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MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. 550	Press Mis.
104-106	
Dated 30-11-	1868.

104-106 10/10

Not to be folded or roughly handled

No. 550.

FROM

THE HONORABLE R. S. ELLIS, C. B.,
Chief Secretary to the Government of Fort Saint George,

To

THE SECRETARY TO THE GOVERNMENT OF INDIA,
FINANCIAL DEPARTMENT.

SIR,

In continuation of my letter of the 9th instant, No. 506, I am directed to transmit copies of letters from the Reverend R. Caldwell and Mr. A. P. Streenevassa, two of the gentlemen to whom your Circular of the 29th July 1868, No. 1335, was communicated, expressing their views on the subject of extending the system of Government Savings' Banks.

I have the honor to be,
Sir,
Your most obedient Servant,

FORT SAINT GEORGE,
30*th November* 1868.

Chief Secretary.

From the Reverend R. CALDWELL, L. L. D., Missionary, S. P. G., to the Chief Secretary to Government, Fort Saint George ; dated Edeyengoody, 12th November 1868.

I have the honor to acknowledge the receipt of an Extract from the Proceedings of the Madras Government, Financial Department, dated 25th August 1868, together with an Order of Government thereon, No. 388, requesting an expression of my opinion respecting the practicability of extending the system of Government Savings' Banks in this Presidency.

2. The Government of India do not seem to have been aware that Government Savings' Banks have already been established in this Presidency, not only in the Presidency town, but also in the interior of the country. A Government Savings' Bank has been in existence in this district (Tinnevelly) for a considerable time, under the charge of the District Treasury Officer, and I presume that similar Savings' Banks have been established in the other districts also. It must be admitted, however, that the operations of the Savings' Bank already in existence in this district have hitherto been very limited.

3. Though a very small amount of business has hitherto been done by the District Savings' Bank in Tinnevelly, as also I presume by the Savings' Banks in most other districts in the Mofussil, I am of opinion that if the rate of interest allowed were raised to 5 per cent., and if a liberal percentage were allowed to the District Treasury Officer on all deposits, as an encouragement to him to make the existence and advantages of the Savings' Bank more widely known, in accordance with the recommendation of the Government of India, the number of the depositors might be expected steadily to increase.

4. There is no country perhaps in the British Empire in which there is so wide an opening for the operations of Savings' Banks as India, and I am certain that there is no country in which the advantages accruing from the system would be found to be greater. A Government Agricultural Bank, or system of making Government loans to agriculturists on the security of land, is equally required, and would be equally advantageous ; but I restrict myself at present to the question in hand—a system of Banks for the deposit of savings. I restrict myself also to the consideration of small transactions, such as those which Savings' Banks are meant to facilitate. Large transactions of 1,000 Rupees and upwards are generally managed by Native bankers, of whom there is a considerable number in every district.

5. A prodigious number of small loans are made, and small debts contracted, by the poorer classes of the community every where, involving a prodigious amount of trouble, anxiety, and loss. I think it probable that there is not one head of a family in the country, however poor, who has not either borrowed money from his neighbours, or lent them money, or both borrowed and lent. I have inquired in the village in which I live, which contains a population of nearly 1,000, and found that every house-holder in it has either borrowed or lent ; that the greater number have both

borrowed and lent; and that, with but few exceptions, the sums borrowed or lent have been under 50 Rupees. This is in exact accordance with the impression produced in my mind by the common talk of the people in every other village with which I am acquainted, so that I think the statement I have made may be accepted as generally true with respect to the Native community every where. The first thought of every person who finds that he has a little money in his hands is to make jewels with it for his wife and children. That imperative necessity having been provided for according to the requirements of his position in life, his next thought is to lend out whatever money remains at the highest rate of interest he can obtain, and this is his one thought whenever he finds any spare money in his hands at any subsequent time. Women follow the example of the men, and the contagion extends even to the lowest grade in the community. The widow lends to her neighbours the 30 Rupees of which she finds herself possessed on her husband's death, and the agricultural serf, after settling with his master for his year's labor at the close of the harvest and paying off his liabilities, lends to another serf less fortunate than himself the 2½ Rupees that he finds remaining in his hands. People may intend eventually to devote the surplus cash of which they find themselves possessed, especially if it be of considerable amount, to some purpose connected with their occupation—the agriculturist, to improving his cultivation; the trader, to extending his dealings—but, as some months may elapse before they are quite ready for this expenditure, and as they are surrounded by neighbours and friends who know the existence of the ready cash and are anxious to see it put to good use, they find it impossible to resist the temptation of lending it out till such time as it will be required.

6. The high rate of interest promised is the inducement by which people are led to lend out so readily every Rupee they can spare. The ordinary rate of interest paid in this District for loans of 100 Rupees and upwards, on what is regarded as good security, is 12 per cent. per annum, but a much higher rate of interest is offered for small loans: 18 or 24 per cent. is very common, and it is a very common thing for loans to be made at seed time to be paid in kind at harvest at a rate which is nominally 50 per cent. for the use of the money for half a year, but which in reality runs up to a still higher figure.

7. The grand objection Natives will feel to depositing their spare cash in Saving's Banks is the low rate of interest that is offered, which at present is only 3¾ per cent. Even if the rate were raised to 5 per cent. as the Government of India propose, it would not at first sight appear any great attraction to people who have been accustomed to rates that are three, four, or five times as high; but I am persuaded that if measures were adopted to explain to the people every where the advantages connected with Government Savings' Banks, they would ere long come to prefer a low rate of interest with security to high rates with risk.

8. In a large majority of cases in which small sums of 20 Rupees and under are lent out on high rates of interest, either the interest cannot be recovered, or the principal disappears with the interest, or there is a partial loss either of interest or of principal; and if in some few cases both principal and interest are recovered without loss, it will be found that this has not taken place without much trouble and repeated quarrels and months of anxious suspense, perhaps not without some sort of compulsion having been brought to bear upon the debtor, so that, though eventually it has turned out that there was no loss, it cannot be said that no risk was incurred. I think I may conclude, therefore, that if all these small loans could be reckoned up and the amount of interest realized could be averaged, it would appear that the average rate of interest actually obtained is much less than that which is offered by Government Savings' Banks on Governmental Security. Lending money is to the poorer classes of Natives the charm of a lottery. They are allured by the prizes of 18, 24, 30, or even 50 per cent. which they hear that some fortunate creditors have succeeded in obtaining, and flatter themselves into the belief that the losses that they have heard of were exceptional cases, and that their own speculation is sure to turn out a fortunate one; but it would not be difficult to prove to them that this system of speculative lending is as ruinous to the community as the system of lotteries certainly is, and that what is ruinous to the community cannot be safe for individuals.

9. In most cases of small loans no security whatever is asked or given. There is no written record of the loan; even the precaution of having witnesses present when the money is lent is not thought of. To demand security, or even to ask for a written acknowledgment of the debt, is regarded as inconsistent with friendship and good faith. The agreement is private and verbal; and people trust one another's bare word for both principal and interest with a simple faith which would be very pleasing to witness were it not that in a large majority of cases it is proved by the result to have been simple credulity. These debts are rarely repudiated; but it comes to nearly the same thing in the end if they are not paid. Civil process is rarely resorted to for their recovery. When dunning fails, when imprecations cease to frighten, the only process of which the creditor avails himself is to lay his case before influential neighbours, and endeavour to induce them to use their influence with the defaulting debtor.

10. There are certain classes of persons amongst the Natives to whom the perfect security of Government Savings' Banks would prove a special boon.

These are widows, orphans, sickly or weakly people, simple minded people—all, in short, who are unable to battle with their debtors, and to whom small gains with a quiet life are better than large gains, or the uncertain prospect of large gains, with continual trouble and vexation. Savings' Banks would also prove a special advantage to persons in better circumstances who find themselves with a sum of money in their hands which they will require some time afterwards to meet an expected demand, or who hold money in trust for Associations or individuals. If Natives who wish to invest safely the money which has come into their possession, and who will be content with a moderate rate of interest, were made acquainted with the advantages which are offered to them by Government Savings' Banks, they could hardly fail to avail themselves of those advantage as readily as Europeans similarly circumstanced are accustomed to do.

11. The Government Savings' Bank in this district may be said to be as yet unknown, except to Europeans and East Indians, and the native officials connected with the Huzzoor. Only a very small number of Natives in the interior of the country have ever heard of its existence; but, as a proof that a few Natives at least do know that it exists and appreciate its advantages, I may mention that, only a few days ago, a Native of these parts, now in Ceylon, sent me 300 Rupees, with a request that it should be deposited for him in the Government Savings' Bank in Palamcottah.

12. All that is necessary, as it appears to me, to bring the Bank into notice and increase the number of depositors is to offer, as the Government of India propose should be offered, interest at 5 *per cent.* on all deposits, *without deduction for expenses*, and that a more liberal percentage should be allowed on all deposits to the Officer in charge of the District Treasury by whom the business of the Savings' Bank will have to be transacted, and on whom it will devolve to take measures to make known the existence of the Savings' Bank and its advantages in every part of the district, and to all classes of the people. The Government of India propose to give only one-eighth per cent. as a reward to the District Officer, but though this may suffice in the Presidency Towns, it will form no appreciable encouragement in the interior, where the Savings' Banks, though already established, remain yet to be popularized. One per cent., till the number of depositors has considerably increased, would be more reasonable.

13. I approve of making one Rupee the minimum amount that will be received in deposit, and 1,000 Rupees the maximum amount that will be received from any person during any one year. I also think that when the principal and interest standing at credit of any depositor amount to Rupees 2,500, the amount should be invested in Government Securities. I am of opinion, however, that it should not be at the option of the depositor whether this investment is made or not, as it is only by having the use of considerable deposits that the Government can be recompensed (and even then it can only partially be recompensed) for its expenditure in the shape of the interest paid on small deposits and the management expenses.

14. I do not think it necessary at present that a local Board should be appointed for the purpose of managing the affairs of the Savings' Banks, and I should deprecate the idea of allowing each Branch Savings' Bank to govern itself. The success of the system amongst the Natives of this country will depend in a considerable degree upon each Savings' Bank being regarded strictly as a Government Institution, under the immediate management of servants of the Government.

15. With the exception of the particulars I have mentioned, I have not observed any thing in the proposed rules which appears to me to be open to improvement or to call for any remark.

From Mr. A. P. SHREENIVASSA, to the Chief Secretary to Government, Fort Saint George; dated———.

In reply to the Proceedings of Government, No. 388, dated the 25th August last, I have the honor to submit the following opinion as to the practicability of extending the system of Government Savings' Banks to the stations in this Presidency where branches of the Madras Bank and District Treasuries are established.

2. Upon a due consideration of the subject in all its bearings, I come to the conclusion that in the present state of things the system will meet with little or no success in the interior of the country.

3. The chief object of the system is to afford to the poorer classes a safe depository for their savings, and to induce among them habits of prudence and frugality ; and, in order to gain this end, a certain rate of interest is offered upon deposits as a bonus or encouragement, with certain restrictions as to time, amount, and other matters. Now the practical question is whether the Native poor, upon whom the success of the institution must mainly depend, will appreciate, and freely avail themselves of, the advantages which it offers. I feel very little hesitation in answering it in the negative, and this for more reasons than one.

4. The Native's desire for high interest, and his love of ease, will prove the greatest obstacle to the successful working of the system. In almost every village in the country there are to be found a few men who have a little spare money, and this they double and treble in an incredibly short period by lending it to their needy neighbours upon interest, which is seldom, if not never, less than 12 per cent. per annum. To such men the Savings' Bank offers no advantage. On the contrary, the interest allowed by it will be comparatively very low, and the trouble and expense of an occasional trip to the station where the Bank is established will be positively disagreeable.

5. There is another trait of Native character, which, I think, will prove highly detrimental to the success of the system, I mean an undue love of display. A Native, whatever may be his means and position in life, considers a wife and children well adorned, and a house well furnished with metalic utensils, the *sine qua non* of respectability ; and, consequently, he indulges in this vanity to a degree often bordering upon extravagance, and does not think of saving any portion of his income at all.

6. One who is free from this love of display generally wishes to observe the greatest secrecy possible in regard to his wordly possessions from fear of taxation and other causes. To him also, then, it will be a source of inconvenience and annoyance to deposit his money in a public Bank.

7. As regards Europeans and East Indians, I have only to observe that their number in provincial stations is so very small that it will not be worth while to extend the system to those stations on their account.

8. District Treasuries have for some years been used as Savings' Banks, and the following tabular statement will show with what small measure of success the arrangement has met, at least in the District of Tinnevelly.

1	2				3			4			5	6			7
Average number of deposits for the last three years.	Average number of depositors for the last three years.				Average amount deposited during the last three years.			Average amount withdrawn during the last three years.			Average number of withdrawals within the last three years.	Average amount of interest paid within the last three years.			Average number of deposits transferred to Government Paper within the last three years and their amount.
	Natives.	Europeans.	East Indians.	Total.	RS.	A.	P.	RS.	A.	P.		RS.	A.	P.	
$36\frac{2}{3}$	$6\frac{2}{3}$	3	$1\frac{1}{3}$	11	7,201	0	0	4,891	10	$3\frac{1}{3}$	$14\frac{2}{3}$	33	11	10	.....

Ed. J. H. Burns.

1868.

FINANCIAL DEPARTMENT.

From The Chief Secretary to Government, Fort Saint George.

To The Secretary to the Govt. of India, Financial Department.

Dated 4th December 1868.

Recd.

No. 560. Enclosure.

DECEMBER.

Nos. 4-5.

Communicating the opinion of this Government on certain questions in regard to the extension of the Money Order system.

5

From

A. D. Shuttleworth, Esqre.

To

The Honorable R. S. Ellis
Chief Secretary to Government
Fort St George.

1 In reply to the Proceedings of Government, No. 388, dated the 25th August last, I have the honor to submit the following opinion as to the practicability of extending the System of Government Savings Banks to the Stations in this Presidency where Branches of the Madras Bank and District Treasuries are established.

2 Upon a due consideration of the subject in all its bearings I came to the conclusion that in the present state of things the System will meet with little or no success in the interior of the Country

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to induce among them habits of pru-
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as a means of encouragement,- with
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1	2	3	4	5	6	7
Average number of Accounts for the last 3 years.	Average amount of each account for the last 3 years.		Rs.	A.	P.	Average number of Accounts opened each year.
36 2/3	Salem	6 1/3	1,807	10	5 1/3	14 2/3	33	11	10	0.
	Erode	1 1/3								
	Coimbatore	3								
	Dharapuram	1								
222		11	7201							

I have the honor to be
Sir,
Your most obd.t Servant
A. Sheppard

13

Simla
Financial Department
The 9th November 1868.

My Dear Ellis

I am desired by Sir Richard Temple to request the favor of early attention being given to the subjects noted in the margin, as the Governor General in Council desires to dispose of them before the end of December..

Proposal to extend the money order system throughout British India
Proposal for some modification of existing Currency Circles
Extension throughout India of the system of Govt. Savings' Bank –

I am
Yours Sincy

Ed. W. Lushington

The Secy to the Govt of Madras



Survey Order System

(6)

Council 1/12
/ Friday /

Rec'd 15 Dec

Simla 1868. Department

No. 550

To

The Secretary to the
Government of
Department.

Dated 30th Nov. 1868.

Transmitting copies of letters from the Revd. R. Caldwell & Mr. A. F. Greeneyasa, expressing their views on the subject of extending the system of the Govt. Savings Banks.

1868.

Financial DEPARTMENT.

From

The Chief Secretary to Government,
Fort Saint George.

To

The Secretary to the Govt. of India,
Financial Department.

Dated 30 ~~October~~ November 1868.
Recd.

No. 520
Enclosure.

November
104. 10 to

Transmitting copies of letters from the Revd. R. Caldwell & Wm. A. P. Shreenivassa, Esq. - pressing their views on the subject of extending the system of the Govt. Savings Banks.