

**ANNEXE TO REPORT OF ROYAL COMMISSION  
ON INDIAN FINANCE AND CURRENCY.**

---

**Memorandum by Mr. J. M. Keynes on proposals for  
the establishment of a State Bank in India.**

---

CONTENTS.

|  | PAGE. |
|--|-------|
| I.—Introductory . . . . .  | 186   |
| II.—Outline Constitution so far as concerns the relation<br>of the Bank to Government, the powers of the<br>shareholders, and Decentralisation . . . . . | 187   |
| III.—Discussion of the Outline Constitution . . . . .  | 189   |
| IV.—Capitalisation of the Bank and Division of Profits . . . . .   | 196   |
| V.—Regulation of the Note Issue . . . . .  | 201   |
| VI.—The London Office and Remittance . . . . .   | 211   |
| VII.—Other functions of the Bank . . . . .   | 215   |
| VIII.—General Advantages of a State Bank . . . . .   | 217   |
| IX.—Some Adverse Criticisms . . . . .  | 222   |
| Appendix A.—The Relation of State Banks to their Governments . . . . .   | 224   |
| „ B.—State Banks and Private Capital . . . . .   | 227   |
| „ C.—The Division of the Profits of the Reichsbank . . . . .   | 228   |

---

*[This memorandum was drawn up in the summer of 1913 by Mr. J. M. Keynes, in collaboration with Sir Ernest Cable, at the request of their colleagues on the Royal Commission. It retains a form originally designed with a view to the private use of the Commission rather than to publication, and in a few passages where its subject overlaps with that of the Report it shows the influence of some conclusions tentatively reached by the Commission in the summer.]*