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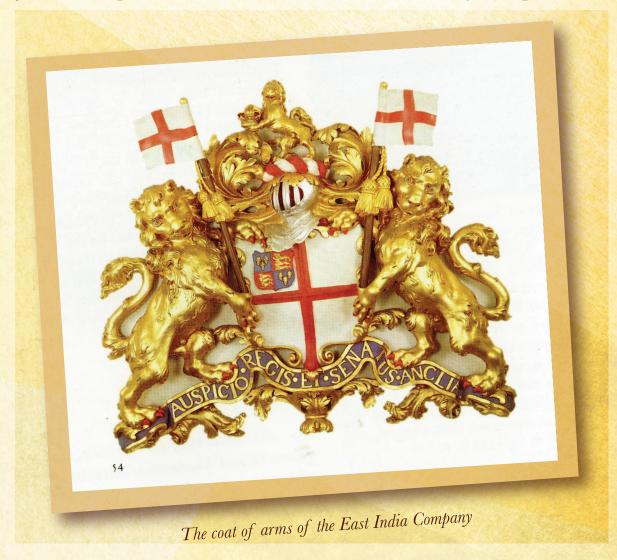
THE ROOTS & SECOND

THE PERSPECTIVE

Faced with an urgent and recurring need for funds to continue the war with Louis XIV of France, William III of England offered a favourable charter to any corporation which would lend the government money. The Bank of England set up in 1694 raised 1.2m Pounds Sterling in only 12 days, half of which was used to rebuild the Royal Navy. In the years to follow, the old Lady of Threadneedle Street was continuously pressed for more money on better terms by the Lords of the Treasury and even the King in person.



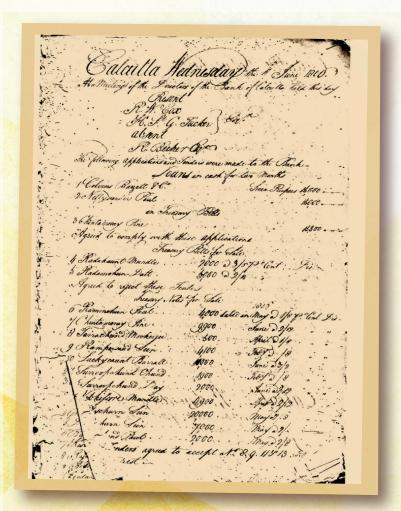
A little more than a century later in distant India, a jingoistic Governor General, Richard Wellesley, in trying to subjugate the rulers of Mysore and the Marathas landed the East India Company's administration in Bengal presidency into severe financial stringency. Large scale borrowings led to heavy discounts of government treasury bills, steep rise in interest rates and acute shortage of specie.



A plan for a bank in Bengal with part government ownership and a strong mercantile element was thus formulated not only to stabilize rates of interest but also mobilize credit both for the Company's Government in Bengal and the merchants of Calcutta.

A semi-government joint stock bank was set up in Calcutta as the Bank of Calcutta, the first constituent bank of the State Bank of India (SBI), which commenced business on 2 June 1806.

Both the setting up of Bank of England and Bank of Calcutta were thus deliberate exercises in statecraft.



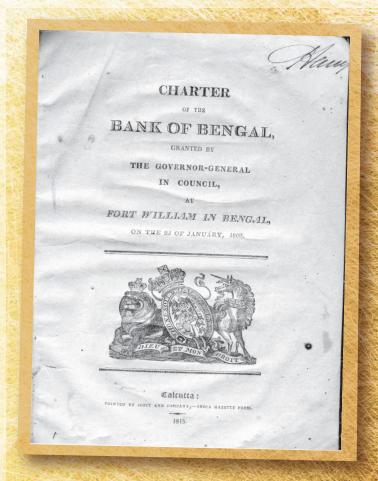
Minutes of the Bank of Calcutta 11 June 1806

ADVENT OF MODERN BANKING RESERVE

Two years later in 1808, equipped with the approval of the Court of Directors of the East India Company, the Governor General in Council in Fort William, Bengal granted a charter and redesignated the Bank of Calcutta as the Bank of Bengal.

It was a totally new kind of institution as neither joint-stock banking nor deposit banking nor banking combined with note issue were known in India then. And so also the concept of limited liability which restricted the liability of shareholders to the amount of the capital subscribed by them.

The Bank of Bengal opened for business on 2nd January 1809 marking the advent of modern banking in India.

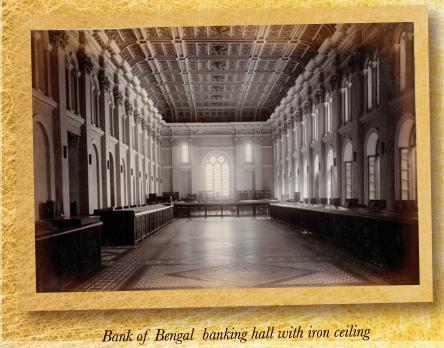


Charter of the Bank of Bengal





Bank of Bengal, Strand Road, Calcutta





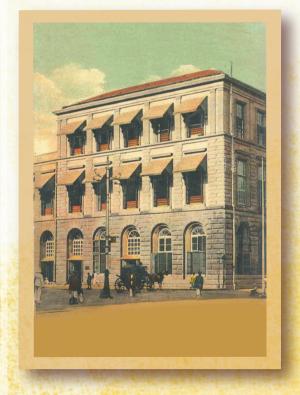
Bank of Bengal cipher on glass pane

As business expanded in India and with British rule extending to other parts of India, similar joint-stock banks were created in the presidencies of Bombay and Madras by separate charters. The Bank of Bombay was set up on 15 April 1840 and the Bank of Madras on 1 July 1843.

The triad of these banks formed the highest tier of the apex banking system of the Indian subcontinent and was for all practical purposes the only government bankers.



Seal of the Bank of Bombay



Bank of Bombay, which opened at 23, Rampart Row, moved soon after to a new stone building at 1, Rampart Row, which later came to be known as the Currency Office



Bank of Bombay moved to its own building at Bank Street, Bombay in 1866



Seal of the Bank of Madras



Built in the 1780s, the Fort Museum, Madras was the locale of the Bank of Madras in 1843



Bank of Madras head office at First Line Beach, Madras opened in 1899



Banking hall of the Bank of Madras



Stained glass pane in the Bank of Madras building

SHAREHOLDING RESIDENCE

Of the Bank of Bengal's initial capital of Rs 50 lakhs made up of 500 shares of Rs 10,000 each, the government contributed one-fifth, while the rest were subscribed by wealthy European merchants, civil servants and twenty-seven Indians including the Basaks, early settlers of the region and millionaires like Ramdulal Dey, who traded with America.

When the Government of Bombay approached the Court of Directors of the East India Company for setting up a joint-stock bank in Bombay, a similar Act as that of the Bank of Bengal was prepared, the only departures being those in respect of the amount of capital, the government's share and the price of its share. The Bank of Bombay was set up with a capital of Rs 52.25 lakhs with the government holding about six per cent share.



Ramdulal Dey, an orphan at an early age became sircar to a prominent stevedore, Madan Mohun Datta

An analysis of the shareholders in the Bank of Bombay in 1840 shows an interesting profile.

173 Europeans resident in India	3,261 shares
109 Parsis	1,233 "
35 Hindoos	327 "
3 Mahomedans	55 "
12 Native Christians	49 "
The Bombay Government	300 "
332 shareholders	5,225 shares

Of the shares of the Bank of Bombay priced at Rs 1,000 initially, 62 per cent were held by Europeans and 24 per cent by Parsis.

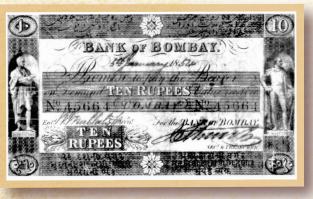
In 1843, a similar Act of incorporation led to the setting up of the Bank of Madras with a capital of Rs 30 lakhs with the government holding a 10 per cent share. Each share was priced at Rs 1,000 and the majority shareholding rested with European merchants, civil servants and military personnel. Indians held only about 4.6 per cent.

ISSUANCE OF NOTES & SECOND

The three banks were permitted to issue notes up to four times the cash in hand and four times their capital. With denominations ranging from Sicca Rs 10 to Rs 10,000 signed by its directors, these notes were for the first time accepted as legal tender for making public revenue payments. The notes together with the capital held by the banks formed their main investible resources.

The common man however continued to handle coins as before since the minimum denomination of a note of Rs 10 or a pound sterling in those days was equal to more than three months' earnings of an agricultural labourer and exceeded a month's pay of an Indian baboo.









Bank of Madras note

BUSINESS & SECOND

Business was initially confined to discounting **hundis** or inland bills of exchange or other negotiable private securities, granting loans against non-perishable commodities, keeping cash accounts and receiving deposits and issuing and circulating cash notes.

Loans against goods like opium, indigo, salt, woollens, cotton, tea, jute, coal,

SUGARDING CURRENT ACCOUNTS.

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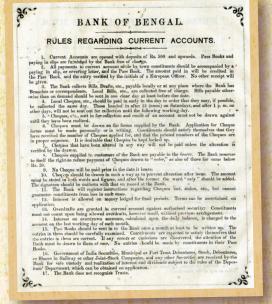
A hundi or inland bill of
exchange bearing the stamp of
Bank of Bengal, Hyderabad (Deccan)

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१११ स्टाल्याम्ब्राहर्णनावर्गिकानार्वहर्यर्रातावर्गिकर

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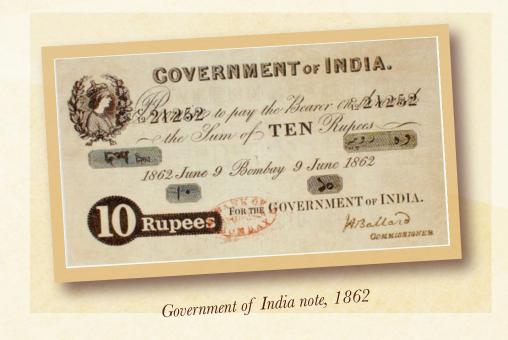


Rules regarding current accounts in the Bank of Bengal, 1906

Banking however stood limited only to the affluent then as a minimum deposit of Rs 500 was necessary for opening a current account in the Bank of Bengal even as early as in 1809 and Rs 200 in the Banks of Bombay and Madras since their inception. The rules of business in 1841 specified a minimum loan of Rs 500 for both cash credit advances and loans on deposit.

BRANCH BANKING RESERVE

The three banks were constituted as single unit banks and had no branches initially. With the passing of the Paper Currency Act, 1861, the Government of India abolished the right of the three banks to issue notes and introduced the Government paper currency instead in 1862.



As compensation, the government undertook to lodge its treasury balances with the three presidency banks at all **mofussil** centres where the banks would open branches. Thus began branch banking. Soon after the Banks of Bengal, Bombay and Madras gained exclusive management of government business too.

By 1876, there were as many as 44 branches covering important trade centres and major ports

across British India. Among the early branches were those at Rangoon, Dacca, Mirzapur, Benares and Lucknow of the Bank of Bengal; Poona, Ahmedabad, Surat, Karachi and Broach of the Bank of Bombay; and Cochin, Calicut, Cocanada and Bangalore of the Bank of Madras.



Tarawali Kothi, an observatory in
Lucknow built during the reign of
Nawab Nasir ud Din Haidar,
became the Lucknow branch of the
Bank of Bengal in 1863 and is now
the Lucknow Main Branch of SBI

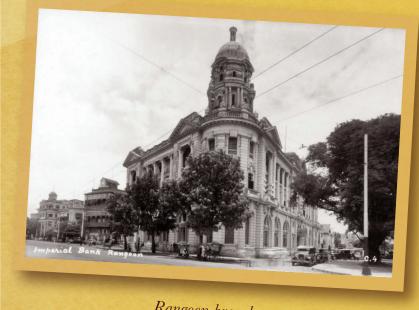


Bank of Bombay, Poona branch opened in early 1862



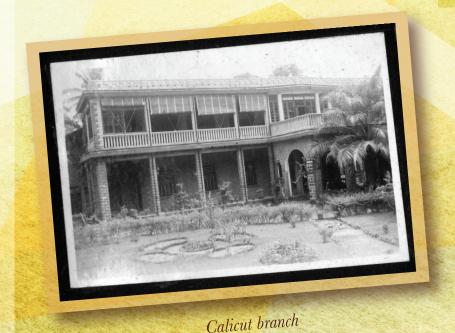
Hopeville, earlier the residence
of C.B.Saunders,
Judicial Commissioner of Mysore,
was the Bangalore branch of the
Bank of Madras since the late 1860s and
is now the residence of the
Circle's Chief General Manager

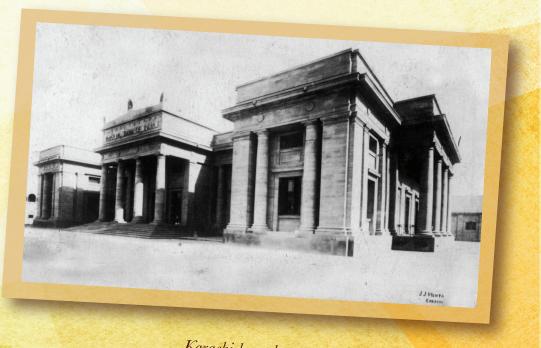
Among the branches of the Bank of Bengal those in Burma were the most profitable; Rangoon alone often yielding more profits than all the branches of the bank together in the presidency. Much of the income at Burma branches depended on discounting of bills tendered by Nattukottai Chettis on rice exports from Burma.



Rangoon branch

Karachi and Ahmedabad branches were the two most profitable branches of the Bank of Bombay, the former deriving most of its earnings by handling trade as befitted the chief port of north-western India and the latter deriving profits on advances to the large cotton mills at the biggest centre of cotton mill industry in India outside the Bombay city and island.





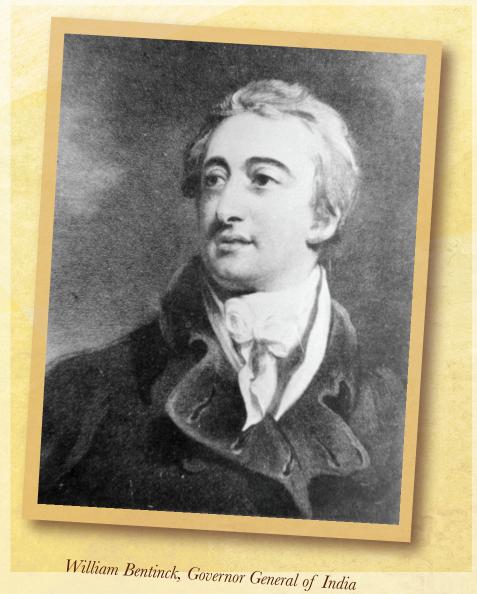
Karachi branch

Of the branches of the Bank of Madras, Colombo, Cocanada, Cochin and Calicut were the most profitable. Trade with Ceylon, discounting of trade bills, loans to coffee plantations and advances to large European firms including coffee curing firms were the main sources of profit.

ADHERENCE TO RULES

The banks adhered strictly to the letter of the charter and its byelaws even in small matters. Governor General William Bentinck once sent a cheque to the Bank of Bengal for encashment, which 'proved to be four annas beyond the sum at his credit'. The cheque was promptly returned. Bentinck on being informed of the circumstance, applauded the proceeding, and remarked, 'this was the bank to do business with, which would not violate its rule in the smallest particular for the Governor General himself'.

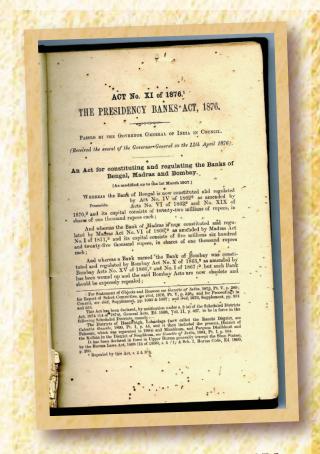
But there were aberrations too.



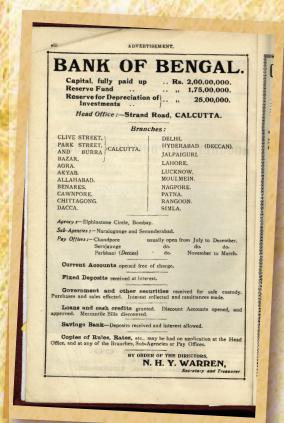
INCARNATIONS

THE PRESIDENCY BANKS ACT

Soon after the failure of the Bank of Bombay in 1867 (see below), the Government of India proprietary terminated its with connection the three presidency banks in 1875 retaining firm control over their basic constitution and rules of business. A year later, it passed the Presidency Banks Act bringing the Banks of Bengal, Bombay and Madras under a common statute with similar restrictions on business and imposed a limitation on their use of the government treasury balances.



The Presidency Banks Act, 1876



Bank of Bengal's advertisement in Thacker's Indian Directory, 1920 showing the Bank's reach and the facilities it offered

The Presidency Banks Act gave extensive powers to the directors, viz., managing the business of the banks, deciding on the division of the banks' profits and determining appointments, suspension, removal and remuneration of all officers and other employees of the banks.

Section 55 of the Act specifically laid down that all resolutions of shareholders' meetings would be valid and binding on the bank only so far as such resolutions were consistent with the provisions of the Act. Thus it would appear that any resolution of shareholders objecting to changes in the bank's staff and their conditions of work or the conduct of the bank's business by the directors had no legal force.

The management of the three presidency banks rested in the hands of Europeans. The board of directors of these banks which controlled their affairs was distinctly European in character and Indians rarely found a place in these boards except in the Bank of Bombay.

The officers of these banks were all Europeans, who usually arrived in India at a tender age and then rose in the hierarchy. The secretary and treasurer was the chief executive officer and was initially drawn from the civil service and had to tender a security deposit of Rs 50,000. Initially he had only one European as bookkeeper under him but later additional posts were created for the deputy secretary, chief accountant, inspector of branches and the agents of branches.

No Indian was ever recruited as an officer in these banks or promoted to occupy even the lowest rung of the officers' cadre till a much later date. He could at the most aspire to become an official-in-charge of a pay office or a sub-accountant at a branch. Even the khazanchee or cash keeper, who occupied a key position in the bank, was not considered as part of the managerial staff.

RECRUITMENT & SECOND

EUROPEANS

The recruitment of European officers for the Bank of Bengal initially rested with the bank's directors, who selected men partly from Britain and partly in India. Those appointed in Britain were young bachelors purportedly with experience of working in Scottish banks.



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Rowlands' memorandum of information showed that as a young man of 24 he possessed work experience of eight years as a clerk with the National Provincial Bank of England Ltd.

Those selected in India were generally here on spree, possessed no banking experience but were known to the bank's directors. This mode of recruitment soon became an embarrassment for the bank's management as a large proportion of the European staff proved to be so incompetent that the efficient working of the bank stood gravely impaired.

With the introduction of the pension fund in the Bank of Bengal, the directors found that the bank was loaded with an increasing number of officers with unsatisfactory service record and whose sole objective appeared to be to complete the period of service that would qualify them for pension. To the bank directors, it was

carrying charity too far to keep and pay men for 20 years who are not suitable for the service and who in many cases make no effort to be suitable and then confer on them pensions for the remainder of their lives.

The bank thus became not only cautious in its recruitment policy but also dispensed with the services of inefficient Europeans before they could claim the right to pension.

Selection of experienced men thereafter began to be done exclusively in London through a representative of Coutts & Co., an old British Bank, aided by a committee of three former directors of the Bank of Bengal. A fee of two guineas was paid to each committee member so that they could meet regularly and decide each and every case on merit. An annual honorarium of 50 guineas was also paid to the representative of Coutts & Co., which was later doubled.

The Banks of Bombay and Madras adopted a similar practice for recruiting Europeans as officers.

INDIANS

Indians were recruited in those days by word of mouth and in most cases apprentices were related to serving employees. It was only in the case of the khazanchee or cash keeper that applications for appointment were invited.

KHAZANCHEE

The khazanchee or cash keeper was an institution by himself and had to shoulder major responsibilities in the bank. He was required to carry out all the functions of the cash department to ensure its smooth functioning, viz., taking charge of notes, bills, etc. at the beginning of the day, arranging payments and receipts of notes and specie, examining all securities including government bills of exchange, salary bills, private drafts, hundis, etc., tendered for discounting, examining and certifying the character, place of abode, circumstances and credibility of the drawer, drawee, endorser, endorsee of all private securities and at the end of the day reporting in detail all transactions of the bank and delivering all securities, cash, etc. to the secretary and treasurer / head accountant.

He was also the main link between the bank and the bazaar gathering information from the market on the trends of the business, compiling opinion reports on existing and prospective borrowers, passing cheques with vernacular signature, recruiting his cash department staff and also be responsible for their conduct. He also employed munshis who could read the scripts of hundis drawn in numerous Indian languages.

The bank understandably took particular care in selecting the khazanchee. He had to be a man of considerable wealth as like the secretary and treasurer he too was required to furnish a deposit of Rs 50,000 as security and execute a bond as well. The applicants to the post were thus scions of wealthy Indian families.

The first khazanchee of the Bank of Bengal was Ramchandra Roy, the eldest son of the first Indian director of the bank, Maharaja Sookmoy Roy. Ramchandra drew a salary of Rs 300 in 1809 in addition to a commission of five per cent on the profits derived by the bank on discounting of bills.

A MAN OF EXTRAORDINARY ATTAINMENTS AS KHAZANCHEE

Ramkamal Sen, who became a khazanchee of the bank in 1832, was a man of amazing accomplishments. He began as a writer at the Asiatic Society founded in 1784 by William Jones, British Orientalist and jurist, and rose to be its collector. Ramkamal was, in fact, instrumental in building up the early collection of the Society's Museum, which was later carved into the Imperial (renamed Indian) Museum in 1875. He thereafter became bullion keeper at the Calcutta Mint, collector of the Agricultural and Horticultural Society of India, secretary of the Sanskrit College and superintending director of the Hindu College. Ramkamal was the only Indian in the committee appointed by Governor General William Bentinck to report on the state of medical education and suggest ways and means for its improvement which paved the way for the establishment of the Calcutta Medical College in 1835.

The many assignments that he held, wrote Horace Hayman Wilson, one of the leading Orientalists of the 19th century, spoke volumes not only of Ramkamal's 'liberality, zeal and industry but of the confidence universally reposed in his talents and integrity'.

His professional engagements apart, Ramkamal was also involved in several literary pursuits. Besides publishing Ousadsarsangraha, the first book on western medicine in Bengali, he produced in two volumes, A Dictionary in English and Bengalee containing 60,000 words extending across 1102 pages, which took him 17 years to complete.

When Ramkamal joined the bank as khazanchee, he was by then known to many of the leading Europeans and Indians of Bengal personally. The then secretary and treasurer of the bank, George Udny, was, however, not a man to show respect to his khazanchee or his attainments. Udny soon picked on the khazanchee's occasional late arrival in office to lodge a complaint to the bank's directors pronouncing him 'as an inefficient public officer' who never 'devoted so much of his time and attention to his duties



Ramkamal Sen

as either to obtain an intimate knowledge of the detail or (if he has acquired that knowledge) to the practical use of it in the daily business of the bank'. On being questioned, Ramkamal explained that his occasional late arrivals were caused by his engagements in commercial and other public meetings or visits to men in business to ascertain the state of the market on which depended the bank's extensive credit business and which could not be undertaken once he reached office.

While requesting for a clear definition of the khazanchee's duties which was lacking then, Ramkamal wrote to the directors thus:

I have had the benefit of European association, and had the good fortune of enjoying the good opinion of all my superiors, and those whom I have had to deal within official capacity, and after passing through so many respectable situations with unstained character, satisfactory conduct and appreciation of my services by my employers and after successful exertion for such a length of time to raise and establish my character in the line of business, I am now here pronounced 'as an inefficient public officer' in a place where neither any great intellectual acquirement nor ability is required to a due discharge of the duties but mere mechanical labour in paying incessant attention and close application to the number of Bank Notes, Bills and quantity of cash.

After considering the entire matter, the directors did not fail to recognize Ramkamal's value as the khazanchee of the bank in acting as the main source of information on the status of the bank's constituents and the necessity of keeping his departmental authority unimpaired.

Ramkamal continued as khazanchee till his death in 1844. With his demise ended the career of perhaps the most remarkable Indian to have ever served the Bank of Bengal.

Over the years as the bank began opening branches in the important ports and trading marts of the subcontinent some of the leading bankers like Bunseelall Abeerchand, Sitalprasad Khargaprasad, Tarachand Ghanshyamdas became khazanchees at numerous branches.

RETIREMENT BENEFITS & SECOND

A pension and guarantee fund was first introduced by the Bank of Madras in 1878 and followed up by the Bank of Bengal a year later. While the funds of these two banks were meant only for their European officers that of the Bank of Bombay set up in 1883 was to benefit both its European and Indian staff. The composition of the board and the vigilance of both its Indian directors and shareholders made the Bank of Bombay far more solicitous about the welfare of its Indian employees than the other two banks. The rules of the scheme and the amount of pension, however, varied from one bank to another.

The Indian employees of the Banks of Bengal and Madras thus had to wait till the Imperial Bank of India introduced its pension and guarantee fund in July 1921.

STRINGENT RULES OF SERVICE RESERVICE

The European officers of the presidency banks were governed by specific rules of service, which stipulated inter alia the passing of the lower standard of examination in Hindustani, Tamil or Telegu depending on the region to which they were posted in the initial years of appointment, for confirmation in the bank's service.

One of the most striking rules governing the officers of the presidency banks was the prohibition against marriage till they reached an 'assured' position and received the consent of the board of directors. In 1878, the directors of the Bank of Madras resolved that

no officer of the Bank be allowed in future to marry below a salary of Rs 500 per month, except by special sanction of the Directors and any officer found to have violated the rule shall be held to have forfeited his appointment.

The secretary and treasurer of the Bank of Bengal in a memorandum to the board in 1884 reported that the bank continuously found it

embarrassing to provide appointments to junior officers who are married in which they will get sufficient income on which to be able to live decently. Moreover the Bank's freedom of action in moving married officers on small pay is much interfered with by the circumstance that they have belongings and that

moving means incurring expenses which they are unable to afford.... In some cases the results of marriage have been distressing, many children and sickness resulting in expenses which could not be met....

Admitting that the circumstances of European officers in banks in India materially differed from those in England, the secretary pointed out that 'a married man in India must have sufficient income not only to be able to live respectably but to be efficient as pecuniary troubles are very harassing'.

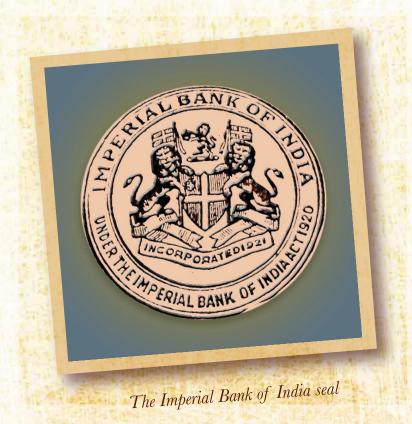
In 1885, the directors stipulated that an officer was restrained from marriage unless he occupied an assured position and was in receipt of sufficient income. Each individual case as per the directive had to be referred to the directors for sanction. Thus in 1892, permission was denied to C.K.Lamont, accountant of Hyderabad branch, who drew a monthly salary of Rs 400, on grounds of 'insufficient income'. This stipulation was raised to Rs 700 by 1906.

In the case of the Bank of Madras, it was Rs 500 in 1879. When W.J. Evans, accountant of Bangalore branch, sought relaxation in the rule while in receipt of a monthly salary of Rs 300, the board promptly declined. It was only after his would-be father-in-law furnished a guarantee to pay Rs 50 each month to Evans, from the date of his wedding till he reached a pay of Rs 500 including his usual increments, that the permission was granted.

There were no specific rules governing the service conditions of the Indian employees till much later.

IMPERIAL BANK OF INDIA - AN ALL-INDIA BANK *** - ***

To extend banking facilities and also render the monetary resources of India more accessible to the country's trade and commerce, the Government of India amalgamated the three presidency banks with their 73 offices to create an all-India bank - the Imperial Bank of India - by an Act passed in 1920.



ACT No. XLVII of 1920.

[PASSED BY THE INDIAN LEGISLATIVE COUNCIL.]

(Received the assent of the Governor General on the 19th September 1920.

An Act to constitute an Imperial Bank of India and for other purposes.

WHEREAS it is expedient to constitute an Imperial Bank of India and to transfer to the Bank so constituted the undertaking of each of the Presidency Banks and to dissolve those Banks and to make provision for the regulation and management of the Imperial Bank of India; It is hereby enacted as follows:

1. (1) This Act may be called the Imperial Bank Short title and com-

of India Act, 1920.

(2) It shall come into force on such date as the Governor General in Council may, by notification in the Gazette of India, appoint.

2. In this Act, unless there is anything repugnant Decastless. in the subject or context,—

the subject or context,—

(a) "appointed day" means such day as the Governor General in Council may appoint for the commencement of this Act;

(b) "the Bank of Bengal," "the Bank of Madras" and "the Bank of Bombay" mean, respectively, those Banks as constituted by the Presidency Banks Act, 1876;

(c) "dividend" includes bonus;

(d) "general meeting" means the appeal meeting in the council material in the council means the appeal meeting in the council material in the council means the appeal meeting in the council means th

(d) "general meeting" means the annual meeting of the shareholders of the Bank;

(e) "goods" includes also bullion, wares and merchandise;

(f) "local

Act promulgated to constitute the Imperial Bank of India in 1920

CAPITAL AND SHAREHOLDING RESERVED

The authorized capital of the Imperial Bank was fixed at Rs 11.25 crores made up of 225,000 shares of Rs 500 each. With a reserve fund of Rs 3.75 crores contributed by the three presidency banks, the total capital and reserves of the bank amounted to Rs 15 crores.

While the proprietary connection of the Government of India severed in 1875 was not restored, the Imperial Bank's shareholding stood divided among Europeans and Indians at 50.56 per cent and 49.44 per cent respectively in 1930.

A NEW ROLE

The new bank opened for business on 27 January 1921 and took on the triple role of a commercial bank, a bankers' bank and banker to the government. The Government of India assured the new bank unlimited use of the treasury balances placed with it.

The Act of 1920 not only maintained inter alia the earlier practice of the presidency banks of drawing, accepting, discounting, buying and selling of bills of exchange and other negotiable securities payable in India or in Ceylon, but also extended it for the first time to bills of exchange 'payable outside India', subject to the general or special directions of the Governor General, for and from or to such banks as the governor general would approve.

The more important powers granted in the Presidency Banks' Act, of making, issuing and circulating of bank post bills and letters of credit made payable in India or in Ceylon, the buying and selling of gold and silver whether coined or uncoined, the receiving of deposits and keeping cash accounts, the selling and realizing of all property, whether movable or immovable, in possession of the bank for settlement of its claims, and the transacting of pecuniary agency business on commission, were allowed to continue in the new Act.

The restrictions imposed on the business of the Imperial Bank were more or less a continuation of those governing the presidency banks. The only major departure was the extension of the maximum duration of loans from three to six months. The conducting of foreign exchange business on its own, however, remained outside the ambit of its business till 1934.

OFFICE AT LONDON RESERVE

An office was opened in London simultaneously to accept deposits and grant loans against securities deposited with banks in India. Funds were borrowed when necessary from London bankers and bills in India were collected for other banks; cheques and bills were purchased under credit opened by the bank's head offices in India. Later the account of the high commissioner for India transferred to the London office from the Bank of England as well as the management of the Indian rupee debt in the UK.



Imperial Bank of India office at 22, Old Broad Street, London [courtesy: London Metropolitan Archives (LMA)]



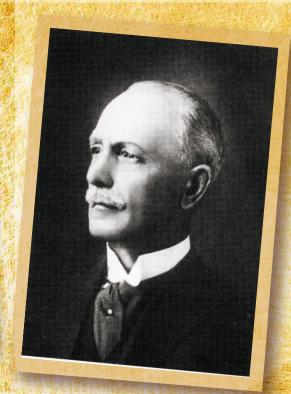
Entrance of the London office [courtesy: Bedford Lemere & Co.(1927)]

THE TOP MANAGEMENT & SECONDARY

The Imperial Bank was initially headed by two managing governors, who were the senior most British officers of the presidency banks earlier.



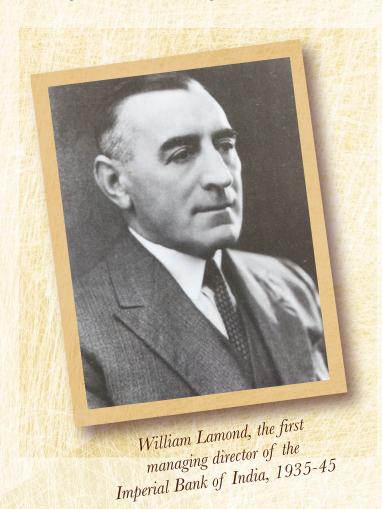
Norcot Warren, the last secretary and treasurer, Bank of Bengal, was one of the first two managing governors of IBI



Robert Aitken, the last secretary and treasurer, Bank of Bombay, was also one of the first two managing governors of IBI

In 1934, the Imperial Bank of India Act was amended providing inter alia the abolition of one of the managing governor's posts and creation of the post of a deputy managing governor instead. The two posts were also redesignated as managing director and deputy managing director respectively with effect from 1 April 1935.

Osborne Arkell Smith, who had joined the bank in September 1927 as one of its managing governors and continued till 1934, was appointed as the first Governor of the Reserve Bank of India in 1935.



Osborne Arkell Smith, managing governor of the Imperial Bank of India, was appointed as the first Governor of the Reserve Bank of India

William Lamond, manager of the bank's London office, was appointed managing governor of the bank in February 1934 and then as its first managing director in April 1935 – a position he held for more than ten years.

AN UNPARALLELED ACHIEVEMENT & SECOND

To facilitate the spread of banking facilities, the Imperial Bank, as agreed with the Government of India, opened 100 new branches within the first five years — a feat unparalleled in Indian banking in those days.

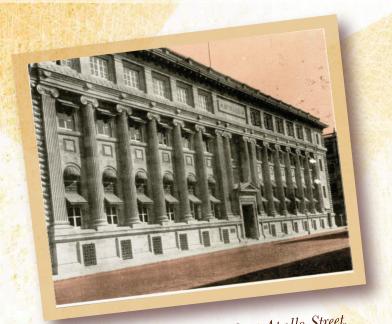


Agreement dated 27 January 1921 between the Secretary of State for India and the Imperial Bank of India

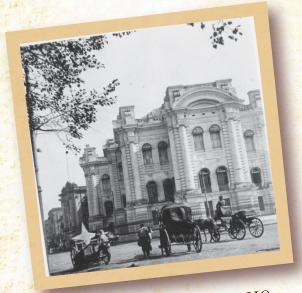
INTRODUCTION OF CIRCLES & SEE

The Imperial Bank Act provided for local head offices (LHOs) which were set up in Calcutta, Bombay and Madras as the headquarters of three circles, viz. Bengal, Bombay and Madras. The jurisdiction of each circle coincided with that of each presidency bank — Bengal circle with that of Bank of Bengal, Bombay circle with that of Bank of Bombay and Madras circle with that of Bank of Madras. Each circle was placed under a secretary and treasurer who headed an establishment of European officers including the deputy secretary and treasurer and the chief accountant.

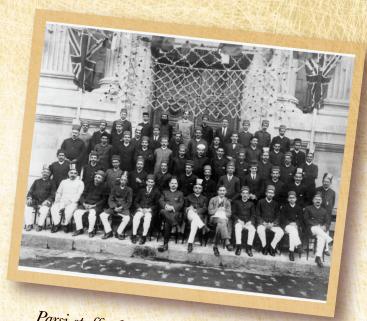
The principal departments of the LHO included accountant's department, securities department, advances department, branch department, government accounts department and cash department. Besides the main departments, a few smaller departments/sections like the savings bank department, staff section, collection section, central voucher section, etc. were also set up. Both business planning and operations were handled at the LHOs then.



Imperial Bank of India LHO at Apollo Street,
Bombay opened in 1924



Imperial Bank of India LHO, Strand Road, Calcutta



Parsi staff of the Imperial Bank of India, Bombay LHO



Imperial Bank of India cash department staff, Madras LHO, 1924

CURRENT CIRCLES OF THE BANK

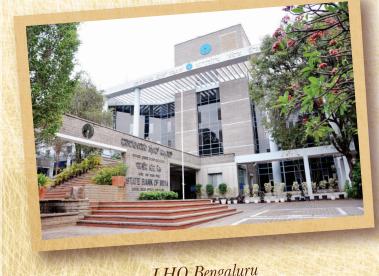
(THE BANK TODAY HAS SEVENTEEN CIRCLES THROUGHOUT THE LENGTH AND BREADTH OF INDIA)

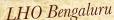


LHO Ahmedabad



LHO Amravati







LHO Bhopal



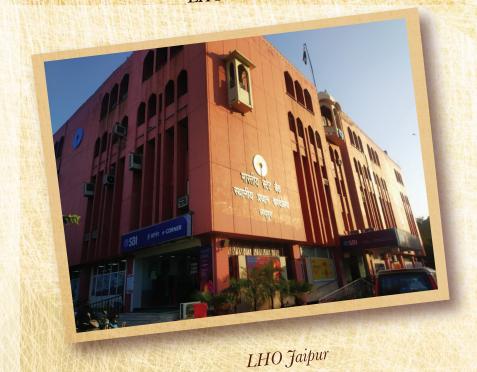




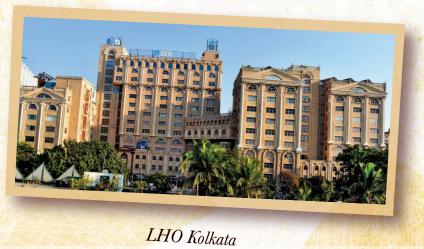


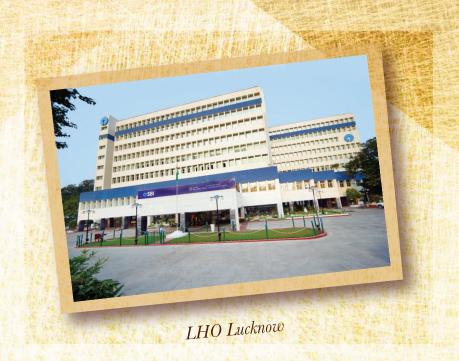


LHO Guwahati



LHO Hyderabad







LHO Maharashtra & LHO Mumbai Metro - Joint Building



LHO Patna



BIRTH OF A CENTRAL OFFICE

To control and manage the affairs of the three circles, a central office of the Imperial Bank headed by two managing governors was set up in 1921. Its functions included assisting the central board of the Imperial Bank in discharging its duties, inspecting LHOs and branches, interacting with the government, banks and other institutions and issuing corporate directions to the LHOs. It also dealt with (a) matters of general policy, administrative control, (b) taxation, (c) advance proposals in excess of the powers laid down for local boards which required sanction by the central board committee in terms of its Act and by-laws, (d) consideration of special rates of interest for large deposits, (e) appointments of senior staff officers and assistants and allied matters on rules of service, allowances, signing powers, etc., (f) large purchases and sales of government securities, and (g) purchases and sales of bank's property (land, buildings, etc.).

The central stationery department (1926), central accounts office (1927) and the foreign exchange department (1937) set up in Calcutta soon after, were part of the central office establishment.

No fixed locale was however assigned for the central office as was done later in terms of the SBI Act. Its composition was thus deliberately kept lean with the managing governors being assisted by a chief inspector and his team of inspectors and a handful of middle-level officers.

The Imperial Bank's central office thus operated from each of the three LHOs by rotation at intervals of about three months. Its movement between LHOs, however, entailed considerable hassle and expenditure as railway compartments had to be booked in advance and various forms of transport engaged to facilitate such movements. Luggage weighing about 100 maunds was usually shifted whenever the central office moved from one LHO to another.

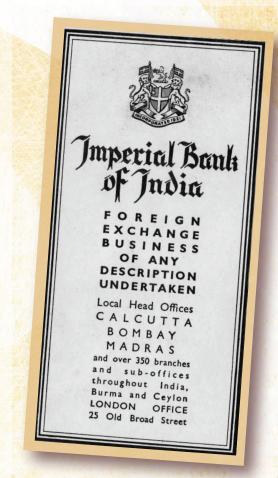
END OF THE QUASI-CENTRAL BANKING ROLE

The establishment of the Reserve Bank of India in 1935 ended the quasi-central banking role of the Imperial Bank and the latter emerged as a purely commercial bank.



Reserve Bank of India seal

The restrictions on business since the days of the presidency banks were removed and the Imperial Bank was permitted to undertake foreign exchange business as well as executor and trustee business for the first time.



Advertisement of Imperial Bank of India undertaking foreign exchange business

While the Reserve Bank became banker to the government, the Imperial Bank's long connection (since the days of the presidency banks) with the government would by no means be severed. Apart from the close relations which would exist between the Reserve Bank and the Imperial Bank, one could not lose sight of the words of the Royal Commission on Indian Currency and Finance in its report of 1926.

The banking organization which India requires must be based not upon a central bank alone as elsewhere, but upon a central bank and a great commercial bank which has Government countenance to inspire confidence in it amongst an uninstructed public, and whatever Government assistance is needed to enable it to perform the function of the initiator of banking facilities.

AGENT OF THE RESERVE BANK & SECONDARY

Though the Imperial Bank ceased to function as the sole banker to the government, it acted as the Reserve Bank's agent to transact government banking business, maintained currency chests and small coin depots on behalf of the Reserve Bank at centres where the central bank had no offices, operated the remittance facilities scheme for other banks and the public on terms stipulated by the Reserve Bank, assisted in the floatation of new loans, managed most of the clearing houses and also acted as a bankers' bank.

INTEGRATING THE MONEY MARKET

Notwithstanding extreme seasonal fluctuations of its bank rate in the initial years, due to a monetary system in which banking and currency reserves were controlled by two separate entities, the Imperial Bank succeeded in bringing about a significant change in money market rates. The earlier differential in the rates of presidency banks was removed with the introduction of a uniform advance rate which cut across boundaries throughout British India including Burma and Ceylon. Easy access to government funds, coupled with the implicit or explicit official backing which the bank enjoyed, enabled it to lend at a prime rate lower than the so-called bazaar rates. The remittance facilities provided by the bank through a large network of offices also helped in the integration of the country's money market and reduced the seasonal and regional variations in rates.

INNOVATIVE ARRAY OF OFFICES & SEE

Barring the few years of the global depression when business opportunities stood restricted, the Imperial Bank remained alive to the necessity of progressive network expansion. When full-fledged branches were found to be uneconomic, sub-offices were opened in large numbers to reach banking facilities to the interior

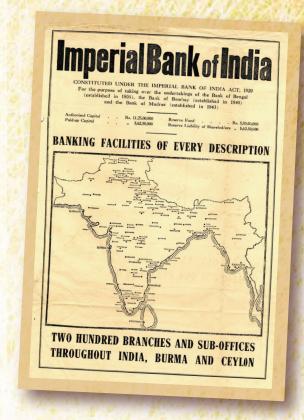
parts of the Indian sub-continent. Nowhere perhaps in the world was such an innovative array of offices evolved to exploit the opportunities of a growing economy. Branches, sub-branches, treasury pay offices, pay offices, sub-pay offices and outstations eased the movement of goods and produce from the producing to the consuming centres as well as to and from ports.



The extensive network of branches of the Imperial Bank of India in 1938

MULTIPLE FUNCTIONS & SECOND

Apart from conducting business as a commercial bank, the Imperial Bank was also entrusted with the task of conducting banking affairs in Burma during World War II as banking agent of the Reserve Bank. A few years later, it was the Imperial Bank again which came to be vested with the task of conducting business in Pakistan for a while after the Reserve Bank of India ceased to be banker to the Government of Pakistan.



Advertisement of the Imperial Bank of India in Investors' Encyclopaedia, 1945

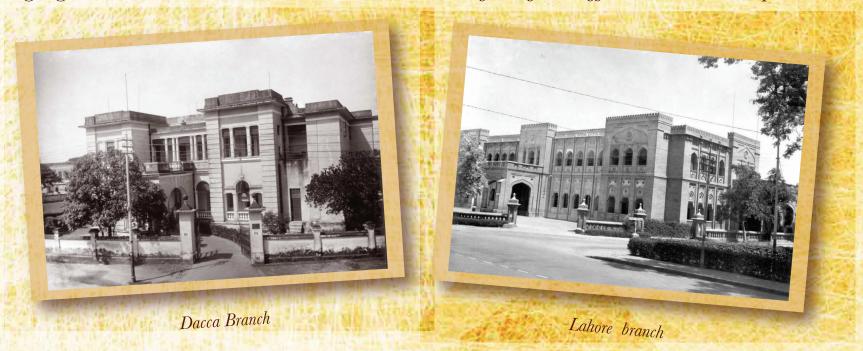
THE IMPERIAL BANK IN 1947

At the end of 1947 the Imperial Bank had a sprawling network of 437 offices (including sub offices) out of a total of 3,462 offices of all scheduled banks ensuring its presence in practically every important trading centre of the subcontinent. Its market share was a little over 30 per cent of the deposits and 23 per cent of the advances of all scheduled commercial banks in India then.

BRANCHES IN PAKISTAN RESERVE

In August 1947, the Imperial Bank had a significant presence in Pakistan with 23 branches spread across Sind, Baluchistan, North West Frontier Province and West Punjab and five branches in East Bengal besides innumerable pay offices. The large scale migration of its Hindu staff to India almost completely paralysed the working of these offices necessitating the closure of numerous branches and pay offices within a few years.

After the creation of the State Bank of India in 1955, five offices of the bank at Chittagong, Dacca, Naraingunge, Karachi and Lahore continued till 1965. A few of the offices were later reopened.



The senior staff officers occupying key positions in the bank's hierarchy, staff officers in various grades and probationary officers occupied the higher echelons of the officers' category in the Imperial Bank. Probationary assistants and the assistants' second grade formed the lower grades of the officer cadre. Sub-accountants, who bore the brunt of the workload at branches and performed wholly supervisory functions, were never considered to be part of the bank's officer cadre. This anomaly continued all through the days of the Imperial Bank and eventually forced the sub-accountants to press for better service conditions by forming a separate union in the 1950s.

Probationary officers were recruited in Great Britain from amongst candidates between the ages of 21 and 25 possessing required qualifications and experience and chosen by a committee comprising the manager of the bank's London office and two senior officers of the bank on furlough. Candidates had also to pass an examination on their business acumen to the satisfaction of the London manager. Their initial salary was Rs 500 monthly which was later revised upwards to a scale of Rs 585-35-725.

As in the presidency banks, officers in the Imperial Bank too were required to pass the lower standard of examination in vernacular languages depending on the region to which they were posted in the initial years of appointment.

While continuing the age-old practice of employing Indians in the non-supervisory cadre, the Imperial Bank for the first time began recruiting Indians as probationary assistants in the supervisory grade to bear the major brunt of workload at the increasing number of branches.

CONCERN FOR THE CUSTOMER & SEE

The practice of maintaining a complaint register was in vogue since the days of the Bank of Bengal. In 1936, the Imperial Bank of India installed a ledger posting machine at its Clive Street branch in Calcutta to economize and speed up the working of the office, which catered to the banking needs of the large European agency houses, owners of the major mining and manufacturing industries of eastern India then.

The Imperial Bank soon after embraced a policy of rendering 'the best banking service obtainable in India' to its constituents at a time when it faced acute competition from other Indian commercial banks on the scene.

To address chronic issues like delay in encashment of cheques, inconvenience of customers in moving from one desk to another for multiple tasks, overcrowding at branches, etc., the bank adopted several remedial measures. At all large branches, a passing officer and a clerk were placed at the same desk to attend to the diverse needs of the customer. Instant payment at all branches began to be made of cheques up to Rs 500 tendered by customers personally or respectable payees known to the bank. Proper seating arrangements were made for customers and messengers at branches were trained to show customers without being asked where they could be attended to, etc.

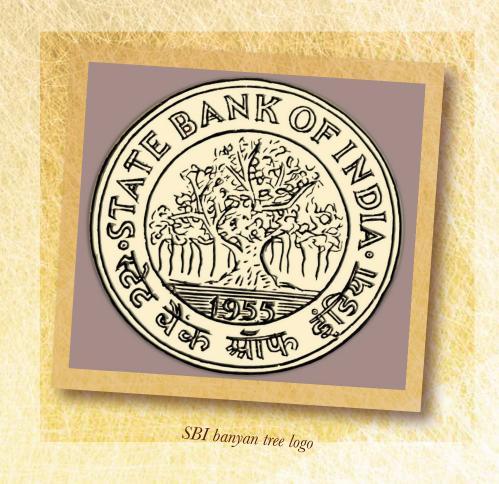
While urging members of the staff to inculcate a spirit of service and pay 'prompt and courteous attention' to constituents, a notice was also displayed at all branches

If you experience any difficulty or delay in transacting your business please ask to see the Agent.

PUBLIC SECTOR BANK

OBJECTIVE RESIDENCE

To serve the economy in general and the rural sector in particular, the All India Rural Credit Survey (AIRCS) Committee recommended in December 1954 the creation of a State-partnered and State-sponsored bank with the objective of extending the concept of state partnership to the important sector of commercial banking. On 1 July 1955 the State Bank of India was constituted as successor to the Imperial Bank of India in terms of the State Bank of India Act, 1955 by taking over effective control over the Imperial Bank of India and integrating with it, the former State-owned or State-associated banks in due course.



GOVERNMENT OWNERSHIP & SECOND

More than a quarter of the resources of Indian banking passed under state control with the major ownership (92 per cent) of the bank's issued capital of Rs. 5.625 crores vested in the Reserve Bank of India. When in 2007 the Reserve Bank transferred its entire shareholding then of 59.73 per cent in SBI to the Government of India, the proprietary connection of the bank with the Government of India severed in 1875 stood restored.

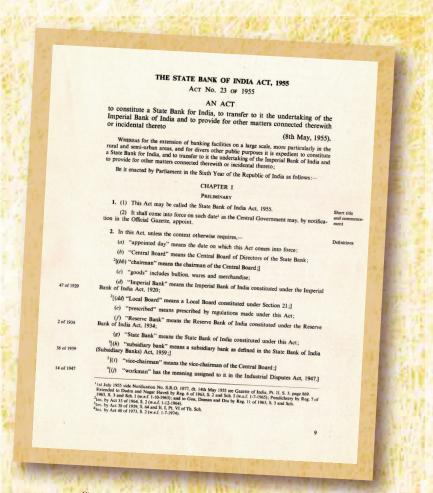
INSTRUMENT OF PUBLIC POLICY & SECOND

In an interview given to Tibor Mende, the eminent Hungarian-French scholar and adviser to the UN Secretary General, Prime Minister Jawaharlal Nehru would later recall that

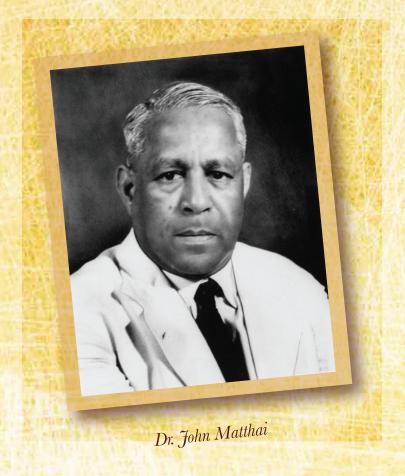
it is in order to provide rural credit more effectively that we nationalized the Imperial Bank and made it into a State Bank, the main purpose being to provide rural credit in a big way and I think that development will take place. As the first public sector bank of the country, the State Bank from the outset began to align its activities with the economic plans of the Government of India. The concept of banks as mere depositories of the community's savings and lenders to creditworthy parties soon gave way to the concept of purposeful banking subserving the growing and diversified financial needs of planned economic development.

THE TOP MANAGEMENT OF SBI

The State Bank of India Act, 1955 for the first time provided for a Chairman and Vice Chairman (the latter till 2010) to be appointed by the central government in consultation with the Reserve Bank of India and not more than two Managing Directors (increased to four in 2010), if any, appointed by the central board with the approval of the central government.



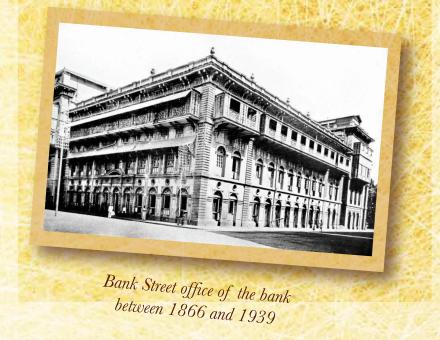
State Bank of India Act, 1955



A former Finance Minister of India, Chairman of the Tariff Board and of the Taxation Inquiry Commission and a director of Tata and Sons, Dr. John Matthai, was appointed as the first Chairman of SBI.

The Act also provided for the bank's central office to be located in Bombay, which in the days of the Imperial Bank of India rotated between the three LHOs at Bombay, Calcutta and Madras.

The central office of the bank functioned from its Bank Street office in Bombay when it operated from Bombay prior to 1955.



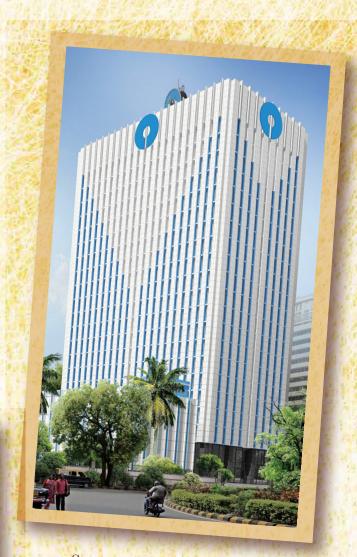
When a new four-storeyed stately building of the bank came up instead on Bank Street in 1943, it became the central office of the Imperial Bank by rotation and only permanently from 1955. In 1971, it moved to the New Administrative Building (now State Bank Bhavan) on Madame Cama Road, Backbay Reclamation in Bombay.



Bank Street office of the Imperial
Bank of India since 1943
(now SBI, Commercial branch,
Mumbai)

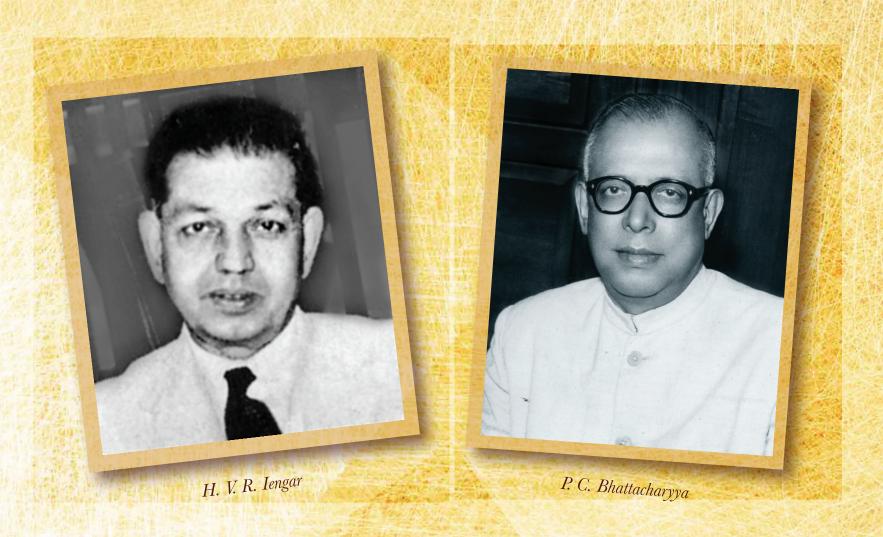


Chairman R. K. Talwar inaugurating the SBI central office building at Backbay Reclamation, on 1 October 1971



State Bank Bhavan, Mumbai

Two of the early Chairmen of SBI, viz. H.V. R. Iengar and P. C. Bhattacharyya were appointed Governors of RBI.



IN THE SERVICE OF THE NATION AND ITS PEOPLE

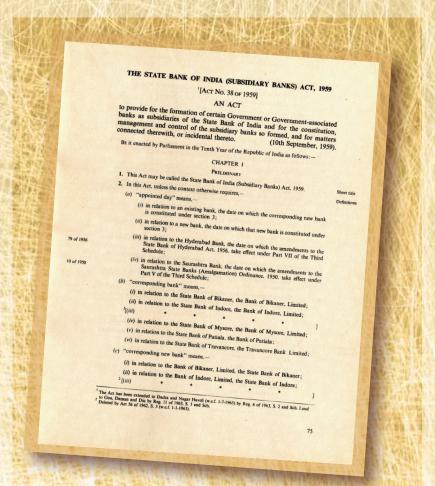
To convey the message of continuity to its clientele soon after the State Bank of India arrived, the bank released press advertisements under the caption 'Security for generations to come' which read thus

On July 1, 1955, the State Bank of India came into existence, taking over the business of the Imperial Bank. It offers you all the services you require and expect. You will continue to benefit from the guidance of experienced officers, and your business will receive the same personal, completely confidential attention that has been given in the past. Not only have we inherited the sound banking traditions of a century and a half, but we have also inherited the public goodwill that has been so marked since 1806, when our first constituent bank was founded. And our policy, as always, will be guided by this ideal - to further your interests and those of the entire nation, now and in the years to come.

BIRTH OF THE STATE BANK GROUP RESERVED

In accordance with the recommendations of the AIRCS Committee, SBI in terms of the State Bank of India (Subsidiary Banks) Act, 1959 took over eight former State associated banks as its Subsidiaries or Associate Banks.

Following the merger of two of the Associate Banks, viz., Bank of Bikaner and Bank of Jaipur in 1963, the State Bank of India had seven Associates, viz., State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Indore, State Bank of Mysore, State Bank of Patiala, State Bank of Saurashtra and State Bank of Travancore.



The State Bank of India (Subsidiary Banks) Act, 1959



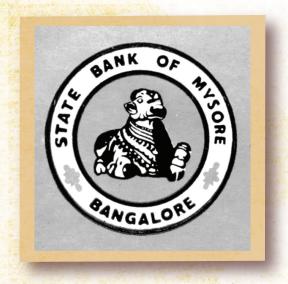
State Bank of Bikaner and Jaipur



State Bank of Hyderabad



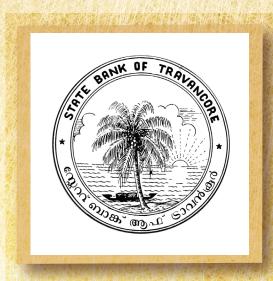
State Bank of Indore



State Bank of Mysore







State Bank of Travancore

tte Bank of Patiala State Bank of Saurashi

The process of the historic merger of SBI with the Associate Banks which began in 2008 with the amalgamation of State Bank of Saurashtra was completed on 1 April 2017 marking the first such large scale consolidation in the history of Indian banking.

CURRENT SUBSIDIARIES AND JOINT VENTURES (OTHER JEWELS OF THE BANK) & SEE

SBI was the first to enter into new areas of business in the 1980s with the onset of disintermediation in the financial markets. The Bank thus entered the non-banking finance sector with subsidiaries and joint ventures that provide a bouquet of services and products with some of them occupying pole positions in their respective areas







SBI Funds Management Ltd. incorporated on 7th February 1992



SBI Life Insurance Company Ltd. incorporated on 11th October 2000



SBI Cards & Payment Services Ltd. incorporated on 15th May 1998



SBI General Insurance Company Ltd. incorporated on 24th February 2009



SBI –DFHI Ltd incorporated on 8th March 1988



SBI Global Factors Ltd incorporated on 13th March 2001



SBICAP Securities Ltd. incorporated on 19th August 2005



SBI Pension Funds Pvt. Ltd. incorporated on 14th December 2007



SBI – SG Global Securities Services Pvt. Ltd. incorporated on 16th May 2008



SBI Payment Services Pvt. Ltd. incorporated on 12th February 2010

