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Colonialism And The Evolution Of Modern Banking System In India

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Abstract: Banking and monetisation in India have a long history of evolution. The study argues that the evolution of banking systems in colonial India was shaped by intricate interactions between colonial and indigenous economic interests. Specifically, the article examines the colonial economic considerations that were decisive in reshaping indigenous banking practices. The British-designed institutions primarily served the growing demand for credit in international trade. The emergence of modern banking institutions provided necessary financial infrastructures necessary for a large-scale commercial appropriation of resources. Consequently, the modern banking system became the backbone of a colonial economy based on uneven integration. In 1947, Indian villages lacked access to modern banking services, highlighting the exclusionary nature of colonial financial institutions. This issue of unequal development prompted significant banking reforms, especially the formation of the State Bank of India. By reviewing the evolution of modern banking institutions in India from the mid-eighteenth century up to 1947, this article shows how colonial banking policies, driven by the interests of big business and commercialised agricultural activities created inequality in access to banking services. These contexts eventually necessitated post-independence policies aimed at democratising banking sector for universal access to banking facilities. One of the major results of the banking reforms was the nationalisation of banks in the 1970s.

Index Terms – Banking, Colonialism, India, monetary policy, hundi, Imperial Bank of India

INTRODUCTION

The British, when they started the colonial expansion in the mid-eighteenth century, encountered sophisticated banking and monetary systems in the subcontinent. There were different categories of indigenous moneylenders; rural moneylenders, urban moneylenders and large-scale private bankers. They engaged in various levels of money lending, money exchange and trans-regional transfer of money. Various caste and community-based banking and money lending were active everywhere including in small towns and villages. For instance, the Marwaris, the Nattukottai Chettiars of the Madras Presidency, the Khatris and the Aroras of the Punjab and the Bohras of Gujarat were some of the prominent caste groups traditionally involved banking activity. They also had community-based banking organisations to regulate the banking activity.

Major trading centres in the continent were connected by a network of *Kothis*, or agencies of *Shroffs* or merchant bankers (Bagchi 1997, 24) who had a close connection with the native ruling elites. Historian Rajat Kanta Ray used the term 'bazaar credit system' to characterise the indigenous banking activities that existed in India (Ray 1992, 13-14). A very limited number of banking firms had deposit facilities for safe keeping of money or to invest on behalf of the client (Bagchi 1997, 24). Majority of them operated banks with their own capital along with other trading activities. They also facilitated the transfer of funds across great distance in the subcontinent and beyond through the *hundi* system by charging a commission called *hoondian*. (Transferring of funds and commodities was extremely difficult with limited transport infrastructures and security measures). Historian Dwijendra Tripathi depicts the *hundis* as a sort of bill of exchange drawn by a party on his agent or correspondent elsewhere asking the latte to pay to the drawee a specified sum of money the equivalent of which the drawer must have already received' (Tripathi 2004, 18). The network of the *hundi* system was so extensive which connected Surat with Mokha and in the other side Surat with Java (Ray 1992, 13).

Money changing was another major sector where the indigenous money changers were active. India had a sophisticated monetary system with several species of metallic coins. Minting money was generally licensed to private individuals. In this free minting system, everyone was allowed to take the metal (mainly silver and gold) to the mint to convert it into coins. Minting of coins was a sophisticated task performed by highly skilled minting masters. In Bengal, the minting of money was a monopolistic right of the house of Jagatseths. The 'Sicca' rupee of Murshidabad state was the most effective in this category and was considered the standard coin for the money-changing activity in Bengal region for several years. In the Maratha region, minting was more like an industrial craft (Muranjan 1952, 21). Many individuals had licenses to mint coins. In South India also many individuals had the license to mint the gold pagoda, *panam* and other coins. Pagoda issued from the mint of the Nawab of Arcot had a premium above all other coins. The Arcot Nawab's pagoda was considered the most reliable coin and thus used for government payments.

The diversity existed that in the coinage made the monetary exchange a complex process. *Sharoffs* engaged in money changing activities by making remittances of money and issuing letters of exchange. After calculating the difference, the moneychangers discounted the variation and charged the premium called *batta*. In most cases, the moneychangers with state support, charged a huge premium for examination and exchange of coins. In the eighteenth and nineteenth centuries, the European-controlled banking system made indigenous banking into second-grade banking activities.

During the times of colonial dominance, Ray observes 'the redrawing of the economic boundaries of Indian society implied the monopoly of the upper tier by the European banks, shipping lines, and managing agency houses- a monopoly that relegated the bazaar bankers and merchants to the intermediate tier of the economy' (Ray 1992, 13). Disintegration of the Mughal power and the conflict between the western colonizers and native states and their political subordination to the British deprived the political influence of the Indigenous merchant bankers. The introduction of the monolithic silver rupee of 180 g troy 11/11 fine legal tender throughout British India in 1835 destroyed the dominance of the traditional *hundi* network. There were oppositions from the indigenous bankers against the unification of currency and in Bombay itself more than two thousand indigenous bankers petitioned against the move. (Muranjan 1952: 22). Currency unification eliminated the token coins like the Bengal *Cowries* (sea shells from the Maldives) from the money market. This also intensified the continual drain of silver from India to Britain.

The transport revolution of the nineteenth and early twentieth century, including inland water, road and railroad transport infrastructure development projects redrew the map of the *Hundi* network. The new trade routes established new market centres and consequently reduced the significance of the old trade centres. Major transformations in the communication systems, telegraph and telephone provided speed and accuracy to market information. This restructured the industrial-business activities but kept the indigenous bankers outside. The Paper Currency Act of 1861 restricted the power of private agencies to issue notes. This deprived the Indian banks of their power to issue notes. Despite all these efforts at colonial restructuring of the financial system, indigenous banking continued throughout and after the British period. While the formal British banking innovation served the big capitalists indigenous banking provided banking facilities for the majority of peasants and wage-earners. (History of the Indian joint stock banking after 1860 will be discussed in section 1.7: Indian Joint-Stock Banks).

EUROPEAN AGENCY HOUSES AND THE EVOLUTION OF FORMAL BANKING

After the battle of Plassey, the British colonial elites encountered the institutional development of banking and monetary administration to promote foreign trade as a challenging task. They found that the indigenous banking activities and money changing were 'unorganised' and inadequate to meet their commercial requirements. The Company promoted the European private agencies to develop professional institutions for financing the foreign trade, transfer of funds and the circulation of some standard coin. These professional managing agencies provided banking services for European merchants, ship owners, planters and governments. Established in 1770 in Calcutta the Agency House of Alexander &Co., the Hindustan Bank was the earliest European private banking enterprise in India. They had an initial capital of 25 lakhs in circulation. Failure of the Agency house Alexander &Co., compelled the bank to close down in 1832. The Bengal Bank and the General Bank of India which were established in 1785 were another eighteenth-century private European banking firms established in India. The bank had to close down in 1791 due to the chaotic political condition created by the Company's war with Tipu Sultan. Private banking institutions that emerged in Madras in the late eighteenth century were the Carnatic Bank (1788), the Madras Bank (1795) and the British Bank (1795). The majority of the early efforts at the European model of formal banking were not successful. By the 1830s, several of the agency houses had to close down due to major crises.

The resistance from the indigenous bankers and business failures in the early nineteenth century played a crucial role in the failure of the initial colonial attempt to establish the European model banking system. Moreover, modern banks failed to learn from the traditions and sophisticated financial practices that existed in India. The banking activities of the agency houses were limited to the major trade centres. The agriculture and internal trade in rural areas and small towns continued to depend to a large extent upon the services of the indigenous banks. After a major crisis faced by the managing agencies in the 1830s, the colonial interventions in banking sector were not remarkable until the transfer of power from the East India Company to the Crown in 1858.

EXCHANGE BANKS

The exchange banks finance international trade by issuing bills of exchange drawn by the exporter on the importer. Therefore, the exchange banks played a crucial role in a colonial economy based on the large-scale export of commodities. It was argued that capital and commodity had free mobility in the so-called *laissez faire* economy. However, the European-owned banking and monetary institutions that existed in British India were not favourable to the Indian economy. As intermediaries, the European exchange banks functioned to protect the interests of the British firms in India. The Indian rupee was made of silver standard while the pound sterling had gold standard. Moreover, they also had an unfriendly approach towards the Indian business. Therefore, the sterling-based import bills of the European exchange banks were unfavourable to the Indian business interests.

Foreign exchange was a major sector of the colonial Indian economy which handled the 'drain of wealth' from India to Europe. The British government in India had to pay a huge sum as a 'home charge' to the Secretary of State for India in London. The Secretary of State accepted the 'Home Charge' by issuing 'Council Bills' on the Government of India. The Council Bills were purchased in pound sterling by the Exchange Banks. They also engaged in selling Council Bills to the British Government in India for the payment to be received in England. The exchange banks made a huge profit in the process of buying the Council Bill in London and collecting rupee payments in India (Habib 2006: 115).

The Presidency Banks were not allowed to deal with the bill of exchange with foreign countries. The Indian private Joint-Stock Companies, barring a few, were unable to compete with the stronger foreign exchange banks. Before 1914, the Indian Specie Bank was the only Indian Joint-Stock Bank engaged in foreign exchange (Chandavarkar 1984: 782). Prominent among them were Chartered Bank of India, Australia and China (1853), the National Bank of India (1863), the Hong Kong and Shanghai Banking Corporation (1864), the Mercantile Bank of India (1893), and the Eastern Bank (1910). These professionally managed Banks with their bigger capital reserves enjoyed a near monopoly control in the foreign exchange affairs of India. Moreover, the British banks enjoyed protection in British India since the Indian Banking and monetary system operated under a legal system created by the British administration.

PRESIDENCY BANKS AND BENGAL, BOMBAY, AND MADRAS, 1806-1921

In the early 1800s, the Presidency Banks of Bengal, Bombay and Madras functioned as the primary banking institution across British India, which also encompassed Burma and the Indian Princely States (Bagchi 1997: 15). The Bank of Calcutta, which later became known as the Bengal Presidency Bank, was founded in 1806 with an initial capital of *Sicca* Rs. 50 lakhs, of which the government subscribed one-fifth of the capital.

Established by the Government of Bengal, the bank was intended to facilitate the trade operations for the English East India Company's trade activities. In 1809, it was officially rechartered by the Company and renamed the Bank of Bengal. The Company held a fifth of the bank's capital and had the authority to nominate three out of nine directors. By 1823, the bank received permission to issue banknotes, and in 1839, it was authorized to open branches. While it could handle domestic exchange transactions, it was not permitted to engage in foreign exchange operations.

The Presidency Banks of Bombay was founded in 1840, with a starting capital of Rs. 52 lakhs. Three years later, in 1843, the Presidency Bank of Madras came into existence, with a capital of Rs. 30 lakhs. These banks operated under the direct supervision of the colonial governments. European investors held the majority of shares in both the Calcutta and Madras Presidency Banks. However, Indian merchants owned a significant 37.5% stake in the Bombay Presidency Bank at its inception. Each of these three banks held exclusive rights to conduct banking activities for their respective presidency governments. Until the Indian Rebellion of 1857 and the subsequent shift in authority from the East India Company to the British Crown, the Company maintained control over the Presidency Banks of Bengal and Madras. These banks were authorised to issue currency within their regions until 1861.

History of the Presidency Banks after the War of Independence took a different turn. The new colonial government introduced a series of financial reforms that had a long-lasting effect on the Indian currency and banking policies. The merits and defects of the plural monetary system and restrictions on the issuing of notes emerged as a matter of discussion and led to major financial policy reforms. In addition to the changing colonial power structure, the American Civil War (1860-65) also significantly influenced the formation of the modern banking structure in India. The American Civil War caused a boom in the Indian cotton trade and gave a boost to the banking activities in India. Activities of the banks were also deliberated and reviewed in this context. Post-mutiny decade also witnessed large-scale movement of British capital towards India, mainly to invest in railways and plantations. These changes accelerated the banking and monetary reforms in the 1860s.

The Paper Currency Act of 1861 made restrictions on issuing of currency notes and this was made a government prerogative. But all the three presidency banks continued as agents of the governments to issue notes. The Presidency Banks lost many of their privileges due to strict financial regulations imposed by the new Imperial Order. Nevertheless, they were granted the exclusive right to manage government financial transactions (Muranjan 1952: 96) and were now permitted to deal in foreign exchange. These changes in banking and monetary policy contributed to the collapse of the Presidency Bank of Bombay during the 1860s. In response, the colonial administration facilitated its restructuring. This incident also prompted the government to reassess and modify its banking and financial strategies.

As a consequence, the Government of India enacted the Presidency Banks Act of 1876 to reconstitute the Presidency Banks of Bombay, Bengal and Madras. The Act restored most of the old restrictions which were imposed on the Presidency Banks. The Act prohibited the Presidency Banks from dealing the foreign exchange, long-term loans, and accepting security of immovable property (Habib 2006, 114). The Government withdrew its capital and relinquished its control over the management. However, the government retained its right to externally control the banks and maintained a certain minimum balance with these banks. However, Indian depositors, especially business firms began to prefer the Presidency Banks. Discriminatory treatment of the Presidency Banks towards Indians was evident in the process of granting credit and recovery of debt. However, the Bank of Bombay was different in this regard due to the established position of the Indian merchants and industrialists in Bombay (Habib 2006, 114). However, in Bombay, due to the powerful presence of the Indian merchants, the Presidency Bank favoured the big-Indian merchants but tended to avoid the local traders.

The opening of the Suez Canal in 1869 and the arrival of efficient steamships reduced the geographical distance speed from India to Britain, the major trading partner Britain. The revolution in the maritime transport infrastructure radically transformed the foreign trade and commercialization of the Indian economy. The Presidency Banks were the beneficiaries and promoters of the intensified process of commercialization (Bagchi 1997: 602). They started providing loans to the newly emerging modern manufacturing industries in the late nineteenth century.

During and after the First World War, the Presidency Banks began to face stiff competition from the exchange banks and the Indian joint-stock banks. Europeans began to massively send back the profits from their Indian Industries. At the same time, the India Industries began to emerge as significant competitors with the European firms. They were supported by the India joint-stock banks. These together created an intricate situation for the Presidency Banks. Increasing competition from other banking firms made the Presidency Banks to reconsider their earlier opposition to amalgamation to enhance its strength.

IMPERIAL BANK OF INDIA, 1921-1955

The Government of India enacted the by the Imperial Bank Act of 1920 to introduce major changes in the Indian banking sector. One of the key outcomes of this legislation was the merger of the Presidency Banks of Bengal, Bombay, and Madras into a single entity—the Imperial Bank of India—in 1921. According to Balachandran (1998: 318), the creation of the Imperial Bank was intended to fulfill the role of a central bank. On the other hand, Bagchi (1997: 604) suggests that the consolidation was a colonial tactic to prevent Indian interests from gaining control of the banking sector via the stock market. The Presidency Banks preferred to continue as unified commercial bank to support the British capital, not as a central bank for India.

The amalgamation also indicated the further tightening of the money market with the abolition of the currency circle and unification of the currency. The Bank began to control the supply of the apex money market while the majority of peasants and workers remained outside the mainstream money market. Functioning as a semi-central bank, the Imperial Bank took on responsibilities such as managing public debt and overseeing the general banking affairs of the Government of India. It also became the custodian of treasury balances and played a crucial role in facilitating government loans. To strengthen its connections with the India Office and the Bank of England, the bank established a London branch. Additionally, it launched an initiative to expand its presence by opening 100 new branches, primarily in smaller towns.
The Imperial Bank provided remittance services to other banks through its branch network. In 1926, the Royal Commission on Indian Currency (Hilton-Young Commission) suggested the formation of a central bank for India. The objective was to manage government banking operations and enhance the overall structure of the banking system.

With the formation of the RBI, Imperial Bank's London branch stopped functioning as the custodian of the cash balance of the Secretary of State for India. After 1935 this responsibility was given to the London branch of the RBI. With the formation of the RBI, the Government of India withdrew from the direct management of the Imperial Bank. However, the government retained its nominees in the governing body of the Bank. The Bank had made a major contribution to the post-World War I industrialistation of the Indian economy. The Bank extensively financed the internal trade by discounting the *hundis* of approved indigenous bankers (Panandikar 1975: 357). It also reduced the difference between the bank's *hundi* rate and the bazaar *hundi* rate. The Bank also supported the textile industry. In the 1920s and 1930s the bank engaged in the expansion of modern banking activities all over the country. In 1928 it had 202 branches and in 1945 the figure more than doubled to 433. Deposit of the Bank grew considerably up to one-third of the total banking deposit in India. The Imperial Bank, with all its special privileges, was the preeminent banking institution when India became independent in 1947. Thereafter, the Indian Constituent Assembly discussed the future of the bank. Specifically, the proposal to natinalise the Imperial Bank became a major subject of discussion in the Constituent Assembly. The Rural Banking Enquiry Committee of 1950 recommended governmental control over the Imperial Bank by reconstituting the management.

In 1953, the Government of India's Rural Credit Survey Report of the Government of India suggested to nationalise the Imperial Bank. The Report considered IB as a banking firm with the potential to provide banking facilities to remote Indian villages. It was also proposed to form a new State Bank of India by amalgamating the Imperial Bank along with ten major princely state banks: the Travancore Bank, the State Bank of Saurashtra, Bank of Patiala, Bank of Jaipur, Bank of Bikaner, Bank of Rajasthan, Bank of Baroda, Bank of Indore, Bank of Mysore and Hyderabad State Bank. Following this recommendation, the Government of India decided to form the State Bank of India b giving compensation to the shareholders of the Imperial Bank. The management of the Imperial Bank opposed the idea of State Ownership. The Government of India enacted the State Bank of India Bill on 30 April 1955. After a long process of discussion, the government decided to set up the headquarters of the Bank in Bombay.

THE SWADESHI MOVEMNT AND THE INDIAN JOIN-STOCK BANKS

In 1860, the Government of India permitted the beginning of Joint-Stock banks. Based on this new legislations, new banks were established to participate in the cotton trade activity. Another major incident helped the mushrooming of the private joint-stock banks was the American Civil War of 1860-1865. The Civil War resulted in a boom in Indian cotton trade and gave great hope to the financial institutions to take part in the flourishing cotton trade. But the mushrooming of banks came to an end in a short time. The sudden collapse of banks led to a significant loss of public trust in the banking system, resulting in the liquidation of several joint-stock banks. By 1870, only two Indian joint-stock banks had a capital reserve of 500,000 or more (Chandavarkar 1984: 779). Some of the most prominent joint-stock banks established during the late 19th century included Allahabad Bank (1865), Alliance Bank of Simla (1874), Oudh Commercial Bank (1881), and Punjab National Bank (1894). However, the expansion of joint-stock banks during this period remained slow due to recurring bank failure and structural weaknesses in the Indian monetary system.

An important phase in the history of Indian Joint-Stock banking began during the early 1900s with the rise of the Swadeshi movement. This was an Indian banking movement influenced by the idea of economic nationalism. The *Swadeshi* movement was an attempt initiated by the Indian extremist nationalists to oppose colonial rule. The movement included the violation of the exploitative British rules, the boycott of British goods and institutions and the development of their indigenous alternatives. Banking was an important sector where the nationalists tried to provide alternatives. Several modest efforts at *Swadeshi* banking with a capital reserve between 5 lakhs to 18 lakhs were established during the era of the *Swadeshi* movement between 1906 and 1913.

In the early twentieth century, Indian entrepreneurs made notable interventions in in joint-stock banking. The Company Act of 1913 was crucial for the future of the joint-stock banks. The Act failed to regulate the joint-stock banking activities. This led to unregulated activities and subsequent crisis in banking. The banking crisis of 1913-1917 affected the Indian banking movement which had a great momentum due to the *Swadeshi* movement. The crisis was intensified with the collapse of the People's Bank which was started in 1901.

The rapid proliferation of banks in western India, coupled with unregulated lending practices and a heavy reliance on deposits generation, contributed significantly to the instability. Intense competition among banks to attract deposits, poor investment decisions involving risky enterprises, and a general lack of professional enterprise in banking further exacerbated the situation. The inability of the Companies Act of 1913 to establish effective regulatory guidelines for banking institutions only deepened the financial crisis that unfolded between 1913 and 1917. There had been a brief period of relief to the bank crisis from 1918 to 1921. The relief encouraged another round of banking movement. The relief provided impetus to the industrial developments. But soon, the economic depression began to affect the banking activity.

A large number of Industrial firms began to emerge during and after the First World War. This increased the demand for industrial finance. The idea of industrial bank emerged in this context and resulted in the mushrooming of the Industrial banking firms in India. The prominent examples for the Industrial Banks were the Tata Industrial Bank (1917), the Central Travancore Industrial Bank (1919), the Indian Industrial Bank (1919), the Calcutta Industrial Bank (1919), the Industrial Bank of Western India (1919), the Gundulpet Industrial Bank (1920), the Mysore Industrial Bank (1920), the Simla Banking and Industrial Company (1921), the Karnani Industrial Bank (1921), the Raikot Industrial Bank (1921) and the Luxmi Industrial Bank (1923) (Arora 1992: 32). Commercial banks were also actively engaged in Industrial financing.

Inter World War Period was a critical era in the history of joint-stock banking. The banking crisis started with the liquidation of the Bank of United States in December 1930. Soon the crises affected other parts of the world. Britain abandoned the gold standard in 1931. These international events had a very serious impact on the Indian economy. There were 481 bank failures reported in the country in the period between 1913 and 1936. During 1937-48 620 more banks failed. A notable instance of bank failure occurred in 1938 with the collapse of the Travancore National and Quilon Bank. However, the period between the two World Wars and during the

Second World War also saw the establishment of several significant banking institutions. The Dena Bank, for example, was founded in 1938 by Pranlal Devkaran Najee. Similarly, in 1943, the United Commercial Bank was launched by a prominent Indian entrepreneur Birla Brothers. The Second World War had a considerable effect on banking operations in India, offering a temporary boost to both trade and industry. The mercantile and Industrial classes were the benefited section and a portion of their surplus capital was converted as banking capital. This resulted in an extraordinary growth of the Indian banking sector.

EVOLUTION OF THE CENTRAL BANK OF INDIA

The Reserve Bank of India Act was enacted in March 1934 with the aim of addressing the structural weakness within India's banking system. It sought to stabilise the value of the Indian rupee, develop a sound credit policy for the banking sector, and to oversee the functioning of other banks as the broader money market (Panandikar 1975: 428). The Great Economic Depression created a condition for strict regulation of the financial system. Until 1935 Indian banking system had a multiple reserve system, without adequate cash reserve to meet a sudden demand for the withdrawal of funds. However, the idea of central banking had a long history in colonial India. The British attempt to standardize the currency and their demand for a banker to the government with huge capital reserve formulated the idea of a central bank for India.

One of the earliest initiatives to establish a central bank in India was made by Warren Hastings in 1773. He proposed the creation of a 'General Bank of Bengal and Bahar (Bengal and Bihar), but this effort was short-lived and ceased operations by February 1775. Later, Robert Rickards, a member of the Bombay Government, suggested the formation of a 'General Bank' to serve as the banker to the Government. The concept of central began gaining importance in India only towards the end of the 19th century. In 1867, the bank of Bengal proposed merging the three Presidency banks to form such an institution. However, the British Government opposed this idea, aiming to safeguard the interests of European Exchange Banks by avoiding the creation of a powerful Indian bank.

The decline of British dominance in global trade during and after World War I significantly impacted India's banking and monetary system. Indian economy experienced major fluctuations in the export and import activities and commodity prices. Along with these a major harvest failure (1917-1918) and widespread influenza (1918-1919) deflated the Indian economy (Bagchi: 1997: 526). However, the British Indian Government's efforts were to support the British war efforts. The British Home Government's reluctance to issue gold against the Indian rupee and inability to supply silver destroyed the monetary and credit market. The British businessmen in general began to associate more with the foreign exchange banks. The Indian businessmen also became reluctant to depend on the Presidency Banks. The experience of World War I, along with the emergence of strong foreign competitors in the financial sector, pressured the Presidency Banks to reevaluate the idea of amalgamation.

The Partition of India in 1947, which led to the creation of the two separate states of India and Pakistan, gave rise to numerous complex challenges across various sectors. Among the most pressing concerns were the arrangements for currency and coinage, the management and exchange of public debt, the division and transfer of bank assets and properties, as well as the allocation of profits and liabilities. Initially, the Reserve Bank of India was entrusted with handling Pakistan's financial and currency affairs until September 1948; however, it fulfilled this responsibility only until July 1948. Eventually, both nations resolved most of the outstanding financial matters and established separate banking and monetary systems. However, the Partition and subsequent violence affected the banking activities in the border provinces.

CONCLUSION

The history of the formation of modern banking and monetary systems is one of the central components to understand the economic history of modern India. The modern banking institutions in India were initiated by British entrepreneurs in the late eighteenth century to meet their financial requirements in India. Since then, the two centuries-long evolution of the modern banking institutions were designed and regulated primarily by the British imperial preferences. The global financial instability brought on by the Great Depression further emphasised the necessity of a central bank to regulate India's financial institutions. However, the Indian joint-stock banks, especially the *Swadeshi* banks, industrial banks, and banking enterprises of the native states also influenced the evolution of modern banking institutions in India. Existing historical research on modern banking and monetization gave importance to these larger institutions and dominant practices. Further researches on small banking enterprises and monetary practices are required to get a complex picture of the evolution of modern financial institutions.

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