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TAMIL NADU ARCHIVES

GOVERNMENT OF TAMIL NADU

Finl DEPARTMENT

G.O. No.	390.	Press.
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Dated	8. 3. 1881.	197.

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GOVERNMENT OF MADRAS.
FINANCIAL DEPARTMENT.

8th March 1881, No. 390.

Paper Currency.

Read the following paper:—

No. 24. *Proceedings of the Government of India in the Department of Finance and Commerce, dated Fort William, 21st February 1881, No. 715.*

Read the undermentioned correspondence regarding the working of the Cocanada Circle of Issue of Paper Currency:—

To the Head Commissioner of Paper Currency, No. 1802, dated 18th July 1879.
From do. do. „ 525, dated 26th August 1879.

RESOLUTION.—It appears from the correspondence read in the preamble that the circulation of currency notes issued by the sub-circles of Cocanada in the Madras Presidency and of Nagpur and Akola in the Bombay Presidency is purely nominal, almost the whole amount being held by the Presidency Banks or their local Branches, and that the public convenience does not require the maintenance of these sub-circles. The public will be as well served by the notes of the respective Presidency Circles, as far as the use of currency notes as a medium of circulation is concerned. The sub-circles apparently serve no public purpose whatever, beyond enabling the Banks to remit funds from the interior to the Presidency towns at the cost of the State. On the other hand, they practically tend to limit the general convertibility and circulation of currency notes by the locking up of large amounts of silver at these centres as well as at the Presidency offices.

2. Looking to these circumstances, the Governor-General in Council considers it expedient to abolish these sub-circles, and to include the Central Provinces and Berar within the currency circle of Bombay.

3. It will generally be possible to afford facilities for the encashment of notes for the public at the treasuries of these places so far as may be requisite to encourage *bona fide* circulation.

4. Before making this change, however, the Governor-General in Council desires to learn the opinions entertained as to this matter by the Local Governments and by the representatives of the commercial interests concerned. The Governments of Madras and Bombay and the Chief Commissioner, Central Provinces, are, therefore, requested to furnish early reports on the subject after such consultation as may be necessary.

ORDERED that copies of this Resolution and of the correspondence read in the preamble be forwarded to the Governments of Madras and Bombay and to the Chief Commissioner, Central Provinces.

(Signed) STEPHEN JACOB,
Asst. Secy. to the Govt. of India.

ENCLOSURE No. 1.

From R. B. CHAPMAN, Esq., c.s.i., Secretary to the Government of India, Department of Finance, to the Head Commissioner of Paper Currency, dated 18th July 1879, No. 1802.

I am directed to request that you will submit a brief special report upon the working of the Cocanada Circle of Issue.

The Governor-General in Council observes that, for many months past, the coin reserve accumulated at Cocanada has far exceeded the notes of the circle in circulation, and that the amount of outstanding notes is never large, and often, as now for some months past, insignificant.

I am to inquire—

- (1) the cost of keeping up the circle, including the expense for bringing away the coin which accumulates there;
- (2) what practical use is made of it by the local commercial community; and
- (3) whether, in your opinion, there is any object in maintaining the circle.

If you incline to the opinion that the circle should be closed, the Government of India will consult the Local Government and the Bank of Madras. Your report therefore should, in the first instance, be confidential.

From J. WESTLAND, Esq., Head Commissioner of the Department of Issue, to the Secretary to the Government of India, Department of Finance, dated 26th August 1879, No. 525.

I have the honor to acknowledge the receipt of your confidential letter, No. 1802, dated 18th July 1879, regarding the maintenance of the Cocanada Sub-Circle.

2. First of all I submit the Commissioner's report upon the subject.

3. My own opinion in the matter is based more upon a knowledge of what occurs at the similar circles of Nagpur and Akola, where the same features are observable as at Cocanada. In these three sub-circles there is a great irregularity in what is termed the circulation. In the first case the Bank of Bengal, and in the second case the Bank of Bombay, are the chief customers, holding during the stock season a large part of the total circulation of sub-circle notes, and pouring them in during the busy season, either at the sub-circles or at the head circle as most convenient; thus compelling the Currency Department not only to bear the cost of their remittances, in one direction at least, but also to hold a double reserve against the notes which are out, as they may be presented at any moment either at the sub-circle or at the head circle.

4. In the third case, that of Cocanada, the Bank of Madras reaps the same advantage, and I may quote the following extract from the Commissioner's (Mr. Probyn's) report for 1877-78:—

"For instance, I believe generally, when the Cocanada circulation is high, that three-fourths of the total amount is held by the Bank of Madras in Madras as part of its cash balance, the object being, while having funds available at Madras, should they be required, to enable it to transfer them back to Cocanada without cost. If the notes were not available for this purpose, the Cocanada circulation would be enormously reduced, and the Madras proper circulation would *pro tanto* be increased. Similar remarks apply, though to a smaller extent, to the Calicut Sub-Circle. This cause leads to the very great variations which will be noticed in the circulation of the sub-circles."

5. An examination of the nature of the circulation represented in the statement attached to Mr. Tupp's letter confirms this result. The variation in notes under a Rs. 1,000 is very small, and the circulation throughout the twenty-eight months included in the statement may be said to have been six and a-half lakhs in notes under a Rs. 1,000, plus an amount varying from three to thirty-two lakhs in notes of Rs. 1,000 and Rs. 10,000. Of this latter amount it is probable that a great part are never once in the course of their lives used as legal tender, but are simply received for cash at one Currency Office, and presented for encashment at the same or another one.

6. It is not possible to say what the expense of remitting away the surplus from Cocanada is, nor is it, in my opinion, any standard by which to judge. The remittances within India are managed as a whole, and it is not possible even to say how much appertains to currency transactions and how much to treasury transactions. They are made, as far as possible, to fit into each other, and the number, amount, and direction of the remittances depend upon many things besides the condition of the one or two treasuries affected by it. For example, at the present moment, while the reserves are ample, no particular inconvenience is felt in leaving nearly 50 lakhs of coin at Cocanada; but last year at this time, when the scarcity of money at the treasury, and the necessity of having coin in readiness for the Afghan war, rendered it advisable to accumulate the silver reserve of the currency in the Punjab (to be set free, as occasion required, by transfers from treasury elsewhere), it would have been necessary to take away from Cocanada the whole of the accumulation.

7. The figures given by Mr. Tupp show that, on the average, from 1 to 1½ lakhs of rupees accumulate every month over and above what it is possible to remove by bills, and this apparently is the amount of coin remittance which is thrown upon the Currency Department by the facility which traders have of encashing at Madras notes obtained for coin at Cocanada. I dare say Rs. 500 a-month would cover the cost of remittances; but the cost would be greater if the amount of silver reserve were so small that we could not afford to allow a surplus to be for a time unused, but were obliged to follow every movement of Cocanada notes by a corresponding movement of coin.

8. It is hardly in the actual cost of remittance that the effect of sub-circles such as Cocanada is felt; it is more in the locking up of a certain amount of silver. As I said above, a large amount of notes—sometimes as much as 30 lakhs—is held ready to be presented for cash either at Cocanada or at Madras, according to the convenience of the holder, and this creates a demand upon the Madras reserve over and above the amount of coin received at Cocanada by issue of the notes. I think it is a very moderate computation that, if the double liability were to cease to exist, 10 lakhs of silver might be invested and the silver reserve still remain as strong, with reference to the circulation, as it is at present. The interest upon this 10 lakhs, or Rs. 45,000, is an income which is debarred to us by the present arrangements about Cocanada.

9. I do not see anything in the public convenience to justify the maintenance of this position of things. The public will be just as well served if Madras notes take the place of Cocanada ones, that is, so far as the use of currency notes as a medium of circulation is concerned; of course they will not have the advantage of throwing upon the Currency Department the expense of their remittances.

10. I have confined myself to answering the questions put in your letter, because I perceive that the Government intend making further inquiries; and I ought to mention that I do not know how far Mr. Waterfield agrees with me in what I have written, except that he informed me that his opinion was against the maintenance of Cocanada as a separate circle. There are, however, two points on which I would suggest further information as very useful in considering the matter, viz.:—

- (I) The proportion of issues and receipts made, both at Madras and Cocanada, to the Bank of Madras and to other customers, distinguishing the high values.
- (II) Whether the cash surplus at the Godavari Treasury is such as to give to local traders a reasonable prospect of being able to a considerable extent to obtain cash for notes.

No. 25. ORDER THEREON, 8th March 1881, No. 390.

Communicated to the Accountant-General and to the Chambers of Commerce, Madras and Cocanada, for such remarks as they may be desirous of making. An early answer is requested.

(True Extract.)

R. DAVIDSON,
Chief Secretary.

To the Accountant-General.

„ Chairman of the Chamber of Commerce, Madras.
„ „ Cocanada.

Exd. J. Wright.

Gobt. of [1881] Madras.
FINANCIAL.

To
THE ACCOUNTANT-GENERAL,
&c., &c., &c.

Dated March, 8th.

Issued

Recd.

Encl.

G.O., 8th March 1881, No. 390.

MARCH
Nos. 24-25.

Paper Currency.—Communicating, for remarks,
Resolution of Government of India calling for
early report on the proposal to abolish the Cocanada
Circle of Issue of Paper Currency, &c.

GOVERNMENT OF INDIA.
DEPARTMENT OF FINANCE AND COMMERCE.

Enclosure of Resolution No. 715 of 1881.

No. 1802, dated 18th July 1879.

From—R. B. CHAPMAN, Esq., C.S.I., Secy. to the Govt. of India, DEPT. OF FINANCE,
To—The Head Commissioner of Paper Currency.

I am directed to request that you will submit a brief special report upon the working of the Cocanada Circle of Issue.

The Governor General in Council observes that, for many months past, the coin reserve accumulated at Cocanada has far exceeded the Notes of the Circle in circulation, and that the amount of outstanding Notes is never large, and often, as now for some months past, insignificant.

I am to enquire—

- (1) the cost of keeping up the Circle, including the expense for bringing away the coin which accumulates there;
- (2) what practical use is made of it by the local commercial community; and
- (3) whether, in your opinion, there is any object in maintaining the Circle.

If you incline to the opinion that the Circle should be closed, the Government of India will consult the Local Government and the Bank of Madras. Your report therefore should, in the first instance, be confidential.

No. 525, dated 26th August 1879.

From—J. WESTLAND, Esq., Head Commissioner of the Dept. of Issue,
To—The Secretary to the Government of India, DEPT. OF FINANCE.

I have the honour to acknowledge the receipt of your confidential letter No. 1802, dated 18th July 1879, regarding the maintenance of the Cocanada Sub-Circle.

2. First of all I submit the Commissioner's report upon the subject.

3. My own opinion in the matter is based more upon a knowledge of what occurs at the similar circles of Nagpur and Akola, where the same features are observable as at Cocanada. In these three sub-circles there is a great irregularity in what is termed the circulation. In the first case the Bank of Bengal, and in the second case the Bank of Bombay, are the chief customers, holding during the stock season a large part of the total circulation of sub-circle notes, and pouring them in during the busy season, either at the sub-circles or at the head circle as most convenient; thus compelling the Currency Department not only to bear the cost of their remittances, in one direction at least, but also to hold a double reserve against the notes which are out, as they may be preserved at any moment either at the sub-circle or at the head circle.

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"For instance, I believe generally, when the Cocanada circulation is high, that three-fourths of the total amount is held by the Bank of Madras in Madras as part of its cash balance, the object being, while having funds available at Madras, should they be required, to enable it to transfer them back to Cocanada without cost. If the notes were not available for this purpose, the Cocanada circulation would be enormously reduced, and the Madras proper circulation would *pro tanto* be increased. Similar remarks apply, though to a smaller extent, to the Calicut Sub-Circle. This cause leads to the very great variations which will be noticed in the circulation of the sub-circles."

5. An examination of the nature of the circulation represented in the statement attached to Mr. Tupp's letter confirms this result. The variation in notes under a Rs. 1,000 is very small, and the circulation throughout the 28 months included in the statement may be said to have been 6½ lakhs in notes under a Rs. 1,000, plus an amount varying from 3 to 32 lakhs in notes of Rs. 1,000 and Rs. 10,000. Of this latter amount it is probable that a great part are never once in the course of their lives used as legal tender, but are simply received for cash at one Currency Office, and presented for encashment at the same or another one.

6. It is not possible to say what the expense of remitting away the surplus from Cocanada is, nor is it in my opinion any standard by which to judge. The remittances within India are managed as a whole, and it is not possible even to say how much appertains to currency transactions and how much to treasury transactions. They are made, as far as possible, to fit into

each other, and the number, amount, and direction of the remittances depend upon many things besides the condition of the one or two treasuries affected by it. For example, at the present moment, while the reserves are ample, no particular inconvenience is felt in leaving nearly 50 lakhs of coin at Cocanada; but last year at this time, when the scarcity of money at the treasury, and the necessity of having coin in readiness for the Afghan war, rendered it advisable to accumulate the silver reserve of the Currency in the Punjab (to be set free, as occasion required, by transfers from treasury elsewhere), it would have been necessary to take away from Cocanada the whole of the accumulation.

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8. It is hardly in the actual cost of remittance that the effect of sub-circles such as Cocanada is felt; it is more in the locking up of a certain amount of silver. As I said above, a large amount of note—sometimes as much as 30 lakhs—is held ready to be presented for cash either at Cocanada or at Madras, according to the convenience of the holder, and this creates a demand upon the Madras reserve over and above the amount of coin received at Cocanada by issue of the notes. I think it is a very moderate computation that, if the double liability were to cease to exist, ten lakhs of silver might be invested and the silver reserve still remain as strong, with reference to the circulation, as it is at present. The interest upon this ten lakhs, or Rs. 45,000, is an income which is debarred to us by the present arrangements about Cocanada.

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- (II) Whether the cash surplus at the Godavery Treasury is such as to give to local traders a reasonable prospect of being able to a considerable extent to obtain cash for notes.

(True Copy)

W. D. B. J.

Reg. Dir. of Finance & Commerce

Encl. 5-15/81

Fort William, the 21st February 1881.

Read the undermentioned correspondence regarding the working of the Cocanada Circle of Issue of Paper Currency:—

To the Head Commissioner of Paper Currency, No. 1802, dated 18th July 1879.
From " " " " " No. 525, dated 26th August 1879.

RESOLUTION.—It appears from the correspondence read in the preamble that the circulation of Currency Notes issued by the sub-circles of Cocanada in the Madras Presidency and of Nagpore and Akola in the Bombay Presidency is purely nominal, almost the whole amount being held by the Presidency Banks or their local Branches, and that the public convenience does not require the maintenance of these sub-circles. The public will be as well served by the Notes of the respective Presidency circles, as far as the use of Currency Notes as a medium of circulation is concerned. The sub-circles apparently serve no public purpose whatever, beyond enabling the Banks to remit funds from the interior to the Presidency Towns at the cost of the State. On the other hand, they practically tend to limit the general convertibility and circulation of Currency Notes by the locking up of large amounts of silver at these centres as well as at the Presidency offices.

2. Looking to these circumstances, the Governor General in Council considers it expedient to abolish these sub-circles and to include the Central Provinces and Berar within the currency circle of Bombay.

3. It will generally be possible to afford facilities for the encashment of Notes for the public at the treasuries of these places so far as may be requisite to encourage *bona fide* circulation.

4. Before making this change, however, the Governor General in Council desires to learn the opinions entertained as to this matter by the Local Governments and by the representatives of the commercial interests concerned. The Governments of Madras and Bombay and the Chief Commissioner, Central Provinces, are therefore requested to furnish early reports on the subject after such consultation as may be necessary.

ORDERED, that copies of this Resolution and of the correspondence read in the preamble be forwarded to the Governments of Madras and Bombay and to the Chief Commissioner, Central Provinces.

Stephen Laidlaw

Asstt. Secretary to the Government of India.

Ind. (1881 / Dep
(Currency /

From

Govt. of India
Dept. of Finance & Commerce

No: 715

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Dated 21st Feb: '81.

Recd: 1st March: 1881.

No: 5-15

Forwarding copy of
Resolution & of correspondence
regarding the working
of the Cocanada Circ
of Issue of Paper Currency

Financial Department. 60
390

PROCEEDINGS of the MADRAS GOVERNMENT.

Read the following letter

from the Govt. of India. Dept.
of Finance and Commerce
dated 21 Feb/81 No 715

Order. 8th March/81, No 390.

Communicated to
the Accountant General and

Date.

It may also be desirable to the Chambers of Commerce,
to obtain the opinion of the Directors of the Bank of Madras
regarding the working of the Cocanada Circ of Issue of Paper Currency
such remarks as they may be desirous of making.
An early answer is requested.

To

The Acct. General, &
Chairman, Chambers of
Commerce, Madras &
Cocanada

D. P. 10/3.

W. P. 11/3/81 2880-30

Paper Currency

Obt. of 188 3 Madras.

To

No. 5/5

Dated
Recd.

188 , No.

Nos.

Coon. Hon. W. Madleston

Recd 7/2/81

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Urgent

Gobt. of 1881 Madras.

Mr. B. M. S.

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(7)

G.O., 8 March 1881, No. 390

Nos. 24 - 25

Paper currency. (cont.)
for remarks, O. Res. of
G.O. calling for early
report on the proposal
to abolish the locanada
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