands on the Bank for accommodation induced the Directors to raise* the rates of interest. The Secretary has, ordinarily, authority to issue a Lac of Rupees on a loan or cash credit. On this occasion, irrespective of the raising of the rates, the powers of the Secretary were restricted to the grant of Rupees 25,000, the specie being 15,19,376. These restrictions were removed on the 22nd February, the specie being 14,13,135. On the 15th March restrictions were reimposed and fixed at Rupees 10,000! The Specie being 17,01,355. These continued until the 15th May, the specie on that date 15,43,081. On the 21st June, the restrictions precluded an advance exceeding 5,000 Rupees, and even this amount was only to be afforded "to the regular customers of the Bank", the public at large being refused accommodation. Discounts on private bills were limited to this amount, and "to the regular customers of the Bank." The Specie then was 17,73,124. This state of affairs continued until the 16th October, when the restrictions were withdrawn. The specie being 11,94,383. On the 8th January 1856, restrictions

Enclosure D. exhibits the rates of dividend and of interest charged by the Bank.

* Enclosure B.

Fort Saint George, Financial Consultation, 2nd June 1857.

were again imposed, and 50,000 Rupees was the limit assigned, specie 18,34,177. On the 2nd February, the advances were restricted to Rupees 5,000, this amount to be given only "to the regular customers of the Bank;" the specie was on this date Rupees 14,77,833. The restrictions were finally withdrawn on the 26th February last, the specie being 12,76,681.

22. It would occupy too much time to enter into an investigation of these facts, and to compare the investments* year by year, but the Statement C. may be compared with these above facts. I solicit particular attention to the circumstance that when the Bank refused advances on funded property to an amount exceeding Rupees 5,000, and this sum only to constituents, in 1855 and 1856, trade was flourishing, and advances were solicited upon undeniable security for legitimate purposes. The Bank at this time, from the state of its funds, could give no further accommodation than Rupees 5,000, even to the regular customers of the Bank. In these years the investments were, in 1854,—36,45,740, and in 1855,—45,63,761. The dividends received by the proprietors in the latter portion of 1856, was 10½ per cent, which, in the current half year promises to be 14 per cent. These facts may significantly account for the public meetings being called by merchants and tradesmen to obtain an increase to the capital* of the Bank. The Bank, unable to meet the wants of trade, was dividing a dividend of 10½† per cent. on its capital at the expense of its constituents, to whom accommodation was refused for advances on the security of Government paper, on sums exceeding Rupees 5,000. This sum is of no value to a Merchant! Statement C. shews that the minimum amount of investment in 1856 was equal to the maximum investment from 1843 to 1849, both inclusive, and excepting the years 1851 and 1852, equal to the maximum of all the nine years included in the statement. The capital of the Bank of Madras offered to the trading community, exporting 274 Lacs per annum, 5,000 Rupees each!!! to carry on their Trade.

* Enclosure C. Exhibiting the Import of Treasure into Fort Saint George increasing to an amount, sup- ply greater than its Capital.
† See Enclosure: D.

23. Statement* F. is a significant commentary on these facts. The depreciation of Govern- ment Securities speak audibly that the interests of Government are indetical with those of the public, inasmuch as when the sources of supply to the merchant fails, Government Securities become rapidly depreciated. The state has as direct an interest in the memorial as the merchants and traders respecting the increase of the capital of the Bank.

* Enclosure F. 24. I cannot occupy the time of Government with arguments on this point. It has been my desire shortly, definitely, but prominently to put forward for consideration, facts illustrative and demonstrative of the insufficient capital of the Bank, to meet in any degree the legitimate require- ments of trade, consequently the necessity, and that emergent, for an increase to the capital.

25. If the Supreme Government will grant the increase, according to the terms of the charter, the Shareholders will have twelve months during which they may take the shares at par, after which the public generally will have the opportunity of investing capital in Bank shares. The division of a dividend of 10 per cent. in the last half year by the Shareholders, and the expectation of a dividend of 14 per cent. on the current half year, justifies the public in demanding that the Bank shall afford accommodation to trade by increasing its ac- capital, so that it shall place at the disposal of the public funds sufficient for its ordinary require- ments. The rates charged for interest should represent the value of money undisturbed by those vicissitudes which no prudence or experience can guard against, whereas with the present limited capital of the Bank, pressure on the money market occurs at the very period when parties may reasonably expect the ordinary accommodation to continue. It is at this identical period, denied to a sufficient extent, and at times refused altogether, money becomes dear. The Bank is responsi- ble. Moreover its circulation is diminished consequent upon the limited capital, which increases the evil, and the supply of funds to trade is cut off. In the midst of prosperity, adversity stands prominently forward, the Bank's coffers are nearly exhausted; and funded property is of no more value than waste paper, as a means by which money can be raised; and if I have failed to prove

Fort Saint George, Financial Consultation, 2nd June 1857.

the increase of the capital of the Bank of Madras is an emergent necessity; the Bank Prospectus supplies the argument, it is on account of the "limited facilities which are afforded to the public" of Madras by the EXISTING Government Bank at this place.

"under the influence of the above circumstances, it is not to be wondered at that the commerce of "Madras fails to present those features of vigor and activity which the working of a liberal and "well conducted Banking establishment should have afforded." Is it not reasonable that the mercantile and trading community should, under these circumstances, anxiously press the prayer of the memorial upon the consideration of the Government of India.

26. I take the liberty to enclose copy of a Minute* I wrote on the increase of capital, not because I deem it to merit attention, but to prove that my advocacy of an increase of capital is not a recent idea.

* Enclosure C. 27. The Banking Capital is admitted by the Directors not to be sufficient, this is apparent from the correspondence noted in the margin;* these contain proposals to increase the Banking Capital by an increase to the circulation. I am aware some influential parties consider this would not supply a sufficient increase to the Capital, and they are consequently opposed to the prayer of the memorial. However specious the argument, I do not believe it has any foundation more substantial than opinion, legitimate but untenable, un- supported by facts. I do not enter into any argument on this point. It is a significant fact proved to demonstration on each several occasion, that in times of pressure, the circulation has in- variably been thrown rapidly back upon the Bank. Past experience demonstrates that although an increase to the circulation increases, in times of prosperity, the Banking Capital, is a decided convenience to the public, and a profit to the Bank, in times of pressure it is a source of anxiety, and requires to be watched with scrupulous care. But admitting that the concessions solicited from Government were granted without restriction, it would not, I apprehend, in any adequate degree provide the increase of Banking Capital demanded by the increased requirements of trade. Whatever benefit might eventually be derived from an increase to the circulation, it must be gradual, whereas what is imperatively required and urgently demanded, is a supply of money for immediate use.

28. I subjoin four Statements* shewing the state of trade for 10 years, the one exhibit- ing the Trade 2 years before and 2 years subsequent to the Establishment of the Bank, the latter the last 5 years. I leave them to speak for themselves. There is, on an average, an increase annually in the last five years of 46 Lacs of Rupees per annum in the Export Trade in merchandize, compared with the period at which the

Bank was established. It must not be forgotten that for the last 5 years providence has shut up the heavens, and the ordinary fall of rain in various places has been withheld, and conse- quently dried up the resources of trade. What the increase will be if the blessing of rain is given universally, combined with the works erected and under erection, remains to be seen. These statements* of Exports refer to the Presi- dency of Madras. It must, however, be borne in mind, that the great bulk, if not the whole of the capital employed in the provinces is supplied from the Presidency. These statements speak volumes, and among other remarkable circum- stances exhibit that the value of the Export of the articles noted in the margin,* each exceed in value the present Capital of the Bank!!! These facts require no comment.

* Enclosure I.

* Rice.

Indigo.

Sugar.

See Statement H.

The increase in the Exports of the articles noted therein in the last 5 years compared with the year when the Bank was established is 30,46,503.

Fort Saint George, Financial Consultation, 2nd June 1857.

29. Further, it is important to bear in mind that the Railway, and other internal means of communication now in progress or contemplation, combined with extensive works for irrigating the land, will be followed by results analogous to those in other countries, by developing new enterprises, and stimulating existing resources, each giving an impetus to trade, and requiring increased Banking facilities. The large funds of Native Bankers are used in other branches of business. The Bazaar affords no assistance. The late Government Bank drew into its vortex all applicants for advances on Government securities for trading purposes through a long series of years. This establishment formed the source of the monetary supply to trade. The Government Bank on its dissolution handed over to the Madras Bank its constituents and its business as it stood! The system was continued and is continued unchanged. Other Banks have been set up in the city, being merely Branch Banks, and dependent on the instructions of the parent establishment, they in no degree affect the Madras Bank, and afford very limited accommodation to the trading community. The Bank of Madras is the great feeder of trade, and the specie in its coffers is the pivot upon which the other Banking Establishments, Mercantile Houses, and Traders in general, European and Native, depend. It is by no means desirable to turn the channel of supply by inducing other capitalists to enter the market, to enable the Bank of Madras to furnish the advances required, and to fulfil its obligation. As trade increases, the capital of the Bank must necessarily be likewise increased in proportion, the more especially as this was the condition on which it was incorporated.* The same authority which created

* See Prospectus. it should, as it is authorized to do so, make the Proprietors of the Bank provide a sufficient capital, and not permit the Bank to check the demand for money and raise the rates of interest to famine prices, at the very period when accommodation should be accorded. In lieu of this the Bank brings its small capital to bear with disadvantage on Trade, stops its supply, interferes with legitimate business, and at the same time and from the same cause hampers trade, while Government securities are depreciated; and not only so, but are no better, as before stated, than waste paper as a source from whence the demand for money may be supplied. The limited capital of the Bank is an incubus that is insupportable, for its Shareholders are receiving large dividends at the expense of parties to whom accommodation, which cannot be called accommodation, is refused. The diminution of the Bank's profits is the only ground upon which objection can be taken to increase the capital, by diminishing the dividends of the shareholders.

30. On this point I would observe that six and a half per cent is generally I believe considered by most Mercantile men in Madras as the legitimate return the Bank should expect for its capital employed. Table D. proves that on an average of (13) thirteen years the Bank has received seven. The average rates in the last column afford reasonable expectation, a dividend of $6\frac{1}{2}$ would, on an average of years, be realized on the increased Capital, and more, I apprehend, as

Fort Saint George, Financial Consultation, 2nd June 1857.

the circulation increased. That means will be adopted to effect this is certain, either at the present or at some not very remote period. The increase of trade, and the growing desire, amounting to a necessity, for facilities of transporting capital from place to place in the Provinces, will make the Notes of the Bank more sought after as a means to the end, this from time to time will increase the circulation in the interior, but, as before observed, this will be a work of time, and in my mind greatly dependent upon the increase of Capital and an increase of constituents, and increased confidence in its resources. The Bank will rise in the estimation of and be more appreciated by the public, and these and other causes combined will tend to an increase of its circulation, which once fairly commenced will gradually but certainly progress.

31. The monetary pressure now apparent in England and in India, gives cause for uneasiness, for although there are signs which induce hope, it possibly may not pass away without a financial crisis in India, commencing in Bengal. There are reasons for anxiety even in Madras. The depreciation of Company's paper is conclusive evidence of pressure in the money market, as also the rates of the Banks at the three Presidencies, want of capital must necessarily increase that pressure in Madras, and the existing danger. It is matter of regret that means were not taken at a much earlier period to increase the capital of the Bank of Madras. This having been delayed has at length aroused the mercantile and trading community, and elicited from them the memorial now before Government. It is temperate in its tone, though those who are parties to it feel themselves suffering under intolerable and burthensome restrictions.

32. Among other matters, Government will do well to consider whether it will, if the extension of Capital is agreed to take its proportion of the new shares. Upon this point, I do not take the liberty to offer an opinion. It is now admitted in England, and the principle is universally adopted, that the Directors of all Companies should be paid Officers. At a Meeting* of the Shareholders holden in London on the 22nd May 1852, this principle was palpably avowed, and suggested to the Directors of the Bank of Madras for adoption, laid before a General Meeting of Proprietors, and agreed to when a dividend of 6 per cent should have been paid for two years. I do not shrink from the task of urging this on the attention of Government, and through that authority, if my humble representation may find advocacy, on the Government of India. I am a Director of the Bank of

Madras, but no great public principle can depend upon individual sentiments or interests. I do not therefore scruple on that ground to notice that as the whole mercantile body of England are unanimous on the subject, and invariably adopt the principle, it is deserving the consideration of the Government of India. It has been proposed, tried, tested and finally resolved itself into an axiom. An irresponsible and unpaid agency is among all commercial men in England, repudiated as bad in principle, under no efficient control, and in the end gratuitous labor is found to be the least effectual, while it is the most expensive description of agency, for it invariably leaves much profitable business unattended to which would yield a remunerative return.

(Signed) W. E. UNDERWOOD,
Government Director, Bank of Madras.

Fort Saint George, Financial Consultation, 2nd June 1857.

A. STATEMENT for Mr. Underwood.

Date on which restrictions were imposed on business, and amount of Specie in the Banks Coffers.			Dates on which restrictions were removed and lowest amount to which Specie had fallen in the interval.		
1846 January 22d.	5,25,002		1846 March 16th.	5,08,173	
1847 February 6th.	10,99,910		1847 June 23d.	6,40,373	
1850 March 12th.	10,05,164		1850 May 28th.	7,05,434	
1851 January 7th.	7,47,730		1851 March 4th.	5,52,563	
" September 30th.	9,25,912		1852 March 2d.	8,10,787	
1855 January 30th.	15,19,376		1855 February 22d.	14,13,135	
" March 15th.	17,01,355		" May 15th.	15,43,081	
" June 21st.	17,73,124		" October 16th.	11,94,383	
1856 January 8th.	18,34,177		1856 February 26th.	12,76,681	

B. STATEMENT for Mr. Underwood.

Dates on which restrictions were imposed on business.	Amount to be advanced by Secretary, at date of first restriction.	Amount to be advanced by Secretary, at date of greatest restriction.	Rates of Interest on Loans at their dates.	Amount of Specie in the Bank Coffers at same dates.	Rates of advances on 4 per cent. Co's. Papers at same dates.	
1855 Jany. 30th.	Rupees. 25,000	No further restriction imposed.	8 per cent.	15,19,376	90 per cent.	All restrictions removed on 22d Feby. 1855.
* " March 15th.	10,000	Do.	10 "	17,01,355	85 "	Do. on 15th May 1855.
* " June 21st.	5,000	Do.	9 "	17,73,124	87 "	Do. on 16th Oct. "
1856 Jany. 8th.	50,000		10 "	18,34,177	80 "	
* " Feby. 2d.		5,000	12 "	14,77,833	80 "	Do. on 26th Feb. 1856.

* Advances restricted on these dates to the regular Customers of the Bank.

C. MEMORANDUM of Business Investments.

	Maximum.	Minimum.
1843	24,19,199	16,89,555
1844	35,09,405	17,17,505
1845	34,61,889	29,71,21
1846	37,89,417	23,83,496
1847	38,29,730	21,67,042
1848	33,55,117	26,48,770
1849	35,59,660	25,84,691
1850	38,90,116	29,70,107
1851	43,27,965	31,09,143
1852	42,69,195	23,73,773
1853	32,46,471	22,85,668
1854	36,45,740	26,79,885
1855	45,63,761	36,47,105

Fort Saint George, Financial Consultation, 2nd June 1857.

D. STATEMENT shewing the Dividends paid and the rates of Interest charged by the Bank up to 31st December 1855.

Half year ending.	Rate.	Rates of Interest charged.				Rates of Interest charged.				Rates of Interest charged.				Rates of Interest charged.				Rates of Interest charged.			
		Dividends paid.		Government Bills.		Private Bills.		Loans.		Cash Credits.		Average.		Government Bills.		Private Bills.		Loans.		Cash Credits.	
1843 December 31st.	3 per cent.	31st.	31st.	5 per cent.	5	6	6	5 1/2	5 1/2	6	6	5.62	5.95	5 per cent.	5	6	6	5 1/2	5 1/2	6	6
1844 June 30th.	do.	31st.	31st.	4	4	6	6	5	5	5	5	5.06	5.6	do.	4	6	6	5	5	5	5
" 1845 June 30th.	do.	31st.	31st.	4 ad	6	7 ad	8 1/2	5 1/2	5 1/2	7 ad	7 1/2	6.44	6.33	4 ad	6	7 ad	8 1/2	6	6	7 ad	7 1/2
" 1846 June 30th.	do.	31st.	31st.	5 ad	7	7 1/2 ad	11	6 1/2	6 1/2	7 1/2 ad	9	7.81	7.74	5 ad	7	7 1/2 ad	11	7	7	7 ad	9 1/2
" 1847 June 30th.	do.	31st.	31st.	3 ad	10	8 1/2 ad	12	6	6	8 1/2 ad	10 1/2	8.5	8.94	3 ad	5	8 1/2 ad	12	6	6	8 1/2 ad	11
" 1848 June 30th.	do.	31st.	31st.	3 ad	5	6 ad	8 1/2	5	5	6 ad	6	5.81	5.87	3 ad	4	6 ad	8 1/2	5	5	6 ad	7
" 1849 June 30th.	do.	31st.	31st.	5	5	7 ad	8 1/2	6	6	7 ad	7 1/2	6.44	6.53	5	5	7 ad	8 1/2	6	6	7 ad	7
" 1850 June 30th.	do.	31st.	31st.	5 ad	9	7 ad	11 1/2	6	6	7 ad	10	8.31	7.45	5 ad	7	7 ad	11 1/2	7	7	7 ad	11
" 1851 June 30th.	do.	31st.	31st.	5	10	8 ad	12	7	7	8 ad	12	9.5	9.38	5	8	8 ad	12	8	8	8 ad	12
" 1852 June 30th.	do.	31st.	31st.	3 ad	12	6 ad	12	5	5	6 ad	12	8.5	8.2	3 ad	7 1/2	6 ad	12	5	5	6 ad	12
" 1853 June 30th.	do.	31st.	31st.	3	3	6 ad	7	5	5	6 ad	7	5.12	5.78	3	3	6 ad	7	5	5	6 ad	7
" 1854 June 30th.	do.	31st.	31st.	3 ad	5	5 ad	8	3 1/2	3 1/2	5 ad	6	5.44	5.54	3 ad	4	5 ad	8	3 1/2	3 1/2	5 ad	6
" 1855 June 30th.	do.	31st.	31st.	6 ad	10	8 ad	12	6	6	8 ad	10	8.87	9.03	6 ad	8	8 ad	12	6	6	8 ad	11
Average.....	6.43			5.65		8.12		6.77		7.6		7.03	7.1								

(Signed) J. S. SPENCE, Accountant.
E. E.

Fort Saint George, Financial Consultation, 2nd June 1857.

E.

TREASURE Imported into FORT SAINT GEORGE from the UNITED KINGDOM, SUEZ and CEYLON from 1850-51 to 1854-55.

Years.	United Kingdom.	Suez.	Ceylon	Total.
	Co.'s Rs.	Co.'s Rs.	Co.'s Rs.	
1850-51	10,35,873	None.	3,45,522	13,81,395
1851-52	9,67,561	None.	6,52,533	16,20,094
1852-53	36,45,810	None.	4,42,411	40,88,221
1853-54	38,53,228	None.	8,13,488	46,66,716
1854-55	7,57,221	None.	5,83,548	13,40,769

F.

RATES OF ADVANCE ON Company's Paper by the Bank of Madras.

Dates fixed.	Stock Receipts.	5 per cent Sica Rupees.	5 per cent Co.'s Rupees.	4 per cent Sica Rupees.	4 per cent Co.'s Rupees.	Tanjore bonds.	3½ per cent.
1843 July 1st.....	105	...	95	...	85	82	...
1844 January 23d.....	105	...	95	...	95	93	...
1846 October 13th.....	105	9½	95	...	82	75	...
1848 November 14th.....	105	9½	95	...	78	75	...
1851 April 9th.....	105	...	100	...	93	88	...
1852 January 21st.....	95	...	90	...	80	80	...
" March 24th.....	100	...	95	...	85	85	...
" December 22d.....	100	...	98	...	88	88	...
1853 June 8th.....	100	29-30 98 25-26 96	100	...	95	95	...
1854 March 30th.....	100	...	95	...	95	95	...
1855 January 30th.....	95	...	95	...	90	90	...
" March 15th.....	90	...	95	...	85	85	...
" " 26th.....	85	...	95	...	80	80	...
" April 4th.....	85	...	90	...	80	80	...
" " 24th.....	88	...	95	82½	85	85	...
" June 6th.....	90	...	97	85	87	87	75
" October 24th.....	90	...	97	85	87	87	75
" December 5th.....	90	...	97	82	84	84	75
1856 January 3d.....	90	...	95	78	80	80	70

G.

9th September 1852.

The fact is admitted that the Import and Export trade of Madras has increased considerably. To effect this an increase must have been made to the Capital employed in trade. It seems to be further allowed that this increase has not reached its maximum, but may be expected still to progress. I concur in these views, and as they are not disputed, argument is not required.

Past experience leads me to the belief, that to meet increasing production, funds, beyond those now available to the mercantile community, are required. It is in vain to look to the Bank of Madras, as at present constituted, for the supply, inasmuch as past experience has demonstrated that when called upon to supply the demand for money, at a time when business is peculiarly brisk, in lieu of being able to meet the wants of the trading community, its operations have been detrimental to their interest in two ways, *first*, by raising its rates so high that its funds are not available for ordinary mercantile purposes, and *secondly*, its resources being exhausted, funds are not available even at the highest legal rate of interest. It has frequently shut its Treasury not only when Government Paper was tendered but on many occasions refused Government Acceptances. When money cannot be obtained upon this latter description of paper, there must be either gross mismanagement of the Bank funds, or they are inadequate to meet the legitimate wants of trade.

Fort Saint George, Financial Consultation, 2nd June 1857.

I feel a clear conviction that in the present state of trade in the Madras Presidency, accommodation is required by the mercantile community, at certain seasons of the year, beyond what the Bank with its present available funds can supply. That these funds will be made available, I do not doubt. To my mind therefore it is merely a question, as to whether it is desirable that the Bank should furnish them, or permit other parties to come into the market as competitors with it. This is a point for the Shareholders to decide, and divide itself into the questions, *first*, whether it will be remunerative to increase their Capital, or *secondly* whether competition with other Capitalists is not more likely to affect the dividend than an increase to the Capital of the Bank.

Since I have sat at the Board legitimate business on undeniable security has been refused, and the confidence of the Public and the Government must necessarily be shaken when Court of Directors' Bills drawn on the Government are refused acceptance on any terms. Such a state of things cannot be permitted to continue and if we do not find the remedy it will be discovered for as to our cost, either by competition, in which case the profits of the Shareholders must suffer, or by annihilation as an incubus, which must be got rid of on any terms.

I have carefully perused the different Minutes—facts are stranger than figures. The Bank was not constituted merely to give its Proprietors a dividend. It was intended also to meet the requirements of the community, and especially the mercantile community, and in doing so to give the Proprietors a fair return for Capital invested. But if they are to consider their own profit and to this end work the Bank to their *own* advantage; but to the manifest disadvantage of the community, so that their interests are not fairly considered, the proprietors will be *made* to feel that due considerations for their constituents, is the surest means of increasing their *own* profits.

(Signed) W. E. UNDERWOOD,
Government Director, Bank of Madras.

H.

IMPORTS, MERCHANDIZE and TREASURE, into the Madras Territories, for 5 official years.

	1841-42.	1842-43.	1843-44.	1844-45.	1845-46.	Average for 5 years.
	Rupees.	Rupees.	Rupees.	Rupees.	Rupees.	Rupees.
Merchandise.....	1,05,24,690	93,66,065	98,47,007	1,42,45,386	1,24,18,405	1,12,80,310
Treasure.....	28,88,803	28,68,744	58,08,323	65,43,643	66,01,711	49,42,245
Total....	1,34,13,493	1,22,34,809	1,56,55,330	2,07,89,029	1,90,20,116	1,62,22,555

IMPORTS, MERCHANDIZE and TREASURE, into the Madras Territories, for 5 official years.

	1850-51.	1851-52.	1852-53.	1853-54.	1854-55.	Average for 5 years.
	Rupees.	Rupees.	Rupees.	Rupees.	Rupees.	Rupees.
Merchandise.....	1,31,36,442	1,28,25,523	1,27,72,232	1,63,52,337	1,91,24,962	1,48,42,299
Treasure.....	60,42,437	61,79,148	1,08,78,112	1,10,60,291	64,81,955	81,28,388
Total....	1,91,78,879	1,90,04,671	2,36,50,344	2,74,12,628	2,56,06,917	2,29,70,687

EXPORTS of MERCHANDIZE and TREASURE from the Madras Territories for 5 official years.

	1841-42.	1842-43.	1843-44.	1844-45.	1845-46.	Average for 5 years.
	Rupees.	Rupees.	Rupees.	Rupees.	Rupees.	Rupees.
Merchandise.....	2,25,60,725	2,26,99,141	2,22,96,369	2,68,34,282	2,41,06,065	2,36,99,818
Treasure.....	86,84,782	74,01,161	45,82,816	77,82,901	41,86,753	65,27,683
Total....	3,12,45,508	3,01,00,302	2,68,79,185	3,46,17,189	3,82,92,818	3,02,27,001

EXPORTS of MERCHANDIZE and TREASURE, from Madras Territories, for 5 official years.

	1850-51.	1851-52.	1852-53.	1853-54.	1854-55.	Average for 5 years.
	Rupees.	Rupees.	Rupees.	Rupees.	Rupees.	Rupees.
Merchandise.....	2,56,37,826	2,49,65,225	3,28,50,486	2,99,77,350	2,39,48,083	2,74,75,794
Treasure.....	44,97,691	88,54,659	41,32,943	1,06,94,826	81,00,456	72,56,115
Total....	3,01,35,517	3,38,19,884	3,69,83,429	4,06,72,176	3,20,48,539	3,47,31,909

Fort Saint George, Financial Consultation, 2nd June 1857.

EXPORTS of MERCHANDIZE and TREASURE, from the Madras Presidency, for 5 official years, commencing the year 1840-41.

	1840-41.	1841-42.	1842-43.	1843-44.	1844-45.	Average for 5 years.
	C. Rs.	C. Rs.	C. Rs.	C. Rs.	C. Rs.	Rupees.
Merchandize.....	1,98,80,502	2,25,60,725	2,26,99,141	2,22,96,369	2,68,34,288	2,28,54,205
Treasure.....	1,05,47,185	86,84,783	74,01,161	45,82,816	77,82,901	77,99,769
Total....	3,04,27,687	3,12,45,508	3,01,00,302	2,68,79,185	3,46,17,189	3,06,53,974

EXPORTS of MERCHANDIZE and TREASURE, from the Madras Presidency, for 5 official years, commencing the year 1850-51.

	1850-51.	1851-52.	1852-53.	1853-54.	1854-55.	Average for 5 years.
	C. Rs.	C. Rs.	C. Rs.	C. Rs.	C. Rs.	Rupees.
Merchandize.....	2,56,37,826	2,49,65,225	3,28,50,486	2,99,77,350	2,39,48,083	2,74,75,794
Treasure.....	44,97,691	88,54,659	41,32,943	1,06,94,826	81,00,456	72,56,115
Total....	3,01,35,517	3,38,19,884	3,69,83,429	4,06,72,176	3,20,48,539	3,47,31,901

I.

EXPORTS from the Madras Territories, for 5 official years, commencing the year 1841-42.

Articles.	1841-42	1842-43	1843-44	1844-45	1845-46	Average for 5 years.
Rice.....	27,44,762	31,94,619	36,75,949	38,93,338	52,02,960	37,42,326
Hides and Skins.....	2,60,986	1,76,590	1,89,354	2,87,839	2,88,574	2,40,669
Piece Goods, Cotton...	47,75,953	45,24,100	34,73,062	38,41,932	39,26,438	41,08,297
Indigo.....	31,93,499	30,35,048	33,41,252	48,66,732	25,73,846	34,02,075
Rum.....				12,848	55,762	13,722
Sugar.....	94,925	97,770	3,26,480	10,58,436	15,26,899	6,20,902
Oil.....	69,609	1,34,008	1,67,339	1,91,015	1,76,458	1,47,615
Oil Seeds.....	3,881	8,726	20,797	24,622	56,046	22,814
Coffee.....	43,218	66,321	1,52,057	1,19,539	2,69,755	1,30,178
Total....						1,24,28,668

EXPORTS from the Madras Territories, for 5 official years, commencing the year 1850-51.

Articles.	1850-51	1851-52	1852-53	1853-54	1854-55	Average for 5 years.
Rice.....	42,61,290	47,87,734	49,28,107	59,25,118	47,81,074	49,36,665
Hides and Skins.....	5,07,855	4,07,573	4,43,140	7,18,031	7,56,219	5,66,564
Piece Goods, Cotton...	29,42,874	29,08,934	35,21,516	31,41,024	26,98,406	30,42,551
Indigo.....	25,82,162	19,18,588	37,86,910	32,41,909	22,43,566	27,54,627
Rum.....	1,10,479	77,104	64,829	10,853	68,138	66,281
Sugar.....	20,98,387	27,66,605	24,47,540	33,58,346	17,53,685	24,84,913
Oils.....	3,01,939	3,10,408	4,94,812	7,59,941	6,58,615	5,05,143
Oil Seeds.....	5,25,637	3,49,630	6,57,770	8,24,254	5,02,479	5,71,954
Coffee.....	4,79,449	3,75,995	4,99,701	7,15,562	6,61,656	5,46,473
Total....						1,54,75,171

Average from 1850-51 to 1854-55.....1,54,75,171

Do. 1841-42 to 1845-46.....1,24,28,668

Difference... 30,46,503

Fort Saint George, Financial Consultation, 2nd June 1857.

No. 9. Minute by the Right Honorable the President, on letters from the Government Directors of the Bank of Madras, dated 5th April and 16th May 1856, Nos. 165, 199 and 254.

The reports of the three Government Directors do not dispose me to change the opinion which I have previously given upon this subject.

The question raised by the Sub-Treasurer, viz., respecting the qualified or unqualified power of the Governor General to increase the capital of the Bank, and which is to a certain extent taken for granted by the Acting Accountant General, is the first which requires solution, because the conclusion come to on it must modify all proceedings on the subject.

After carefully considering the point, my opinion is directly opposed to that of the Sub-Treasurer.

I think, that by Section 4 of the Act, the distinct power is unreservedly given to the Governor General to increase the capital of the Bank, up to 50 Lacs, and that the Shareholders have become Proprietors with that liability, and therefore no injustice would be done by increasing the capital, even without their consent.

If this view, however, be correct, it in no way directly affects the point on which Government has to decide, beyond leaving it free to come to a conclusion either for or against the request of the memorialists, unreservedly.

There are two circumstances with regard to the present position of the Bank, which would appear to affect its operations to some, perhaps to a considerable extent, and which therefore render it more difficult to arrive at a correct conclusion respecting the present proposal.

These are—1st. The constitution of the Bank, which, as stated by Mr. Elliot, I have no doubt prevents that free use of it which might otherwise take place.

The 2nd is—the very qualified reception of its Notes by Government in the District Treasuries. At the same time these two facts do not directly bear upon its giving accommodation to the public, the assertion being that the accommodation is too limited.

It certainly appears, by the Statement of the Acting Accountant General, that there have been great fluctuations in the rates demanded, varying from 3½ to 12 per cent, and exceeding by 5 per cent at the highest, the rates afforded by the Government Bank in previous years, which are now exceeded 7 per cent, according to that Officer's report.

It appears doubtful to me, however, from the manner he expresses himself, whether accommodation may not have been given at the cost of Government.

The Sub Treasurer in his report tries to prove, that the present capabilities of the Bank have never been tried—yet in his Minute approving the depositing the Capital of the Bank in Government Securities, he states, “I admit figures are set forth in goodly array to endeavour to sustain this position, but facts have more weight with me, and I believe it cannot be denied, that there have been times when even at the exorbitant rates of interest and discount which ruled, the whole Assets of the Bank have been insufficient to meet the requirements of the public.”

This is just what is asserted by the memorialists.

Though, as I have previously stated, I do not agree with the position taken up by the memorialists as to the extent of accommodation which should be afforded to the public, at all times and all occasions, for they appear to think, that it is the duty of the Bank to afford money cheap when it is dear in the market, which is a manifest absurdity, yet the perusal of these papers and opinions have led me to the conclusion, that the accommodation which is reasonably expected from the Bank has not been awarded.

Whether this has been caused by the nature of the management, or by the want of means, is not easy to determine.

By the precis which is circulated with these papers, it is very clear, that great and reasonable complaints have been made from time to time against the management.

If the cause of the dissatisfaction is really to be found in the management, it is clearly useless to enlarge the capital, until that is remedied.

I must confess, I do not see my way very clearly to such a result.

The circumstances of the Presidency must keep the chief power of the Bank in the hands of the present Directors and their supporters.

Fort Saint George, Financial Consultation, 2nd June 1857.

The only change which could be effected, would be to require a paid Manager to be appointed, leaving only the general supervision to the Directors.

It is quite necessary that this question should first be settled, before that of the increase of Capital can be determined—though I am disposed to think that an increase is required.

It might be advisable to inquire the method of management adopted in Calcutta and Bombay. The Sub Treasurer appears to assume that an increase of capital would inevitably entail a diminution of profits, but this is by no means certain. I should be inclined to expect a contrary result with proper management.

(Signed) HARRIS.

No. 10. Minute by the Honorable Sir H. C. MONTGOMERY, BART., on letters from the Government Directors of the Bank of Madras, dated 28th May 1856, Nos. 165, 199 and 254.

I read Section IV, Act IX of 1843, as fully empowering the Government of India to authorize an augmentation of the Bank Capital, without any requisition from the Shareholders, and I am unable to perceive any part of the Act that meets the interpretation Mr. Birch has put on it.

The perusal of Mr. Prendergast's and Mr. Birch's papers has impressed me with the view that an increase of capital to the extent of 10 Lacs would be advantageous to the public and without prejudice to the interests of the Proprietors; Mr. Underwood, I observe, states that the half yearly dividend about to be declared will be at the rate of 14 per cent per annum, and if this be correct, the dividend will nearly reach the amount which by the authority quoted, by Mr. Birch, in the 8th para: of his letter, indicates that the Capital of a Bank is too small for the business.

But, I think, the general tenor of even Mr. Birch's letter, is to the effect that the means of the Bank to meet the requirements of the place are insufficient. He says it was expected on the first establishment of the Bank that it would create a Banking Capital sufficient of itself for this purpose. This expectation has, however, never been realized, and the capital that was originally locked up in Government Securities, under this hope, has from time to time been made available for the ordinary operations of the Bank, and still does not, as would appear, meet the demands of the public. Mr. Birch also admits that every exertion has been made on the part of the Directors to extend the Bank's circulation, but unsuccessfully, and it is very doubtful whether any of the propositions that have been made for this object would have any material effect. Mr. Birch attributes the want of capital "to the public itself," and in the concluding para: of his letter, he says, "it rests with the Government and that public, by assisting it in its endeavours to put forth its resources freely and unrestrictedly, to enable the institution to continue those advantages, and to give that support to trade, which was contemplated in its original establishment."

After the experience of so many years it does not seem probable that the public will in future do more than it has hitherto done towards the support of the Bank, though it may be some change in the constitution of its Direction would add to its popularity, and, as above observed, the success of the proposed measures for increasing the Bank's circulation, is very uncertain. Considering, then, the information now afforded, it appears to me that this Government would be justified in recommending the prayer of the memorialists to the favorable consideration of the Government of India, to the extent of 10 Lacs.

(Signed) H. C. MONTGOMERY.

No. 11. Minute by the Honorable W. ELLIOT, dated 30th April 1857, on letters from the Government Directors of the Bank of Madras, Nos. 165, 199, and 254.

I have detained the papers connected with the Memorial for an increase to the Capital of the Bank of Madras for a longer period than I intended, partly because I could not make up my mind on certain points connected with the subject and partly with a view of obtaining additional information.

Fort Saint George, Financial Consultation, 2nd June 1857.

The power of the Governor General in Council to increase the Capital of the Bank without the consent of the Shareholders has been questioned.

It is desirable to take the opinion of the Government Law Officers on the point. But to me the wording of Section IV of Act IX of 1843 appears so explicit, that I cannot doubt the existence of that power.

At the same time I think it is but due to the Shareholders to ascertain their views on a subject so directly affecting their interests. On looking at the signatures attached to the memorial I do not perceive it to be such a general representation of the trading community of Madras as I should have expected to find on such an occasion.

The leading names are those of merchants, members of firms which have always monopolised the direction of the Bank's affairs and still continue to do so.

But I miss many of the most respectable 2nd class houses, and most of the tradesmen of the place who have on former occasions addressed representations to Government complaining of the management of the institution. Neither do I observe the signature of a single member of the leading firm at Madras, the partners in which, I have ascertained, consider the proposed increase wholly uncalled for.

Looking at the question simply on its intrinsic merits I have no hesitation in saying that Mr. Birch has proved conclusively the present paid-up Capital to be fully adequate, and more than adequate, to the Banking accommodation of the public.

I allude particularly to his exposition of the received theory of Banking in para: 4 of his letter according to which the capital of a Bank should never be less than $\frac{1}{3}$ of its liabilities and to the fact shewn in the tabular Statement annexed to para: 21, that the Bank of Madras is the only establishment of the kind in which the paid up capital exceeds its liabilities.

By the Act of Incorporation the Bank is obliged (Section XXVIII) to have at least $\frac{1}{4}$ of its liabilities immediately available in cash.

If then the institution was in a healthy condition it ought to be able to provide for the useful employment of all its capital in excess of the above stipulated proportion.

But what is the fact?

The liabilities having always been of less amount than the paid up capital, a cash reserve of 6 to 7 lakhs would have been sufficient to meet the requirement of the Act.

Instead of this it is generally five or six times that sum.

I append a return of the weekly state of the Bank's Cash Chest for the last five years, shewing how large an amount of its capital is always lying unproductive.

During the whole of 1853 and 1854 this cash reserve ranged from 20 to 40 lakhs, the smaller sum being the exception, the ordinary sum ranging from 30 to 35 lakhs.

The last return for the current month gave the amount of Specie in the Bank's coffers at 32,08,515, its liabilities at 31,94,264.

Under such circumstances what would be the probable effect of an increase of paid up Capital under the present system of management?

I can only suppose that the amount of cash lying idle would be augmented from 30 or 40 lakhs to 50 or 60 lakhs.

It is not therefore the deficiency of the paid up capital that is at fault.

I have no hesitation in ascribing the unsatisfactory condition of the establishment to bad management.

The Direction is notoriously a monopoly in the hands of the four or five leading firms of Madras.

The great proportion of the independent Shareholders are non-resident.

They keep their Accounts with one or other of the firms above mentioned, and leave them armed with powers to draw their dividends and to transact all business connected with the Bank on their behalf.

On several occasions the independent Proprietors have attempted to return Directors in opposition to the wishes of the mercantile Directors, and the question has been warmly discussed in the local journals.

Fort Saint George, Financial Consultation, 2nd June 1857.

But the struggle on the part of the former appears generally to have been unsuccessful. At the very last election of a Director (in June I think,) a native Proprietor was put forward as a fit person to represent the section of the proprietary to which he belongs, and although supported by all the independent proprietors, European and native, who were present, he was rejected by an equal number of votes of the mercantile Directors, and their partners, the Chairman, himself a Director, and a member of one of the exclusive firms, giving the casting vote.

There must be some reason for this systematic and exclusive monopoly of the Bank parlor.

I think the correspondence which took place
Ex. Mins. Cons. 28th November 1851. between this Government and the Honorable Court
Do. 3rd Feby. 1852, et seqr. of Directors in 1851-52 goes far to explain it.

The notice taken of the transactions to which that correspondence refers has, I believe, checked the practice of exclusive accommodation to the leading firms which was then brought to light.

But it has not restored the confidence of the public, and it still leaves the facility of forestalling outside constituents in seasons of pressure to an extent that must operate prejudicially to their interests.

I conceive this to be the tenor of the representations submitted to Government in 1852 by several of the most respectable trading firms, and transmitted under the resolution contained in Extract Minutes of Consultation, 16th March 1852, Financial Department, No. 103, to the Court of Directors.
From Messrs. Griffiths & Co. and other Merchants of Madras, dated 8th March 1852.

The memorialists, after describing the inconveniences to which they are exposed, go on to observe—"that this is not owing entirely to deficiency of capital, or to ordinary mercantile transactions," and they then refer to shipments of Specie made to Calcutta for speculation in Government Loans. After which they proceed—"it is also matter of notoriety that large shipments of Specie, advanced by the Bank on the security of Government Bonds, are frequently made to Calcutta, Ceylon, and the Mauritius, with a view to speculation in the Exchanges of these markets, and to such an extent as materially to interfere with the grant of that local accommodation which we believe it to be one of the duties of the Bank to afford." * * * "We are therefore of opinion that any increase of the Bank's Capital would now fail to secure the confidence of the mercantile community, &c."

It is to this want of confidence that I attribute in a considerable degree the restricted business of the Bank.

It arises not only out of the undue facility for serving themselves possessed by such a body of Directors as govern the Bank of Madras, but also out of the dislike which persons engaged in trade naturally have to expose their private affairs when seeking accommodation to the cognizance of the leading members of the mercantile community, with whom they must be continually engaged in credit transactions.

This feeling, I know, does keep away customers, and has induced many constituents to close their accounts and transfer them to other Banks in which secrecy is secured.

No doubt also the greater facilities for the transaction of business in matters of exchange, remittance, &c., and in freedom from the three monthly renewal of Cash Credits which is insisted on under the provisions of Section XXIX of the Act of Incorporation and not required by other Banks recently established, have drawn away much business for the Bank of Madras, and effectually excludes all up-country constituents from this species of accommodation.

I apprehend therefore that the true remedy for the evils complained of, and which undoubtedly do exist, is to be found not in an increase of capital, but in a reform of the Direction.

A Direction composed of a paid Manager or Director wholly unconnected with the trading interests of Madras and representing the Proprietors, and a Government Director representing the interests of Government, would readily place the business of the Bank on a healthy basis, which would greatly extend its usefulness as well as promote the interests of the shareholders, without adding a single Rupee to the amount of present subscribed capital.

(Signed) WALTER ELLIOT.

Fort Saint George, Financial Consultation, 2nd June 1857.

No. 12. ORDER THEREON, No. 304; dated 27th May 1857.

The Right Honorable the Governor in Council has had under his consideration the Memorial addressed to the Government of India, by the Members of the Commercial and Trading Community at the Presidency, praying for an extension of the Capital of the Bank of Madras, from thirty to fifty Lacs of Rupees, together with the Reports of the Government Directors of the Bank on the subject. It appears to him necessary that before the question of the increase of Capital can be determined, that of a change in the present mode of management should first be settled, and he deems it therefore advisable, in order to enable the Government to arrive at a decision on this point, to ascertain what is the system adopted in Bengal and Bombay, of administering the affairs and conducting the operations of the Banks at those Presidencies.

Ordered that the following letters be despatched

No. 13. From E. MALTBY, Esq., Acting Chief Secretary to Government; to the Secretary to the Government of Bengal, dated 27th May 1857, No. 305.

SIR,

I am directed to request that, with the permission of the Honorable the Lieutenant Governor, you will be so good as to furnish this Government with information as to the mode of management adopted in administering the affairs and conducting the operations of the Bank of Bengal.

(Signed) E. MALTBY,
Acting Chief Secretary.

The same to the Government of Bombay.

Exd. J. A. Wilson.

memor.

These papers are circulated
in reference to the Hon Mr Elliott
being lately received —

There would seem to be three
questions on which order is
necessary —

1. Should a legal opinion
be taken whether under yes

Act $\frac{1843}{1x}$ the Capital

can be augmented without

The consent of the Proprietors -

Is the application for an
increase of capital to be
referred on the ground
that the present funds
are much more than
they are able to employ -

This has been
with reference to
forward the
memorial to
the Govt of India.

At
the
of

B. - Is any report of the
present system of admini-
-strating the affairs of
the Bank to be attempted,
and if so of what nature
is it to be - * how to be brought

I am for
not disposing

of my own
opinion on this
until the
information
begun in
my former
memorial has

about and on what plan
to be urged?

JP

Looking the constitution
of the Bank of England
standing has been
attained -

At
the

I have already given my
opinion on this point

point

Memorandum
by the Chief Secretary
of Circulating the Pa-
pers on the increase to
the Capital of the Bank,
with the Honble Mr. Elliott's
late Minute of the 30th
April 1857

Financial Department.

No. 103

From J. Orchterlong, Esq. Chairman of a
Meeting of Members of the Commercial
and Trading Community of Madras.
Dated 29th February 1856.

For Orders.

A memorial of this nature
calls for the earnest consideration of
Govt. inasmuch as in forwarding
it to the Govt. Govt. some expression
of the opinion of Govt. Govt. on the
subject is to be expected -
the memorialists expect Govt. Govt.

The inability of the Bank of Madras to
afford efficient banking accommodation.
They ground this objection on the high
rates of interest required at certain
periods by the bank.

It is very possible that the statement
made by the memorialists is correct.
But I cannot think that they show
it very convincingly.

Upon the grounds urged by them
it might be required that capital
should be found by somebody or other for
any amount of wild speculation.

That is to say, if the demands of the
public are to be the criterion.

There are two facts known - known
known by them - which are of force -
the first is - the increase of trade in
Madras - the second is the amount of accumu-
lation - which the bank has actually
made.

I think both these go to show
that a large power of accumulation
is required - & might be employed
by the Bank with safety to itself.

to write advantage to the public.

The description of capital stock
which is in progress - but I am not.

I had in this regard to depend
on the universal favorably
the consideration of the Gov. Genl.
to Council.

Harvard.

I think before proceeds further
Gov. should have the opinions
of the Government Directors of the
Bank -

W. H. M.

W. H. M.

Jul 1857 Depart
Ind^{to} cons: Dr June

No. 252

Minute

by the R. S. the President
on letter from the Chair.
-man J. Quinterbury Esq.
Esq.

March 25 March 1850

No 253

By Sir H. C. Montgomery Bt.
Dated 27th March 1880.

Financial Letter to England
1st December No 24 of 1857

Paras 31 & 32.

Financial Department
Nos 165, 199 & 254

By
Thom The Government Directors of the
Bank of Madras.
Dated 5 April & 15th May 1856.

For Orders.

The reports of the three best directors
do not dispose me to change the
opinion - which I have previously
given upon this subject -

13. The question raised by the Sub
imputing the qualified or unqualified power of the ^{President} to the
Treasury - which is to a certain
extent taken for granted by the
Anti Anti foul - is the fact which

requires solution - because the conclusion
came to on it must satisfy all presentings
on the subject.

After carefully considering the points
my opinion is strongly opposed to that
of the sub. measure.

I think that by Section 4 of the Act
the distinct power is unreservedly given
to the Gov. to increase the capital
of the Bank up to 50 lacs. & that the
shareholders - have become proprietors
with that liability - & therefore no
signature to be done by increasing

the capital - but without their
consent -

If this view however be correct -
it in no way ^{directly} affects the ^{present} ~~present~~ ^{point}
on which Govt has to decide - beyond
having it for to come to a conclusion
either for or against the request
of the memorialists - unreservedly.

There are two circumstances with
regard to the present position of the
Bank. which would appear to affect its opera-
tion to some perhaps to a considerable

Estimate - which therefore render it more
difficult to arrive at a correct conclusion
regarding the present proposal.

There are - 1. The constitution of the bank
which as stated by Mr. Elliot. I have no
doubt - from the facts presented that free
use of it - which might otherwise be
taken place -

The 2nd is - the very gradual reception
of its notes by Govt. in the District Treas-
uries.

At the same time these two facts - do
not directly bear upon the giving account
to the public - which the question

23
being that the accommodation is too limited.

It certainly appears by the statement of
the Anti-Monetary Comtee. that there have been
great fluctuations in the rates demanded
varying from $3\frac{1}{2}$ to 12 per cent -
& reaching by 5 per cent at the highest
the rates given appended by the Govt
bank in previous years - which
were around 7 per cent - according
to that officer's report.

It appears doubtful how far known
from the manner he expresses himself

whether accommodation may not have been
given at the cost of gold.

The Sub-treasurer ^{in his report} ~~tries to prove~~ - that
the present capabilities of the Bank have
never been tried - yet in his estimate
approaching the depositing the capital of the
Bank in last quarter. He states - but
I admit figures ~~have been~~ ^{are} set forth in
easily ^{array} to embrace whatever this
position - but facts have more weight with
me - & I believe it cannot be denied - that
there have been times - when even at
the exorbitant rates of interest & discount

24
which ruled - the whole objects of the Bank
have been insignificant beside the re-
quirements of the public?

This is just what is asserted by the
humanitarians -

Thus as I have previously stated - I do
not agree with the position taken up
by the humanitarians as to the extent of ac-
commodation - which should be afforded ^{to} the
public - at all times & all seasons -
for they appear to think - that it is ^{the} duty
of the Bank to afford money cheap - when
it is dear in the market - which is a

manifest sham. - but these personal
of these papers opinions - have led me to
the conclusion. that ~~the~~ accommodation
which is reasonably expected from the
Bank. has not been secured.

Whether this has been caused by
the nature of the management or by the
want of means. is not easy to determine.

By the press. which is circulated with
these papers. it is very clear. that great
& reasonable complaints have been made
from time to time against the manage-
ment. ~~I am sorry to~~

If the cause of the dissatisfaction
is really to be found in the management.
it is clearly useless to enlarge the capi-
tal. until that is remedied.

I must confess. I do not see very
clearly how such a result.

The circumstances of the Presidency
must keep the chief power of the Bank
in the hands of the present directors.
their supporters.

The only change, which could be
effected - would be to require a paid
manager to be appointed. leaving only

the general supervision to the Directors.

It is quite necessary - that this question
should first be settled before that of
the ^{introduction of} capital can be determined - tho. I am

It might be advisable to examine
the method of management adopted
in Calcutta & Bombay.

Harris

The Sub. treasurer appears to assume
that an increase of capital would neces-
sarily entail a diminution of profits.

disposed to think that an increase is required.

but this is by no means certain.

I should be inclined to expect a contrary
result with proper management -
Signed Harris.

File 1857 Deposit
Index to cons. de. June
No. 255

Financial Letter to England
1st December No 24 of 1857
Passes 31432

Minute
by the R. N. the President
on letter from the Gov.
Director of the Bank
of Madras.

No. 105-149-a 254.

Dated 20 May 1850

S. C. 429. No 301 & 305.

27
Financial Department
No 304

Extract from the Minutes of Consultation
Dated 27th May 1857.

Read again letter
from J. Ouchterlony
Esq., Chairman of a
Meeting of Members of
the Commercial and
Trading Community of
Madras dated 29th Feb.
and recorded in consulta-
tion of the 28th March 1856.

Read the following
minutes:

By the R. N. the President
and Sir H. C. (Montgomery) (Dated 20th March 1856.)

By the Hon. W. C. Esq. (Dated 22nd March -)

Read also the following papers:

From G. L. Prudergast Esq.
Gov. Director of the Bank
of Madras. (Dated 5th April 1856 No 165)

S. D. Birch Esq. D. D. (Dated April - " - 199)

M. C. Underwood Esq. D. D. (Dated 16 May - " - 254)

Minute by the R. & W. the President

(Dated 26th May 1856.)

D^o - by the Hon. Sir M. C.
Montgomery Bart.

(Dated 28th May 1856. No)

D^o - by the Hon. W. Elliot Esq.

(Dated 30 April 1857. -)

The Right Honorable
the Governor in Council
has, under his considera-
tion, the Memorial ad-
dressed to the Govern-
ment of India by the
Members of the Com-
mercial and Trading
Community at the
Presidency, praying
for an extension of the
Capital of the Bank
of Madras from thirty
to fifty Lacs of Rupees
together with the reports
of the Government Directors
of the Bank on the
subject. It appears
to him necessary that
before the question of the

the increase of Capital
can be determined, that
of a change in the
present mode of man-
agement should first
be settled, and he deems
it therefore advisable
in order to enable the
Government to arrive
at a decision on this
point, to ascertain
what is the system
adopted in Bengal
and Bombay of ad-
ministering the affairs
and conducting the
operations of the Banks
at those Presidencies.
Ordered that the
following letters be
despatched.

To The Secy. to the Govt. of Bengal (Dated 27th May 1857 No 315)

To D^o - - - (D^o - - - Bombay (Dated 27th - - - " 315)

The Demand

Dupd. H.

Fin. Dept.
No 305

To The Secretary to the Government of Bengal

Sir I am directed to request that, with the permission of the Honorable the Lieutenant Governor you will be so good as to furnish this Government with information as to the mode of management adopted in administering the affairs and conducting the operations of the Bank of Bengal. Yours, &c.

H
Ag
My

Fort St George, S
27th May, 1857

16 copies

The same to the Govt. of Bombay. Dupd. H.

This done and

Enclosed letter to England
1st Decemr. 1854 of 1857.

James 23/5/52

Subd. com: 27 June
Financial 1857. Defiant

No 307

Extract of Minutes of Coms

2/27th May 1857

084530706800615m

Under By to Com: V^o L^o L^o L^o
Financial - 1837. September 1st

At 305

Financial Letter to Congress
10 December 1837

James 21/1/32

To
The Secy, to the Com: of
Michigan

2/27 May/37