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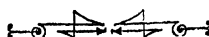
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A FINANCIAL CHAPTER IN THE HISTORY OF BOMBAY CITY.


SECOND EDITION.


D. E. WACHA.



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PREFATORY NOTE.

In 1897 the Editor of the *Advocate of India* invited me to contribute to its columns a narrative of the rise, growth and collapse of that colossal speculation popularly known in Bombay as the "share mania," a mania which in its ultimate consequences was more disastrous than either the South Sea Bubble Scheme, or the Tulipomania of the eighteenth century. Having been an eye-witness to the speculation and having watched it, as an on-looker only, from within and without, I was able to respond to the invitation. My narrative was given in the form of a series of articles principally based on my personal knowledge and experience, and next from facts gleaned from authentic books, specially the now forgotten Report of the Commission which sat to inquire into the failure of the old Bank of Bombay under the presidency of the late Sir Charles Jackson.

As a young man I was then being specially trained in the Bank of Bombay. The period of my probation there, and of my subsequent engagement with two financial institutions of the day, happened to be co-eval with that of the very meridian of the speculation. I had thus the opportunity of watching it not only from without but from within. Moreover, it also happened that when the many ephemeral concerns of the hour collapsed, sweeping away

in their train many an old and reputed bank and mercantile firm, and reducing thousands of families to insolvency and distress, I was an assistant at Messrs Brodie & Wilson, a firm of public accountants who, owing to their great reputation and integrity, were liquidators to half a dozen financial institutions and trustees of a dozen large bankrupt estates, including those of the two insolvents most prominent for their colossal liabilities, namely, the late Mr. Byramji Hormusji Cama and Mr. Premchund Roychund. I myself was official liquidator of one of the financial corporations on the retirement of Mr. George Ramsay Wilson. This triangular experience and knowledge greatly helped me to indite my narrative.

Since its publication in the columns of the *Advocate of India* I was more than once urged by its editor as well as by other friends to put the articles in a collected form for purposes of permanent interest, if not of reference also. I hesitated for a long time for one reason or another till at last I was urged on by my old and esteemed friend, Mr. G. A. Kittredge, now retired, who in 1864-65 was a member of a well-known firm in the city. This brochure is the result. I have embraced the opportunity not only to revise and amplify the original matter but introduce some supplementary one without which I thought the narrative would be incomplete. I now leave it to the public to judge of its merits, only observing that every fact recorded is based on official and other

authentic publications. The book has not been published with the object of any gain whatsoever. I dedicate it to the banking and mercantile public as a permanent record of the salient events of those stirring days. I shall deem myself amply rewarded for my labour if it serves, even after forty-five years of that event in the financial history of Bombay, to point the moral which still seems to be sorely needed.

BOMBAY,
August 17th, 1910. }

D. E. WACHA.

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A FINANCIAL CHAPTER IN THE HISTORY OF BOMBAY CITY, 1864-65.

I.

BOMBAY IN 1864-65.

Fully forty-five years have rolled by since the day that the high fever of speculation seized the citizens of Bombay, then far from the great city that she has since been made by the laudable exertions of the State, the Municipality, the Port Trust and the princely philanthropy of her citizens. Though she had already achieved a reputation for her growing trade and was therefore looked upon with the eye of envy by Calcutta, she had not the remotest conception of the potentialities of the gigantic development that she has since undergone. Nor had she the faintest idea of the proud position she occupies to-day as the physical centre of Asia and the great highway of commerce between the East and the West. Neither in point of population nor in the volume of her foreign and inland trade, neither in her arts and industries nor in her wealth and public enterprise, had she earned at the date the proud title of the First City in British India and the Third in Her Majesty's British Empire.

All those were the possibilities of the future. They lay in embryo. But none at the time was so bold

as to forecast her future, that within a generation she would rear her towering head above all other towns and cities and be virtually the Mistress of all Asia. Her trade was moderate but greatly exceeded that of Calcutta. For the three strenuous years which ended with 1864-65, the average of imports amounted to 12·97 crore Rupees of merchandise and 14·10 crores of treasure, while the exports came to 35·68 crore Rupees. The exports for 1864-65 equalled 40·52 crores. Her monetary institutions were few while the number of European firms* who did business in imports and exports did not exceed forty-two. They were all almost English and Scotch, commencing with the eminent firms of Messrs. Graham & Co., Messrs. Nicol & Co. and Messrs Ritchie Stewart & Co. Among European private bankers the names of Messrs. Remington & Co. and Forbes & Co. were household words. And among the public financial institutions of repute of the day there were the old Bombay Bank (which came to untimely grief in 1866), the Oriental Bank—then a tower of monetary strength to conjure with, the Chartered Bank—now the strongest survival of the days of 1864, the Mercantile Bank as resuscitated some years ago, the Agra Bank—long since wound up, with little loss—and the Commercial Bank, which involved in its ruin thousands of orphans and widows, besides engulfing many a merchant and trader into hopeless insolvency. That vigorous institution, which now occupies a rival

position with the Chartered Bank—we mean the National Bank of India—had then begun its infant life, while the resurrected Comptoir National, under the old name of Comptoir de Escompte de Paris, had just commenced its operations. Our Cotton exchanges were nowhere. They were not even dreamt of. Our brokers, whether for negotiating exchange or produce, for dabbling in shares or coal, or even gold mines, were far from a legion, though their tribe was fast springing up to the surface. The forest of tall chimneys of cotton factories was non-existent. Those institutions, all told, did not exceed seven, and were almost in a moribund condition by reason of their utter inability to spin yarn from the raw staple, which was selling at from 600 to 700 Rupees per candy owing to the cotton famine in Lancashire. The Port Trust was only a dream of the enterprising British merchant. The total length of open line built by the G. I. P. Railway was 591 miles, while the mileage of the lines under construction, say from Sheegaon to Raichur, was 676. The B. B. & C. I. Railway had 306 miles open from Bombay to Ahmedabad, though part of it, say, from Bulsar to Ahmedabad, was open to both goods and passenger traffic. The accommodation of the termini of both railways was the subject of continuous correspondence between the Chamber of Commerce, the Railway Companies and the Government. As to Indian Telegraphs the Chamber had to complain of its working as being “still so bad as seriously to affect its usefulness.” The Indo-European

Telegraph had just come into operation, the rates of messages to Suez being £ 3-5 per 20 words, and the Chamber strongly urged on the Bombay Government the transmission of commercial news, by way of experiment, say, as to the condition of the cotton market, piece-goods, money and exchange and other political news likely to affect the local mercantile world. As to Steam Navigation Companies the only one was the P. and O. which carried a fortnightly mail. The trade was carried on in a primitive way. The Apollo Bunder of the day was the principal pier for embarkation and disembarkation of passengers and goods. Immense activity was to be witnessed there in the months of April and May, when thousands of docras of cotton, (pressed bales were yet to come) used to be landed from our picturesque but primeval native crafts. Those strewed the narrow road stretching from the edge of the then Apollo Pier to where stands the Wellington fountain to-day. Wet docks there were none, but the harbour during the busy season presented quite an impressive appearance with its hundreds of wooden ships and thousands of petty native craft. Activity was to be seen on the Cotton Green, at the Custom House, and at the hydraulic presses where the raw staple was being baled for export. Pressed bales from the mofussil were yet a thing of the near future. Sanitarily, the city was generally condemned for its high death-rate wrought perennially by fever and cholera; a statutory Municipal Corporation was about to be put into operation as Act I of 1865,

and the Vehar lake had just been completed to bring pure water at the door of every unit of the population.

Such, in brief, was the monetary, mercantile and general situation of Bombay in 1864-65. But there was *one* far-seeing statesman who had taken a wide gauge of the city and forecasted its future wants and requirements in every direction. *He*, at least, knew what the capabilities of her capacious harbour for purposes of trade were. He had taken full measure of its capacity to accommodate a magnificent mercantile marine and a powerful armada for purposes of defence, provided the expansion and the development was carried on in the right direction and at a liberal expenditure. That statesman was no other than the brilliant SIR BARTLE FRERE, then Governor of Bombay, just returned fresh from the Council Chamber of Calcutta after binding laurels to his brow there during the critical period of restoration and consolidation which immediately followed the bloody days of 1857. As the right hand of Lord Canning, no administrator rendered greater service to the Empire than he, while Sir John Lawrence ruled the Punjab, as its first Lieutenant-Governor, with a firmness and grip which elicited the admiration of the world and ultimately rewarded him with the Viceroyalty of India in succession to the illustrious Earl of Elgin and Kincardine. Sir Bartle had the honourable ambition, after the manner of Augustus Cæsar, to leave Bombay a city of marble. Times were indeed most favourable to the fair fulfilment of such ambition. But for

the speculative mania which the immense profits of cotton had inordinately stimulated—a mania akin to the South Sea Bubble Scheme of the early part of the 18th century—among all classes of the community, official and non-official, rich and poor, young and old, male and female, there is not the least doubt that he would have well nigh signalled his provincial satrapy by embellishing the city as the great Emperor embellished Rome.

Such was Bombay in 1864-65. It would not be uninteresting or uninstructional if after the interval of well nigh half a century we take the trouble to re-call to the mind of the present generation a chapter in her financial history which in point of romance of wealth as well as its appalling aftermath is indeed more thrilling in its numerous details than any of the entertaining anecdotes narrated by the brilliant author of *Arabian Nights*. If there was at any time anywhere an “Open Sesame,” in reality it was in Bombay. One had only to pronounce that shibboleth in order to enrich himself in a trice, rolling in wealth beyond the dreams of avarice. As the Commissioners appointed to inquire into the failure of the old Bank of Bombay tersely observed, “the great and sudden wealth produced “by the price of cotton shortly after the commencement of the American War, coupled with the want “of legitimate means of investment, was at this “time producing its natural result in the development of excessive speculation. . . . From

“ this period every one in Bombay appears to have
 “ become wild with the spirit of speculation. Com-
 “ panies were started for every imaginable purpose,
 “ banks and financial associations, land reclamation,
 “ trading, cotton cleaning, pressing and spinning
 “ companies, coffee companies, shipping and steamer
 “ companies, hotel companies, livery stable com-
 “ panies and companies for making bricks and tiles ”
 The above dry description will impart to the present
 generation some faint idea of the condition of Bombay
 of the speculative era of 1864-65. But even before
 that Commission had been appointed, the far-sighted
 Bombay Chamber of Commerce had described in more
 vivid language that speculation as was presented to it
 at its zenith and its nadir also. In its Annual Report
 of the year that body observed as follows :—

“ The official year just closed will be
 notable in the history of Bombay, as a year
 hitherto unparalleled in its commercial annals
 for the reckless spirit of gambling specula-
 tion which possessed a great portion of the
 community—speculation which resulted to
 large numbers, as might be expected from
 its character, in utter ruin and disgrace.
 The unexpected wealth poured into the lap
 of Western India by the terrible incident
 of the American Civil War—now happily
 brought to a close—was not used wisely,
 Two years ago a mania for share speculation
 broke out which continued to grow in

intensity till it seemed to absorb the time and attention of the community. The legitimate trade of Bombay was comparatively neglected, and the energies of the people devoted to the promulgation of schemes, the utility of which to the public, was probably the last thing thought worthy of consideration by the promoters. The poverty of invention displayed in the forms which the various speculations assumed, was as remarkable as the folly which frequently characterized them. Bombay was flooded with "Financial Associations," and doubtful schemes of reclamation. Valuable works of reclamation of the greatest public utility in the course of construction, and sound banking institutions, were for a time partially discredited by the gambling that prevailed in their shares. When the mania was at its height, intelligence was received of the unexpected termination of the American Civil War, gambling speculation suddenly collapsed, and insolvency and bankruptcy followed on a scale of magnitude unknown in any other crisis of modern share speculation."

The object of this brochure is to re-call some of the startling and sensational incidents of those feverish times—how the several mushroom companies were promoted and floated, how their shares were

“bulled” or “beared” in the market, and how, with the ominous news of the fall of Richmond, they suddenly collapsed, engulfing thousands in ruin, landing old and reputed houses into bankruptcy, dethroning credit and levelling to the ground the whole fragile structure which the madness of the hour had reared to a giddy height. We shall point out how 50 millions sterling, if not more, of real wealth had been allowed to disappear like the baseless fabric of a vision, and how on the debris of such fabric the Bombay of to-day was re-built, with its expanded commerce and staple industry, its gigantic wet docks, its enormous railborne traffic and its fresh acquired wealth, far exceeding that of the halcyon days of 1864-65.

*List of Firms who were Members of the Bombay
Chamber of Commerce in 1864-65.*

Messrs. E. Bates & Co.

„ Bell Miller & Co.

„ A. C. Brice & Co.

„ Campbell Mitchell & Co.

„ Cardwell Parsons & Co.

„ H. Classon & Co.

„ Combersons & Co.

„ Ewart Latham & Co.

„ Finlay Clark & Co.

„ Finlay Scott & Co.

„ Framji Sands & Co.

„ Gaddum & Co.

„ W. & A. Graham & Co.

Messrs. Grey & Co.

- „ A. H. Huschke & Co
- „ Kahn, Kahn & Co.
- „ Killick, Nixon & Co.
- „ G. S. King & Co.
- „ Knoop & Co.
- „ Lawrence & Co.
- „ Legatt & Co.
- „ Lyon Brothers & Co.
- „ Macdonald & Co.
- „ Macindoe Rogers & Co.
- „ Macnee & Co.
- „ Martin Young & Co.
- „ Nicol & Co.
- „ Peel, Cassels & Co.
- „ Ralli Brothers.
- „ Renni Scovell & Co.
- „ Ritchie Stewart & Co.
- „ Robinson & Co.
- „ Roper & Co.
- „ David Sassoon & Co.
- „ Siegfried & Co.
- „ Sigg & Co.
- „ Stearns Hobart & Co.
- „ Stochr Prieger & Co.
- „ Volkart Brothers.
- „ J. N. Wadia Sons & Co.
- „ Wallace & Co.
- „ Watson Bogle & Co.

II.

**BIRD'S EYE VIEW OF BOMBAY
ECONOMICS IN 1864-65.**

King Cotton was the great deity at whose shrine between 1862 and 1865 the merchant and the trader, the rich and the poor, high and low, master and servant, all paid *pooja*. Whoever had a few hundred Rupees to spare was anxious to buy the raw material and dispose of it at a profit locally or ship it in order to realise a larger profit in Liverpool. But the *bonâ fide* traders and merchants were one class, while the mere speculators who indulged in the money-making pastime of "bulling" or "bearing" were another class. While the former were limited in number, the latter were a legion. From all parts of the Presidency people gravitated to the city to profit by the stirring events happening on the other side of the Atlantic. The area of cotton cultivation greatly increased, while the margin of profit on the raw material increased in the ratio that the chances of peace, prior to 1865, appeared to be distant. The more fiercely the Southerners resisted the Northerners, the less were the exports of American cotton to feed the looms of Lancashire. That seat of the great English cotton industry began to famish for want of an adequate quantity of the raw staple as the civil war progressed. Lancashire had almost wholly to depend on India, that is, the Bombay Presidency, for its deficient supply. It may therefore be imagined how busy the cultivators were, and what keen avarice raged in the breast both of producers and traders to

Let us take first the net imports of gold into all India. The average of the decade commencing with 1834-35 was only 32·90 lakhs per year. During the next decennial period it rose to 1 crore. But from 1855-56 it increased steadily as follows :—

						Crores.
1855-56	...	...	...	...	Rs.	2·50
1856-57	...	...	...	...	"	2·09
1857-58	...	...	...	...	"	2·78
1858-59	...	...	...	...	"	4·42
1859-60	...	...	...	...	"	4·28
1860-61	...	...	...	...	"	4·23
						<u>20·30</u>

The average for the six years came to 3·40 crores per annum. But it took a considerably higher leap yet from '61-62 up to '64-65 as may be seen from the following figures :—

				Crores.
1861-62	...	...	...	Rs. 5·18
1862-63	...	...	...	„ 6·84
1863-64	...	...	...	„ 8·90
1864-65	...	...	...	„ 9·83
				30·75

The average during the abovementioned four years rose to 7·68 crores per annum, or more than double of that during the preceding quinquennial period. Thus, nearly 31 crores of gold poured into India during the eventful period of the American War. But this is not yet the full measure of the imports of treasure. The statistics of silver also need to be exhibited : but it should be remembered that whilst almost all the gold passed into domestic consumption, either for hoarding or for ornaments, the exports being next to nothing, a considerable portion of silver was minted for purposes of coinage. During the decade commencing with 1834-35 the net imports of silver into India amounted to 2·05 crores per annum, and in the following decade to 1·53 crores. During the next five years ending with 1859-60 the average equalled 10·87 crores. In 1860-61 and 1861-62 it was 5·32 and 9·08 crores respectively. In the next four

years, during which the exports of cotton were large, the imports were as under :—

				Crores.
1862-63	...	...	...	Rs. 12·55
1863-64	...	...	...	„ 12·79
1864-65	...	...	...	„ 10·07
1865-66	...	...	...	„ 18·66
				54·07

The average of the four years was 13·51 crores against 7·20 crores of the two preceding years.

Summing up the net imports of gold and silver into India during the four eventful years, we have a total of 84·82 crores ! But these comprised the imports of all India. A large portion of the silver was imported by the State and private individuals for coinage. The actual share of the Bombay Presidency during the same four years may be stated to be nearly 52 crores as under :—

				Crores.
1861-62	...	...	...	Rs. 9·48
1862-63	...	...	...	„ 13·98
1863-64	...	...	...	„ 16·13
1864-65	...	...	...	„ 12·19
				51·78

So far as to the treasure imports. The influx of gold, however, was deemed so large that Mr. Walter Cassels, of the firm of Messrs. Peel, Cassels & Co., one of the most level-headed and far-sighted British merchants of the day, actually addressed a long letter

to the Government urging the expediency of instituting a gold currency in the country ; and his recommendation was warmly supported by that soldier-statesman, no other than Sir William Mansfield, (afterwards the first Lord Sandhurst), then Commander-in-Chief in Bombay, in a long minute. Both the letter and the minute might be read with profit and instruction even to-day, no matter however great the difference of opinion may still be on the subject.

But it may be as well to have an idea of the actual condition of the imports and exports of merchandise only. The annual average of the former for the quinquennial period (1854-55 to 1858-59) was 6·06 crores and the* latter 9·97 crores. The imports for the next three years were on an average 9·17 crores, and the exports 16·30 crores, which was considerable. But the full effect of the war on our Presidential trade would be more clearly seen from the figures of the following four years :—

			Imports. Crores.	Exports. Crores.
1862-63	...	...	Rs. 10·19	26·34
1863-64	...	...	„ 14·27	38·08
1864-65	...	...	„ 14·46	40·52
1865-66	...	...	„ 13·96	35·74

From 16 crores to 40 crores was indeed a jump of 150 per cent. in exports. Not only had the quantity of cotton exported increased, but its value also. And the imports show that, apart from 52 lakhs of treasure, 52·88 crores of merchandise had also been brought into

the Presidency. It will be seen that exports had shrunk by nearly 5 crores in 1865-66, compared with 1864-65. The crisis came in March 1865 and with it the balloon of speculation also collapsed with terrific destruction of capital and credit. Prices came down with a crash. Naturally exports fell in volume and value—a diminution which Bombay was not able to overtake again till 1888-89, that is to say, the normal exports did not reach the high figure of 1864-65 until a quarter of a century later !

III.

THE COTTON TRADE, THE SILVER FAMINE
AND
THE WARNING VOICE OF THE BOMBAY
CHAMBER OF COMMERCE.

Passing from the general to the particular, we may now take a glimpse of the cotton trade itself. For an accurate comparison of its phenomenal growth during the stirring period under review we may first refer to the shipments made from Bombay during the two years which immediately preceded the American Civil War and those which were recorded for the five succeeding years.

				Exports in thousands of bales.	
				To Europe.	Elsewhere.
1859	...	...	...	490	152
1860	...	...	...	566	202

Contrast the above figures with the following :—

				Exports in thousands of bales.	
				To Europe.	Elsewhere.
1861	...	...	...	835	61
1862	...	...	...	911	8
1863	...	...	...	867	8
1864	...	...	...	1065	1
1865	...	...	...	1187	14

Whereas the average of the exports prior to the War was 528,000 bales, that during the five years during which it raged most furiously was 973,000 bales, that is to say, the shipments increased by fully

84 per cent. Lancashire absorbed every ounce of the raw staple,—good, bad, and indifferent,—which was exported. There is an amusing tradition, not ill-founded, that even old mattresses were put into requisition to get the cotton, new beds being made out of coir fibre. This would show how deep was the cotton famine in Cottonopolis, and how eager were people of all sorts and conditions in Bombay to turn a penny by pouncing upon any kind of cotton, even rubbish, and realising the shining Rupees for it.

It should, however, be remembered that though India, from the days of Pliny, has been known to be the “sink of silver,” there were periods now and then when not only was bullion found to be scarce but re-exported to England. The E. I. Company had had, during the earlier part of the 19th century, to send its silver back more than once to replenish its coffers in Leaden Hall Street. And it happened again that notwithstanding the fact that silver was imported as a surplusage of the proceeds of the raw staple there was a famine of Rupees in 1864. All the metal did not remain in the vaults of our banks and merchants here. An unknown quantity went inland for purposes of hoarding and making ornaments and utensils. Currency notes had for the first time been put into circulation in 1862 but the people were then little accustomed to their use, though the Bank of Bombay Notes had been familiar for a couple of decades to the traders and merchants in the city. It is an historical fact that in

the autumn of 1864 the Bank of Bombay's rate of discount went up for a time as high as 23 per cent ! Here, in the very vortex of the maddest of mad manias of the time, worse than even the Dutch mania for tulips or the bubble scheme known as the South Sea, with silver copiously pouring into her lap every fortnight (for it should be remembered we had only a bi-monthly mail), Bombay was so situated as to literally starve awhile for want of the necessary circulating medium ! The explanation was that the larger quantity, as soon as it came to hand, was forwarded inland, where it disappeared mostly underground or appeared visibly in ornaments and domestic utensils, and even wheel-tyres as the narrative goes ! A large share of the immense profits on cotton undoubtedly went to the middlemen and the ryots, mostly belonging to Native States. But an equally large share came to the Bombay exporters. That was the reason of the scarcity of rupees. So great was the inconvenience felt by the mercantile community, that Mr. Walter Cassels, a far-sighted English merchant and senior partner in the old and eminent house of Messrs Peel, Cassels & Co., was alarmed and constrained to address a letter to the Chamber of Commerce (1st December, 1864) complaining of the fact, and strongly urging that body to move the Government to establish a gold standard, with a gold currency. Here are his words :—

“ Notwithstanding such large importations, the demand for money has so far exceeded production

“that serious embarrassment has ensued, and business
 “has almost come to a stand *from the scarcity of the*
 “*circulating medium*. As fast as rupees have been
 “coined they have been taken into the interior, and
 “have there speedily disappeared from circulation,
 “either into the Indian substitute for the stocking
 “foot or into the melting pot for conversion into
 “bangles. The position of Madras and Calcutta is
 “very little better than our own.”

Nay, our present day bankers in the city will learn with amazement that in 1864 the situation of the metallic currency was so grave that the mercantile community everywhere was alarmed at the *silver famine* which continued for some time ! It was then universally thought that America had exhausted its surplus, that the French had no five-franc pieces to spare, and that the growth of the production of silver was problematical. This alarm, which is only a side issue of the history of the day we are narrating, culminated in a well-reasoned-out memorial to Sir John (afterwards Lord) Lawrence, Viceroy and Governor-General. It was signed by Mr. Cassels and two other prominent members of the Bombay mercantile community, namely, Mr. Michael Scott, of Messrs. Ritchie, Stewart & Co., and Mr. Alexander Brown, of Messrs. Nicol & Co. In their very first paragraph the memorialists observed : “That the monetary condition of
 “India is in a most unsound and unsatisfactory state,
 “and that its *exclusive silver currency is no longer*
 “*adequate* for the circulation of the increased and

“increasing amount of commodities through its vast “population.” The Memorialists even went to the length of saying that they fully believed, from a strong conviction of the state of the currency in its relation to the then trade, “that the continued drain “of silver for India *must derange, if not eventually “destroy*, the silver currency of all other nations.” From the point of view of the then condition of silver production in the world the alarm could not be said to have been unfounded. Who could have at that period predicted the enormous production of silver subsequently, and its unlimited potentialities, thanks to science, which thirty years later so alarmed the Government of India in an opposite direction as to bring about, by reason of the white metal being a drug in the market, the closure of the mints against private coinage.

It was under such monetary conditions, abnormal and phenomenal, that the financial speculation in Bombay consequent on the profits made from cotton, was carried on. Of the circulating medium there was not enough or to spare. But all the same colossal speculative business was daily transacted, involving crores of rupees—mostly at a fictitious price. The most shrewd and sagacious observers of those peculiar times who watched the growing fever of speculation which had culminated in Back Bay shares mounting up to 50,000 for future delivery on the ill-fated 1st July 1865, had earnestly warned the public by means of letters to the Press that those

paper inflations must end in a gigantic financial catastrophe. Of these few level-headed persons none was more strident in his outcry than Mr. Q. in the columns of the *Bombay Gazette*, whose able editor himself, no other than the late Mr. James Maclean, was known to have caught considerably the contagion of that fever. That anonymous writer was afterwards identified as Dr. Thomas Blaney, our late zealous and distinguished member of the Corporation. The late Mr. S. S. Bengalee was another far-sighted person who had warned his countrymen against the disastrous consequences of the speculation of the day.

But to return to our narrative. In its Annual Report for 1863-64, the Chamber of Commerce, while speaking of the "continued prosperity of Bombay and the increase of wealth poured into the place," referred in the following terms to the establishment of banks and financial institutions then rapidly springing up : " One of the principal features of the year in Bombay " has been the great increase in banking and " financial companies which we have lately witnessed. " Another feature has been the excessive speculation " in all sorts of Joint-Stock shares *which has been " pushed to an extent which the Committee cannot but " regard as full of danger to the well-being of the " community.*" This was the first mild warning sounded by the Chamber. It is much to be wished it had then protested against the " excessive speculation " in those emphatic terms in which it did a year

later. It is just possible that a severe condemnation in 1863-64 instead of 1864-65 might have considerably stemmed the high tide which eventually swept away at a rush the entire fabric of capital and credit. Unfortunately for Bombay, it so happened that some of the most prominent and leading members of the Chamber itself were promoters and directors of concerns in which financial speculation was most rife.

IV.

THIRTY CRORES OF CAPITAL

AND

THIRTY-SEVEN CRORES OF PREMIA !!!

It may now be interesting to give as complete a list, so far as possible, of the divers monetary concerns which sprung up like mushrooms in 1863-64 and 1864-65. They are a legion and fully disclose the volume and nature of the speculation. They woefully emphasize the justice of the observation of the Chamber as regards the "poverty of invention" exhibited and the mad folly which led to their collapse. Ephemeral as each and all were, they had their day and ceased to be, though not before plunging our fair city into an ocean of depression, which wrought in its disastrous downward course commercial and social wreckage and ruin, unprecedented and unparalleled in the monetary annals of the Empire. Summarized, these concerns were as follows :—

			Crores of Rupees.
25	Banks with a paid-up capital of ...	13	64
39	Financial Associations „ ...	6	22
7	Land and Reclamation Companies...	8	34
30	or thereabouts Miscellaneous Com- panies	1	56
			29·76

To this 29·76 crores of paid-up capital we must add the total amount of premia which the different concerns fetched at their highest, when the speculative fever was at its boiling point, say, from March 1864 to March 1865.

	Crores.
Premia on Bank Shares ..	10·74
„ on Financial Associations	4·42
„ on Reclamation Cos.	17·56
„ on Miscellaneous Cos.	5·00
	37·72

Thus on a paid-up capital of 30 crores there was at one time to be realised a profit of nearly 38 crores ! Most of the concerns had had hardly a year's existence, while the rest barely enjoyed a life of from three to six months. But from the foregoing statistics the present generation will undoubtedly be able to obtain a fair idea of the degree of speculation which was rife in those days of stupendous folly. The figures are colossal enough and would give the student of finance the necessary pabulum to consider their significance, and contemplate as to what the city might have been able to boast to-day had the greater portion of the enormous wealth been devoted to purposes of divers public utility of a permanent character.

The following is a catalogue of the twenty-five banks, the thirty-nine financial associations, the seven land reclamation companies and the other miscellaneous joint-stock concerns which had their

day in 1864-65 and ceased to be. Their names are varied and interesting in their own way and will amuse the reader more than the dry catalogue of the Homeric ships enumerated in the *Iliad*.

Name.	Nominal Capital in Lakhs.	Paid-up Capital in Lakhs.	Nominal Value of Shares.
1. Alliance Bank of Bombay ...	60	42	250
2. Asiatic Banking Corporation.	100	75	200
3. Bank of China ...	70	75	200
4. Bank of India ...	60	60	250
5. Bombay City Bank...	75	52.50	250
6. Bombay Presidency Bank...	100	60	250
7. Bombay Trading and Bank- ing Association ...	20	20	100
8. Bombay Warrant Banking Co.	80	5	400
9. Brokers' Loan and Discount Banking Co. ...	20	20	100
10. Central Bank of Western India	100	100	250
11. East India Bank ...	62½	62½	250
12. Imperial Bank of Bombay ..	60	10	200
13. Imperial Banking and Trading Co. ...	60	24	250
14. Indian Peninsula, London and China Bank...	50	50	200
15. Indo-Egyptian, London and Bombay Bank ...	100	20	400
16. London and Bombay Bank and General, Financial and Insurance Agency Corpo- ration ...	200	60	100

Name.	Nominal Capital in Lakhs.	Paid-up Capital in Lakhs.	Nominal Value of Shares.
17. Royal Bank of India	... 100	100	200
18. Union Bank of Bombay	... 30	5	300
19. Universal Bank and Finan- cial Association	... 80	10	400
20. Bank of Guzerat	... 50	20	250
21. East Indian Trading and Banking Co.	... 20	10	200
22.*Bank of Bombay	... 200	200	1,000
23.*Agra and Masterman Bank.	300	150	1,000
24.*Bank of Hindustan, China and Japan	... 400	100	1,000
25.*Commercial Bank, Corpora- tion of India and the East.	100	100	250
26. Agra Financial Association.	100	25	200
27. Alexandra General Credit and Financial	... 60	10	300
28. Alliance Financial Corpora- tion..	... 100	25	400
29. Asiatic Financial Association.	100	25	400
30. Bengal Credit Mobilier	... 80	20	400
31. Bhattia Financial Association.	80	20	400
32. Bombay and Kattyawar Financial and Commercial Association	... 100	12½	400
33. Bombay and Mahim Finan- cial Corporation	... 20	3	400

* These were old Banks, but had enlarged their capital during the speculation fever.

Name.	Nominal Capital in Lakhs.	Paid-up Capital in Lakhs.	Nominal Value of Shares.
34. Bombay Commission Agency and Banking Corporation...	50	5	250
35. Bombay Finance Corporation	45	18 $\frac{3}{4}$	100
36. Bombay General Credit and Financial Corporation ...	75	25	300
37. Bombay Joint-Stock Corpo- ration	60	40	300
38. Central India Financial Cor- poration	80	10	400
39. Commercial, Finance and Stock Exchange Corporation	80	10	400
40. Eastern Financial Association	200	50	400
41. Elphinstone Financial Asso- ciation of India	100	25	400
42. Financial Association of Europe and India	90	21	400
43. Financial Association of India and China	240	78	400
44. General Financial Corpora- tion	60	7 $\frac{1}{2}$	400
45. Grand Finance Company ...	100	20	500
46. Hindustan Financial Asso- ciation	?	?	?
47. India and Continental Finan- cial Association	50	5	250
48. International Financial Cor- poration	100	10	500
49. Kutch Financial Association.	100	10	500

Name.	Nominal Capital in Lakhs.	Paid-up Capital in Lakhs.	Nominal Value of Shares.
50. Mercantile Credit and Financial Association	100	12½	400
51. Mofussal Financial Association	80	10	400
52. National Financial Association of India	64	8	400
53. Northern Financial Association of India	60	7¾	400
54. Oriental Financial Association	100	12½	400
55. Royal Financial Corporation.	60	7½	400
56. Union Financial Corporation.	120	30	400
57. Victoria Finance and Bullion Association	60	46	400
58. Western India Finance and Exchange Corporation ...	80	12	500
59. *Bombay City Financial Association	?	?	?
60. *Bombay Standard Financial.	?	?	?
61. *Karachi Financial Association	?	?	?
62. *Metropolitan Financial Association	?	?	?
63. *Southern Financial Association	?	?	?
64. *Bombay and Malabar Financial	?	?	?

*These were wound up no sooner than they were projected.

Name.	Nominal Capital in Lakhs.	Paid-up Capital in Lakhs.	Nominal Value of Shares.
65. Bombay Reclamation Co....	200	104	10,000
„ Sold by Auction...	...	106	10,000
66. Bombay and Trombay Reclamation Co. ...	100	10	4,000
67. Elphinstone Land and Press Co. ...	216	140	1,000
68. Frere Land and Reclamation Co. ...	200	80	10,000
69. Mazagaon Land and Reclamation Co. ...	100	80	5,000
70. Port Canning Land and Investment Co. ...	120	66	2,000
71. United Victoria and Colaba Reclamation Co....	400	248	10,000
72. Apollo Bunder Warehouse Co. ...	30	10	1,500
73. Bombay Bazaar and Land Investment Co. ...	60	60	2,000
74. Bombay and Coast Coffee Plantation Co. ...	10	2½	200
75. Bombay Omnibus and General Conveyance Co. ...	10	10	250
76. National Bazaar and Land Investment Co. ...	?	?	?
77. Victoria Patent Brick Co...	?	?	?
78. International Exhibition of Bombay Co. ...	50	20	1,000

The above is a list of all the banking, financial and miscellaneous concerns promoted and floated in Bombay. It is as complete a list as could be possibly furnished. But it may be just as well to give the names of a few joint-stock concerns which saw the light of day for a few months in Ahmedabad, which, too, during the early sixty-five, had partially caught the contagion of the Bombay speculative fever.

Name.	Nominal Capital in Lakhs.	Paid-up Capital in Lakhs.	Nominal Value of Shares.
1. Ahmedabad United Printing and General Agency ...	5	$\frac{1}{2}$	250
2. Ahmedabad Bank ...	20	10	250
3. Ahmedabad Financial ...	24	3	200
4. Ahmedabad Banking and Insurance Co. ...	27	$11\frac{1}{4}$	300
5. Ahmedabad Universal Co ..	?	?	?
6. Ahmedabad Commercial Co.	12	$1\frac{1}{2}$	200
7. Ahmedabad Mercantile Society ...	8	1	250
8. Ahmedabad Banking and Trading Corporation ...	?	?	?
9. Ahmedabad General Trading Co. ...	?	?	?
10. Ahmedabad Cotton Pressing and Ginning ...	10	$\frac{1}{4}$	200
11. Guzerat Trading Co. ...	20	8	100
12. Guzerat Financial ...	20	4	250
13. Guzerat Cotton Cleaning Co.	$2\frac{1}{2}$	$\frac{1}{2}$	500

Name.	Nominal Capital in Lakhs.	Paid-up Capital in Lakhs.	Nominal Value of Shares.
14. District Commercial Carry- ing Co.	?	?	?
15. Becharadas Spinning and Weaving Co.	4	3	1,000
16. Guzerat Mercantile Asso- ciation	12½	1¼	250
17. Lawrence Financial Asso- ciation	35	7	250
18. Tyab Company Financial ...	2	¼	1,000
19. Nadiad Trading Co. ...	16½	2¼	1,000
20. Oriental Press Co.	1	?	?
21. Guzerat Insurance Co. ...	?	?	?
22. Guzerat Royal Finance Re- productive Works Corpo- ration	?	?	?
23. Hoolia Bank	?	?	?

THE VICIOUS CIRCLE OF FINANCIAL INSTITUTIONS.

The formidable list of the various banking, financial and other concerns just referred to will no doubt give a fully fair conception of the gigantic character which speculation had assumed in 1854 in the city. There was capital forthcoming for anything and everything—for the most colossal bank as well as for the most modest and tiny brick-and-tile company with a capital of a few thousand rupees. Of course, there was a vast difference between the nominal capital and the capital actually paid on the shares subscribed. As a rule a majority of these concerns commenced business with one-third or one-fourth of their supposed capital. The new banks had capital divided into shares of either Rs. 200 or 250 each, while the financial associations and corporations had theirs divided invariably into shares of Rs. 400 each. The former, having had the earlier start, were, of course, first in point of business, so that they were diligent enough in rapidly calling up almost their whole capital by instalments arranged at short intervals. The latter were later in the field. Practically the first of the kind, called “The Financial Association of India and China”—of which Mr. (afterwards Sir) Cowasji Jehanghir, Mr. James Forbes, the Municipal reformer of 1870, of the great banking house of Forbes & Co., Mr. Elias Sassoon

and Mr. Andrew Grant, an exceedingly shrewd and able financier, and an eloquent public speaker besides, were the chief promoters and first directors—was started somewhere in May 1864. It had a nominal capital of 2·40 crores, divided into 60,000 shares of Rs. 400 each. During the heyday of the speculation in its shares the capital actually called up was Rs. 100 per share only. But as soon as it had become known in the market that this association was about to be launched under a most powerful and influential board—each director was considered “a pillar of gold” by himself—the shares began to be quoted at 60 per cent premium on their nominal value. And as soon as the Company was formed, duly registered, and had commenced its operations, they rose to 96 per cent. This was the maximum premium, which really meant that on each share the lucky allottee could realise a profit of Rs. 384 on his paid up amount of Rs. 100 only. It was this tempting bait which was the real genesis of the scores of similar concerns promoted and launched in its wake. A history of one of such prominent concerns will be narrated in the following pages, but meanwhile a general survey may be taken of the nature and scope of those institutions which came up to the surface during that eventful period in the financial history of the city. First came the “floatation” of banks, followed by the launching of the “financial associations.” These in their turn were followed by even a more formidable and ambitious class of concerns known as “*Khuda*” or reclamation companies. It practically

became the fashion among the prominent financiers of the day that the most influential bank should have as its elbow an equally influential financial feeder in the form of a financial association, and that, as a corollary or appendix to both, there should be a powerful reclamation company, popularly christened "*khado*." For instance, almost the same directorate which projected and brought the Asiatic Banking Corporation into vigorous existence as the most formidable rival to all the older exchange banks put together, besides the then Bank of Bombay, were instrumental in promoting and establishing the Financial Association of India and China. This *premier* association, in its turn, in company with its parent, the Asiatic Bank, was the chief lever in launching on the speculative sea that huge concern known as "The Bombay Reclamation Company," commonly called the Back Bay Company because of its primary object to reclaim the whole of our beautiful Back Bay from end to end, that is to say, from Colaba Point to Malbar Point. The shares of this Reclamation Company were quoted precisely in the same way as those of the Financial Association or, as it was called in the popular parlance of the day, "Daood Financial" from the fact of the late Mr. Elias David Sassoon, the younger son of the great David Sassoon, being one of the Directors of the Company. The late Mr. Premchund Roychund was no doubt the local Baron Grant of the times. His interesting and chequered career will be described later

on when the narrative is related of the "towering" personalities of those speculative days. He was the prime-mover, assisted by his friend, the late Mr. Michael Scott, of the old and eminent house of Messrs. Ritchie Stewart & Co. Its nominal capital of 2 crores was divided into 2,000 shares of Rs. 10,000 each, on which Rs. 5,000 only were paid. No sooner were the shares quoted than they rose to a cent per cent premium. In other words, the fortunate allottee of one share was able to realise a profit of Rs. 5,000 on his principal of Rs. 5,000! This was, of course, at the outset. And just as the Old or "Daood" Financial was the genesis of the scores of other mushroom financial concerns which came into existence, so the Bombay Reclamation or Back Bay Company was the forerunner of half-a-dozen similar enterprises with which the Bombay of 1864 was familiar. It will be interesting at this stage to give a synopsis, so to speak, of the so-called "first-class" triangulated concerns which were intimately related or affiliated to the others with almost identical boards of directors :—

Asiatic Bank	... Old Financial...	... Back Bay Co.
Old Financial	... Bengal Credit Mobilier.	Port Canning Co.
Alliance Bank	... Alliance Financial	... Mazagon Reclamation Co.
Central Bank	... Joint Stock Financial...	Colaba Land Co.
City Bank...	... Asiatic Financial	... Frere Land Co.
Presidency Bank	... Mofussil Financial	... Trombay Co.

The plan of operation was simple. When the Financial was started the Bank helped to promote

its speculation by advancing on its shares. When the Financial in turn promoted the Reclamation Company, it fed the speculation jointly with the Bank. The shares of the last would be hypothecated with the first two, which in their turn would go in for "time bargain" sales, that is to say, sales forward for delivery on a certain fixed day. It was something like the stream feeding the rivulet till the rivulet and the stream together swelling into a river out-flowed or discharged themselves into the mighty ocean.

The tide of headlong speculation set in with the start which the Asiatic Bank gave to the Old Financial. This was in May 1864. From that time forward, with only a slight lull in the July following, it rolled forth onward and onward fast for well nigh ten months. That was indeed a high tide in the affairs of the speculating humanity of Bombay which certainly led on to fabulous fortunes. How these were acquired might be perceived from the following comparative quotations of the banks alone :—

	Paid-up Value of each Share.	Profit on Share.	
		in Jan'y. 1864.	in Aug. 1864.
	Rs.	Rs.	Rs.
Bombay Bank ..	1,000	2,100	2,850
Agra Bank ...	500	750	1,100
Oriental Bank ...	250	375	550
Mercantile Bank ...	250	375	575

			Paid-up Value	Profit on Share.	
			of each	in Jany.	in Aug.
			Share.	1864.	1864.
			Rs.	Rs.	Rs.
Asiatic Bank	...	...	200	260	466
Commercial Bank	...	...	250	150	500
Central Bank	...	...	250	75	400
Royal Bank	...	...	200	10	200
Bank of India	...	...	250	...	230
Old Financial	...	...	100	240	384

Following in the wake of these older financial institutions all the newer ones were quoted more or less at a high premium, though none had even declared a first dividend! Many of them were barely four or six months old and yet they would be quoted at a premium which would bear no proportion whatever to their earnings. In fact the so-called earnings were earnings *on paper*. They were scarcely *realised* profits.

VI.

**COMPANY PROMOTERS
ET-HOC GENUS OMNE AND
THEIR MODUS OPERANDI.**

At this stage may be described the *modus operandi* of the mushroom banks and financial associations of 1864-65. At the commencement of the speculative fever it was only the well-known English and Native capitalists, merchants, and brokers to European firms, who had thought of promoting such monetary concerns, floating them on the stock exchange and booming their shares. But in such matters the gregarious nature of humanity asserts itself. What the first-class capitalist and merchant did one day, the second-class capitalist and trader did the second day, and so on, in a descending scale. Hence it is a fact that after a time it became the fashion for anybody and everybody to start a financial scheme, get some speculative broker gifted with the art of bulling the share-scrip, whatever its intrinsic worth, and of recommending all and sundry to "go in" for that particular concern and realise in a day a considerable fortune.

When a contagion of this character spreads, the community is carried away for the time, leaving sound common sense and discretion behind. People were eager only to pursue the will-o'-the-wisp of a handsome fortune. They were infatuated enough to believe that thousands could be made with the rapidity of the

prophet's gourd. There was no limit to the depth of frantic folly to which they descended awhile. The enterprising broker was always a knowing man. He was *paid* in one shape or another to rig the market for the particular concern whose shares he was invited to float. In most cases his commission or brokerage was in the form of an allotment of a certain number of shares with the first call paid up. Thus it came to pass that with the aid of such a manipulator, anything and everything could be easily floated in the market and for a time be quoted at a premium. Four or five individuals would meet together and draw up a paper, christen their bantling, fix a capital of so much divided into so many shares, and make a first call of so much. This precious confederacy of "promoters" would then subscribe each so many shares, generally one-half or two-thirds. As soon as this preliminary ceremony was performed, the usual announcement of their project would be made public, and applications for allotment of the balance of the shares would be invited. The newspapers were full of prospectuses of such new companies daily launched, and earned handsome advertisements money. Simultaneously the lawyer would be put into requisition to draw up the formal "Memorandum and Articles of Association," as the promoters desired. In those days the shrewd class of solicitors, extremely limited in number, really drove "a roaring trade," so to say, in the preparation of these precious Memoranda and Articles of Association. The charges were as fabulous as the

inflated shares. They would range from Rs. 5,000 to Rs. 10,000 ! It might make the mouths of the solicitors of our day whose number is legion water to hear of these fabulous charges when, poor professionals, they would only be too willing to prepare one for the modest sum of Rs. 500. But this was not to be the only gain of the solicitors' firm engaged by the bubble company. The promoters had to seek their advice at every turn during the preliminary stages, and even after the formation of the company. Time was most precious. The attendance fee was nothing short of a hundred rupees per hour. Thirdly, the promoters in most cases gave the solicitor a seat at the Board, which enabled him to enter into speculation himself, in his own way, on his own account. And, lastly, he and his partners were the recipient, like the broker, of a fat number of "paid up" shares as a present. It will thus be perceived that the lawyers of the day were an indispensable wheel in the coach of the mushroom concerns. Promoters being either newly-enriched personages or men of straw, intent on enriching themselves soon, were blissfully ignorant of the provisions of the Joint Stock Companies' Act. That enactment was a sealed book to the majority. Hence the lawyers were indispensable. Without them at their elbows they could not get on at all. So the lawyers had a substantial finger in the pie.

While the broker was heralding the birth of the new concern of which he practically carried in his

pocket a fat allotment of paid up shares, the lawyer was busy at his desk preparing Articles of Association. Meanwhile applications for allotments, already invited, would be received by thousands, if not by cartloads. Already a spacious office would be hired at a high rental, luxuriously furnished and well equipped with an equally highly paid staff. There was actually a dearth of managers, accountants and shroffs. The experienced officials of the older and long-established institutions were asked to take up their new appointments at twice and thrice the amount of the salaries they were earning. Many would thus leave their former posts. And the retention of Mr. A of the old X Bank was considered by the outside public as an additional guarantee of excellent management and of the prospect of reaping golden harvests by way of dividends. The brilliant promoters, so equipped and so assisted, would proceed to allot the shares—a no inconsiderable task in those days, for Bombay and its wife would apply, and the number of would-be allottees could be counted by thousands. In fact, from the menial on Rs. 10 per month to the highest individual on salaries ranging from Rs. 1,000 to Rs. 5,000 would all apply. So, too, the wealthy merchants and traders. The last, according to their position and substance would, of course, apply for the largest number possible. And as the number of shares could be limited only, while the number of applicants would be by thousands and tens of thousand, the arduousness of the

task of allotment might be easily imagined. There was a certain method and manner with the vulgar applicants. Each and all of them were carried away by the idea that in order to be lucky enough to get even *one* share they should apply for one hundred! And they would sometimes similarly apply for shares at one and the same time to half-a-dozen different companies. Thus, a clerk on Rs 50, with not a pie as surplus capital to invest in, would be known to apply for 600 shares in six different companies on which at the very least 60,000 Rupees would be due by way of a first call. But he knew how he would manage. He had only to get an allotment of one-hundredth part, say six shares, and go to the Share Bazaar and dispose of his allotments at whatever premium they might fetch. Thus he would get his principal and his profit. The principal would be paid to those from whom he had temporarily borrowed to pay the call. If he was ambitious enough to reap a richer harvest he would wait. And the majority did wait to find themselves in the end plunged into a sea of financial woes, the like of which they had never witnessed in their lives. Indeed the distress and misery of this class was indescribable when the aftermath overwhelmed them.

Thus, the promoters proceeded to allot their shares, and as soon as the allotments were issued, the usual first call was advertised as payable, either at the Company's office, if the cashier department was already organized, or at some good old bank,

which, of course, derived a commission for the labour entailed on its staff to receive the call. As soon as the call was received, the Company advertised business, *viz.*, loans and advances on the security of Government Paper, Shares of Banks, Financials, Press Companies, and other miscellaneous concerns of every sort and degree; collection of bills on commission; financing for new companies and new projects, aye, of any and every kind which the ingenuity of the speculative man, intent on making a fortune in a month, may conceive. And above all other kind of business, nothing was deemed at the time to be more profitable than the business of "time bargains." These were pure gambling transactions and no more. "A" would contract to sell to "B" a certain number of shares of a company, called "C," which "B" should promptly take up on a certain forward date to be named in the contract. And as in those days everybody wanted to realise Rs. 50,000 on a single Back Bay share on which only Rs. 5,000 were paid, or Rs. 25,000 on a Colaba Land share, or Rs. 10,000 on a Frere Land share, or Rs. 500 on a share of the Old Financial, with Rs. 100 only paid up, it could be easily conceived how actively instrumental those bubble concerns of the hour were to feed speculation in the best as well as the most worthless securities. There was a most unhealthy rivalry as to which Company had done most in "time bargains," especially in Back Bays, Mazagaons and Colabas, which were considered

the most favourite stock, and a gilt-edged one, too, by reason of their Directors being substantial men—veritable “pillars of gold” as the phrase of the market went. There was no such thing as banking in the real sense of the term. It was only a business of advancing loans to all and sundry on personal security and the security of worthless documents which for the nonce had derived a fictitious value. They all operated in securities the intrinsic worth of which was simply the value of the paper which certified what the paid-up capital was. Each company advanced money on its own shares and the shares of other companies. Each invested in time bargain purchases, and each in turn hedged in these purchases by fresh time bargain sales. For instance, say, Company A out of its own funds bought from B two Back Bay shares for December delivery at 20,000 Rupees each. No sooner was the contract for such purchase completed than A sold to C the identical two shares for Rs. 40,000. A was then talked of in the Share Bazaar as having made a handsome profit on two such shares! Imagine sales of the two identical shares to half-a-dozen persons or institutions. Imagine that fifty financial concerns did the same, and the reader will get some idea not only of the colossal character of the fictitious paper transactions conducted by the several mushroom concerns, but of the mad folly of the men of the times who rushed into the vortex of the feverish speculation to shake the pagoda tree and enrich

themselves beyond the dreams of avarice. This was the character of the financial operations for which the numerous banks and other monetary institutions had sprung up into ephemeral existence during the golden days of 1864-65.

VII.

PREMCHUND ROYCHUND.

Having described the method and manner in which the promoters of the day floated their bubble concerns and transacted their business, which chiefly consisted in making forward purchases and sales of Reclamation Companies' shares, or "time bargains" as they were called, and in advancing monies to all and sundry, in any sum from Rs. 5,000 to Rs. 1,00,00,000, either on personal credit, joint security or on shares of other concerns bearing a fictitious value, it may be interesting in this chapter to refer to some of the "towering personalities" who were principally instrumental in feeding the speculation of the hour. Of these "Share Kings," as they were sometimes called, Mr. Premchund Roychund was the most prominent as he was also the most potential. He was reputed to be the possessor of an "Open Sesame" which might have been envied by the romantic Ali Baba of Arabian Nights' Tales. No enchanter in Wonderland or Dreamland could have worked greater golden miracles by the magic of his consummate financial skill than Mr. Premchund—the veritable Golden Calf of the glorious days of 1864 at whose shrine the rich and the poor, the young and the old, the official and the non-official alike paid perfervid *poojah*. To the vulgar in search of sordid silver he was the

very incarnation of a hundred Mammons, rolled into one. He was the one *Chemiagar* (Master Alchemist) who could turn dust into the yellow metal, the one unrivalled magician who could by his magic wand transmute the sands of Back Bay into solid nuggets of gold wherewith to pave the way to Paradise.

To myriads of the mad crowds of Bombay of those days he was like unto the Cræsus of old-world renown, unsurpassable and unsurpassed. Wherever you went you heard but one cry: "There is but "one Golden God and his prophet is Premchund!" Premchund, Premchund, Premchund—that was the name that deafened your ears from morn to eve. It was familiar to every man, woman and child in the street. Aye, it was known even to that proverbial "oldest inhabitant" living in the remotest corner of this "tight little island" to whom the hubbub of the outer world was as naught. His ubiquity was phenomenal. In the "City," so to say, you would meet him at every turn during a working day. There was actually a daily levee in the early hours of the morning at his bungalow in Love Lane. The levee may be compared to the regular official one which is to be annually witnessed in the sacred precincts of the local Secretariat. Scores after scores of men would be seen in turn going in and out of the precincts of the bungalow, which was invariably accessible to all, the meanest as well as the most exalted;

while at the door of the modest sanctum in which he held his levee might be seen batches of ten or more at a time waiting either for some business or another or for allotments of shares. Night was joint labourer with day for Premchund in those eventful times. He was said never to be in bed till past midnight. He was the great Almoner, as it were, who dispensed his own gracious bounty from his inexhaustible treasure of shares. For each and every one he had a word of comfort. He never had an angry word for anyone—such was his *sauvity*, serenity and simplicity which were to be seen in him to his dying day. Whether he satisfied his *poojaries* or not, all had respect for him. His protégés were legion, and so devoted they were to him that wherever he went they followed and surrounded him. Some would hold umbrellas over his head in the burning sun while on his legs from one office to another as if he were some exalted Maharaja. There was no limit to the voluntary homage paid to him. He had obliged thousands who thus owed him unstinted allegiance—allegiance which a Pope or a Prime Minister might envy. Above all, Mr. Premchund never turned giddy even in the very zenith of his prosperity. Neither did flattery mar even for a moment his innate and unaffected simplicity. Indeed he was a mild Hindu of a most benevolent type.

These traits of his character vastly enhanced his popularity. But in those days hero worship was rare, though the number of worshippers of Mammon

was legion. The above is no exaggerated description of the King of Speculation of 1864. He was a short, dapper Hindu, a devout Jain, of fair complexion, lithe of limb and sweet of temper, of engaging manners and free from the pride of riches—who had seen no more than thirty-four summers but who carried a most clever financial head on his shoulders. The following extract from the prosaic and sober pages of a ponderous Blue-book, no other than the now forgotten Report of the Bank of Bombay Commission, will not be considered out of place : “ Premchund Roychund was a prominent person at this time. He was originally a broker in no great business, but he speculated largely in cotton during the progress of the American War and rapidly amassed a large fortune, and when the ‘ Share Mania,’ as it is not inaptly called, set in, he was in such a position that his name and influence were considered essential to the safe launching of the ephemeral schemes of the day. If he was not the promoter of a company he received a large allotment of shares in it and was consulted by the promoters and allowed by them to participate in the distributions of the allotments. This distribution was undoubtedly a delicate operation, the object being, on the one hand, to establish the company on as broad a basis as possible, and yet, on the other, to distribute the allotments with a keen eye to individual interests, for at this time the shares of all companies were at a premium which could be immediately realized. Few persons

“ could do such work better than Premchund Roy-
 “ chund, who was much trusted and knew every-
 “ body, *and so became the great dispenser of allotments,*
 “ which he judiciously distributed, first, among the
 “ managers of the Banks, and, secondly to the friends
 “ of the promoters and himself and to other persons
 “ who might be useful to them or the undertaking.
 “ *Premchund's position was not that of an ordinary*
 “ *speculator,* and he has been called by some of the
 “ witnesses ‘the key-stone of the commercial prosperity
 “ of Bombay.’ His charities were munificent and Sir
 “ Bartle Frere says that *his position was like nothing that*
 “ *he had ever seen or heard of in any other community.*”
 This is literally a correct description of Mr. Prem-
 chund as a business man and the leader of the
 financial fortunes of Bombay of those days—a
 leader unsurpassed and unapproachable save the late
 Sir Cowasji Jehanghir Readymoney. But Sir Bartle
 Frere did one good. Embracing the opportunity of
 Premchund's great wealth, he was principally instru-
 mental in getting 2 lakhs for the University Library
 and Tower which is now the chief ornament of the
 City. Mr. Premchund also gave 2 lakhs to the Cal-
 cutta University for scholarships besides numerous
 religious charities. Thus it is pleasing to record that
 part of his great wealth of the day was devoted to the
 permanent benefit of the City and of the great Jain
 Community to which he belonged. He was a patron
 of arts besides and gave a princely donation, to Mr.

J. Ferguson for his first illustrated and luxurious edition of Indian architecture.

This was the Premchund Roychund of 1864-65. His business transactions were hundred-fold. As far as his trade in cotton was concerned he was not only a shipper himself, but a trader in partnership with half-a-dozen eminent European firms that traded in cotton. His business connections in this respect with the old house of Messrs. Ritchie Stewart & Co., at whose head was the distinguished Mr. Michael Scott are well-known. In fact it was his multifarious partnerships with members of that good and wealthy firm which eventually wrought its wreck, if not utter ruin. Again, Mr. Premchund's cotton partnership transactions with such wealthy Native gentlemen of the time as the late Mr. Rustomjee Jamsetjee Jeejeebhoy, the late Mr. Cursetji Furdoonji, the late Mr. Candas Narondas, and the late Mr. Jivraj Baloo are widely known to the generation of 1864. So, too, his transactions in bullion, opium and gold, and in his innumerable share speculations. His singular sources of early and authentic information, aided by his own native shrewdness and a silken tongue, immensely contributed to the phenomenal financial success he achieved in those halcyon days. It is no exaggeration to say that his financial acumen was such that had his luck carried him to the seat of wealth in London he would have proved no mean a match for the Rothschilds, the Barings, and members

of the other banking firms of renown and repute. Till the day of his death his head was so clear, his financial sagacity so keen, and his mental and physical energy so unimpaired, that he would rival the most towering monetary individual in Lombard Street or on the Bourses of Berlin and Paris. Though he was ruined in the financial crash, such was his marvellous optimism, his confidence in himself, and his business courage, and such his inveterate love of speculation, that he was able to accumulate again a handsome fortune, even after many embarrassments and a reverse or two, which popular account reckons at a quarter million sterling.

This then was the man who was the life and soul of the "Share Market." He wielded unparalleled influence over all bankers. That influence, owing to the weak and irregular managerial element of the old Bank of Bombay, was almost absolute in connection with that ill-fated institution whose rise and fall will be related in subsequent chapters. It was more so after his great rival, Sir Cowasji Jehanghir, had resigned the directorship of the Bank of Bombay owing to his disagreement with its share-holders who, carried away by the prevailing fever of speculation, had raised the capital to 2 crores. His own moderate resolution, which was perfectly legitimate and warranted by the larger demand for money, specially after the power of circulating its own notes was withdrawn by reason of the institution of the State currency in 1862, was unwisely rescinded. In its place was passed

another, chiefly at the inspiration of Mr. Premchund, raising the capital of the Bank to two crores—an event which eventually tolled the death knell of the Bank and which the far-sighted Sir Cowasji Jehanghir had clearly foreseen. But that gentleman, though vigorous in intellect, had become physically incapacitated to attend to the active duties of a Director at the Board meetings of the Bank. Had he been there during the eventful period his moderating influence might have considerably held Mr. Premchund in check, and also firmly controlled the manager of the Bank. But that was not to be. Mr. Premchund from this circumstance became really the most powerful and determining element in the fortunes of the Bank, which he had practically guided till the crash came.

The President of the Board, Mr. Sylvester Birch, the Government Director, and the other mercantile Directors were either indifferent or themselves so whirled into the vortex of speculation, that they were not strong enough to combat the uncurbed influence of Mr. Premchund which became dominant after Sir Cowasji's retirement. In reality, the Bank of Bombay, by its reckless increase of capital, sowed the strongest seed of speculation which eventually became productive of untold mischief. The following observation of the Bank of Bombay Commission will show the reader how powerful Mr. Premchund had grown : “ *The result was that the Bank became Premchund's.* If Premchund had a friend to oblige

“who wanted money, he recommended him for a loan. If Premchund had shares to sell, he would suggest to an acquaintance that he should buy, offering at the same time to ‘finance’ the purchase money by procuring him a loan from the Bank of Bombay. If Premchund wanted money for a speculation, he would suggest to some friend to join him in it, and then procure a loan in his friend’s name for the money required. His influence was felt not only at the head office, but at the branches also, the Agents at Kalbadevi, Broach and Surat all receiving instructions to consult Premchund or his agents respecting advance.”

If so much was his influence with the premier Bank of the day the reader may imagine what influence Mr. Premchund actually wielded over the seventy mushroom banks and financial concerns which were dependent on him to rig up their shares and put any quantity of gold in the pockets of their promoters. The amount of monies he directly obtained from the Bank of Bombay and his friends would give no mean an idea of the immense advances he drew from the numerous other concerns. Says the Bank of Bombay Commission : “Premchund Roychund, besides obtaining large sums from time to time for himself, the amount culminating in a debt of 42 lakhs and upwards from him to the Bank, obtained loans for other persons, who applied the money in the purchase of shares for himself to the amount

“of Rs. 66,90,000 of which Rs. 43,45,478 has been
 “irrecoverably lost. He also procured from the
 “Bank, for his partners in speculation and for his
 “own purposes, Rs. 29,58,938 of which Rs. 13,02,408
 “have never been repaid.’ This was *the* Mr. Prem-
 chund Roychund who was the great Napoleon of
 speculation in 1864-65. The history of the period is
 forgotten, but the name of Premchund Roychund will
 be remembered for years to come as that of a remark-
 able personage, whose skill in finance even his severest
 critics must admit to be of almost an unrivalled
 character. Is it a wonder if Bombay and its wife went
 mad in its frantic efforts to be rich beyond the dreams
 of avarice? And is it a wonder, that, with the tills of
 the old Bank of Bombay at his absolute disposal, he
 helped himself and his friends to their contents to the
 tune of one hundred and thirty-eight lakhs of rupees,
 or more than half its capital?

VIII.

PESTONJI CURSETJI SHROFF.

Next to Mr. Premchund Roychund the name most familiar to the speculating circle of 1864-65 was that of the late Mr. Pestonji Cursetji Shroff, whose wild and reckless career of share-gambling was indeed phenomenal, bearing in mind the fact that he was a man of straw and was utterly unknown to the mercantile community prior to the out-break of the American War. If Mr. Premchund Roychund was Chancellor of the Exchequer of all Bombay Banks and Financial Associations of those days, it was because he was known to be a man of some wealth and influence, and the son of the broker-in-chief to the Bank of Bombay. Both father and son had, owing to their legitimate business as brokers, come into close contact with a wide circle of the merchants and traders of Bombay. Thus Mr. Premchund when he started on his speculative enterprise, which he eventually carried to colossal proportions as the tide of speculation advanced onward and onward fast, had some prestige to count upon. His native genius did the rest and placed him on the highest pinnacle of fortune till hurled from that giddy summit. But in the case of Mr. Pestonji Shroff there was no such prestige. If both were in search of the Field of Gold, Mr. Shroff was certainly a penniless adventurer. True it is that he had some money before 1864, amassed in cotton transactions

in the firm of which he and his father were for years clerk and cashier respectively. His acquaintance with the leading mercantile aristocracy of Bombay was of the slightest. In fact, it would not be incorrect to say that Bombay knew him not and he knew not Bombay, and yet there appeared to be such a wonderful affinity between him and Mr. Premchund Roychund that no sooner the two sparks of the speculative world came into contact with each other, their joint concussion produced a conflagration which burnt resplendently for a time and illumined the horizon of speculation.

Mr. Shroff literally shot up like a rocket in the mad world of Bombay in 1864-65, and while he shone aloft for a brief period it is an undoubted fact that his name was next in the mouth of that world, intent on enriching itself in the quickest possible time, after Mr. Premchund's. Thus, if Mr. Premchund became the Chancellor of the Exchequer of all Banks and Financial Associations, Mr. Pestonji Shroff became their Vice-Chancellor. Both recklessly put their hands into the pockets of other people and eased them of their silver or gold contents. There was not a considerable monetary institution on the tills of which Mr. Premchund had not a powerful hold, and similarly there was not a single institution whose treasury Mr. Shroff had left untouched. Gamblers of the first water as both were, both played high stakes which would take the breath away of the present generation of

bankers and merchants. They were joint partners as well as great rivals, though to the outer world of darkness and ignorance they seemed to be like the Dioskouri on the golden horizon of Bombay. The leading brokers, however, who knew both, made a difference, and a striking difference, too, between them. Mr. Premchund was the august Light and Presence : Mr. Shroff the Shadow and Reflection. Mr. Premchund's overpowering influence with the leading monetary bodies and individuals was real and co-extensive with his own colossal transactions. The men who knew Premchund and the banks which displayed unlimited confidence in him, were not so confiding with Mr. Pestonji. The influence of the latter was simply confined to a limited gang of minor speculators. Mr. Premchund was the principal confidential adviser of the Bank of Bombay. Not so Mr. Shroff though he became the leading light of the concern known as the Eastern Financial Association. Mr. Premchund had simply to scribble on a bit of paper something like the following to the Manager of the Bank of Bombay and his message was a message of command which could not be disregarded or disobeyed for a moment :—“ My “ dear Mr. Blair, Sorabji Jamsetji Jeejeebhoy, Esq., “ son of the late Sir Jamsetji Jeejeebhoy, wishes to have “ a loan of five lakhs for three months on his personal “ security. Will you give him ? He is safe for any- “ thing.” (*Vide* Exhibit 40, Appendix, Bank of Bombay Commission Report.) Or here is another :—

“ My dear Premchund, How many lakhs do you think we might give S. and N. Nanabhoy at present? Faithfully Yours, James Blair.” *Answer* :—“ My dear Blair, S. and N. Nanabhoy are quite safe for five lakhs. Yours sincerely, Premchund R.” (Exhibit A-44, Bank of Bombay Commission Report.)

“ Ask and it shall be granted unto you.” That was the motto of the Bank managers of those days as far as Mr. Premchund was concerned. Mr. Shroff was an illiterate person, with no knowledge of English and no solid influence to speak of. And yet his audacious spirit of speculation made him for a time his rival and partner. Both knew each other well. Both tried to over-reach each other when occasion offered. Who was more over-reaching it is impossible to tell. The general opinion was that Mr. Premchund was more than a match for Mr. Shroff and often took the wind out of his sails whenever the latter tried to steer his speculative bark in the same ocean without calling the former to his aid or seeking his advice.

Mr. Shroff rose from the most humble beginnings. For years he was a clerk or cashier in the firm of Messrs. Cursetji Nusserwanji Cama & Co., the pioneers of the trade in China and later on in England. Till the out-break of the American War Mr. Pestonji was a nonentity. But his masters had confidence in his ability and mercantile skill. Times were propitious. The price of cotton, owing to the famine for the raw staple in Lancashire, was daily advancing. Anybody and everybody who could ship

cotton, even the most dirty, could realise a substantial profit. It is not surprising if under such circumstances, fired by the spirit of the times, Mr. Shroff, under the shadow of his wealthy masters, made some money. But the masters were shrewd and extremely cautious. It was by shrewdness and great mercantile sagacity that they had built up their firm and put it on a solid foundation. Their credit was great. Mr. Shroff was after all an adventurer in search of a big fortune. He would have his masters imbued with his spirit, which they would not. So it happened that he retired from the firm, which was then carried on under the name of M. & M. Cursetji Cama & Co. But it was during the continuance of his partnership as a member of the firm that he made money. The example of Mr. Premchund stimulated his innate spirit of gambling. So, with the share of his partnership, he started a firm of his own in Church Street, at the corner, opposite St. Thomas' Cathedral. This was about the Diwali of 1864. Some of the mushroom financial concerns of the day had already been established, in the shares of which Mr. Shroff had dabbled. Of course, speculation in Back Bay shares, in Asiatic Banking Corporation, in Old Financial, in East India Bank, and lastly, in Eastern Financial, was rife. Mr. Pestonji had a finger in all these pies. But our immediate object is more to describe his career in connection with the last named "Financial" with which he was principally identified. As Mr. Premchund wielded unbounded influence

over the treasury of the Bank of Bombay, so Mr. Shroff wielded unlimited power over the monies of the Eastern Financial Association. This concern was a sister institution of the East India Bank, of which the promoters and first directors were the late Mr. Kessowji Naik, the late Mr. Alladinbhoy Habibbhoy and the late Mr. Dharamsi Poonja. • Mr. Shroff was elected an additional Director later on, along with the late Messrs. M. N. Banaji and Cursetji Jamsetji Battliboy. The same promoters promoted the Eastern Financial, though Messrs. Banaji and Battliboy had nothing to do with it. It was first started in July 1864, with a nominal capital of two crores, divided into 50,000 shares of Rs 400 each, on which the first call of Rs. 100 was paid. At its commencement people somehow mistrusted the concern and would not readily pay the call of Rs 50. In fact, it was on the point of being put into liquidation when Mr. Premchund appeared on the scene, introduced to the original promoters the new star, Mr. Shroff, and started the association on a brilliant course of speculation. Mr. Shroff was allotted 1,000 shares. This was the bait to enable him to rig the market in this stock and reap for himself and his co-directors a veritable golden harvest. Later on, conjointly with another confederacy—confederacies were common in those days on the principle of unity being strength—the market was further rigged. From a heavy discount to 2 and 3 per cent. premium was the first stage. This led on to fortune ; so that when the confederacy was established the market was vigorously bulled

leading to a premium of about 40 per cent. During this rising period the other directors, who had involved themselves in other big gambles of the day, thought it best to unload their own shares, which Mr. Shroff readily bought. The latter thought he knew better and the larger the number of this description of paper on his hands, the more he would feed its speculation so as to reap a rich harvest sooner or later. Again the Directors left almost the absolute management of the concern in his hands. So practically Mr. Shroff played "ducks and drakes." The manager, a European with little banking experience to speak of, afterwards left and was replaced by another European, who years afterwards started a private banking concern which came to grief after a spell of existence. Mr. Pestonji was still the presiding magician, who was supposed to work miracles in the practical alchemy of those days. Well, the alchemy which Mr. Shroff devised was no other than this. Now-a-days we would call it a "ruse," but in 1864-65 it was considered a stroke of genuine financial business ! At the close of the year the shareholders were called together and informed that the concern was so flourishing and had made so many time-bargains, in which Mr. Premchand was considerably interested, of course, in Back Bay shares and other Reclamation Companies' shares, that a profit of 20 lakhs at the very least was estimated as about to be realized. In anticipation a dividend of Rs. 11 per share was announced which was equal to an earning of 22 per cent. or thereabouts. No sooner

was the trick resorted to than the shares began to rise till they reached a premium of 67 per cent. ; that is to say, on a share of the paid-up value of Rs. 100, the lucky ephemeral investor could realize a profit of Rs. 268, the share being of the *nominal* value of Rs. 400, and the premium being calculated on such value ($67 \times 4 = 268$). While this "ruse" was prospering the cunning device was resorted to of having another call of Rs. 50. The ignorant pack of geese in the share-bazaar—the vulgar folk in search of fortune—was so tempted by the bait of the dividend, that it madly went on buying shares and paying the call. And as if the money which the call yielded was not sufficient for the needs of the Bank, it was further announced that there would be a *new* issue of 25,000 shares ! But the avarice of Mr. Shroff could not rest here. *All* the 25,000 shares were not to be reserved for the shareholders. No ; the public, which seemed only too eager to scramble for the shares as a rare commodity which was not to be had at any price, were to be invited to participate in the fortunes of the concern. So it was resolved that half the shares be sold by public auction. Such was the fiat of the Honourable the Board of Directors,—that is to say, Mr. Pestonji Cursetji Shroff, for practically he was *the* financial, the sole moving spirit ! The heavy premium at which the Back Bay Company's shares (belonging to Government) were sold by public auction a few months before, fired the speculative spirit of Mr. Shroff, or the "Second Premchund Roychund," as he

was called ; and he thought he could go and do likewise. To inflate the price at the auction, he was also the buyer of a large number at 40 per cent. premium in the hope of realizing double that rate in no time. But Mr. Shroff, with all his paper wealth, could not pay the call on the new shares. What was easier than to "finance" for the amount ? Was he not the premier Director ? So the Director resolved that the speculative purchaser at the auction should be advanced on his passing an I.O.U. on his *personal* guarantee (?) twenty-seven lakhs ! If more money was wanted and another till of the Financial was exhausted there was Mr Premchund who would come to the rescue. He had only to write to his " Dear Blair " to advance ten lakhs for which limit the " Financial " was safe and the money would be forthcoming. The ten lakhs would go from the Bank of Bombay treasury to that of the Eastern Financial, and the Eastern Financial would help itself to earn a dividend of 50 per cent. per annum for its shareholders by feeding the speculation in Frere Land Co.'s shares one hundred of which were to be sold, thanks to the instrumentality of the master genius, Mr. Premchund, to Mr. Cursetji Furdoonji. What wonderful shuffling of the financial cards ! What colossal stakes ! And what rich deals with the trumps in the hands of the gamblers ! This was Mr. Pestonji Cursetji Shroff who momentarily shown on the golden horizon of Bombay in the halcyon days of 1864-65. This is only a brief account of only *one* of his gigantic adventures. It would fill pages to

describe all his other enterprises. But it is the account of another of the bold band of speculators of 1864-65 who eventually wrought wreck and ruin on our fair city and dragged into the abyss with them many a respected and old firm and family of great wealth and influence—families and firms which have never since recovered their fortune or their reputation. Poor Mr. Shroff himself died some years ago, broken-hearted. Unlike Mr. Premchund, when he fell, he fell for ever, never to rise again.

IX.

**THE "GUNPOWDER TRIO" OR Dr. DIVER,
GEORGE TAYLOR AND ATMARAM
MADHEVJI.**

Next to Premchund Roychund and Pestonji Cursetji Shroff, the greatest dabblers in the speculations of the day were the precious gentlemen who jointly promoted the Alliance Financial Corporation and afterwards the Mazagaon Land Reclamation Company. The latter was a project for the purchase from Government of its lands and buildings situated at Mazagaon where formerly gunpowder was either stored away or sometimes manufactured. The site was commonly known as the Mazagaon Powder Works. So it happened that when Dr. Diver, Mr. George Taylor, Master in Equity, and Mr. Atmaram Madhevji, broker to the firm of Messrs. A. C. Brice & Co. promoted the scheme for buying the Powder Works premises and improving the site, besides reclaiming the bunder next to the land at Mazagaon, this precious trinity was known in speculative circles as the "Gunpowder Trio." The history of these gentlemen prior to their becoming the minor kings of speculation in 1864-65 may be briefly told. Dr. Diver was a private medical practitioner in fair practice and was known to be worth at the most a hundred thousand Rupees when he first thought of enriching himself during the fortune-making season. For a time he occupied the post of Deputy Coroner

of the city on a salary of Rs. 400 per month. Mr. George Taylor was Master in Equity of the Bombay High Court and also Registrar of Joint Stock Companies. In his evidence before the Bombay Bank Commission he averred that he was "known to be a man of wealth." His income during the year previous to the speculative era was Rs. 1,20,000. Rs. 40,000 was the official income, Rs. 40,000 income was yielded by the shares he held in the Agra Bank, of which he was a local director, and another 40,000 came from other shares he possessed. Mr. Atmaram Madhevji at the time was known to be a broker of some means, but of a limited character, to a firm trading in timber, known as A. C. Brice & Co.

Thus the trio did not possess between them an annual income exceeding 3 lakhs. No wonder that they whirled into the vortex of speculation with the object of becoming rich, like many others of the day, beyond the dreams of avarice. They were much supported in their speculations by a firm of brokers named Jamnadas and Devidas, who not only had great influence with Mr. Premchund Roychund, but also with the banks, chiefly owing to the recommendations of the same gentlemen. But for these brokers it is doubtful whether the doctor, the lawyer, and the broker would have ventured on those gigantic speculations which eventually ended in their total ruin, with a combined liability estimated at about $2\frac{1}{2}$ crores! Dr. Diver failed with a liability of 66 lakhs, Mr. Atmaram with a debt of 126 lakhs and Mr. Taylor with 58 lakhs.

The liabilities of the last, however, have never been definitely known, as, owing to his official position, he entered into private composition with his creditors. But about 58 to 60 lakhs was the popular estimate. It would be seen how these adventurers, with very little money, specially Dr. Diver and Mr. Atmaram, posed as minor kings of speculation and strove most feverishly to imitate the bold enterprises of Messrs. Premchund and Pestonji Shroff.

Dr. Diver happened to come into contact with two Bhattia cotton merchants of the day, named Hurbhum Nursey and Ghellabhoy Padamsey. They were undoubtedly rich and amassed a big fortune by their legitimate trade in cotton; but they, too, wished to be millionaires. For that purpose they started, in company with Mr. Frewen Kelly, of Messrs. Kelly and Hore—Solicitors of the Bank of Bombay—and Mr. Shivji Velji, the Alliance Bank. It was one of the earliest banks established at the very first stage of banking speculation and prior to the era of the Financial Associations of the day. The capital was 60 lakhs of Rupees, divided into 24,000 shares of Rs. 250 each, on which Rs. 175 were paid. It was essentially a rival bank to the Asiatic, and was held in much repute by the Bhattia cotton merchants. The same Directors, namely, Messrs. Ghellabhoy Padamsey and Hurbhum Nursey, afterwards started the Alliance Financial Corporation. Because the Asiatic Bank Directors promoted the Old Financial—the Financial

Association of India and China—therefore their rivals also thought fit to have a Financial of their own.

In this Financial Dr. Diver and Mr. Atmaram Madhevi were invited to be Directors and the financial management of the concern, having a capital of one crore, divided into 25,000 shares of Rs. 400 each, on which Rs. 100 were paid, was entrusted to a raw English youth, by name Henry Wilson, with unlimited powers to transact time-bargain operations and make advances as he pleased. The concern was so recklessly managed that besides losing all its paid up capital, it managed to borrow monies from other depositors and the Bank of Bombay aggregating 40 lakhs of Rupees. The net result of these financial speculations was that when the Company came to be officially wound up, a call of Rs. 100 had to be made on the unfortunate shareholders. But while the speculative fever was at its height the Directors managed to run up the shares to a premium of fully 100 per cent. In these speculations Dr. Diver, Mr. Taylor and Mr. Atmaram were almost “knee-deep,” so to say. The Alliance Bank and the Alliance Financial were to them like the “Open Sesame” whence to draw unlimited funds on their separate accounts as well as joint partnership. The confederates neither looked to the right nor to the left. Blindfoldedly they plunged themselves into the vortex with the monies at their command and invested them in other securities, like Back Bays, the Asiatic Bank, the Old Financial and so forth. In

fact there was no limit to the description of shares in which they all hoped to reap a golden harvest. Oftener than not the confederacy worked in opposition to Mr. Premchund. If the latter bulled a particular favourite scrip, the former beared it and *vice versa*. It was the game of diamond cutting diamond. Of the three, the most astute but at the same time the most unreliable was Mr. Atmaram Madhevi. As a lawyer, Mr. Taylor was too shrewd and had generally remained in the background, though all the same thoroughly interested in the ventures of his other colleagues. Again, as a Committee man of the Agra Bank he understood something of monetary matters and banking practice; but Dr. Diver was veritably like a landlubber on the sea. He implicitly relied on Mr. Atmaram, who had, again, at his back the two arch-speculators, Jamnadas and Devidas, who financed for them as well as on their own account. If Mr. Premchund was a genius in manipulating his hundred and one financial transactions of a most intricate character, and if Mr. Shroff was his adroit imitator with no inconsiderable skill in this kind of speculative manœuvring, it must be observed with regard to this "Gunpowder Trio" that they had absolutely no financial skill. They were devoid of all those talents which go to make brilliant speculators of commanding influence. No. They had no influence and no followers. Left to themselves they would have broken down even during the height of the speculative period. But they

had good advisers and oftener than not, for serving his own interests, Mr. Premchund had to support them.

These were the kind of men who, not satisfied with making ducks and drakes, so to say, of the monies belonging to the shareholders of the Alliance Bank and the Alliance Financial, boldly embarked on floating a Reclamation Company. There were the Back Bay and the United Colaba. Were they to be left behind? Why, in those days the very acme of financial skill was estimated in proportion to the leading speculators of the day promoting banks, financials, and reclamation companies. Those that so promoted the bubble concerns stood in the front rank of the inveterates who gambled away with a light heart other peoples' monies with no hope of ever repaying them. Thus the trio floated the Mazagaon Land and Reclamation Company. It had a capital of one crore, divided into 2,000 shares of Rs. 5,000 each, on which Rs. 4,000 were paid up. The Government of the day was so infatuated with the belief in the prosperity of Bombay, and had so little foresight in forecasting the immediate future that it, too, thought of making hay while the sun of prosperity so-called shone. It offered its Mazagaon Powder Works ground for sale by public auction. Premchund Roychund, Michael Scott, and others bought it for 40 lakhs of Rupees,—a fabulous price for property not worth even 5 lakhs. But such was the madness of the hour that Dr. Diver and his confederates

insisted on acquiring this precious property by offering the magnificent profit of 20 lakhs on it ! A property bought to-day, and which would have taken years to be improved, with a considerable additional outlay, before it could even earn a bare interest of 4 per cent., was re-sold the next day or the day after for a profit amounting to 50 per cent. ! Why ? Because the buyers, in their feverish imagination, conceived that the 60 lakhs would soon, by their peculiar alchemy, be turned into 100 lakhs !

This valuable property at Mazagaon, worth 5 lakhs, was thus run up to the fictitious value of 60 ! But just look at the way in which the greater portion of these 60 lakhs was disposed of. Instead of paying the purchase money of 40 lakhs to the Bombay Government, they pay 20 lakhs only and the other 20 lakhs they paid to Mr. Premchund, who was a more important personage to be propitiated than the Government itself. For on him would eventually depend the speculation in "Gunpowder Works Shares." Practically the balance left on hand was 8 lakhs, from which the sea was to be reclaimed, and the land to be improved which was to ultimately bring to its shareholders cent per cent. in net earnings ! As Mr. Wilson was allowed to manage the Alliance Financial according to his own sweet will, so in this Company the sagacious promoters and directors appointed a dubious personage, called Goltchman, to administer the affairs of the Reclamation Company, who bolted after embezzling some portion of it. With what little

wisdom and less financial skill did these amateur speculative kings of the hour ply their vocation of becoming millionaires in the shortest space of time ! For a complete account of the complicated transactions into which the trio entered with Premchund Roychund the reader must be referred to the evidence given by those gentlemen before the Bank of Bombay Commission. But it may be mentioned here that from the Bombay Bank alone Dr. Diver had taken advances of 19 lakhs. These were partly on account of the two companies with which he was closely identified and partly for himself. The loss on his private debts was $7\frac{1}{2}$ lakhs !

As to the loose way in which the business was transacted with these speculators by the Bombay Bank the following extracts from the evidence of Mr. Atmaram Madhevji will suffice : “ On the 11th “ October, 1864, Dr. Diver, Mr. Taylor, and I obtained “ a loan of Rs. 5,50,000 from the Bank of Bombay. “ Premchund having bought twenty shares in the “ Bombay Reclamation Company for us, *he arranged “ the money with the Bank of Bombay. Dr. Diver told “ me this. I did not then understand that Premchund had “ sold his own shares to us. He bought for us. We had “ to pay him, for them. I do not know how the money “ was drawn out of the Bank of Bombay. We signed the “ note and a slip, which we returned to Premchund, and “ he or his clerk would draw out the money.”* What a commentary this on persons supposed to be rolling in wealth, but who actually were like so many puppets

in the hands of the arch-magician in finance ! It was Premchund all over—Premchund here, Premchund there, Premchund everywhere. He had a finger in every pie and this trio of Mazagaon Land Company directors seemed to have no idea how he even financed for them ! What profound ignorance for persons who handled securities and papers worth millions ! Here is another specimen of the same profound ignorance as revealed by Mr. Taylor. Questioned as to a particular loan, he replied to the Bank of Bombay Commissioners that he “had not the slightest idea “what the 2 lakhs were raised for.” Yet these were the people—the men with “not the slightest idea ” of the loans raised under their own signatures and used for purposes of their speculation,—who were entrusted with crores of rupees which, as the subsequent history ruefully tells us, they so excellently managed to lose, ruining themselves and the innocent victims whom they duped ! There is not the slightest doubt that of all the minor kings of speculation of the halcyon days of 1864-65, there was not a more incompetent lot than this illustrious trio, who were nicknamed the “Gunpowder Works” Directors. They are all dead and gone, having never seen any prosperity again.

JAMNA, DEVI, CHUNIA, LAHAIWALA & Co.—**And the Trysting Place where
Brokers met.**

We have not exhausted our catalogue of the lesser deities of the day, the minor Bhimas and the Arjoons, who ruled the Bombay world of speculation, and in the bargain exacted unlimited sacrifice and incense at the foot of their golden throne from thousands of their blind votaries. But it would demand much time and space to give even a brief account of the whole circle of minor speculative chiefs. The Colossuses who have already been referred to were omnipotent in their own *Kailush* or higher heaven ; there were also not a few of the lesser deities who reigned supreme in their own Lesser Olympus and wielded a power and influence which were not to be despised. On the contrary, the gods of the Greater Olympus frequently invited them to their own court, condescended to mix freely with them, and made common cause in enterprises of the greatest pith and moment. They served as powerful auxiliaries to inflate for the time being the institutions which they most favoured. Thus, a kind of free-masonry was established between them which, while it lasted, was greatly conducive to their respective advantage. There was the patent Eureka to be worked. And there were these deities, major and minor, all intent on achieving miracles in alchemy, or the science of

converting rubbish into gold. They invited all and sundry to participate in them. "Come one, come all, ye who would desire to enrich yourselves beyond the dreams of avarice. There is but one royal road to acquire gold, and we are its patentees." So crowds after crowds would gather around them and go home rejoicing for the time, believing that at last the key to riches was found. Their rendezvous was the open *maidan*, just opposite the buildings of the late Oriental Bank. But it knows them no more. The Portuguese ramparts of old, in front of which they gathered and plied their vocation, are pulled down. The ditches behind those solid structures, the remnants of a military strategy of by-gone days, the days of the Infanta and Charles II, are filled and reclaimed. Huge piles of buildings, artistic in style, and elegant to behold, stand where the speculative gods of 1864 stood. Streets have been broadened, and otherwise this part of Southern Fort has been so altered as to make it difficult to identify the exact spot where myriads assembled each day and exchanged their silver for scrip of Back-bays or Mazagaons, of Trombays or Freres, of Asiatics or Financials, and so on *ad infinitum*. It was a grave omission on the part of the authorities who built New Bombay—Frere-town as it was once intended to designate that stately boulevard, with its magnificent buildings, which stretches from Elphinstone College at one end to Treacher & Co.'s buildings at the other—not to consecrate the place where the great speculators of the day met

and transacted business in paper amounting to crores of rupees. An obelisk or a pillar to commemorate the financial folly of Bombay would not have been a bad idea. It might have adorned the tale of those erratic days and pointed a moral for future generations of men in search of wealth at the shortest notice. No ; not a trace is left. Not even the *rad* tree, is to be seen—the trysting-place which offered a grateful shade in the mid-day sun to quite a swarm of brokers, panting and perspiring. All has vanished like the baseless fabric of a vision, leaving not a vestige behind.

It was under that ancient trysting-tree that the minor spirits of speculation met. These were Messrs. Jamnadas and Devidas, commonly known as Jamna-Devi,—Mr. Chunilal Motilal, and Mr. Burjorji Sorabji Lahaiwala. They, too, are all dead and gone—all good and true men as they were, and as the world of Bombay knew them in 1864-65. Of these, the first three were brokers by profession, even long before the mania for speculation set in. Jamnadas and Devidas transacted business as brokers in partnership. They were considered the next best to Premchund among bankers. They had the cream of the share business of those days, specially with older banking institutions like the Oriental, Commercial, Mercantile, Chartered and Agra Banks. Their personal credit was good, and they were the intermediaries in obtaining moderate advances for their constituents from these banks. But when they

came into contact with Messrs. Premchund and Pestonji Shroff and with the "Gunpowder Trio," they became very reckless also. In almost all transactions which needed the aid of the "Share Bazaar," Mr. Premchund had to resort to them. They became his willing instruments. But the transactions in which they became most closely identified with that prince of speculators were the Alliance Financial and the Mazagaon Land Reclamation Company shares. Between Mr. Premchund on one side and Messrs. Taylor and Atmaram Madhevji and Dr. Diver on the other, they became the intermediaries and immensely rigged the market for the shares of both the institutions named. If Mr. Premchund, personally for himself and his partners in speculation, exhausted the resources of the Bombay Bank, Jamna and Devi exhausted in a similar way the resources of the Alliance Financial. The "Gunpowder Trio" who were directors of this monetary concern, were mere waxen tools in the hands of this brace of brokers. The Mazagaon Reclamation affair received its most feverish impetus from them. They knew not English ; otherwise they might have become formidable rivals to Mr. Premchund. The pulse of the market, so far as the two favourite descriptions of shares went, was in their hands. Of course they dabbled in other securities also, but these were the chief and were the principal cause of their ruin when the crash came.

Mr. Chunilal was an established broker of

excellent repute and great integrity. Though he, too, was eventually whirled into the common vortex, it must be said to his credit that his vision was modest, and his avarice far from unlimited. He was a most cautious man, and somehow or other understood that the day would come when the bubble would burst. Hence, though he speculated, he used to warn all those who came into contact with him to profit by the opportunity and then sit quiet. He knew a little of English, but he had the advantage of the friendship of the late Mr. Ardasher Bomanji Kaka, once a cashier in the Mercantile Bank, and later on the Manager of a Bank called the Brokers' Loan and Discount Banking Company. This Mr. Kaka was a remarkable personage. He had a talent for finance which he greatly improved by experience in the posts he occupied. He, in turn, was a friend of the late Sir Cowasjee Jehanghir, a towering financial personality of the day, to whom must be devoted a separate chapter by itself. Sir Cowasjee was a most shrewd financier and was the chief adviser of Mr. Kaka. Thus cautiousness appears to have filtrated from this great fountain source. Sir Cowasji passed it to Mr. Kaka and Mr. Kaka to Chunilal who, in turn, did his best to impart it generally to all who rushed into speculation. But it is one thing to warn and counsel and another thing to act up to the warning and advice. And it was not possible to expect, while Premchund was the hero and raising aloft his standard of speculation and inviting every one to have a share of the spoils, that people

would listen to words of wisdom and caution. For that matter "Q" was doing his very best in the same direction in the columns of the *Bombay Gazette*. But he, too,—it is no secret that he was our good old friend, the late Dr. Blaney—was crying in the wilderness.

But to return to Mr. Chunilal. Though cautious, he did take to some of the milder kinds of infection of the hour. He was one of the active promoters of the Brokers' Bank and afterwards its director. The bank was managed on sound principles—one of the very few which returned to its shareholders a greater portion of their monies. But Chunilal, in an evil hour, while the contagion lasted, endeavoured to imitate the great Premchund. His bank promoted a "Financial," called the Bombay Financial, but vulgarly known to the public after the name of the chief promoter. It was called "Chunia's Financial," Chunia being a familiar contraction of Chunilal, as Tom is of Thomas in English. This "Chunia's Financial" was capitally boomed in the market, and its shares once ran up to 36 per cent. premium within a few days of its inception. This success elated Mr. Chunilal; so, in company with others, chiefly Mr. Burjorji Sorabji Lahaiwala, he was ambitious enough to launch a company called the Bombay Bazaar and Land Investment Company. Its object was to acquire the ground and buildings now occupied by Sir Manguldas Nathubhoy's Market in Sheik Memon Street and also to buy and sell land in

and about the suburbs of the city. But the project was started too late in the day and the scheme became abortive. Still Mr. Chunilal was a man of probity. He was the only well-known broker, whirled into the speculative vortex, who did *not* take the "benefit" of the Insolvency Act. No; he tried to maintain his credit unsullied. He entered into an honourable compromise with his creditors, and, while other debtors never paid even one per cent. he paid as much as four annas and even more in some cases. But while the speculation lasted he was also a force and an influence with which the giant deities had to count.

Lastly, there was Mr. Burjorji Sorabji Lahaiwala. Originally he was a dealer in Surat silks, once so famous and so keenly coveted by the Dutch merchants the predecessors of the East India Company on the banks of the Taptee. "Lahai" is the name given to a particular kind of silk woven by the nails of the hand. The weavers, chiefly Memans, are a hereditary class, though now unfortunately dying out. They used to weave these "Lahais" or silk *sarries* for Parsi, Hindu and Mahomedan ladies. And Mr. Lahaiwala inherited the trade of his grand progenitors. He was a man of small means, and in an evil hour he left his trade and came to Bombay to become a millionaire, fired by the doings of Mr. Premchand, whose fame had, of course, travelled to all parts of the Western Presidency. He had some influence with the Dadys—the old and established firm of Cursetji, Ardeseer & Co. The members of that firm

had held themselves entirely aloof from speculation till the evil genius of Mr. Lahaiwala dragged them into it. A man of no influence but of great audacity, with no principles to speak of, he boldly launched himself into the sea of speculation and successfully swam for a time with the aid of Mr. Premchund. But in most matters he was the ally of Mr. Chunilal. In the Brokers' Bank, in the Bombay Financial, and in the Bazaar Company he worked hand in hand with him. Left alone, he could have done little. His financial talent was of a mediocre order ; there was nothing special about it. If at all, he was too much of a financial intriguer. His talents, whatever they might be, helped him little, but his intrigues pushed him on. Owing to the influence of Mr. A. C. Dady, he became the fifth wheel in the coach of the Bombay City Bank and the Asiatic Financial—two concerns in which the late Mr. Merwanji Bhowmagri was intimately interested. Speculation in these two concerns was much inflamed by Mr. Lahaiwala. But with the fall of Messrs. Dady and Bhowmagri he also came to rack and ruin. Thus Jamna, Devi, Chunilal and Lahaiwala were the minor satellites of the great constellation of Premchund, Shroff, Taylor and Diver.

XI.

THE OLD BANK OF BOMBAY.

It is important now to narrate briefly the story of two or three of the most prominent financial institutions of the day—their origin or formation, their prime movers, their manner of transacting monetary business and the reasons which led to their final collapse. The very first institution, whose colossal financial mismanagement of an unparalleled character must be related, is the old Bank of Bombay. It was *the* Presidency Bank and as such was the principal factor in fostering financial speculation which, after a brief sunshine of unprecedented prosperity, plunged the city into unutterable ruin, made wreck of many an old and thriving commercial house, and generally wrought intense distress and affliction on men once in the most affluent circumstances. To narrate succinctly the history of the Bank of Bombay would almost fill a ponderous volume. Such a formidable task is beyond the scope of this brochure ; all that can be given in the short compass of these pages would be the briefest of brief narrative of that ill-fated institution.

Originally started in 1840 with a modest capital of 52 lakhs, under a legislative enactment which was hedged in by many a section of caution and limitation for the permanent safety and stability of the Bank, it had a most prosperous career from the date of its establishment to the date of its new charter in 1863—a year synchronous with the commencement of the speculative epoch. This prosperity was entirely attrib-

utable to the sagacious and economic management of an excellent Board of Directors, which in rotation guided its financial destinies, ably supported by a far-sighted and extremely cautious Manager in the person of Mr. John Stuart. To such a height of prosperity had this shrewd Scotch banker brought the Bank by the consummate care which he exercised during his entire career, extending well nigh over twenty years, that there was hardly a bad debt. It was owing to these essential qualifications of bank management that the proprietors re-called him from his well-earned retirement to retrieve the Bank's fortunes after the financial crisis of 1866. But for him as the sole liquidator, it is doubtful whether they would have got back even the little return of capital that they ultimately received.

Under the provisions of Act III of 1840 the Bank's business was confined within the strictest limits, with, of course, the power to issue its own notes, State paper currency being an unknown banking phenomenon in Indian monetary history till the advent of that great economist and financier, the late Mr. Wilson, the first Finance Minister to the Government of India, in 1860. The greatest safeguard the Bank had in its early days was the absolute prohibition to advance moneys without substantial security and then only to a limited extent. Advances on *personal* security, which was rather the rule than the exception after the amended Bank Act of 1863, were never allowed. But prior to this Act coming into force considerable correspondence had ensued between the

Bombay Government and the Government of India as well as the Secretary of State. There is a long history of it in reference to this special power to make advances on other than guaranteed securities which might be more profitably read in the Report made by the Bank of Bombay Commission. The controversy centred round the provision in the draft Act, as originally framed by Mr. Green, barrister, afterwards Mr. Justice Green, about inserting a clause touching advances on securities of "other public companies in India." It was passed at the time, but was afterwards quoted by the Commission as having been *the direct cause of the ruin which finally overtook the Institution*. It was discovered by that body that the Solicitor of the Bank was responsible for the introduction of those words. Mr. Kelly advised the Government to the effect that in framing the new Bank Act "the phraseology of the English Joint Stock Acts" was to a large extent followed. There was no justification for him to give that advice. The Commission was indignant at Mr. Kelly for having misled every one, including Sir Charles Wood, the then Secretary of State for India—a most careful and practical man of business. The Commission categorically contradicted Mr. Kelly. They said: "A comparison of all the English Acts with the draft shows the statement as without a shadow of foundation, the Acts 'being *entirely dissimilar*.'" Of course, the Solicitor has long since been gathered to the majority, but the Commissioners were constrained to remark that it was only

one of many instances of the "reckless manner in which the legal business of the Bank was done."

Another cause which contributed not a little to the final collapse of the Bank may be traced to the non-existence of any by-laws as prescribed in the Bank Act. It may be observed here that in the original draft provision was made for the by-laws. In fact, they formed part and parcel of the draft Act : but at the suggestion of the mercantile members of the Bank, namely, Messrs. Michael Scott and Tristram, they were omitted, of course, on the understanding that these would be made by the Directors. They never were made, which left a free hand to the executive officers of the Bank to manage the finances of the institution as they liked.

Eventually, after many vicissitudes, extending over two years, the Act was passed in August 1863, as Act X of that year. Now the difference between the old and new Act was this. The former was in many ways restrictive. This was undoubtedly due to the Bank being the first State Bank of its kind in the Presidency. It was a new financial institution for Bombay, and its promoters, therefore, were wise in placing restrictions which later experience showed might be reasonably relaxed. Now, in the new Act, some of the restrictions were partly modified but many more were entirely done away with. The repeal of the majority of the restrictive provisions was the signal for the reckless banking that immediately followed on the heels of the passing of Act X of 1863. It would

be tedious to relate at length the various differences between the old and the new legislation. It would, however, be sufficient if in this place the *effects* which the change produced were described in the words of the Commissioners: "It may be that the old Act "was unnecessarily restrictive, but that did not "justify the removal of all restrictions. . . . They "opened the door to great laxity of practice and a "ruinous system of banking, and were in fact the "chief cause of the Bank's failure."

As soon as the Bank was launched on its new career, the Secretary, Mr. James Blair, and the Deputy Secretary, Mr. Ryland, determined to avail themselves of all the powers in the Act irrespective of the Board to whom they only paid a platonic respect. The fact is that the Bank's directorate was of a mixed character. There were Government Directors, one of whom was the Accountant-General for the time being, and mercantile Directors, both European and Native—among the latter being Mr. Rustomji Jamsetjee Jeejeebhoy, Mr. Limji Manekji and Sir Cowasjee Jehanghir, two of whom were alternately elected. But, save Sir Cowasji, the other two exercised no control or next to no control over the Secretaries. Mr. Rustomji was then busy engaged in his own cotton trade and Mr. Limji was not much of a personage qualified to exercise any control in a Bank. He was an excellent broker to the firm of Messrs. Remington & Co., but he was out of place as a Director. Sir Cowasjee alone jealously watched the

interests of the Bank, but, partly owing to his physical infirmity and partly to his having been against the method in which the Bank's capital was raised to 2 crores, he had retired a few months after the new Act was passed. It is an open secret that Mr. Blair always stood in awe of this strong Director. He, however, used to consult him whenever needed, though, no sooner did he resign and Mr. Premchund Roychund become a Director, than the latter took some of the mercantile Directors into partnership in his colossal speculations, gained an ascendancy over the Bank officials and practically became the Bank of Bombay himself. Sir Cowasjee's influence, which was always directed towards safeguarding the Bank's interests, waned. That, indeed, was a great misfortune to the Bank.

As to the European Directors, both Government and mercantile, of course, they were a fluctuating body. Moreover, they, too, were engaged in their own mercantile or official business. Some of them, again, were in the vortex of the speculation, and, therefore, not in a position to command that check and control which were essential to keep well under curb the Secretary, who was quite a plastic tool in the hands of Mr. Premchund Roychund. Here is a pregnant observation on Mr. Blair's way of doing business in the heyday of speculation from the Report of the Bank of Bombay Commission: "Mr. Blair "found scope enough in the other wide provisions of "the Act for much unsafe banking, and he appears to

“have immediately effected a radical change in the practice of the Bank as to cash credits. Instead of insisting on the old practice which required Government paper, guaranteed railway shares or bullion to be deposited as security for cash credits, Mr. Blair commenced, in August 1863, to grant such advances on personal security only, *i. e.*, on a promissory note signed by one borrower or by joint borrowers, and without requiring sureties or taking any additional security. The first of these was for a lakh of rupees to Roychund Deepchund, the broker of the Bank and the father of Premchund Roychund.”

Another iniquity of the erring Secretary requires no less to be pointed out. Mr. Blair began “to discount promissory notes signed by a single borrower without taking additional security.” Thus a good beginning in reckless banking was made at the very heels of the passing of the Act. How it grew to colossal proportions, how in most of them Mr. Premchund Roychund had an active hand and how eventually nine-tenths of such advances were lost are a matter of ancient history, but all that may be said here is only this : Mr. Blair found that for his manipulations the Bank’s capital was inadequate. It was originally intended to have an additional capital of 52 lakhs, but after a resolution regarding it was passed, a requisition of shareholders was promoted, increasing the capital to 2 crores ! No sooner was this done than Mr. Blair went headlong into giving advances to all and sundry, chiefly under the immediate influence

of Mr. Premchund and generally without consulting either the Government or mercantile Directors. Indeed the last were deemed negligible, and habitual concealment of actual transactions was the rule rather than the exception. The Directors were so occupied either with their own business or in speculation that though they attended the weekly meetings, they did not care to scrutinize the advances or ascertain the sterling worth of securities pledged against them, or of the substantial credit of parties to whom cash credits were given on personal security. To say that the Directors entrusted the destinies of the Bank to the Secretary, that the Secretary left them to the mercy of Mr. Premchund and that Premchund left them to Providence is no exaggeration of the real state of the Bank. All motive power came from Premchund. He was both the fulcrum and the lever. This is fully borne out by the following description of the management in vogue at the Bank: "The most reckless system of advances commenced. The Secretary was virtually unrestricted in the powers he assumed to have, and the President and Directors, although they must have known that enormous sums were flowing out of the Bank, appear to have made no inquiries and to have exercised no supervision. The discount list was discontinued, no loans were brought before the Board or the weekly Committee for their sanction, lakhs of rupees were advanced by Mr. Blair without consulting the Directors, to single individuals, or to the ephemeral

“companies of the day on no other security than the promissory notes of the parties borrowing, and he appears to have in many instances granted loans although the borrower was already largely indebted to the Bank.” But this was not the limit of the recklessness of the management. Even the documents taken from the borrowers were never carefully scrutinized. They were of a most informal character, such as in a Court of Law would be considered to be so much waste-paper. The President of the Bank was a Government official appointed for the express purpose of watching the interests of Government, who were part proprietors of the Bank. If the mercantile Directors failed to discharge their obvious duty it was at least expected that the representative of the Government would see that affairs were managed above board and that no irregularities occurred. But, no ; nothing of the kind was done. The Bank was steered by its captain regardless of chart and compass. He never was to be found at its helm which was left to the great Mr. Premchand. So the Bank vessel was allowed to go adrift as best it may, leaving it to the chapter of accidents to float or sink. But how could the President keep his watchful eye on the Bank when he was indebted to the chief *factotum*, who ruled the Bank behind the *purdah*, for fat allotments which, the Commission estimated, amounted to the handsome sum of £37,575 by way of premium or profit? Mr. Premchand was supreme. Mr. Blair obligingly supplied him with a book of forms of

promissory notes to be filled up by him with the names of such parties as he should recommend for loans ! It was tantamount to giving him a blank cheque book to enable him to exhaust the Bank's capital at his own will uncurbed and uncontrolled ! And what did Mr. Blair do personally ? He accepted allotments of shares of every company in which Mr. Premchund had a material interest. Mr. Premchund's finger was in every pie or pudding and out of his fat slice he would patronize the Bank Secretary and his subordinates. Moreover, it was known that Mr. Blair was speculating in joint partnership with the King of Speculators. The following accurately describes the relations of Mr. Premchund with Mr. Blair : "Intelligent and subtle, " Premchund Roychund was not slow to fathom the " imbecility and weak moral character of Mr. Blair " and soon acquired great influence over him and his " subordinates, with complete command of the funds " of the Bank. He procured allotments for Mr. Blair " and lent him money, and, what was much the same " thing, his father, Roychund Deepchund, constantly " supplied Mr. Blair with large sums. Premchund " also bought and sold shares for Mr. Blair and entered " into joint speculations with him and never charged him a rupee for brokerage. *The result was that " the Bank became Premchund's."*

This is the history of the old Bombay Bank. And a more gruesome history is seldom to be found recorded in the annals of a monetary concern under the indirect guidance of the State. Here are a few instances of

the way in which the prodigal of the Bank made ducks and drakes with its moneys. On 14th July 1864, Mr. Sorabji Jamsetji Jeejeebhoy obtained a cash credit of 5 lakhs giving no other security for its repayment than his promissory note, which was as worthless as the paper on which it was written. (2) On 11th October 1864, Dr. Diver, George Taylor and Atmaram Madhevji, the notorious "Gunpowder Trio," obtained a loan of $5\frac{1}{2}$ lakhs on signing blank promissory notes, the monies being actually received by Mr. Premchand to feed his speculation in Back Bay shares. (3) On 28th December 1864, Mr. Cursetjee Furdoonjee obtained a fixed loan of $6\frac{1}{4}$ lakhs on his personal security and a deposit of ten Back Bay shares. (4) In January 1865, Mr. Fleming, partner in the great firm of Nicol & Co., obtained a cash credit of 10 lakhs on the security of the firm's promissory note. That gentleman was astonished at the facility with which he got the money which he, however, fully repaid a few days later. "Ask and it shall be granted"—that was Mr. Blair's motto. So that when Mr. Fleming personally applied for this big loan—big and more than big even for a big firm like his—he was far from sure whether it would be wholly granted. But he was agreeably surprised to hear Mr. Blair directing his deputy, Mr. Donald Robertson, who had succeeded Mr. Ryland as the aider and abettor of Mr. Blair in all his reckless banking management, to let him "have 10 or 20 lakhs or *whatever he requires!*" These examples in personal advances will convince the

reader of the utter thoughtlessness with which the affairs of the old Bank of Bombay were managed. Could there be any doubt in the mind of any business man that the most substantial concern, with even five times the capital, might have under such conditions been ruined within a year ?

Then, what was the loss to the Bank from Mr. Blair's mismanagement ? When he was compelled to retire from the institution which he brought to ruin, fully $1\frac{1}{2}$ crores of rupees were said to be irrecoverable ! What a colossal sum to be sure ! Here is a further extract from the Commissioners' Report as to the incapacity and inexcusable, if not culpable, negligence of this precious prodigal of the Bank : " Mr. Blair was " unequal to the management of such an institution as " the Bank of Bombay, and his general weakness of " character rendered him an easy tool in the hands of a " designing man such as Premchund. But his conceal- " ment from the Directors of his mode of transacting " business and his orders for the omissions from the " application book show that he was dishonest and " deceived those by whom he was trusted." A stronger and more scathing condemnation of the Bank Secretary could not have been passed. It was the good fortune of that officer that he escaped penal punishment which in any other circumstances would have been his inevitable fate just as it was of the Directors and officials of the City of Glasgow Bank which failed in 1878. This, then, in its main outline, is the history of the Bank during the heyday of its prosperity.

But for the Commission the monetary world of India would never have known the utterly rotten condition of its management. What its history after its fall was will be described in the next chapter. Meanwhile let the present generation of bankers, and notably the officials of the resuscitated Bank of Bombay, ruminate on the facts herein disclosed and endeavour to learn a lesson therefrom. It points a moral and adorns a tale which needs to be emblazoned in letters of gold at the door of every banking institution in the country.

XII.

THE OLD BANK OF BOMBAY—The Aftermath.

It would fill a thick volume to narrate the various vicissitudes to which the old Bank of Bombay was subjected from August 1863 to May 1865, when the first crash came with the failure of Mr. B. H. Cama, and from the last date to the date of its winding up in January 1868. The entire banking history embraced by the latter period is one of bolstering it up by hook or by crook without any benefit. The more the efforts of the Directors were concentrated on that process, the deeper the Bank was known to flounder into the financial mire. Till the last there was a fatality in the directorate and in the management which ultimately wrought ruin on the shareholders. Though Mr. Blair was made to retire from the Bank at the close of 1865, the gentleman who succeeded him was no better. His private transactions and speculations with Mr. Premchund were of a most shady character, to which the Commission have not failed to allude in the terms they deserve. Even some of the Directors were most negligent in looking after the Bank's affairs, while the conduct of one of them, Mr. Tracey, a member of the firm of Messrs. Ritchie Steuart & Co., was such that the Commission write most indignantly about him.

Generally the conduct of the directorate, a changing one, was far from businesslike. For a long time most of them seemed to have deluded themselves with the belief that though the Bank's

losses on account of advances, whether on shares or personal security, were heavy, they were not so heavy as to preclude the Bank from retrieving them ultimately. Throughout the critical period of two years they entertained the most optimistic views and the most favourable prospects of realizing the securities. This indeed was exceedingly surprising in face of the fact that most of its debtors one after the other had either filed their petitions in the Insolvency Court or appointed Trustees to wind up their estates under the supervision of the Court in conformity with the provisions of a specific Act, called Act 28 of 1865, which was in operation for two years from 1st July 1865. Again, for a long time there was the hope that the Back Bay, Asiatic Bank, Commercial Bank and Elphinstone Land Company shares, which formed the bulk of the securities against heavy advances, would rally. But they never did. Thus what happened was that by waiting for better rates, sometimes in spite of the entreaties of the debtors themselves, the Directors were eventually forced to part with these at considerably lower prices than if they had been disposed of soon after July 1865, and had had to incur heavier losses. The only party who took, from the date of the very first misfortunes of the Bank, a sober and sagacious view of its position was the Government of India. But such was the nervousness of the mercantile Directors, and such the dense ignorance or inexperience of those who sat at the Board on behalf of the Government, that

they never furnished that authority with full and fair information. The ground of the omission was the probable injury which the Bank might suffer by reason of the disclosure ! On the 13th of July 1866, while commenting on the extremely meagre information supplied by the Bank, the Government of Sir John Lawrence, in its despatch, remarked that the embarrassments of the Bank were wholly attributable *to abuse of powers which ought not to have been conferred upon it* and which were not possessed by the Banks of Bengal and Madras. The despatch then proceeded to observe as follows :—

“ The Governor-General-in-Council, though fully sharing in the desire of the Bombay Government to uphold the credit of the Bank, cannot suffer the revenues of India to be indefinitely pledged to the support of an establishment *of the affairs of which he is kept in ignorance* The information furnished by the reports of the Directors contains little more than is to be found in the general statement of assets and liabilities published in the newspapers. That there may be no further misapprehension on this subject the statement which His Excellency the Governor-General-in-Council requires is comprised in the following particulars :—

- I. The banks, firms and individuals to which the Bank is under advances.

- II. The dates and amounts of such advances.
- III. The securities upon which they have been made, and the sums advanced upon each security.

The Bank should have no hesitation in furnishing the particulars, which, having regard to the peculiar circumstances at present affecting the relations of the Government of India and the Bank, His Excellency the Governor-General-in-Council is bound to demand."

This extract is unique and at once indicates the irritation of the Governor-General of the day—a man who was a watch-dog of watch-dogs in reference to finance—at the manner in which his demand to get information was balked more than once. Such, however, was the deep-rooted unwillingness of the Bank to acquaint that Government with the *true* condition of affairs, that the information was withheld till a second despatch was sent in October. At last the Bombay Government was obliged to make a kind of answer which was practically a *non possumus*. Eventually, on 23rd November, a statement was furnished which, say the Commission, "gave no information from which "that Government could form any estimate of the "true position of the Bank. Instead of giving a list of "all advances, it gave one of advances, exceeding "three lakhs, which were overdue on 30th June 1866. "It avoided all mention of sums below that amount

“ that had been renewed, many of which were for larger
 “ amounts than three lakhs, and were much in the
 “ same position as advances overdue. It avoided all
 “ mention of Premchund’s great loan of twenty-five
 “ lakhs. . . . It omitted to set forth the large debt
 “ of more than nineteen lakhs due from the Asiatic
 “ Bank although the cash credit had expired on the
 “ 1st September, and the Asiatic Bank had failed on
 “ the 26th of that month. *A more unsatisfactory*
“ statement could scarcely have been framed.”

It was indeed hardly creditable to the Government of Sir Bartle Frere who was all through optimistic to keep the Indian Government in the dark. But the fact was that that Government itself was not well served by its own officials and openly charged with having intensely stimulated speculation by the sale of the Back Bay shares, and that its Directors on the Board were somehow involved in those speculations. Thus it became the common interest of the Bank and the Bombay Government to conspire in withholding all necessary information from Sir John Lawrence, who was always at loggerheads with Sir Bartle Frere on account of the latter’s extravagance in matters of provincial finance—a struggle which was the real origin of the scheme of decentralization initiated by the Government of Lord Mayo. Things, however, had come to such a pass about this time, that in October 1866 the Bombay Legislative Council, in obedience to the instructions of Sir Charles Wood, were obliged

to pass an enactment (Act XV of 1866) depriving the Bank of the power to advance on shares, which was conferred by the Charter of 1863.

It would be seen from the foregoing that the Bank's position had not improved a whit after the retirement of Mr. Blair. On the contrary, it went from bad to worse, owing to the recklessness and incapacity of the new Secretary, Mr. Robertson, who was completely a tool in the hands of Messrs. Tracey and Premchand. Mr. Tracey adroitly avoided his examination by the Commission. The Commission did not examine him, but here is what they said about that Director : " He left England shortly before they " returned from India, *although he had information that* " *they were about to return*, and that the evidence " taken in India reflected on his character." As to Mr. Robertson, it may be as well to quote the Commission again : " He placed himself for his private gain " in a position in which his own interests were at " variance with his duty to the Bank ; he failed to do " his duty on several occasions under circumstances " calculated to excite grave suspicion, and by the " recklessness of his advances proved himself unfit for " such an office as Secretary of the Bank of Bombay." The result of Mr. D. Robertson's management, excluding his advances when Deputy Secretary, may be summed up shortly thus—of the advances made at the head office and outstandings when he retired, the sum of Rs. 37,56,073 still remained unrecovered ; of the

advances made at the branches, the sum of Rs. 13,99,516 still remained unrecovered, making a total loss, in Mr. D. Robertson's time, of Rs. 51,55,589!!

Thus the total loss sustained by the Bank under the two Secretaries was Rs. 2,04,68,991 of which a portion was recovered later on. But it will be clear to the reader how between these two marplots almost the entire Bank capital of two crores was swept away. Practically by December 1866 the Bank was a complete wreck, and it simply dragged on existence for a year, doing little but realizing its depreciated assets. On 15th January 1867, the capital was reduced 50 per cent., which was simply a blind. It might have been fairly put into liquidation on that day instead of a year later. The shares were quoted at only Rs. 250 and even then there were few buyers for it. Thus the shares, which were quoted in the heyday of speculation at Rs. 2,250, dwindled down to 250. When the Bank was finally wound up the shareholders did not get beyond Rs. 100. Thus the purchasers at even Rs. 250 were losers.

It only remains to pronounce the official funeral oration of the Bank in the words of the Bank of Bombay Commission before we close this most dismal and inglorious chapter of the history of the first State Bank in the Presidency :—

“ We are of opinion that the causes of the failure of the Bank were :

First. The Act X of 1863 which removed many restrictions contained

in the former Act, and permitted the Bank to transact business of an unsafe character.

Second. The abuse of powers given by Act X of 1863 by weak and unprincipled Secretaries acting under the influence of a designing Native Director, Premchund Roychund.

Third. That the Presidents and Directors of the first and second periods of the Bank's history, with such exceptions as are hereinbefore mentioned, were negligent and failed to do their duty in omitting to pass by-laws, in not exercising a proper supervision and control over the Bank and its Secretaries, and particularly in not ascertaining how the business of the Bank was carried out.

Fourth. The very exceptional nature of the times, which required more than ordinary vigilance and care on the part of every one connected with the Bank.

Fifth. That the Presidents and Directors of the first, second, third and fourth periods were not

conversant with banking business and were incapable of managing such an institution as the Bank of Bombay in difficult times.

Sixth. The absence of sound legal advice and assistance."

XIII.

COMMISSION ON THE OLD BANK OF BOMBAY-**Also a list of the witnesses examined.**

The shareholders of the Bank having resolved to wind up its affairs voluntarily, the Government of India passed Act XVII of 1868 and appointed, as directed by the Secretary of State, a Commission to thoroughly inquire into and report on the causes and circumstances of its failure. Accordingly, the Governor-General-in-Council, Sir John Lawrence, appointed Sir Charles Jackson as President. He was in the Fifties a judge of the Supreme Court of Judicature in Bombay and was known to be a first-rate cross-examiner. The members were Major MacLeod Innes—Military Accountant-General with the Government of India, and Mr. (afterwards Sir) Maxwell Melville of the Bombay Civil Service who subsequently distinguished himself as a most learned Judge of the High Court and a Member of the Executive Council of the Government of Bombay. Mr. F. Dundas Chauntrell, who was formerly known as Mr. Faithful, of the firm of Messrs. Pollock and Faithful, Solicitors, was the Secretary of the Commission with Mr. Nowroji Furdoonji as a translator of all the vernacular accounts submitted to the Commission. The Commission held its sittings in the Durbar-room in the Town Hall from 29th June to 9th September 1868, there being 24 sittings in all. Afterwards the Commission proceeded to London to take evidence there of some of

the Government and mercantile Directors. There were 15 sittings in all; while the principal witnesses examined were Messrs. Sylvester Birch and A. D. Robertson, Messrs. Hannay, Steel and Cassels, besides Mr. James Blair, the Secretary, and Mr. Donald Robertson who succeeded him after he was made to retire from the Secretaryship in March 1865. Mr. Blair pleaded ill-health to be cross-examined by the Commission and desired that his written statement should be accepted. But the Commission deemed it absolutely essential to examine him at full length. They, accordingly, to suit his convenience, examined him at his own house in Bayswater. In all 96 witnesses were examined, whereof 74 were examined in Bombay. A complete list both of Bombay and London witnesses is given below from which it will be seen that not a single witness whose evidence was of sufficient value to throw light on the management or rather mismanagement of the Bank, was omitted. The only Director who was not examined was Mr. (afterwards Sir) Cowasji Jehanghir. He was a Director from the passing of the Act of 1863 to June 1864 when he resigned because he disapproved of the additional share capital which was raised. Mr. Cowasji was too ill to be examined when the Commission investigated the Bank affairs.

Witnesses Examined in BOMBAY.

1. Mr. John Stuart, who was Secretary of the Bank from 1840 to 1860 and who was re-called in 1867 to become the Liquidator.

2. Mr. J. M. De Ga, the Ledger-keeper.
3. Mr. R. V. Hearn, Government Solicitor.
4. Mr. W. Rodgie, Accountant and Officiating Deputy Secretary.
5. Mr J. Sleigh (Mr. Sleigh who afterwards was Manager in the New Bank of Bombay) Assistant Inspector of Branches. .
6. Mr. George Foggo, of Forbes & Co., a Director.
7. The Hon'ble Mr. R. Westropp, Judge of the High Court and afterwards Chief Justice, who had acted in 1863 as Advocate-General.
8. Mr. F. F. Lidderdale, of Remington & Co., a Director.
9. Mr. A. G. Ryan, Manager, Eastern Financial Association.
10. Mr. Rowland Hamilton, one of the Liquidators of the Eastern Financial Association.
11. Mr. William Watson, later Manager of the Eastern Financial Association.
12. Mr. W. J. Best, broker, of the firm of Best & Brown.
13. Mr. W. Steel, Agent in Bombay of the Liquidator of the Asiatic Banking Corporation.
14. Mr. R. H. Baker, Sub-agent in Bombay of the Asiatic Banking Corporation.
15. Mr. G. R. Wilson, Liquidator, Alliance Financial Corporation and member of the

firm of Brodie & Wilson, Public Accountants.

16. Mr. Vinayak Pandoorang.
17. Mr. F. A. Spencer, one of the Official Liquidators of the Bombay Joint Stock Corporation.
18. Mr. James Ranken, Liquidator of the Bombay Reclamation Co. and Assistant at Ritchie Steuart and Co.
19. Mr. J. A. Shaw, Manager for the Liquidators of the Bombay Joint Stock Corporation.
20. Dr. T. Diver, a Director of the Alliance Financial Corporation.
21. Mr. Atmaram Madhevji, a Director of the Alliance Financial Corporation.
22. Mr. George Taylor, a Director of the Alliance Financial Corporation and also Master in Equity, High Court.
23. Mr. Cassinath Babaji, a Securities' Clerk.
24. Mr. Cursetji Furdoonji, Merchant.
25. Mr. Rustomji Jamsetji Jeejeebhoy, Merchant and a Director, Bank of Bombay.
26. Mr. Vijbhoocondas Pranjivundas, a Clerk to Mr. Sorabji Jamsetji Jeejeebhoy.
27. Mr. Shapurji Jivaji, Assistant to Mr. Rustomji Jamsetji Jeejeebhoy.
28. Mr. Devidas Lukhmidas, broker in partnership with Mr. Jamnadas Doolubhdas.

29. Mr. Sucaram Antoba, a clerk who wrote minutes.
30. Mr. Jumnadas Doolubhdas, broker, in partnership with Devidas Lukhmidas.
31. Mr. C. E. Chapman, Accountant-General.
32. Mr. Burjorji Rustomji Mistry.
33. Mr. Byramji Hormusji Cama, Merchant.
34. Mr. Mervanji Framji Panday, Merchant.
35. Mr. Jehangir Rustomji Mody, Secretary of the Imperial Banking & Trading Company.
36. Mr. Kursondas Madhevdas, Merchant.
37. Mr. Dosabhoy Dhunjibhoy, Manager to Mr. Premchund Roychund.
38. Mr. Navalchund Nanchund, Exchange & Share broker and Mr. Premchund's brother-in-law.
39. Mr. Javerilal Umiashunker, Secretary of the Katyawar Trading Company.
40. Mr. Sorabji Jamsetji Jeejeebhoy, Merchant.
41. Mr. Bomanji Cursetji Cama, Merchant.
42. Mr. J. Macfarlane, Solicitor.
43. Dr. Bhau Daji.
44. Mr. Sorabji Byramji Colah, broker.
45. Mr. Candas Narondas, Merchant.
46. Mr. Mahomed Cassum.
47. Mr. Govindji Kessowji, Mehta to above.
48. Mr. W. Bullock, Manager of the Kalbadevi Branch of the Bank.

49. The Hon'ble Mr. Alexander Brown, a Director, and the partner in the firm of Nicol & Co.
50. Mr. William Fraser, Agent, Karachi Branch of the Bank.
51. Mr. Balkisondas Vijbhoocondas, Shroff, Kalbadevi Branch of the Bank.
52. Mr. Premchund Roychund.
53. Mr. Shapurji Dhunjibhoy, son-in-law of the first Sir Jamsetji Jeejeebhoy.
54. Mr. Cumulsey Premji, broker.
55. Mr. Dadabhoy Byramji, Merchant.
56. Mr. Veerchund Deepchund, Director, Imperial Banking & Trading Co., and also of the Katyawar Trading Co., and Munim of Premabhoy Hemabhoy.
57. Mr. Cowasji Manekji, Merchant, Director of the Bank.
58. Mr. Gungadas Tulsidas, clerk to Madhevdas Ghella.
59. Mr. T. Crawford, Auctioneer.
60. Mr. Hurryvalabdas Kaliandas, Jeweller.
61. Mr. J. Courvoiser, Jeweller.
62. Mr. Bomanji Framji Cama, Merchant.
63. Mr. Hormusji Nowroji Saklatvala, Merchant.
64. Mr. G. Norman, Collector of Bombay and a Director of the Bank.
65. Mr. C. A. Beyts, broker.
66. Mr. Merwanji Rustomji, broker.

67. Mr. Heerjibhoy Merwanji Wadia, Merchant.
68. Mr. J. G. Tyndall, partner, Nicol & Co.
69. Mr. C. E. Benn, Manager—London, Asiatic & American Co.
70. Mr. Homeji Cursetji Dady, Merchant.
71. Mr. Khatow Khimji.
72. Mr. Vithul Narayan, Loan Clerk, Bank of Bombay.
73. Mr. C. Cunha, Loan Clerk, Bank of Bombay.
74. Mr. Bomanji Cursetji Cama.

Witnesses Examined in LONDON.

75. Mr. Sylvester Birch, Accountant-General and a Director.
76. Mr. F. L. Brown, broker, of the firm of Best and Brown.
77. Mr. A. D. Robertson, Financial Secretary to Government and a Director of the Bank.
78. Mr. H. E. Jacomb, Secretary to Government and a Director of the Bank.
79. Mr. E. W. Ravenscroft, Secretary to Government and a Director of the Bank.
80. Mr. H. A. Mangles, of the Finance Department, Government of India and a Director of the Bank.
81. Mr. James Blair, Secretary and Treasurer of the Bank.
82. Mr. R. McIlwraith, partner, Nicol & Co. and a Director of the Bank.

83. Mr. W. Cassels, partner, Peel, Cassels & Co. and a Director of the Bank.
 84. Mr. J. H. Ryland, Deputy Secretary of the Bank.
 85. Mr. D. Robertson, Deputy Secretary and afterwards Secretary of the Bank
 86. Mr. F. S. Chapman, Secretary to Government and a Director of the Bank.
 87. Mr. T. L. Seccombe, Secretary, Financial Department, India Office.
 88. Mr. Anthony Morrison, Manager, Asiatic Banking Corporation.
 89. Mr. G. Inverarity, Commissioner of Customs and a Director of the Bank.
 90. Mr. G. Steel, partner, Grey & Co. and a Director of the Bank.
 91. Mr. Claude Erskine, Member of the Executive Council of the Government of Bombay.
 92. Mr. D. Maclean, Accountant of the Bank.
 93. Mr. J. L. Lushington, Accountant-General and a Director of the Bank.
 94. Sir Bartle Frere, Governor of Bombay.
 95. Mr. A. K. Corfield.
 96. Mr. R. Hannay, partner, Grey & Co. and a Director of the Bank.
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XIV.

THE OLD BANK OF BOMBAY—A Glimpse of the Evidence.

It would be interesting now to have a glimpse of the evidence elicited from some of the principal witnesses. It has already been pointed out in Chapter XI that the Commissioners had to comment severely on the allegation of Mr. Kelly, the Bank's solicitor, about the wording of the Section 32, Clause I, of the Bombay Bank Act of 1863—namely, “other public companies in India”—having been derived from English Joint Stock Companies' Act. Mr. Justice Westropp, who was Advocate-General in 1863, and had, therefore to deal legally with the Bill on behalf of the Government, replied that there was no such wording. “None “of the general English Joint Stock Companies' Acts “nor of the general Joint Stock Bank Acts contain “clauses laying down the nature of the business which “the Companies or Banks are to carry on. On the “contrary, they direct that the purpose and object of “the Companies shall be stated in their Deed of “Settlement or Memorandum of Association.” That was conclusive evidence against Mr. Kelly's allegation.

Mr. Francis Frederick Lidderdale gave exhaustive evidence of an informing character with perfect frankness which went to show how loosely the Bank had come to be managed by the executive after the passing of Act X of 1863. He was a member of the highly reputed firm of Messrs. Remington & Co.,

Bankers and Merchants. He said : " In 1864 there " was an increase of the capital of the Bank. It " did not meet with my assent : I opposed it at the " Board, and at the meeting of shareholders on " behalf of myself and a Native Director. I consid- " ered it was not requisite, and that it opened a door " for further speculation. Speculation had com- " menced in 1862 and reached its climax in February " and March 1865. My opinion has not changed, " having regard to the purposes for which money " obtained from the Bank was used. My objection " never took the form of an amendment—the feeling " of the meeting was so ardently against me. Look- " ing at it now, the object seems to have been to " obtain new shares at par, and to realize a large " premium on them." That the majority of the shareholders, who were then whirled into the vortex of speculation so actively stimulated by Mr. Premchund, should be in favour of the new issue is perfectly intelligible. To obtain shares at a par and sell them at a high premium of over 200 per cent was indeed a temptation which few could resist in those days.

When in April 1866 Mr. Premchund got extremely embarrassed, he applied for a loan of 25 lakhs from the Bank of Bombay. He was indebted to almost all the principal Banks. So a meeting was called on 26th April at which the managers of the following Banks, according to Mr. Lidderdale, were present : Oriental, Mercantile, Asiatic, and Hindustan. These Banks were greatly interested

in maintaining Mr. Premchund's credit. Then comes the following evidence from Mr. Lidderdale :
 " No statement of Premchund's affairs was produced
 " at that meeting. Mr. Robertson did not state
 " before those managers the particulars of his
 " account with us. Later on 'a rough statement'
 " was produced. It was not verified in any way. It
 " was taken as true without enquiry, but with some
 " reservation : we had no means of checking it. . .
 " We acted on the assertion of Premchund that this
 " advance would be sufficient to carry him through
 " his difficulties . . . Securities were offered by
 " Premchund Roychund. A statement in pencil of
 " the value of the securities was produced. The
 " jewels were said to be worth from 15 to 20 lakhs."
 It may be mentioned here that an auctioneer who had knowledge of the value of jewelry, and two large and well-known dealers in jewelry were called as witnesses who valued them at only 3 lakhs or thereabouts.

Dr. Diver gave evidence as to the origin of the Mazagaon Land Reclamation Co., saying it was promoted by the Directors of the Alliance Financial Corporation : " Premchund bought the property from
 " Government, and re-sold to us for 60 lakhs. A
 " Company was formed which we promoted. I think
 " there was an advance of 5 lakhs obtained from the
 " Asiatic Banking Corporation for that purchase. The
 " right to allot one-half of the shares was left to Prem-
 " chund. That was part of the bargain. He used his
 " influence with the Bank to obtain a loan for the

“Mazagaon Company just about the time when the Company was started.”

Here is a glimpse of another transaction. Said Mr. Atmaram Madhowji : “On the 11th October 1864, Dr. Diver, Mr. Taylor and I obtained a loan for Rs. 5,50,000 from the Bank of Bombay—Premchund having bought twenty shares in the Bombay Reclamation Co. for us, he arranged for the money with the Bank of Bombay.”

As an instance of the facility with which persons then reputed to be “wealthy” were allowed to overdraw their accounts for lakhs without any security, the following evidence of Mr. Cursetji Furdoonji will suffice : “I came to be allowed to overdraw my account on account of my credit with the Bank. I do not recollect any remonstrance about my overdrawing for so large a sum as two lakhs. I obtained leave to overdraw from the Secretary. I do not recollect that any influence was used to obtain that permission. I obtained it myself, although I had more than 12 lakhs outstanding.”

Mr. F. S. Chapman, who was a Government Director for a short time in 1866, after the big crash had set in, gave the following account or defence of the Government Directors : They “sat there as representatives of Government which was a large shareholder. They were not in the same position for all purposes as the commercial Directors. It was impossible for them to be acquainted with the credit and standing of the persons borrowing

“from the Bank, and they necessarily looked to
 “their colleagues, who were acquainted with the
 “commercial world and who therefore were primarily
 “responsible for the business of the Bank. . .
 “I have reason to suppose that they were kept
 “ignorant with respect to one large transaction as to
 “points known to their colleagues, and which ought
 “to have been made known to them. I think they
 “were kept ignorant both by their brother commer-
 “cial Directors and by the Secretary. I know of one
 “or two transactions in which we were kept in igno-
 “rance by the Secretary and misled in answers to
 “questions which we put.” This, again, as to
 Premchund : “Premchund held a peculiar position
 “in Bombay. The idea of his insolvency had hardly
 “been realized and all the Directors, with one excep-
 “tion, must have been ignorant of his true position.”
 What a sad commentary ! Again, “undoubtedly he
 “was the greatest speculator in Bombay, but he had
 “been courted by all classes of society. His position
 “was far above that of an ordinary speculator, and
 “I should call him the keystone of the commercial
 “prosperity of Bombay. We certainly were consid-
 “ering the question whether we should stave off his
 “insolvency, and on learning the large advance he
 “required our eyes were opened to the nature of his
 “position. Undoubtedly we ought to have had a full
 “statement of his affairs. I cannot say that I remem-
 “ber any one suggesting that there should be any
 “inquiry into his position. Premchund was not

“asked to satisfy us that if 25 lakhs were advanced, that sum would effect our object.”

The following is a striking illustration of the way in which Premchund vastly stimulated speculation in Back Bay shares. Said Mr. Merwanji Framji Panday in his evidence : “The advance of 5 lakhs on the “8th December 1864 was taken for a joint purchase “by the Imperial Banking & Trading Company and “Premchund of 62 Bombay Reclamation Co.’s shares: “an interest to the extent of one-third in that purchase “was taken by our Company. He supplied the “shares. Premchund managed the advance of 5 “lakhs from the Bank of Bombay, and obtained also “6 lakhs from the Asiatic Bank.”

Here is another evidence. Mr. Premchund advised Sorabji Jamsetji Jeejeebhoy to go in for some Bombay Reclamation Co. shares. Sorabji said he was “short of money” to buy the large number Premchund had suggested “Premchund thereupon “said—‘Take my word, Sorabji, and do not trouble “‘yourself about money ; I will get you as much “‘money as you require, but do not go in for less “‘than 100 shares.’”

The following is the evidence of the Hon’ble Mr. Alexander Brown, of Nicol & Co., touching Mr. Blair : “Mr. Blair’s dismissal was not on account “of share speculations, but simply because he was “considered incompetent. A letter was written to “him by the Chairman when he was absent on leave. “There was no suspicion as to his honesty. It is a

“hard thing to say but it was his incompetency for which he was dismissed. It was sufficiently shown by the state of matters which was found to exist after he left.” Questioned as to the support which the Bombay Bank gave to the Asiatic, whether it was not owing to the former having held a large number of shares of the latter, Mr. Brown replied : “ I have no doubt that occurred to me at the time.” This point was further pressed :—

Question. “ In point of fact the Bank of Bombay had had to pay a large sum for calls on Asiatic and Commercial Bank shares. The effect of advancing on shares and accepting transfers of them was to make the Bank of Bombay a partner in the concern, and when it got into difficulties, you were under a necessity to risk more money in order to escape the losses entailed by the advances ? ”

Answer. “ It had that result.”

The evidence of Mr. Premchund must be studied in details. The Commission brought out all his transactions and searchingly cross-examined him. Touching the loan of 25 lakhs the following is his statement : “ I said to Mr. Tracey that if I did not get the 25 lakhs I must stop payment that morning ; and that if they wanted to make a bother I would rather stop payment, and that if they made any difficulty about the securities, I would give them names of three other parties as guarantees. The names were those of Candas Narondas, Roychund Deepchund, and Cursonadas Madhevdas. I was

“not called upon by Mr. Kelly, the Bank's Solicitor, or any one else to sign any paper upon that day. . . . The whole of the three have failed. I deposited the title deeds of the landed property the same day; some were given afterwards. The jewels were deposited on two different days. . . . My difficulties came upon me suddenly. In April the time bargain in Dhollera cotton was falling due on which I expected to get 12 lakhs, but that failed altogether.” The President asked Premchand as to his opinion about the management of the Bank. His answer was : “It was rather loose, I think.”

The Commission had a searching cross-examination of Mr. S. Birch who was a Government Director and President of the Bank from 1860 to February 1865. Though a Government officer, and though Sir Bartle Frere—the then Governor of Bombay had issued a circular recalling an older circular issued by a former Governor, Sir George Russel Clerk,—that a Government servant should not hold shares in a public company save for investment, Mr. Birch had received many allotments from which he realized about £ 37,000. The following letter was produced by the Commission in reference to Back Bay shares allotment which he had addressed to Mr. Michael Scott, one of the promoters : “If I am out of rule, excuse me. The other day you kindly said you would make a note in your book and remember me at the proper time. Cowasji also wrote to me that you had agreed with him to take me into

“consideration when Back Bay shares were allotted . . . I am not very grasping, but if for this occasion only you will consider the President of the Bank of Bombay, the Accountant-General and allot him six shares, I shall not object, as I can take that number up.” Again, in reply to the many questions put to him regarding large loans advanced during his time, he said he had no recollection or no knowledge. Mr. Cursonadas Madhevdas had a loan of 25 lakhs. The President of the Commission observed to Mr. Birch : “On the 31st August 1864 the firm of Cursonadas Madhevdas borrowed in three different names, *viz.*, the names of the different partners of that firm—Mayabhoy Premabhoy 8 lakhs, Maganbhoy Hutising 8 lakhs, and Cursonadas Madhevdas 4 lakhs. On the 26th September 1864, Cursonadas Madhevdas took 5 lakhs more—do you recollect that transaction?” *Answer.* “At the first I was not in Bombay, I was in Poona. On the 26th September I was in Bombay.” “Was that transaction brought to your notice?” *Ans.* “I do not recollect it.” The Commission then observed :—“In the *Opinion Book* in March 1864 there is the following entry in the name of Cursonadas Madhevdas : ‘Considered by Premchund good for ‘1 lakh,’ and on August the 24th 1864 the entry is : ‘Cursonadas Madhevdas & Co., Premchund states, ‘is good for 4 or 5 lakhs.’ In fact this was really an advance to Cursonadas Madhevdas & Company of 21 lakhs, and yet you see in August at

“the very same time that that firm had advanced to it 21 lakhs, it was entered in the *Opinion Book* as good for 4 or 5 lakhs—Can you account for that?” *Ans.* “I do not remember it. Premabhoy was considered a man of enormous wealth.”

It would be tedious to refer to the evidence of other witnesses. Suffice it to say that the inexorable impartiality and independence displayed by the President of the Commission and his colleagues in sedulously endeavouring to go to the very root of the causes which led to the wreck of the Bank were beyond all praise. It was in reality a judicial inquiry of the most rhadamanthine character. Even after the lapse of forty years and upwards those who may feel interested or curious to go at present carefully through the mass of evidence recorded cannot but be convinced of the thorough and searching character of the examination of the witnesses, high and low, from Sir Bartle Frere—who was Governor during the speculative period—and his Secretaries, to the Directors, official and non-official, and the Bank Secretaries and Deputy Secretaries. The Commission was bent on extracting the truth, however unwilling may be the witnesses, and nothing but the whole truth. It will be evident on a perusal of the evidence that almost every one responsible for the safety of the Bank erred—some from ignorance and inexperience, some from overwhelming confidence, some from a

very imperfect realization of their respective responsibility, and some from recklessness and studied concealment of facts. The root of the mischief was the Act X of 1863 which led to the lending by the Bank officials right and left of the shareholders' and depositors' monies by lakhs to all and sundry, to men of straw, to men of moderate means, and to men of reputed wealth, but out of all proportion to their respective financial positions, their committals elsewhere, without circumspection and without any reasonable limitation. Lakhs were given away on personal security which had not even the merit of guarantee of another independent name as is customary where cash credits are allowed. These again were permitted to be renewed to an indefinite extent at any rate till the mischief was done irretrievably. Accounts to the extent of lakhs were allowed to be overdrawn. Aye, such was the fatality and culpable recklessness that those who had been allowed heavy advances at the head office would draw further advances at the branches, including the local one at Kalbadevi in the native town which was opened in contravention of the Bank Charter itself. There was a deliberate concealment of many of the transactions from the knowledge of the Directors. The Weekly Committees had become a farce instead of a Committee of men carefully scrutinizing the total liabilities of each individual borrower by way of bills and hoondies discounted, overdrawn accounts, cash credits with single names, fixed

loans and open loans with or without substantial securities at speculative premiums. The Government Directors constantly changed and were inexperienced. They relied on the commercial Directors, some of whom were themselves dragged into the whirlpool of the speculation of the day. The Bank executives indeed did as much as they liked. Even after the first crash of May 1865, very little was learnt by way of lesson. The Governor himself for a long while was sanguine about the Bank's stability and wholly relied on the official Chairman and Directors who helped him little by way of information about the *true* financial position of the Bank while the Imperial Government asked in vain for months together for a clear and definite statement of the actual losses. The evidence of most of the Directors, official and non-official, was of an exceedingly unsatisfactory character. Carelessness and negligence were their chief characteristics. And one Director would contradict another. In short, there never was a Bank which was so grossly mismanaged and wrecked as the Bank of Bombay. Is it a wonder that the ultimate aftermath was what has been so graphically described in the 49 pages of the Commissioners' Report ?

XV.

**THE OLD BANK OF BOMBAY—Lord
Lawrence's Opinion as expressed before
the Select Parliamentary Committee
on East India Finance.**

It may be noteworthy to mention here the observations which fell from Lord Lawrence during the course of his evidence before the Select Parliamentary Committee on East India Finance which sat for four years from 1871 to 1874. Sir John Lawrence was the Governor-General of India from 1864 to 1869 and he had a great deal of correspondence with the Government of Bombay, then administered by Sir Bartle Frere as Governor, on the financial position of the Bank, from May 1865 to 1867 when it had gone into liquidation.

Question No. 5536 by Mr. Robert Fowler :

“Then it would follow that if the Bombay Government had exercised as much care with reference to the Bombay Bank through its Presidency Government Directors as the Government of Calcutta did with respect to the Bengal Bank, the Bank might have passed as safely through exceptional times as the Banks of Bengal and Madras?”

Answer. “Well, I think, it would; but I think that just this may be said in defence of the Bombay Bank that that was a very extraordinary time in Bombay; people all seemed to have gone mad in the

“*way of speculation*, and the circumstances were such that it did require very great caution, no doubt, and the Bombay Government, I think, were very unfortunate in the men they had representing them in the Bank at that particular time, when they wanted, above all other times, to have had exceptionally good men if possible.”

Ques. 5337. “That in fact the Government Directors partook of the general financial mania which prevailed in Bombay at that time?”

Ans. “I fancy they did. I was not down there, and I had not personal knowledge of what was going on; but I could gather from what happened and the discussion which ensued, and the correspondence which took place, that that was the case.”

Ques. 5538. “If the Government of Bombay had furnished you with the information which I believe your Lordship repeatedly called for after authorizing the advance of a million and a half to support the Bank, might not a large proportion of the capital have been saved?”

Ans. “I think that if, at the time when the Government of India let it be known that they would support the Bombay Bank, arrangements had been made by the Government of Bombay to draw in and realize wherever they could and in fact to be as cautious and as prudent as it was possible to be under the circumstances, then there was still time to be saved a great deal of money,

“perhaps to have saved the Bank altogether ; but
“at any rate to have saved a great deal of the assets
“of the Bank. But sufficient care was not taken at
“that time, and the consequence was that the Bank
“went from bad to worse, and at last the climax was
“that the Directors allowed a very large sum of
“money to be advanced—I think it was about a
“quarter of a million—to be advanced to Prem-
“chund Roychund upon security which was to a
“great extent worthless. That was the last blow
“which broke the Bank.”

Further comment, after the above, is superfluous.

XVI.

THE OLD BANK OF BOMBAY—A list of Advances and Losses.

The history of the Bank would be incomplete without giving here the principal statistical details of the various colossal advances which resulted in heavy losses. They are now only of antiquarian interest but they point an unerring moral which the Banks of to-day in the City might well bear in mind.

Abstract of Advances ending in loss at the date of the Bank's going into Liquidation—31st December 1867.

	Rs.	Total Rs.
1. Transactions at Head		
Office before May		
1865	2,03,31,713	
2. Transactions at Head		
Office after April		
1865	95,99,482	
		2,99,31,195

Loss on above anticipated by the Liquidator.

	Rs.	Total Rs.
1. Loss on transactions		
before May 1865...	1,27,82,437	
2. Loss on transactions		
after April 1865 ...	37,56,073	
		1,65,38,510
Ratio of Loss to Advances ...	55·19 per cent.	

	Rs.	Total Rs.
1. Transactions at the Branches before May 1865	33,85,430	
2. Transactions at the Branches after April 1865	19,44,037	
		53,29,467

Loss on above anticipated by the Liquidator.

	Rs.	Total Rs.
1. Loss at the Branches before May 1865 ..	25,30,965	
2. Loss at the Branches after April 1865 ...	13,97,516	
		39,28,481

Ratio of Loss to Advances ... 73·60 per cent.

SUMMARY. Rs.

Total Advances at Head Office and Branches	3,52,60,662
Total Loss at Head Office and Branches	2,04,66,991
Ratio of Total Loss to Total Advances	57·96 per cent.

List of Principal Advances and Loss thereon on 31st December 1867.

	Advances. Loss. In Lakhs of Rs.	
1. Alliance Financial Corporation ...	11·06	3·87
2. Asiatic Banking Corporation ...	19·66	4·56
3. Amarchund Béchardas	2·00	1·97

				Advances, Loss.	
				In Lakhs of Rs.	
4.	Ardeseer Cursetji Dady	...	...	1.50	0.74
5.	Atmaram Madhevji	...	...	2.50	2.18
6.	Bomanji Cursetji Cama	...	...	5.00	2.91
7.	Bombay Joint Stock Corporation.			5.00	1.50
8.	Bruce & Co.	...	...	1.00	0.75
9.	Brown, F. L.	...	...	3.30	3.08
10.	Burjorji Kustomji Mistry	...	...	5.00	4.17
11.	Byramji Hormusji Cama...	...	...	16.46	9.45
12.	Byramji Nanabhoy Framji	...	...	1.50	0.90
19.	Cassumbhoy Natha	...	...	1.50	0.93
14.	Cooper, William	...	...	1.50	0.60
15.	Candas Narondas...	...	...	2.00	0.33
16.	Cursetji Furdoonji	...	...	14.53	10.25
17.	Cursondas Madhevdas	...	...	11.00	7.81
18.	Dadabhoy Byramji Banaji	...	...	3.00	2.21
19.	Davidas Lakhmidas	...	...	4.38	3.22
20.	Dosabhoy Merwanji Wadia & Co.			3.00	1.58
21.	Dhunjibhoy Framji Patel	...	...	2.50	1.10
22.	Eastern Financial Association	...	...	16.25	12.13
23.	Ghellabhoy Padamsi	...	...	1.00	0.21
24.	Govind Ramchandra	...	...	2.16	1.86
25.	Homeji Cursetji Dady	...	...	1.00	0.58
26.	Imperial Banking & Trading Co.			5.00	0.30
27.	Sir Jamsetji Jeejeebhoy (2nd Baronet	...	...	5.00	0.59
28.	Javerilal Umiashunker & Co.	...	...	2.25	1.45
29.	Jaisingbhoy Hathising	...	..	3.00	0.64
30.	Jamaji B. Bhavnagri	...	...	1.50	0.75

				Advances.	Loss.
				In Lakhs of Rs.	
31.	Jamnadas Doolubhdas	...	...	2.72	2.65
32.	Khatao Khimji	...	...	2.00	1.14
33.	Kamalsi Premji	...	...	3.00	2.36
34.	MacCulloch, H. B.	...	...	1.00	1.00
35.	MacCulloch, John, & Co...	...	...	1.00	0.73
36.	Manekji Limji & Co.	...	...	4.00	2.11
37.	Manekji Pestonji Tubak...	...	...	5.00	2.64
38.	Merwanji Nusservanji Bhavnagri.			1.50	1.25
39.	Merwanji Nusserwanji Patel	...	...	2.00	0.78
40.	Muggonbhai Hathising	...	...	3.50	3.07
41.	Mayabhai Premabhai	...	...	4.00	2.80
42.	Navalchand Nahanchand	...	...	6.00	3.88
43.	Pestonji Cursetji Shroff	...	...	6.97	4.85
44.	Premabhai Hemabhai	...	...	10.00	3.88
45.	Premchund Roychund	...	...	35.62	20.78
46.	Roychund Deepchund	...	...	3.20	1.23
47.	Rustomji Jamsetji Jeejeebhoy	...	...	15.06	6.44
48.	Shapurji Dhunjibhoy Bottlewalla.			4.00	3.20
49.	Sorabji Framji Cowasji	...	...	2.50	0.53
50.	Taylor, George	...	...	9.50	8.06

XVII.

ASIATIC BANKING CORPORATION.

Next to the Bank of Bombay the monetary institution which commanded unlimited popular confidence was undoubtedly the Asiatic Banking Corporation. But just as the overweening confidence of the public in the older institution led to reckless banking unprecedented in the history of any financial concern, resulting in disaster to its proprietary, so, too, in the case of the younger corporation. It went up like a rocket and came down like a stick. It was heralded into existence by the loudest flourish of trumpets. The highest men in wealth, influence and position were its promoters—men with vast experience in their respective commercial lines, whose stern integrity and honesty of purpose were unquestioned and whose word was as good as a bond. For two years and over of its brief but brilliant career it shone as a constellation of the first magnitude in our local financial horizon. Auspicious indeed was its birth and auspiciously did it commence its banking career, fully equipped and organised in every particular. To say that it was the Financial Minerva of the day would in no way be an exaggeration; for no sooner was it launched than it began to be known that it was the most formidable rival of the Bank of Bombay, with its twenty-three years of previous existence. Its influential directorate, its capital, its extensive capacity to do all banking business, coupled

with the highly prosperous times—all these contributed not a little to its successful career from the day of its start. Very few institutions of this character might be said to have had so lucky and so brilliant a commencement as the Asiatic. It was originally promoted in 1863 and christened as the Bombay Joint Stock Bank, the promoters being Messrs. Michael Scott, Gavin Steel and Cowasji Jehanghir Readymoney, each of whom was known in the commercial and monetary circles of the day as a pillar of the greatest strength and stability. Mr. Michael Scott, a name much respected and much abused—most unjustly, we believe—was a partner in the great house of Messrs. Ritchie, Steuart & Co., Mr. Steel was a partner in the eminent firm of Messrs. Grey & Co., while Mr. Cowasji Jehanghir was an independent gentleman of large means, having acquired great wealth by his ability and great financial acumen when employed as the guaranteed broker of Messrs. Cardwell, Parson & Co. On his mother's side he was connected with the wealthy and influential family of the Dadys who, in the time of Jonathan Duncan and his successors, were known as one of the richest in the Parsi community. Their firm were owners of many a ship and their transactions with China were extensive.

But though the Bank was a local concern, started principally with local funds, the Head Office was opened in London, chiefly with the view of exchange operations. The Board of Directors were there and

the three local gentlemen just named formed themselves into a local consultative committee. The Directors in England were Mr. Boykett, Mr. Pearson, Mr. Russel and Mr. Cardwell—all merchants trading with the East Indies and China. Mr. Michael Scott and Mr. Birch joined later. As to the Joint Stock Bank its capital was 50 lakhs divided into 25,000 shares of Rs. 200 each, but within a year the Directors thought it necessary, in view of two reasons, to increase the capital by doubling it. Firstly, for the greater security of its creditors the Bank obtained a Royal Charter. This prompted the Board to double the capital. Secondly, the immense quantity of bullion which was poured into Bombay, chiefly as the surplus proceeds of cotton shipments during the American War, promoted speculation, for which the doubling had become obvious for purposes of more extended banking. When the Charter was obtained the Bank was rechristened and called the Asiatic Banking Corporation. It must, however, be observed that only half the additional capital was called up, namely, twenty-five lakhs, so that practically when the Bank was in full swing, at the commencement of 1864, it had a paid-up capital of seventy-five lakhs. The management was entirely European. The first manager was Mr. Anthony Morrison, a shrewd banker, cool-headed, and in every way fit to conduct the colossal operations into which it plunged itself as soon as it came to be known as a second Bombay Bank. The

local committee were Directors of that Bank and the public, therefore, intimately associated the old with the new institution. In fact, they were considered twins, though their constitutions were quite different. But in the estimation of the general public they were identical, specially as in those days of money-making not one even in a lakh cared to know, much less to understand, what Bank constitutions were, and how far they were safe.

As to the business, it is superfluous to observe that it was of the ordinary character of exchange Banks. But the exceptional times led it into the vortex of speculation which necessitated large advances on a variety of securities, first-rate and second-rate. Before many months had passed the Bombay Reclamation Company (for which a separate chapter has been devoted) was launched on its fatal career. The Asiatic Bank became its banker and swelled its coffers by another two millions, one million being the call on the Back Bay shares, and the other the fabulous premium the company realized by the proceeds of its 400 shares by public auction. These shares were originally reserved for the Bombay Government, but it declined to receive them as it was directed to hold itself aloof from the speculative transactions of the hour by Sir Charles Wood, Secretary of State for India, and Sir John Lawrence, Viceroy and Governor-General. Apart from these monies of the Back Bay Company, the Bank's coffers were further enriched by deposits which flowed unceasingly, like the swelling current of

a great river at its mouth, the plethora of money being so great.

It would be thus perceived from the above brief account under what auspicious circumstances the Bank was established. Business began to pour in from all sides, while its extensive exchange transactions with London and China made it a formidable competitor with the older exchange Banks in the city. In fact people swore by the Asiatic. There was no wonder in it. Soon after, Mr. Cowasji Jehanghir retired and Mr. Michael Scott left for England. The local committee was moribund, and here, too, Mr. Premchund Roychund became the inspiring and prompting genius ; so much so that it is a truism to observe that the history of the transactions of the Bank of Bombay during the speculative period and of the subsequent losses which it incurred is a history of the Asiatic Banking Corporation also. The two institutions, as far as local advances were concerned, moved in the same plane to achieve the same object, namely, how to feed the speculation in Back Bay shares. An advance from the older institution was a free passport for an advance from the younger. There was a tie of the happy family kind. The prosperity of the one was the prosperity of the other, and the wreck and ruin of the one was the wreck and ruin of the other. The only difference was this—that the Bombay Bank was the Bank of all Banks. It advanced to all, but borrowed from none. And among the borrowers from the premier Bank was, of course, the Asiatic, which at the date of its stoppage

in September, 1866, owed as much as twenty lakhs. The sums borrowed were larger, no doubt, at first on the so-called gilt-edged securities of the day and, later on, on second-rate paper. It was on 14th May, 1866, that the Bank had its first big advance of fifteen lakhs. Here is a minute from the proceedings of the Directors of the Bombay Bank on that day : " Read letter from " Mr. Morrison, the Agent of the Asiatic Bank, requesting a loan of fifteen lakhs for the Corporation. " Read also a list of securities he is prepared to " deposit. Resolved that the credit be granted upon " his giving up all the securities stated on the list, and " a written guarantee to deposit immediately on receipt " the bills and Government paper now on their way " from Calcutta and China." But though securities to the extent of fifteen lakhs were deposited, it seems the Bank never did give them in full. Remittances from Calcutta and China, which were at the date of advance soon expected, were promised. Said Mr. R. H. Baker the Sub-manager of the Bank, in his evidence before the Bombay Bank Commission : " We were " disappointed of getting funds from China, for the " Manager, instead of remitting funds to Bombay, " remitted six or eight lakhs on the Commercial Bank " in London, but these unfortunately arrived too late, " for the Commercial Bank had stopped before the " bills reached London." It may be here observed that on or about May, 1866, the Asiatic Bank had practically become insolvent. Its advances to Mr. Premchand were large. Meanwhile, somewhere about

26th April, 1866, there was an emergent meeting of the Directors to consider Mr. Premchund's position, which had been critical. Unless, it was said, the Bank advanced him twenty-five lakhs at once to tide over his difficulties, there would be ruin to all interested in the solvency of that gentleman. At the Board meeting of the Bombay Bank the following Bank Managers were also present by invitation : Mr. Moir, of the Oriental ; Mr. Campbell, of the Mercantile ; Mr. Morrison, of the Asiatic and Mr. Thompson, of the Hindustan. During the discussion it came out, or rather transpired, " that Messrs. Morrison and Thompson were interested on behalf of their Banks in supporting Premchund." This incident demonstrates the correctness of the observation as to the intimate relations which existed between the two Banks. Mr. Morrison, being in difficulties with his own Bank, was, of course, interested in seeing Mr. Premchund obtaining a loan, a part of which would immediately go towards the liquidation of his debt there. But in spite of his help through the monies of the Bombay Bank, the Asiatic was embarrassed and had within three weeks to take an advance itself of fifteen lakhs from the Bank. And as if that were not enough, a second credit of five lakhs was given a week later. When the first cash credit for fifteen lakhs expired on 13th July, the Asiatic owed eleven and three-quarter lakhs, with only one lakh of negotiable security to cover it. The credit had necessarily to be extended in the hope that the time gained may

improve the Asiatic's position. But Bombay was so utterly discredited that the entertainment of such a hope was vain. The Bank came for a further relief of five lakhs on 23rd August, 1866, for which inferior securities were deposited, including some remittances. When the second credit was due it was found that the Bank was a debtor to the extent of Rs. 16,82,828. And what were the securities against this debt? In the words of the Bombay Bank Commission they were "not negotiable and "such as no Bank should hold; for instance, an "assignment of the stock-in-trade of a druggist and "of claims on insolvent estates" What a curious commentary on the transactions of both the Banks! The net consequence of the credits was that when the Asiatic failed it owed Rs. 19,66,567 to the Bombay Bank. We have here given an account of one of the doubtful transactions, but the reader will thoroughly understand that there were scores of others like it. The same causes which contributed to the ruin of the older Bank wrought the ruin of the younger, because the same speculative influences were actively at work in draining off its capital. The other large creditor of the Asiatic was the Back Bay Company. How that debt was liquidated and what strange financial vicissitudes it passed through during those troublous times is beyond the scope of this brochure. Moreover, the true history of the causes which led to the Bank's collapse has been imperfectly known. There was no public inquiry. At

the best certain facts were disclosed by the Official Liquidator the gist of which was that the management had in common with many erred owing to the speculation in which all Bombay and its wife were dragged. Suffice to say that the Financial Minerva of the day became a wreck within two and a half years of its flourishing start. In the heyday of its prosperity its shares were quoted at double their paid-up value, that is to say, each share of Rs 200 could be realised for Rs 400. And yet the unfortunate proprietary had to pay a heavy call when the Bank failed, in order to satisfy the claims of its creditors, who hardly got twenty shillings in the pound !

XVIII.

**THE BACK BAY RECLAMATION
COMPANY.**

No history of Bombay that narrates the stirring financial events which occurred in the City during the golden era of 1864-65 would be complete which omitted to give an account of the rise, progress and fall of what is commonly known as the Back Bay Company. Though widely differing in its aim and object from the three-score and more ephemeral banking and financial concerns of those days—which sprang up with the rapidity of the prophet's gourd and filled with alarm the cautious, sober and old-fashioned commercial men—the Company by a cruel irony of fate was indirectly dragged into the vortex of the speculation then raging rampant and eventually engulfed in the general ruin which overtook the City after July, 1865. This circumstance clearly demonstrates the fact that, however sound a most useful enterprise of the greatest benefit to the public may be, it is liable to be jeopardised, aye, perhaps to go to rack and ruin, if its management, from the very outset, is not extremely wise and cautious, specially in sternly safeguarding it from surrounding influences calculated to inflict the greatest injury on it directly or indirectly. The history of the unfortunate Back Bay Company as unfolded in this chapter will amply testify to the correctness of the foregoing observations.

With this preamble we may now proceed to give a succinct account of its genesis. In doing so the reader must be taken a few years back, anterior to the formation of the Company in 1863. The era of the development of the material resources of the country by means of railways began with the Governor-Generalship of that great Pro-consul, Lord Dalhousie. It was in 1848 that two English companies were granted concessions to build trunk lines—the East Indian Railway, which, after half a century and more, is now the most flourishing property of the Government of India, earning a net surplus for the tax-payers' benefit, and the G. I. P. Railway Company which, too (though now owned by the State and leased) is on the whole earning excellent dividends for its shareholders, but as against the interests of the tax-payer. On the heels of these two companies was formed the third, the B. B. & C. I. Railway Company, which is thriving so excellently under the joint system of the Rajputana-Malwa State Railway. Soon after was formed, say in 1853, the Public Works Department of the Government of India. It was a logical sequence of the Dalhousian policy of railway construction. All the Provincial Governments were directed to develop their respective resources and to promote public works of utility, which might benefit the people and at the same time augment the revenues of the State.

In pursuance of this new and beneficent policy the attention of the Government of Bombay was

engaged, among other matters, in the reclamation of the foreshore of the entire island. Experts had been appointed to survey the foreshore and prepare plans and estimates of the cost. It was a colossal undertaking indeed from a financial point of view, involving as it did a capital outlay of some crores. The Mody Bay Reclamation scheme was the earliest the Government had in view. In a memorandum prepared somewhere about 1863, General Rivers, Secretary to the Government, wrote : "The Mody Bay Reclamation is a specimen of the Government prosecution of such works. It has been written about since 1853, when a contract was made for a portion at the rate of rupees two, annas five per hundred cubic feet." The quotation is made to show how early the Government of Bombay had resolved upon reclaiming the entire foreshore. In 1853 Bombay was only at the outset of her commercial activity. Private enterprise on the joint stock principle was quite unknown ; so was speculation in shares. Steady, though slow, commercial progress was the order of the day. That, with the increasing prosperity, specially owing to the cotton exports during the American War, private enterprise should be stimulated, was only natural. So long as it found vent in objects of public utility whose financial soundness was well assured, there was nothing to deprecate it. And it is only a truism to say that had the feverish speculation of 1864-65 been non-existent, the Back Bay Company would have proved one of the

soundest commercial concerns and of the greatest advantage to the City. It should be remembered that in pursuance of its determined policy to prosecute further works the Bombay Government was hampered by the necessary funds only. The revenue of the Imperial Government was not even half of what it is to-day ; so that it was sincerely anxious to have such works executed by private enterprise. Its first successful attempt in this direction was the concession it granted to the Elphinstone Land and Press Company to reclaim the northern foreshore, which is still known as the Carnac Bunder. That Company was formed in 1859, under the auspices of the great firm of Messrs W. Nicol & Co. The success which that Company had achieved during its four years' existence encouraged the Government to grant a concession of the Back Bay foreshore to the Back Bay Company. How it came about shall be immediately told.

The B. B. & C. I Railway Company had to bring its goods terminus to Colaba in terms of its original agreement, Government, of course, guaranteeing the necessary land. At the time the line was laid down as far as Grant Road, which was to be the passenger terminus. But the line was being constructed at both ends, namely, from Bombay on one side and from Surat on the other ; and there were gaps between, more in the direction of Salsette. The Company was too anxious to complete the gap, but it found that to prolong the line from Grant Road to Colaba would be a task beyond it under the circumstances then

prevalent. At the same time it was the strong opinion of the mercantile community of Bombay that the quicker a goods terminus was established at Colaba the better it would be for its own interests and those of the Company. The American War had actually created a cotton famine in Lancashire. Manchester was in a distressful plight. Large funds had to be raised to relieve the distress of the thousands of operatives who had been thrown out of employment by reason of the stoppage of the cotton factories. Bombay, which was prospering on account of its cotton exports to Manchester, raised a magnificent sum to help the distressed, the late Mr. Rustomji Jamsetji Jeejeebhoy heading the list with a substantial contribution. The Bombay mercantile community felt that Manchester should be helped in another way, namely, by supplying it with as much cotton as could be then grown and exported. In 1863 the chances of peace were absolutely remote. It was the general conviction that the war would be a prolonged one and that it would be impossible during its continuance for Manchester to get any cotton at all from the States. The situation for Lancashire was indeed most dangerous. It threatened to destroy the cotton industry for a time, to say nothing of the acute distress to which the operatives would be subjected. Trades unions were neither so well organized nor so flourishing as they were years afterwards.

All eyes therefore turned to India as the only country whence a fair supply of the raw staple could

be procured. Even Egypt had not about it those potentialities which became discernible later on. That the cultivation of cotton could be considerably extended went without saying ; but how were " Fair Dholleras " and " Surats " (as all Kattyawar and Gujarat cotton was designated by Liverpool merchants) to be brought down to the Port of Bombay ? That was the question of questions. No doubt the native craft brought large quantities during the fair season ; but the craft were limited in number. If large quantities arrived before the monsoon approached (practically it meant about the third week in May), there was still a balance left up-country which must accumulate there till the return of the fair season. The facilities of communication by land were then of a character next to primitive only. The country through which the B. B. & C. I. Railway was to pass was the one which most abounded in the raw staple. It was instinctively felt by the European merchants in the cotton trade that the only way to help Lancashire was to expedite railway communication between Surat and Bombay, so as to tap all the available cotton which may be grown in Gujarat and Kattyawar. The B. B. & C. I. Railway Company was therefore busily engaged in connecting the missing gaps between both ends. It found its hands too full to do aught more. Again, labour had grown dear, while prices had enormously risen. Moreover, it was thought that unless cotton was brought straight to Colaba, immense delay and heavy cost of haulage must ensue.

In those days almost all cotton used to arrive *unpressed* in *dhocras*, which were very bulky and cost immense freight. It was carried in wooden ships, steam vessels for cargoes being unknown. They had to be pressed at the few hydraulic presses, which were all situated in Colaba, save one or two in Mandvi, and one in the Fort next to the Custom House, the same in which is now accommodated the Government Central Printing Press. It was of paramount importance both for the trade of Bombay and of Manchester that the missing links of the B. B. & C. I. line should be immediately connected. The Government pressed the Company, but its Chief Engineer found out that unless there was an auxiliary company, which took on hand the instalment of the construction of the line between Grant Road and Colaba, nothing could be done. The Government itself, while pressing for such construction, was in a fix. Under its guarantee it had to provide the necessary land. Where was the land to be found? This matter of the acquisition of the land seriously engaged the attention of the Public Works Department. Already the monies which were poured by Lancashire into Bombay—the surplus proceeds of sales of cotton in Liverpool at fabulous rates—had seriously appreciated the value of the land. The usual economic law asserted itself. With abundance of money, prices rose—prices of all articles of consumption and luxury, and prices of land. The Indian Government, which had not yet then given a

single thought to the decentralization of its finances, was certainly not in flush of money. It was just able to make both ends meet. The dark events of 1857 had exhausted its resources. The late Mr. Wilson, its first Finance Minister, had been in the country for about two years to re-organize the finances and place them on a sound footing. The income-tax, for the first time in the history of India, had to be imposed, to the intense dis-satisfaction of the people. But the administration of the country had to be carried on and Lord Canning courageously faced the popular outcry and supported the measure of that capable financial adviser. The paper currency had just been established. But Mr. Wilson succumbed to the cares of office and the climate of the country. He fell a victim to dire cholera. The late Mr. Samuel Laing succeeded him. In 1859 they had a deficit of 13·58 crores ; in 1860 of 10·77 crores ; in 1861 of 4·02 crores ; in 1862 of 0·5 crores ; and in 1863, for the first time, a surplus of 1·82 crores was reached. But it should be understood that the Indian Government was enabled to bring about this fairly prosperous condition of the finances by new taxation which had been imposed during the same four years. In 1859 the taxes yielded 6·19 crores : in 1863 they gave 13·55 crores !

From the above description of Indian finance at the date of this narrative it would be seen that the Government of India was not disposed to pay any fabulous price for the land it wanted in the town for

the B. B. & C. I. Railway. It was in a serious dilemma. "It had become necessary," said Mr. Walter Cassels, one of the promoters of the Back Bay scheme, "either to take the line round by "Girgaum at a cost of some 50 lakhs, or to undertake an equally great expenditure and very heavy "work for carrying it across Back Bay." It was in this dilemma that the Bombay Government offered the concession of reclaiming the Back Bay foreshore to any private company of wealthy and influential men, whose ability to carry out the project could be depended upon. Sir Bartle Frere observed to the Bank of Bombay Commission :

"The concession, as it is called, to the Back Bay "Company had been offered by Sir George Russel "Clerk (Sir Bartle Frere's predecessor) to the Rail- "way Company, and had been refused by them. It "subsequently became necessary to carry the line of "the Railway to Colaba, and the Company, which "was subsequently formed as the Back Bay Company, "came forward in conjunction with the Engineer and "officers of the Railway Company, and proposed to "carry on the line and to make the reclamations. "There was no doubt that for the Government it was "a very good scheme, because the Government, as "a part of the price of the concession of the noxious "foreshore of the island, were to receive land which, "with the approaches to it, saved them an outlay of "probably a million of money, and they were to "receive this large amount of land without any

“outlay on their own part. As the scheme was originally submitted to the Government of India, we proposed that it should be on the footing of a guaranteed railway company, and that the Government should be part shareholders and part managers of the Company. I insisted very strongly upon the necessity of this connection, because I considered the enterprise of such magnitude, affecting so many public and private interests, that it ought not to be undertaken by any private body without the Government having a potential voice in its management.” Looking back at the project from the point of view of Sir Bartle Frere, fully forty-five years and more after the event, it will be readily admitted by all business men that the Governor was sound in the view he took of the enterprise. Had his advice been followed, the Government should have had a potential voice in the management. One thing above all—it would not have allowed the million on account of the paid-up capital of the Company, *plus* the capital it would have contributed towards the four hundred shares it was originally intended it should hold, to be deposited with the speculative Asiatic Bank. The Company’s financial position would have been secure and the enterprise would have in all probability finally been crowned with success.

But the Government of India, which was then presided over by the ever-to-be-lamented first Lord Elgin, and the Secretary of State for India, Sir Charles

Wood, a most level-headed man, though somewhat narrow in his views, with all the tendencies of the Whigs of the early sixties, took a different view of the matter and declined to take up the shares which had been reserved. From their stand-point those two responsible State authorities were not wrong. As has already been observed, the financial position of the country was just then beginning to improve after the exhaustion of its resources in re-establishing and consolidating the empire. There was not money enough to meet the hundred and one requirements of the administration, let alone the material development of the country. Under such circumstances it was deemed prudent that the State monies should not be locked up in the shares of a company which may or may not prove quite successful. The attitude of the Government of India and that of the Secretary of State was one of reasonable apprehension, not unwarranted by the speculative tendencies of the time in Bombay. These took a broader and an imperial view of the situation. They considered the interests of all India and came to the conclusion that it was not wise for the State to be a shareholder in such a concern as the Back Bay. If they were right from their own point of view, Sir Bartle was right also from his stand-point. And none can be blamed for his respective action. But to demonstrate that the aim and object of both the Government and the Company were good and that the scheme itself was a *sound* one, may be more clearly seen from what Lord

Lawrence had to say before the Fawcett Parliamentary Committee of 1871-74. And in this connection it should be remembered that at the date of the grant of the concession Sir John Lawrence was in England and was not yet dragged from his retirement and button-holed on the footpath in Westminster by Lord Palmerston to become Governor-General of India. That happy event occurred a few months later, on the untimely death of the Earl of Elgin, at Dharamsala, on the confines of Kashmir. Lord Lawrence's testimony therefore derives additional weight as that of a Viceroy who had no share in bringing about the concession, and who, besides, was known to be endowed with a most economic conscience in matters of State finance. This, then, was said by Lord Lawrence before the Fawcett Committee in 1873 : " I presume that you allude to such undertakings as that of the Back Bay Company. That was a very different thing ; it was a mere scheme to reclaim a certain amount of land submerged by the sea, and as far as I could judge, seemed a very excellent project. The outgoings and incomings of Bombay are very much narrowed from want of area, and this would have recovered a very considerable portion of the foreshore. At that time the Government were under engagements to make over to the Bombay and Baroda line a given quantity of land to enable them to come in from the outskirts of Bombay to Colaba. If we had taken land occupied by the people, we should have paid a fabulous

“sum for it, something approaching to what
 “you pay in London for land; whereas by this re-
 “clamation it would have cost the Government no-
 “thing and the Company would have recouped them-
 “selves by the remainder of the land, which they
 “would have had to sell, or to do what they liked
 “with. It seemed to me a very good plan, but the
 “scheme broke down from various reasons. But one
 “obvious reason was that they had ninety lakhs of
 “rupees in one of the banks which failed. There
 “were other things connected with the Bombay
 “scheme more or less discreditable, but *that was no*
 “*part of the real scheme*, but merely arose from the
 “gambling spirit in Bombay.”

It will be thus perceived from the above that the
 scheme in itself was thoroughly sound. Its intrinsic
 merits were great, and as originally conceived it
 was considered to be beneficial to all interests, those
 of the State and the public. How it eventually
 came to be regarded as “discreditable” as Lord
 Lawrence observed to the E. I. Finance Committee
 will be related in the next chapter. It will be
 sufficient if in this the history of the formation of
 the Company was completed. The Engineer and
 the Managing Agent of the B. B. & C. I. Railway
 entered into negotiations with Mr. Michael Scott,
 the senior partner in Bombay of the eminent firm of
 Messrs. Ritchie, Steuart & Co., concerning the promo-
 tion of a Joint Stock Company for the object in view.
 That gentleman, after much deliberation, agreed

to form the Company under certain conditions. In September, 1863, he became its promotor, along with Mr. Cowasji Jehanghir, Premchund Roychund, Walter Cassels and Mr. Gavin Steel, of the firm of Messrs. Grey & Co. It was registered under the name of the Bombay Reclamation Company, Limited. It was about this time that the *Bombay Gazette*, hearing of the concessions made to the Company by the Government, denounced the transaction as a job. It severely attacked Mr. Scott. What happened may be related in the words of Mr. Walter Cassels, one of the first directors, and a member of the great house of Peel, Cassels & Co. Mr. Cassels was an upright Englishman, of great independence, shrewd mercantile sagacity and, above all, originality. He was one of the most highly respected members of the European commercial community and a trusted friend of Government. At the time he was a member of the newly formed Bombay Legislative Council. In one of his replies to the Bank of Bombay Commission on this subject, Mr. Cassels observed: "a part of the press, however, had attacked Mr. Scott stigmatising the concession as the 'Back Bay Job,' and insinuating that Mr. Scott had got an immensely valuable concession by the exercise of private influence. Mr. Scott with the straightforwardness which characterised him, immediately replaced the concession in the hands of Government, and offered that it should again be put to competition."

The Government refused this and in their letter they say : "There is nothing new in the general scheme of a Back Bay reclamation During the last twenty years various projects have been formed for the purpose. Government has formally offered the right of reclamation on terms at least as favourable to those undertaking its execution as the terms which you have accepted, but no one has hitherto appeared ready actually to undertake the work in consequence of its magnitude and the large capital required for its execution. The work, however, is one extremely simple in its general character. Government has long been anxious to see works of a remunerative character like this undertaken by capitalists." Those who were ignorant of the real character of the original concessions and the previous negotiations which led up to it, raised the cry of jobbery which the credulous at the time and many years afterwards believed in. Even to-day those who are profoundly ignorant of the affair seem to associate the scheme with some discreditable job in which the highest officials of State were supposed to be interested. But the official quotations, including the one from so independent and august an authority as Lord Lawrence, would show how far the scandal about the job was unfounded and untrue. Popular fallacies, however, sometimes die hard. Anyhow these notes will convince the unbiassed that the scheme was launched on the Bombay world in a most fair spirit and everything was above board. It is the subsequent

connection of the Company with the speculative Asiatic Bank and the action of some of its directors which really discredited it. Owing to the negotiations being protracted and the concessions being made the subject of violent press criticism, especially by the late Mr. James Maclean, editor of the *Bombay Gazette*, the formal grant by Government of the right to reclaim the Back Bay foreshore was not completed before the 24th June, 1864, when, it must be ruefully observed, Bombay was at the meridian of its speculation. What the terms of the concessions were may now be briefly enumerated here. They were originally printed on the Back Bay allotment paper :—

Acres.

(1)	Land to be given free of all costs to the Govern-						
	ment for the B. B. & C. I. Railway ...	...	...	...	...	120	
(2)	Land for officers' quarters ...	...	...	...	...	10	
(3)	Land for widening the Esplanade ...	...	...	...	...	60	
(4)	Land for roads ...	...	...	...	...	60	
(5)	Land for other miscellaneous purposes ...	...	...	...	...	50	
						300	

In all 1,500 acres of land were to be reclaimed of which 300, or one-fifth as above, was to be handed to Government *free*. Having regard to the fact that the Government was to be the sharer of one-fifth of the land, the promoters offered one-fifth of the total number of shares to the Government. The shares were 200, of Rs. 10,000 each, on which a first call

of Rs. 5,000 was to be paid. The Government was asked to take 400 shares on which 20 lakhs would have been paid. But this, as already observed, was negatived by the Supreme Government and the Secretary of State. These shares were afterwards sold at a public auction for a crore and a quarter rupees.

XIX.

**THE BACK BAY RECLAMATION
COMPANY.**

In the preceding chapter we described how far the original project was intrinsically sound, giving all the promises of fair success when completed, and how far it came to be wrecked by the huge billows of speculation which were surging all around during the eventful year in which it came to be practically carried into execution. Had the scheme an earlier or later start, undisturbed by those billows, there is not a shadow of doubt that the State itself might have been benefited to a larger extent than it actually was. The citizens of our "tight little island," too, might have been advantaged by the larger area of space which would have ultimately become available for the future expansion of the city and its increasing population.

Meanwhile it only remains now to give a short account of the Company's history during its brief period of activity. It was registered in September, 1863, but the formal grant of the concessions was not executed till 24th June, 1864. The first Board of Directors consisted of Messrs. Michael Scott, Robert Hannay, R. L. Tracey, C. F. Kelly, Cowasji Jehanghir and Premchund Roychund—all great names of influence and wealth, to conjure by, save that of Mr. Kelly, who was the Company's Solicitor.

Messrs. Scott and Mc. Clelland were the Engineers, and Messrs. Ritchie, Steuart & Co. were the Secretaries. Of course, the Asiatic Bank became the Company's bankers and the chief fountain of speculative advances on its shares. The capital nominally was two crores divided into 2,000 shares of Rs. 10,000 each; but the paid-up capital in 1864 was one crore only. Another $1\frac{1}{4}$ crore was added by way of premia on the 400 shares originally reserved for the Bombay Government but which were ultimately sold by public auction. To be more exact, on 30th June, 1865, when the first balance sheet was made out and published, there stood to capital account Rs. 99,50,000, owing to ten shares having been kept unallotted; these were reserved for any future Directors joining the Board, while the amount received as premia on the 400 shares was Rs. 1,06,19,774-10-5, after paying all charges incidental to the auction sale.

Thus it will be seen that the Company started on its practical work with full coffers. It is but seldom that at the very outset a joint stock concern embarks on its enterprise so richly equipped with the sinews of war. But the times were such that the facilities of communication were very limited. The G. I. P. Railway had not gone beyond Jubbulpore and the junction with the E. I. Railway at that station had yet to be made for through traffic between Bombay and Calcutta. The B. B. & C. I. line was not eventually complete up to Surat, there being gaps at the Bombay end, in the Salsette

district, to be filled up. The link with Madras was equally incomplete. Thus, as far as inland communications were concerned the opportunities for the Company to obtain all the necessary materials were limited; but, for the colossal enterprise, heavy plant and apparatus for haulage and other purposes were the first essentials. These were not obtainable in India. They had to be procured from England. There was no telegraph or cable. There were no steamers of the character we have to-day. There was no Suez Canal; so that practically all heavy gearing had to come by ships *viâ* the Cape of Good Hope. The difficulties of the times were manifold. Again, owing to plethora of money, there was experienced the usual economic phenomenon of high prices. Everything was dear—houses, building materials, articles of consumption, servants, labourers, artisans and others. Thus orders for stores, locomotives, steam-tugs, barges, rails, cranes, ballast waggons, lorries, workshop tools, steam hammers, sawing machinery, timber, and so forth had to be indented from England and elsewhere. There was great foresight exercised by the Directors in the matter, their chief aim being to be independent of all extraneous assistance. In an enterprise of this extensive character the first outlay on plant and tools is the last and enables the promoters to carry on their work uninterruptedly. Moreover time was the essence of the concession. The Company had contracted to give over reclaimed land to Government

at the rate of fifty acres per annum. Those only who are aware of the local circumstances and of the stormy condition of the Back Bay during the monsoon could apprehend the importance of the many practical things it had to take in hand simultaneously. Thus while orders went home for the heavier stores and plant, purchases were made of timber and such iron work, &c., as could be had locally and in the country. Some idea of the anxiety of the Company to proceed with the job in the quickest possible time may be gathered from a paragraph in the first report circulated among the shareholders : “Reference has “been made to night work and the costly nature of “it. It was costly, particularly so in the matter of “torches. Both the Company and the Elphinstone “Land Company were engaged in tide work and the “supply of old ropes, &c., used for lighting purposes “was so unequal to the demand that it reached “unusually high prices.” It is a fact that the Company made night joint labourer with the day, and the older generation of Bombay would still recollect the myriads of country torches which were used by the Company to carry on their work at night. The scene on the Back Bay reminded one of the stories of the mythical Vulcan and his factory. But to proceed with the Directors’ narrative.— ‘To obviate this in “the future the Board ordered out from England an “electro-magnetic light of a similar description but of “a smaller size to that in use at Dungeness Light-house. . . . The light has arrived and very soon we

“ will have an opportunity of using it.” It should be remembered that Bombay was, in 1864, so far behind modern conveniences and other resources of civilization—of a pacific character, of course—that it might have put to shame the most backward town in England. We had not even gas in our streets. The antiquated oil lamps, dim and flickering, were our only night-watches in the principal streets only. These were just enough to make darkness visible. So that the reader will at once understand that even gas light was unavailable for the purposes of the Company. The full treasury of the Company, however, enabled it to get all it wanted from England as quickly as possible. And it bespeaks to the credit of the enterprising Directors whose sagacity was able to promptly import as many as one hundred and fifty iron ballast trucks which were wanted by the Baroda Railway Company to bring earth from the neighbouring quarries for purposes of reclamation. These trucks are said to have cost Rs. 1,80,000.

In prosecution of the objects of reclamation the Company had also to acquire properties and land which were necessary for the Railway Company's line on to Colaba and for its own operations. Government, too, in terms of one of the clauses of the agreement, gave waste lands free of charge, such as Elephanta Island, measuring 140 acres, and Andheri Hill, containing 66 acres. The total cost of the lands purchased from private owners amounted, so

far as it could be ascertained from the published accounts of the Company, to Rs. 36,33,403; while that of buildings came to Rs. 7,87,460. The total value of the plant, tools, rolling stock and sundries was booked at Rs. 21,74,934 and of stores at Rs. 5,30,994. Thus land and buildings, and machinery, plant and stores absorbed in all about 71.29 lakhs. The financial position of the Company on 30th June, 1865, when its operations were in full swing, though the speculative fever had then gone down to freezing point, was as under :—

(1)	Entire amount of the net premium on the 400 shares deposited with the Asiatic Bank for 12 months certain at interest	Rs. 1,06,19,774
(2)	Funds in hand of London Agents...	27,90,356
(3)	Remittances	5,14,600
		<u>Rs. 1,39,24,730</u>

This was the cash balance, so to speak, of the Company on 30th June, 1865.

On 31st May, 1866, the position was as under :—

(1)	Fixed deposits with Asiatic Bank ...	Rs. 91,19,774
(2)	Cash Credit „ „ „ ...	2,32,598
(3)	Funds in hand of London Agents ...	22,388
		<u>Rs. 93,74,760</u>

It will be seen from the above that practically the available cash balance was well-nigh exhausted, the fixed deposits of 91 lakhs at the Company's bankers being absolutely unavailable, for the Bank

itself was in great financial throes and finally stopped payment three or four months later. But, perhaps, at the date of the report the Directors themselves were not quite aware of the hopeless insolvency of the Asiatic. Hence they seem to have taken a somewhat sanguine view of their position. They had, however, done one wise thing. Bearing in mind the difficulties they had to contend with and the failure of the B. B. & C. I. Railway Company to render them the full assistance agreed upon in the contract, they approached the Government for a modification of the original terms and conditions. Be it said to the credit of Government that, in view of the financial disaster which had already overtaken Bombay and ruined many a wealthy man and concern, it agreed to relax those terms, which was to reduce the acreage of the reclamation from 1,500 to 600 acres, so that the Directors had to hand over a proportionately smaller acreage of reclaimed land to Government, and, thirdly, to extend the period of the completion of the entire works. The Directors informed the shareholders that "if they have the courage to persevere to the end under the new agreement, they will possess a splendid property having a large revenue. The shareholders must look beyond the present gloomy state of matters, and bear in mind that, though much has still to be done, though for a time landed property must remain greatly depreciated in value, there is undoubtedly a great future before Bombay which,

“by virtue of its position, and by force of the inherent vitality of its trade, must become the greatest city of the East and in all probability ere long resume its possession as a seat of great and most successful commerce. The Directors would, therefore, press upon the shareholders not, because of the present exceptional gloom and despondency to abandon a concession which may hereafter, and probably at no distant date, prove most valuable.”

Reflecting on this part of the report by the light of all the subsequent events that have occurred, and looking across the interval of well-nigh fifty years since those words were written, it would seem that every word was prophetic. The Directors of the day were men of great foresight and had shrewdly predicted the future commercial greatness of Bombay. They were indeed quite justified in counselling the shareholders not to be carried away by the exceptional gloom of the times—the natural sequence of the previous exceptional prosperity—but to look far ahead and have enough courage to persevere in the enterprise, which was indeed most creditable to the commercial spirit of Bombay. The Directors were right. They were men of vast experience and cool-headedness; but the shareholders were a pack of geese and followed the lead of the prominent speculators in the shares. The latter were undoubtedly almost on the verge of ruin. Their anxiety was to save what they could, forgetting that in times of panic and depression, if property was to be parted with, it could

only be parted with at immense sacrifice. The counsel of the Directors was set at naught ; it fell on listless ears. So that, in spite of the liberality of the Government in relaxing the conditions and meeting the Directors in the generous and encouraging spirit called forth by the critical times, it was resolved to wind up the concern. No doubt for a time the Company, had it gone on, might have been seriously crippled in its resources. But having once ascertained its financial position, and the least it could expect to obtain from the Asiatic Bank in return for the ninety-one lakhs deposited there, it might have turned over a new leaf by cutting a part of its programme and working on a new basis, and on a sounder financial footing with the bitter experience it had had. Had such been the case, Bombay might have been perhaps benefited to-day. But that was not to be. The loss of the luckless shareholders was the gain of the Government and the Railway Company. The Back Bay Company cruelly shared the fate of the rest of the ephemeral concerns of the day, though it deserved better luck, for it stood entirely on a different platform. The Company was put into liquidation on 18th November, 1866. Casting up its financial transactions, we find that the following may be taken as the fair summary :—

(1)	Cost of Reclamation	...	...	...	Rs. 60,45,039
(2)	Cost of Machinery and Plant	...	...	...	„ 27,41,271
					<u>Rs. 87,86,310</u>

Machinery and Plant sold to the public for	Rs. 6,66,215
Add Machinery, &c., handed to Govern-	
ment at a valuation	,, 5,70,109
	Rs. 12,36,324

If the above sale proceeds be deducted from the total cost of Rs. 87,86,310, there remain Rs. 75,49,986 as the net cost. As the reclaimed and unreclaimed land cost $75\frac{1}{2}$ lakhs, and it was all handed over to Government in consideration of releasing the Company from all its engagements, it may be said that, practically, the State got all the land for nothing. Beyond that, a further sum of Rs. 14,19,459 had to be paid to Government to cancel the purchase of Government land at Malabar Hill, Chowpatty and Elephanta Island. Thus the Government in all acquired for nothing what had cost the ruined Back Bay Company well-nigh 90 lakhs. From the wreck the shareholders, after having had to pay a small call of Rs. 200, which realised Rs. 3,97,800, were returned by way of capital Rs. 2,361 per share on which Rs. 5,200 were paid, but which during the zenith of the speculation were freely sold in the Stock Market at Rs. 50,000 !

Such is the history of the famous Back Bay Company. It is a sad and melancholy reflection that a concern promoted and launched by eminent citizens of reputation and rank, of wealth and influence, under the most favourable circumstances—a concern sound in principle and having for its object a

most beneficial public work of great pith and moment, a work which might have for ever redounded to the credit of the public spirit of the city, should have been brought to woe and ruin by an adventitious circumstance. Had the management only taken care and forethought to invest their monies in Government paper, knowing well the certain collapse of the share speculation of the day and the fate which awaited all the monetary concerns drawn into its vortex, it might have survived to this day to point another and more pleasing moral and adorn a more agreeable and encouraging tale than the one related here. With this reflection we close the history of the ill-starred Bombay Reclamation Company, which finally ceased to exist on 30th November, 1870. Peace be to its memory !

THE "OLD FINANCIAL."

Next to the Asiatic Bank, the monetary institution which was universally considered at the time a formidable rival to the Bank of Bombay was the Financial Association of India and China. Its functions were not limited like those of a Bank. It could advance moneys on land and other securities ; it could buy and sell shares of other companies and its own ; it could transact foreign exchange operations, beyond discounting local and inland bills, and generally it could enter into every variety of financial business short of trade and merchandise. It was the first monetary concern of the kind which took a new departure in money-lending. The old orthodox functions of banking were only a small part of what it proclaimed to do. The orthodox institutions were considered too timid and too old-fashioned. The world's progress in civilization and commerce demanded a wider and more diversified field of operations for the manipulation of money and this financial association claimed to be a veritable paragon of finance—a great lever to assist the trading and mercantile community of Bombay, to whom the doors of the old and old-fashioned banks were closed against any and every variety of financial accommodation.

It was ushered into existence with as loud a flourish of trumpets as its elder sister, the Asiatic

Bank. It was promoted by some of the most influential and wealthy citizens of those golden days—citizens who in the eyes of the money-making vulgar were like Herculeses of finance. First and foremost, there was Mr. James Alexander Forbes, of the great house of Forbes & Co.—a banking and mercantile firm of well-nigh three-quarters of a century, a firm which was known to have on more than one occasion advanced monies to the East India Company and which enjoyed the highest credit both in India and England. They were Bombay's Rothschilds. Mr. James Forbes was a younger son of the great Sir Charles Forbes, whom all Bombay united in voting a statue, which stands in all its graceful stateliness in the corridor of the Royal Asiatic Library in the Town Hall. Next came a scion and member of the family and firm of Messrs. Wallace & Co., young Mr. A. F. Wallace, full of enthusiasm and a gushing merchant with "radical" tendencies in public finance. Then came Mr. Andrew Grant, a distinguished name in the calendar of Bombay merchants of 1864 and a born orator whose speeches at the Chamber of Commerce and elsewhere always created a pleasant impression as much for their sound common sense as for their eloquence. Short in stature was this Mr. Andrew Grant, of the firm of Messrs. Campbell, Mitchell & Co., but in mercantile and financial wisdom he was reputed to be very long-headed indeed. Then there was the tall, gaunt, broad-accented John L. Scott, of the firm of Messrs. Finlay, Scott & Co. He was not

only a Scott by name but a veritable Scotsman, hard-headed and canny like all of his ilk, who knew how to make money. Next was Mr. E. D. Sassoon, the younger son of David Sassoon, the head of the eminent firm of Jews who were our local Rothschilds till late. Last, though not least, there was Mr. Cowasjee Jehanghir Readymoney, formerly Director of the Bank of Bombay and of the Asiatic Bank. His was a name always to conjure with in banking and mercantile circles. He was the guide, philosopher and friend of many an official and non-official Englishman—a bold and venturesome spirit, brimful of common sense and a born genius in finance. He was the second Parsee philanthropist after the first Sir Jamsetjee Jeejeebhoy, Bart. These stalwart six, these towering personalities of the day, formed the Board of Directors along with Mr. Samuel Lawford Acland, solicitor, one of the most straightforward, clever, and influential of Bombay solicitors, the head of the firm of Messrs. Acland and Prentis, of which the present firm of Messrs. Craigie, Lynch & Owen are the successors.

The Association was popularly known in the share market either as “Daood Finance” from the accident of Mr. Elias David Sassoon being one of its Directors or as the “Old Financial” because it was really the pioneer of the thirty-two other concerns of a like character which mushroom-like sprung up in the city. Its nominal capital was 2·40 crores divided into 60,000 shares of Rs. 400 each while its paid-up

capital was 78 lakhs. Like the Asiatic, the speculating public had the greatest confidence in it owing to its rich and influential directorate. It was universally believed to reap golden harvests for its shareholders and ranked among the very first monetary institutions of the city. Established under such auspices, it was no wonder that its shares, on which Rs. 100 were paid up as a first call, rose soon to be quoted at 50 per cent premium, reaching a little later on, as the tide of speculation sped onward and onward fast, to 96 per cent. The destiny of its management was entrusted to one Mr. James Mackintosh, a smart Scotchman, very keen, and very speculative, who had formerly managed the Delhi and London Bank.

It began advancing at high rates of interest on Bombay Bank, Asiatic Bank, and Back Bay Company shares as well as on its own. When the speculation in Back Bays was most rife it went headlong, feeding it by contracting time bargains. It bought and sold a large number of shares for forward delivery, chiefly for 1st July, 1865. Business was being transacted at such high speed that ere it was six months old it found that its capital should be increased. In December 1864, it offered 30,000 new shares to the holders of old shares at a premium of 5 per cent. It was an excellent bait. People knew that the shares in the open market were being sold at 80 and 90 per cent. What a nice thing to go in for the new issue at a premium of *only*

5 per cent and realize handsome profits ! The result was that the scrip of the "Old Financial" was a gilt-edged one and fetched the highest price. The premium realized at 5 per cent came to 6 lakhs of rupees, which was set apart as a Reserve Fund. Meanwhile Mr. Cowasjee Jehanghir took a fancy to *presenting* the Company with a cheque of two lakhs ! This present was an unheard-of thing in the monetary history of Bombay. As a matter of fact it is unique even in the banking history of England. Mr. Cowasjee was known sometimes to be very eccentric ; but it was with him a reasoned eccentricity only and not a mere momentary whim or caprice. The object of the present was undoubtedly laudable. He sincerely wished to strengthen the financial reserve of the Company. Here were six lakhs already obtained from premium. Let him add two more and make it eight. The popular mind would appreciate the immense stake he had in the concern by such an extraordinary procedure. To Mr. Cowasjee the two lakhs were, of course, a fleabite. He was amassing a colossal fortune. He had taken up more than a thousand shares in his own name in the "Financial" on which he realized an exceedingly fat premium ; what was two lakhs to him ? He had only to think he had earned two lakhs less from the blind public eager to buy the shares he sold at any price. Mr. Cowasjee was one of the few shrewd men of the day, who, though fully whirled into the vortex of speculation, was perfectly

aware of its temporary inflated character. He knew as much as Mr. Sorabji Bengalee, Mr. Fleming and Mr. Scott that the day of reverses must come. Those would be wise in their generation who could make hay while the sun of prosperity shone on the financial horizon.

Thus things went on merrily with the "Old Financial," with Mr. Mackintosh, the Manager as the versatile *madari* or juggler. In March, 1865, just a little before the final catastrophe of the Southerners in America at Five Forks, when the gallant Lea and his colleague, Stonewall Jackson, played their last heroic card, a dividend was declared at the rate of 20 per cent. Of course parts of the profits were still on paper. They were to be prospectively realized—we mean the anticipated profits on time bargains in which the Company went headlong, neither looking to the right nor to the left. This partly fictitious dividend acted like a big boomerang on the market. The speculation enormously increased. Depositors crowded at its counter to keep their monies in its safe custody, deluded by the fond belief that never was there a banking concern of such wonderful productive capacity, of such financial strength, and managed by a directorate whose financial solvency was as durable as the pyramids. The more the deposits enriched its coffers, the more it went headlong purchasing Back Bays, Elphinstones, Mazagaons and Freres at dear rates and selling them in turn for 1st July, 1865, at

still dearer prices—hardly reckoning that the day of tribulation was not far off. The black day of July came. It rubbed its eyes to find the many lakhs by which it was poorer than it was three months before on the occasion of the declaration of the dividend of 20 per cent. The depositors rubbed theirs, too, and were in trepidation whether they would get back their sixteen annas in the rupee before the concern stopped payment. The premium of Rs. 360 on each share dwindled down to almost par. But at this very critical juncture the head juggler, Mr. Mackintosh, went on a long leave of absence on full pay, leaving the storm-bound “Financial” in charge of its secretary, Mr. John Smith, to extricate it from its perilous position as he best may. Mr. Smith was equal to the task. In fact it is the opinion of many who knew his abilities—the present writer included—that had he been manager of the “Financial” from its very commencement he would have most cautiously steered it and saved almost all the capital. Mr. Smith came out as an assistant in the Bank of Bombay, highly recommended by an English banking firm. His natural talents were great. He thoroughly understood the first principles of banking and knew how a huge financial concern should be managed with profit and safety to its shareholders. He had acted as chief accountant of the Bank for over six months, when owing to the institution of the “Old Financial,” his services were secured by the promoters as secretary. It may be interesting to note here that Mr.

Smith was Inspector-General of Bankruptcy in England, in which post it is to be presumed his great experience of the insolvencies of Bombay in the depressed days of 1865-67 must have stood him in good stead. He lately retired earning a C. B.

Before the monetary crash overtook the city Mr. Cowasjee Jehanghir had resigned his seat at the Board owing to physical infirmity. The vacancy was filled by Mr. Rustomji Jamshedjee Jeejeebhoy. It was thought that his name would carry equal if not greater weight than that of Mr. Cowasjee. This circumstance, however, in no way inspired the confidence of the shareholders in the future fortunes of the Company. Moreover, it was an open secret at the time that Mr. Rustomji Jamshedjee himself was greatly embarrassed. At last the patience of the proprietary could no longer be held. They requisitioned the Directors to call a meeting to wind up the affairs of the Company. The Directors resisted the movement, which failed. A fresh call of Rs. 30 was made but the call was not responded to. The paid-up value was now Rs. 130 per share but the Market would not touch it even for 10 rupees. What a fall indeed from 470 to 10! The Directors, however, were very hard on the ruined shareholders. They knew well that the times were so hard that it was not possible that even a small call of Rs. 30 could be responded to. The object was simply a clever manœuvre, though far from ingenuous, to reduce their liability for the return of the wreck of the capital.

They anticipated that the call would not be paid and they had then that engine of oppression in their hands, namely, forfeiture of the shares. It is superfluous to say that when a large number of shares are forfeited the liability of a Company is reduced *pro tanto*. Such a forfeiture is always a godsend to insolvent concerns. The "Financial Association" was in such a sorry plight that it did not scruple to take advantage of the misfortune of the majority of its proprietors. But what was worse was that it stiffened itself to sue for the recovery of the calls even after forfeiture. This was indeed the acme of sharpness only worthy of a sharp attorney. Of course, the Company was strictly within its legal rights but there are conditions and circumstances under which they should or should not be enforced. Taking into consideration the extremely disastrous times, it was indeed wrong of the Association to have so hard pressed the wrecked shareholders. The Association yet carried on business hoping against hope to retrieve its shattered fortunes. But as the shares began to sell in the market for a song, while it came to be understood that the return of the capital would leave a small margin of profit, the "wreckers," as those who traded in depressed stocks with an eye to a profitable salvage, were called, were busy afield making large purchases. Having become a strong majority, they compelled the Directors to wind up the concern. This occurred in April, 1867. Mr. Smith was appointed sole liquidator on a remuneration

of $2\frac{1}{2}$ per cent on the assets he may recover. It was estimated at the time that this remuneration would amount to the handsome figure of three-quarters of a lakh ! The entire paid-up capital and the reserve fund amounted to seventy-eight lakhs, but at the date of the liquidation nearly sixty-three lakhs of it were all swept away. The wreckers, who picked up the shares at Rs. 5 or Rs. 10, were lucky enough to get as much as Rs. 50 which was the total amount of capital returned. Thus ended the Financial Association of India & China—a stupendous example of the folly and speculation of the time.

XXI.

**THE "EASTERN FINANCIAL
ASSOCIATION."**

Next to the "Financial Association of India & China" the most popular favourite among these kind of concerns was undoubtedly the "Eastern Financial Association." Its promotion or "flotation" followed at the heels of the pioneer institution, say, within a period of seven or eight weeks. It was launched into existence by four stalwart speculators of the day, known men of wealth and carrying on an extensive trade with China in opium. Of this quartette one only was a Hindu, no other than Mr. Kessowji Naique, first, *muccadam*, and afterwards broker to Messrs. W. Nicol & Co., of which Mr. John Fleming was the senior partner. Mr. Kessowji began life as a *Jain*, one of the superior class of wharfingers who used to deal in food grains and cotton in Mandvi. It is said that he rose from very poor circumstances. There were men living in 1864 who aver having seen him in his younger days carrying bags of grain on his back like an ordinary coolie. Be that as it may, it bespeaks volumes in favour of so humble an individual that by dint of pluck and enterprise he rose to become a *muccadam* to a house of the reputed wealth and influence of W. Nicol & Co., and afterwards its most confidential broker. In physique Mr. Kessowji looked like a big bale of cotton. He was abnormally stout,

and the joke of the day about him was "the man who could be seen without the aid of the opera-glass." Mr. Kessowji had amassed an immense fortune by his trade in opium and cotton and was one of the *nouveaux riches* of those days. He had established cotton presses of his own in Bombay and up-country, and was a large shareholder in the Elphinstone Land, Press & Reclamation Company, which was started by Messrs. Nicol & Co. in 1859. These, briefly, were the antecedents of Mr. Kessowji when he promoted the "Eastern Financial."

The other three promoters were all Mahomedan gentlemen, wealthy merchants in the China trade. They were Messrs. Alladinbhai Habibbhai, a brother of Mr. Ahmedhai Habibbhai; Dharamsi Poonja, the grand-father of the late lamented Mr. Abdulla Mehèrally Dharamsi; and Cassumbhoy Dharamsi, the son of Mr. Dharamsi Poonja. Father and son were extensive speculators in opium. Old Mr. Dharamsi was the idol of the Khoja community—a man of great probity, whose word was his bond, and highly held in esteem by all classes of the trading community. His venerable appearance added greatly to his dignity and courteous manners. Mr. Cassumbhoy was a more go-ahead personage, being young and full of enterprises of pith and moment. He had been to England in 1864 during the American War to see the bearings of the cotton trade in Liverpool.

The association was floated in July 1864, but was registered in the following month. It had a capital

of 2 crores of Rupees, divided into 50,000 shares of Rs. 400 each. The first call was Rs. 50 per share on 25,000 shares, so that it started business with a paid-up capital of 12½ lakhs. Of course, like the elder association, the capital was employed in buying and selling shares, receiving moneys in deposit, borrowing itself, and entering into those disastrous "time bargains" which proved to be the ruin of every one of such institutions without exception. In reference to the paid-up capital it should be observed that there was a first issue of 25,000 shares on which Rs. 50 per share were paid. But at the outset there was not much confidence in the Company, and the quotation in the market did not go beyond one or two per cent premium. In the nick of time, however, Mr. Pestonji Cursetji Shroff, whose career has already been described, came in the field and bought 1,000 shares with a view to stimulate speculation in them. No sooner was it bruited about in the market that he had purchased the shares than the stock began to brighten up. The speculating folk knew well that Mr. Pestonji was as much a master in rigging up or bearing down the market as Mr. Premchand. So confidence was at once restored. Those who had delayed paying up the first call hurried to do so in order to realise the high premium then to be obtained. From 2 per cent it went up to 20 till later on it reached as high as 67 and even 70. Taking advantage of this tide in the fortunes of the "Financial," the Directors resolved

to have a second issue of 25,000 shares. They invited Mr. Pestonji to join the Board, which he did. The method was to allot half the number of shares to the original holders and to put up the other half to public auction. Mr. Premchund held 1,000 shares in the first issue and 500 in the new. Mr. Pestonji had 1,000 original shares with the calls paid on them and of the new issue he possessed 7,205. At any rate that was the number standing on the official register. It was understood that he was to "run" the "Financial"; so that practically the "Eastern Financial" was Mr. Pestonji's just as the Bank of Bombay was Mr. Premchund's. Like the "Old Financial" it offered a further bait to the shareholders by announcing at the end of 1864 a dividend at a rate of 50 per cent on the paid-up capital out of the supposed profits of nearly 20 lakhs! This fifty per cent practically meant Rs. 11 per share and the shareholders, a pack of geese as they were, were quite carried away by the phenomenally successful management of the Board. They believed in their "boss" and the "boss" knew how to pluck the geese. The shares at auction fetched at the highest a premium of 40 per cent.

Though Mr. Pestonji purchased on his account a large number of shares at auction he could not pay the moneys thereon. He arranged that the "Financial" should pay for him on his passing a promissory note for the amount. Eventually, when both the association and Mr. Pestonji failed, the former filed a suit

against the latter for the recovery of the amount, along with other moneys borrowed. A very interesting report of the judgment delivered in the matter by Sir Richard Couch may be perused in the Law Reports, page 9, Volume 3, Part I. But here it may be as well to give an extract on the subject from the evidence of Mr. William Watson, Manager of the "Financial" given before the Bank of Bombay Commission : "He did not pay the deposit according to the conditions of sale. He was in good credit, and I expected that he would gradually sell his shares and pay. There were some *bonâ fide* buyers who paid the deposits. The shares of those who did not, were *not* forfeited agreeably to the conditions of sale. On the second issue of shares a total sum of Rs. 12,47,250 was paid up. As the result of the sale Rs. 1,65,000 were received, and there was paid up by the shareholders on their allotments Rs. 10,82,000."

Most curious transactions had been entered into by the Directors at the time. Like all other Company Directors of the day, they traded on their individual account and also in partnership with others. A Board would often form itself into a syndicate for the purchase and sale of shares of other Companies, chiefly Reclamation Companies, which were all quoted at high premium and in which large profits were expected to be reaped in the shortest possible time. It would then arrange for the financing of the transaction through its own bank or

financial ; it would take into its confidence such other minor kings of speculation as were certain to bull the shares ; it would offer these a fat share in the transaction ; it would ask their assistance to borrow further moneys from such other monetary concerns in which they had influence and it would thus carry on what was nothing but a huge gambling transaction. The directorate of the " Eastern Financial " accordingly formed a syndicate to traffic in Back Bay Company's shares, of course with the assistance of Mr. Premchund, whom they made a partner in the affair. And they also later on trafficked in Frere Land shares. Here is Mr. Premchund's own testimony as to his share in the Eastern Financial Syndicate : " I sold 65 Back Bay shares in October, " 1864, to the Company. Some were mine and some " belonged to others. The prices were as follows. " There were 15 shares at Rs. 18,000 ; 35 at " Rs. 22,000 ; 5 at Rs. 21,500 ; and 10 at Rs. 21,000, " making a total of Rs. 16,82,500. I do not know " how much money the ' Eastern Financial ' had " available at the time. I undertook to find part of " the money for the Association. I saw Mr. Blair at " the Bank of Bombay and negotiated with him a loan " for ten lakhs for the Association. I told Mr. Blair " that he might safely advance them ten lakhs. A " promissory note was given for the loan. No security " was taken. I received those ten lakhs in part " payment of the price of the shares. . . . The shares " were re-sold by the ' Eastern Financial,' not to me

“but to Mr. Cursetji Furdoonji for future delivery. “I told them he was the buyer at the time. “Mr. Pestonji admitted it, but the ‘Eastern Financial Association’ tried to hold me responsible for “the purchase. I had never guaranteed the sale.”

This is a fair sample of the nature of the transactions that were daily made at the time by the mushroom concerns. Every one of the transactions was a time bargain—a contract for sale at a forward time. When the forward time came every one was found insolvent. The purchaser and the seller were in the same boat. But the greatest sufferers were third parties, like the Bank of Bombay, who would help by its heedless loans both, to find itself ultimately unable to recover the veriest fraction of the advances from them. Every big transaction which we have related in these chapters from time to time shows how much the old Bank of Bombay was answerable for the ruin which ultimately overtook the city, by its blind and reckless advances. In this particular loan of ten lakhs to the “Eastern Financial,” the Bank of Bombay Commission searchingly probed to the bottom how and under what circumstances the loan came to be advanced. Mr. Lidderdale, a Director, was examined. He said that the loan was entered in the register of bills discounted, but he did not “think “the Register was regularly laid upon the table before “the Directors. I certainly ought to have had my “attention attracted by so large an item. The bills “discounted book would have shown the name of the

“borrower. There is no entry in the application book I do not know who recommended the Association to the Bank. I did not make any inquiry. I believe the application for it was put on the table after the application was granted.” Mr. Cowasji Maneckji Limji, another Director, observed that he “was dissatisfied about this loan of ten lakhs to the ‘Eastern Financial Association.’ I did not object to it; *the loan was already granted and I could not object*; my colleagues had granted it. I spoke to the Secretary and said that it was a very large loan, and I did not think it ought to have been granted. He said the ‘Eastern Financial’ had sufficient funds to warrant the Bank in granting the loan.” This was the way in which the Bank of Bombay Secretary transacted business! Directors did not know to whom advances were made. Applications which should have been *first* placed before them were put *after* the advances were made. Some Directors would sanction borrowing, which others disapproved. No wonder that the Bank became the general milch cow. It was so easy to get the necessary funds, and there was no one to put obstacles in the way.

Another “draw” from the Bank of Bombay had reference to Frere Land Co. shares. Five lakhs were found entered against Mr. Premchund’s name, for which as late as 1st August, 1866, he was obliged to pass a promissory note. Questioned on this advance, Mr. Premchund said: “It was earnest-

“ money on account of the piece of land which I sold
 “ to the ‘ Eastern Association ’ for 35 lakhs. This
 “ property was sold to the Frere Land Company for
 “ 104 lakhs ! I got all my money (35 lakhs) from
 “ the Frere Land Company. The five lakhs still
 “ remained in my hands, and I intended to give credit
 “ for that amount to Pestonji Cursetji Shroff, who
 “ was indebted to me largely. When the ‘ Eastern
 “ ‘ Financial Association ’ found I had got the whole
 “ of my 35 lakhs, they said they would debit the 5
 “ lakhs to my account, and that I must give a
 “ promissory note which I had.” Here is another
 instance of the peculiar financing of the times.

Apart from Back Bay and Frere Reclamation Co. shares, the Association heavily speculated in Surat Bank shares of the value of 20 lakhs. But the days of tribulation came. With the financial crash came the exposure of this concern. At the general meeting of shareholders to wind up the affair indignant speeches were made. There was an uproar and there was no limit to the measure of the abuse heaped on the managing spirit of the Association. For the report the reader must be referred to contemporary chronicles. It soon became known, when the the company was put into liquidation in July 1865, that more than half its capital was swept away irrecoverably and that the wreck would at the utmost give 5 to 6 annas per rupee to the creditors. At last, after much litigation in courts of law, a compromise was effected with them at the rate of 6 annas per rupee, but this

compromise would have been impossible had not the solvent Directors, principally Mr. Kessowji Naique, come to the rescue. To avoid immense litigation and heavy cost, the liquidators agreed, in full discharge of the personal liability which the Directors had incurred by their gross mismanagement, to receive 7 lakhs from them. With this money they were enabled to carry out the compromise with the creditors, which saved the ruined shareholders from having to pay a call of Rs. 200, which was considered inevitable. This was the end of the "Eastern Financial," which lasted just about ten months and managed to lose in the interval 25 lakhs of the proprietors' capital and 40 lakhs of the moneys of the public.

XXII.

ELPHINSTONE LAND & PRESS COMPANY.

Though not a child of the speculative days of 1864-65 and unaffected by the surging billows which lashed all the frail barks that for a time were floated in the stormy sea of that eventful period, yet the Elphinstone Land & Press Company was a concern the history of which cannot be omitted from our purview having regard to the fact that its stock was no less bulled and beared by the stalwart kings of the Share Market than that of the Back Bay Company. In a way the premium which Elphinstone shares realised during the zenith of speculation were simply fabulous. Each old share, on which Rs. 36,000 were paid, rose from a premium of Rs. 30,000 to Rs. 1,00,000 and even at that price there were lunatics enough in the city to think that they were cheap at the quotation ! This incident will give some idea to the sober folk of to-day of the madness of the madding populace of those days to reap golden harvests and become all millionaires in the shortest possible time. It is impossible to give anything like a vivid description of that madness because it defies description. Only those who were in the thickest of it, whether as active speculators or passive on-lookers, can re-call it to mind and narrate the stupendous folly of that feverish period.

But to proceed with an account of the origin of this colossal concern, the first of its kind undertaken

in the city by private enterprise. As observed in the history of the Back Bay Company, it owed its existence to the policy of important public works which the administration of Lord Dalhousie ushered in simultaneously with its policy of railways. In his lengthy evidence, in July 1873, before the East India Finance Committee, Mr. John Fleming, the chief promoter of the concern, gave a complete history of the Company's formation. It was founded in 1859 for the purpose of reclaiming land from the sea, constructing wharves and piers, erecting and maintaining warehouses and suitable premises, with machinery for pressing cotton and other produce into bales, and providing facilities for the growing trade of the Port of Bombay. At the time the bunders were almost all in the hands of private individuals, to whom the Government had made them over either on lease or certain annual payments. Elphinstone Bunder was one of them. It lay in the rear of what is still known as the Nowroji Hill, on our eastern foreshore. The Hill still partly belongs to its owner, a member of the old and rich family of the Setts ; but the Bunder was acquired in 1858 by Mr. James Fleming, brother of Mr. John Fleming, both partners in the firm of Messrs. Nicol & Co., from Mr. Merwanji Maneckji Sett. Mr. Kessowji Naique was joint purchaser. In 1861 the Company obtained the Clare and Carnac Bunders from Mr. Ramchunder Luxmanji, who held them under grants secured by his brother, Luxmon Hurrichunderji, popularly

known as Bhau Russool, in September 1839. The principal object, no doubt, was to reclaim these Bunders and utilise them for purposes of building wharves and godown accommodation. But the Government of the day had also a great sanitary purpose in view, namely, to stamp out the malaria prevailing in the locality. The project was of an extensive character, but not more extensive than necessary. The Imperial Government was not in a position to incur the large outlay demanded by the scheme. It had to consolidate the empire after the disasters of 1857. Neither was it in the power of the Provincial Government to construct the works. Moreover, no private individual or syndicate had sufficient courage to embark on the great enterprise. The G. I. P. Railway, again, was completing one section of its trunk line and stood in great need of a terminal station, none being then provided by Government in terms of its guarantee. Thus it was that the Elphinstone Land and Press Company came to be formed in 1853, and, as just stated above, the first thing it took on hand was to acquire the Clare and Carnac Bunders. In 1861 the Company approached Government and offered to give to the G. I. P. Railway a site for a Goods Terminus, having, meanwhile, acquired Elphinstone Bunder. In return concession was asked for reclamation of the entire foreshore acquired by it and for making it suitable for the nascent trade of the port.

It may be worth observing at this stage that at the outset the number of shares was only one hundred and fifty on which was paid up a call of Rs. 6,000 per share ; but as the Company progressed with its work and acquisition of properties it multiplied the original number of shares and continued to receive on them Rs. 6,000 as calls. But we shall refer to the later development of the capital and the conversion of each share of Rs, 6,000 into six shares of Rs. 1,000 each when we come to the eventful days of 1864-65. Meanwhile the concession which the Company asked and which the Government granted may be described. It acquired from the Government the old Musjid Bunder, admeasuring 35,143 square yards, and the right to reclaim from the sea and from the muddy and unhealthy foreshore to adopt for its own purposes, 1,543,307 square yards. On the other hand, the Government was to receive, free of all charge, reclaimed land measuring 90 acres and over as under :—

	Sq Yds.
(1) For G. I. P. Goods Terminus	390,362
(2) Passenger Station at Carnac Bunder	10,000
(3) In exchange for old Musjid Bunder new land equal in area. but 800 yards further sea- ward	35,148
(4) Additional area	10,000
Total...	445,510

Further the Company undertook to build at its own cost a road eighty feet wide from Wari Bunder

through the whole length of its property, occupying 48,000 square yards. In consideration of the land to be made over to Government, it was arranged that the Company should absolutely hold forever rent-free 950,000 square yards of land, the remainder of the land and the basins being subject to a rent of Rs. 500 per acre per annum. It was allowed to levy wharfage fees on all goods landed at its bunders save those belonging to the Government and the Railway Company.

Thus the Company set about in earnest, carrying out its objects in a steady and business-like way. The active management was in the hands of Messrs. W. Nicol & Co., an enterprising firm of great influence and position and a name to conjure with in the mercantile community of India. The two Flemings were the life and soul of the Company and knew, from their intimate knowledge of the requirements of the trade of the port and the wants of the people with the commercial element of which they were in touch and sympathy, what to do and how to promote the prosperity of the concern with benefit to its proprietary and to the public at large. It was the first important public work of permanent and far-reaching utility undertaken by private enterprise, which the State most anxiously wished to encourage by wise and liberal concessions. It commenced its operations when speculation was almost unknown, and when even its germs were non-existent. There was the apprehension of the American War breaking

out at any moment ; and in view of the demand which Lancashire may make on Surat cotton when hostilities broke out, the Directors were keen enough to expedite such works as might in a measure facilitate the carriage and landing of goods from up-country by rail and sea. The works were pushed here, there and everywhere. Little hills in the neighbourhood of Bombay were dug out for earth for purposes of reclamation, while Naoroji Hill itself was put into requisition for its rich quarry of granite—a quarry which since has immensely contributed to amass for the proprietors of the hill a magnificent fortune. The older generation used to speak of this rich quarry as a veritable gold mine ; and the owners were popularly reputed to earn one solid seer of gold per day from the proceeds of the quarry ! While the owners were thus able to enrich themselves, the land which was gradually cleared by the digging out of the hill from top to bottom became every day more and more valuable. The Setts were the lucky recipients of the “unearned increment” of which the Elphinstone Land and Press Company and the G. I. P. Railway Company were the toilers. The present owner, the amiable but shrewd Mr. Jalbhai Ardaseer Sett, whose flag till very recently was seen fluttering in the breeze at Sett Lodge on the Dongree Hill, enjoys a rich rent-roll which is the result of the cumulative lands cleared since 1861. Perhaps there is no richer private ground rent landlord in the city than he. It is fortunate we have not yet among us

Lord Farrer and the other redoubtable opponents of ground landlords in Bombay. Neither a Lloyd George. Otherwise it might have gone hard with the Setts for what these latter day economists would call "spoliation" of the people's land. In fact, it is notorious that the ground landlords in Bombay are a powerful and thriving class who go lightly taxed. But it was not only the Setts who profited by the operations of the Elphinstone Land Company. There were owners of hillocks and crags outside Bombay, beyond its municipal jurisdiction, who also reaped a fat harvest, notably the late Mr. Ardaseer Hormusji Wadia and his brother, who were the proprietors of the village of Coorla. The hill which travellers by rail pass on their right as they go from Bombay north-east or south-east, just near the Svadeshi Mills, belonging to Mr. J. N. Tata, was for a long time dug up for its rich moorum and tolerably hard stone by the Elphinstone Land Company, and the Wadias derived a great pecuniary benefit from it.

But to proceed. The operations of the Elphinstone Land Company after 1861 and the greater activity induced in the trade of the port by the imports of cotton during the American War attracted the attention of wealthy capitalists. It became generally known that the institution was doing good, useful work which would ultimately pay most handsomely to investors in its stock. There was unbounded faith in them as to the prosperity of the Company, and so

tooin the firm of Nicol & Co. So that when the proceeds of cotton in Lancashire brought back millions of bullion to Bombay by way of profit, all eyes were turned to the Elphinstone. The speculative rings of the day saw in it a rich field to exercise their ingenuity to reap a golden harvest by way of a magnificent premium. It would have been a miracle had this Company's shares been left unsubjected to the speculative fever of the hour. But here it must be observed that between it and the Back Bay Company there was an initial difference. In the case of the latter its promoters and directors started the concern, no doubt, with an excellent object, but with the avowed intention of rigging its shares up and feeding speculation on them through the silvery reservoir of the Asiatic Bank. Be it said to the credit of the Directors of the Elphinstone that they sternly held themselves aloof from the temptation, overpowering as it was, and under which less sagacious persons succumbed. But, of course, the shares were in the market. The Directors could not interpose their authority over them with hundreds of men mad enough to gamble in them. What therefore happened was this. At the commencement of 1864 its paid-up capital was 54 lakhs on which a premium of Rs. 30,000 per share was quoted. But about June of that year Mr. Byramji Hormusji Cama, along with a few others, bulled the shares with the effect that the premium ran as high as one lakh ! Later on a syndicate was formed, of

which, of course, Mr. Premchund Roychund was the moving spirit, to buy up the Elphinstone Land and Press Company. In this syndicate the Directors of the Mazagon Land and Frere Land Companies were also interested. An offer to purchase it at the colossal figure of three crores was made to Messrs. Nicol & Co. The object was to amalgamate all the three concerns and put them under one management. It was a most audacious project and worthy only of the worthies of the speculative ring of the day. It was the intention of the syndicate to have 4,000 shares of Rs. 10,000 each of the amalgamated concerns and to allot out of them one share for every two shares to the proprietors of the Mazagon Reclamation Company and the Frere Land Company. The balance was to be taken up by the syndicate, reserving a very limited number for distribution among the public. Fortunately, there was old Mr. John Fleming in Bombay. His sagacity foresaw what the offer meant to him and to his firm. Of course, it meant a magnificent profit. But like the sober, honest and steady Scotchman that he was, a man of intense shrewdness, he resisted this big bait. He called together some of the leading men of the ring and advised them to abandon their project, giving them a friendly warning that by carrying it out they would simply fan the flame of speculation then raging furiously, to an unknown degree, with but one ultimate result—the wreck of all the combined concerns and with it a colossal

wreck of the investors. He openly informed them that the intrinsic worth of the Company could not be estimated at more than seventy-five lakhs and it would be madness to offer for it the fabulous sum of three crores ! Some of the members of the syndicate, accordingly, withdrew their names, but Dr. Diver, along with others, persisted in getting the sale made. They held a large number of shares and requisitioned the Directors of the Elphinstone to call a general meeting. It was twice called with the ultimate result that the majority threw up the proposition, thanks to the stout and sensible resistance offered by Mr. Fleming, and the withdrawal of Mr. Byramji Cama from the syndicate. Whilst these negotiations were going on, there was such a *furor* in the market that there were men mad enough to buy the original share of Rs. 36,000 at a premium of one and three-quarter lakhs—the maximum the shares had reached. These fools of purchasers hardly knew of the machinations of the principal speculators behind the scenes, who, whilst sedulously propagating their belief in the open market that the Elphinstone Company must come into their hands, were meanwhile secretly unloading their shares, previously purchased, at a heavy premium.

A few months later on, as the Company's operations extended, it became necessary to raise fresh share capital. It therefore converted its original 150 shares of Rs. 36,000 each into 5,400 shares of Rs. 1,000 each, and issued 5,400 new shares of

the same paid-up value. This was in February 1865. The old shareholders were allotted 1,800 new shares in lieu of the 150 or, say, 12 to 1. The remaining 3,600 were sold by auction, which fetched from Rs. 2,200 to Rs. 3,000. The profit of 80 lakhs derived from the auction sale was divided among the old proprietors. All these operations finally came to this: the paid-up share capital came to Rs. 1,08,00,000 divided into 10,800 shares of Rs. 1,000 each. When the crash came these shares suffered also, but not to the same extent as those of the Back Bay Co. or the mushroom concerns of the hour. Large number of holders of the shares became insolvent, and their shares were forced in the market, which was flooded with them, thus causing a great depreciation. They fell as low as Rs. 400.

After the crash, when sobriety prevailed and the wiser men took stock of what had happened, there was a strong public feeling that the Government should buy up all the private bunders and rights of foreshore, reclamations and so on. The Bombay Government, with Sir Seymour Fitzgerald as Governor, readily took up the question and made a strong representation to the Imperial Government to buy up the Company as well as other private bunders. The negotiations were necessarily of a protracted character but sanction was eventually given for their purchase by the Secretary of State in 1869. The management of the harbours was to be entrusted to a Board of Trustees, since called

the Port Trust. In the month following it was agreed to purchase the rights of the Company at the par value of its paid-up capital. The property was made over to the Government in 1870, the price paid being Rs. 1,85,91,000 in Port Trust debentures. Thus, after a chequered existence of eleven years, the Company ceased to exist but not without laying that broad and solid foundation on which the Port Trust has completed its magnificent edifice which to-day is the pride of not only Bombay but all India and Asia.

XXIII.

SIR COWASJI JEHANGHIR READYMONEY.

The narrative of the speculative days of 1864-65 would be incomplete without a brief account of Sir (then Mr.) Cowasji Jehanghir Readymoney. A noble scion of the great family of the Readymoneys, one of the merchant princes of Bombay at the opening of the nineteenth century along with the Dadys and the Banajis and the Wadias, Mr. Cowasji from his earliest days was known to be a person of remarkable acumen, great mercantile sagacity, and keen financial talent. His paternal and maternal influences had brought him into prominence at an early age among some of the eminent English houses of the second quarter of the nineteenth century. He was a broker to them along with his elder brother, Mr. Hirji Jehanghir. Mr. Cowasji had a fairly good English education as was imparted by some of the private English schools of those days. A man of vigorous thought, he was always capable of expressing himself vigorously, though not with quite correct grammar. He used to write a fine bold hand till gout, at a comparative early age, supervened. He became connected with the Bank of Bombay early in the sixties as one of the Directors on the Board, and was highly respected and esteemed by his colleagues for his sterling independence, capital powers of discussing intricate financial questions, and sound advice. Progressive

in his ideas as to banking and the functions a Bank should perform with the growing trade of the city, he had still a cautious and conservative instinct which shrunk from any headlong policy which might endanger the stability of the Bank. In his earlier days he had known of a highly respectable Bank in Calcutta coming to grief and engulfing in ruin not only the shareholders but some of the Directors. With a Bank of unlimited liability the responsibility of these was great. Mr. Cowasji was, therefore, most cautious how the Bank of Bombay transacted its business. Under the original Act it was managed by an equally sound and cautious Manager in the person of Mr. John Stuart. The Bank was legally prohibited from advancing on any but Government securities. Advances on personal guarantee, too, were extremely circumscribed. Thus the Bank of Bombay prospered, enhancing its reputation for stability and credit. But with the advancing trade and the great impetus which the American War gave to the large shipments of cotton, the Bank's original capital of 52 lakhs was deemed insufficient. It was, therefore, considered advisable to amend the Bank's Charter authorizing a doubling of the capital and at the same time removing some of the restrictions. The history of this new legislation has already been told in the chapters on the Bank itself and it is superfluous to refer to it. But it is needful to mention here two matters in which Mr. Cowasji fought hard to maintain the credit and stability of

the Bank, just as the fever of speculation was mounting upward and upward fast from 1863. On the 6th August of that year the Board had passed a Resolution to this effect : “that for the present, and “until further orders, any application for advances “on any Bank shares or other public Company, “other than Government Banks’, be submitted to “the Board, and not made by the Secretary.” Among other Directors who made a minute later on against this Resolution was Mr. Cowasji Jehanghir. It is meet that this minute, though quaintly and somewhat nebulously worded, should be reproduced here to inform the reader how sagacious he was in opposing advances on Bank shares. This minute forms exhibit No. A 132 in the Appendices to the Report of the Bank of Bombay Commission. It is dated 14th September 1863.

“ I decidedly protest against advancing on any other Bank shares on the following ground :—

No security of registry of shares to our Bank because the opposite Bank has lien on its own shares.

Respectability is of no use if pledged as a poor man.

All the Banks’ shares are now got up, by one artifice or another, in value; fluctuate by 20 or 25 per cent in every few weeks. How the margin is to be settled on these shares ; it is utterly impossible to do so

under present circumstances, and our Bank lead in a bad example, first of this kind, and introduce in Bombay as yet practice considered so dangerous that none of our joint stock Bank does advance on other Bank shares.

Lastly, such practice will induce greatly more gaming in shares.

I ask my colleagues, for instance, how they keep faith on other Bank shares value when each one increased by 100 and 200 per cent advanced abruptly.

I would wait and never to have this sort of dangerous business for the present.

If I am not in order, my colleagues must forgive me when I say that if this dangerous practice introduced now, I as proprietor would lay bare facts before my co-proprietors in a general meeting to be called for the purpose.

P. S.—We are only following the example set by the Bank of Bengal, but we must not follow them. Their gross mismanagement of this kind brought Union Bank of Calcutta to total ruin, whose Board was composed of highly, more than highly, respectable gentlemen ; two baronets, one gone to jail, another run away to England, and other three ruined for life. Bombay supplied dozen Banks

now to them, but they dare not get up one of their own.

My minute to be re-circulated to those who signed before me."

The above minute plainly tells us how extremely cautious Mr. Cowasji Jehanghir was and how he anticipated ruin to the Bombay Bank, were the Resolution to be carried out. Indeed, in his evidence, Mr. Blair gave it as his own opinion as Manager that Mr. Cowasji Jehanghir was a very safe guide in advising him on the position of Indian gentlemen wanting accommodation or discounting bills and *hoondees*. Here is what he said : " Lacs on lacs of "bills were frequently purchased on Calcutta and "Madras, where formerly little business was done, "and thus great profit was derived without the loss "of one Rupee. During all the time that Cowasji "Jehanghir Readymoney was a Director, and who "was the means of bringing so much business to "the Bank, no loss was sustained." And the President himself, in one place, while questioning Mr. R. Mc. Ilwraith remarked (Part II, Q. 2691) in reference to that gentleman's observation that up to the time of the resignation of Mr. Cowasji Jehanghir in July 1864 the custom had been to consult him that "you are quite right. It was the custom to "consult Cowasji Jehanghir, and everything went "right so long as that was the case. Up to June "1864 there was only one loss (there is a dispute "about another)." This is a highly appreciative

testimony coming from so searching a cross-examiner as Sir Charles Jackson. Further the President remarked a little later on to Mr. Mc. Ilwraith, (Q. 2797) : " It is fair to tell you that from the 1st of June 1864 till about the 1st of May 1865 was "about the most disastrous time of the Bank." It was during this period that Mr. Premchund was consulted. " There were large loans," observed Sir Charles, " and the losses from them have been enormous."

Now, as to the immediate cause of Mr. Cowasji Jehanghir's resignation. It appeared that on 11th February 1864 he had proposed to increase the original capital of the Bank by 52,50,000 Rupees. It was resolved to hold a meeting of the proprietary on 7th March 1864 whereat one new share was offered to each proprietor for every two shares he held. But on 5th May 1864 sixteen shareholders of the Bank requested the Directors to call another meeting of the shareholders for the purpose of rescinding the last resolution of the 7th March and substituting for it another, which would have the effect of doubling the enlarged capital, instead of increasing it by one-half. So another special meeting of the shareholders was held on 9th June 1864 at which it was resolved that the former resolution should be rescinded, and that one new share for each old share should be issued making up the paid-up capital of the Bank 2,09,00,000 Rupees. On this matter the Commission reported as follows :

“The second increase of 7th March 1864 was not
 “unwise ; the greatly increased trade of the port of
 “Bombay, the opening of several branch Banks,
 “and the inadequacy of the Bank’s capital to meet the
 “wants of the public during a late financial pressure,
 “justified such a measure. We doubt the propriety
 “of rescinding the resolution of the 7th March 1864,
 “and of increasing the Bank’s capital by so large
 “an amount as 1,04,50,000 Rs. It would have been
 “better to wait and see the effect of the increase
 “determined on by the resolution of 7th March
 “1864, and, if this course had been taken, we doubt
 “whether the last 52 lakhs and a quarter would
 “ever have been raised, for the evidence shows that
 “the Bank had more money than it could safely
 “invest.” Not only this, but there was the other
 fact that when the Bank was increasing this large
 capital there were sixteen Banks in the city with an
 aggregate capital of over 12 crores. Thus there
 were ample facilities for the growing trade to be
 financed by so many Banks. It was indeed most
 unfortunate for the Bank—this doubling of its
 capital and the resignation of Mr. Cowasji in consequence thereof.

So far as to Mr. Cowasji Jehanghir’s relations
 with the Bank of Bombay. He became connected
 as a most influential Director with the Asiatic
 Banking Corporation, the Financial Association of
 India & China, the China Bank and the Bombay
 Reclamation Co. The Bank of China was wound

up early without any loss to the shareholders. With regard to the Back Bay Co., the reader has learnt from the preceding chapters how its ruin came to be compassed by reason of the locking up of its funds in the Asiatic Bank, which, along with the Bank of Bombay, was principally instrumental in feeding enormously the speculation in Back Bay shares, of course, under the manœuvres of Premchund Roychund. The Financial Association of India & China was a strong monetary concern, with a wealthy and influential Directorate and would have been a most successful one but for the feverish times. Mr. Cowasji Jehanghir had such great faith in it that he actually presented it with 2 lakhs in order to build up a strong reserve. But while he was cautiously and wisely directing the several monetary institutions his physical infirmities often disabled him from taking an active part. He was a personage of great financial skill and knew how to fight an important financial question at a Board. His opinion carried great weight with his English colleagues, though they sometimes misunderstood or differed from him. All the same he was a power and influence for good. He often carried most of his colleagues with him by sheer force of his vigorous reasoning. Of course, his philanthropy was well known. It was of a catholic character and always with liberalizing tendencies. He was a staunch patron of Higher Education and Bombay owes to him the Elphinstone College Building and

the University Hall. Moreover, he disbursed large sums of his money on primary and secondary education in Gujarat and elsewhere. There is, again, the Ophthalmic Hospital which bears his honoured name. And an appreciative Government did itself the honor of knighting him, which was highly prized by members of his own community. Speaking generally, Bombay has had no wise, sound, and safe financier like him and his name is cherished with esteem and regard by the community in general, while in the University Gardens there stands as a permanent memorial of his good and virtuous deeds his marble effigy. This was Sir Cowasji Jehanghir, the one unsullied name of a wealthy person who, even during the highest fever of speculation, remained calm and collected and warned others from being swept away in its vortex.

XXIV.

THE END AND THE AFTERMATH.

It only remains now to relate in the briefest of brief outline the lamentable end of the frantic speculation, unprecedented and unparalleled in Indian annals, which had seized the city of Bombay during the two eventful years of 1863-64 and 1864-65. It came with all the characteristic suddenness and swiftness and all the titanic force and velocity of the avalanche, sweeping away in its fatal course many an old institution and mercantile firm, and burying the hundreds of mushroom monetary organisations which had enjoyed an ephemeral sunshine awhile. It also engulfed thousands of people, rich and poor alike, in distress and misery from which but a fraction have been known to have recovered. There could not have been a more complete wreckage of capital and credit than the one which overtook all Bombay at the very heel of the close of the American Civil War. As soon as the announcement of the fall of General Lee's army was known in March 1865, the monetary crash came with a terrific effect which is easier imagined than described. Of course, Lancashire, which had been starved for the American raw staple, began, with peace established, to breathe freely once more in view of the early prospect of a fair supply. Simultaneously the famine price at which Indian cotton was selling in the market of Liverpool heavily declined. From 20 pence per pound it fell to 10 pence

and even lower by the end of April 1865. That fall tolled at once the death-knell of speculation and wrought Bombay's ruin immediately thereafter. At the very commencement of May the largest shipper of the raw material in the person of Mr. B. H. Cama found himself utterly unable to meet re-drafts from banks against his consignments. He had to convene a meeting of his creditors and vest all his estate and effects in Trustees. The liabilities were colossal, estimated at the time at well-nigh 3 crore of Rupees! The news of this first and most stupendous failure spread like wildfire in the city. In the share market its effect was like that of the most destructive bomb-shell. Immediately the so-called "gilt-edged" securities fell heavily, and so, too minor scrips. Panic seized the market which increased in intensity and volume from day to day till the very nadir of depression was reached on the fateful "first day of July 1865"—the day on which hundreds of "time bargains" in all sorts of shares had become due, the aggregate nominal value of which was estimated at well-nigh seven to eight crore of Rupees! It was the Black Day of Bombay as much as the 'Black Friday' of London a year later when the old, eminent and respected banking house of Messrs. Overend & Gurney came to grief. Merchant after merchant and trader after trader failed, some vesting their estates and effects in trustees under deeds of private composition, and some filing their schedules in the Insolvency Court. It was recognised a little before that fatal day in all banking and commercial

circles that some practical scheme would have to be immediately devised to liquidate the enormous number of estates which were tottering then and soon destined to fail, as otherwise there was nothing but a most gloomy prospect of prolonged depression which would only impede the progress of legitimate trade and the needed restoration of confidence. Mr. Andrew Grant, a level-headed Scotch merchant, submitted a scheme to solve the problem. His suggestion was to have elected a committee of experts who were to arbitrate on debts and liquidate them to the best of the parties concerned, thus avoiding heavy and indefinite litigation. But it was adjudged impracticable owing to the then circumstances of the situation, there being so many complicated matters of claims and cross-claims to disentangle. The task was deemed hopeless and had to be abandoned. But the Government was wakeful. When it found that it would be beyond the ability and strength of the merchants themselves to bring an early end to many a liquidation—for every morning there was announced failure after failure—it immediately put into motion its legislative machinery. It swiftly passed an enactment which was known as Act XXVIII of 1865. It had for its object to relieve the Insolvency Court, in its ordinary jurisdiction, of all heavy insolvencies with which it could never cope. It was enacted that all bankrupt estates with a liability exceeding Five Lakh Rupees should be liquidated by this special machinery. Creditors themselves were

to elect trustees who would wind up the estates vested in them under the supervision of the Court in the manner prescribed in the special Act which was to last for only two years. It is on record that as many as a hundred bankrupts, if not more, hastened to avail themselves of the "benefit of the Act" which indirectly gave great incentive to certain dishonest people to cook up their liabilities up to five lakhs by purchasing from the depressed share market for a song worthless securities and making entries in their books of their cost at the grossly inflated values at which they were quoted during the mania !

It goes without saying that on the First of July 1865 confidence and credit had almost disappeared from the city. Neither bankers nor merchants were trusted. Securities, which were purchased at heavy premiums only eight weeks ago, had now been quoted at large discounts, only Back-bays and Bombay Bank shares were nominally at par but there were no sales. Indeed it is a fact that all kinds of shares, good, bad and indifferent alike, had become unsaleable. But the day was the day of tender of hundreds of shares sold for delivery. So exceptional was the situation that neither sellers nor purchasers were in a position to do anything. The seller was a purchaser in turn and the purchaser a seller, while the shares bought and sold were almost all valueless. Some idea of the condition of these may be gathered when Back-bays, which were sold for Rs. 55,000 for 1st July, were

absolutely unsaleable at even their nominal par value of 5,000 Rupees ! Bank of Bombay shares, quoted at well-nigh 2,900 Rupees could not be sold even for 500 ! The saleability of the rest of the variety of shares may well be imagined. That was the dismal and forlorn situation. Yet the legal formalities of tender had had to be gone through. So Bombay, on 1st July 1865, presented a weird appearance. You met at every turn taciturn but gloomy faces. The only busy persons going about the streets were lawyers and lawyers' clerks, hurrying to and fro from bank to bank and office, armed with huge bundles of "time bargain" shares and transfer papers for purposes of "tender" in the legal acceptation of the term ! It was apprehended that there might be some squabbles or an economic riot. So the police had taken the precaution to post up an additional *posse* in the Fort to prevent any contretemps. It was indeed a black day. Even nature seemed to have assisted in heightening the gloom of depression which hung all over the city like a vast funereal pall. People conversed in whispers in the streets with woe-begotten looks as if to say "we shall yet see what we shall see." There was no saying then what to-morrow might bring forth, who might or might not fail, Bombay commercial world being so out of joint. The names of the best and the highest in that world were not deemed safe from the prevailing peril.

After 1st July the winding up of joint-stock concerns was the order of the day. Most went into voluntary liquidation but some were so scandalously

and fraudulently mismanaged that the indignant shareholders had compelled winding up under the supervision of the Court. The two most notorious of this character were the Alliance Financial and the Eastern Financial. The first could only come to a settlement with its creditors after a protracted negotiation. The compromise did not exceed 6 annas in the rupee and even to obtain the necessary amount in settlement of the claim a call of Rs. 100 had to be made on the unfortunate shareholders a large number of whom were absolutely in hopeless circumstances to pay anything. Thus this ill-fated corporation not only lost its own capital but had to call fresh capital to pay off its creditors at the rate of 6 annas in the rupee. The older class of concerns did their best to stave off the evil day, but it was inevitable that they should be wound up. Thus all closed their doors after a lingering period. That in most cases there was no return of assets goes without saying. Indeed shareholders deemed themselves fortunate who had no calls to pay. They were quite resigned with what they had lost; but they were not equally resigned to unstring their shrunken purses, where they had any purses still left. One of the most unfortunate aspects of these winding-up operations was this. Owing to the original allotment scrips with calls paid up having never been transferred to the names of the last holders, transfer books in most cases having never been opened, those who had parted with them twelve months before, came to be included as contributories where fresh calls had

to be made. It was indeed the acme of hardship to have to pay when they had lost their all and had besides remained indebted. Many therefore passed through the Insolvency Court, while many more got off with a nominal payment as compromise. Indeed compromise was the order of the day and it is well known that the average rate of compromises did not exceed at the best 4 annas in the rupee on the whole. In many a case debt was extinguished on the payment of one or two annas in the rupee.

Another aspect of the winding up affair may be noticed. It brought to the surface a tribe of voluble and noisy blackmailers. Wherever it was known that a company had been fraudulent, there was a strong opposition to its being wound up voluntarily. It was fomented by these blackmailers who found it an exceedingly paying game to oppose resolutions for voluntarily winding up and heaping all manner of epithets, abuses and calumny on the head of the directorate and management. The last were called rogues and rascals and swindlers on their face and they durst not bring action of libel, for their hands were no doubt far from clean. Aye, at some of the very stormy meetings, stools, chairs, books of accounts and papers were known to have been hurled at the directors and managers by some of the enraged shareholders prompted by this class of men. The files of the daily newspapers of the day bear ample evidence of the fact. The blackmailers had thus an easy time to earn money out of the wrecks. They

had only to threaten, bully and abuse to fork out the needed hush-money from the sinning directors.

There were many civil suits filed against directors and managers for either over-riding the Companies' Act or the Articles of Association or for breach of trust. In these suits they were held to be personally liable. But there was one successful criminal prosecution in connection with a concern known as the Commercial Finance and Stock Exchange. That prosecution conclusively established fraud against the Directors and the Secretary. The last absconded when a warrant for his apprehension was issued ; but two or three of the former were tried before Acting Justice Mr. Anstey who transported them for life while escheating their estates to the Crown. It was a stern example set to dishonest and fraudulent directors and managers and had the salutary effect of prompting other fraudulent directors and managers to escape prosecutions by disgorging some of their ill-gotten monies.

But if there were dishonest directors and managers it must be observed to the discredit of Bombay of the day that there were also dishonest liquidators—to such a low depth had commercial morality sunk. There was a rule heard in the High Court in connection with the liquidation of a certain financial association, but fortunately the liquidator escaped with the skin of his teeth.

The number of compromises effected was enormous, but it was inevitable. There was no

prospect of a debtor paying full sixteen annas or even four in the rupee. In most cases compromises were effected on the basis of a mere fraction of a rupee. The fact was every creditor was a debtor and every debtor a creditor. In the case of Joint Stock Companies, the following facts must be borne in mind :—

- (1) There were debtor companies with sufficient assets to pay the amount of compromise agreed upon with their creditors.
- (2) There were companies who having compromised with their creditors had no assets and were therefore obliged to collect the monies by making a call on their shareholders, their own debtors being almost all insolvent or run-aways.
- (3) There were companies with a class of contributories who even when they had compromised their calls were not able to collect sufficient assets.

Coming to private insolvencies, firstly, there were those who took the protection of the Court under the ordinary laws of insolvency. Their number was considerably large as the records of the Insolvency Court would testify. That Court did not fail to punish where insolvents were proved to have concealed their assets and otherwise acted fraudulently. Mr. Justice Anstey made a stern example of

them. His sentences were severe but no more severe than justified. Such was their rigour that an influential petition headed by the second Sir Jamsetji Jeejeebhoy (a son-in-law of whom was imprisoned at the time) was presented to Sir Bartle Frere to remove Mr. Anstey from the Bench. To the infinite credit of that Governor it must be said that he declined to respond to the ill-reasoned prayer of the memorial and in the bargain covertly reproved the petitioners. Commercial morality had to be purged of its sins, and no judge did it so well as Mr. Anstey. Many a fraudulent insolvent refrained from going to Court owing to the salutary fear which that able judge had inspired, and meekly compromised with his creditors. Thus the Court set an exceedingly rigorous example which was much appreciated by the honest public.

Next as to bankruptcies under the special Act XXVIII of 1865. As many as a hundred traders and speculators, if not more, availed themselves of the Act. Both honest and dishonest bankrupts hastened to take "the benefit" of that exceptional legislation knowing that it was to last only for two years. In many a case it was notorious that the minimum liability of 5 lakhs was made up of worthless securities, once valuable, bought when the share market was utterly depressed and when most of the scrips were hardly worth the paper they represented. It was the easiest thing for a dishonest insolvent to buy 1,000 shares at 1,000 Rupees and enter them in his schedule as having been purchased at Rs. 300 or

400 each ! So, too, with Back-bays and other Reclamation shares. And owing to the non-existence of transfer books among the majority of joint-stock concerns it was next to impossible to identify the *date* of the purchase so as to detect the *bonâ fide* of the insolvent's purchases of such shares. Thus it became easy for fraudulent bankrupts to swell their liability by representing securities at inflated values when they had actually been purchased for a song. What was meant for speedy liquidation was thus abused for a most dishonest purpose. Act XXVIII of 1865 became a by-word of reproach. Many indeed were the scandals with this class of bankrupts, how they used to have packed meetings, with solicitors on fat fees at their elbows, and friendly trustees supported by friendly but bribed fictitious creditors. The winding-up operations, too, were in many a case of a most perfunctory order, while, with a few honourable exceptions, the trustees also were hardly held in repute for anything like sterling integrity. Indeed trustees of the latter character were rather the exception than the rule.

Among the bankrupts whose estates were wound up under Act XXVIII of 1865, the most prominent were those of Premchund Roychund, Rustomji Jamsetji Jeejeebhoy, Premabhoy Hemabhoy, Karsandas Madhevdas, Cursetji Furdoonji, Dr. Diver, Atmaram Madhevji, Candas Narondas, John Gordon, H. B. MacCulloch, Merwanji Nusserwanji Bhow-nuggree and others.

But it is not known that any of the hundred and over bankrupt estates paid even one anna or two in the rupee. The average rate of distribution of the insolvents' assets ranged from 1 to 5 per cent. Premchund's estate did not pay more than $1\frac{1}{2}$ per cent., that is to say, a creditor of one lakh received the magnificent return of 1,500 Rupees! The average rate of dividend of estates under Act XXVIII of 1865 may be taken as an index to the dividend of the majority. There have been cases where no dividends have been paid and there has been a case where even a firm of *lawyers* never got their costs in full!

Those bankrupts who entered into private composition with their creditors paid a better dividend. It averaged between 2 and 4 annas in the rupee. The only bankrupt whose estate returned over 10 annas was that of the honest Byramji Hormusji Cama.

Such then is the story of the aftermath of the speculative fever of 1863-4-5.

The Bank of Bombay lost all its capital save a few lakhs which returned to the ruined shareholders about a hundred Rupees for every five hundred Rupees but which were once quoted at nearly 3,000 Rupees. Of the numerous banks many gave only a fraction of fractions as the return of capital, while the mushroom financials, save half a dozen, paid nothing. Some of them had to make a heavy call on the contributories. The Back-bay Company against

a paid-up capital of 5,200 Rupees, with a premium at a maximum of 50,000, returned 1,750 Rupees per share. From these facts some idea of the enormity of the colossal losses may be gathered. And as to the huge bankruptcies, it has been estimated that the liabilities of only 24 such amounted to 19 crores, while the liabilities of others came to 7 crores, or 26 crores in all! As an eminent journalist of the day observed: "everyone soon discovered that the nominal capital of the numerous companies in existence only represented so much paper-money; that a few shrewd men had first started banks and run up the shares to a premium and then obligingly started financials to lend money to other people to buy these shares from them. . . . When the crash came, there was nothing but paper to meet it, and the whole elaborate edifice of speculation toppled down like a house of cards. Men had been playing with counters, not using real money. . . . It might be easy to fix blame on individuals, but what satisfaction is there in that? There have been commercial panics elsewhere; *but probably no community ever went so entirely mad as Bombay did in 1864.* "It is pitiful to think of the blighted careers, the lives once full of promise, but now condemned to a hopeless and degrading bondage which must date their ruin from the fatal year 1865. . . . Seventy millions came into Bombay and what became of it?" That was the question asked. Very few have satisfactorily answered it. But there is no doubt that

many an old family of wealth and repute went to rack and ruin from which it never rose again to affluence. The crisis, however, cured Bombay of its malady, with this net result that on the *detritus* of 1865 there has been reared, after the liquidating process had been completed by 1872, a new fabric of credit, commerce and industry, on a sound foundation and of a most substantial character, the visible signs of which may be read in the eighty cotton mills and other numerous industrial and commercial concerns, and in the vast import and export trade amounting to 113·16 crore Rupees in 1909-10 but which is destined to grow steadily, bringing greater and greater prosperity to this great city which is indeed the Imperial City of all Asia.
