



CANARA BANK EMPLOYEES' UNION (Regd.)

(Affiliated to All India Bank Employees' Association)

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PLATINUM JUBILEE CELEBRATIONS – SPECIAL BULLETIN 1

Dear Comrades,

CAN HISTORY BE FORGOTTEN?

1906 - 1916

It can be argued that history, particularly individual events or details, can be forgotten, but the fundamental record of past events and their impact on society remains. Without knowing the past, there is no relevance of the present and it will be arduous to move towards a set future.

The history of banking in India, our Bank – Canara Bank, working class movement, our Unions – AIBEA and CBEU are replete with meaningful happenings, unhappy turmoil, unexpected challenges and ultimate successes.

The history of our Bank began in the year 1906 and is completing its meaningful existence of 120 years.

Our beloved organisation, All India Bank Employees' Association, has entered into the 80th year of successful and glittering journey and our own CBEU is celebrating its Platinum Jubilee.

The Platinum Jubilee Inaugural Function was held in a colourful way on 10th May 2025. In this Platinum Jubilee Year, commencing from this month – June 2025 – we are making an earnest attempt to trace and present the history through 12 bulletins, one bulletin each month. Each bulletin will cover a decade of events and activities of banking, Canara Bank, Trade Union Movement, AIBEA and CBEU in the country.

EVOLUTION OF BANKING IN INDIA

Globally, the story of banking has much in common, as it evolved with the moneylenders accepting deposits and issuing receipts in their place. According to the Central Banking Enquiry Committee (1931), money lending activity in India could be traced back to the Vedic period, i.e., 2000 to 1400 BC. The existence of professional banking in India could be traced to the 500 BC. *Kautilya's Arthashastra*, dating back to 400 BC contained references to creditors, lenders and lending rates. Banking was fairly varied and catered to the credit needs of the trade, commerce, agriculture as well as individuals in the economy. Mr. W.E. Preston, member, Royal Commission on Indian Currency and Finance set up in 1926, observed "....it may be accepted that a system of banking that was eminently suited to India's then requirements was in force in that country many centuries before the science of banking became an accomplished fact in England."

The phase leading up to independence laid the foundations of the Indian banking system. The beginning of commercial banking of the joint stock variety that prevailed elsewhere in the world could be traced back to the early 18th century. The western variety of joint stock

banking was brought to India by the English Agency houses of Calcutta and Bombay (now Kolkata and Mumbai). The first bank of a joint stock variety was Bank of Bombay, established in 1720 in Bombay. This was followed by Bank of Hindustan in Calcutta, which was established in 1770 by an agency house. The bank was closed down in 1832. The General Bank of Bengal and Bihar, which came into existence in 1773, after a proposal by Governor (later Governor General) Warren Hastings, proved to be a short-lived experiment. The first 'Presidency bank' was the Bank of Bengal established in Calcutta on June 2, 1806 with a capital of Rs.50 lakh. The Government subscribed to 20 per cent of its share capital and shared the privilege of appointing directors with voting rights. The bank had the task of discounting the Treasury Bills to provide accommodation to the Government. The bank was given powers to issue notes in 1823. The Bank of Bombay was the second Presidency bank set up in 1840 with a capital of Rs.52 lakh, and the Bank of Madras the third Presidency bank established in July 1843 with a capital of Rs.30 lakh. They were known as Presidency banks as they were set up in the three Presidencies that were the units of administrative jurisdiction in the country for the East India Company. The Presidency banks were governed by Royal Charters. The Presidency banks issued currency notes until the enactment of the Paper Currency Act, 1861, when this right to issue currency notes by the Presidency banks was abolished and that function was entrusted to the Government.

The first formal regulation for banks was perhaps the enactment of the Companies Act in 1850. This Act, based on a similar Act in Great Britain in 1844, stipulated unlimited liability for banking and insurance companies until 1860, as elsewhere in the world. In 1860, the Indian law permitted the principle of limited liability following such measures in Britain. Limited liability led to an increase in the number of banking companies during this period. The Presidency Bank Act, which came into existence in 1876, brought the three Presidency banks under a common statute and imposed some restrictions on their business.

SWADESHI MOVEMENT

The first Indian owned bank was the Allahabad Bank set up in Allahabad in 1865, the second, Punjab National Bank was set up in 1895 in Lahore, and the third, Bank of India was set up in 1906 in Mumbai. All these banks were founded under private ownership.

The *Swadeshi* Movement of 1906 provided a great impetus to joint stock banks of Indian ownership and many more Indian commercial banks such as Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were established between 1906 and 1913. By the end of December 1913, the total number of reporting commercial banks in the country reached 56 comprising 3 Presidency banks, 18 Class 'A' banks (with capital of greater than Rs.5 lakh), 23 Class 'B' banks (with capital of Rs.1 lakh to 5 lakh) and 12 exchange banks. Exchange banks were foreign owned banks that engaged mainly in foreign exchange business in terms of foreign bills of exchange and foreign remittances for travel and trade. Class A and B were joint stock banks.

The *Swadeshi* Movement also provided impetus to the co-operative credit movement and led to the establishment of number of agricultural credit societies and a few urban co-operatives. The evolution of co-operative banking movement in India could be traced to the last decade of the 19th Century. The late Shri Vithal L Kavthekar pioneered the urban co-operative credit movement in the year 1889 in the then princely State of Baroda. The first registered urban co-operative credit society was the Conjeevaram Urban Co-operative Bank,

organised in Conjeevaram, in the then Madras Presidency. The idea of setting up of such a co-operative bank was inspired by the success of urban co-operative credit institutions in Germany and Italy. The second urban co-operative bank was the Peoples' Co-operative Society in 1905 in Bangalore city in the princely State of Mysore. The joint stock banks catered mainly to industry and commerce. Their inability to appreciate and cater to the needs of clientele with limited means effectively drove borrowers to moneylenders and similar agencies for loans at exorbitant rates of interest - this situation was the prime mover for non-agricultural credit co-operatives coming into being in India.

After the early recognition of the role of the co-operatives, continuous official attention was paid to the provision of rural credit. A new Act was passed in 1912 giving legal recognition to credit societies and the like. The Maclagan Committee, set up to review the performance of co-operatives in India and to suggest measures to strengthen them, issued a report in 1915, advocating the establishment of provincial cooperative banks. The Committee endorsed the view that the urban cooperative societies were eminently suited to cater to the needs of lower and middle-income strata of society and such institutions would inculcate banking habits among middle classes.

BANKS IN SOUTH CANARA

The first branch of a modern bank established in South Canara was the Bank of Madras that set up its office in Mangalore in 1868, largely to cater to the business needs of a few British firms dealing with the export of plantation products like coffee and cardamom. By July 1876, the bank had branches in Cochin, Calicut, Bangalore, Bellary, Ootacamund, Nagapatnam, Colombo, Tellicherry, Guntur etc.

The Bank of Madras was one of the three Presidency Banks, the other two being the Bank of Bombay and Bank of Bengal. The Bank of Bengal was the first Presidency Bank to be set up in British India in 1806. In 1840, the East India Company started a second bank known as the Bank of Bombay. The Bank of Madras was incorporated in 1843. The Banks flourished like anything.

In the beginning of 1900s, the big British finance firm Arbuthnot & Co crashed in Madras (now Chennai). Money deposited in the Arbuthnot Bank was squandered by all concerned in a reckless manner. The Arbuthnot crisis had cascading effects and some immediate serious repercussions on two other companies – the Parry and Binny. The Arbuthnot & Co went into liquidation on 22 October 1906. IT WAS FELT BY THE LEARNED GENTLEMEN IN MANY PARTS OF THE COUNTRY THAT INSTEAD OF FOREIGN FIRMS DOING FINANCE BUSINESS, LOCAL INDIANS CAN DO BETTER, ASSERTING THE SIMPLE CASE OF INDIAN SELF-RESPECT.

Canara Banking Corporation (Udupi Ltd) – later known as Corporation Bank – now merged with Union Bank of India – was registered on 28 May 1906, the first bank to be started in the South Canara District.

FROM CANARA HINDU PERMANENT FUND LTD TO CANARA BANK LTD

As known to everybody, the roots of our Bank are in the South Canara.

The Canara Hindu Permanent Fund Ltd (Canara Bank) was registered on 01 July 1906 at Mangalore, founded by Sri Ammembal Subba Rao Pai.



The spadework for the establishment of the Canara Hindu Permanent Fund Ltd had been initiated as early as 1904. Earlier in 1894, some lawyers in Madurai along with some merchants had formed the Madurai Hindu Permanent Fund Ltd which, by 1904 had been doing very well. It was this Fund that served as a model for the Canara Hindu Permanent Fund Ltd.



After passing his BA Degree examination, our founder Sri Subba Rao joined the Law College, Madras. Subba Rao's name is associated with several institutions he helped found and among them are the Canara High School, the Canara Girls' School, the Canara Hostel, the Mangalore Union, the Depressed Classes Mission and, of course, the Canara Bank.

Indeed, he was probably a pioneer in the movement to eradicate untouchability in the country, preceding Mahatma Gandhi himself by a couple of decades. When Mrs Annie Beasant came to Mangalore for the first time, it was he who introduced her.

One of his contemporaries, P N Bhandarkar wrote an eloquent tribute to Subba Rao long after he was gone.

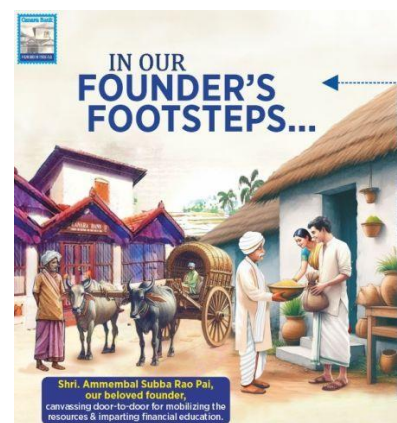
"His professional ethics were of a very high order. He would never encourage frivolous litigation. On the other hand, he discountenanced it by his sound advice. While the modern generation of young men at the Bar (Court) may play to the gallery with a view to earn encomiums and to please their clientele, Subba Rao was never guilty of such subterfuges. He was never lured by the riches and had no desire to amass wealth anyhow, but was inspired by a high ideal to serve his fellowmen, and in this aim he succeeded to a very large extent."

Within a very short period after founding the Canara Hindu Permanent Fund, he had begun to feel the cold breath of death. Throughout his adult life, he had been a victim of gout but always sailed through the attacks. On July 17, 1909 he had one of the severe attacks. He could not control the excruciating pain in the hip joint and larger joints of the body. By noon he succumbed to death.

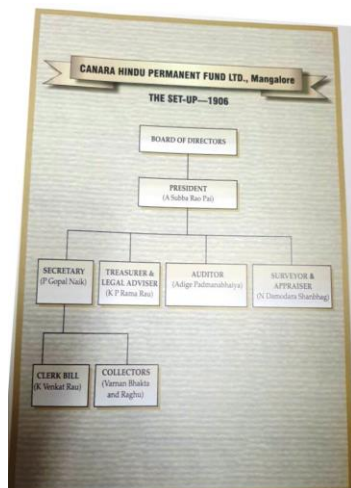
OUR PRANAMS TO THE GREAT VISIONARY AND NOBLE LEADER, LATE SRI AMMEMBAL SUBBA RAO PAI.

The name of Canara Hindu Permanent Fund was changed to Canara Bank Ltd in 1910.

At the beginning of the second decade of the previous century, our bank had to face the commotion caused to the banks in the years 1913-1914. Around 70 banks collapsed in a gap of five years. But the clientele reposed such confidence in the management that not only the bank remained unaffected by the crisis of bank failures elsewhere but emerged stronger than before. Through careful scrutiny and paying full attention, the directors of the bank were able to conserve its profits and build up considerably. They have recorded in the Directors' Report of 1915 as "In spite of the disorganisation in



the financial and commercial world consequent on the conditions of European War, the business was satisfactory and progressive".



In the first decade of growth, the figures of Canara Bank Ltd as at December 1915 was as follows: Paid-capital: Rs 1.94 lakhs, Reserves: 0.57 lakhs, Deposits: Rs 4.33 lakhs, Advances: Rs 6.17 lakhs, Investment: 0.28 lakhs and Net Profit: 0.31 lakhs.

PLIGHT OF WORKING CLASS IN THE 19TH CENTURY

When Britain consolidated its empire, British financial capital came to India. A network of railway lines and telegraph lines were laid. Plantations and coal mines were developed. Cotton textile and jute mills sprang up. The first cotton mill was started in Bombay in 1853. The first jute mill came up in Rishra in Bengal in 1858. The first rail road was laid in 1852.

By 1914, the number of industrial workers in India under the Factories Act was 85100.

In those days, it was the jungle law that prevailed. There was no limit on hours of work. Men, women and children were asked to work from 12 to 16, 18 and even 24 hours per day. There was no Sunday holiday, no starting or closing time. There was no factory law and when the electricity was introduced, sun rise and sun set lost its meaning to the Indian Working Class especially for those in the mines.

However, the Indian worker, though illiterate, peasant minded, caste divided, still began to fight back. In 1827 in Calcutta, Palanquin bearers went on strike. Ferry boatmen on the Ganges observed a solidarity strike. In 1862, railway operators went on strike in Howrah. At Nagpur in 1877, the Empress Mill Workers went on strike. In Bombay and Madras, there were 25 strikes between 1882 and 1890.

In 1905, a Hartal was observed by Government Press workers in Calcutta. Around 1909, strikes took place in Bombay Mills, East Bengal Railway etc. In 1908, for 6 days, 2 lakhs of textile workers in Bombay went on strike protesting against the arrest and conviction of Bal Gangadhar Tilak. It was this action that provoked Lenin to hail the Indian Workers and he wrote, "The Indian Proletariat has sufficient muscle to wage a class-conscious political struggle."

Comrades, the past is full of inspiration. We request our members to go through the Bulletins and get a glimpse of the happenings.

The bulletin of the next decade (1916-1926) shall be released on 10th July 2025.

With due courtesy to the books, A Banking Odyssey: The Story of Canara Bank by Sri M V Kamath and Seven Splendid Decades – History of AIBEA by Com P S Sundaresan (Former Vice President, AIBEA).

With Platinum Jubilee Greetings

B RAMPRAKASH
GENERAL SECRETARY