M.R.O. 1—77,006—3-6-37.

(1) Number of pages 14.

(2) Date of repair 10-4-40.

(3) Initials of the Referencer

MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. 1237 Press Mis.

228-229.

Dated 21-8- 1873.

228-229 8/9

Not to be folded or roughly handled

D

No. 228. Read the following letter from the Government Directors of the Bank of Madras, to the Hon. W. HUDLESTON, Chief Secretary to Government, Fort St. George, dated Madras, 15th August 1873 :—

We have the honour to submit the following remarks upon the position of the Bank of Madras for the information of His Excellency the Right Honourable the Governor in Council, as we consider that at this time Government would wish to be specially informed what view we take of the Bank's affairs.

2. The accompanying Statement, Appendix A, shows at a glance the investments of the Bank's funds in bills discounted and in loans.

3. The bills discounted are divided into three classes, viz., new bills current, renewed bills current, and bills which have not been met on due date, technically termed past due bills.

4. We show all these as they stood on 30th June, and as respects the two first classes of bills their condition on last Saturday, the 9th instant.

5. We have decided not to place in juxtaposition with the other transactions the balance of the past due bills on the 9th instant, as upwards of a lakh of rupees was written off to profit and loss at the end of the half-year, and the smaller amount taken from the books, as outstanding on that date, might raise the presumption that recoveries to the extent of the difference had been effected, while in fact a very small amount has been recovered in cash.

6. With regard to the new bills current, amounting on 9th August to Rupees 24,02,899, we have fair reason to believe that all are good. The Agents have been earnestly cautioned, more particularly of late, not to advance upon any but undoubted paper, and all the bills in this class are of less than three months' standing.

7. The renewed bills must be regarded as weaker than the fresh bills, the fact of parties requiring to renew frequently shows that for some reason or other they could not meet their liabilities when these matured; but in many cases such renewals have the character of perfectly legitimate accommodation. We therefore speak with less certainty of realizing all the money invested in these, viz., Rupees 2,27,243. We do not however anticipate much loss; but do not like to commit ourselves to a statement that there will be none. No renewals of bills discounted are now granted without the sanction of the Board of Directors.

8. We submit a statement showing the amount of past due bills (as classified by the Agents) at the close of each of the four half years last past. For the three half years ending with 31st December 1872, Rupees 1,22,291 were written off to profit and loss on account of these transactions. Adding to this the Rs. 1,45,864 referred to in paragraph 5 above, we get an aggregate of Rupees 2,68,155, which, during this period, the Directors have considered wholly irrecoverable.

9. We confess our inability to write with certainty what proportion of the past due bills outstanding on 30th June last, and amounting to Rupees 7,66,250,* will prove good and what bad; but it is beyond a doubt that there will be a heavy

*Statement B.

loss. We are not satisfied with the classification of these bills by the Agents, who class them as follows :—

	Rs.
Good	2,90,926
Doubtful	3,29,460
Bad	1,45,864 written off to profit and loss, 30th June 1873.
	7,66,250

We have carefully examined the grounds of this classification by the Agents, and we fear the following estimate will be found nearer the truth :—

	Rs.
Good	1,92,490
Doubtful	1,75,179
Bad	3,98,581 of which Rupees 1,45,864 have been written off as above.
	7,66,250

We only hope we have taken a more gloomy view than the future will justify.

10. The majority of the past due bills, it will be seen, belong to the branches named in the margin, where we anticipate an eventual loss of 65 per cent. in all. The discounts at Alleppey have been closed, and those at Berhampore restricted to narrow limits. Negapatam and Cochin are both good branches, where a sound, legitimate, and profitable business can be carried on. The disasters which have occurred are attributable to bad agency and faithless native subordinates. We have reason to believe that in both these respects an entire change for the better has been made.

	Rs.
Alleppey	2,57,405
Cochin	1,40,095
Negapatam	2,60,176
Berhampore	36,806

as per Statement A, containing latest advices. *Vide* foot-note to Statement B.

11. We have no reason to doubt that the advances under the heads of interest and discount loans are safe, with a partial exception at Negapatam, where we anticipate a loss of little short of Rupees 25,000 under this head. The Agent hopes that it will not amount to Rupees 22,000. Rupees 17,953 were written off to profit and loss on 30th June last, so that only the balance of about Rupees 7,000 (according to our estimate) has still to be met.

12. Every endeavour is being made to collect outstandings, and an anxious control is being exercised over the current transactions of the branches.

13. We have confined our remarks entirely to the business at the branches, as we are satisfied that that done at the head-office is good.

14. In closing this Report we record our conviction that the condition of the Bank of Madras is thoroughly sound, and that the net profits of the past half-year, amounting to nearly 10 per cent. on the capital,*

	Rs.
* Net profit before losses were provided for	2,79,763
10 per cent. on capital for half year	2,81,250

were the result of a legitimate and safe business. The reserve, Rs. 6,76,786, is large, and would amply cover all anticipated losses were it necessary to meet them at once. The special reserve fund of Rupees 2,76,786 will cover a large portion of these,—any further sum that may be required will, we hope, not exceed what may be paid out of the Banks' earnings during the next year or two, without any serious diminution of dividends.

	Rs.
Reserve	4,00,000
Special reserve	2,76,786

APPENDIX A.

STATEMENT showing the Outstandings in Bills Discounted, Past due Bills and Loans at the Branches of the Bank of Madras on the dates specified.

Branches.		Bills Discounted—Current.			Past due Bills.	Interest Loans.	Discount Loans.	Remarks.
		Fresh.	Renewals.	Total.				
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Berhampore	On 30th June 1873	76,299	49,811	1,26,110	(1)36,806	3,000	2,000	(1) Small recoveries have been made since 30th June.
	,, *9th August* ,, ...	72,036	36,660	1,08,696				
Bimlipatam	On 30th June ,, ...	1,89,825	8,000	1,97,825	...	4,19,388	78,387	
	,, *9th August* ,, ...	1,58,361	8,750	1,67,111				
Cocanada	On 30th June ,, ...	1,78,000	...	1,78,000	(2)3,190	...	61,986	(2) Do. do.
	,, *9th August* ,, ...	1,43,190	...	1,43,190				
Guntoor	On 30th June ,, ...	...	...	...	...	...	...	
	,, *9th August* ,, ...	...	...	...				
Bangalore	On 30th June ,, ...	3,25,219	3,050	3,28,269	4,882	125	23,400	
	,, *9th August* ,, ...	3,35,147	3,050	3,38,197				
Bellary	On 30th June ,, ...	68,694	4,000	72,694	...	...	6,500	
	,, *9th August* ,, ...	46,843	...	46,843				
Ootacamund	On 30th June ,, ...	27,067	30,675	57,742	(3)184	...	...	(3) Being paid off at the rate of Rs. 10 per mensem.
	,, *9th August* ,, ...	36,569	28,550	65,119				
Trichinopoly	On 30th June ,, ...	...	...	...	(4)16,885	...	...	(4) Rs. 1,000 have been recovered in cash since 30th June.
	,, *9th August* ,, ...	...	...	...				
Negapatam	On 30th June ,, ...	40,000	10,570	50,570	2,60,176	...	1,18,272	
	,, *9th August* ,, ...	18,700	7,600	26,300				
Tuticorin	On 30th June ,, ...	1,43,800	2,800	1,46,600	2,379	...	22,000	
	,, *9th August* ,, ...	88,400	1,000	89,400				
Colombo	On 30th June ,, ...	9,94,412	58,376	10,52,788	5,803	69,250	...	
	,, *9th August* ,, ...	10,88,179	34,910	11,23,089				
Kandy	On 30th June ,, ...	1,85,684	1,668	1,87,352	3,918	...	...	
	,, *9th August* ,, ...	1,92,147	3,398	1,95,545				
Cochin	On 30th June ,, ...	1,11,139	53,200	1,64,339	1,40,095	88,333	25,262	
	,, *9th August* ,, ...	87,566	49,675	1,37,241				
Alleppey	On 30th June ,, ...	...	...	...	2,57,405	...	148	
	,, *9th August* ,, ...	...	...	...				
Calicut	On 30th June ,, ...	40,950	6,200	47,150	...	15,890	14,350	
	,, *9th August* ,, ...	45,261	14,600	59,861				
Mangalore	On 30th June ,, ...	1,15,650	72,800	1,88,450	...	...	21,060	
	,, *9th August* ,, ...	90,500	39,050	1,29,550				
	Total ...	24,96,739	3,01,150	27,97,889	7,31,723	5,95,986	2,94,978	On 30th June 1873.
	Total ...	24,02,899	2,27,243	26,30,142	...	...	...	,, *9th August* ,,

3

APPENDIX B.

STATEMENT of the Past due Bills at the Branches of the Bank of Madras for the four half-years from December 1871 to June 1873, as submitted to the Finance Sub-Committees of the Board of Directors, omitting fractions of a rupee.

Branches.	31st December 1871.				30th June 1872.				31st December 1872.				30th June 1873.			
	Good.	Doubtful.	Bad.	Total.	Good.	Doubtful.	Bad.	Total.	Good.	Doubtful.	Bad.	Total.	Good.	Doubtful.	Bad.	Total.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Berhampore ...	10,899	...	...	10,899	54,696	...	...	54,696	21,186	2,531	854	24,571	17,795	313	1,755	19,863
Bimlipatam ...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Cocanada ...	1,000	...	...	1,000	3,231	...	...	3,231	3,358	...	...	3,358	3,152	...	...	3,152
Guntoor ...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Bangalore ...	11,799	...	68	11,867	10,050	2,561	...	12,611	9,290	2,561	...	11,851	2,322	1,841	719	4,882
Bellary ...	...	...	1,956	1,956	...	...	...	...	...	...	...	...	...	...	...	...
Ootacamund ...	150	...	...	150	575	...	...	575	124	...	...	124	194	...	...	194
Trichinopoly ...	13,050	...	...	13,050	28,482	...	...	28,482	56,988	5,813	...	62,801	10,578	495	5,813	16,886
Negapatam ...	73,018	5,689	...	78,707	54,518	12,624	...	66,342	1,02,645	12,167	...	1,14,812	58,039	1,56,407	42,079	2,56,525
Madura ...	...	...	...	...	...	...	...	...	16,748	...	...	16,748	...	...	...	...
Tuticorin ...	820	...	217	1,037	100	1,225	...	1,325	25	...	165	190	1,279	...	18	1,297
Colombo ...	23,334	1,47,127	7,947	1,78,408	1,08,320	9,343	14,504	1,27,167	1,24,574	6,786	...	1,31,360	56,644	...	...	56,644
Kandy	320	...	700	1,020	324	...	...	324	...	...	324	324	690	370	2,858	3,918
Cochin	1,74,829	84,527	64,072	2,73,428	78,208	96,402	11,388	1,85,998	65,886	92,599	14,005	1,71,090	49,568	92,269	3,712	1,45,484
Alleppey ...	2,08,052	50,436	...	2,58,488	2,19,862	49,287	...	2,69,149	2,11,829	55,813	...	2,67,642	99,670	77,825	58,910	2,57,405
Calicut	8,757	...	...	8,757	...	...	8,757	8,757	...	...	...	...	...	...	...	...
Mangalore ...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Total ...	4,76,028	2,87,779	74,060	8,37,867	5,33,166	1,70,842	34,649	7,38,657	6,12,150	1,78,270	15,348	8,05,768	2,90,926	3,29,460	1,45,864	7,66,250

N B.—The following sums were written off to Profit and Loss each half-year ... ... Rs. 74,060
34,649
Rupees 15,348 *minus* Rupees 1,766 written off from Doubtful Bill Account Current ... 13,582

1,22,291
1,45,864

2,68,155

The figures in this Statement do not tally with those in Appendix A, as this is compiled from Returns made to head-office about end of *May*, whereas the amounts entered in other Statement are the *actuals* on 30th June 1873.

Proceedings of the Madras Government, Financial Department,
31st August 1873.

No. 229. ORDER THEREON, 31st August 1873, No. 1237.

To be recorded.

(True Extract.)

W. HUDLESTON,
Chief Secretary.

Recd. 20 Aug. 73

Confidential

From

The Government Directors
of the Bank of Madras

To The Chief Secretary
to the Government of
Fort-Saint-George
Financial Department

Sir

We have the honor to submit the following remarks upon the position of the Bank of Madras for the information of His Excellency The Right Honorable The Governor in Council, as we consider that at this time Government would wish to be specially informed what view we take of the Bank's affairs.

2. The accompanying Statement Appendix A, shews at a glance the investments of the Bank's Funds in Bills Discounted, and in Loans.

3. The Bills Discounted are divided into 3 Classes Viz.t New Bills Current renewed Bills current and Bills which have not been met on due date,

technically termed Past-due Bills.—

4 We shew all these as they stood on 30th June, and as respects the two first classes of Bills their condition on last Saturday, the 9th Instant.

5. We have decided not to place in juxta position with the other transactions the balance of the Past-due Bills on the 9th Instant, as upwards of a lakh of Rupees was written off to Profit and Loss at the end of the half year, and the smallen amount taken from the Books, as outstanding on that date, might raise the presumption that recoveries to the extent of the differing had been effected, while in fact a very small amount has been recovered in Cash.

6 With regard to the new Bills current, amounting on 9th August to Rupees 24,02,899 we have fair reason to believe that all are good. The agents have been earnestly cautioned — more particularly of late — not to advance upon any but undoubted paper, and all the Bills in this class are of less than 3 months standing.

7. The renewed Bills must be regarded as weaker than the fresh Bills — the fact of parties requiring to renew frequently shews that for some reason or other they could not meet their liabilities when these matured; but in many cases such renewals have the character of perfectly legitimate accommodation. We therefore speak with less certainty of realizing all the money invested in these Viz^z Rupees 227,243. We do not however anticipate much loss; but do not like to commit ourselves to a statement that there will be none. No renewals of Bills discounted are now granted without the sanction of the Board of Directors.

8. We submit a Statement shewing the amount of Past-due Bills (as classified by the Agents) at the close of each of the 4 half years last past. For the three half years ending with 31st December 1872 Rupees 1,22,291 were written off to Profit and Loss on account of these transactions. Adding to this the Rs 1,45,864 referred to in para 5. above we get an aggregate of Rupees 2,68,155, which, during this period, the Directors have considered wholly irrecoverable.

9 We confess our inability to write with certainty what proportion of the Past-due Bills outstanding on 30th June last and amounting to Rs 7,66,250 will prove good and what bad; but it is beyond a doubt that there will be a heavy loss. We are not satisfied with the

Statement B.

Re difference between Rupees 9,66,150 as explained in para 2 & 3

the classification of these Bills by the Agents who class them as follows.

Good	Rs 2,90,926	
Doubtful	3,29,460	
Bad	1,45,864	written off to Profit & Loss 30 June 1873
	Rs 7,66,250	

We have carefully Examined the grounds of this classification by the Agents and we fear the following Estimate will be found nearer the truth

Good	Rs 1,92,490	
Doubtful	1,75,179	
Bad	3,98,581	of which Rs 1,45,864 have been written off as above
	Rs 7,66,250	

We only hope we have taken a more gloomy view than the future will justify.

10. The majority of the Past-due Bills it will be seen belong to the Branches named in the margin where we anticipate an eventual loss of 65 % in all.— The Dis-continued Allepey have been closed, and those at Berhampore restricted to narrow limits.— Negapatam and Cochin are both good Branches, where a sound, legitimate, and profitable business can be carried on.— The disasters which have occurred are attributable to bad agency and faithless native subordinates.— We have reason to believe that in both these respects an entire change for the better has been made.

	Rs
Alleppey	2,57,405
Cochin	1,40,095
Negapatam	2,60,376
Berhampore	36,806

as of Statement A. containing latest advices Vide foot note to Statement B.

11 We have no reason to doubt that the advances under the heads of Interest and Discount Loans are safe, with a partial exception at Negapatam, where we anticipate a loss of little short of Rupees 25,000 under this head.— The Agent hopes that it will not amount to Rupees 22,000.— Rupees 17,953 were written off to Profit and Loss on 30th June last, so that only the balance of about Rupees 7000 (according to our Estimate) has still to be met.

12. Every endeavour is being made to collect outstandings, and an anxious Control is being exercised over the current transactions of the Branches.

13 We have confined our remarks entirely to the business at the Branches, as we are satisfied that that done at Head Office is good.

14 In closing this report we record our conviction that the condition of the Bank of Madras is thoroughly sound, and that the Nett Profits of the past half year amounting to nearly

10% on the Capital+ were the result of a legitimate and safe business. The Reserve Rupees 676786 is large, and would amply cover all anticipated losses, were it necessary to meet them at once. The special Reserve Fund of Rupees 276786 will cover a large portion of these. Any further sum that may be required will, we hope, not exceed what may be paid out of the Bank's earnings during the next year or two, without any serious diminution of dividends.

+ Nett profit before losses were provided for Rs. 279763
10% on Capital for ½ year 281,250

Reserve — Rs 400,000
Special Do — 276,786

We have the honor to be
Sir
Your most obedient servants

Madras
15th August 1873

F. Arbuthnot
W. Robinson
W. Donald

Government Directors of the Bank of Madras.

1237
31.8.73

228-9.

Financial. 1873. | Dept.

From the Govt. Directors of the Bank of Madras

8/15 August 1873.

Rec'd 20. Aug. 73.

Order 8/31st August 1873. No. 1237.

In Council
29.8.73.