

*India Office, March 31, 1859.*

**T**HE Secretary of State for India in Council republishes, for general information, the following Notification which has been issued by the Government of India, and published in the Calcutta Gazette Extraordinary of the 21st February, 1859.

**NOTIFICATION.**

*Fort William Financial Department,  
February 21, 1859.*

No. 14.

**HIS** Excellency the Governor-General of India in Council, is pleased to notify for general information, the financial measures which have been resolved upon, in order to provide means for carrying on the Public Service in the coming year 1859-60.

On the 16th of January, 1857, a Five per Cent. Loan was opened, in supersession of the Four and a Half per Cent. Loan opened on the 30th of August, 1856, which had been found, in the then state of the money market, not to afford sufficient inducement to capitalists. On the 30th of April, 1857, the financial position of the Government of India was excellent. The annual deficit which had been experienced for several years, and which in 1853-54 had amounted to rupees 211 lacs, chiefly in consequence of the great extension in late years of public works, was reduced for the year 1856-57 to the small sum of rupees 18 lacs, and this financial restoration had been accomplished without the stoppage of those great works of material improvement, of which India is so much in need. But as the Government had raised but a small amount, in the way of loan, after the closing of the Five per Cent. Public Works Loan in October, 1855, the cash balances in India had fallen so low, that the opening of an effectively drawing loan had become indispensable.

In May, 1857, the revolt of the Bengal Native Army broke out, and it became necessary, by adequate measures, both in India and at home, to provide the means of making those extraordinary exertions by which, under the blessing of Providence, the Indian Empire has been saved, and tranquillity has been restored.

The Government at home undertook all the charges which had to be met at home, both the ordinary home charges of each year, and the extraordinary home charges which the despatch to India of a large English force, and the provision of an immense supply of the munitions of war (a vast quantity of which had been lost or destroyed), rendered necessary: and it assisted the Indian Exchequer, at the moment of greatest pressure, by the remittance of a million sterling in bullion. These objects were met by the issue at home of temporary debentures, to the amount of eight millions sterling. The Government of India had the task of providing for the main part of the extraordinary war charges, which of course had to be disbursed in India; and for the barrack accommodation of many thousand additional Europeans; as also for the restoration of the treasure which had been plundered; and this it had to do when nearly all the revenues of one of the local governments had been swept away.

The Five per Cent. Loan, which would have been adequate for ordinary wants in ordinary times, was found to be inadequate at this time of extreme pressure. Accordingly it was necessary to induce capitalists to come to the assistance of the State, by an enhancement of the terms, and

the Governor-General in Council resolved to borrow at six per cent.

He was aware that this could not be done without in some degree affecting injuriously those holders of paper of former loans, who had not purchased for purposes of permanent investment: but this is the condition of all such holders of Government Stock in all countries, whenever a great exigency forces upon the State the necessity of raising a large sum in a limited time. The Governor-General in Council, however, was desirous to save such holders from loss, as far as that could be done consistently with the paramount object in view. Therefore, instead of simply opening a Six per Cent. Loan, which would have brought down the price of Four and Five per Cent. Paper to a low point, he threw open the existing Five per Cent. Loan to subscriptions, half in cash and half in Four per Cent. Paper. This arrangement for many months answered the purpose, the market price of the paper of former loans was but little affected by the operation; and the expectations of Government were fully met by large and regular subscriptions through the medium of the then existing holders of Four per Cent. Stock, or those who purchased of them for the express purpose of subscribing to the loan. From the opening of this conversion loan to the present time, upwards of eight crores have been paid in in cash.

Latterly, however, whether from the partial exhaustion of such holders of Four per Cent. Paper as are able and willing to convert it or to sell it at such a price as will induce the capitalist to buy for the purpose of conversion, or from some other cause, this conversion process has failed to afford the income which in the present temporary exigency is necessary for the public service. For many weeks past the subscriptions to the conversion loan have fallen to less than half what they were; and they have shewn no prospect of improvement.

In this state of things, the Government of India, having the public service to provide for, had no choice but to adopt some change of measure by which it could hope to obtain the requisite funds before the cash balances should become exhausted. The Governor-General in Council did not doubt that the rate of six per cent. which Government were paying, was ample interest to induce the capitalist to subscribe. But it was apparent that from some cause or other, the requisite funds, even at that rate, could no longer be procured exclusively through the medium of holders of Four per Cent. Stock. There was therefore nothing to be done but to look for subscriptions either through the medium of some other class, or from capitalists generally.

In this state of things, the Governor-General in Council resolved, on the 26th of January last, to adopt a new arrangement in respect to the open loan, from the commencement of the approaching financial year. Accordingly he gave notice of the closing, on the 30th of April next, of the four per cent conversion arrangement. By this warning, all remaining holders of that stock for whose benefit it may be to take advantage of that arrangement, will still have full opportunity of so doing. Up to the end of the current commercial year, holders of Four per Cent. Paper will still have it in their power, on subscribing to the open loan, to obtain six per cent. for the cash subscribed.

In order to throw open the door, in some manner to the general capitalist Treasury Bills, bearing a somewhat lower rate of interest, were issued; and the Governor-General in Council,