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(3) Initials of the Reference _____

MADRAS RECORD OFFICE.

Government of Madras.

Finance DEPARTMENT.

G.O. No. 332 Press / Mis.
45-46.
Dated 15-7- 1868.

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Not to be folded or roughly handled

Proceedings of the Madras Government, Financial Department, 15th July 1868.

No. 45. Proceedings of the Government of India, Financial Department, dated Simla, 18th June 1868, No. 537.

Currency.

RESOLUTION.—His Excellency the Governor General in Council having taken into consideration those portions of the report, dated 4th October 1866, by the Currency Commission, which relate to Paper Currency, observes as follows :—

The inquiry by the Commission seemed to show a desire on the part of most of the authorities consulted, for some modification of the existing Note Circles. This was apparent from the following passage :—

" Epitome of Mr. Onslow's Precis.

" *Question No.* 5.—Do you consider the present arrangement of Circles, with a separate Note for each Circle, well calculated to promote the reception of a Paper Currency by the Native population, and would you retain it ?"

Answer No. 5.—The unanimity and the decision of the answer in the negative to this question is very remarkable.

" *Question No.* 6.—If not, would you propose to increase the number of Circles (still retaining the plan of a separate note for each Circle) ? And if so, to what extent ? Or, keeping the present number of main Circles, would you establish Offices of Sub-Issue at the chief local Treasuries within each Circle where the Note should be convertible on demand as at the Head Office of Issue of the Circle ?

Answer No. 6.—Some would retain Circles and establish Offices of Sub-Issue where Notes could be cashed. Others think that there should be one Note convertible at every Treasury. Others, that Notes of inferior denomination should be convertible at all Treasuries, but that Notes of a high one should be only cashed in their own Circle. Others, that there should be one Note for each Presidency cashable at all Treasuries within the limit of the latter. Abolish the Circles.

" *Question No.* 7.—Or, would you prefer the plan of having one universal Note for all India to be convertible only at the Presidency towns, and at certain specified Treasuries ? Or, is there any other plan you would recommend ?

Notes of every Circle should be payable on demand at the Presidency towns, and at specified Treasuries where trade exists.

Answer No. 7.—Yes ; convertible at Presidencies and principal Treasuries. Others, in favor of universal Notes convertible at all Treasuries. Great preponderance in favor of one universal Note, if readily convertible."

With reference to the opinion of the Commission, "that the want of facilities for the encashment of Notes whether in the Circles proper, or when the boundary of a Circle has been passed, is clearly established, and that this want is a great bar to the utility of the Currency Notes"—the Commission observed that " it might be expedient—

" 1*st.*—To separate the Office of Currency Commissioner of a Presidency from the Mastership of the Mint—Vide evidence of Major Hyde, Currency Commissioner and Master of the Mint at Calcutta ;

" 2*nd.*—To enjoin the extension of facilities for the encashment of all Notes at all Treasuries up to a given small amount, say Rupees 200 ;

" 3*rd.*—To permit Treasuries a larger discretion, where this may be done without much chance of loss ;

" 4*th.*—To establish Offices of Sub-Issue at such places as may be approved of by Local Governments and Administrations for the purpose ;

" 5*th.*—To advise Accountants General not to exhibit too great a jealousy of remittances in Notes—*Vide* the Memorandum of the Lieutenant Governor of Bengal on this subject."

Further, in respect to the project of an universal Note of which encashment could be demanded at any of the principal Treasuries in India, as advocated by so many authorities, the Commission stated that " it is obvious that before such a change could be recommended, as the

introduction of an universal Note, a more detailed study of the subject is required than can be given to it by the Commission."

In respect to the five recommendations of the Commission as above quoted, the first does not press for determination; the second, third, and fifth have been carried into effect with a certain amount of advantage; no specific action has, however, yet been taken in regard to the fourth, of which the object is to establish additional Offices of Sub-Issue, with a view to facilitate and increase the convertibility of the Notes.

As regards the project of an universal Note, of which encashment could be demanded at all the principal Treasuries throughout India, this cannot at present be attempted for India generally. But the plan of having a Presidency Note (of which encashment could be demanded at all the principal Treasuries in each Presidency), though its practicability cannot as yet be affirmed, seems worthy of consideration.

In reference to the feasibility of a Presidency Note, and to the fourth recommendation of the Commission for establishing additional Offices of Sub-Issue, the following alternative schemes have been now under the consideration of the Government of India :—

The first scheme is—

I.—To have the Presidency Notes, that is, the Calcutta, Madras, and Bombay Notes, convertible by law, on demand, at all the principal Treasuries in each of the three Presidencies respectively; in other words, to have the Calcutta Note convertible as above at all the principal Treasuries in the Bengal Presidency; the Madras Note convertible at all the principal Treasuries in the Madras Presidency; the Bombay Note the same in the Bombay Presidency.

II.—To keep the existing Note Circles, and the arrangements therewith connected as they are.

III.—To have an auxiliary Note circulation for each Zillah or District; the said circulation to be of limited amount fixed for each district, the Notes to be issued through the Collector, and to be convertible by law, on demand, at every Sudder or District Treasury within the said Zillah or District.

The second scheme is—

I.—To have the Presidency Note as in the first scheme.

II.—To have, in substitution for the existing Circles, small Circles consisting sometimes of groups or two more Districts or Zillahs commercially or topographically connected with each other, and sometimes of single districts; to issue the Notes through a special Currency Officer in each Circle, and to declare the Notes convertible on demand at all of the Sudder or District Government Treasuries within each Circle.

The term "principal Treasuries," as described in the preceding paragraphs, should be taken to mean the Sudder Treasuries of the Districts or Zillahs through which there may run a Railway communicating with the Presidency town.

In both schemes the scope and object of the Presidency Notes are the same. For the general convenience of the public of all classes, the Notes would be certainly convertible over large tracts of country. In some cases, and to some extent, the facility for encashment thus afforded would be used for remittance. This would entail some cost and trouble to the State. It could hardly entail risk, because the Railway and Telegraph would, in extreme cases, furnish the means of ensuring the fulfilment of any engagements which could reasonably be expected to accrue under the circumstances. But the question is rather whether the cost and trouble would not be more than counterbalanced by the expansion of the Note circulation, which conduces to the benefit, not only of the people, but of the Government itself.

The object of the auxiliary District or Zillah Note circulation would mainly be to educate the middle classes generally to the use of paper-money. The fear is that as yet the Note circulation, however large in the aggregate, does not extend much beyond the travelling and trading classes, and has not reached the mass of the people. The idea is that the people would more readily use a Zillah Note issued, as they would consider, on the security of the Collector and his Treasury, with which they are so familiar, and convertible at the several District Treasuries to which they

Proceedings of the Madras Government, Financial Department,
15th July 1868.

so constantly resort. But manifestly such a Zillah circulation, if attempted, must be limited in amount for each district, must be quite separate from and additional to the Presidency and the Circle Notes; and would be purely local, and not available beyond the limits of the district. The Collector would be bound to keep specie for all, or nearly all, the amount of his issue of Notes. But if the attempt were made only in large districts, or districts on the line of Railway, and if the amount of issue were carefully limited for each district, the above condition might be fulfilled without any appreciable addition to the cash balances.

In the second scheme, the substitution of a Note circulation in small groups of districts, for the present Circle circulation, has much the same objects as those mentioned in the last preceding paragraph. The Notes would not be issued through the Collector, but through a special Currency Officer. But while the convertibility would be the same, the area would be larger, and the convenience to the people would be still greater than in the first scheme. But then the consideration would arise as to whether it would be safe to leave the issue of Notes for each of these smaller Circles or groups of Districts without limit as in the present Circles, or whether it would be necessary to limit the issue for each group in the manner proposed in the first scheme for each Zillah, and whether it would be necessary to fix the proportion of cash to issues to be maintained in each group.

Of the arguments in favor of the second scheme, there may be specially mentioned—

1*st.*—That it would be more convenient to have but two classes of Notes, viz., the Presidency Note, and the Note for the smaller circles or groups of districts; whereas, by the first scheme, there would be three classes.

2*nd.*—That if these Circles be kept within fairly moderate limits, the difference of risk, as respects means of convertibility between the Circle Note and the Zillah Note would be hardly appreciable.

3*rd.*—That the Zillah Note would be but of little use in meeting the encashment of Presidency Notes if presented in large quantities at one time.

4*th.*—That the Circle Note as above described would conduce to facilitate such encashment, as on the Presidency Note being presented in a Circle, the Circle Note would be readily taken in place of it, if the money remitted was meant for expenditure, or reserved in the Circle concerned.

5*th.*—That being watched over by experienced Currency Officers, the particular service would be more properly cared for, whereas Collectors and Magistrates are already over-burthened with their multifarious work.

ORDERED, that a copy of this Resolution be forwarded to all Local Governments and Administrations, to the Head Commissioner of Paper Currency, Calcutta, and to the Commissioners of Currency of Madras and Bombay, for early consideration and report on the two schemes above described.

(Signed) E. H. LUSHINGTON,
Secy. to the Govt. of India.

No. 46. ORDER THEREON, 15th July 1868, No. 332.

The Commissioner of Issue of Paper Currency, Madras, is requested to submit, for the information of this Government, a copy of the Report which he has been called upon to furnish direct to the Government of India.

(True Extract.)

Chief Secretary.

To the Commissioner of Issue of Paper Currency, Madras.
,, Accountant General.

Erd. J. Tulloch.

Financial 1868 Sept

GOVERNMENT OF INDIA.

FINANCIAL DEPARTMENT.

Currency.

Proc. 2 July

From

Secretary Govt of India

Financial Dept

No. 537.

Dated, Simla, the 18*th June* 1868.

Received 6 July.

2 & 6 No 310

Remarks & enclosure on the report of a Committee relating to Paper Currency

57 July 12 th. 4546.

No. 376—22.6.68.—70.

To be returned

No. 332 - 15 July 1868.

The Commissioners of Stamps
Paper Currency - Madras -
requisition to Contract for the
manufacture of this Government
- ment to copy of the Report
which he has been called upon
to furnish direct to the Secre
- tary to India.

For the Commissioners of Stamps Paper Currency
Madras.
Accountant General.