M.R.O. 77,000—6-6-38.

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(2) Date of repair 19-9-39.

(3) Initials of the Reference

MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. 261	Press Mis.
18-19	
Dated —	18 .

18-19 8/9

Not to be folded or roughly handled

1/10/39

Proceedings of the Madras Government, Financial Department,
5th August 1868.

No. 18. Read the following letter from the Commissioner of Issue of Paper Currency, to the Chief Secretary to Government, Fort Saint George; dated Madras Mint, 22nd July 1868, No. 1418.

With reference to Order of Government in the Financial Department, No. 332, of 15th July 1868, I have the honor to forward, for the information of Government, copy of a report I have this day addressed to the Secretary to the Government of India in the Financial Department on the measures proposed for improving the Paper Currency Department.

From the Commissioner of Issue of Paper Currency, to the Secretary to the Government of India, Financial Department, Simla; dated Madras Mint, 22nd July 1868, No. 1417.

I have the honor to acknowledge the Resolution of the Government of India, No. 537, 18th June 1868, calling for a report on two schemes for the improvement of the Paper Currency.

2. Both schemes provide for a Presidency Note to be by law convertible on demand at all principal Treasuries, and are, I understand, to be a legal tender throughout the Presidency. The first scheme having in addition the existing Note Circles, and an auxiliary note for each District or Collectorate; the second scheme providing, in addition to the Presidency Note, small Circles consisting of one or more Districts or Collectorates in lieu of the present large Circles.

3. With respect to the "Presidency Note," I have always regarded a "universal note for India" as an impossibility, and I look upon a Presidency Note, which shall be cashable on demand at all chief Treasuries which are on lines of Railway, as so beset with difficulties, and so serious an undertaking as to be almost impracticable, and certainly so except at a very unwarrantable expense in the large cash balances that would be necessary in many Districts whose trade with the Presidency is great, and in the loss of the *premium* on Accountant General's bills, by means of which surplus balances are now withdrawn from the Provinces, while legitimate Banking operations would be seriously interfered with; and yet, without some such provision for encashment, a "Presidency Note" as a legal tender would be a hardship rather than a convenience, but I am of opinion that a note of the Madras Circle, which, while being a legal tender only within the Presidency town and the adjoining Districts, so far as the public is concerned, but a legal tender to Government throughout the Presidency, and for the circulation of which the existing facilities should be afforded, would, in conjunction with notes of small Circles in lieu of the existing large ones, go far to meet the object that Government desire if the Circles are increased to 11, and if notes of 5 Rupees are at the same time introduced.

4. I attribute the small circulation of notes in this Presidency—first, to their having been unintelligible to the mass of the people, until less than twelve months ago when the issue of notes in the Vernaculars of Southern India commenced; and, secondly, to the lowest denomination, ten Rupees, being in excess of the monthly income and monthly expenditure of perhaps ninety-five per cent. of the population.

5. After full consideration I would give the preference to the second scheme modified as follows:—

1*st.*—The Madras Circle note to be a legal tender only within the "Madras Circle," and convertible by law only at the principal Treasuries in that Circle, that is, the chief Treasury of each District or Collectorate in the Circle, but to be a legal tender to Government throughout the Presidency, and Government to encourage its general circulation by requiring the Treasuries in every District to maintain a reserve of these notes for issue, and to afford the existing facilities for cashing them at all Treasuries, that is, so far as may be found convenient.

2*nd.*—The Circles to be increased to 11, including the Madras one, their notes being a legal tender between the public, each in its own Circle only, and at the Presidency town, but to be a legal tender to Government throughout the Presidency, and Government to afford the existing facilities for cashing these notes at all Treasuries to travellers only; the notes of each Circle being convertible on demand at all chief District or Collectorate Treasuries within the Circle, and to be convertible to the fullest available extent at all subordinate Treasuries in the Circle.

6. Special Currency Officers would not be requisite; the present system of the Treasury Deputy Collector as Executive Officer, under the Collector as Deputy Commissioner, and on a small extra salary, would suffice, so that under this head the additional expense would not be very serious, though it may prove considerable in the cost of transit of notes and specie. It would be unsafe, I consider, to invest any portion of the up-country Circle reserves for some time to come, and it may be necessary to increase the reserve at Madras, in order to meet the notes of so many more Circles on presentation, and consequently to forfeit the income arising from investments; nevertheless, I would expect the remaining income to cover the cost of the Department.

7. The following arrangement of Circles would, I think, answer well :—

		Office of Issue.	Notes convertible at
I.	Ganjam.....	Ganjam...	Ganjam. Madras.
II.	Vizagapatam...	Vizagapatam	Vizagapatam. Madras.
III.	Godavery..... ..... Kistna..... ..... Nellore.....	Masulipatam...	Cocanada. Masulipatam. Nellore Madras.
IV.	Bellary..... ..... Kurnool	Bellary...	Bellary. Kurnool. Madras.
V.	Madras..... ..... North Arcot... ..... Cuddapah..... ..... Salem.....	Madras.....	Madras. Chittoor. Cuddapah. Salem.
VI.	Canara... ..... Malabar .... Coorg.....	Mercara in Coorg.....	Calicut. Mangalore. Mercara. Madras.
VII.	Malabar..... ..... Coimbatore.....	Calicut.....	Madras. Calicut. Coimbatore.
VIII.	Neilgherry Hills.....	Ootacamund.....	Ootacamund. Madras.
IX.	South Arcot.. ..... Tanjore..... ..... Trichinopoly.....	Trichinopoly....	Cuddalore. Tanjore. Trichinopoly. Madras.
X.	Madura..... ..... Tinnevelly...	Palamcottah.....	Madura. Palamcottah. Madras.
XI.	Mysore Territory.....	Bangalore.....	Bangalore. Madras.

8. Such an arrangement would, I have no doubt, in a great measure meet the object of Government intending to render the notes more popular and to familiarize the people with the use of paper money; but there can be no doubt that the increased facilities for obtaining notes, and for their encashment, will chiefly augment their use as inland bills of exchange, and that in the carriage of bullion to principal Treasuries, which are not head offices of issue, there will be a considerable expense to Government.

Ootacamund, strictly speaking, would not be recognised as a principal Treasury, but yet its importance in a general scheme of this kind would be admitted, and as it is a place where there is a great demand for coin in exchange for notes, it seems desirable that it should have an office of issue, as the return of its own notes from all other quarters for cash will be unobjectionable.

Mercara in Coorg is a similar case, and the notes issued there might, I think, from the relation of Coorg to both Canara and Malabar, be cashable at Calicut as well as at Mangalore.

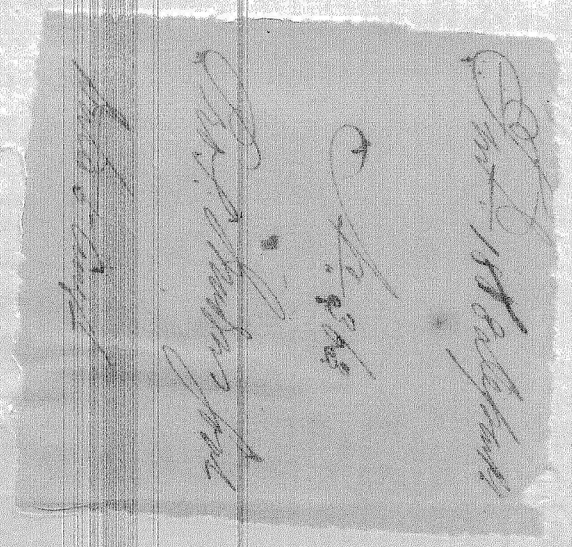
9. I have fixed the offices of issue chiefly with reference to the situations of branches of the Madras Bank, through which there will be great facilities for returning notes from the town of Madras.

(True Copy.)
(Signed) J. CARPENDALE.
Commissioner of Issue of Paper Currency.

No. 19. ORDER THEREON, 5th August 1868, No. 363.

To be recorded.
(True Extract.)
R. S. ELLIS,
Chief Secretary.

Ed. J. Tulloch.



Paper Currency Office
Madras Mint, 22d July 1858.

No 1417.

From

Colonel J. Carpenter, R.E.
Commissioner of Coins
& Paper Currency.

To.

The Secretary to the
Government of India
Financial Department
Simla

&c &c

1. I have the honor to acknowledge the Resolution of the Government of India, No 537, 18th June 1858, calling for a report on two schemes for the improvement of the Paper Currency.

2. Both schemes provide for a "Residency Note to be by law convertible on demand at all Principal Treasuries, and are understood to be a legal tender throughout the Residency. The first scheme having in addition the existing Note Circles, and an auxiliary note for each District or Collectorate, the second scheme providing for addition to the Residency Note small Circles consisting of one or more Districts or Collectorates instead of the present large Circles.

3. With respect to the "Residency Note" I have always regarded a "universal note for India as an impossibility, and I look upon a Residency note which shall be cashable on demand at all chief

chief Treasuries which are on lines of Railway as to be beset with difficulties, and so serious an undertaking, as to be almost impracticable, and certainly so expensive & so very unwarrantable expenses in the large cash balances that would be necessary in many Districts whose trade with the Presidency is great, and in the loss of the premiums on Accountant General's bills by means of which surplus balances are now withdrawn from the Provinces, while legitimate Banking operations would be seriously interfered with; and yet without some such provision for encashment, a "Presidency Note" as a legal tender would be a hardship rather than a convenience, but I am of opinion that a Note of the Madras Circle which, while being a legal tender only within the Presidency Towns and the adjoining Districts so far as the Public is concerned, but a legal tender to Government throughout the Presidency, and for the circulation of which the existing facilities should be afforded, would, in conjunction with notes of small Circles in lieu of the existing large ones, go far to meet the object that Government desire. if the Circles are increased to 11 and of notes of 5 Rupees at the same time introduced.

4. I attribute the small circulation of Notes in the Presidency: first to their having been unintelligible to the mass of the people until less than twelve months ago when the issue of notes in the vernaculars of Southern India commenced, and secondly to the lowest denomination (ten Rupees) being in excess of the monthly income and monthly expenditure of perhaps ninety five per cent of the population.

5. After full consideration I would give the preference to the second scheme modified as follows-

1st. The Madras Circle note to be a legal tender only within the "Madras Circle" and convertible by law only at the Principal Treasuries in that Circle that is the chief Treasury of each District or collectorate in the Circle, but to be a legal tender to Government throughout the Presidency, and Government to encourage its general circulation by requiring the Treasuries in every District to maintain a reserve of these notes for issue, and to afford the existing facilities for cashing them at all Treasuries, that is, so far as may be found convenient.

2nd. The Circles to be increased to 11 including the Madras one, their notes being a legal tender between the Public each in its own Circle only, and at the Presidency Towns, but to be a legal tender to Government throughout the Presidency, and Government to afford the existing facilities for cashing these notes at all Treasuries to travellers only. The Notes of each Circle being convertible on demand at all Chief District or Collectorate Treasuries within the Circle, and to be convertible to the fullest available extent at all Subordinate Treasuries in the Circle.

6. Special Currency Officers would not be requisite: the present System of the Treasury Deputy Collector a executive Officer, under the Collector of Deputy Commissioner, and no small extra salary would suffice, so that under this head the additional expense would not be very serious though it may prove considerable in the cost of transit of notes and Specie. It would be necessary to consider to what extent any portion of the upcountry Circle reserves for some time to come, would it may be necessary to increase the Reserve at Madras in order to meet the notes of so many more Circles on presentation, and consequently to forfeit the income arising from investments, nevertheless I would expect the remaining income to cover the cost of the Department.

7. The following arrangement of Circles would I think answer well -

	Office of Issue		Notes convertible at
I	Ganjam	Ganjam	Ganjam Madras
II	Vizagapatam	Vizagapatam	Vizagapatam Madras
III	Godavery Kistna Nellore	Masulipatam	Cocanada Masulipatam Nellore Madras
IV.	Bellary Kurnool	Bellary	Bellary Kurnool Madras
V.	Madras Nortkarcot Cuddapah Salem	Madras	Madras Chittoor Cuddapah Salem
VI.	Canara Malabar Coorg	Mercara in Coorg	Calicut Mangalore Mercara Madras
VII.	Malabar Coimbatore	Calicut	Madras Calicut Coimbatore
VIII.	Neilgherry Hills	Ootacamund	Ootacamund Madras
IX.	South Arcot Tanjore Trichinopoly	Trichinopoly	Cuddalore Tanjore Trichinopoly Madras
X.	Madura Tinnevelly	Palamcottah	Madura Palamcottah Madras
XI.	Mysore Territory	Bangalore	Bangalore Madras.

8. Such an arrangement would I have no doubt in a great measure meet the object of Government in striving to render the notes more popular and to familiarize the people with the use of Paper money, but there can be no doubt that the increased facilities for obtaining notes and for their encashment will greatly augment their use as inland bills of exchange, and that in the carriage of Bullion to Principal Treasuries which are not Head Offices of issue there will be a considerable expense to Government.

Ootacamund strictly speaking would not be required as a Principal Treasury but yet it

its importance in a general scheme of this kind would be admitted, and as it is a place where there is a great demand for coin in exchange for notes it seems desirable that it should have an Office of issue as the returns of its own notes from all other quarters for cash will be unobjectionable.

Mercara in Coorg is a similar case, and the notes issued there might I think from the relation of Coorg to both Canara and Malabar be cashable at Calicut as well as at Mangalore.

9. I have fixed the Offices of issue chiefly with reference to the situations of branches of the Madras Bank through which there will be great facilities for returning notes from the towns of Madras.

I have &c &c

(Signed) Farquhar
Commissioner of Issue
of Paper Currency.

(True Copy)

Farquhar
Commissioner of Issue
of Paper Currency.

G.C.

Paper Currency Office

No. 1418 Madras Fort St. George, 22nd July 1868.

From

Colonel J. Carpendale, R.E.
Commissioner of Issue
of Paper Currency

To

The Hon'ble R. S. Ellis
Chief Secretary to Government
Fort St. George.

Sir,

With reference to order of Government in the Financial Department, No. 332 of 15th July 68, I have the honor to forward for the information of Government copy of a report I have this day addressed to the Secretary to the Government of India in the Financial Department on the measures proposed for improving the Paper Currency Department.

I have the honor to be
Sir
Your most obedient Servant

J. Carpendale
Commissioner of Issue
of Paper Currency.

Encl.

Encl. Letter to the Govt. of India, Financial Dept. dated 22nd July 1868.

Rec'd 24th July 1868. No. 1418.

Rec'd 25th August 1868. No. 1418.

Ans. 25th August 1868. No. 332.

Prot: 15th July/68 Pgs 45-46.

Proc. of Aug 1.

Financial 1868 Department

365

From.

Commissioner of Issue
of Paper Currency.

To.

The Chief Secretary
to Government.
for Lt Governor.

Dated 22nd July 1868
Read 27 July 1868
No 1418 / No 349
Enclosure No 1

Forwards copy of report addressed to the Government of India on the measures proposed for improving the Paper currency Department.

5th August 1868 No. 363.

Recorded

Copy referred to the Accountant Genl. & P.W.D.

C 30 July
A 4 Aug=

18. 19.