M.R.O. 1—77,006—8-6-37.

(1) Number of pages 14.

(2) Date of repair 24. 2. 40

(3) Initials of the Referencer

MADRAS RECORD OFFICE.

Government of Madras.

Financial **DEPARTMENT.**

G.O. No. 1643 Press
09-70 Mis.

Dated 9-12-1872.

69-70 8/9

Not to be folded or roughly handled

No. 69. Read the following Proceedings of the Government of India in the Financial Department, dated Simla, 14th November 1872, No. 3898 (Accounts):—

Read—

Report by the Head Commissioner of Paper Currency, No. 308, dated the 23rd August 1872, on the operations of the Paper Currency Department during the year 1871-72.

RESOLUTION.—The Honourable the President in Council observes that the average circulation of the Government Paper Currency at the close of each month increased in 1871-72, as compared with 1870-71, by £1,602,520 or 16·33 per cent., and was higher than that of 1869-70 (in which year the circulation was highest till 1871-72) by £746,666 or 7 per cent.

2. The average circulation of 1871-72 was abnormally swollen by the investment in January of £2,700,000 of the reserve, the whole of which was taken out in notes. The circulation, thus increased, has not yet contracted, but money has, since this investment was made, been exceedingly cheap, and it would be premature to conclude that the inflation will continue permanently.

3. The average circulation at the end of each month from April to December 1871 before the investment was made was £10,894,474 as compared with £9,610,308 in 1870, and £10,589,659 in 1869. So that, apart altogether from the effects of the investment, there was an improvement of £1,284,166 or 13·4 per cent. as compared with 1870, and of £304,815 or 2·8 per cent. as compared with 1869. It appears, therefore, that, without taking count of the effect produced by the investment, the circulation shows a recovery from the depression of 1870-71.

4. The growth as compared with 1869-70 is, however, inconsiderable, especially if it be borne in mind that various concessions have been made since then in order to make the Paper Currency more generally convertible and so more popular.

5. The improvement as compared with 1870-71 is attributed by the Head Commissioner to the importation of bullion at the Presidency Towns of Bombay and Calcutta. The following are the monthly figures:—

	1869.	1870.	1871.
	£	£	£
End of—April	9,803,201	9,647,117	10,130,684
May	10,378,320	8,681,903	10,494,655
June	10,799,190	8,704,559	10,829,526
July	10,533,763	9,121,736	10,721,421
August	10,210,036	9,453,192	11,292,563
September	10,184,493	10,066,436	11,317,515
October	10,758,731	10,191,631	11,307,160
November	11,330,219	10,274,215	11,087,707
December...	11,308,978	10,351,985	10,869,041

6. They show that the improvement took place chiefly in the first seven months, whereas the importation of bullion did not revive till November. The explanation given by the Head Commissioner hardly, therefore, seems correct. Indeed it is certain that the improvement in the maxima, as given by the Head Commissioner, is due almost entirely to the investment above referred to and not to the

importation of bullion. The following table shows the average monthly circulation of each circle from April to December in the last three years:—

	1869.	1870.	1871.
	£	£	£
Calcutta	4,125,769	3,477,988	4,012,674
Madras	649,691	815,831	1,064,760
Bombay	4,517,325	3,805,225	3,842,592
Allahabad	290,012	356,639	361,105
Lahore	243,347	216,308	471,434
Calicut	78,597	81,357	113,510
Trichinopoly	56,014	29,134	33,465
Vizagapatam	37,282	33,763	33,249
Nagpore	249,001	367,275	348,910
Kurrachee	246,785	220,931	205,549
Akola	95,829	205,858	407,227
Total ...	10,589,652	9,610,309	10,894,475

7. As compared with 1870, the increase is chiefly in the Calcutta, Madras, Lahore, and Akola Circles, and as compared with 1869, the increase is in the Madras, Lahore, Nagpore, and Akola Circles. But on the whole the minor circles continue to show little or no vitality.

8. Lahore notes to the value of £1,235,165, and Allahabad notes to the value of £896,810, or notes of the two branch circles amounting to the value in all of £2,131,975 were cashed in Calcutta during the year. On the other hand, bills and notes for £984,284 were cashed at Lahore and Allahabad, so that, owing to the peculiar provision of the law by which cash may be demanded at the Presidency Towns for notes issued from the subordinate offices of issue, the Government had in effect to bear the charge and risk of remittances from the western divisions of the Bengal Presidency to Calcutta to the net amount of £1,197,691. Nevertheless the Government is at present prepared to maintain the privilege conceded to the public of encashing other circle notes at the Presidency Towns.

9. The transactions with the public have increased considerably in number and importance. The Bank of Bengal continues to throw enormous labour upon the Calcutta Office by insisting upon changing daily every note that it receives.

10. The proportion of notes received and found fit for re-issue has improved as follows:—

1869-70	43·14
1870-71	47·20
1871-72	50·38

11. The cost of the cancelled notes is estimated at Rupees 84,305, besides packing charges and freight. In 1870-71 the cost was Rupees 89,113. The value of the notes issued was as follows:—

Denomination. Rs.	Number.	Value. £	Percentage of value.
10	1,617,287	1,617,287	2·6
20	896,374	1,792,748	2·88
50	345,835	1,729,175	2·78
100	618,891	6,188,910	9·74
500	114,982	5,749,100	9·23
1,000	451,749	45,174,900	72·57

Proceedings of the Madras Government, Financial Department,
9th December 1872.

So that nearly three-quarters of the whole value issued was in notes for Rupees 1,000. Last year the proportion of the circulation was as follows:—

Rs.	
10	2·78
20	2·83
50	3·03
100	11·6
500	9·7
1,000	70·06

12. The metallic reserve has been as follows:—

	£
31st March 1869	6,046,290
,, 1870	6,869,533
,, 1871	7,022,287
,, 1872	7,258,541

13. As already observed, the investment of £2,700,000 of the reserve has not as yet caused the outflow of any specie from the currency vaults. Notes were taken out for the whole amount and have not as yet been cashed.

14. The forgery of the Madras notes for Rupees 1,000 and their successful utterance at Benares is under separate investigation under the superintendence of the Home Department. It is satisfactory that the crime was promptly discovered and one of the guilty parties arrested. His alleged suicide is much to be regretted.

15. Small silver to the value of £109,376, and copper to the value of £869 have been supplied to the public through the Currency Department in the year.

16. The statistics of outstanding notes are again complete; they will become very valuable as time goes on. The Head Commissioner is entitled to commendation for the trouble which he has taken to add to the facts collected concerning the composition of the Currency. But the figures, except those given by the European Banks, are probably not yet very trustworthy.

17. The proportion of the public balances held in notes has risen from £876,508 (5·2 per cent.) to £2,075,695 (9·4 per cent.), the growth being remarkable in all the divisions of the Bengal Presidency.

18. The transactions at the Government Treasuries in the interior show a remarkable increase as follows:—

Receipts.

	1869-70. £	1870-71. £	1871-72. £
From Accountant-General and other Treasuries	1,377,503	1,486,968	2,103,963
From the public	3,972,842	3,977,552	5,779,678
Total ...	5,350,345	5,464,520	7,883,641

Issues.

To Accountant-General and other Treasuries	1,813,000	1,758,919	2,003,389
To the public	3,417,032	3,639,714	5,094,066
Total ...	5,230,032	5,398,633	7,097,455

The President in Council notices this increase with satisfaction.

19. Notes to the value of £3,009,069 were cashed, and notes to the value of £3,370,533 were sold to the public at these interior treasuries, being an increase in the first case of £1,661,797, and in the second case of £1,339,519, as compared with 1870-71. The increase is everywhere good, but it is remarkable in Bengal and Madras. It must be remembered, however, that the public balances were during the year generally large. It cannot be safely assumed that with reduced balances it will be possible to continue to the public the same facilities.

20. Notes have been cashed outside their own circles very freely. Calcutta only has not been in a position to afford this convenience to the public to any great extent. The following figures will explain this:—

PERCENTAGE ON THE 30TH MARCH.

	1870.		1871.		1872.	
	Of circulation.	Of metallic reserve.	Of circulation.	Of metallic reserve.	Of circulation.	Of metallic reserve.
Calcutta	33·59	27·14	33·95	19·08	40·19	34·21
Bombay	47·16	50·44	41·38	43·01	40·25	47·01
Madras	6·11	4·12	6·97	8·69	6·26	3·67
Allahabad and Lahore.	6·05	6·74	9·50	16·24	8·29	8·49

21. It should be remembered that Calcutta is answerable for Allahabad and Lahore notes as well as its own. At the beginning of the year the Calcutta metallic balance was evidently too small to allow any facilities which are not legally demandable, and, though its position was better at the end of the year, it has since then again retrograded; with obligations practically equal to those of Bombay, it has now little more than half the metallic reserve held at Bombay.

22. The transactions of the Currency Agencies have been insignificant, as follows:—

	Notes.	Cash.
	£	£
Received	160,150	238,450
Issued	254,450	144,050

This is no doubt owing to the great facilities given by the treasuries during the year. The Head Commissioner is of opinion that nothing has been effected by the agencies that would not have been equally effected by the treasuries without them, and that, therefore, they might be abolished.

23. It is to be remembered, however, that, as already remarked, the year was an exceptional one in respect to the largeness of the public balances. It cannot be assumed that in ordinary years, with the balances worked on the usual economical plan, the treasuries can continue to give all needful facilities without any help from these agencies, and it would be, therefore, premature to abandon them. The agencies appear, moreover, to be popular. There is no doubt that the transactions of these agencies will improve, and, so far from concurring with the Head Commissioner that they should be abolished, the Honourable the President in Council, as at present advised, is in favour of their extension, and has, indeed, instituted preliminary inquiries with that object. His Honour in Council think

Proceedings of the Madras Government, Financial Department,
9th December 1872.

that the public advantage afforded, both by Treasuries and Currency Agencies, through the increased facilities for the exchange of currency notes and silver, can hardly be too highly estimated. It appears, however, unnecessary to establish such agencies in the Madras Presidency so long as the system of free exchange of notes at all treasuries is in force there, and difficulty is found in working agencies in that Presidency.

24. The detailed account of the receipts and disbursements of the Department is not yet quite ready, there being some discrepancy between the departmental accounts and those of the Comptroller-General. But the net profit appears to be slightly less than that of 1870-71 (£115,764). Upon the whole, it is evident that largely increased advantages have been afforded to the public during the year at no increased cost. This, however, may probably be due to the state of the public balances. It does not follow that the same facilities could be given without cost under other circumstances.

25. Mr. Sandeman is entitled to acknowledgments for the completeness of his report and for the care that he has devoted to the management of the Department during the year.

—

Ordered that the foregoing Resolution be communicated to the Head Commissioner of Paper Currency, and to the several local Governments and Administrations; also that it be published in the Supplement to the *Gazette of India.*

(Signed) D. BARBOUR,
Offg. Under Secy. to the Govt. of India.

No. 70. ORDER THEREON, 9th December 1872, No. 1643.

Communicated to the Revenue Department, the Board of Revenue, and the Accountant-General.

(True Extract.)

W. HUDLESTON,
Chief Secretary.

To the Revenue Department.
,, Board of Revenue.
,, Accountant-General.

Exd. J. Wright.

Govt. of India 1872 Mysore

FINANCIAL.

To

THE REVENUE DEPARTMENT,

&c. &c.

Dated December, 9th.

Recd.

Read.

G. O., 9th December 1872, No. 1643.

DECEMBER.

Nos. 69-70.

Communicating Resolution of the Government of India on the operations of the Paper Currency Department during the year 1871-72.

No. 3898.

GOVERNMENT OF INDIA.

FINANCIAL DEPARTMENT.

Accounts.

SIMLA, *the 14th November* 1872.

Read—

Report by the Head Commissioner of Paper Currency, No. 308, dated the 23rd August 1872, on the operations of the Paper Currency Department during the year 1871-72.

RESOLUTION.—The Hon'ble the President in Council observes that the average circulation of the Government Paper Currency at the close of each month increased in 1871-72, as compared with 1870-71, by £1,602,520 or 16·33 per cent., and was higher than that of 1869-70 (in which year the circulation was highest till 1871-72) by £ 746,666 or 7 per cent.

2. The average circulation of 1871-72 was abnormally swollen by the investment in January of £ 2,700,000 of the reserve, the whole of which was taken out in notes. The circulation, thus increased, has not yet contracted, but money has, since this investment was made, been exceedingly cheap, and it would be premature to conclude that the inflation will continue permanently.

3. The average circulation at the end of each month from April to December 1871 before the investment was made was £ 10,894,474 as compared with £ 9,610,308 in 1870 and £ 10,589,659 in 1869. So that apart altogether from the effects of the investment there was an improvement of £ 1,284,166 or 13·4 per cent. as compared with 1870, and of £ 304,815 or 2·8 per cent. as compared with 1869. It appears, therefore, that without taking count of the effect produced by the investment, the circulation shows a recovery from the depression of 1870-71.

4. The growth as compared with 1869-70 is, however, inconsiderable, especially if it be borne in mind that various concessions have been made since then in order to make the Paper Currency more generally convertible and so more popular.

5. The improvement as compared with 1870-71 is attributed by the Head Commissioner to the importation of bullion at the Presidency Towns of Bombay and Calcutta. The following are the monthly figures:—

	1869.	1870.	1871.
	£	£	£
End of—April	9,803,201	9,647,117	10,130,684
May	10,378,320	8,681,903	10,494,655
June	10,799,190	8,704,559	10,829,526
July	10,533,763	9,121,736	10,721,421
August	10,210,036	9,453,192	11,292,563
September	10,184,493	10,066,436	11,317,515
October	10,758,731	10,191,631	11,307,160
November	11,330,219	10,274,215	11,087,707
December	11,308,978	10,351,985	10,869,041

6. They show that the improvement took place chiefly in the first seven months, whereas the importation of bullion did not revive till November. The explanation given by the Head Commissioner hardly, therefore, seems correct. Indeed it is certain that the improvement in the maxima, as given by the Head Commissioner, is due almost entirely to the investment above referred to and not

to the importation of bullion. The following table shows the average monthly circulation of each circle from April to December in the three last years :—

	1869.	1870.	1871.
	£	£	£
Calcutta	4,125,769	3,477,988	4,012,674
Madras	649,691	815,831	1,064,760
Bombay	4,517,325	3,805,225	3,842,592
Allahabad	290,012	356,639	361,105
Lahore	243,347	216,308	471,434
Calicut	78,597	81,357	113,510
Trichinopoly ...	56,014	29,134	33,465
Vizagapatam ...	57,282	33,763	33,249
Nagpore	249,601	367,275	348,910
Kurrachee	246,785	220,931	205,549
Akola	95,829	205,558	407,227
TOTAL ...	10,589,652	9,610,309	10,894,475

7. As compared with 1870, the increase is chiefly in the Calcutta, Madras, Lahore and Akola Circles, and as compared with 1869, the increase is in the Madras, Lahore, Nagpore and Akola Circles. But on the whole the minor circles continue to show little or no vitality.

8. Lahore notes to the value of £1,235,165, and Allahabad notes to the value of £896,810, or notes of the two branch circles amounting to the value in all of £2,131,975 were cashed in Calcutta during the year. On the other hand, bills and notes for £984,284 were cashed at Lahore and Allahabad, so that owing to the peculiar provision of the law by which cash may be demanded at the Presidency Towns for notes issued from the subordinate offices of issue, the Government had in effect to bear the charge and risk of remittances from the western divisions of the Bengal Presidency to Calcutta to the net amount of £1,197,691. Nevertheless the Government is at present prepared to maintain the privilege conceded to the public of encashing other circle notes at the Presidency Towns.

9. The transactions with the public have increased considerably in number and importance. The Bank of Bengal continues to throw enormous labour upon the Calcutta Office by insisting upon changing daily every note that it receives.

10. The proportion of notes received and found fit for re-issue has improved as follows :—

1869-70	48·14
1870-71	47·20
1871-72	50·38

11. The cost of the cancelled notes is estimated at Rs. 84,305, besides packing charges and freight. In 1870-71 the cost was Rs. 89,113. The value of the notes issued was as follows :—

Denomination. Rs.	Number.	Value.	Percentage of value.
		£	
10	1,617,287	1,617,287	2·6
20	896,374	1,792,748	2·88
50	345,835	1,729,175	2·78
100	618,891	6,188,910	9·74
500	114,982	5,749,100	9·23
1,000	451,749	45,174,900	72·57

So that nearly three-quarters of the whole value issued was in notes for Rs. 1,000. Last year the proportion of the circulation was as follows :—

Rs.	
10	2·78
20	2·83
50	3·03
100	11·6
500	9·7
1,000	70·06

12. The metallic reserve has been as follows :—

	£
31st March 1869	6,046,290
,, 1870	6,869,533
,, 1871	7,022,287
,, 1872	7,258,541

13. As already observed, the investment of £2,700,000 of the reserve has not as yet caused the outflow of any specie from the currency vaults. Notes were taken out for the whole amount and have not as yet been cashed.

14. The forgery of the Madras notes for Rs. 1,000 and their successful utterance at Benares is under separate investigation under the superintendence of the Home Department. It is satisfactory that the crime was promptly discovered and one of the guilty parties arrested. His alleged suicide is much to be regretted.

15. Small silver to the value of £109,376, and copper to the value of £869 have been supplied to the public through the Currency Department in the year.

16. The statistics of outstanding notes are again complete; they will become very valuable as time goes on. The Head Commissioner is entitled to commendation for the trouble which he has taken to add to the facts collected concerning the composition of the Currency. But the figures, except those given by the European Banks, are probably not yet very trustworthy.

17. The proportion of the public balances held in notes has risen from £876,508 (5·2 per cent.) to £2,075,695 (9·4 per cent.), the growth being remarkable in all the divisions of the Bengal Presidency.

18. The transactions at the Government Treasuries in the interior show a remarkable increase as follows :—

RECEIPTS.

	1869-70.	1870-71.	1871-72.
	£	£	£
From Accountant General and other Treasuries	1,377,503	1,486,968	2,103,963
From the public	3,972,842	3,977,552	5,779,678
TOTAL ...	5,350,345	5,464,520	7,883,641

ISSUES.

To Accountant General and other Treasuries	1,813,000	1,758,919	2,003,389
To the public	3,417,032	3,639,714	5,094,066
TOTAL ...	5,230,032	5,398,633	7,097,455

The President in Council notices this increase with satisfaction.

19. Notes to the value of £3,009,069 were cashed, and notes to the value of £3,370,533 were sold to the public at these interior treasuries, being an increase in the first case of £1,661,797, and in the second case of £1,339,519, as compared with 1870-71. The increase is everywhere good, but it is remarkable in Bengal and Madras. It must be remembered, however, that the public balances were during the year generally large: it cannot be safely assumed that with reduced balances it will be possible to continue to the public the same facilities.

20. Notes have been cashed outside their own circles very freely. Calcutta only has not been in a position to afford this convenience to the public to any great extent. The following figures will explain this :—

PERCENTAGE ON THE 30TH MARCH.

	1870.		1871.		1872.	
	Of circulation.	Of metallic reserve.	Of circulation.	Of metallic reserve.	Of circulation.	Of metallic reserve.
Calcutta	33·59	27·14	33·95	19·08	40·19	34·21
Bombay	47·16	50·44	41·38	43·01	40·25	47·01
Madras	6·11	4·12	6·97	8·69	6·26	3·67
Allahabad and Lahore ...	6·05	6·74	9·50	16·24	8·29	8·49

21. It should be remembered that Calcutta is answerable for Allahabad and Lahore notes as well as its own. At the beginning of the year the Calcutta metallic balance was evidently too small to allow any facilities which are not legally demandable, and though its position was better at the end of the year, it has since then again retrograded; with obligations practically equal to those of Bombay, it has now little more than half the metallic reserve held at Bombay.

22. The transactions of the Currency Agencies have been insignificant, as follows :—

	Notes.	Cash.
	£	£
Received	160,150	238,450
Issued	254,450	144,050

This is no doubt owing to the great facilities given by the treasuries during the year. The Head Commissioner is of opinion that nothing has been effected by the agencies that would not have been equally effected by the treasuries without them, and that therefore they might be abolished.

23. It is to be remembered, however, that, as already remarked, the year was an exceptional one in respect to the largeness of the public balances. It cannot be assumed that in ordinary years, with the balances worked on the usual economical plan, the treasuries can continue to give all needful facilities without any help from these agencies, and it would be therefore premature to abandon them. The agencies appear, moreover, to be popular. There is no doubt that the transactions of these agencies will improve, and so far from concurring with the Head Commissioner that they should be abolished, the Hon'ble the President in Council, as at present advised, is in favor of their extension, and has, indeed, instituted preliminary enquiries with that object. His Honor in Council thinks that the public advantage afforded, both by treasuries and currency agencies, through the increased facilities for the exchange of currency notes and silver, can hardly be too highly estimated. It appears, however, unnecessary to establish such agencies in the Madras Presidency so long as the system of free exchange of notes at all treasuries is in force there, and difficulty is found in working agencies in that Presidency.

24. The detailed account of the receipts and disbursements of the Department is not yet quite ready, there being some discrepancy between the departmental accounts and those of the Comptroller General. But the net profit appears to be slightly less than that of 1870-71 (£115,764). Upon the whole, it is evident that largely increased advantages have been afforded to the public during the year at no increased cost. This, however, may probably be due to the state of the public balances. It does not follow that the same facilities could be given without cost under other circumstances.

25. Mr. Sandeman is entitled to acknowledgments for the completeness of his report and for the care that he has devoted to the management of the Department during the year.

ORDERED, that the foregoing Resolution be communicated to the Head Commissioner of Paper Currency, and to the several local Governments and Administrations; also that it be published in the Supplement to the *Gazette of India*.

J Barbour

Offg Under *Secretary to the Government of India.*

GOVERNMENT OF INDIA.

FINANCIAL DEPARTMENT.

Accounts.

To

No. 3898.

Dated, Simla, the 14th November 1872.

Received

Communicating
execution of the Resolution
noted in the Margin
of the Rules necessary
forming the Secretariat
1872-73.

Attested

O. S. G. P.—No. 532 C. F.—19-11-72.—50.

Govt. of {1872} Madras.

Financial

To The Revenue Dept:

Sir.

Dated Dec. 9.
Rcvd.

Encl.

G.O. 9 Dec. 1872, No. 1643.

Nos. 69. 70.

Comng. Rets. of the Govt. of India on the operations of the Paper Currency Dept. during 1871-72.