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MADRAS RECORD OFFICE.

Government of Madras.

Finance DEPARTMENT.

G.O. No.	594	Press / Mis.
Dated	7-12	1869.

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Not to be folded or roughly handled

16-10-39

Proceedings of the Madras Government, Financial Department,
7th December 1869.

Read the following papers :—

No. 14. From the Head Commissioner of Paper Currency, to the Chief Secretary to Government, Fort Saint George, dated Calcutta, 30th October 1869, No. 451.

I have the honour to forward copy of a letter, No. 1987, dated 17th July 1869, from the Secretary to the Government of India, Financial Department, and with reference to its 2nd paragraph regarding the abolition of the Branch Circles of Issue of Trichinopoly and Vizagapatam, I shall feel much obliged by your favouring me with the views of His Excellency the Governor in Council on the subject.

2. It appears that the Districts of Trichinopoly and Vizagapatam do not use Currency Notes to an extent sufficient to authorize the expenditure now incurred in keeping up the separate issue at those places, and it might be possible to arrange for the issue of the Madras Circle Notes by a less expensive machinery, still in quite sufficient numbers to meet the wants of the country.

3. I am not conversant with the working of local Treasuries in Madras, but being of opinion that whenever notes are issued they should be readily given on the instant asked for, without any unlocking of boxes or resort to strong rooms, and that much of the use of notes is dependent on the facilities afforded for conversion, I would suggest for consideration, if it would be practicable to conduct an issue of Madras Notes in Trichinopoly and Vizagapatam from Government Treasuries by means of one man specially appointed on the Treasurer's responsibility, but paid by the Currency Department.

4. I am not aware of the directions in which coin moves, but if it moves from Madras to the Districts of Trichinopoly and Vizagapatam, it will be for consideration how far Madras Notes can be cashed in those towns, and how far the issue of notes can be arranged for in the course of Treasury adjustments without entailing the positive transport of coin.

Referred to the Accountant-General for report, in communication with the Commissioner of Paper Currency.

(Signed) H. E. STOKES,
Under Secy. to Govt.

FORT SAINT GEORGE,
11*th November* 1869.

No. 15. From F. LUSHINGTON, Esq., Accountant-General, to the Chief Secretary to Government, Fort Saint George, dated Fort Saint George, 27th November 1869, No. 269.

Budget and Resource Department.]

With reference to Mr. Under Secretary Stokes' endorsement on a letter from the Head Commissioner of Currency, Calcutta, dated the 11th instant, I have the honour to submit copy of a letter from Dr. Bellew, the Commissioner of Paper Currency, Madras, dated the 23rd instant, in which he refers me to the opinion already expressed by him in his letter* to the Head Commissioner of Paper Currency, dated 27th August last, as to the inexpediency of retaining the Currency Circles of Trichinopoly and Vizagapatam or even Calicut.

* Printed in Proceedings of the Madras Government in the Financial Department, dated 8th September 1869.

2. In this opinion I am unable to concur, as it appears to me that, if we are ever to win the confidence of the natives in the paper currency, we shall have to increase rather than diminish the number of the places at which the notes are absolutely convertible.

3. As observed by the late Currency Commissioner Colonel Carpendale, Dr. Bellew, when stating the annual saving to Government by the abolition of these circles, has altogether omitted to mention that each of them has over one lac of rupees invested in Government paper, the interest of which, as will be seen from the enclosed Memorandum, more than covers the cost of the Deputy Commissioner's salary as well the establishment and contingent expenditure in the case of the Vizagapatam Circle, and but for the fortuitous circumstance of the Trichinopoly Circle having had to remit a large amount of silver to the Head Office on two occasions† the entire expense of that circle would also have been more than covered.

† October 1868.
January 1869.

4. The large influx of silver into the Deputy Commissioner's Treasury at Trichinopoly was, as remarked by Colonel Carpendale, the result of the agreement between the Government and the Bank of Madras, by which the latter took over the whole of the surplus collections of the Tanjore District, which proving more than was sufficient for the Bank's requirements, a portion thereof was remitted to Madras in notes. Had it not been for that agreement, however, the Government would have had to bear the charge of remitting silver to the extent of thirty lacs from Tanjore to Madras, instead of a few lacs from Trichinopoly, and the cost of those two remittances may, therefore, fairly be omitted when calculating the expense of maintaining that circle.

5. The proposal to abolish these two circles is, in my opinion, the more to be regretted at the present time, as it is in contemplation to reduce the balances in all our District Treasuries to the lowest point consistent with the actual requirements of the public service; and it will, therefore, not unfrequently happen that notes presented at the treasuries to be exchanged for silver will be refused from want of sufficient funds. A very few instances of such refusal on the part of Treasury Officers to cash notes will naturally shake the confidence of the holders in their convertibility, and effectually check the small progress which we have already made in educating the masses of the people in the value of a paper currency.

6. With reference to Colonel Hyde's inquiries in the 3rd and 4th paragraphs of his letter, I beg to state that the Collector's present Treasury Establishment is, in my opinion, sufficient to insure the prompt issue of notes to all applicants without the aid of a Special Officer paid by the Currency Department. The Madras Circle Notes will, I apprehend, be used almost exclusively for remittance transactions in payment of produce consigned from the districts to Madras, and at certain seasons of the year they will doubtless be presented in considerable numbers to be exchanged for silver. But for the reasons stated in the preceding paragraph the Collectors will very frequently be obliged from the state of their treasuries to refuse to receive notes, and the uncertainty as to their convertibility will probably lead to their gradual disuse for remittance purposes. The issue of Madras Circle Notes in the district comprised within the Vizagapatam Circle will, I fear, be next to nothing, and not very large in those within the Trichinopoly Circle.

From P. F. BELLEW, Esq., Commissioner of Paper Currency, to the Accountant-General, Fort Saint George, dated Madras Mint, 23rd November 1869, No. 1501.

With reference to your letter, No. 5169, dated 17th instant, requesting my opinion on the proposed abolition of the Branch Circles of Issue at Trichinopoly and Vizagapatam, I have the honour to state that I have already given it, in my letter to the Head Commissioner of Paper Currency, Calcutta, No. 1081, dated 27th August 1869, copy of which was forwarded to the Madras Government, and printed in their Proceedings, Financial Department, No. 414, dated 8th September 1869.

2. A statement showing the average daily issues and payments of Currency Notes at the three Circle Offices of Issue for the past two years is herewith annexed.

	Average daily issue of Notes.		Average daily receipts of Notes.	
	No. of Notes.	Value of Notes.	No. of Notes.	Value of Notes.
		Rs.		Rs.
One year from 1st November 1867 to 31st October 1868.				
Calicut	91	6,460	95	6,480
Trichinopoly	42	5,260	48	3,420
Vizagapatam	30	2,280	31	1,800
One year from 1st November 1868 to 31st October 1869.				
Calicut	93	7,990	94	7,610
Trichinopoly	45	7,280	65	8,560
Vizagapatam	44	4,600	46	4,490

3. The two enclosures which accompanied your letter are herewith returned.

Statement showing the Monthly Expenditure of Trichinopoly and Vizagapatam Circles in 1867-68 and 1868-69.

	Vizagapatam.			Trichinopoly.				Vizagapatam.			Trichinopoly.		
	Rs.	A.	P.	Rs.	A.	P.		Rs.	A.	P.	Rs.	A.	P.
1867.							1868.						
April	375	6	6	385	4	0	April	354	13	0	400	15	0
May	383	11	6	388	4	4	May	357	10	6	279	1	0
June	366	12	1	335	15	9	June	426	10	6	304	12	6
July	356	3	0	385	1	0	July	334	0	0	375	8	0
August	357	3	0	390	8	0	August	334	0	0	379	1	0
September	357	0	6	431	1	3	September	334	9	0	377	9	0
October	357	4	0	387	8	0	October	354	13	2	1,011	3	6
November	360	3	6	300	0	10	November	368	12	6	365	13	0
December	421	7	0	421	11	0	December	359	7	6	289	6	8
1868.							1869.						
January	363	13	9	375	15	6	January	952	8	0	1,740	11	9
February	356	13	6	374	2	0	February	364	6	0	359	2	0
March	356	5	6	342	8	10	March	352	8	6	358	4	6
Total	4,412	3	10	4,518	0	6	Total	4,894	2	8	6,241	7	11

(Signed) F. LUSHINGTON,
Accountant-General.

No. 16. From P. F. BELLEW, Esq., Commissioner of Paper Currency, to the Chief Secretary to Government, Fort Saint George, dated Madras Mint, 23rd September 1869, No. 1217.

In advertence to paragraph 2 of the Order of Government, No. 414, of the 8th instant, I have the honour to explain that, by the expression "local authorities" therein alluded to, I did not mean to refer to the local Government, but rather to Officers in charge of District Treasuries, my object being to show that, in the absence of the considerable trade possessed by Bengal and Bombay, this Presidency was chiefly dependent on the exertions of its District Officers for the development of the Government Paper Currency.

2. In Lower Bengal there are several Europeans settled in the interior who are largely engaged with the natives in the manufacture of indigo, silk, tea, and in the purchase of country produce, all which businesses require a considerable amount of capital and tend materially to the use of paper currency among the trading and agricultural classes quite independently of any effort in this direction on the part of the local authorities there; but in Madras the case is different, and the paper currency in my opinion, therefore, requires greater facilities to be afforded to it by Government to enable it to attain a proper development.

3. Currency Notes I find are used largely by the European Houses of Agency in Madras, in payment to native merchants for cotton, sugar, &c.; but as a rule these notes do not go into the interior, simply on account of the difficulty that is there experienced of converting them into coin, even the branches of Madras Bank that have been established in this Presidency charging a commission for cashing a Government Currency Note as may be seen by accompanying correspondence.

4. The Calcutta Circle of Currency includes Bengal Proper, Behar, Orissa, and Assam—a larger and more populous area than the entire Madras Presidency. Experience has shown that no inconvenience results from this extended area, whereas small circles like Vizagapatam and Trichi-

nopoly are found rather to retard development, which I consider is a strong argument in favour of substituting one Currency Note for the whole Madras Presidency.

5. If it were notified that the Madras Currency Note was only legally payable at the Office of Issue at Madras, but that every facility would be given by Government to their utmost ability for its encashment at either of the twenty-three District Treasuries of this Presidency, there can be no doubt that notes would circulate much more freely in the interior than at present, not only to the convenience of the public, but to the profit of Government. For by cashing notes freely at all treasuries they would to a great extent, in the ordinary course of business, supply their own requirements in the way of paper currency, thus saving Government the expense of transporting, from district to district, large sums of coined money to effect this purpose.

From the Acting Commissioner for the Neilgherry Hills, to the Currency Commissioner, Madras, dated Ootacamund, 3rd August 1868, No. 2.

I think it possible that you may not be aware of the practice that the Ootacamund Branch of the Madras Bank has adopted of making a charge for the receipt of all Currency Notes.

I beg, therefore, to bring to your notice that, on paying in Currency Notes to credit of my account with them, I was credited with the nominal amount, *minus* five-eighth per cent. upon ten and twenty-rupee notes, and three-fourth per cent. upon all notes above those denominations.

2. Considering that Government is a large shareholder in the Bank, and that the Bank in a greater or lesser degree enjoys the character of a Government establishment, and the benefit of the Government deposits, it seems anomalous that a branch of the Bank should depreciate the value of the Government Note, and restrict its circulation.

From the Agent of the Branch Bank at Calicut, to the Commissioner of Issue of Paper Currency, Madras, dated Calicut, 8th March 1869, No. 12-530.

I beg to return the letter of the Deputy Commissioner of Paper Currency, Calicut, forwarded with your letter of the 5th March. If the Currency Officials at Calicut give me notice the day previous on each occasion of a holiday, a good deal of the inconvenience experienced by me, when the Currency Office has been closed, will be obviated.

2. This will not be the case so far as the public is concerned, for when the Currency Office is shut, I invariably charge a small commission for cashing notes, except when presented by the Bank's constituents.

Forwarded to the Officiating Accountant-General, in continuation of G. O., dated the 8th instant, No. 414, for any remarks he may desire to make.

FORT SAINT GEORGE,
28th September 1869.

(Signed) R. A. DALYELL,
Actg. Secy. to Govt.

No. 17. No. 195.

MEMORANDUM.

The undersigned has the honour to state that the practice of charging commission on cashing and issuing Currency Notes has been declared to be improper by this Department in its letter to the Secretary of the Bank, No. 210, dated 17th April 1868, and that a further letter has been this day sent to that gentleman calling upon him at once to put a stop to the practice by the issue of a Circular addressed to all the Bank's Agents who have the charge of Government funds and conduct its business. There can be no doubt that this practice is calculated to throw great discredit on, and to retard the free circulation of, Government paper most materially, and it should be, therefore, put

a stop to without delay in all Departments connected with Government. The remarks in the report which the undersigned had the honour to submit on the 25th instant are, it is submitted, corroborated by those of the Currency Commissioner now under notice, and he has nothing further to add on the subject.

FORT SAINT GEORGE,
29th September 1869.

(Signed) R. W. LODWICK,
Offg. Accountant-General.

To the Chief Secretary to Government, Fort Saint George.

No. 18. From the Officiating Accountant-General, to the Chief Secretary to Government, Fort Saint George, dated Fort Saint George, 25th September 1869, No. 190.

Having, as ordered, consulted with Colonel Carpendale, I have now the honour, in accordance with the instructions contained in Government Order, No. 414, of the 8th instant, to report as follows:—

2. The points to be considered seem to me to be—

1st.—Whether the establishment of a single Currency Note for the whole Madras Presidency would be attended with advantage, and if so, whether it would be feasible to introduce such a note.

2ndly.—Whether any satisfactory reason can be assigned for the circulation of Currency Notes being limited in the Madras Districts, and any remedy for this unsatisfactory state of things can be suggested.

3. I am of opinion—though Colonel Carpendale does not think so—that it would be a very great advantage to have a single note for the whole Madras Presidency; for I consider the facilities which would be afforded by the change for carrying money about from one part of the Presidency to the other would certainly in a very short time be appreciated by the people, and I think the education of the masses in the use of paper money would be perfected more readily by showing them that a note like a rupee was current everywhere, than by confining its currency to certain limits. At the same time I admit that the difficulties in the way of introducing the measure are of the most serious nature, and I am inclined to think that these difficulties would be greatly increased were either of the Madras Currency Commissioner's suggestions followed, viz., that a note should be refused payment on the plea of no assets the tenderer being requested to go elsewhere for his money, and that a periodical Notification of the amount available for the payment of notes should be published in the *District Gazettes*.

4. Both these suggestions appear to me eminently calculated to make the public distrust rather than appreciate Government paper, for no man would like to take a note if he felt he could not make certain of being paid when he presented it at a treasury where the note professed to be payable, and no one could make sure that the sum advertised might not be exceeded at the time when he wanted money for his notes. The certain payment, therefore, of the note according to the terms of its issue must, in my opinion, be a *sine qua non* of the introduction of a single note for the Presidency in place of the notes now issued for the four circles, if it is desired to increase the profit of the Currency Department largely by making notes pass as freely as coin, and thus admit of the system being worked with an increased invested reserve.

5. Turning next to the feasibility of the proposal for a single note, I beg to observe that I see but one way in which such a measure could be introduced, viz., by making none but notes of the smallest denominations payable at the Taluq Treasuries.

6. It is clear that to enable notes to be freely paid on presentation a reserve of coin must be kept at each treasury, and, therefore, if notes of every denomination are issued worded as at present, that is made payable everywhere, it would be quite impossible to provide reserves to meet the demand. But if Government covenanted to pay none but notes of the smaller denominations

at their Taluq Treasuries, I think arrangements might be made to keep sufficient money on hand to meet with certainty the liabilities which it would incur.

7. I shall return to this part of the subject when I have examined the second point on which I am required to report, as my meaning will then be better understood.

8. Turning to this second *point I beg to state* that, in my opinion, the reasons for the *unsatisfactory condition of the* currency circulation are threefold :—

1*st*.—That there are no notes of sufficiently small value to meet the wants of the poorer classes.

2*ndly*.—That the poorer natives do not like notes because they are perfectly in the dark as to their meaning, and, therefore, are in the hands of money changers and others who charge discount for changing notes, and doubtless do all they can to insure themselves profit by throwing discredit on the notes they change.

3*rdly*.—That notes are known by the better informed not to be at present compulsorily payable by Government except at Currency Offices.

9. The remedies I propose, therefore, are—

1*st*.—That five-rupee notes should be introduced ;

2*ndly*.—That the form of note now in use should be altered ; and

3*rdly*.—That Government should admit its liability to give coin for certain notes at all times at their treasuries throughout the Presidency.

10. It is clear, I think, that a ten-rupee note can be of very little use among the poorer classes. No poor native is likely to get as much as ten rupees at one time. He may receive five rupees, but ten rupees is a sum which not one man out of fifty is likely to receive in a single payment. The ten-rupee note, therefore, is not adapted to pass readily from hand to hand—the first requisite for the success of a paper currency.

11. On the other hand no native who is ignorant of English has the same assurance which a person who understands English has of the worth of the paper which he holds. He sees indeed ten rupees in the corner of the note in his own language, but that is all. He does not, as does the man who understands English, see that the Government agrees to pay the holder of the paper, be he who he may, ten rupees. This, in my opinion, is a great want in the Currency Notes, and does more than anything else to lead the poor man to the Sowcar, who is considered no doubt to run a considerable risk in giving coin for paper, the absurdity of which belief would be apparent if the meaning of the note were thoroughly understood. I cannot help thinking that the result would be the same in England, and that a note drawn up in say Welsh or Gaelic with the amount only entered in English in one corner would never obtain a free circulation among the masses even though known to be issued by Government, so that it is hardly reasonable to expect that a note printed in English will be appreciated by natives ignorant of the language.

12. I respectfully beg to propose, therefore, that every Madras Currency Note should have printed on it in English, Telugu, Tamil, Malayalum, and Hindoostanee the following words—(*Vide* form annexed) :—

In five and ten rupees notes "any Treasury" in twenty rupees note and upwards "any Huzoor Treasury."

"I promise to pay the bearer on demand at (see margin) in the Madras Presidency the sum of ——— Rupees.

13. I would also have Her Majesty's effigy in one corner as on the old notes, thus giving the paper more the appearance of MONEY among the poorer classes than it has at present.

14. These changes, which might easily be effected, would make every holder of a note who could read, or who had a trustworthy friend who could read, perfectly certain that he bore a document which bound the State down to pay him a certain sum, and in this way would I think at once increase the value and circulation of notes.

15. I would also recommend that in every *District Gazette* it should be notified for a length of time, and that outside every village Cutcherry, District, Treasury, and Police Tannah, a notice should be pasted in Hindoostanee and the language of the district as follows :—

"Notice is hereby given to the public that all Currency Notes will be cashed in full on presentation at the places noted thereon, viz. :—

Five and ten-rupees notes at any Government Taluq or Huzoor Treasury, and at the Madras Bank.

Twenty-rupees notes and upwards at all Huzoor Treasuries and at the Madras Bank."

16. I now return to the subject of my sixth paragraph.

17. Taking for granted that the necessity of making none but five and ten-rupees notes payable everywhere is recognised by Government, I would suggest—

1*st*.—That the coin reserve at all the circles be amalgamated and increased by fifteen lacs taken from that kept at the Presidency, which would bring the whole sum up to 29 lacs of rupees.

2*ndly*.—That this be distributed in carefully-calculated proportions to each Collectorate throughout the Presidency, certain districts such as Tanjore and Tinnevelly being supplied with a great deal more coin than others to meet the demand likely to be made on them owing to local causes.

3*rdly*.—That no notes of a higher denomination than fifty rupees be supplied to the Mofussil on indent so as to check the tendency of Mofussil Sowcars and others to use notes as a vehicle of remittance, it being clearly not worth their while to make remittances in small notes, as the cost of doing so by post taken in connexion with the risk run would be too great to pay.

4*thly*.—That the balances of the District Treasuries be permitted to be sent up to the Presidency by post in *cut* notes by the Treasury Officers.

18. My reasons for making these suggestions are as follow :—

19. *Suggestion No.* 1.—The sum locked up as coin reserve at the Presidency is too large even now, and will, if notes by obtaining a readier circulation in the districts do not find their way in such numbers as they do now to the Presidency, be much in excess of the Currency Commissioner's requirements. On the other hand the circle reserves are not at present sufficiently large to provide for the due distribution of coin among the different treasuries, and, therefore, may advantageously be supplemented by the excess at the Presidency.

20. *Suggestion No.* 2 requires no explanation.

21. *Suggestion No.* 3.—The grand object in view being to cause a free local circulation of notes in the districts, and for that purpose to provide funds to meet all demands, it is imperatively necessary to prevent District Sowcars as much as possible from glutting some treasuries with coin and emptying others of cash to an inconvenient extent by carrying on a system of remitting money by notes from one district to another. The risk and expense of sending large heaps of small notes by post will effectually deter persons from making large remittances in Government paper, and as it would be unadvisable to refuse to give notes of large amounts should there be any on hand for coin if tendered, it will be safer to render it impossible for the Treasury Officers to comply with demands for large notes, which, except for the purpose of remittance, are not needed in the Mofussil.

22. *Suggestion No.* 4.—The convenience to the Collectors of being able to get rid of a large quantity of notes especially when those of the higher denominations not suited to local circulation have accumulated owing to the payment of remittances from the Presidency is apparent, and if the restriction against the re-issue of cut notes by the Currency Commissioner were removed by the Government of India, the cost of remitting money would be greatly reduced, while the cost of new notes would also be proportionably lessened.

23. Colonel Carpendale's remarks regarding the system pursued by the Bank in the matter of remitting notes to the Presidency are, in my opinion, to a certain extent just. The Bank, in pursuance of its own profit, as pointed out by Colonel Carpendale, sends all its surplus funds to the Presidency in notes from Trichinopoly, thus embarrassing the Currency Commissioner's operations, drawing away notes from the districts in inconvenient numbers, and glutting the Presidency with paper.

24. Moreover, as Colonel Carpendale remarks, the Government in the Currency Department, by having to bring silver from the Mofussil to meet the flood of Mofussil Notes, is put to great expense, and thus the advantages of the arrangement entered into with the Bank are to a certain extent suppositious, and not real.

25. Nevertheless I do not see my way to annulling the Accountant-General's agreement with the Bank for the transfer of the treasury balances to its Agencies, for there is no doubt that a great deal of money has been removed from District Treasuries on most favourable terms to Government. Under this agreement, and that though some twenty or twenty-five lacs may have stood Government in the cost of carriage, owing to the remittance of notes to the Presidency by the Bank, as pointed out by Colonel Carpendale, at least sixty lacs have been within a year removed from the Mofussil without costing Government a farthing. It would be unwise, therefore, to interfere with the agreement made with the Bank even now under the Circle system, but more especially would it be so under the system of a single note for the Presidency, for money could then be sent to its Agencies by the Bank in any quantity by means of notes to the great embarrassment of the Mofussil Treasuries, which would be called on to pay large amounts in notes without warning. By giving the Bank, therefore, coin on the spots where its Agencies are located, we do away with the necessity, which it would be otherwise under, of making large periodical remittances of notes to the Mofussil. And here I may remark that, under the single note system, the Currency Commissioner would not suffer inconvenience as he does now by notes being sent from the districts, for they would be at once re-issuable by him in Madras for coin instead of having to be retained as now till met by coin brought up from the districts.

26. The question of establishments to be entertained under the new system if it be introduced is not one into which, I believe, I am required to enter, it being a matter for the Currency Commissioner's consideration. I will only say, therefore, that that Officer's estimate seems to be moderate.

27. Appended are copy of Colonel Carpendale's letter to me and two statements, the one showing what appears to me to be a safe distribution of coin among the several districts of this Presidency for the purpose of carrying out the single note system and the reasons which have induced me to assign more coin to one district than to another ; the other exhibiting the receipts and issues of notes at the several District Treasuries during the last twelve months by which it will be seen that the two have very fairly adjusted each other, thus proving that there need be no apprehension of the reserves in the districts being drawn upon to any alarming extent.

From Colonel J. CARPENDALE, R. E., late Mint Master, to the Officiating Accountant-General, Madras, dated Madras, 16th September 1869.

I have the honour to acknowledge the Order of Government in the Financial Department, No. 414, dated 8th September, communicated with your endorsement of the 14th.

2. The Government of India suggested the abolition of the Currency Offices at Trichinopoly and Vizagapatam "because they show little signs of development, and it seems doubtful whether "it be worthwhile to maintain their separate existence." The Commissioner of Paper Currency, Madras, "concurs, and recommends the abolition of the Calicut Circle also," and which he states would effect a considerable saving. The Commissioner has omitted to mention that, each of these three circles has over one lac of rupees invested in Government Securities yielding 5000 rupees a year, or about 1000 rupees each in excess of the expenditure on establishment, and that but for the circumstance that expense is incurred in bringing silver coin from Trichinopoly and

Vizagapatam to Madras to adjust accounts, all three circles would always be worked at a profit, and this being the case, I think it would be a retrograde step to abolish the Circle Offices in the Provinces, and so lose the means of educating the mass of the population in the use of paper money. I am not aware of any reason for the belief that if they were abolished their notes now in circulation would be replaced by the notes of the Madras Circle. I believe they would not. The lower classes in Scotland and Ireland have much more faith in the notes of the local Banks than in a Bank of England Notes, and I believe that the circulation of the "Circle Notes," small though it be, is owing to the notes having the words *Calicut, Trichinopoly, Vizagapatam* on their faces.

3. The Accountant-General has, I believe, an agreement or an understanding with the Bank of Madras, that the Bank shall have the use of Government balance in certain districts, on condition of placing the Government in funds to a like extent at the Presidency. To work this arrangement in the most profitable manner for itself, the Bank accumulates funds at Trichinopoly, and remits all its surplus money by Currency Notes of the Trichinopoly Circle, to Madras, amounting to a good many lacs, probably fifteen or twenty in the year, and which necessitates the Commissioner of Paper Currency bringing large sums in silver coin from Trichinopoly to his Treasury at Head Office, Madras ; or in other words, while apparently the surplus balances in the Mofussil are being brought to the Presidency free of cost to Government, the Government is actually paying the charges in another Department, viz., the Paper Currency. If this arrangement was altered and the issue of 500 and 1000 rupees notes discontinued in Trichinopoly and Vizagapatam, those circles would always pay their own expenses. Calicut, I think, always does. I have always thought that too good a result was expected from the Government Paper Currency in the short space of six or seven years. The circulation is small certainly compared with that of Bombay and Calcutta ; but by no means despicable being about three times the greatest circulation that the notes of the Madras Bank ever attained, and, I think, considering how little "Bank Notes" were known outside the Presidency town, until the Government measure was introduced, the present circulation is a decided success.

4. It is not susceptible of proof how much of the nominal large circulation in Bombay and Calcutta is held in those wealthy cities as a convenient form of reserve by Bankers, Merchants, and Traders ; but the rapidity with which the notes of the Bombay Circle were presented for cash at the end of 1865, whereby the reserve was reduced to a few thousand rupees, goes to show that the notes were not in circulation among the population generally, but were held in reserve in the city of Bombay.

5. In conclusion, I beg to reiterate the opinion I expressed at length some fourteen months ago, that the number of Circle Offices in the Provinces should be increased largely rather than reduced.

No. 19. From the Officiating Accountant-General, to the Chief Secretary to Government, Fort Saint George, dated Fort Saint George, 1st October 1869, No. 198.

Budget and Resource Department.]

Referring to my report to Government* on the Currency Commissioner's letter, dated 23rd September, No. 1217, I have the honour to forward, herewith, a letter from the Secretary and Treasurer of the Bank of Madras,

* No. 195, dated 29th Sept. 1869.

No. 53-91, dated 30th ultimo, from which it will be observed that the necessary instructions were many months ago issued by the Bank of Madras to its Agents for the discontinuance of the practice of charging discount on Currency Notes, and that the existence of that practice at present is denied.

From the Secretary and Treasurer of the Bank of Madras, to the Accountant-General, Fort Saint George, dated Madras, 30th September 1869, No. 53-91.

I have the honour to acknowledge the receipt of your letter, No. 4118, of 29th instant, and have to inform you that the Bank's Agencies which conduct the Government business were advised on the 6th April last to avoid altogether cashing Government Currency Notes at a discount, and that the practice has now been discontinued.

No. 20. To Lieutenant-Colonel H. HYDE, R.E., Head Commissioner of Paper Currency, Calcutta, dated Fort Saint George, 7th December 1869, No. 594.

In reply to your letter, dated the 30th October last, No. 451, I am directed to transmit copy of a letter* from Mr. Lushington, the Accountant-General of Madras, with the expression of the opinion of this Government that, for the reasons assigned by him, they do not consider it desirable that the Circles of Issue at Trichinopoly and Vizagapatam should be abolished.

* Dated the 27th Nov. 1869, No. 269.

2. I am also directed to transmit, for the information of the Government of India, the papers noted in the margin, relative to the report of the Commissioner of Paper Currency, Madras, to your address, dated the 27th August last, No. 1081.

From Commr. of Paper Currency, 23rd Sept. 1869, No. 1217.
From Offg. Acct.-Genl., 25th Sept. 1869, No. 190.
Do. 1st Oct. 1869, No. 198.

3. With reference to the opinion expressed by the Officiating Accountant-General in his letter, dated the 1st October last, No. 198, in respect of a single note, I am to add that the Madras Government have nothing to add to the views expressed in their Proceedings, dated the 1st April last, Nos. 1 to 5. But should the question of reducing the value of notes be taken up, they are of opinion that notes of the value of one rupee, two rupees, and five rupees would be of considerable advantage to the agricultural population, numbering about a million in this Presidency, who pay an assessment of less than ten rupees.

Copy enclosed.

4. It will be seen from the Officiating Accountant-General's letter, dated the 1st October last, No. 198, that the practice of charging discount on Currency Notes by the Branch Banks has been discontinued.

(Signed) R. S. ELLIS,
Chief Secretary.

Exd. J. Wright.

Paper Currency Office
Madras Fort, 23rd September 1869.

No. 1217.

From

R. F. Bellew Esqre
Commissioner of Paper Currency

To

The Chief Secretary
to Government
Fort St. George.

Sir,

In adverstence to para: 2 of the Order of Government No. 414 of the 8th instant, I have the honor to explain that by the expression "local authorities" therein alluded to I did not meaw to refer to the Local Government, but rather to Officers in charge of District Treasuries, my object being to shew that in the absence of the considerable trade possessed by Bengal and Bombay this Presidency was chiefly dependent on the exertions of its District Officers for the development of the Government Paper Currency.

2. In Lower Bengal there are several Europeans settled in the interior who are largely engaged with the Natives in the manufacture of Indigo, Silk, Tea, and in the purchase of country produce all which businesses require a considerable amount of

Capital

Govt. of India 1869

FINANCIAL.

To

Lieut.-Col. H. HYDE, R.E.,
Head Commr. of Paper Currency,
Calcutta.

Dated December, 7th.

Encl.

Read.

G. O., 7th December 1869, No. 594.

DECEMBER.
Nos. 14—20.

Communicating opinion of this Government that
it is not desirable that the Circles of Issue at
Trichinopoly and Vizagapatam should be abolished.

capital and tend materially to the use of Paper Currency among the trading and agricultural classes quite independently of any effort in this direction on the part of the local authorities there, but in Madras the case is different and the Paper Currency in my opinion therefore requires greater facilities to be afforded to it by Government to enable it to attain a proper development.

3. Currency Notes I find are used largely by the European Houses of Agency in Madras in payment to native merchants for Cotton, Sugar, &c., but as a rule these Notes do not go into the interior, simply on account of the difficulty that is there experienced of converting them into Coin:- even the branches of the Madras Bank that have been established in this Presidency charging a Commission for cashing a Govt. Currency Note as may be seen by accompanying correspondence.

4. The Calcutta Circle of Currency includes Bengal Proper, Bahar, Orissa, and Assam, a larger and more populous area than the entire Madras Presidency. Experience has shown that no inconvenience results from this extended area, whereas, small

small Circles like Vizagapatam and Trichinopoly are found rather to retard development which I consider is a strong argument in favor of substituting one Currency Note for the whole Madras Presidency.

5. If it were notified that the Madras Currency Note was only legally payable at the Office of issue at Madras, but that every facility would be given by Government to their utmost ability for its encashment at either of the 23 District Treasuries of this Presidency, there can be no doubt that Notes would circulate much more freely in the interior than at present not only to the convenience of the Public, but to the profit of Government. For by cashing Notes freely at all Treasuries they would to a great extent, in the ordinary course of business supply their own requirements in the way of Paper Currency thus saving Government the expence of transporting from district to district large Sums of Coined money to effect this purpose.

I have the honor to be
Sir
Your

Your most obedient Servant

P. P. Bellew
Commissioner
& Deputy Currency.

Cl
21

From J. W. Breeks Esqr. Acting
Commissioner for the Neilgherry Hills
to Currency Commissioner Madras dated
Cotacammd 3d Augst 1808. No 2.

I think it possible that you may not be aware of the practice that the Cotacammd Branch of the Madras Bank has adopted of making a charge for the receipt of all Currency Notes.

I beg therefore to bring to your notice that on paying in Currency Notes to credit of my account with them I was credited with the nominal amount omitting 5/8 per cent upon ten and twenty rupee Notes and 3/4 per cent upon all Notes above those denominations.

2. Considering that Government is a large shareholder in the Bank and that the Bank in a greater or lesser degree enjoys the character of a Government Establishment and the benefit of the Government deposits, it seems anomalous that a Branch of the Bank should depreciate the value of the Government Note and restrict its circulation.

(Sd) J. W. Breeks
Actg. Commissioner for the Neilgherry Hills.

True

True Copy

P. P. Bellew
Commissioner
of Paper Currency.

Paper Currency Office.
Madras 30th.
25th September 1869.

Bank of Madras
Calcutt. 8th March 1864.

No 12/530.

21

To

Colonel J. Carpendale, R.E.
Commissioner Issue
& Paper Currency
Madras.

Sir,

I beg to return the letter of the Deputy Commissioner of Paper Currency Calcutta forwarded with your letter of the 5th March. If the Currency Officials at Calcutt give me notice the day previous on each occasion of a holiday, a good deal of the inconvenience experienced by me, when the Currency Office has been closed, will be obviated.

This will not be the case so far as the Public is concerned, for when the Currency Office is shut I invariably charge a small Commission for cashing Notes, except when presented by the Bank's constituents.

I remain &c &c,
(Sd) A. Berry.
Agent.

/True Copy/
V.P. Bellew
Commissioner
& Paper Currency.

Enclosures to letter from the Commissioner of Paper Currency to the Chief Secretary to Government, Fort St. George dated 24th October 1864 & 12th Novr 1864.

No 12/530

Enclosure to letter
from Governor-in-Council
Upper Canada relative
to Chief Secretary to
Government, dated 23
September 1819 No 1217

25 44

Fort Saint George
Acct Generals Office
25th September 1869

No 190.

From
The Hg Accountant General
To
The Chief Secretary
to Government

Sir,

1. Having as ordered consulted with Colonel Carpendale I have now the honor in accordance with the instructions contained in Government Order No 414 of the 8th instant to report as follows -

2. The points to be considered seem to me to be

1st Whether the Establishment of a single currency Note for the whole Madras Presidency would be attended with advantage and if so whether it would be feasible to introduce such a note.

2dly. Whether any satisfactory reason can be assigned for the circulation of Currency Notes being limited in the Madras Districts and any remedy for this unsatisfactory State of things can be suggested -

3. I am of opinion, though Colonel Carpendale does not think so, that it would be a very great

advantage

Rec'd 29th Sept 1869
Ansd 1st Oct 1869
No 194
Sub-Treasurer
Madras

Rec'd 23rd Sept 1869
No 1217
Sub-Treasurer
Madras

To
The Chief Secretary
to Government
Fort St George

No 195

The undersigned has the honor to state that the practice of charging Commission on Currency Notes has been discontinued by this Department since the receipt of the letter from the Secretary of State dated 15th December 1858 and that a further letter from the Secretary of State No 210 dated 19th August 1868 has been received, stating that Government cannot sanction the levy of any such charge.

2. The undersigned has the honor to solicit the attention of Government to the fact that the Currency Notes issued by the Bank of Madras are not receivable at the Treasuries of the Bank of Bengal and Bombay, and that the Currency Notes issued by the Bank of Bengal are not receivable at the Treasuries of the Bank of Madras and Bombay, and that the Currency Notes issued by the Bank of Bombay are not receivable at the Treasuries of the Bank of Bengal and Madras.

3. The undersigned has the honor to request that the Government will be pleased to direct that the Currency Notes issued by the Banks of Bengal, Bombay and Madras may be made receivable at the Treasuries of the Banks by which they are issued.

Fort St George
Treasury
29th September 1869

I have &c
(Signed) W Chamberlain
Sub-Treasurer

To
The Chief Secretary
to Government
Fort St George

Forwarded to the Officiating Accountant General in continuation of G. O. dated 8th instant, No 414, for any remarks he may desire to make.

Fort Saint George
28 September 1869

RB Lyell
Actg Secy to Govt

To the Hon'ble Accountant General

Rec'd 29/9/69
Ansd 1/10/69

DA & AG Office
Recd 29 9 18 69
Ansd __ __ 18 __

Forwarded

9/9

advantage to have a single note for the whole Madras Presidency; for I consider the facilities which would be afforded by the change for carrying money about from one part of the Presidency to the other would certainly in a very short time be appreciated by the people and I think the education of the masses in the use of paper money would be perfected more readily by shewing them that a note like a rupee was current every where than by confining its currency to certain limits. At the same time I admit that the difficulties in the way of introducing the measure are of the most serious nature and I am inclined to think that these difficulties would be greatly increased were either of the Madras Currency Commissioners' suggestions followed viz that a note should be refused payment on the plea of no assets the tenderer being requested to go elsewhere for his money and that a periodical notification of the amount available for the payment of notes should be published in the District Gazettes -

4. Both these suggestions appear to me eminently calculated to make the public distrust rather than appreciate Government paper for no man would like to take a note if he felt he could not make certain of being paid when he presented it at a Treasury where the note professed to be payable and no one could make sure that the sum

advertised

advertised might not be exceeded at the time when he wanted money for his notes - The certain payment therefore of the note according to the terms of its issue must in my opinion be a sine qua non of the introduction of a single note for the Presidency in place of the notes now issued for the 4 circles if it is desired to increase the profit of the Currency Department largely by making notes pass as freely as coin and thus admit of the system being worked with an increased invested reserve -

5 Turning next to the feasibility of the proposal for a single note I beg to observe that I see but one way in which such a measure could be introduced - viz - by making none but notes of the smallest denominations payable at the Taluq Treasuries -

6. It is clear that to enable notes to be freely paid on presentation a reserve of coin must be kept at each Treasury and therefore if notes of every denomination are issued worded as at present, that is made payable every where, it would be quite impossible to provide reserves to meet the demand - But if Government covenanted to pay none but notes of the smaller denominations at their Taluq Treasuries I think arrangements might be made to keep sufficient money on hand to meet with certainty the liabilities which it would incur -

I

7. I shall return to this part of the Subject when I have examined the 2d point on which I am required to report as my meaning will then be better understood.

8. Turning to this 2d point I beg to state that in my opinion the reasons for the unsatisfactory condition of the Currency of circulation are threefold -

1st That there are no notes of sufficiently small value to meet the wants of the poorer classes.

2dly That the poorer natives do not like notes because they are perfectly in the dark as to their meaning and therefore are in the hands of money changers and others who charge discount for changing notes and doubtless do all they can to insure themselves profit by throwing discredit on the notes they change

3dly - That notes are known by the better informed not to be at present compulsorily payable by Government except at Currency Offices.

9 - The remedies I propose therefore are

1st That 5 Rupees notes should be introduced -

2dly That the form of note now in use should be altered -

& 3dly That Government should admit its liability to give coin for certain notes at all times at their treasuries throughout the Presidency -

10. It is clear I think that a Ten Rupee note can be of very little use among the poorer classes. No poor Native is likely to get as much as Ten Rupees at one time - He may receive 5 Rupees but 10 Rupees is a sum which not

not one man out of 50 is likely to receive in a single payment - The Ten Rupee note therefore is not adapted to pass readily from hand to hand - the first requisite for the success of a paper Currency.

11. On the other hand no Native who is ignorant of English has the same assurance which a person who understands English has of the worth of the paper which he holds - He sees indeed 10 Rs. in the corner of the note in his own language but that is all - He does not as does the man who understands English see that the Government agrees to pay the holder of the paper be he who he may 10 Rupees - This in my opinion is a great want in the Currency Notes and does more than anything else to lead the poor man to the Sowcar who is considered no doubt to run a considerable risk in giving coin for paper the absurdity of which belief would be apparent if the meaning of the note were thoroughly understood. I cannot help thinking that the result would be the same in England and that a note drawn up in say Welsh or Gaelic with the amount only entered in English in one corner would never obtain a free circulation among the masses even though known to be issued by Government so that it is hardly reasonable to expect that a note printed in English will be appreciated by Natives ignorant of the language.

12. I respectfully beg to propose therefore that every Madras Currency note should have printed on it in English, Telugoo, Tamil Malayalum and Hindustani the following words vide form annexed.

"I promise to pay the bearer on demand at the Madras Presidency Treasury the sum of ——— Rupees."

in 5 and 10 Rs. notes "any Treasury" in 20 Rs. note and upwards "any Huzur Treasury"

J

13. I would also have H. M's effigy in one corner as on the old notes this giving the paper more the appearance of money among the poorer classes than it has at present.

14. These changes which might easily be effected would make every holder of a note who could read or who had a trustworthy friend who could read perfectly certain that he bore a document which bound the State down to pay him a certain sum and in this way would I think at once increase the value and circulation of Notes.

15. I would also recommend that in every District Gazette it should be notified for a length of time and that outside every Village Cutcherry district Treasury and Police tanna a notice should be pasted in Hindustani and the language of the district as follows-

"Notice is hereby given to the public that all Currency Notes will be cashed in full on presentation at the places noted thereon Viz. 5 and 10 Rs. notes at any Government Taluq or Huzur treasury and at the Madras Bank.

20 Rs. notes and upwards at all Huzur treasuries and at the Madras Bank"

16. I now return to the subject of my 6th. para.

17. Taking for granted that the necessity of making none but 5 and 10 Rs. Notes payable every where is recognized by Government- I would suggest-

1st. That the Coin reserve at all the circles be amalgamated and increased by 15 lakhs taken from that kept at the Presidency which would bring the whole sum - upto Rs. 29 lakhs.

2dly That this be distributed in carefully calculated proportions to each Collectorate throughout the Presidency certain districts such as Tanjore and Tinnevelly being supplied with a great deal more coin than others to meet the demand likely to be made on them owing to local causes.

3dly That no notes of a higher denomination than 50 Rs. be supplied to the Mofussil on Indent so as to check the tendency of Mofussil Sowcars and others to use Notes as a vehicle of remittance it being clearly not worth their while to make remittances in Small notes as the cost of doing so by post taken in connection with the risk run would be too great to pay.

4thly That the balances of the district Treasuries be permitted to be sent up to the Presidency by post in Cut Notes by the Treasury Officers.

18. My reasons for making these suggestions are as follows.

19. Suggestion No. 1. The sum locked up as coin reserve at the Presidency is too large even now and will if Notes by obtaining a readier circulation in the districts do not find their way in such numbers as they do now to the Presidency be much in excess of the Currency Commissioners requirements. On the other hand the circle reserves are not at present sufficiently large to provide for the due distribution of Coin among the different treasuries and therefore may advantageously be supplemented by the excess at the Presidency.

20. Suggestion No. 2 requires no explanation-

21. Suggestion No. 3. The grand object in view being to cause a free local circulation

of

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2dly That this be distributed in carefully calculated proportions to each Collectorate throughout the Presidency certain districts such as Tanjore and Tinnevelly being supplied with a great deal more coin than others to meet the demand likely to be made on them owing to local causes.

3dly That no notes of a higher denomination than 50 Rs. be supplied to the Mofussil on Indent so as to check the tendency of Mofussil Soucars and others to use notes as a vehicle of remittance it being clearly not worth their while to make remittances in Small notes as the cost of doing so by post taken in connection with the risk runs would be too great to pay.

4thly That the balances of the district Treasuries be permitted to be sent up to the Presidency by post in Cut Notes by the Treasury Officers.

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20. Suggestion No. 2 requires no explanation-

21. Suggestion No. 3- The grand object in view being to cause a free local circulation

of

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of notes in the districts and for that purpose to provide funds to meet all demands it is imperatively necessary to prevent district Soncars as much as possible from glutting some treasuries with coin and emptying others of cash to an inconvenient extent by carrying on a system of remitting money by notes from one district to another. The risk and expense of sending large heaps of small notes by post will effectually deter persons from making large remittances in Government paper and as it would be inadvisable to refuse to give notes of large amounts should there be any on hand for coin if tendered it will be safer to render it impossible for the Treasury Officers to comply with demands for large notes which except for the purpose of remittance are not needed in the Mofussil.-

22. Suggestion No 4 - The convenience to the Collectors of being able to get rid of a large quantity of notes especially when those of the higher denominations not suited to local circulation have accumulated owing to the payment of remittances from the Presidency is apparent and if the restriction against the reissue of Cut notes by the Currency Commissioner were removed by the Government of India - The cost of remitting money would be greatly reduced while the cost of new notes would also be proportionably lessened.

23. Colonel Carpendale's remarks regarding the system pursued by the Bank in the matter of remitting Notes to the Presidency are in my opinion to a certain extent just. The Bank in pursuance of its own profit as pointed out by Colonel Carpendale sends all its surplus funds to the Presidency in Notes from Trichinopoly thus embarrassing the Currency Commissioners operations drawing away notes from the districts in inconvenient numbers and glutting the Presidency with paper -

24. Moreover as Colonel Carpendale remarks the Government in the Currency Department by having to bring silver from the Mofussil to meet the flood of Mofussil notes is put to great expense and thus the advantages of the arrangement entered into with the Bank are to a certain extent suppositious and not real -

25. Nevertheless I do not see my way to annulling the Accountant General's agreement with the Bank for the transfer of the Treasury balances to its agencies for there is no doubt that a great deal of money has been removed from district treasuries on most favorable terms to Government Under this agreement and that tho' some 20 or 25 lakhs may have stood Government in the cost of carriage owing to the remittance of Notes to the Presidency by the Bank as pointed out by Colonel Carpendale at least 60 lakhs have been within a year removed from the Mofussil without costing Government a farthing) - It would be unwise therefore to interfere with the agreement made with the Bank even now under the circle system but more especially would

would it be so under the system of a single note for the Presidency for money could then be sent to its agencies by the Bank in any quantity by means of notes to the great embarrassment of the Mofussil treasuries which would be called on to pay large amounts in notes without warning. By giving the Bank therefore coin on the spots where its agencies are located - we do away with the necessity which it would be otherwise under of making large periodical remittances of Notes to the Mofussil. And here I may remark that under the single note system the Currency Commissioner would not suffer inconvenience as he does now by notes being sent from the districts for they would be at once reissuable by him in Madras for coin instead of having to be retained as now till met by coin brought up from the districts.

26. The question of establishments to be entertained under the new system if it be introduced is not one into which I believe I am required to enter it being a matter for the Currency Commissioners consideration I will only say therefore that that Officers Estimate seems to be moderate -

27. Appended are Copy of Colonel Carpendale's letter to me and two Statements the one shewing what appears to me to be a safe distribution of coin among the several

districts

From

Colonel J. Carpendale. R.E
late Mint Master

To,

The Officiating Accountant General
Madras

Sir,

I have the honor to acknowledge the Order of Government in the Financial Department No. 414 - 8th September communicated with your indorsement of the 14th

2. The Government of India suggested the abolition of the Currency Offices at Trichinopoly and Vizagapatam "because they shew little signs of development and it seems doubtful whether it be worth while to maintain their separate existence"

The Commissioner of Paper Currency, Madras, "considers, and recommends the abolition of the Calicut "Circle also," and, which he states, would effect a considerable saving - The Commissioner has omitted to mention that, each of these three Circles has over one lac of rupees invested in Government Securities yielding 5,000 Rupees a year or about one thousand rupees each in excess of the expenditure on Establishment, and that but for the circumstance that expense is incurred in bringing silver coin from Trichinopoly and Vizagapatam to Madras to

adjust

adjust accounts, all three Circles would always be worked at a profit, and this being the case, I think it would be a retrograde step to abolish the Circle offices in the Provinces and so lose the means of educating the mass of the population in the use of paper money - I am not aware of any reason for the belief that, if they were abolished their notes now in circulation, would be replaced by the notes of the Madras Circle. - I believe they would not. The lower classes in Scotland and Ireland have much more faith in the notes of the local Banks than in a Bank of England Note, and, I believe that the circulation of the "Circle Notes", small though it be is owing to the notes having the words Calicut Trichinopoly Vizagapatam on their faces.-

The Accountant General has I believe an agreement or an understanding with the Bank of Madras, that the Bank shall have the use of Government balance in certain districts, on condition of placing the Government in funds to a like extent at the Presidency. - To work this arrangement in the most profitable manner for itself, the Bank accumulates funds at Trichinopoly, and remits all its surplus money by Currency Notes of the Trichinopoly Circle, to Madras, amounting to a good many lacs, probably 15 or 20 in the year, and which necessitates the Commissioner of Paper Currency bringing large sums in silver coin from

Trichinopoly

Trichinopoly to his Treasury at Head Office Madras, or in other words, while apparently the surplus balances in the Mofussil are being brought to the Presidency free of cost to Government, the Government is actually paying the charges in another Department, viz, the Paper Currency. If this arrangement was altered and the issue of 500 and 1000 Rupees Notes discontinued in Trichinopoly and Vizagapatam, those Circles would always pay their own expenses - Calicut, I think, always does - I have always thought that too good a result was expected from the Government Paper Currency in the short space of six or seven years - The circulation is small certainly compared with that of Bombay and Calcutta, but by no means despicable, being about three times the greatest circulation that the notes of the Madras Bank ever attained, and, I think, considering how little "Bank Notes" were known outside the Presidency town until the Government measure was introduced, the present circulation is a decided success - During many years residence up-country, I only once saw a Madras Bank Note.

It is not susceptible of proof how much of the nominal large circulation in Bombay and Calcutta is held in those wealthy cities as a convenient form of reserve by Bankers, Merchants and Traders; but the rapidity with which the notes of the Bombay

Circle

Circle were presented for cash at the end of 1865, whereby the Reserve was reduced to a few thousand rupees, goes to shew that the notes were not in circulation among the population generally, but were held in reserve in the City of Bombay.

In conclusion, I beg to reiterate the opinion I expressed at length some fourteen months ago, that the number of Circle Offices in the Provinces should be increased largely rather than reduced.

Madras
16th September 1869

I have &c
/ Signed / J. Carpendale Coll R.E
late Mint Master

/ True Copy /
D. J. Smeeton
Actg Accountt General

Cancelled

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districts of this Presidency for the purpose of carrying out the single note system and the reasons which have induced me to assign more coin to one district than to another - the other exhibiting the receipts and issues of Notes at the several district treasuries during the last 12 months by which it will be seen that the two have very fairly adjusted each other thus proving that there need be no apprehension of the reserves in the districts being drawn upon to any alarming extent -

I have the honor to be
Sir,
Your most obedient Servant
W. Rhodwick
Actg Accountant General -

146 147

37/213

Bank of Madras.

Madras 30 Sept. 1869.

No. 53/91.

To

The Accountant General

Fort Saint George.

Sir,

I have the honor to acknow=ledge receipt of your letter 4118 of 29th Instant, and have to inform you that the Bank's Agencies which conduct the Govt: business were advised on the 6th April last to avoid altogether cashing Govern=ment Currency notes at a discount, and that the practice has now been discontinued.

I have the honor to be,

Sir,

Your obedient Servant,

J. Wr. Sut[illegible]

Secretary & Treasurer.

DA & AG. Office
Recd 1 [illegible] 10 1869
Ansd [illegible]

Let [illegible] be informed [illegible]

Pros: 8th Sept. /69 Nos 25-26
" 31st Augt. " 68-69
" 1st April " 1-5
" 5th Augt. /68 " 18-19
Bank Agreement &c. of 1867

Finl. Department

From Pros. 7 Decr. /69

The Offg Accountt. Genl

To

The Chief Secretary to Government

Dated 25th
Recd 27th } Septr 1869

No. 190

Enclosures Four in one

No 481

Submits his report upon the proposed abolition of the Currency Circles of this Presidency.

Papers

c 29/10.
12/2/11.

18

No. 94—10-5-69—500.

BUDGET & RESOURCE DEPARTMENT.

No. 198

Fort Saint George,
Accountant General's Office,
1st October 1869.

FROM THE ACCOUNTANT GENERAL,
TO THE GOVERNMENT OF MADRAS,

TO THE Chief Secretary to Government

SIR,

No. 195 dated 29th Sept. 69 — To be returned

Referring to my report to Government on the Currency Commissioners letter dated 23d September No. 1217 I have the honor to forward herewith a letter from the Secretary & Treasurer of the Bank of Madras No. 53/91 dated 30th Ult. from which it will be observed that the necessary instructions were many months ago issued by the Bank of Madras to its agents for the discontinuance of the practice of charging discount on Currency Notes, and that the existence of that practice at present is denied.

I have the honor to be,
Sir
Your most Obedt. Servt.

W. Rhodes

Offg. Accountant General.

Cop'd

Paid

Financial — 1869 — Sept.
From
The Secy & Treasurer Bank of Madras
53/91

To the Sept. Secretariat
Rd 2nd October —

Ans

Informing that the practice of charging discount on Currency Notes at the Bank of Madras is discontinued

Fort 4194/69

Rec'd 1st Dec. 1869

Fort 4194/69

8728

No 1987

Cambon Corr. Vol 44 25 nb

To The Head Commissioner of
Paper Currency Calcutta

Financial Depart.

Sir,

Referring to the Notification No 1986 published at page 118 of the Gazette of India of this date, I am directed by the Government of India to enquire whether you can account for the large and unprecedented increase in the Annual Average Circulation of the Calcutta Circle this year. Do you connect it in any way with the simultaneous decrease in the importation of bullion? —

2 The circulation of the Trichinopoly and Vizagapatam Circles shows so little signs of development, that it seems very doubtful whether it be worth-while to maintain their separate existence. You will be good enough to report upon this point after consulting the Government of Madras and the local Commissioner of Currency. —

Financial Department
From Secretary to Govt of India
To The Chief Secretary to Govt of Madras
Dated 10th (Received 16th) Dec 1902
No 1980
Encl 4 (Encl. Rs 5474 Encl 4 Rs 4494)

Forwards the Letter from the Secretary and Assistant Secretary to the Bank of Bengal regarding the circulation of Currency notes of Rs 5 & Currency notes of Rs

3. For a similar reason viz, the absence of any sufficient appearance of development of circulation, the Governor General in Council thinks that the expediency of maintaining separate Currency Officers at each and all of the interior Centres of issue where such officers are now appointed must be reconsidered. You will be good enough to report upon this point, and to state whether the insignificant circulation of these Circles cannot be provided for more economically than by the costly plan of a special Officer for each.

I have the honor to be
Sir
Your Most Obt Servt
(Sd) R.B. Chapman
Offg Secretary to the
Govt of India

Simla
the 7th July 1869

True copy
(Sd) H. Hyde
Lt Col
Head Commissioner
Paper Currency

Dept of Issue of Paper Currency
The 7th July 1869

X 45

DEPARTMENT OF ISSUE OF PAPER CURRENCY, CALCUTTA.

No. 451 dated the 30th Oct 1869.

From,

Lieut. Col. H. HYDE, R. E.
Head Commissioner of Paper Currency.

To,

The Chief Secretary
to the Govt of Madras.

Sir,

I have the honor to forward copy of a letter No 1987 dated 17th Aug 1869 from the Secretary to the Government of India 2nd para regarding the abolition of the Branch Circles of Issue of Trichinopoly & Vizagapatam, I shall feel much obliged by your favouring me with the views of His Excellency the Governor in Council on the subject.

2. It appears that the districts of Trichinopoly & Vizagapatam do not use Currency Notes to an extent sufficient to authorize the expenditure now incurred in keeping up the Branch issue at those places

& it might be possible to arrange for the issue of the Madras Circle Notes by a less expensive machinery, still in quite sufficient numbers to meet the wants of the country.-

3rd. I am not conversant with the working of local Treasuries in Madras, but being of opinion that whenever notes are issued they should be readily given on the instant asked for, without any unlocking of boxes or resort to strong rooms, & that much of the use of notes is dependent on the facilities afforded for conversion, I would suggest for consideration if it would be practicable to conduct an issue of Madras notes in Trichinopoly and Vizagapatam from Government Treasuries by means of one man specially appointed on the Treasurer's responsibility, but paid by the Currency Department.-

4th. I am not aware of the directions in which Coin moves, but if it moves from Madras to the Districts of Trichinopoly & Vizagapatam, it will be for consideration how far Madras notes can be cashed in those Towns & how far the issue of Notes can be arranged for in the course of Treasury adjustments without entailing the positive transport of Coin.-

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

Head Commissioner.

Paper Currency Office
Madras Mnd.- 23d. November 1869

A.1501.

From
W. F. Bellew Esquire
Commissioner of Paper Currency

To
The Accountant General
Fort-Saint-George

Sir

With reference to your letter No.5169 dated 17th. Instant requesting my opinion on the proposed abolition of the Branch Circles of Issue at Trichinopoly and Vizagapatam, I have the honor to state that I have already given it in my letter to the Head Commissioner of Paper Currency Calcutta No.1087 dated 27th. August 1869. Copy of which was forwarded to the Madras Government and printed in their Proceedings Financial Department No.444 dated 8th. September 1869

2. A Statement showing the average daily issues and payments of Currency Notes at the three Circle Offices of Issue for the past two years is hereunto annexed.--

One

Referred to the Accountant General for report, in communication with the Commissioner of Paper Currency.

Fort Saint George
11th November 1869

H. E. Stokes
Asst. Secretary

DA & AG. Office
Recd 12
Ansd 11 1869

To the Accountant General
dated 11/11

Fin. P. — 1869 — Dec. 1 — Paper Currency — Letter from the Head Comrs. of Paper Currency Calcutta — — — — 451.

Dy. No 1100 dated
Rd. 8 Nov 5, 1869.
Ans. dated 10 Dec 1869

Drawing attention to Mr. 2nd para of the letter forwarded herewith and requiring opinions regarding the abolition of the Branch Circles of Issue at Trichinopoly & Vizagapatam

Mr. Secretary

One year from 1st November 1867 to 31st October 1868

	Average daily issue of Notes		Average daily receipt of Notes	
	No. of Notes	Value of Notes Rs.	No. of Notes	Value of Notes Rs.
Calicut	91	6460	95	6480
Trichinopoly	42	5260	48	3420
Vizagapatam	30	2280	31	1800
One year from	1st November 1868 to		31st Oct.	1869
Calicut	93	7990	94	7610
Trichinopoly	45	7280	65	8560
Vizagapatam	44	4600	46	4490

3. The two enclosures which accompanied your letter are herewith returned.

I have &c.
(Signed) P. F. Ballew
Comm.r of Paper Currency

True Copy
D. Kisnamachy
Asst. Account General

C.

Statement shewing the monthly expenditure of Trichinopoly and Vizagapatam circles in 1867/68 and 1868/69

	Vizagapatam	Trichinopoly
April 1867	376 6 6	385 4 .
May	383 11 6	388 4 4
June	366 12 1	385 15 9
July	386 3 .	385 1 .
August	357 3 .	390 8 .
September	357 . 6	431 1 3
October	357 4 .	387 8 .
November	360 3 6	300 . 10
December	421 7 .	421 11 .
January 1868	363 13 9	375 15 6
February	356 13 6	374 2 .
March	356 5 6	342 8 10
Total	4412 3 10	4518 . 6
April 1868	354 13 .	400 15 .
May	357 10 6	279 1 .
June	426 10 6	304 12 6
July	334 . .	375 8 .
August	334 . .	379 1 .
September	334 9 .	377 9 .
October	354 13 2	404 3 6
November	368 12 6	365 13 .
December	359 7 6	289 6 8
January 1869	952 8 .	1740 11 9
February	364 6 .	359 2 .
March	352 8 6	358 4 6
Total	4894 2 8	6241 7 11

F. Cruikshanks
Accountant General

Compd'd.

Ex Fin Pro 30/6/69

Budget & Resources Depart.

Fort Saint George
Accountant Genl's Office
27th November 1869

No. 269.

From
F. Liesching Esqre
Accountant General.

To
The Chief Secretary
to Government

Sir,

With reference to Mr. Emden's Secretary Stokes endorsement on a letter from the Head Commissioner of Currency Calcutta dated the 12th instant, I have the honor to submit copy of a letter from Dr. Bellew the Commissioner of Paper Currency Madras dated the 23 instant in which he refers me to the opinion already expressed by him in his letter to the Head Commissioner of Paper Currency dated 27th August last, as to the inexpediency of retaining the Currency Circles of Trichinopoly and Vizagapatam or even Calicut.

In this opinion I am unable to concur, as it appears to me that if

2

* printed in Proceedings of the Madras Government in the Financial Depart. dated 8th Sept. 1869

if we are ever to win the confidence of the natives in the Paper Currency, we shall have to increase rather than diminish the number of the places at which the notes are absolutely convertible.

3 As observed by the late Currency Commissioner Colonel Carpendale, Dr. Bellew, when stating the Annual Saving to Government by the abolition of these Circles, has altogether omitted to mention that each of them has over one lac of Rupees invested in Government paper, the interest of which as will be seen from the enclosed Memo: more than covers the cost of the Deputy Commissioner salary as well the Establishment and Contingent Expenditure in the case of the Vizagapatam Circle, and but for the fortuitous circumstance of the Trichinopoly Circle having had to remit a large amount of Silver to the Head Office on two occasions[x] the entire expense of that Circle would also have been more than covered.

[x] October 1868 Janry. 1869

The

4 The large influx of Silver into the Deputy Commissioners Treasury at Trichinopoly was as remarked by Colonel Carpendale the result of the agreement between the Government and the Bank of Madras, by which the latter took over the whole of the surplus collections of the Tanjore District, which proving more than was sufficient for the Banks requirements, a portion thereof was remitted to Madras in Notes. Had it not been for that agreement, however, the Government would have had to bear the charge of remitting Silver to the extent of 30 lacs from Tanjore to Madras instead of a few lacs from Trichinopoly, and the cost of those two remittances may therefore fairly be omitted when calculating the expense of maintaining that Circle.

5 The proposal to abolish these 2 Circles is in my opinion the more to be regretted at the present time, as

as it is in contemplation to reduce the balances in all our district Treasuries to the lowest point consistent with the actual requirements of the Public Service - and it will, therefore, not unfrequently happen that notes presented at the treasuries to be exchanged for Silver will be refused from want of sufficient funds - A very few instances of such refusal on the part of Treasury Officers to cash notes will naturally shake the confidence of the holders in their convertibility, and effectually check the small progress which we have already made in educating the masses of the people in the value of a paper Currency.

6 With reference to Colonel Hyde's enquiries in the 3d & 4th para of his letter I beg to state — that the Collector's present Treasury establishment is in my opinion sufficient to ensure the prompt issue

of notes to all applicants without the aid of a Special Officer paid by the Currency Department. The Madras Circle Notes will, I apprehend, be used almost exclusively for remittance transactions in payment of produce consigned from the Districts to Madras, and at certain seasons of the year they will doubtless be presented in considerable numbers to be exchanged for Silver - But for the reasons stated in the preceding para the Collectors will very frequently be obliged from the state of their Treasuries to refuse to receive notes & the uncertainty as to their convertibility will probably lead to their gradual disuse for remittance purposes. The issue of Madras Circle notes in the District comprised within the Vizagapatam Circle will I fear be next to nothing and not very large in those within the Trichinopoly Circle.

I have the honor to be,
Sir
Your most Obed.t Servt

F. Leschinger
Accountant General.

Copd.
C. Vagadhuthnum

Financial Department

Memorandum

Letter from the Commissioner of Paper Currency Madras } dated 23d Sept. 1869 No. 1217 -
" " Offg. Accountant General — " 25" — do — " 1st Oct. 1869 No. 1904 198.

In their order under date 8 Sept. 1869 No. 414, the Govt referred to the Genl for report on communication with Col. Carpendale, a letter from the Commissioner of Paper Currency at Madras to the Chief Commissioner at Calcutta, in which he expressed his concurrence with the latter functionary in considering that the Currency Circles at Vizagapatam, ~~Cuddapah &~~ Trichinopoly in which Caliart might be abandoned, and recommends that one Currency note for the whole Presidency be adopted to be convertible on demand at every District

I have nothing more to say on this subject.

Sd/ V.

My opinion has been already tendered

V-

I am still in favour of Rupee as the sole Unit of Denomination

W.R.

Fin. Dept.
Secy. to Govt.
Accountant General
The Collector & Secretary

Dated 27th Nov. 1869
Rec'd. 29th Nov. 1869
No. 695 No. 269
Collector 2
Sub-Treasurer 2

Submits a report on the retention of the Currency Circle of Vizagapatam & Trichinopoly & Cuddapah.

Treasury, unless the Coll.
or Officer in charge thereof
certify that assets were
wanting, in which case it
might be presented at the
next Treasury at Madras.

The Dy. Cont. of Currency,
D. Bellew, was also reported
in the same order to explain
in what grounds he attributed
the deficient circulation of
currency notes to the absence
of the active co-operation of
the local authorities.

In regard to the latter
point D. Bellew report
that he alluded not to
the Local Govt. but to the
Officers in charge of Distant
Treasuries, in whose exertions
he considers the circulation
of Currency notes must

where there are not, as in
Bengal, large trading firms
established in the interior. D.
Bellew in his present letter also
ascribes the deficient circulation
to the practice of the Bank of Madras
charging a commission on cashing
currency notes. It appears,
however, from the Govt. Secretary's
endorsement on D. Bellew's
letter, and from the enclosure
to the Govt. Secretary's letter
that this practice has been
directed to be discontinued.

On the general question
raised by D. Bellew in his
letter to the Chief Cont. of
Currency, Mr. Goldwicke, the
Dy. Cont. General, is of opinion
that a single note should
be issued for the Presidency
but it should be absolutely
convertible at all Treasuries.
To limit the use of such
reserves which such a plan

owners require, Mr Lodwick
would cash no note above
£10 in value at a tribunal
Treasury. He considers the
generally deficient circulation
of notes to their high value,
to the ignorance of the people
as to their actual value, and
(drawing heavily to "the promise
to pay" being in English, and
partly to the system of discount
claimed when notes are cashed)
and to their not being convertible
to cash at all post Treasuries.
To meet these objections he
makes certain proposals
and gives his reasons in
detail

Colonel Carpendale
adheres to his former
opinion that the number
of circles should neither
be decreased nor increased than
diminished and begs
to notice the practice of

the Bank of Madras of
making large remittances
from Presidency to Presidency in
Currency notes which
must first to the expense
of bringing them back to
meet them at some expense.
Mr Lodwick, however, thinks
that though first has in
this instance been put to
some expense the transfer
of the Treasury business
to the Branch Banks has
enabled a large amount
of money to be removed
from distant Treasuries
on most favorable terms
to Govt.

It is presumed that
nothing that has been
adduced by Mr Bullen,
Mr Lodwick & Col Carpendale

is likely to modify the views of the several members of Govt as recorded in their minute which were sent to the Govt of India with the letter dated 7th April 1869 No 164, but it occurs to the undersigned to bring again under notice the great importance of reducing the value of the notes.

When it is remembered that 1 million of our agricultural population* on the holders of land pay an assessment of less than Rs 10 per annum, and that this is by no means the poorest class, it will be understood how little

* representing 5 million souls, nearly a fifth of the whole population.

Govt. Agt. use a ten rupee note must be in the great bulk of the transaction of the country. It is submitted that whatever decision is come to as to circulation, notes of the value of one rupee, two Rupees & a half, & five rupees should be issued.

WW.

I would say
1 rupee
2 rupee
5 rupee Agt.

Japan. I have
advocated in my
Remarks the
circulation of one
Dollar Bahamas
for 1 R. note.
I am not partial to
Bank Notes. I prefer a
2 R. note to a
2 1/2 Rupee note. It
is simple with the
assistance of the 1 R.
note charges the 5 R.
Rs also a multiple
of the 10 R. 20 R. N.
of 2

Copies 14/12/69
with 2 Ms. Statements
one from ✝ dated 8/1/70

Financial Department.

68

No. 594.

To,

Lieut. Col. H. Hyde, R. E.
Head Commissioner of Paper Currency.
Calcutta.

60z
639
470
1957
481
494

Sir,

In reply to your letter dated the 30th Oct. last No. 451, I am directed to transmit copy of a letter, from Mr. Lushington the Accountant General of Madras, with the expression of the opinion of this Govt. that for the reasons assigned by him they do not consider it desirable that the Circles of Issue at Trichinopoly and Vizagapatam should be abolished.-

2. I am also directed to transmit for the information of the Govt. of India the papers noted in the margin, relative to the report

* from Comr. of Paper Currency ✝ 23 Sept/69 No. 1217.
" Offg Actt Genl ✝ 25 Sept/69 No. 190.
" ——do—— ✝ 1st Oct/69 No. 198.

✝ the 27th Nov./69 No. 269.

c 29/10-

report of the Commissioner of Paper Currency, Madras, to your address dated the 27th August last No. 1081.

3. With reference to the opinion expressed by the Offg. Accountant Genl. in his letter dated the 1st October last, No. 198, in respect of a single note, I am to add that the Madras Govt. have nothing to add to the views expressed in their Proceedings dated the 1st April last No. 1 to 5. But should the question of reducing the value of Notes be taken up, they are of opinion that notes of the value of 1 rupee, 2 rupees and 5 rupees would be of considerable advantage to the Agricultural population, numbering about a million in this Presidency, who pay an assessment of less than 10 rupees, and this class is by no means the poorest class.

Copy enclosed.

4. It will be seen from the Offg. Accountant Genl's letter of the 1st Oct. last, No. 198, that the practice of charging discount on Currency Notes by the Branch Banks has been discontinued.

W

16

Letters Enclosures to follow - 16

W.P. Jorge
7 Dec/69.

Copy to Comr of Paper Currency
" Acct General
} dispd 8/12

Letter Encls & Rec'd 16 - 24

Currency Cir. 28-8-93

Fort. 1869 Dept.

To
Lt Col H. Hyde R.E.
Hd Comm of Paper Currency
Calcutta.

Dy. Dec 69 No 594

No. 14 - 20.

Comng opinion of the
Govt. that it is not
desirable that the
Circles of Issue at
Trichy & Vizagapatam
should be abolished.

Act 21 Acc. 141