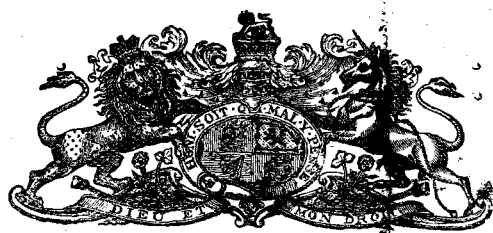


GOVERNMENT OF INDIA.
FINANCE AND COMMERCE DEPARTMENT.

FINANCIAL STATEMENT

FOR

1904-1905.



CALCUTTA.
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FINANCIAL STATEMENT FOR 1904-1905.

PART I.

1. With Your Excellency's permission, I will now lay before the Legislative Council the actual financial results of the year 1902-1903; our Revised Estimates for 1903-1904; and our Budget Estimates for the coming financial year 1904-1905.

"2. In their briefest form, and leaving out Capital, Debt, and Remittance transactions, the figures are as follows:—

	1902-1903 (Accounts).
	£
Revenue	77,434,915
Expenditure (charged against Revenue)	74,365,366
	Surplus 3,069,549
	1903-1904 (Revised Estimate).
	£
Revenue	83,067,800
Expenditure (charged against Revenue)	80,356,600
	Surplus 2,711,200
	1904-1905 (Budget Estimate).
	£
Revenue	80,148,600
Expenditure (charged against Revenue)	79,229,900
	Surplus 918,700

Accounts, 1902-1903.

3. The final accounts of the financial year 1902-1903 show a surplus of £3,069,549, being an increase of £2,231,849 over the original Estimate which showed a surplus of £837,700, and of £331,049 over the Revised Estimate.

4. On the Expenditure side, the accounts show an increase of £832,666, as compared with the original Estimate, and of £211,366, as compared with our Revised Estimate.

5. On the Revenue side, the more important differences between Accounts and Revised Estimate are under receipts by Military Department—increase of £204,390; Salt—increase of £144,405; Railways—increase of £107,500; Customs—increase of £90,936; Other Heads—increase of £57,123; and Excise—increase of £49,042. Against these rather considerable increases we have decreases under Land Revenue, and under Irrigation of £51,655 and £66,010 respectively. The result of these and other minor changes is an actual increase in revenue of £542,415, as compared with the Revised Estimate, and allowing for an increase in expenditure of £211,366, the final result is an increase of the surplus by £331,049.

Increase in the receipts by Military Department occurred partly in India and partly in England and was due, in the former, chiefly to credits taken for value of equipment, etc., supplied for Imperial service requirements abroad. The increase in England was mainly due to earlier recoveries of contributions towards pensions of Indian Native soldiers lent for Imperial service. The increase under Salt was contributed by all the provinces and is attributable to our under-estimate of payments on clearances of salt for trade stocks, during the last weeks of the year. We apprehended that traders would anticipate a reduction in the duty, and would accordingly delay clearances. The increase under Railways is the aggregate result of minor differences due to under-estimates of traffic on several lines. Under Customs, the increase occurred chiefly in Burma, Madras, and Bombay, and was due to large exports of rice, and to more

FINANCIAL STATEMENT OF THE

extensive imports of petroleum, silver, copper, and spirits. The increase under Other heads of Revenue occurred chiefly under Forests in Burma and Madras; that under Excise chiefly in Burma and Berar.

The decrease under Land Revenue was due to over-estimate of collection in Bombay and Burma; under Irrigation, to an over-estimate in the Punjab.

6. As regards expenditure, the more important variations in figures as between the Accounts and the Revised Estimate, are increases of £190,892 under Army Services; £169,407 under Other Public Works; £49,343 under Salaries and Expenses of Civil Departments; and of £39,151 under Railway Revenue Account; and decreases of £101,831 under Direct Demands on Revenue, and of £114,640 under provincial surpluses added to the provincial balances and charged as expenditure. These items account for the greater portion of the total differences noted.

The increased expenditure under Army Services occurred under effective charges both in India and in England; in India, under Supply and Transport, Ordnance, and Miscellaneous Services; and in England, under "Stores," due to larger payments than anticipated, on account of indents. The increase under Other Public Works was due to unexpectedly heavy expenditure in the last two months of the financial year. Under Salaries and Expenses of Civil Departments, the increase occurred chiefly under Education, and was due to larger payments than were anticipated on account of grants-in-aid to certain schools. The increase under Railway Accounts was chiefly on account of working expenses on the North-Western and Great Indian Peninsula Railways, and was due to increased train mileage compensated by improved earnings. Savings under Assignments and Compensation, Land Revenue, and Forest, are the principal causes of the decrease under Direct Demands on Revenues. The decrease under Provincial Surplus is the result of larger expenditure than anticipated in Bengal, the United Provinces, and Madras.

Revised Estimate, 1903-1904.

7. The Revised Estimate of Revenue shows an anticipated increase over the original estimate of £6,712,400 and, allowing for an increase in expenditure (including Provincial surpluses and deficits) of £4,949,900, results in a total anticipated surplus of £2,711,200 as compared with the Budget Estimate which showed a surplus of £948,700. This considerable excess surplus is due to an increase of revenue in greater or less proportion under all heads, except Telegraphs, the returns from which have unfortunately disappointed us, yielding £30,200 less than the estimate, £22,779 less than in 1902-1903, and £53,909 less than in 1901-1902.

REVENUE.

8. The following are the increases in the Revised over the Budget Estimate, under the different heads, and allowing for the failure under Telegraphs, they result in a total increase of revenue of £6,712,400:—

	£
Land Revenue	152,700
Opium	1,354,900
Salt	206,700
Stamps	41,200
Excise	420,400
Customs	316,200
Other Heads	176,900
Interest	86,600
Post Office	39,400
Mint	2,345,500
Receipts by Civil Departments	190,700
Miscellaneous	40,200
Railways	1,106,100
Irrigation	161,400
Other Public Works	71,100
Receipts by Military Department	32,600
	<hr/>
	6,742,600
Telegraphs (decrease)	30,200
	<hr/>
Net increase	6,712,400
	<hr/>

It will be observed that by far the most important items of increase in Revenue are under Opium, £1,354,900; Mint, £2,345,500; and Railways, £1,106,100. The increase under these three heads alone amounts to no less a sum than £4,806,500 approximating three-fourths of the total excess over the Budget Estimate.

The very important increase under Opium is due to the phenomenal rise in prices realised at sales during the past year. In view of the prices obtained during the previous year, we did not feel justified in assuming for 1903-1904, a higher price than R1,100 per chest, whereas the actual average obtained has amounted to no less than R1,462 per chest, reaching the extraordinary high level of R1,765 for the month of February last. The following figures illustrate the course of the market throughout the year.

Average sale-price of opium per chest during the financial year 1903-1904.

	R	a.	p.		R	a.	p.
April	1,240	5	1	October	1,446	15	1
May	1,255	14	3	November	1,498	13	9
June	1,267	4	2	December	1,492	10	4
July	1,297	2	1	January	1,626	9	6
August	1,388	9	10	February	1,765	0	1
September	1,567	1	8	March	1,697	8	8

Average for the year R1,461-15-10.

It is absolutely impossible to foretell the course of events in the highly speculative opium market, and we are bound to be cautious in our estimates, as the course of the market depends not only on the opium crop, but also on the situation in China, which for some time past has been unusually perturbed.

As regards possible Mint profits, we must always be in the dark until requirements for coin have declared themselves, and it is quite impossible to estimate beforehand what such requirements may amount to in any particular year. To exemplify the uncertainty of the demand I submit the figures showing the annual coinage of rupees in the Mints, excluding coinage for Native States and coinage to replace withdrawals of old issues, since the commencement of operations for increasing the rupee circulation:—

	R
1900-01	13,40,73,058
1901-02	3,25,87,221
1902-03	21,11,378
1903-04 (11 months only)	9,42,81,408

It will be observed that annual requirements have varied from R21,11,378 to R13,40,73,058, with a similar variation in profits. It must be remembered, however, that whilst mint profits are necessarily tabulated in our revenue returns, they do not increase our available resources, as profits from rupee coinage are transferred to the Gold Reserve Fund.

The unanticipated increase in railway revenue is equivalent to approximately 5½ per cent. on the estimate. In this matter also we have always to deal with uncertainties, since returns are entirely dependent on seasonable conditions affecting yield and movements of produce, and also to a greater or less extent on the prices for such produce which may prevail in European markets. I submit figures showing the fluctuations in net railway revenue returns during the last five years, including the estimates for the coming year:—

1900-1901.	1901-1902.	1902-1903.	1903-1904	1904-1905
			(Revised).	(Budget).
£ 325,124	£ 846,616	£ 228,949	£ 854,600	£ 354,200

The other differences in excess of anticipated revenue, though important in themselves both as regards improvement of revenue and evidence of general prosperity, are relatively of minor significance. Taking them in order of importance, the increase in Excise returns, as compared with the results of 1902-1903, somewhat exceeds £498,800, and is equivalent to an augmentation of about 21 per cent in two years, following on smaller increases in the two previous years when the stress of famine was still making itself severely felt in some parts of the country. Increase of revenue is undoubtedly in great part due to improved administration and greater attention to preventive measures, but it is also due, and probably to a very large extent, to improvement in the condition of the people. Satisfactory as is from one point of view a growth of revenue, we could not regard with satisfaction any increase which might possibly be attributed to increased consumption of alcohol in excess of the legitimate requirements of those classes among

the population to whom from long habit and custom, alcohol in moderation is a virtual necessity. There is no desire on the part of the Government of India to increase revenue by encouraging indulgence in alcohol. It is a matter in which we feel our full responsibility, which undoubtedly requires constant careful watching, and to which at the present moment we are devoting special attention in the interests of temperance and morality.

Our Customs revenue, though falling short of the realizations in 1902-1903, has exceeded our expectations. Important increases are to be found under the heads of Manufactured Articles (8½ lakhs), Spirits and Liqueurs, Sugar (ordinary duties), White and Coloured Piece Goods, and Other Metals and Manufactures of Metals. The total increase under the heads above enumerated amounts to 26 lakhs, but it is more than counterbalanced by a falling-off of approximately 9½ lakhs on Petroleum, nearly 7 lakhs under Grey Shirtings, and other minor differences. Any decrease in revenue returns is in a sense unfortunate, but we may console ourselves as regards any loss on petroleum and cotton cloths by the reflection that there is no falling-off in the consumption of those articles, and that where duty-paying foreign imports have diminished, they have been replaced by home production.

The excess over our estimate for revenue from salt is a matter for unqualified congratulation, being almost entirely due to increased consumption. Under Receipts by Civil Departments the increase occurred under 'Marine,' and was partly due to a change in accounting, and partly to recoveries on account of the employment of Royal Indian Marine vessels in connection with the operations in Somaliland.

As a matter of percentage, the increase in Land Revenue is trifling; I submit once more figures showing returns for a series of years, and it will be seen that the average annual increase since 1898-99, the last year before the ravages of famine, is approximately 1.17 per cent:—

1898-99	£ 18,306,208	1902-1903	£ 18,436,845
1899-1900	17,205,056	1903-1904	19,262,400
1900-1901	17,503,031	1904-1905	19,591,600
1901-1902	18,288,018		

The increase under Irrigation, which amounts to nearly £188,000, as compared with 1902-1903, and to nearly £419,000, as compared with 1901-1902, is in the main due to the extension of irrigation undertakings which bring direct prosperity to individuals and indirect prosperity to the State at large; the remaining items of increase are of minor importance.

EXPENDITURE.

9. Expenditure has exceeded the original estimate by £4,949,900; of this considerable excess no less a sum than £4,797,600 falls under the heads of Mint, and Provincial Surpluses and Deficits. The increase of expenditure under Mint may be neglected, being fully compensated by increased receipts. The increase under Provincial Surpluses and Deficits includes grants to Provincial Governments amounting to £1,726,700, of which £1,000,000 is in connection with the new provincial settlements, Bengal receiving £333,300, the United Provinces £200,000, Madras £333,300, and Assam £133,400. The variations under other heads of expenditure are of relatively minor importance, fairly balancing one another and resulting in a total increase of £152,300; the more important items are: Direct Demands on Revenue—increase £240,300, attributable to heavy expenditure on opium cultivation and establishment, in consequence of an abnormally large crop; Railway Revenue Account—increase, £292,400, due to heavier working expenses for increased traffic and increased train-mileage, and more than compensated by increased receipts; Other Public Works—increase, £97,400, due to sanction of additional grants for civil works during the course of the year; Army Services—increase, £164,400, due to expenditure amounting to £486,400, for the Missions in Tibet, Aden, and Seistan, partly counterbalanced by savings arising from the absence of troops in Somaliland and China; and Miscellaneous Civil Charges,—increase, £68,800, due to the writing-off of agricultural advances granted during the late famine, and which have proved irrecoverable.

The only head under which a really important decrease of expenditure is noted is Salaries and Expenses of Civil Departments £368,100; minor savings aggregating £342,900 have been realised under the heads of Interest, Post Office, Telegraphs, Famine Relief and Insurance, Irrigation and Special Defences. The excess of estimates over expenditure under Salaries and Expenses of Civil Departments in 1901-1902 was

£312,001, and in 1902-1903, £439,557, indicating apparently a regrettable tendency in some provinces to continually exaggerate requirements. Endeavours will be made to find a remedy.

Budget Estimates, 1904-1905.

10. Our estimates of receipts and expenditure for the forthcoming financial year result in an anticipated surplus amounting to £918,700, but it is to be noted that in calculating this result, allowance is made for a decrease in Provincial balances of £1,316,800.

REVENUE.

11. The principal items of estimated increase in revenue, as compared with the Revised Estimate of 1903-04, are as follows :—

	£
Land Revenue	329,200
Stamps	49,000
Excise	124,500
Other Heads	94,700
Railways	176,400

These with minor improvements under Post Office, and Irrigation, make up a total anticipated increase of revenue amounting to £794,600.

The increase in Land Revenue is largest in Burma and Madras, but it is fairly general, and is important in Assam, the Central Provinces, Berar, and Bombay. The chief cause of general increase is recovery after the recent famine; some re-settlements have however been made, and in the Punjab irrigation has been extended. Under Stamps and Excise, a normal increase has been allowed for. The increase estimated under Railway receipts is based on the anticipated improvement in traffic on certain lines, and increased working mileage.

12. On the other hand, we anticipate a falling-off in receipts under the following heads :—

	£
Opium	781,600
Mint	2,516,100
Other Public Works	68,000
Receipts by Military Department	172,500
TOTAL	3,538,200

These, with minor decreases in Salt, Customs, Interest, Telegraph, Receipts by Civil Departments and Miscellaneous Receipts, result in a total falling-off of £3,713,800.

We cannot anticipate a continuance of the abnormally high prices latterly obtained for Bengal opium, and we have based our estimates for the coming year on an assumed price of R1,250 per chest, as compared with the average of R1,144-8-11 obtained in 1902-1903, and R1,461-15-10 in 1903-1904. The heavy fluctuations in this very important source of revenue are noted in the following table :—

	Average price per chest.
	R , a . p .
1898-1899	1,055 7 5
1899-1900	1,220 15 5
1900-1901	1,360 10 10
1901-1902	1,296 15 5
1902-1903	1,144 8 11
1903-1904	1,461 15 10
1904-1905 (Estimate)	1,250 0 0

The decrease under Mint is, as I have already noted, due to the fortuitous circumstances influencing receipts under this head.

The decrease under Other Public Works is chiefly due to special receipts from sales of buildings, and the falling-off in receipts by Military Department is mainly attributed to anticipated smaller recoveries for stores, etc., to be supplied to the Imperial Government.

EXPENDITURE.

13. The total increase in expenditure on revenue account is estimated at £1,391,300.

The more important heads of increase are:—

	£
Direct Demands on the Revenues	198,400
Post Office	116,000
Salaries and Expenses of Civil Departments	916,800
Railway Revenue Account	676,800
Other Public Works	524,500
Army Services	1,258,400
Special Defences	228,300

These with minor additions under Telegraph, Famine Relief and Insurance, and Irrigation result in a total increase of expenditure amounting to £4,028,500. The most important increase, that of £1,258,400 under Army Services, is almost wholly accounted for under the two heads of Increased Pay to British Troops, approximately £493,900, which becomes payable from April 1904, and £700,000 for new armament, guns, and rifles; the latter is fortunately a non-recurring charge. There are other minor differences of increase and decrease in Military charges, but excluding the two items I have specially noted, the aggregate Military estimates do not materially exceed those of the closing year.

The large increase of £916,800 under Salaries and Expenses of Civil Departments occurs chiefly under Education, Police, Medical, and Political. Should we have another really prosperous season, additional expenditure under Railway Revenue Account will in great part be covered by increased receipts, but whereas certain expenditure is inevitable, we cannot, in framing our estimates, allow for more than normal profits to counterbalance them. The addition of £116,000 to Post Office charges is due to the progressive development of the Postal service. The increase of £524,500, under Other Public Works, is chiefly due to the expenditure to be met by Local Governments out of the special grants given to them towards the close of the current financial year, and that of £228,300 under Special Defences, to the adoption of a definite programme for improving Coast Defences. The other items of increase are of relatively small importance.

“14. Against such items of increase there are decreases under the following heads:—

	£
Mint	2,385,000
Miscellaneous Civil Charges	129,700
Interest	122,500

The decrease under Mint is approximately counterbalanced by the smaller entry for receipts under the same head; that under Miscellaneous Civil Charges is chiefly due to a considerable sum, considered irrecoverable, having been written off on account of takavi advances made during the late famine.

Summary of Budget Results.

15. We may now consider the situation as regards our estimates for items classified in the Accounts as non-chargeable to revenue: We carry forward to this second part of our statement, which includes Capital and Debt transactions, Deposits, Remittances, and Advances, a surplus of £918,700. Our total estimate for capital expenditure on Railways and Irrigation amounts to £8,940,900, of which sum £6,310,300 is for account of State Railways; £1,797,300 for the account of Railway Companies; and £833,300 for Major Irrigation Works. In addition to the above, we have to find

£1,088,800 for discharging Permanent Debt, and £333,300 for discharging Temporary Debt. We have also to make a net payment of £1,407,500, under Deposits, Advances, and Remittances. Thus the total of our capital requirements amounts to £11,770,500.

16. To meet these requirements, we estimate that in addition to the surplus of £918,700, we shall have at our disposal a sum of £2,917,200, to be raised by Railway Companies. We further propose to increase our permanent debt by £4,500,000, including a loan of 3 crores of rupees, to be raised in India, and we also anticipate the realisation of £688,100 by addition to the unfunded debt. The above sums amount in the aggregate to £9,024,000, and the balance required to meet the total expenditure of £11,770,500 will be found by the reduction of the total of closing balances in India and England by £2,746,500.

17. The final estimated results show closing balances on March 31st, 1905, in India of £11,060,616 and in England of £4,696,287.

18. As regards the loan to be raised in India, we reserve the right to alter the amount to any extent that may appear desirable. The present intention of the Secretary of State is to draw Bills to meet requirements for sterling payments to the amount of £16,500,000. This figure is omitted from both sides of the account as above summarised. Our estimate of payments during the coming year on account of Council Bills is £16,769,700.

Coinage, Currency, and Exchange.

19. During the year now drawing to a close our coinage operations have been on a very large scale, and the issues of new rupees, including recoinage of withdrawn issues, have amounted to no less than a sum of ₹13,94,91,408 in addition to which we coined for Native States rupees to the value of ₹12,15,682. I submit the figures of coinage during the last four years:—

	R
1900-1901	17,14,79,318
1901-1902	4,95,20,460
1902-1903	11,27,22,680
1903-1904 (11 months only)	14,07,07,090

20. There have been very heavy demands for currency in connection with the disposal of the bumper rice crop in Burma, the large cotton crops in Bombay and Central India, and the generally good crops of cereals and seeds. The demands for currency began this year somewhat earlier than usual, and the strain on our resources was at its height towards the close of the first week of January, fully six to seven weeks before the usual period. A certain nervous anxiety prevailed for a time in financial circles, particularly in Calcutta, induced by the rapid and unusually early decrease in the stock of silver coin held in the currency reserve, which fell on the 7th of January to so low a figure as ₹7,50,76,000. Although the strain came, as I have pointed out, unusually early and surprised many, Government had taken measures in good time to meet possible difficulties, and within one week from the date of low-water mark, that is by January 15th, and notwithstanding the continuance of very heavy demands, we added approximately a crore to the amount of rupees in the Currency Reserve, and by the end of February we held in the Currency Reserve approximately 10½ crores, or about 3¼ crores more than on January 7th. In this connection, I may mention that the withdrawals of rupees from the Currency Reserve during the single month of December amounted to no less than ₹4,05,23,000. The nearest approach hitherto to this extraordinary figure was in January 1903, when the withdrawals reached ₹3,77,17,000.

21. I submit a table which I think will be found of interest, showing month by month the gain or loss in the stock of rupees held in the Currency Reserve during the last four years, such gain or loss being calculated without reference to the additions which have been made from time to time by new coinage. It will be observed that the total loss during the period has amounted to approximately 21½ crores, and I may mention that the amount of new rupees coined for Government, exclusive of recoinage of withdrawn rupees of 1835 and 1840 issues, has during the four years amounted to approximately 26½ crores. The withdrawals of rupees from the Currency Reserve do not in any way necessarily correspond with the amounts of new coinage, but there will in existing circumstances be a certain general connection between them. There will only be a direct correspondence when gold is taken from the Currency Reserve to purchase silver for coinage; but silver may also be purchased from the proceeds of Council drafts, or

locally, and moreover, differences will arise on account of coinage for Native States, and coinage to replace withdrawn rupees of early issues. The two latter sources of difference have been allowed for in the following statement:—

[In thousands of rupees.]

	1900-01.	1901-02.	1902-03.	1903-04.	Average.
	Gain+loss—.	Gain+loss—.	Gain+loss—.	Gain+loss—.	Gain+loss—.
April	—2,21,73	—1,77,62	—85,07	—2,14,76	—1,74,79
May	+10,37	+17,84	+45,50	—18,26	+13,87
June	+1,00,13	+2,59,98	+1,57,57	+91,55	+1,52,31
July	—68,40	+51,30	+91,34	+21,62	+23,97
August	—2,06,69	—80,48	—53,18	—1,15,00	—1,13,84
September	—1,94,51	—77,73	—1,09,34	—2,25,77	—1,51,84
October	—1,90,43	+76,55	—47,60	+12,30	—37,30
November	—1,03,08	+2,93	—88,25	—1,97,82	—96,56
December	—1,76,25	—1,95,18	—2,14,29	—4,05,23	—2,47,74
January	—2,04,44	—83,60	—3,77,17	—2,12,86	—2,19,52
February	—2,04,06	—1,10,69	—1,93,86	—2,02,10	—1,77,68
March	+1,62,98	+34,51	—3,14	...	+64,78
Total gain or loss	—12,96,11	—2,82,19	—8,77,49	—14,66,33	—9,80,53
Add on account of coinage of Native States in 1900-01, and withdrawals of old issues	+3,73,69	+1,16,58	+8,07,25	+4,52,10	+4,37,40
Net gain or loss	—9,22,42	—1,65,61	—70,24	—10,14,23	—5,43,13

22. In anticipation of the heavy demands certain to arise as the result of exceptionally good crop prospects, we had already in the month of October commenced the purchase of silver and the coinage of rupees, and when the crisis came we had considerable stocks of bullion both in the Mints and in course of delivery from England, whilst further parcels were under orders. I think that it is not sufficiently recognised by the banking and commercial community that a low stock of rupees in the Currency Reserve, which might give some reasonable cause for apprehension in the absence of preparations for a rapid increase should necessity arise, is not an indication of danger when such preparations have been made, as on the present occasion. Danger point when there has been no provision and no preparation, is not danger point when all due precautions have been taken to meet a strain.

23. In connection with the large coinage during the last few months, I think I should take this opportunity of expressing my warm appreciation of the manner in which the Mint Masters and all those responsible for the conduct of minting operations have worked to satisfy public requirements and to maintain the high reputation of the Mint staff. Work at the Mints is conducted under many difficulties owing to the fact that when coinage operations were resumed some four years ago, after a long period of comparative idleness, the machinery and appliances were found to be in many respects inadequate and unsuitable to meet the strain of very heavy work. Proposals have been under consideration for the establishment of a combined Mint with new machinery, and with all the latest improvements, but various objections have been raised to the scheme, and, meanwhile, the Mint staff are to be congratulated on their success in coping with the difficulties arising from the imperfections of existing arrangements.

24. Large as was the sale of Council Drafts during the year 1902-1903, the amount has been very greatly exceeded during the current year. It has already reached £22,592,900, and it is estimated that it will attain the altogether phenomenal figure of £23,700,000; and in addition to this quite abnormally large sale of Council Bills, the imports of gold up to the end of February reached a figure approximating 12 millions sterling.

The Secretary of State by his drawings, and the Government of India by measures taken locally, have done all in their power to meet the demands of trade. The question of how this should best be done, has been and is likely still further to be, a matter for some discussion; here I would only say that I adhere to my opinion that it is impossible

to admit the direct responsibility of Government to immediately, and in all circumstances meet abnormal demands. Government have every right to expect that those who make it their special business and derive a profit from financing the trade of the country, will consider beforehand what are likely to be their requirements and make due preparation to meet the wants of their customers. We on our side will do all we can, and it is our intention in view of a probably permanent increase in demands for rupees during the winter season, to increase the standard of the stock of silver coin which it has hitherto been considered sufficient to hold in the Currency Reserve at the beginning of October, and further, to take permanent measures to enable a rapid addition to be made to that stock without the risk of delay in importing silver bullion for coinage.

As regards the events of the last few months I may point out that opinions in the most competent financial circles in India were by no means unanimous in anticipating the great demand for coin which arose. As late as December 15th none of the Presidency Banks had found it necessary to raise their rate above 4 per cent, and this rate is primarily dependent on the rates at which money is being offered in the open market; by January 5th all the Presidency Banks had, however, been obliged to raise rates to 6 per cent. This very rapid rise does not appear from the figures before us, to have been in any way due to low balances held by the Presidency Banks at the beginning of the period of pressure. It was caused by the extraordinary trade demands which the Presidency Banks alone appear to have been in a position to satisfy, and I have not heard of any case in which accommodation was refused to regular customers when good security was forthcoming. Similarly, Government showed no hesitation throughout the crisis, in exchanging gold and notes for rupees when demanded. I must insist on the fact that the Currency Reserve is maintained for the purpose of securing the stability of the note circulation and exchanging sovereigns, and as long as all obligations in this respect are fulfilled the public have no claim to further assistance from its resources.

25. During the year, the Gold Reserve Fund has increased from £3,810,730 to £6,382,200, of which amount £6,376,500 are invested in Consols, the National War Loan, and Local Loans Stocks. In addition to these resources, the last returns show a sum of £10,494,556 held in gold in the Currency Reserve.

26. Our exchange operations, as indicated by the rates obtained for Council Bills, have naturally been very favourable during the closing year. The estimated average exchange rate for the rupee for 1903-04 is 16.053d. as compared with the rates noted below for the four preceding years:—

1899-1900.	1900-1901.	1901-1902.	1902-1903.	1903-1904 (Estimate).
16.067d.	15.973d.	15.987d.	16.002d.	16.053d.

Balance of Trade.

27. I have been much surprised to learn that there are considerable misapprehensions abroad on the question of the Balance of trade. It is impossible to arrive at precise figures showing the exact situation, but I have considered all available sources of information and have had the following statement prepared:—

	1900-1901.	1901-1902.	1902-1903.	Total of three years.
Secretary of State's budgeted drawings.	£16,440,000	£16,500,000	£16,500,000	£49,440,000
Excess value of Exports over Imports	10,983,073	17,989,511	18,611,170	47,583,761
Deduct—Transfer of Rupee Paper to India, net	—908,260	1,212,670	1,152,470	1,456,880
Excess balance of Exports	11,891,333	16,776,841	17,458,700	46,126,874
Add—Payments by the War Office on account of supplies furnished to China and South African Forces.	1,471,048	521,028	153,266	2,145,342
Total excess under classification of "Exports"	13,362,381	17,297,869	17,611,966	48,272,216
Deficit over period	—3,077,619	+797,869	+1,111,966	1,167,784

It will be seen that during the three years 1900-1901, 1901-1902, 1902-1903, the excess of exports over imports amounted in value to £47,583,754; from this total must be deducted £1,456,880, the value of rupee paper transferred to India, during the period, which from the point of view of trade balances must be counted as an import. The net excess value of exports over imports thus calculated, amounted for the three years to £46,126,874. But to this figure we must add a sum of £2,145,342, representing the value of stores, arms, munitions, and animals, supplied to the Home Government in connection with their requirements in South Africa and China; these supplies must be included in our exports although not tabulated in our trade statistics. The addition of this sum to the balance of £46,126,874 noted above, shows for the period a net excess of exports amounting to £48,272,216. Now during the three years, the Secretary of State budgeted for Council drawings to meet the sterling requirements of Government for a total of £49,440,000. The difference between the net excess of exports and this figure, shows a balance adverse to India (or deficit) amounting to £1,167,784. It appears therefore that during the three years under consideration India received more than she paid for, the deficit having been made good by the Secretary of State's borrowings in England during the year 1900-1901, when on account of the famine, he was unable to meet his requirements by drawing to the full amount budgeted for. The Secretary of State's drawings actually *paid* during the period, amounted however to only £47,882,260, and thus, as regards actual payments, approximately £400,000 was provided in excess of requirements for payments of Council Bills, but such a difference amounting to less than one-tenth per cent of the total volume of the export and import trade during the three years, is of no account, as it is evident that neither the whole of the exports nor of the imports would be actually paid for within the period, and it is impossible to say on which side a balance might be due on account of trade operations at the close of three years, or what might be the amount of such balance.

In such calculations as I have made, certain minor factors may escape observation, but I believe that the figures given, indicate the situation with sufficient accuracy for general purposes. They entirely dispose of the erroneous assumption that India is paying for more than she receives under the three heads of imported goods, imported investment securities, and payment abroad of budgeted Government sterling charges.

Circulation of Currency Notes.

28. I submit the usual figures showing (1) the gross circulation of currency notes in recent years, and (2) the circulation excluding the amounts held at the Government Reserve Treasuries and by the Presidency Banks at their head offices.

[In lakhs of rupees.]

	1900-1901.	1901-1902.	1902-1903.	1903-1904 (11 months only).
STATEMENT I.				
Average	28,88	30,03	33,74	36,24
Maximum	30,78	31,86	35,72	37,70
Minimum	27,90	27,68	31,25	33,94
STATEMENT II.				
Average	23,86	23,16	25,74	28,56
Maximum	25,02	24,40	27,35	29,96
Minimum	22,85	22,39	23,93	27,44

It will be observed that the increase in the average circulation is continued.

29. We have, I am sorry to say, not yet received the new forms for the universal 5-rupee note, but I hope that they may soon be issued; meanwhile the existing note has been made negotiable everywhere except in Burma. So far, it cannot be said that the

increase in the circulation of five-rupee notes can with certainty be attributed to the new arrangement; it is perhaps somewhat early to expect great results, and the figures which I give below only show that the increase in the circulation of five-rupee notes has kept pace with the total increase in all denominations. Much might, I think, be done towards popularising small notes by those who pay monthly wages in small sums, and who would, I think, find it convenient to themselves to use five-rupee notes in making such payments :—

Average Gross Circulation of Currency Notes (except in Burma).

[In lakhs of rupees.]

Year.	Notes of all Denominations.	Five-rupee notes.
1901	29,06	36
1902	31,61	40
1903	34,05	45

Presidency Banks.

30. Our negotiations with the Presidency Banks have been continued, and I can only express my regret that they have not so far terminated in arrangements satisfactory to both parties, but I have, I think, good reason to hope that a definite agreement will not be long deferred. I submit a statement of Government balances held by the Presidency Banks during the busy months of the year, noting also the amounts which Government are under obligation to hold in deposit with the banks at their head offices :—

	Lakhs.
Calcutta	35
Bombay	20
Madras	18
TOTAL	73

Government Balances with the Presidency Banks.

[In thousands of rupees.]

MONTH.	1899.	1900.	1901.	1902.	1903.	1904.
January	2,73,84	2,48,75	2,64,54	2,85,89	3,07,63	2,69,52
February	2,72,31	2,56,23	2,86,73	2,97,16	3,32,02	2,91,84
March	3,38,07	2,79,18	3,15,79	3,11,24	3,36,91	...
December	2,38,75	2,48,90	2,82,02	3,05,84	2,79,07	...

Foreign Tariffs.

31. The question of the influence of foreign tariffs on Indian trade has recently been brought into special prominence by the discussion which has been proceeding in the United Kingdom. The views of the Government of India have been set forth and communicated to the public in the published despatch addressed to the Secretary of State, dated the 22nd October, 1903, and I do not think it is necessary for me to add any further observations on this occasion. We are, however, obliged from time to time to consider the immediate effect of changes made in foreign tariffs adverse to the interests of our export trade. Last year I noted the difficulties which had arisen under the new Persian tariff, as also that specially affecting our coffee planters in connection with the French tariff, and the prejudice caused to indigo interests by the change in the Japanese tariff, which appears specially to favour the imports of the synthetic product. On this latter point, negotiations are proceeding with the Japanese Government, and I trust that a satisfactory arrangement may be concluded. To the above list of questions, I have now to add that which has arisen in connection with the imposition by the Russian Government on Indian teas of practically prohibitive duties on imports into Russia *via* the Black Sea ports. So far, the number of questions which arise in

connection with foreign tariffs are relatively few, but I fear that as industries in this country develop the pressure of protective tariffs in foreign countries will make itself steadily and more severely felt.

Countervailing duties on Sugar.

32. I give below figures of quantities of imports of sea-borne sugar into British India:—

COUNTRY.	1899-1900.	1900-1901.	1901-1902.	1902-1903.	1903-1904 (10 months only).
	Cwt.	Cwt.	Cwt.	Cwt.	Cwt.
REFINED.					
United Kingdom	65,424	119,272	188,300	314,777	615,842
Austria-Hungary	777,821	1,321,310	2,257,928	888,018	45,262
Germany	60,526	401,980	577,139	145,666	4,596
Mauritius	1,417,115	2,085,156	1,759,203	1,915,664	1,954,138
China—Hongkong	316,975	487,439	182,564	568,452	335,950
Java	190,553	225,247	310,592	573,666	1,153,164
Straits Settlements	79,999	144,166	62,486	207,810	217,638
Belgium	766	1,467	2,055	186,543	99,047
Holland	311	400	500	79,127	82,139
Other Countries	26,502*	55,199*	87,336*	107,128*	368,087*
TOTAL	2,935,992	4,841,636	5,428,103	4,986,851	4,875,863

* Includes figures for Egypt and Ceylon.

The points specially worthy of notice in this table are the increase of importations from the United Kingdom and Java which has been remarkable, and the great decrease practically amounting almost to cessation of imports from Austria-Hungary and Germany. The total importation in 1903-04 is slightly below the average, which for the last four years may be taken as approximately five million cwt. It will be at once apparent that the policy of imposing countervailing duties resulted in great encouragement to imports of sugar from those countries which give no bounties, with a corresponding reduction in importations from those which have been artificially protecting their sugar industries.

33. The decisions of the Brussels Conference are now in force, and their execution is entrusted to a permanent committee on which the United Kingdom is represented. The position of the Government of India in connection with this arrangement is unfortunately complicated and involves a constant necessity of taking most difficult decisions. An opinion recently given by the law officers of the Crown and communicated as an instruction to the Government of India by the Secretary of State, shows that we are unfortunately not so entirely free from the effect of the Brussels arrangements as we had supposed, and this opinion obliged us to cancel at short notice, the arrangements which we had supposed ourselves at liberty to make, and which were embodied in the Act passed in Simla in August 1903, but we still endeavour to maintain the principle that countervailing duties shall be imposed on all imports of sugar profiting by direct or indirect bounties in the country of production. Our object has throughout been to secure fair play for the very important Indian sugar refining industry, without offering any other protection than naturally arises from our ordinary 5 per cent duty, on foreign imports and the charges for freight, etc., between the country of origin and the Indian ports. It may not always be possible fully to maintain this principle in practice, since it is almost impossible to ascertain the existence of indirect bounties in the manifold forms in which the foreign sugar refiners succeed in securing them, and I am inclined to fear that the Brussels Committee who are in a position to pronounce authoritatively on the matter, and to whose decisions weight must be attached, are prone to take what appears a somewhat lax view on the all important question of what constitutes or does not constitute a practical bounty. We now propose to take the only step which appears for the moment open to us by passing a fresh legislative enactment to renew the power of the Government of India to meet by countervailing duties such trade combinations as may have the effect of bountifying the exports of sugar from foreign countries.

34. The net receipts from countervailing duties during the last four years have been as follows:—

	£
1899-1900	56,783
1900-01	140,465
1901-02	244,398
1902-03	73,360
1903-04 (Revised Estimate)	—24,324 (Refunds)

Army Services.

35. We still pursue our aim of increasing the efficiency of our defensive military forces, more especial attention being paid to questions connected with armament, stores, supply, transport, and mobilisation. I give the figures of net expenditure during the last five years, including the estimate for the coming financial year:—

	£
1900-1901	14,265,525
1901-1902	14,786,342
1902-1903	16,221,402
1903-1904 (Revised Estimate)	16,784,100
1904-1905 (Budget Estimate)	18,215,000

36. The recent heavy increase of expenditure is in itself very regrettable. I can only say that the advice of the most expert military authorities shows it to be inevitable, and that it is small as compared with the charges accepted by other powers whose persistent and deliberate advance towards our Indian frontier obliges us to take precautionary measures. It is unnecessary here, and it would be out of place for me to venture on any discussion of purely military questions—they can only be properly appreciated by military experts, but the hurried extension of railways towards our frontiers and the general signs of the times are obvious to all men.

This year we have devoted a specially large sum to expenditure on armament, and particularly for the re-armament of the artillery with the most modern and effective weapons, it having been decided at home that India must be allowed priority of supply in the matter of new armament. This priority of supply involves priority of payment, and consequently we have been obliged to provide in our estimates the extraordinary sum of £700,000 for armaments.

There is one item in our military expenditure which causes no regret, but on the contrary is in many respects a matter even of congratulation; I allude to the considerable sums to be expended on ordnance factories. I submit a statement showing the sums allotted and spent to date on different establishments:—

NAME OF FACTORY.	Total amount of estimate.	Estimated expenditure to 31st March, 1904.	Grants allotted for 1904-1905.
Cordite Factory, Wellington	£ 201,250	£ 210,883	£ 2,000
Rifle Factory, Ishapore	235,333	182,356	40,000
Gun Carriage Factory, Jubbulpore	182,938	111,179	45,000
Ishapore Rolling Mills	170,938	85,630	76,788
Gun Factory, Cossipore	13,000	7,000	5,600
TOTAL	803,459	597,048	169,388

Above figures are exclusive of establishment charges.

This expenditure will directly benefit the Indian tax-payer by lessening the cost of war material, it will also provide for the education in mechanical trades of a large number of labourers and artisans. The Cordite Factory at Wellington is about to commence work, and we anticipate that the Rifle Factory at Ishapore will be working before the close of the coming financial year, and that manufacture will commence in the Gun Carriage Factory at Jubbulpore, the Rolling Mills at Ishapore, and the Gun Factory in Cossipore, in the first half of 1905.

Public Works.

37. The following figures show the comparative capital expenditure on railways for five years: including the estimate for 1904-1905:—

	1900-1901.	1901-1902.	1902-1903.	1903-1904 (Revised Estimate).	1904-1905 (Budget Estimate).
Open lines including rolling stock .	£ 3,521,489	£ 2,350,510	£ 3,211,634	£ 2,658,733	£ 4,057,800*
Lines under construction—					
(A) Started in previous year .	1,674,013	3,393,756	3,016,666	3,408,000	3,333,000
(B) Started in current year .	122,266	170,933	470,764	480,400	609,200
TOTAL .	5,317,768	5,915,199	6,705,064	6,547,133	8,000,000

* Includes £400,000 for acquiring four railways.

38. On March 31st, 1903, the total length of open railways was 26,308 miles classified as follows:—

5' 6" gauge	14,306
Metre gauge	11,205
Special 2' 6" and 2' 0" gauges	797
TOTAL	26,308

We have added to this during the current year:—

5' 6" gauge	218
Metre gauge	343
Special narrow gauges	277

or an increase of 838 miles, and we anticipate adding approximately another 608 miles during the coming financial year.

We have every reason to be satisfied with the previous results of the development of railway communications, and we have therefore full confidence in the great advantage of extending our railway mileage. If we could command the required capital for further construction, on reasonable terms, we should not hesitate to accelerate progress, and I trust that some solution may be found of the difficulties encountered in this respect.

Provincial Settlements.

39. An important step has been taken during the past financial year in connection with the question of Provincial Settlements. In 1871 a great reform was inaugurated by Lord Mayo by the introduction of a system of provincial finance, having for its object to secure to the provincial authorities greater independence and control over expenditure. The system then introduced was revised in 1877 with the object of removing certain defects which had been disclosed by experience, and from that date until now it has been customary to revise the settlements every five years, the primary object of such revision having been to secure to the Central Government what might be considered their fair proportion in the growth of assigned revenues. In the earlier revisions, considerable reductions were made in the assignments, but on the occasion of the last, in 1897, the aggregate change was insignificant, reductions in certain provinces having been approximately balanced by increases allowed in others.

It cannot be said that the system of quinquennial revisions proved satisfactory, for with such a short period of settlement, it inevitably occurred that in the first year of the term the Local Government was necessarily feeling its way under new conditions and cautious about expenditure, whilst in the last year, if, as was generally the case, balances were large, there was a natural tendency to extravagance, lest the terms of a new settlement might reduce resources for expenditure.

The object of the arrangements now proposed is to give as great permanence as possible to settlements, so that Local Governments may be able to form plans involving

expenditure, with greater certainty as to future means of providing for their execution, and at the same time have a more permanent interest in the growth of assigned revenues. It is evident that the Imperial Government cannot undertake any absolute obligation to maintain at all times a definite proportion between the share of increase of revenues, assigned to provincial administration, and that which it is necessary to retain to meet the growth of Imperial expenditure, and it must always reserve the right to make either special temporary, or more permanent reductions from provincial revenues, if the exigencies of the State should require such measures. It must also be borne in mind in apportioning shares of revenue to different provinces, that a larger proportionate assignment is required in the more backward provinces than in those which are older established and more highly developed. Subject to such considerations, every effort has now been made to treat Provincial Governments with reasonable liberality, and it is to be hoped that from this point of view they will find the new settlements equally satisfactory both at the outset and in future working. For the present the new system will be applied only to the provinces of Bengal, Madras, Assam, and the United Provinces. It is proposed to extend it in 1905-1906 to Bombay, the Punjab, and probably the Central Provinces, but it has been thought undesirable to enter into new arrangements with these until the lapse of another year, and the re-establishment of a normal financial situation which was entirely dislocated by recent famines.

We have been obliged to consider with special care, the proportions of revenue to be assigned since any undue liberality in a settlement, which it is desired should be of long duration, would, even without abnormal circumstances, inevitably lead to a necessity for revision at a relatively early date; to enable Local Governments, pending the realisation of increased resources through the natural growth of the assigned revenues, to meet certain immediate requirements, in easy circumstances, it has been decided to accompany the new conditions by large initial grants amounting for the four provinces now dealt with to an aggregate of 150 lakhs.

It is unnecessary to enter here on questions of detail in connection with the new arrangements. Full details are given in the appended statement by the Secretary in the Finance Department.

Remission of Taxation.

40. Last year we were able to announce an important remission of taxation under the heads of Salt and Income Tax, which was estimated to result in a possible loss of £1,393,000 of annual revenue. I am happy to be able to state that the actual loss under the two heads has proved somewhat less than the maximum we anticipated. Under Salt we have lost £1,024,405, and under Assessed Taxes, which for practical purposes may be taken as representing Income Tax, we have lost £195,928, or a total under the two heads of approximately £1,220,333 less than we allowed for.

41. The real test of the result of the reduction of salt dues must be sought in the progress of consumption. I give the figures for the last four years of the quantities in maunds on which duty was paid, prior to delivery for consumption. They are as follows:—

1900-1901	36,151,040
1901-1902	36,045,172
1902-1903	36,876,782
1903-1904 (Revised Estimate)	37,306,000

It will be observed that the increase over quantities in the previous year is estimated at 429,218 maunds. This may be taken as roughly indicating a corresponding increase in consumption, which would undoubtedly have been greater had not salt stocks in the Bombay Presidency been damaged so seriously by a cyclone in the month of May last, that a scarcity ensued, considerably raising prices in that part of India and thereby unduly checking consumption.

It must be remembered, however, that the figures representing the number of maunds on which duty has been paid in any particular year, do not accurately represent the consumption, since, particularly in regard to salt imported from abroad, there is a certain element of chance, independent of actual consumption, in the number of maunds on which traders may decide to pay duty at any particular date or season; but, if we take a period of two or three years and compare it with another similar period, a comparison of the quantities on which duty has been paid will correctly indicate the position. We must therefore wait for at least another year, so as to be able to take two years

together under the new conditions, and to say for certain what has been the precise effect of the reduction of the duty by 8 annas. Meanwhile, we have made enquiries from the Local Governments on the subject, and from the reports of the officers consulted, it seems quite clear that the reduction in the tax had an important and almost immediate effect in reducing the price of salt in those parts of the country where no abnormal circumstances intervened. The reports furnished are fairly unanimous in their conclusion that an immediate gain as regards the number of seers purchaseable for a rupee was secured by consumers who were in a position to buy salt by the seer, while it is generally held that a smaller, though direct, gain was also secured by all who were in a position to purchase salt by weight and as a commodity by itself. Unfortunately, however, it would not appear that the natural reduction in price has so far fully reached those consumers of the poorest classes who take their salt in doles from the bunniahs along with other articles. It may be anticipated that in due course the influence of competition will make itself felt in favour of the last class also.

42. As regards the Income Tax, there can be no doubt that the intended benefit was directly secured by all classes entitled to it, and the difference between the estimated loss and that which has actually been incurred, may properly be ascribed to the natural growth in this source of revenue, due to the increasing prosperity of the class affected, and also to improving administration.

43. I have observed with regret, though without surprise, that the concession already given has led to fresh suggestions that the tax should be abolished altogether. The total abolition of the Income Tax is, in my opinion, quite outside the range of practical politics. The Government of India is unlikely ever to be able to afford the great sacrifice of revenue which a total abolition of the tax would involve, unless compensation were found in some other direction, and if at a future date further remission of taxation should appear advisable, there are other classes of the community whose claims for consideration appear to be very much stronger than those of the wealthier section who are the principal contributors of Income Tax. Moreover, whilst this tax is paid exclusively by the class deriving, perhaps, the greatest benefits from the administration towards the cost of which it contributes, it is one which automatically adjusts itself to the means of the tax-payer. I have only heard one even *prima facie* plausible objection to the Income Tax, and that is that whilst the profits of business vary from year to year, the tax falls on lean or deficit years with the same severity as regards percentage, as on the profits of good years. But this objection falls to the ground if the provisions of the law regulating the incidence of the tax are considered, since under those provisions the tax-payer has the option of being taxed either on the profits of the actual year or on those of the preceding year, whichever may be less.

Economic Progress.

44. Our reports and returns show that India is now happily free not only from famine, but to a great extent from the effects of famine even in the more sorely tried provinces and districts. Two successive years of very generally good harvests throughout the country have had a marvellous effect in restoring material prosperity, although it could not be expected that they should suffice entirely to wipe out losses, particularly where the prolonged droughts resulted in very heavy mortality among cattle.

45. Plague, alas! is still with us, and the death rate shows no sign of diminishing. Not only does this terrible pestilence, which claims its victims by hundreds of thousands a year, render happy homes desolate, but it is, and must continue to be, a cause of prejudice and dislocation to trade and industry, though perhaps less so than in earlier years, since the people have become accustomed to its appearance and are more ready to continue their daily avocations in spite of its ravages. Still, as an example of its effect, I may mention that during the violent outbreak in Cawnpore last November, both the mills and the Government harness factory in that important industrial centre found it most difficult to keep their hands together, and were in many cases working under very serious difficulties, whilst I fear that in some establishments actual loss was incurred. In spite, however, of such misfortunes as I have alluded to, we are justified by the consideration of all relative facts and figures, in holding that the country continues to make very satisfactory progress as regards general development of material prosperity. Last year I gave as an important indication of such progress, the figures of revenue for four years, under the heads of Salt, Excise, Customs, Post Office, and Stamps. I now repeat these figures, substituting the revised estimate for 1903-1904 for

the accounts 1899-1900, and accounts for 1902-1903 for the revised estimate in that year:—

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	Revised Estimate, 1903-1904.
	£	£	£	£
Salt	5,967,034	5,939,310	6,184,405	5,160,000*
Stamps	3,342,948	3,446,406	3,473,711	3,588,100
Excise	3,937,202	4,076,681	4,426,642	4,925,500
Customs (excluding countervailing du- ties and silver)	3,131,223	3,358,870	3,579,116	3,634,200
Post Office	1,357,156	1,383,709	1,429,935	1,480,800
TOTAL	17,735,563	18,204,976	19,093,809	18,788,600

* Decrease due to the reduction in the rates of duty. According to old rates of duty the revenue would have been approximately £6,350,000.

The rate of progress as indicated by the figures is clearly very satisfactory, but I must call attention to the fact that the returns have been increased in 1902-1903 and 1903-1904 by the addition of Berar revenues. The totals revised to exclude Berar figures, and taking salt duties at the old rate, would stand as follows:—

1900-1901.	1901-1902.	1902-1903.	1903-1904.
£	£	£	£
17,735,563	18,204,976	19,002,786	19,793,500

These figures appear to me to offer the most incontestable evidence of steadily maintained and increasing prosperity.

As I mentioned last year, land revenue is deliberately omitted from this table since returns from this source are from time to time abnormally affected by revisions of settlements, and the bringing under settlement of newly irrigated and cultivated lands, as also by remissions made to facilitate recuperation in specially afflicted areas; also, I should again call attention to the fact that the progress of the Post Office returns is frequently adversely influenced by changes in the nature of concessions and reductions in rates charged.

46. Another very important indication of the situation is offered by the growth of deposits in the Post Office Savings Banks and in the Presidency Banks, as also by the investments in Government stocks made through the agency of the Post Office. I submit figures under these heads.

Growth of private deposits in the Presidency and Joint Stock Banks and in the Postal Savings Bank.

BANKS.	1899.	1900.	1901.	1902.	1903.
	£	£	£	£	£
Presidency Banks	7,470,166	8,504,217	9,815,765	11,798,852	12,113,135
Joint Stock Banks	4,894,959	5,306,364	5,898,656	6,846,845	7,262,957
Postal Savings Banks	6,285,336	6,430,964	6,695,505	7,121,415	7,614,369
TOTAL	18,650,461	20,241,545	22,409,926	25,767,112	26,990,461

NOTE.—The figures for the Postal Savings Banks are the balances on the 31st March of each year, whilst the figure for the Presidency and Joint Stock Banks are the balances on the 31st December.

Investments in Government securities made through the Agency of the Post Office.

	1898-99.	1899-1900.	1900-1901.	1901-1902.	1902-1903.
Number of investments	603	516	557	527	556
Nominal value of investments £	27,887	22,667	26,493	25,287	25,487

47. I now turn to the question of agricultural development. I trust that in doing so once a year, I may not prove wearisome, but I desire to insist on the fact that it is before all things, the prosperity of the agricultural population on which the general economic prosperity and financial stability of this country must depend. I must remind Honourable Members that executive action in connection with this question is in the province of my Honourable Colleague in charge of the Revenue and Agricultural Department, but progress and success are, and always must be, the deepest concern of the Department responsible for revenue returns.

I am glad to know that more has been done by Government for the development of agriculture than appears to be generally recognised by the public. A few weeks ago a Government Resolution was published giving in outline the arrangements now being carried out for the establishment of a first class agricultural institution at Pusa, at very considerable cost. Personally, I cannot but welcome the heavy demands for expenditure on that institution, since I firmly believe that under the able guidance of such thoroughly practical and scientific men as Dr. Mollison, the Inspector General of Agriculture, and Mr. Coventry who has been named Principal of the establishment, our expenditure will be returned some hundredfold; and it is a real happiness to think that whatever advantages may accrue to the fisc through their success, such advantages being dependent on, must necessarily be accompanied by a corresponding amelioration in the condition of the agriculturist, that is of the great bulk of the population of this Empire.

48. In dealing with a conservative population, we cannot, particularly in agricultural matters, expect startling, immediate improvements. The Indian ryot profiting by the accumulated experience of centuries, has been pronounced by competent Europeans who have closely studied his methods, to be a first class agriculturist within the limits of the situation in which he finds himself. He is both intelligent and practical, and though averse to change, he has shown himself by no means unwilling to adopt real improvements suited to his circumstances, when by example he has been shown the indubitably satisfactory results of their adoption. What we desire is that he should profit not only by his own experience and that of his forefathers, but also by that acquired by the application of scientific principles in foreign lands necessarily beyond his ken; and, moreover, it must be remembered that the extent of this great Indian Empire and the variety of conditions prevailing therein are such that, pending that interchange of information and thought which is to-day non-existent among the agricultural classes, the experience of the east cannot penetrate to the west, nor that of the centre to the frontiers. We must avoid haste to force new ideas, but we must aim at the introduction of improved varieties of staple products, and of crops grown in one province, into another where they seem likely to succeed; at inculcating the value of good qualities of seed, of certain more readily procurable manures, of chopping fodder, of ensilage, and of improving breeds of cattle; we must teach the treatment of crop and cattle diseases, and exemplify the utility of some of the simplest agricultural implements.

49. The recent extraordinary speculation in cotton in America has drawn the attention of those connected with cotton manufacture in all parts of the world, to the necessity of increasing the area of supply of the raw article, and naturally many eyes have been turned to India as a country where everything points to the possibility of great development of supply and improvement of quality. From certain paragraphs in the press, it would appear to be assumed that the Government of India has hitherto remained blind to the importance of this question, but I can state from personal knowledge that such is not the case. Since he entered on his present duties, and indeed long before that date, Dr. Mollison has been devoting his attention and energy to the improvement of the quality of our Indian cotton. I have myself seen some of his experiments in producing new hybrids and in cultivating different varieties from imported seeds, at the Government agricultural farms at Poona and Cawnpore. My opportunities of personal observation have naturally been restricted, but they have been sufficient to convince me that the question is receiving the most earnest attention, that important knowledge has been acquired, and that we may well hope in due course to arrive

at valuable, practical results. In the Central Provinces, Mr. Sly, the energetic Commissioner of Settlements, to whose valuable work I referred last year, continues to be able to report good progress. Satisfactory results continue to be obtained from the working of the demonstration farms. The cultivation of cotton and jawar has been introduced in districts where hitherto it did not exist. Cultivators are beginning to adopt improved methods; the picking of seed for the eradication of smut in jawar is now practised successfully in certain districts, and extermination of grasshoppers has, as a result of practical demonstration in some districts, been successfully undertaken in others. Selected seeds of good varieties have been distributed through the District Agricultural Associations, several of which bodies have done really good work. Cattle breeding is receiving attention with the object of distributing good bulls. Cotton growing has also been encouraged on suitable lands, and as a result of such encouragement and greatly increased prices, the area under cotton in 1902-1903 was 18 per cent larger than in the preceding year, and 66 per cent above the decennial average. Apparently it does not pay to carry cotton more than fifty miles by road to a mill or railway, and feeder lines are said to be a desideratum to induce still more extensive cultivation. The number of paying subscribers, mostly cultivators, to the monthly Agricultural Magazine has increased to 1,800, and 1,800 copies have already been sold of a small work in the vernacular containing a re-print of matters of permanent interest published in the first issues of the monthly magazine.

50. I may add that in Madras attention has lately been turned to the possibility of minor irrigation by means of wells from which the water is drawn by oil engines and wind mills, and there is every reason to believe that the experiments, particularly those with oil engines, will lead to practical and useful results.

51. High prices of American cotton have already resulted in an increased European demand for Indian cotton, and Japan has also been an important buyer. India can well afford to sell its cotton at relatively lower rates than those prevailing for the American article, and it may reasonably be anticipated that as continental buyers become more accustomed to look to India for their supplies, and if, to our supplies of short-stapled cotton, which has its special uses and markets, we add a long-stapled variety, the export trade will still further develop to the great profit of both the agriculturist and the trader; and let me here say that the trader can make no profit which is not shared by the agriculturist: under present conditions in this country, their interdependence is absolute.

52. The export of tea continues to increase and the shipments for the past season, up to the end of February, are estimated at 200 million pounds, as compared with 174 and 175 million pounds in the two preceding years. The growth of exports to the United Kingdom has not been as considerable as might have been anticipated in normal circumstances, and it is believed by those specially interested in the trade that it has been somewhat checked by the heavy additional duty imposed on imports into Great Britain. We have recently heard unofficially that the Colonial Government has decided to admit imports of Indian tea into New Zealand, free of duty, and we may hope that such a concession will materially encourage consumption. A very satisfactory feature in the export trade has been the increase from $8\frac{3}{4}$ million pounds exported to America and 'other foreign markets' in 1901-1902, to $22\frac{3}{4}$ million pounds exported in 1903-1904; the 'other markets' include Russia, to which country the quantities exported are rapidly increasing. It may be hoped that means will be found still further to develop this most important trade, but for the moment it has received a check through the blocking of the Siberian Railway, and the increase in the already enormous duty levied on tea imported *via* the Black Sea. This increase must always tell against Indian teas and in favour of the Chinese leaf. When the trade was conducted through the Black Sea ports, India had the advantage of the lower freight from Calcutta to Odessa, as compared with that from Shanghai to Odessa, whilst by the Siberian routes, a corresponding advantage is secured by the Chinese teas. In this connection, I may mention that the production in India and sale of green teas are rapidly increasing, affording a new branch of development in the general trade.

It may, I think, reasonably be anticipated that the efforts of the Tea Cess Committee will lead in due course of time to considerable development of sales, both in foreign markets and for home consumption in India, and Government willingly gave the assistance sought for by the Tea Association in the matter of establishing a tea cess.

Prices, I regret to say, have not been so remunerative as desirable during the last few years, but this circumstance has had a wholesome effect which will bear good

fruit in the future, in checking undesirable extension of plantations on unsuitable lands. During the past season good prices were once more secured; the following figures show the fluctuations during the last six years:—

Calcutta Sales.

		R	a.
1898-1899	561,336 packages, average	5	8
1899-1900	560,719 do. do.	5	11
1900-1901	571,948 do. do.	5	3
1901-1902	534,923 do. do.	5	5
1902-1903	561,271 do. do.	5	3
1903-1904 (up to February 25)	609,326 do. do.	5	10

53. The future of indigo is still a question of deep concern, and although I fear that those who have been disappointed at the prices obtained during the past season may not readily agree with me, I cannot admit that there is real ground for despondency. On the contrary, continued steady perseverance on right lines would appear alone to be required to enable natural indigo, the produce of India, to hold its own with synthetic indigo. This is a purely business question and one which must be considered with due regard to facts, and facts only. It is a fact that when synthetic indigo was first introduced, the price asked was 17 pence per pound, and that the price has steadily declined to the present average of about 8 pence per pound. This is a very heavy fall, and I would urge attention to the fact that the manufacture of synthetic indigo was started on the basis of a price of 17 pence per pound, and that the manufacturers have suffered at least equally with the indigo planters by the great reduction in price due to competition. Now I ask what would have been said ten years ago if it had been suggested to the indigo planters that they would have to accept a price approximating ₹100 per maund for their product? They would have declared a fall to such a price to be impossible, and yet planters' indigo has been sold, and sold at a profit during the past season, at ₹110 per maund, by those who in the present still regrettably incomplete state of preparation for the struggle, have in favourable circumstances shown energy and intelligence in the conduct of their business. Prices have this year been some 30 per cent below those of last season and have varied from 80 rupees to an exceptional maximum of 195 rupees per maund, for a special parcel of 21 chests of Peeprah indigo; the average, exclusive of this particular sale has, however, probably not exceeded ₹120. Greater attention is being paid by buyers to quality, and indigo of low grade finds a market with much difficulty at Bengal prices. The total sales for the season, of Bengal indigo are not likely to exceed 50,000 maunds, and the sale value will probably be about 50 to 60 lakhs, as compared with upwards of 3 crores realised a few years ago, when prices were higher and production much larger. Madras indigo, though of inferior quality, is still largely sold at relatively low prices; it is estimated that some 23,000 cwt. were sold, at an average price of about ₹157 per cwt.—a decline of about 20 per cwt. as compared with prices two years ago.

54. The improvements necessary to effect a reduction in the cost price of indigo were (1) that the plantations should be placed on a sound financial basis, and cease to remain in a position where requirements for cash in seasons of dear money, could only be satisfied by transferring profits from the pockets of the planters to those of the money lenders; (2) economy in management; (3) selection of seed and propagation of the qualities yielding the highest percentage of indigotine and best suited to local conditions of climate and soil; (4) rotation of crops to obtain good profits from the land when not under indigo, and thereby reduce the cost of cultivation of the plant; (5) chemical improvements in manufacture.

(1) The transformation necessary to place indigo properties on a sound financial basis is proceeding, and in some instances at regrettably heavy cost to those who in the halcyon days of the industry had thoughtlessly allowed their financial position to become too involved to stand a crisis. The change has involved loss of fortune to individuals, but this is by no means synonymous with the failure of the industry. (2) The hard lessons of recent years have resulted in important economies in administration. (3) The attention of Mr. Coventry and other men of intelligence and energy interested in indigo, has for a long time past been turned to the cultivation in India of a plant which should produce a higher percentage of indigotine than that which a few years ago, in the absence of competition, sufficed to yield handsome profits. Agricultural experiments are necessarily slow in development, but the result of experiments has already shown that plants propagated from the Natal seed, acclimatised in

Java, will yield some 50 per cent more leaf of excellent quality than is obtained from the plant known as 'Tinctoria', which has hitherto been generally cultivated in India. Again, it has been shown that the new plant can be grown as a perennial, and even if only left in the ground for two years, this will lead to material reduction in the cost of cultivation. Further, and not least, the new plant is immensely superior to the tinctoria in withstanding the effects of inundation, drought, and cold. (4) The introduction of a reasonable system of rotation of crops, which is becoming fairly general, has had the result that in spite of the low price of indigo, certain favourably situated land-holders have been able to realise 10 per cent profit on the cultivation of their lands, and it further leads to the hope that the value of the 'seeth' as manure for rotation crops, may pay, or nearly pay the cost of cultivation of the indigo. (5) As regards chemical improvements, experiments are still proceeding, and though it is impossible to say that any remarkable result has so far been achieved, it is incredible that nothing will be achieved by that persistence in research which is now being earnestly pursued.

It seems to me unquestionable that there is still a large margin for reduction in the cost of production of indigo, and this large margin should more than suffice to turn the scale against the artificial product, whilst leaving fair profits in the pockets of the planters. There is certainly a limit to the price at which synthetic indigo can profitably be sold, and many are of opinion that, although competition may induce manufacturers to temporarily accept losses and reduce prices, the profitable limit has been already reached.

55. On one point I may perhaps venture to offer a word of warning to our planters. I am fully sensible of the difficulties of their position with which I sincerely sympathise, but I fear that many still fail to realise in a practical manner the situation which is created by the keen competition of their European manufacturing rivals, and that season after season they continue to expect high prices and by so doing they alienate buyers who would willingly take their products were prices more in accordance with those for which the artificial article is to be obtained. It is not business to continue to work at a loss, but it is an essential factor in business to keep your competitor out of the market by temporary acceptance of the lowest possible price, and thus to force him either to accept losses, or to retire from the competition.

56. Exports of rice in 1902 were by far the highest recorded up to that year, but they were surpassed in 1903, when the total value exported was approximately 13 million sterling, of which shipments from Burma were for upwards of £9,000,000.

57. It is roughly estimated that only about one-seventh of the wheat grown in India is available for export, the remainder being retained for local consumption. The amount exported naturally depends both on harvest yields, and on the European market price. This winter the price abroad has been favourable for export, whilst in India harvests have been abundant, particularly in the Punjab, with the result that the value exported in the year 1903 exceeded $6\frac{1}{2}$ millions sterling, and was more than double that in the preceding year.

58. The export trade in seeds has as regards quantities, increased rapidly during the last three years, but owing to falling prices, values have not kept pace with quantities. Approximately, 1,000,000 tons were shipped in 1901, and about 1,270,000 tons in 1903; the corresponding values being about £9,765,000 and £10,083,000; out of these totals, the exports of linseed averaged in value about 4 millions sterling. Whilst the quantity of linseed exported has increased considerably, values have remained practically stationary under the influence of unfortunately declining prices, owing to the serious competition of shipments from both North and South America, and during the past season, particularly from La Plata. The other two most important classes of seeds exported are rape and til; the value of the shipments of the former in 1903 was £1,627,000 and of the latter £1,990,000. The exports of til are increasing very rapidly with well maintained prices.

59. The last jute crop was estimated at the large figure of approximately $6\frac{1}{2}$ million bales, but nevertheless prices have been well maintained throughout the season and have yielded large profits. The total arrivals of jute in Calcutta up to January 31st, 1904, are estimated to have exceeded those of the previous year by 20 per cent, whilst exports of jute and cuttings are said to have been upwards of 10 per cent greater than in the season 1902-1903, approximating, though not quite reaching, the record shipments in 1901-1902.

60. The progress of the jute manufacturing industry has been even greater than that of the export trade in the raw material, and is indeed very remarkable. The number

of looms at work has increased from something short of 10,000 in 1895 to nearly 20,000 to-day, and the development has been particularly rapid in the last two years, during which the number of looms has been increased by upwards of 3,000. During the latter part of the past year there was a very good demand for gunnies and hessians, and the result of the year as a whole, has, I believe, been quite satisfactory to manufacturers.

61. Great as has been the development of jute manufacture, cotton still remains our premier Indian industry. From one point of view, that of increasing production, the progress of the Indian mills has been very satisfactory. I give the figures showing the production in yards of grey goods during six successive years, together with corresponding quantities imported and the totals indicating general consumption.

Quantity of Cotton Piece Goods (Grey) imported into, and produced in, India.

YEARS.	Grey goods imported from other countries into India.	Grey goods produced in India.	TOTAL.
	Yds.	Yds.	Yds.
1897-1898	1,149,479,541	323,356,019	1,472,835,560
1898-1899	1,257,720,612	355,709,050	1,613,429,662
1899-1900	1,274,912,153	329,420,397	1,604,332,550
1900-1901	1,192,173,060	341,176,942	1,533,350,002
1901-1902	1,186,764,327	409,744,993	1,596,509,320
1902-1903	1,283,680,181	406,316,717	1,689,996,898

It will be seen that whilst there has been some small increase in imports, production in India, in spite of a temporary set-back due to the last famine, has increased by upwards of 25 per cent in the short space of five years, whilst total consumption has increased by approximately 15 per cent. This by itself should certainly indicate increasing profits to millowners, since the larger the outturn, the less is the cost of production. Nevertheless, I am afraid that while certain well-managed mills on a sound financial basis, have made, and are likely to continue to make steady profits, a large proportion have been doing more or less badly for some time past. Many mills have suffered from the fact that their working capital has been quite insufficient; their ordinary requirements for financial accommodation have cost too much to leave a profit on the turn-over in these days of close competition and generally cheap money, while in times of financial stress, they are liable to be entirely overwhelmed by the difficulties of their position. A good many mills have in such circumstances naturally changed hands during recent years, and it is to be hoped that with a fresh start on a proper financial basis, and with the more competent management for which I am inclined to think there is sometimes an indisposition to pay the necessary price, a fresh start may be made and profitable business developed. Latterly, special difficulties have beset those millowners who neglected to buy cotton ahead and who have consequently found the price of the raw article increasing out of all proportion to the price of yarns, which it must be noted has been prejudiced by the competition with Japan for the China trade. Weavers have fortunately fared better than those who are only spinners, as the former are not so dependent on the China trade, and demands for the home market have been sufficiently good and are likely to increase. I think that the future success of the Indian cotton industry lies in the development of weaving and the abandonment of a position of dependence on the sale of yarn in the China markets. I would venture to urge cultivation of the home markets.

62. I notice the continuance of complaints against the cotton excise dues. On this question it is argued that as the cloths made in India are of different textures to those made in Lancashire, there is no direct competition between them, and therefore, that the abolition of the dues could not be considered as a protective measure.

As far as the argument goes, there appears superficially to be something in it, but it seems to be omitted from consideration that the consumption in India in any given year, is more or less a fixed quantity as regards the number of yards required, and that if the cheaper price of the Indian textiles secures for them a good market in competition with the finer textiles from Lancashire, the latter must be displaced by the former. Further, I am led to believe that the Indian mills already enjoy considerable practical protection, since charges between Manchester and the Indian bazars (including packing, freight, interest, etc.), are said to amount to fully ten per cent on cost price in Manchester. Moreover, it must be remembered that a certain amount of revenue is a necessity to provide for the administration of the country, and the cotton excise dues now return upwards of 20½ lakhs, having increased from R 11,62,947 in 1900-1901. It is very easy to object to any and every class of taxation, but those who make objections should, I think, offer suggestions as to how revenue could be maintained if their objections were to be admitted. As I pointed out last year in the discussion on the budget, it is impossible to believe that the average enhanced cost to the individual consumer of cotton cloth on account of the excise exceeds 3½ annas per annum, and the steady increase in consumption, which is an undeniable fact, sufficiently proves that present rates have had no prejudicial effect on its development. I would particularly call attention to the fact that the receipts on account of customs duties on cotton goods, on sugar, and on petroleum, constitute upwards of 40 per cent of the revenues derived from customs on imports, but the proportion is diminishing, and as Indian industries develop and check imports, there must inevitably be a steady and serious diminution in the returns under these heads, for which some compensation must be found. In the case of cotton goods, it is ready to hand in the shape of a steady growth in returns from excise dues on the local manufactures, and for this reason, if for no other, it appears to me impossible to seriously consider their abolition.

63. Importations of piece goods have been rather below the average, but the generally prosperous condition of the country has produced a demand sufficient to absorb more than the average annual imports, and as a result, stocks are greatly reduced; in Bombay they are the smallest on record. It is possible that for some little time a maintenance of higher prices will continue to restrict imports, but this position of affairs cannot last, and we may with some confidence look forward to a brisk and prosperous trade in piece goods in the near future.

64. Coal continues to be a very important item in the export trade. Last year I noted that this trade had received a check, and I regret to say that although towards the close of the past year there was a slight improvement in the market, the very low prices which have prevailed have had a serious effect on the profits of many coal mining companies. I have reason to fear that unsatisfactory prices are in part due to the fact that the quality of Bengal coal has suffered in reputation abroad, owing to unfortunate shipments of inferior stuff when the demand was brisk. All is not gold that glitters, and buyers soon show their appreciation of the fact that all is not coal that is black. That there is room for improvement in the methods of handling and carriage from the mines to ship-board is admitted on all sides, while it has been observed by competent experts that, speaking generally, actual mining operations are far from being generally conducted in the most scientific and economical manner. There is, therefore, apart from possible natural increase in demand, room in more than one direction for such improvement as would increase the profits of the business. I give the figures of export of Bengal coal during the last four calendar years, together with the figures for the quantities of bunker coal supplied to steamers in Calcutta.

	1900. Tons.	1901. Tons.	1902. Tons.	1903. Tons.
Exports	1,734,551	2,008,322	1,716,556	1,953,914
Bunker	615,504	674,645	697,017	703,225
TOTAL	<u>2,350,055</u>	<u>2,682,967</u>	<u>2,413,573</u>	<u>2,657,139</u>

It will be observed that the totals for 1903 are approximately equal to those for 1901, which, however, still remains our record year.

65. The petroleum industry is advancing by leaps and bounds. I submit figures showing consumption of kerosine during the last five years, and the sources from which the demand has been supplied.

Production of Kerosine Oil in Burma and Assam, and importations into India from foreign countries.

	1899-1900.	1900-1901.	1901-1902.	1902-1903.	1903-1904.*
	Quantity (gallons).				
Kerosine Oil produced in Burma	9,947,930	14,428,422	18,317,164	25,303,906	38,694,192
Kerosine Oil produced in Assam	...	156,740	241,379	671,486	1,200,052
TOTAL	9,947,930	14,585,162	18,558,543	25,975,392	39,894,244
Kerosine Oil imported from Russia	57,688,204	67,350,656	84,477,876	71,125,438	57,500,000
Kerosine Oil imported from United States	12,731,934	5,102,459	5,768,226	9,229,244	7,000,000
Kerosine Oil imported from other countries	49,978	148,783	1,221,364	1,096,573	5,500,000
TOTAL	70,470,116	72,601,898	91,467,466	81,451,255	70,000,000
Total consumption of Kerosine Oil in India	80,418,046	87,187,060	110,026,009	107,426,647	109,894,244

* Estimated figures for last two months.

It will be observed that whilst consumption steadily increases, Indian production already suffices to satisfy nearly forty per cent of the total demand. Burma already supplies upwards of 38½ million gallons, and Assam, where the industry has begun to develop, is, I understand, in a position to supply two million gallons in the coming year, with a rapidly increasing production. The imports of American and Russian oils are naturally declining, but, on the other hand, those of what is known as Straits oil are increasing. American kerosine has now become practically an article of luxury used only by those who like to pay a high price for a specially good article. Improvement is desirable in the quality of the Indian oils, which are still distinctly inferior to both American and Russian oils, but I understand that improvements are being introduced in refining processes, and that as oil is drawn from the lower strata it will be found to be of a lighter character.

66. The export trade in hides is of very great importance, but it is particularly susceptible to influences causing wide fluctuations both in volume and in price. In times of famine, the difficulty and sometimes impossibility of providing fodder, leads to wholesale slaughter and low prices, whilst after a few prosperous years, the number of cattle increases and the number of hides for sale also increases. To-day an unsatisfactorily large proportion of our hides are exported in the raw state, and a large development of the tanning industry is much to be desired. Special attention is being paid to this question in Madras where it is hoped that the chrome-tanning process may be introduced with success. Cawnpore is the most important centre of the leather industry, the successful development of which enabled us to supply large quantities of leatherware (boots and saddlery) for the army in South Africa. This industry is at present labouring under two difficulties—deficiency of tanning material and shortness of labour. The want of tanning material is attributed to a depletion of stocks of cutch during the recent years of famine, but we may hope that this will prove a temporary difficulty. Shortness of labour for industrial purposes is a cause of serious complaint in many parts of India, and I fear that it will not be easily remedied. In course of time, a sufficient industrial class will come into existence, but the people are conservative in their habits, and they prefer working in their homes to the restrictions of a mill, whilst any extensive employment of female labour is, for various reasons, almost impossible. High wages offer little attraction to the agriculturist who, in normal times, finds all his requirements supplied by the fruits of congenial labour in the fields.

67. It is, I believe, often urged in quarters which appear to be strangely misinformed, that if we look back, say 20 years, it will be found that the raiyat has been

impoverished by a steady fall in the price of his produce. I have examined this question as far as the information at our disposal permits, and I submit a table showing the average wholesale prices of certain articles of export from India in the years 1873, 1883, 1893, and 1903, at Calcutta, Bombay, Karachi, and Rangoon, respectively.

Average annual wholesale prices of certain staple articles of export from India.

Ports and Articles.	Per	1873.	1883.	1893.	1903.
<i>At Calcutta.</i>					
Jute	Bale of 400 lbs.	R 23 a. 13 p. 6	R 22 a. 4 p. 9	R 36 a. 10 p. 10	R 35 a. 5 p. 4
Rice	Bazar maund	2 7 8	2 8 2	4 1 8	3 9 7
Linseed	" "	4 11 3	3 14 6	5 7 9	4 14 0
Rapeseed	" "	4 8 9	4 11 6	4 11 1	4 2 0
Silk, raw	Factory seer.	21 7 8	16 4 11	19 6 4	15 13 6
Hides, cow	20 lbs.	...	...	13 2 0	16 12 0
<i>At Bombay.</i>					
Cotton	Candy of 784 lbs.	199 10 0	171 7 3	199 6 11	203 0 0
Linseed	Cwt.	6 0 6	5 6 0	7 11 1	6 14 0†
Wool	Candy of 588 lbs.	192 8 0	187 8 0	132 8 0	115 0 0
Wheat	Cwt.	5 1 9	3 13 8	4 5 9	4 5 5
<i>At Karachi.</i>					
Wool	Maund of 82 lbs.	35 8 0	25 14 10	27 3 3	21 4 10
<i>At Rangoon.</i>					
Rice	Cwt.	2 7 8	3 8 6	3 11 7	4 3 1*

* Prices have fluctuated greatly owing to speculation. | † Prices have since fallen.

It will be observed that while prices have varied considerably at different epochs, in the great majority of cases there has, over the period, been an increase in Calcutta prices, the only really notable exception being with regard to silk. In Bombay, prices of cotton and linseed increased, whilst those for wool and wheat have fallen, the former considerably; wool has similarly fallen at Karachi, but at Rangoon the price of rice, the staple export, has very materially improved. I would point out that as each ten years of the period under consideration rolled by, facilities of transport have under the influence of railway construction, steadily and enormously reduced the cost of delivery from the ryots' hands to the export markets, whilst also reducing the number of middlemen through whom produce finds its way from the interior to the sea coast. Now, this decrease in cost of carriage is equivalent to so much direct profit to the producer; it is therefore absolutely certain that the increase shown in prices at the ports, forms but a small proportion of the total gains to the ryot from the enhanced prices which he has realised locally.

An examination of this question would be incomplete without some reference to the influence of exchange. The variations in exchange were steadily favourable to increase in rupee prices of exports from 1873 to 1893 and unfavourable during the last ten years.

The average exchange value of the rupee in the four years tabulated was:—

1873-1874.	1883-1884.	1893-1894.	1903-1904. (Estimate).
22'351d.	19'536d.	14'546d.	16'053d.

68. Whilst the facts noted offer a complete answer to those who have of late years been talking of the impoverishment of the ryot, I must state that in my personal opinion we are likely during the next few years to witness some decline in the export price of agricultural produce. Such a decline, it seems to me, must inevitably result from the improvement of communications, and the bringing of new lands under cultivation in foreign countries, and particularly perhaps in Canada and in South America. The natural decline from such causes should however be at least compensated, if not more

than counterbalanced, by improvements in our own communications in India, in agricultural methods, and I venture to hope also by reduction in our railway tariffs. The most important step which can be taken to meet the situation will, however, I apprehend, be found in the development of industries based directly on agriculture, that is in locally working up our raw products, extracting our own oils from seeds, producing our own textiles from silk, cotton, and wool, tanning our own hides, etc. For thoroughly satisfactory progress in this direction we must await the awakening of a keener spirit of enterprise among our Indian fellow subjects. At present, industrial undertakings are chiefly dependent on foreign capital, supplemented by the small savings of Anglo-Indians who naturally invest all they can spare in a country where prevalent rates of interest are much higher than in Western Europe. I trust, however, that it will not be long before a great development is witnessed in industrial enterprise, although, I must point out that when it takes place, we shall find ourselves in a very different position from that of to-day, as regards the effect on our trade of protective tariffs in foreign countries.

69. Notwithstanding many difficulties, including those to which I have referred, Indian industries are not standing still, and a proof of their steady, though somewhat slow, development is to be found in the figures, I submit, showing the increasing value of importations of mill machinery, iron and steel. We may possibly reach six million sterling for the year 1903-1904.

Values of Imports of Machinery and Millwork and Iron and Steel.

	1900-1901.	1901-1902.	1902-1903.	1903-1904. (Ten months only.)
	£	£	£	£
Machinery and Millwork	1,505,040	2,003,920	1,869,227	1,830,974
Iron and Steel	3,048,421	3,242,613	3,391,015	3,215,772
TOTAL	4,553,461	5,246,533	5,260,242	5,046,746

70. In connection with the question of accumulation of wealth in India we have examined the available statistics showing the net imports of gold and silver, and I submit the figures for decennial periods commencing with that from 1835-36 to that from 1895-96. It will be seen that during the whole period extending over 68 years, the total net imports of treasure have reached the gigantic figure of £414,672,977 which includes gold, approximately 127 millions, and silver upwards of 287 millions. These figures speak for themselves, as a remarkable indication of accumulating wealth.

Net Imports of gold and silver from 1835-36 to 1902-1903 in decennial periods.

	Gold.	Silver.	TOTAL.
	£	£	£
1835-36 to 1844-45 (10 years)	2,197,866	13,690,179	15,888,045
1845-46 to 1854-55 (ditto)	6,855,062	10,218,006	17,073,068
1855-56 to 1864-65 (ditto)	34,063,093	66,801,743	100,864,836
1865-66 to 1874-75 (ditto)	24,385,359	41,640,209	66,025,568
1875-76 to 1884-85 (ditto)	17,759,626	43,782,421	61,542,047
1885-86 to 1894-95 (ditto)	10,844,101	69,523,739	80,367,840
1895-96 to 1903-1904 (8 years and 11 months) .	30,006,323	42,905,250	72,911,573
TOTAL 1835-36 TO 1903-1904	126,111,430	288,561,547	414,672,977

E. FG. LAW.

March 23, 1904.

PART II.

BEING A MEMORANDUM BY THE FINANCIAL SECRETARY EXAMINING THE DETAILS OF THE ACCOUNTS AND ESTIMATES.

Section I.—The Accounts of 1902-1903.

71. The Accounts of the year show a surplus £3,069,549 being better by £331,049 than the surplus of £2,738,500 anticipated in the Revised Estimates framed in March last. 1902-1903.
General Result
of Accounts.

72. The variations between the figures finally entering into the Accounts and those taken in the Budget and Revised Estimates of the year are fully explained in the Appropriation Report published in the *Gazette of India* of the 12th instant.

73. The following is a general comparison of the Revised Estimates with the Accounts of the year:— 1902-1903.
Statement of the
gross figures.

	Revised.	Accounts.	Accounts, better.	Accounts, worse.
REVENUE.				
India	£ 76,284,600	£ 76,740,110	£ 455,510	...
England	607,900	694,805	86,905	...
TOTAL	76,892,500	77,434,915	542,415	...
EXPENDITURE.				
India—				
Imperial, Provincial, and Local.	55,759,100	56,075,970	...	316,870
Adjustment of Provincial and Local Surplus or Deficit	+ 56,100	—72,425	128,525	...
NET	55,815,200	56,003,545	...	188,345
England	18,338,800	18,361,821	...	23,021
TOTAL	74,154,000	74,365,366	...	211,366
SURPLUS	2,738,500	3,069,549	331,049	...

74. Both Revenue and Expenditure were higher, in India and also in England, than the amount taken in the Revised Estimate. The net improvement in England was £63,884. In India, it was £138,640. In the Imperial Section of the accounts, there was an improvement of £267,165, while the Provincial and Local Section was worse by £128,525. The latter does not affect the surplus of the year. 1902-1903.
General Remarks.

75. The increase of £455,510 in Revenue in India occurred chiefly under Salt (£144,405), Excise (£49,042), Customs (£90,936), Forests (£33,203), Railways (£107,500) and Army (£124,692), and was partly counterbalanced by a falling off under Land Revenue including that due to Irrigation (£59,162) and Major Irrigation Works (£53,832) besides smaller sums under other heads. The increase under Salt was fairly distributed, but was highest in Bombay and Madras. That under Excise occurred chiefly in Burma and Berar. The increase under Customs was largest under export duty on rice, import duty on silver and other metals, and excise duty on cotton goods. Larger railway earnings were contributed by the East Indian, Rajputana-Malwa, South Indian, and Bombay, Baroda and Central India Railways. The increase in Army Receipts was due to credits for peace equipment taken by certain units to China which were not provided for in the Revised, 1902-1903.
Revenue in India.

1902-1903.
Expenditure in
India.

76. The excess expenditure in India, amounting to £316,870, was made up of increases under a number of heads, of which the most important were £42,411 under Working Expenses of State Railways, £157,517 under Civil Works, and £155,735 under Army. These were partially counterbalanced by smaller decreases under numerous heads.

1902-1903.
Revenue and
Expenditure in
England.

77. The increase in the revenue in England occurred chiefly in Army receipts. Larger allowance than was provided in the estimates was made on account of articles in possession of regiments on their transfer from the Indian to the British establishment; and contributions towards pensions of Native troops lent for Imperial Service were recovered earlier than had been expected. The increase in the expenditure in England is more than accounted for by an increase of £38,349 in the payments for ordnance and other military stores.

Section II.—The Revised Estimate of 1903-1904.

1903-1904.
Statement of the
gross figures.

78. The following is a general comparison of the Budget Estimate with the Revised Estimate of 1903-1904:—

	Budget.	Revised.	Revised, better.	Revised, worse.
REVENUE.				
India	£ 75,699,400	£ 82,348,100	£ 6,648,700	...
England	656,000	719,700	63,700	...
TOTAL	76,355,400	83,067,800	6,712,400	...
EXPENDITURE.				
India—				
Imperial, Provincial, and Local	58,514,900	60,947,900	...	2,433,000
Adjustment of Provincial and Local Surplus or Deficit	—1,383,500	+1,201,200	...	2,584,700
NET	57,131,400	62,149,100	...	5,017,700
England	18,275,300	18,207,500	67,800	...
TOTAL	75,406,700	80,356,600	...	4,949,900
SURPLUS	948,700	2,711,200	1,762,500	...

1903-1904.
General Remarks,

79. During the current year there has been a remarkable development of revenue under almost every important head. Land Revenue, Salt, Excise, Customs, Forests, and Irrigation have all contributed to swell the revenues of the year. But by far the greatest improvement has occurred in the Opium revenue, and in the net earnings of State Railways. The gross receipts from Opium exceeded the Budget by more than 2 crores of rupees, while the net railway earnings were better by more than a crore. The former is perhaps fortuitous and cannot be regarded as other than a fortunate windfall. But the improvement in the Railway revenue receipts, though subject to fluctuation, promises to be progressive, and may fairly be regarded as possessing some of the elements of permanence.

1903-1904.
Allotments to
Local
Governments, etc.

80. Advantage has been taken of this improvement in the financial position to place largely increased allotments at the disposal of Local Governments for provincial expenditure. As explained in paragraph 219, 150 lakhs have been assigned to Bengal, Madras, the United Provinces and Assam to start the new Provincial settlements under favourable conditions. Fifty lakhs have been allotted to Bengal as the Imperial contribution towards the Calcutta Improvement scheme, and 20 lakhs to the Punjab for the extension and improvement of Simla. Grants, aggregating R 17,02,000, have been made to the Central Provinces, United Provinces, Punjab and Bombay for expenditure on minor irrigation works, the drainage of Lucknow, the completion of St. George's Hospital in Bombay, and a variety of other useful local works. Further grants, aggregating 22 lakhs,

have been made to the eight principal Provinces for expenditure on public parks and gardens, hostels, local museums, and other minor but useful objects which have hitherto had to yield priority to works of more pressing importance. These grants, though made in the Revised Estimate of 1903-1904, will not be actually spent during the year but will go to increase the balances at credit of the Provincial Governments on the 31st March next and will be available for expenditure in 1904-1905 and subsequent years. A grant of 5 lakhs has also been made to the Calcutta Museum in furtherance of an important scheme of reconstruction and rearrangement; of one lakh for much needed structural improvement in the Zoological Gardens; of ₹10,000 to the Asiatic Society of Bengal; and of ₹40,000 for archæological restorations at Mandu.

81. After providing for these special grants, which aggregate ₹2,65,52,000, the Revised Estimates show a surplus of £2,711,200 or ₹4,06,68,000, against ₹948,700 or ₹1,42,30,000 in the Budget. But for the special grants, the surplus would have been ₹6,72,20,000. 1903-1904.
General Results.

82. Of the actual surplus of £2,711,200, it has been decided to set apart a sum of £956,700 for expenditure in the ensuing year on the provision of new artillery and small arms, and in pushing on the scheme of special coast defences to which reference was made in paragraph 234 of the last Financial Statement.

83. Both revenue and expenditure were higher in India than the amounts taken in the Budget Estimate, there being a net improvement of £4,215,700, of which £1,631,000 is in the Imperial Section of the accounts and £2,584,700 in the Provincial and Local Section. The latter does not affect the surplus of the year. In England both revenue and expenditure are better, the total improvement being £131,500. This added to the improvement of £1,631,000 in the Imperial Section in India gives the total improvement of £1,762,500 in the surplus of the year shown in the table above.

84. The only important decrease in revenue in India is under Telegraph, ₹4,30,000, and is due to the diversion of foreign traffic to cable routes *via* South Africa and the Pacific, and to a falling off in transit message receipts in consequence of the reduction of the tariff between India and Europe. There are also small decreases under Jails (₹3,96,000), Miscellaneous (₹2,12,000), Interest (₹2,46,000), and Irrigation Minor Works (₹2,14,000). 1903-1904.
Decrease in
Revenue
in India.

85. Under almost all other heads there is an improvement, the more important items being— 1903-1904.
Increase of
Revenue in
India.

	R	R
Land Revenue, ordinary	22,90,000	
" due to Irrigation	4,06,000	
		26,96,000
Opium		2,03,24,000
Salt		31,00,000
Stamps		6,19,000
Excise		63,07,000
Customs		47,42,000
Forest		17,87,000
Post Office		5,91,000
Mint		3,51,82,000
Marine		28,69,000
Exchange		5,79,000
State Railways—Gross Receipts		1,61,39,000
Guaranteed Companies—Net Traffic Receipts		4,32,000
Irrigation, Major Works—Direct Receipts		22,28,000
Civil Works		10,03,000
Army		11,17,000

86. The improvement in Land Revenue collections is due mainly to the favourable character of the season, and the re-establishment of normal conditions of prosperity. It occurs chiefly in Madras, ₹9,47,000; Punjab, ₹15,13,000; Bengal, ₹4,13,000; Bombay, ₹4,09,000; and Central Provinces, ₹2,50,000. A part of the improvement in Madras is due to the increases obtained from revision of settlements in some districts being larger than was provided in the Budget Estimate. In the Punjab, it was also due to the extension of canal irrigation and to higher receipts from the sale of waste lands in the Chenab and Jhelum Colonies. There are, on the other hand, decreases of ₹3,10,000 in Assam due to 1903-1904.
Land Revenue.

the postponement of the kist dates for payment; of ₹4,14,000 in Burma due to the failure of crops in parts of Upper Burma; and of ₹2,91,000 in Berar, due chiefly to the cess demand in the Akola District having been wrongly included under this head in the Budget Estimate.

1903-1904.
Opium Revenue.

87. The improvement in Opium revenue is chiefly in Bengal (₹1,73,67,000), Bombay (₹29,60,000) and Burma (₹1,25,000). The prices realised at the sales of Bengal Opium during the current year have been exceptionally high, the average for the year being ₹1,462. The exports of Malwa Opium have also been much larger than was assumed in the Budget, the number of chests weighed being estimated at 26,200 against 19,831 in the previous year. This is attributed partly to the rise in the price of silver, and partly to the depletion of stocks in China in consequence of the failure of the local crop. In Burma the increase has been obtained from the improved arrangements for the prevention of smuggling.

1903-1904.
Salt Revenue.

88. Under Salt, there are increases of ₹32,00,000 in Madras, ₹6,50,000 in Northern India, and ₹4,00,000 in Bengal, while there are decreases of ₹4,00,000 in Burma and ₹7,50,000 in Bombay. The stimulus given to consumption by the reduction of duty is manifested in the increase in the first three provinces though the realisations on the credit sales of the previous year at the old rate of duty account for a large part of the increase in Madras. The Burma Budget was an over-estimate. In Bombay, a large quantity of salt was destroyed by heavy rain early in the year. This, however, appears to have stimulated the consumption of Madras salt by enabling it to displace Bombay salt in some districts.

1903-1904.
Stamps Revenue.

89. The improvement in Stamp Revenue is chiefly in Burma (₹2,50,000), Bengal (₹3,00,000), and the Punjab (₹1,30,000).

1903-1904.
Excise Revenue.

90. Owing to the generally favourable harvests the Excise revenue has grown in all provinces, and the improvement expected in the Budget has been surpassed everywhere except in Bengal. Compared with the Budget the largest increases have occurred in Madras (₹20,00,000), Burma (₹13,00,000), Bombay (₹10,00,000), the United Provinces (₹7,00,000), Berar (₹5,10,000) and the Central Provinces (₹3,88,000).

1903-1904.
Customs Revenue.

91. The improvement in Customs revenue extended to all the maritime provinces except Bengal where there has been a large falling-off in the imports of petroleum and some decrease of cotton goods. In the former case it is evident that Burma oil is taking the place of the foreign product. The continuance of the large imports of silver is remarkable. The articles in which the chief increases and decreases have occurred in all the provinces taken together are:—

<i>Increases in Receipts.</i>		₹
Export duty on rice		25,00,000
Import duty—		
Silver		13,50,000
Other metals and manufactures of metals		5,00,000
Manufactured articles		8,94,000
Spirits and liqueurs		5,00,000
Chemicals		1,25,000
Sugar		1,50,000
Excise duty on cotton manufactures		2,20,000
Land customs and miscellaneous		1,35,000
<i>Decreases in Receipts.</i>		
Import duty—		
Petroleum		9,50,000
Cotton manufactures		1,60,000
Sugar countervailing duties		4,71,000

1903-1904.
Forest Revenue.

92. The Forest receipts show an improvement in every province except Bengal and the districts under the administration of the Government of India. The largest increase is in Burma amounting to ₹11,50,000. In this province the revenue experienced a serious decline in 1901-1902, but has since then been growing steadily.

93. The growth of the receipts of the Post Office during the year has been more rapid than was anticipated. 1903-1904.
Post Office
Receipts.

94. The large improvement under Mint is due to the exceptionally heavy coinage of silver which has had to be undertaken in the year as explained in paragraph 19. It does not, however, materially affect the surplus of the year as the whole of the profits of coinage, after deduction of the charges, is paid to the Gold Reserve Fund and is shown as expenditure. 1903-1904.
Mint Receipts.

95. The whole of the balance of the Gold Reserve Fund except a small sum of £5,700 has been remitted to the Secretary of State for investment, and the balance of the Fund now amounts to £6,382,200 of which £6,376,500 is held in Consols and National War and Local Loans Stocks. Gold Reserve
Fund.

96. The increase in Marine receipts is due partly to a change in accounting whereby recoveries on account of stores and labour supplied to the Royal Navy which used to be taken as reduction of expenditure, are now credited as receipts. It is also due in part to recoveries on account of the employment of Royal Indian Marine vessels in connection with the operations in Somaliland. 1903-1904.
Marine Receipts.

97. Under Exchange, there is an increase of R8,74,000 representing the exchange on the net expenditure in England on revenue account, the average rate of exchange for Council Bills and Transfers to date having been 1s. 4'049d. On the other hand, the gain in connection with the transactions of the Southern Mahratta Railway was overestimated to the extent of R1,36,000 and the loss on miscellaneous remittance transactions between England and India is now expected to amount to R1,90,000 against R2,000 taken in the Budget Estimate. 1903-1904.
Exchange.

98. The gross receipts of State Railways are better than the Estimate of March last by R1,61,39,000, but the working of the increased traffic and special renewals of engines and repairs of permanent way, bridges and rolling stock, are likely to cause an increase of R52,88,000 in the working expenses. There is thus a net improvement of R1,08,51,000. There has been a remarkable expansion of traffic on most of the larger systems of Railways except the Rajputana-Malwa, the Bengal-Nagpur and the Indian Midland on which the improvement provided in the Budget Estimate has not been realised. On the Rajputana-Malwa line, there was a serious decline in goods traffic in 1902-1903 on the cessation of the famine conditions of previous years, and a small recovery was anticipated in the Budget Estimate of the current year. Instead of an increase, however, there has been a further considerable decline, owing chiefly to a diversion of the traffic to the Great Indian Peninsula Railway. The goods traffic on the Indian Midland Railway also has been very slack. The lines which have contributed chiefly to the improvement are the North-Western, East Indian, Great Indian Peninsula, South Indian, and Bengal and North Western Railways. On the first named line, where the improvement has been most marked, it was due to very heavy wheat traffic, and also to traffic arising from the Jhelum and Chenab Colonies, as well as to increased mileage and general development. The more important differences are as follows:— 1903-1904.
State Railways—
Gross Receipts.

	Receipts.	Working Expenses.	Increase + Decrease — Net Receipts.
	R	R	R
<i>Better than Budget—</i>			
North-Western Railway . . .	+ 1,07,00,000	+ 16,00,000	+ 91,00,000
East Indian Railway . . .	+ 23,00,000	...	+ 23,00,000
Great Indian Peninsula Railway . . .	+ 32,00,000	+ 21,50,000	+ 10,50,000
South Indian Railway . . .	+ 13,00,000	— 75,000	+ 13,75,000
Bengal and North-Western Railway . . .	+ 15,00,000	+ 7,50,000	+ 7,50,000
Eastern Bengal Railway . . .	+ 13,00,000	+ 7,50,000	+ 5,50,000
Burma . . .	+ 12,00,000	+ 1,00,000	+ 1,00,000
Oudh and Rohilkhand Railway . . .	+ 5,00,000	+ 1,00,000	+ 4,00,000
<i>Worse than Budget—</i>			
Rajputana-Malwa Railway . . .	— 37,00,000	— 13,00,000	— 24,00,000
Bengal-Nagpur Railway . . .	— 14,00,000	...	— 14,00,000
Indian Midland Railway . . .	— 10,00,000	— 4,55,000	— 5,45,000
North-East Line, Madras Railway . . .	— 1,50,000	+ 5,33,000	— 6,85,000

1903-1904.
Guaranteed
Companies—
Net Traffic
Receipts.

99. Both the Bombay, Baroda and Central India, and the Madras Railways, which are the only two Railways of this class not yet purchased by Government, have contributed to the increase in the net traffic receipts of Guaranteed Railways. The improvement would have been larger, but for the heavy fall in the earnings of the Rajputana-Malwa Railway which threw a larger share of the combined expenses of the whole system on the Bombay, Baroda and Central India line.

1903-1904.
Irrigation,
Major Works—
Direct Receipts.

100. Of the increase in the Direct receipts from Major Irrigation Works, ₹17,21,000 has occurred in the Punjab owing to the favourable character of the seasons. Almost all the canals in the province have contributed to the improvement.

1903-1904.
Civil Works
Receipts.

101. Under Civil Works there is a special receipt of ₹2,64,000 on account of the sale to the Home Government of buildings on the Somali Coast, and of ₹2,15,000 on account of the sale-proceeds of the residence of the Commissioner of Police, Calcutta. The receipts from the Darjeeling-Himalayan Railway in Bengal as well as those from rents, tolls and ferries in most of the provinces, have been higher than the amounts taken in the Budget Estimate.

1903-1904.
Army Receipts.

102. The increase in Army receipts is due to larger recoveries from the Imperial Government for the peace equipment of native troops on service in China, for Europe stores issued to Somaliland and China, and for mounted infantry ponies sent to Somaliland.

The important increases of expenditure in India are :—

1903-1904.
Increase in
Expenditure in
India.

	R
Refunds and Drawbacks	5,65,000
Opium	71,00,000
Mint	3,31,75,000
General Administration	8,64,000
Marine	19,69,000
Miscellaneous	16,31,000
State Railways—Working Expenses	52,88,000
Major Irrigation Works—Working Expenses	6,85,000
Civil Works	20,12,000
Army	30,10,000

1903-1904.
Refunds and
Drawbacks.

103. The excess refunds occur in all provinces except Madras and the United Provinces, but chiefly in Burma, Bengal and Bombay, and the districts administered by the Government of India. They are due partly to larger refunds of Customs duty and partly to special refunds of Salt duty in connection with the reduction in the salt tax in March 1903. There were also larger refunds of Land Revenue, Excise and Tributes in Burma.

1903-1904.
Opium
Expenditure.

104. The Budget provided for the cost of an average Bengal opium crop, but the actual outturn has been exceptionally large, necessitating an increase of ₹71,00,000 in the payments to cultivators.

1903-1904.
Mint Expenditure.

105. Of the total increase in Mint expenditure, ₹3,26,66,000 is accounted for by the payment of the net profits of the rupee coinage of the year to the Gold Reserve Fund. These amounted to ₹3,69,86,000 against ₹43,20,000 provided in the Budget Estimate. The balance represents charges incurred in England on account of remittances of gold from India and of silver purchased for coinage. These charges, though incurred in England, are passed on to India through the remittance account, and appear as Indian expenditure. The cost of extra establishment necessitated by the heavy coinage of the year is also included under this head.

1903-1904.
General
Administration.

106. The increase under General Administration is chiefly accounted for by the cost of new Viceregal railway carriages, the charges on account of His Excellency the Viceroy's tour in the Persian Gulf, and extra charges of the Secretariats, due chiefly to the employment of a number of officers on special duty. There was also some increase in the Central Provinces, in consequence of the transfer of the administration of Berar.

1903-1904.
Marine
Expenditure.

107. As explained in paragraph 96, the greater part of the increase under Marine is due to a change in the system of accounting. The balance is due to work done in connection with the Aden Boundary Commission, His Excellency the Viceroy's tour in the Persian Gulf, the construction of a new vessel to replace the *Pansy*, and the maintenance of three torpedo boats taken over from the Admiralty.

108. Of the increase under Miscellaneous, ₹11,00,000 is on account of remissions of irrecoverable takavi advances in the Central Provinces, and ₹87,000 on account of the remission of the balance of the loan granted to the Chittagong Port Fund for the purchase of the steam tug *Gekko*, as announced by His Excellency the Viceroy in his reply to the addresses presented to him at Chittagong. The remainder of the increase chiefly represents charges of the special Commissions of Enquiry appointed during the year, and the cost of additional elephants acquired for the Khedda operations in Burma.

1903-1904.
Miscellaneous
Expenditure.

109. The increase in working expenses of State Railways has been explained in paragraph 98.

1903-1904.
State Railways—
Working Expenses.

110. Under Major Irrigation Works—Working Expenses, the increase occurs chiefly in the Punjab and Madras, while there is a decrease in Bengal and Bombay. In the former the Indus Inundation canals which used to be classed as a Minor Work are now treated as a Major Work, and unforeseen urgent works have also involved extra expenditure. In Madras the excess is due to the cost of repairing damages caused by heavy floods in the river Kistna.

1903-1904.
Major Works—
Working Expenses.

111. Under Civil Works, there is an increase in all the provinces except Madras, Berar, Burma and the Districts administered by the Government of India. This was due to additional grants having been sanctioned by Local Governments for urgent works from savings under other heads. There was also large special expenditure in connection with the Murtaza-Wana road in the North-West Frontier Province, on the construction of roads in Sikkim, and on the buildings for the Imperial Cadet Corps at Dehra Dun.

1903-1904.
Civil Works
Expenditure.

112. There are as usual a large number of variations between the Budget and the Revised Estimates of Military Expenditure. The absence of troops in Somaliland and China again led to savings which are estimated at ₹20,80,000 and ₹8,52,000, besides ₹6,56,000 on account of stores. Besides this there were savings of ₹10,00,000 on account of food supplies, of ₹3,30,000 in the cost of remounts, of ₹4,25,000 on account of short strength of troops and establishments, and a variety of other reductions, the whole estimated at ₹75,98,000. Against this, however, there was heavy expenditure on account of the Tibet Mission and the military escorts with the Aden and Seistan Delimitation Commissions. The savings on account of the absence of troops across the sea were as usual appropriated for new non-recurring expenditure for the improvement of the army. The more important items leading up to the net excess of ₹30,10,000 were the following:—

1903-1904.
Army Expenditure.

<i>Increases.</i>	₹
Sikkim-Tibet Mission	45,00,000
Military Escort with the Aden Delimitation Commission	25,71,000
" " Seistan " "	2,26,000
Charges for Horse-breeding operations transferred from the Civil to the Military Department	2,84,000
Mounted Infantry ponies purchased in replacement of those sent to Somaliland	2,32,000
Reconstitution of certain Native Corps of the Madras Command	2,17,000
Special expenditure in India sanctioned against savings due to the absence of troops in Somaliland and China—	
Improvement in the pay, etc., of the officers of the Indian Medical Service in Military employ	2,00,000
Purchase of '303' ammunition	1,72,000
Cost of warm coats sent to South Africa and rejected by Military Authorities there	3,05,000
Camps of exercise and instruction	1,00,000
Reconstruction of Native Infantry lines at Secunderabad, Bellary and Bangalore	1,03,000
Other smaller items	4,49,000
Excess charges for conveyance of troops and stores	4,60,000
Other items	7,89,000
	1,06,08,000
Decreases	75,98,000
Net increase	30,10,000

1903-1904.
Decreases in
Expenditure
in India.

113. Under almost all the remaining heads of importance, the expenditure has fallen short of the provision in the Budget. The following are the more important savings:—

	R
Land Revenue	19,57,000
Telegraph	5,30,000
Law and Justice—Courts of Law	8,92,000
" " Jails	12,79,000
Police	16,14,000
Education	21,51,000
Medical	14,70,000
Political	5,03,000
Scientific and other Minor Departments	6,17,000
Famine Relief	12,24,000
Construction of Protective Railways	7,26,000
Subsidised Companies: Land, etc.	6,59,000
Minor Works	12,44,000
Military Works	5,27,000
Special Defences	14,64,000

1903-1904.
Land Revenue,
Telegraph,
and Civil
Departments
Expenditure.

114. The savings under Land Revenue, Courts of Law, Jails, Police, Education, Medical, and Scientific and other Minor Departments occur in almost all provinces and are due as usual to the tendency of Local Governments to make fuller provision in the Budget Estimates for payment of salaries and other charges than is actually required, and to make allotments for new schemes before they are sufficiently matured to receive sanction. The only noticeable increase in the charges under these heads is one of ₹1,00,000 in Bombay under Courts of Law due to insufficient allowance made in the Budget Estimate for the normal growth of the charges. A part of the decrease under Education is nominal, being counterbalanced by a corresponding increase under Civil Works, as a portion of the grants made to the several Local Governments for Education has been utilised for the construction of Educational buildings, and the expenditure has been shown under the appropriate head. Under Medical there have been large savings on the grants for plague expenditure in the Districts under the direct administration of the Government of India, Bengal, United Provinces, Punjab, and Bombay. The only notable increase in plague expenditure has occurred in Madras. The decrease under Telegraphs follows the reduction in receipts.

1903-1904.
Political.

115. Under Political, there is a saving of ₹6,22,000 in the charges directly administered by the Government of India. The payments to His Highness the Amir have fallen short of the Budget Estimate by ₹15,50,000. On the other hand, there has been considerable extra expenditure on account of the Seistan Arbitration Commission and the Tibet Mission.

1903-1904.
Famine Relief.

116. Provision was made in the Budget Estimate for Famine Relief expenditure for ₹15,00,000 in the Central Provinces and for ₹30,000 in the Punjab. It is satisfactory to note that the necessity for incurring such expenditure has disappeared and that the actual expenditure in the Central Provinces has amounted to ₹3,05,000 only.

1903-1904.
Construction of
Protective
Railways.

117. In the Budget Estimate a sum of ₹23,00,000 was allotted for expenditure on the following famine feeder railways, but the actual expenditure on them during the year is now expected to amount to ₹15,74,000, as shown below, excluding a sum of £22,200 provided in England for payment to the Madras Railway Company by which the construction of the lines is being carried out:—

	Budget.	Revised.
Bellary-Royadrug	15,00,000	8,74,000
Hospet-Kottur		3,08,000
Morappur-Dharmapuri	8,00,000	1,44,000
Tirupatur-Krishnagiri		2,48,000
	23,00,000	15,74,000

118. The saving in expenditure on land for Subsidised Railways is due partly to the progress of acquisition of land for the Bengal and North-Western Railway having been slower than was expected, and partly to the grants for land for the following projects not having been utilised:—

1903-1904.
Subsidised
Companies—
Land, etc.

	R
Bara-Ajmer and Marwar Railway	50,000
Hooghly-Cutwa Railway	50,000
Jullunder-Kapurthala-Sultanpur Railway	15,000
Kurnool Branch Railway	30,000
Bezwada-Masulipatam Railway	30,000
Shahdara-Saharanpur Tramway	1,40,000

119. The Budget Estimate for Minor Works and Navigation included a special grant of Rs25,00,000, but it has not been possible to work up to it in full, especially in the Punjab and Madras.

1903-1904.
Minor Works and
Navigation
Expenditure.

120. A considerable portion of the grant for Special Defences also will not be utilised during the current year.

1903-1904.
Special Defences.

121. The Revenue in England is expected to exceed the Budget Estimate by £63,700. The Interest receipts are higher by £103,000 owing to larger temporary investment of the cash balances at higher rates of interest. The Army receipts, on the other hand, are lower by £41,800. There is a decrease in the receipts on account of the Indian Troop service owing to the transfer of £39,400 to 1904-1905. The receipts from contributions towards pensions of native troops lent for Imperial service are also lower as a sum of £34,300 was received on this account in the previous year.

1903-1904.
Revenue in
England.

122. The Expenditure in England is expected to be £67,800 less than the Budget Estimate. It is the net result of a number of variations, the more important of which are as follows:—

1903-1904.
Expenditure in
England.

Decreases—

	£
Telegraph	33,900
Civil Furlough and Absentee Allowances	20,000
State Railways—Interest on Capital deposited by Companies	39,500
Guaranteed Companies—Interest	13,900
Civil Works	13,100
Army	36,200

Increases—

Marine	13,300
Construction of Protective Railways	22,200
Military Works	36,500

123. The saving under Telegraph is chiefly in the payments in respect of the guarantee of Joint Purse Revenue on reduction of telegraph rates, and is also due to increased receipts from the Eastern Telegraph Company on Joint Purse account. A decrease in the number of officers on leave in England has reduced the payments on account of Absentee Allowances. There are decreases under Interest on Capital deposited by Companies and Guaranteed Companies, —Interest, as the additional capital required by the railway companies during the year was not raised as early as was expected. The saving under Civil Works is due to the omission of the proposed expenditure on extensions of the Royal Indian Engineering College. Under Army, the payments to the War Office on account of British forces serving in India and the charges for stores, chiefly ordnance and clothing, are less than the Budget Estimates. On the other hand, the furlough allowances of both British forces serving in India and officers of the Indian service, and the charges for the Indian Troop service are higher. The increase under the latter is due to arrears of previous years in respect of the cost of moving troops from South Africa to India, and to increase in freight of troops to India. A further cause of the increase is that the charges for pensions of Berar officers which used to be recovered from Berar revenues are now borne by the general revenues of India. A sum of £6,000 for which no budget provision was made has been spent during the year on Special Defences.

1903-1904.
Decrease in
Expenditure in
England.

1903-1904.
Increase in
Expenditure in
England.

124. Under Marine, the increase is chiefly due to the expenditure on the Royal Indian Marine vessel *Dufferin* which is to replace the *Clive*. On the other hand, the provision of £14,000 in the Budget Estimate for subsidy to the Admiralty for manning and maintaining Indian Government Defence vessels has not been required as the expenses of the three torpedo boats, which alone are retained, have been defrayed in India. A sum of £22,200 is required in England by the Madras Railway Company for the four famine feeder lines under construction by it. The total grant for the Railways was provided in the Budget Estimate in India as the arrangements with the Company for the construction of the lines had not been effected at the time when the Budget Estimate was framed. The increase under Military Works is chiefly in the charges for stores, the demands for which have been higher than was expected.

Section III.—The Budget Estimate of 1904-1905.

1904-1905.
Statement of
Gross Figures.

125. The following is a general comparison of the Budget Estimate of 1904-1905 with that of 1903-1904:—

	1903-1904.	1904-1905.	1904-1905. better.	1904-1905. worse.
REVENUE.				
	£	£	£	£
India	75,699,400	79,601,100	3,901,700	...
England	656,000	547,500	...	108,500
TOTAL	76,355,400	80,148,600	3,793,200	...
EXPENDITURE.				
India—				
Imperial, Provincial and Local	58,514,900	61,563,300	...	3,048,400
Adjustment of Provincial and Local Surplus and Deficit	-1,383,500	-1,316,800	..	66,700
NET	57,131,400	60,246,500	...	3,115,100
England	18,275,300	18,983,400	...	708,100
TOTAL	75,406,700	79,229,900	...	3,823,200
SURPLUS	948,700	918,700	...	30,000

1904-1905.
General Remarks.

126. As explained in paragraph 82, it has been decided to apply part of the surplus of 1903-1904 in providing new armaments and carrying out a scheme of special coast defences. The expenditure for which provision has thus been made amounts to £956,700, and although the funds have been obtained from the realized surplus of the previous year, the charge necessarily appears as a debit against the revenue of 1904-1905, in which year the money is expected actually to be spent. But for this charge, the estimated surplus of the year would have been greater than it is by £956,700.

127. In India the net revenue is expected to be better than that taken in the Budget of 1903-1904 by £853,300, of which £786,600 is anticipated in the Imperial portion and £66,700 in the Provincial and Local portion. In England, both revenue and expenditure are expected to be worse, to the aggregate amount of £816,600.

128. The only heads of revenue in India in which an appreciable falling-off is expected are—

	R
Telegraph	6,80,000
Mint	25,60,000
Miscellaneous	4,41,000

1904-1905.
Falling-off in
Revenue.

129. The decrease in Telegraph receipts, including those of the Indo-European Telegraph Department, is due to the diversion of foreign traffic to direct cable routes *via* South Africa and the Pacific, and to the increase in terminal message receipts on the Persian Section being thought unlikely to continue. The receipts under Mint represent chiefly the profits on coinage, which are transferred to the Gold Reserve Fund. The estimate assumes that coinage will be on a lower scale than was anticipated in March 1903. It is however quite impossible to say whether coinage on a large scale will be required or not. Under Miscellaneous, the reduction is mainly due to a lower estimate being taken for Khedda receipts in Burma, and to there being no recoveries to be made in 1904-1905 on account of the Delhi Durbar.

1904-1905.
Telegraph, Mint
and Miscellaneous
Receipts.

130. An improvement is expected in the revenue in India under almost all the other heads, of which the following are the most considerable items:—

	R	Increase R
Land Revenue, Ordinary	72,28,000	—
" Due to Irrigation	6,41,000	—
	<hr/>	78,69,000
Opium		85,99,000
Salt		27,00,000
Stamps		13,54,000
Excise		81,74,000
Customs		45,58,000
Assessed Taxes		11,56,000
Forests		16,41,000
Post Office		8,08,000
Marine		18,48,000
State Railways—Gross Receipts		1,81,39,000
Guaranteed Railway Companies (Net traffic receipts)		10,50,000
Irrigation—Major Works		19,68,000

1904-1905.
Increase in
Revenue.

131. The anticipated improvement in the Land Revenue extends to all parts of India, but is largest in the Central Provinces (R6,50,000), Burma (R10,16,000), the Punjab (R17,10,000), Madras (R21,18,000), and Bombay (R11,07,000). In each of these Provinces the main cause is the recovery of the country from the famine of 1899-1900, and the re-establishment of normal conditions. Special causes have operated in Burma, where extensions of cultivation, the introduction of higher rates on revision of settlement, and the assessment of all cultivated lands in Magwe and other districts of Upper Burma have raised the probable return; in Madras, where resettlements have taken place in Salem and some other districts; and in the Punjab, where there has been an extension of canal irrigation.

1904-1905.
Land Revenue.

132. Under Opium, the improvement is expected chiefly in Bengal (R72,29,000) and Bombay (R13,10,000). In the estimates framed last March, the average price of Bengal opium was taken at R1,100 a chest. The actual figures have far exceeded this, the average for the year being R1,462. As the demand is still strong, and recent sales show little sign of a falling off, the average for 1904-1905 has been taken at R1,250. The estimate is, however, one of much uncertainty. In Bombay, the demand for Malwa opium has been strong throughout the year, and shows no sign of weakening. The probable revenue has therefore been taken at 115 lakhs, which is higher by R13,10,000 than the Budget Estimate of 1903-1904, though well below the probable actuals of that year.

1904-1905.
Opium Revenue.

1904-1905.
Salt Revenue.

133. The increase in Salt revenue is expected to be general throughout India except in Burma, where the receipts of 1903-1904 were overestimated, and in Bombay, where, however, an advance over the receipts of the current year is anticipated. The experience of the expiring year shows that in framing the estimate for 1903-1904, sufficient allowance was not made for the effect of the reduction of duty in stimulating consumption. Fuller allowance has been made for this factor in the present estimate: but a small reduction, as compared with the probable revenue of 1903-1904, has been made to allow for the effect of credit sales in Madras made at the old rate of duty which have swelled the receipts of the current year.

1904-1905.
Stamp Revenue.

134. An increase in Stamp revenue is expected in Bengal and Burma, and to a less extent in the United Provinces and the Punjab.

1904-1905.
Excise Revenue.

135. With returning prosperity, the Excise revenue has continued to improve. The Revised Estimates show that the expansion has been even greater than was anticipated last March. In view of the favourable character of the recent harvests, it is estimated that this process will continue in the coming year, especially in Burma, the United Provinces, Madras, and Bombay.

1904-1905.
Customs Revenue.

136. The Budget Estimate of Customs revenue is ₹45,58,000 higher than that of the current year, but is ₹1,84,000 lower than the Revised Estimate. In Burma, a decrease is expected in the export duty on rice, the high receipts from which cannot safely be expected to continue for a third year in succession. Elsewhere, a moderate improvement is estimated for.

137. The articles in which the chief increase or decrease is expected, as compared with the Revised Estimate, are the following:—

Decreases—	R
Silver	2,75,000
Rice, export duty	10,00,000
Petroleum	2,00,000
Increases—	
Spirits and Liqueurs	4,00,000
Manufactured articles	3,00,000
Metals and Manufacture of Metals (other than silver)	2,00,000
Cotton goods	3,10,000

1904-1905.
Assessed Taxes.

138. An increase is expected from Assessed Taxes, chiefly in Bombay, Burma and Madras. The extension of the income-tax to Berar is expected to bring in ₹2,89,000.

1904-1905.
Forest Receipts.

139. Forest receipts are expected to be better in every province except the Punjab, but chiefly in Burma where the improvement is estimated at 8 lakhs.

1904-1905.
Post Office
Receipts.

140. A normal growth of revenue is expected from the Postal Department.

1904-1905.
Marine Receipts.

141. The increase under Marine is largely though not entirely due to a change of classification, by which receipts on account of vessels and stores supplied to the Home Government are shown in gross instead of as a deduction from the expenditure.

1904-1905.
Railways—Net
Earnings.

142. Under State and Guaranteed Railways the net earnings are of greater significance than gross receipts. The progress of these has been as follows:—

	Actuals, 1902-1903. R	Budget, 1903-1904. R	Revised, 1903-1904. R	Budget, 1904-1905. R
<i>State Railways—</i>				
Gross receipts	28,70,65,000	29,05,74,000	30,67,13,000	30,87,13,000
Working expenses	14,74,08,000	14,85,49,000	15,38,37,000	15,84,59,000
Net earnings	13,96,57,000	14,20,25,000	15,28,76,000	15,02,54,000
<i>Guaranteed Companies—</i>				
Net traffic receipts	1,41,93,000	1,37,75,000	1,42,07,000	1,48,25,000

1904-1905.
State Railways—
Gross Traffic
Receipts.

143. As explained in paragraph 98, there has been a marked expansion of traffic and of net earnings during the current year, which has extended to all the larger Railway systems except the Rajputana-Malwa and the Bengal-Nagpur, on which the improvement expected last March has not been realized. For 1904-1905, a cautious estimate has been framed providing for an increase of net earnings on State Railways of ₹82,29,000 over the Budget of last year, but less

by ₹26,22,000 than the Revised Estimate. The more important differences, as compared with the Revised Estimate, are anticipated on the following lines :—

	INCREASE +		DECREASE —
	Receipts.	Working Expenses.	Net Earnings.
	₹	₹	₹
<i>Better than the Revised—</i>			
Rajputana Malwa Railway	+20,00,000	+4,00,000	+16,00,000
Bengal Nagpur Railway	+19,00,000	+5,00,000	+14,00,000
North-East Line, Madras Railway	+1,00,000	—2,85,000	+3,85,000
Oudh and Rohilkhand Railway	+5,00,000	+1,50,000	+3,50,000
Great Indian Peninsula Railway	+10,00,000	+8,00,000	+2,00,000
<i>Worse than the Revised—</i>			
East Indian Railway	+5,00,000	+9,00,000	—4,00,000
North Western Railway	—42,00,000	+4,00,000	—46,00,000
South Indian Railway	+1,00,000	+6,25,000	—5,25,000
Eastern Bengal Railway	—6,75,000	—2,75,000	—4,00,000

The large decrease estimated for on the North Western Railway is due to the fact that the high earnings of the current year were swollen by an exceptionally heavy wheat traffic, and it is not considered safe to reckon on a continuance of this next year.

144. The estimate of receipts from Major Irrigation Works is taken at ₹2,60,000 less than the Revised Estimate of the current year, which again was ₹22,28,000 better than the Budget framed in March 1903. It is expected that there will be an increase of ₹70,000 in Burma: and that in the Punjab (which supplies the bulk of the revenue under this head), decreases on the Western Jumna, Bari Doab, and Sirhind Canals will be nearly made good by expansion on the Chenab and Jhelum systems.

1904-1905.
Major Works—
Direct Receipts.

145. A material decrease of expenditure in India is expected under the following heads:—

	₹
Interest on Debt	24,74,000
Mint	25,88,000
Miscellaneous	7,46,000
Famine Relief	15,30,000
Irrigation—Minor Works	17,59,000
Construction of Local Railways	4,56,000

1904-1905.
Decrease of
Expenditure in
India.

146. There is an increase of ₹38,29,000 in the amount of interest transferred to the Railway and Irrigation accounts, representing the interest on new capital expenditure. This causes a decrease in the charges for interest on debt by an exactly equal amount. The annual payment of 12 lakhs towards the principal of the Gwalior loan also gives a saving of ₹48,000. On the other hand, the interest on the new loan of two crores raised in 1903 will increase the charges by 7 lakhs. A further charge of ₹50,000 is on account of interest on the temporary loan of 50 lakhs obtained from Gwalior in January 1904. The usual provision has also been made for the loan which it is proposed to raise during the current year.

1904-1905.
Interest on Debt.

147. The decrease under Mint is due to the smaller coinage expected to be undertaken during the year, involving a smaller payment to the Gold Reserve Fund. It is not, however, possible to frame a reliable estimate of the amount of additional coinage required many months in advance, and the estimate of the current year has been completely falsified.

1904-1905.
Mint
Expenditure.

148. The decrease under Miscellaneous occurs chiefly in the Punjab and to a less extent in Burma, the Central Provinces and the districts directly under the Government of India. In the Punjab the provision for writing-off irrecoverable loans, chiefly in the Rohtak district, is less by ₹6,68,000. In Burma the decrease is in Kheddah charges; and in the Central Provinces it is due to smaller provision for payment to the Chattisgarh zemindars on the resumption of their cattle pounds.

1904-1905.
Miscellaneous
Expenditure.

149. In the estimate of the current year, a provision of ₹15 lakhs was made for Famine Relief in the Central Provinces and of ₹30,000 in the Punjab. For 1904-1905, no provision is considered necessary. As explained in paragraph 211

1904-1905.
Famine Relief.

of the last Financial Statement, this reduction does not affect the surplus of the year.

1904-1905.
Minor Irrigation
Works.

150. The smaller provision for Minor Irrigation Works is due to the fact that in 1903-1904 a special additional grant of 25 lakhs was sanctioned for expenditure under this head, and this has not been repeated in the estimate for next year. The reduction is chiefly in Bengal and the Punjab.

1904-1905.
Construction of
Railways charged
to Provincial or
Local Revenue.

151. The Mayavaram-Mutupet and the Jorhat Railways are the only lines now charged to the head "Construction of Railways charged to Provincial or Local Revenues." The smaller provision is considered sufficient for requirements.

1904-1905.
Increase in
Expenditure in
India.

152. The following are the more important increases in expenditure in India in 1904-1905 over the estimates for 1903-1904:—

	R
Land Revenue	20,44,000
Opium	40,00,000
Post Office	6,60,000
Telegraphs	4,51,000
General Administration	4,61,000
Courts of Law	5,59,000
Police	2,65,000
Marine	28,20,000
Education	6,29,000
Medical	2,31,000
Political	37,77,000
Superannuations	4,20,000
Construction of Protective Irrigation Works	8,90,000
State Railways—Working Expenses	99,10,000
Interest on Railway Debt	30,79,000
Irrigation—Major Works—	
Working Expenses	9,49,000
Interest on Irrigation Debt	4,37,000
Civil Works	98,87,000
Army	1,37,69,000

1904-1905.
Land Revenue,
Opium, Post Office,
Telegraph,
Civil Departments
and
Superannuation
charges.

153. The increases under Land Revenue, General Administration, Courts of Law, Police, Education, and Medical are distributed throughout all the Provinces of India and represent the additional expenditure to be incurred in improving and developing the ordinary Civil Administration of the country. The increase of ₹4,20,000 under Superannuations represents the normal growth of the pension list. Under Opium, in view of the bumper crop of last season, and the probable extension of cultivation consequent thereupon, it has been thought right to budget for the charges of more than an average crop as is the usual custom. The latest reports moreover indicate that the current season's crop will also be considerably above the average. The increased charge under Post Office and Telegraphs represents expenditure necessitated by the progressive growth of these Departments. In the case of the latter, heavier expenditure is anticipated on repairs, and a provision of ₹2,52,000 has been made for additional stores to be kept in reserve for Military purposes. On the other hand, there is a partial set-off of ₹1,88,000 on account of smaller provision being required for the Central Persian line.

1904-1905.
Marine
Expenditure.

154. The increase under Marine is partly nominal as explained in paragraph 141. It is also due in part to provision being made for hire of transport and other charges in connection with the return of troops from Somaliland and the escort of the Aden Boundary Commission. The Budget includes ₹6,75,000 for a new steam pilot vessel for Bengal.

1904-1905.
Political
Expenditure.

155. The increase of ₹37,77,000 under Political is due—

- (1) to provision having been made for the payment of ₹21,50,000 on account of arrears of the Amir's subsidy, in addition to the usual annual provision of ₹18,50,000,
- (2) to grants of ₹8,39,000 and ₹2,00,000 respectively for political expenditure in connection with the Seistan and Tibet Missions, and
- (3) to the reorganization of the Waziristan Militia at a cost of ₹3,36,000.

156. For Protective Irrigation Works, the grant has been raised from Rs 25,00,000 to Rs 35,00,000 to enable better progress to be made with these works, especially the Ken Canal in the United Provinces, the investigation of the Kistna Reservoir, and the Tangabhadra and Pennar projects in Madras.

1904-1905.
Construction of
Protective
Irrigation Works.

157. The increased charge for working expenses of State Railways is explained in paragraph 183. It follows the expected increase of earnings. The higher charge for interest on Railways and Canals is on account of the additional capital expenditure that has been, and will be, incurred thereon. The increase under Working Expenses of Major Irrigation Works is mainly due to the transfer of the Indus Inundation Canals to this head. Larger grants have also been provided for almost every province in consequence of the extension of irrigation.

1904-1905.
State Railways
and Irrigation—
Working Expenses
and Interest on
Debt.

158. Of the increase of Rs 8,87,000 under Civil Works, Rs 31,00,000 represents a portion of the initial grants sanctioned for the four Provinces whose settlements have just been revised; and Rs 22,00,000 represents special grants to the eight large Provinces referred to in paragraph 223. It is explained in paragraph 190 below, that the entry of these amounts is made under this head for convenience sake, and that the Local Governments have power to transfer the grants to any other head at their discretion. Of the remainder, Rs 20,00,000 represents the provision made in the Punjab for the extension and improvement of Simla, in accordance with the recommendation of the Simla Extension Committee.

1904-1905.
Civil Works
Expenditure.

159. The Military charges as a whole are considered in paragraph 192 below. The following remarks refer only to that portion of the total which represents expenditure incurred in India, and brought to account under the head Army.

1904-1905.
Army
Expenditure.

The Budget Estimate for 1904-1905 amounts to Rs 20,28,15,000 against Rs 18,90,46,000 in the current year being an increase of Rs 1,37,69,000. The figures for the two years may be compared as follows:—

	1903-1904.	1904-1905.
	R	R
(1) Ordinary Military Expenditure	18,53,20,000	19,45,08,000
(2) New measures for increasing the efficiency of the Army	36,08,000	34,17,000
(3) Special Services	1,18,000	48,90,000

The ordinary expenditure is expected to be greater than that of the current year's estimate by Rs 91,88,000. Of this Rs 74,08,000 represents the extra service pay of the British troops at 6d. a day, which became payable under Lord Alverstone's decision, from April 1904. The Budget also includes Rs 16,72,000 on account of recurring charges arising out of the special measures sanctioned for the current year for improving the efficiency of the Army. The remainder of the differences is the net result of a number of minor increases and savings under various heads.

The new measures sanctioned for adoption next year are enumerated in paragraph 193 below.

The special services estimated for in 1904-1905 include the following:—

	R
(1) Tibet Mission	36,00,000
(2) Military escort with the Aden Delimitation Commission	11,29,000
(3) Military escort with the Seistan Boundary Commission	1,61,000

160. The estimate of Revenue in England is less than that taken in the Budget of the current year by £108,500. Interest on investments of the cash balance is expected to be greater by £10,000, and £26,000 will be realised by the sale of four torpedo and two gun boats. On the other hand, there is a decrease of £135,500 under Army. This is due (1) to a decrease in the value of articles in the possession of Regiments on their transfer from the Indian to the British establishment, and (2) to a reduction in the number of native troops lent for Imperial service, involving smaller contributions towards pensions.

1904-1905.
Revenue in
England.

161. The estimate of Expenditure in England exceeds that of the current year by £708,100. The greater part of this, £654,900, occurs under the two heads, Army and Special Defences. Under the former, there is a net increase of £64,100 in non-effective charges, due to the gradual growth of pensions. Under:

1904-1905.
Expenditure in
England.

effective charges there is a net increase of £440,800 representing the difference between a reduction of £219,000 due to decreased payments to the War Office on account of British Forces serving in India, and an increase of £659,800. The chief factor making up the latter is an item of £700,000, representing the cost of the new artillery and rifles with which the Indian Army is to be supplied during the year. Under Special Defences there is a grant of £150,000 for *materiel* in connection with the scheme referred to in paragraph 82.

Apart from military expenditure, the estimates show a net increase of £53,200, which is the difference between the totals of numerous minor variations under many heads. The more important of these are (1) an increase of £56,000 under Post Office, on account of adjustments in respect of past payments to the British Post Office; (2) a decrease of £46,500 under Telegraphs, partly on account of stores, and partly on account of reduced payments to the Joint Purse in respect of the guarantee; (3) an increase of £40,400 on account of part payment for the new Royal Indian Marine Vessel *Dufferin* which is to replace the *Clive*; and (4) an increase of £23,500 in payments to the Madras Railway Company for the construction of Protective Railways.

Section IV.—Statements comparing the figures of the Estimates under the more important heads of Revenue and Expenditure with those of past years.

LAND REVENUE.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
REVENUE (including that due to Irriga- tion)—	R	R	R	R	R	R
India General	12,84,784	14,05,222	12,37,032	14,96,000	14,62,000	14,56,000
Central Provinces	47,00,227	86,85,541	79,11,373	82,50,000	85,00,000	89,00,000
Burma	3,19,95,535	3,31,48,222	3,33,74,368	3,54,14,000	3,50,00,000	3,64,30,000
Assam	62,14,697	61,67,279	64,58,053	63,10,000	60,00,000	65,06,000
Bengal	4,08,24,103	4,08,11,631	4,11,49,522	4,07,17,000	4,11,30,000	4,11,50,000
United Provinces of Agra and Oudh	6,53,18,314	6,45,25,467	6,41,12,450	6,48,35,000	6,50,00,000	6,52,87,000
Punjab	2,43,74,961	2,64,16,932	2,30,31,032	2,39,34,000	2,54,47,000	2,56,44,000
N.-W. Frontier Province	...	8,97,627	17,18,531	18,27,000	18,75,000	19,00,000
Madras	5,82,68,478	5,87,40,216	6,13,34,153	5,99,78,000	6,09,25,000	6,20,96,000
Bombay	4,08,00,606	4,57,23,091	4,14,33,666	4,83,96,000	4,88,05,000	4,95,03,000
Berar	...	...	70,00,389	81,15,000	78,24,000	82,69,000
TOTAL	27,37,81,705	28,65,21,228	28,87,68,569	29,92,72,000	30,19,68,000	30,71,41,000
Shown under XXIX. —Irrigation	1,12,36,246	1,22,00,957	1,22,15,889	1,26,26,000	1,30,32,000	1,32,67,000
Shown under I.— Land Revenue	26,25,45,459	27,43,20,271	27,65,52,680	28,66,46,000	28,89,36,000	29,38,74,000
EXPENDITURE—						
India—						
District Adminis- tration	1,97,31,766	1,98,39,403	2,02,44,519	2,13,23,000	2,06,63,000	2,16,04,000
Other Charges	2,24,99,584	2,30,76,569	2,33,95,466	2,64,10,000	2,51,13,000	2,81,73,000
TOTAL	4,22,31,350	4,29,15,972	4,36,39,985	4,77,33,000	4,57,76,000	4,97,77,000
England— Other Charges	£ 176	£ 670	£ 148	£ 900	£ 700	£ 900

162. The figures have been explained in sufficient detail in paragraphs 86 and 131. Now that the effects of the famine of 1899-1900 have passed away, the revenue grows steadily, under the influence of extension of cultivation, the regular revision of settlements, and the development of canal irrigation.

OPIUM.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
INDIA.						
Revenue—						
Bengal—Sale of Opium	R 6,16,38,731	R 6,22,54,350	R 5,49,39,005	R 5,28,00,000	R 7,01,75,000	R 6,00,00,000
Bombay—Pass Fees	1,25,26,750	81,40,250	99,15,500	1,01,50,000	1,31,00,000	1,14,60,000
Excise Opium and other Revenue	23,68,152	23,85,734	26,22,071	27,77,000	27,76,000	28,66,000
TOTAL	7,65,33,633	7,27,80,334	6,74,76,576	6,57,27,000	8,60,51,000	7,43,26,000
Expenditure—						
Payments to Cultivators, including purchase of Opium	2,42,81,523	2,16,45,838	2,22,84,345	2,35,00,000	3,07,02,000	2,74,12,000
Other Charges	24,80,036	24,55,486	23,76,208	25,38,000	24,36,000	26,26,000
TOTAL	2,67,61,559	2,41,01,324	2,46,60,553	2,60,38,000	3,31,38,000	3,00,38,000
ENGLAND.						
Other Charges	£ 1,771	£ 1,935	£ 4,446	£ 2,900	£ 3,700	£ 1,400
Statistics—						
Bengal—						
Chests sold	45,300	48,000	48,000	48,000	48,000	48,000
Average Price	R1,361	R1,297	R1,144	R1,100	R1,462	R1,250
Chests produced	52,443	44,457	44,724	...	64,739	...
Chests in Balance, March 31	57,845	54,303	51,025	...	67,764	...
Reserve, December 31	17,406	21,846	18,300	15,023	15,025	31,764
Bombay—						
Chests passed for export	25,053	16,280	19,831	20,300	26,200	22,920
Rate of duty	R500	R500	R500	R500	R500	R500

163. The quantity of Bengal opium to be sold is, as usual, taken at 48,000 chests. In view of the high average price obtained during the current year, especially at the sales of February and March, the average price for 1904-1905 has been taken at R1,250, but it is impossible to foresee what effect the war in the Far East may have on the trade. The Malwa trade has also been brisk, and a moderate increase is allowed for, though not to the full amount of the probable receipts during the current year.

164. Under 'Charges,' it is usual to budget for the payments required in respect of an average crop. Last season's crop, however, was a bumper one, and the budget provision has been largely exceeded. The latest reports indicate that the crop of the present season will also be considerably above the average; and it has therefore been thought prudent to frame the estimate for 1904-1905 on a liberal scale.

SALT.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
REVENUE.						
Northern India (a)	R 2,07,14,238	R 1,90,47,984	R 1,97,31,548	R 1,60,00,000	R 1,66,50,000	R 1,69,00,000
Burma (b)	13,40,785	15,28,881	18,30,199	19,00,000	15,00,000	16,00,000
Bengal (b)	2,54,35,094	2,60,37,624	2,67,94,565	2,12,00,000	2,16,00,000	2,20,00,000
Madras (a)	1,86,26,189	1,91,53,622	2,03,16,107	1,63,00,000	1,95,00,000	1,80,00,000
Bombay (a)	2,33,89,210	2,33,21,533	2,40,93,650	1,89,00,000	1,81,50,000	1,85,00,000
TOTAL	8,95,05,516	8,90,89,644	9,27,66,069	7,43,00,000	7,74,00,000	7,70,00,000
CHARGES.						
India	R 50,47,501	R 51,41,683	R 51,86,238	R 54,63,000	R 49,81,000	R 56,35,000
England	£ 433	£ 851	£ 142	£ 100	£ 2,000	£ 900

(a) Chiefly excise on local manufacture. (b) Chiefly duty on imported salt.

FINANCIAL STATEMENT OF THE

165. The effect of the reduction of duty in March 1903 has been partially obscured by the destruction of a large quantity of salt in Bombay by storm. The figures of consumption show a large increase in Madras and Northern India and a considerable falling off in Bombay and Burma. In the last named province there was no reduction of duty. Excluding Burma the returns for the first 10 months of the year show an increase of 670,000 maunds passed into consumption, compared with the same period of the previous year. This represents an increase of 2·3 per cent. The reduction in retail price has varied very considerably in different parts, but has commonly been from $1\frac{1}{2}$ to 2 seers per rupee.

STAMPS.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
REVENUE.	R	R	R	R	R	R
Court Fees and Plain Paper	3,42,62,137	3,58,65,792	3,58,89,411	3,65,74,000	3,69,85,000	3,74,58,000
Commercial and other Stamps	1,49,69,527	1,49,00,263	1,51,99,912	1,56,85,000	1,58,16,000	1,61,38,000
Other Revenue	9,12,553	9,30,028	10,16,344	9,44,000	10,21,000	9,61,000
TOTAL	5,01,44,217	5,16,96,083	5,21,05,667	5,32,03,000	5,38,22,000	5,45,57,000
CHARGES.						
India	11,12,809	11,43,750	11,61,149	12,10,000	11,93,000	12,12,000
England (Stores)	28,752	29,567	31,898	44,800	44,000	37,500

166. The revenue continues to improve steadily except in the Central Provinces and Assam.

EXCISE.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
REVENUE.	R	R	R	R	R	R
Burma	53,29,888	54,24,404	57,64,960	60,00,000	73,00,000	79,00,000
Bengal	1,46,48,357	1,50,25,698	1,57,87,914	1,61,00,000	1,61,00,000	1,65,00,000
United Provinces of Agra and Oudh	69,00,211	74,10,028	83,23,741	87,00,000	94,00,000	98,00,000
Madras	1,35,87,398	1,13,08,674	1,56,16,618	1,55,50,000	1,75,50,000	1,76,50,000
Bombay	1,01,31,046	1,05,34,745	1,08,49,937	1,09,00,000	1,19,00,000	1,20,00,000
Berar	...	...	9,14,176	14,00,000	19,10,000	19,50,000
Other Provinces	84,61,132	84,46,575	91,42,283	89,26,000	97,23,000	99,50,000
TOTAL	5,90,58,032	6,11,50,214	6,63,99,629	6,75,76,000	7,38,83,000	7,57,50,000
CHARGES.						
India	24,16,769	24,91,879	28,37,618	36,29,000	32,14,000	37,57,000
England	58	30	9	...	200	...

167. The figures have been explained in paragraphs 90 and 135. The revenue was underestimated in Madras and Burma, but exceeded expectations everywhere, except in Bengal. In Burma the new preventive arrangements have had a marked effect on the receipts.

PROVINCIAL RATES.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
REVENUE.	R	R	R	R	R	R
District Local Funds	2,30,41,903	2,44,62,708	2,44,71,407	2,54,10,000	2,53,89,000	2,57,04,000
Provincial Cesses, including Famine Insurance	66,43,400	68,97,833	69,19,660	70,04,000	69,81,000	70,77,000
Village Service and Patwaris	72,97,805	81,79,374	81,47,838	77,23,000	79,78,000	80,97,000
Other Cesses	14,57,524	16,07,402	16,71,949	16,30,000	16,10,000	16,07,000
TOTAL	3,84,40,692	4,11,47,317	4,12,10,854	4,17,67,000	4,19,58,000	4,24,85,000
CHARGES	5,09,616	6,36,825	6,28,226	6,98,000	5,74,000	6,21,000

168. The receipts commonly follow the fluctuations in Land Revenue. They improved most in the Punjab and Madras. In the latter province the reduction in the rate of the village cess from 9 to 8 pies in the rupee tended to lower the revenue, but to a less extent than had been anticipated.

CUSTOMS.

SEA CUSTOMS.	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
IMPORTS.	R	R	R	R	R	R
<i>Special Import Duties.</i>						
Arms, Ammunition, and Military Stores	2,82,800	3,58,820	3,57,148	4,00,000	3,45,000	3,60,000
<i>Liquors—</i>						
Ale, Beer, Porter, Cider and other fermented Liquors	2,01,330	2,29,381	2,39,294	2,35,000	2,50,000	2,60,000
Spirits and Liqueurs	64,05,640	64,96,868	69,63,189	69,00,000	74,00,000	78,00,000
Wines	3,64,647	3,49,558	3,91,230	3,65,000	3,80,000	3,80,000
Opium	2,494	3,419	3,840	...	3,000	3,000
Petroleum	49,27,117	52,58,383	53,76,744	53,50,000	44,00,000	42,00,000
Sugar (countervailing duties, 1899)	22,70,651	40,48,294	17,04,465	6,00,000	2,12,000	50,000
Do. (do., 1902)	...	...	3,32,703	1,00,000	17,000	...
<i>General Import Duties.</i>						
Articles of Food and Drink (excluding Sugar)	16,03,999	15,13,581	14,57,463	15,00,000	15,60,000	15,70,000
Sugar (ordinary duties)	29,86,290	31,93,443	25,12,899	28,00,000	29,50,000	29,50,000
Chemicals, Drugs, Medicines and Narcotics and Dyeing and Tanning Materials	11,09,380	12,09,503	12,07,977	12,50,000	13,75,000	14,20,000
Cotton Manufactures	93,45,121	1,03,75,555	96,15,217	98,00,000	96,40,000	99,50,000
Metals and Manufactures of:—						
Silver, Bullion and Coin	13,34,953	30,63,948	39,40,632	28,50,000	42,00,000	39,25,000
Other Metals and Manufactures of Metals	22,19,038	23,40,000	30,62,040	28,00,000	33,00,000	35,00,000
Oils (excluding Petroleum)	1,56,605	2,32,662	1,41,712	1,68,000	95,000	90,000
Manufactured Articles	58,76,562	61,17,900	61,37,209	61,06,000	70,00,000	73,00,000
Raw Materials and Unmanufactured Articles	9,66,223	8,86,010	8,27,951	8,76,000	8,60,000	9,00,000
TOTAL IMPORTS	4,00,52,850	4,56,77,326	4,42,70,813	4,21,00,000	4,39,87,000	4,46,58,000
EXCISE DUTY ON COTTON GOODS	12,11,917	17,67,498	18,66,213	18,00,000	20,20,000	21,50,000
EXPORT DUTIES—						
Rice	85,26,079	91,76,822	1,26,55,716	95,00,000	1,20,00,000	1,10,00,000
LAND CUSTOMS AND MISCELLANEOUS	7,83,111	8,73,642	8,71,796	8,00,000	9,35,000	9,50,000
GRAND TOTAL	5,05,73,957	5,74,95,288	5,96,64,528	5,42,00,000	5,89,42,000	5,87,58,000
Charges	24,27,076	24,19,723	24,17,843	26,53,000	25,09,000	26,96,000

169. The fluctuations in the estimates have been explained in paragraphs 91 and 136. The continued large imports of silver are a remarkable feature of the last three years, and afford an index of the increasing prosperity of the country. The growth of the receipts from the Excise duty on cotton goods, from R11,23,000 in 1896-97 to nearly double that figure in the present year, is striking evidence of the healthy vitality of this important industry. The reduced receipts from petroleum are due to the displacement of Russian and American oil by oil from Burma.

The charges in Bengal were swelled by the refund of the share of overtime fees which had been credited to Government, and which it has been decided to return to the Preventive and Custom House staff.

ASSESSED TAXES.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget	Revised.	
	R	R	R	R	R	R
Deduction by Government from Salaries, Pensions, and Interest payments.	44,96,603	45,44,754	46,46,579	40,93,000	41,62,000	42,22,000
Other Collections.	1,53,34,799	1,59,94,900	1,65,09,844	1,37,09,000	1,40,55,000	1,47,36,000
TOTAL	1,98,31,402	2,05,39,654	2,11,56,423	1,78,02,000	1,82,17,000	1,89,58,000
Charges	3,35,967	3,57,348	3,62,255	3,78,000	3,51,000	3,30,000

FINANCIAL STATEMENT OF THE

170. The exemption of all incomes below ₹1,000 was estimated to involve a loss of revenue of ₹36 lakhs, but the actual loss has been somewhat less. It is not yet known exactly what proportion of the whole number of assesseees has obtained exemption. The tax will be extended to Berar next year and is expected to bring in ₹2,89,000.

FOREST.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
India—	R	R	R	R	R	R
Revenue	1,94,67,941	1,73,60,322	1,94,71,540	1,97,81,000	2,15,68,000	2,14,22,000
Expenditure	1,09,24,937	1,05,20,701	1,12,49,331	1,30,67,000	1,24,23,000	1,34,01,000
NET	85,43,004	68,39,621	82,22,209	67,14,000	91,45,000	80,21,000
Equivalent in Sterling Expenditure in England	£ 569,534 1,835	£ 455,975 4,201	£ 548,148 1,828	£ 447,500 1,800	£ 609,700 2,600	£ 534,700 1,300
NET REVENUE	567,699	451,774	546,320	445,700	607,100	533,400

171. Burma is responsible for almost the whole of the improvement, but there was some advance in the United Provinces; while in the Central Provinces the actual falling-off was less than had been anticipated.

INTEREST RECEIPTS.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
India	R 89,26,309	R 1,06,27,928	R 1,06,55,278	R 1,05,09,000	R 1,02,63,000	R 1,09,35,000
England	£ 56,392	£ 77,151	£ 157,315	£ 30,000	£ 133,000	£ 40,000

172. The increase in 1904-1905 arises chiefly from the large advances given to the Simla-Kalka Railway. The large increase in receipts in England was due to larger sums having been available for investment, and to a better rate of interest having been obtained upon them. The reduction in receipts in India in the current year is partly due to the remission of interest on loans granted to Native States for expenditure on famine relief, as announced by His Excellency the Viceroy on 1st January 1903. These remissions appear in the accounts in the form of a reduction in receipts under this head. In addition to remitting the interest on the loans directly granted by the Government of India, Government also undertook to pay the interest on loans of a similar character raised by the Native States in the open market on a Government guarantee. These payments appear in the accounts as charges under the head 32.—Miscellaneous. The total value of both concessions is nearly 27½ lakhs and is distributed over four years as follows:—

	1902-1903, Accounts.	1903-1904, Revised.	1904-1905, Budget.	1905-1906, Forecast.	TOTAL.
Remission of interest on Government loans	R 3,44,001	R 7,96,255	R 7,26,696	R 3,94,427	R 22,61,379
Payment of interest on guaranteed loans	56,565	70,187	3,19,417	41,131	4,87,300
TOTAL	4,00,566	8,66,442	10,46,113	4,35,558	27,48,679

INTEREST EXPENDITURE.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
Interest on Debt—	R	R	R	R	R	R
India	4,05,50,556	4,03,88,541	4,09,18,933	4,15,70,000	4,18,00,000	4,29,25,000
Deduct charged to—						
Irrigation	1,38,19,929	1,41,61,844	1,45,36,567	1,49,15,000	1,48,95,000	1,53,52,000
Railways	4,65,59,268	4,78,23,864	4,99,00,997	5,21,33,000	5,25,22,000	5,55,25,000
Balance charged to Interest	-1,98,29,141	-2,15,07,167	-2,35,18,631	-2,54,78,000	-2,56,17,000	-2,79,52,000
Equivalent in sterling England	£ -1,321,943 3,098,349	£ -1,439,811 3,003,726	£ -1,567,909 3,003,159	£ -1,698,500 2,986,600	£ -1,707,800 2,986,200	£ -1,863,500 2,994,700
TOTAL	1,776,406	1,563,915	1,435,250	1,288,100	1,278,400	1,131,200
Interest on other Obligations—						
On Savings Bank Balances converted at R15 = £1	232,036	245,797	260,001	284,700	281,300	303,000
Other items	130,504	131,626	137,434	133,800	139,100	142,100
TOTAL £	2,138,946	1,944,338	1,832,685	1,706,600	1,698,800	1,576,300
Debt outstanding, March 31—	£	£	£	£	£	£
Sterling	133,435,379	134,307,090	133,796,261	133,838,290	133,196,261	134,694,161
Rupee Debt—	R	R	R	R	R	R
4 per cent	4,83,61,850	4,71,61,750	4,59,61,550	4,47,61,750	4,47,61,550	4,35,61,550
3½ per cent	98,15,11,700	99,15,12,200	1,00,65,18,700	1,02,65,12,200	1,02,65,18,700	1,05,65,18,700
3 per cent	11,07,07,200	11,07,07,200	11,07,08,300	11,07,07,200	11,07,08,300	11,07,08,300
Other Debt	1,27,38,308	1,25,32,683	1,23,52,110	1,21,82,683	1,22,52,110	1,21,52,110
Savings Bank Balances	11,68,25,091	12,36,16,334	13,27,61,060	13,98,96,334	14,31,58,060	15,28,08,660

173. An increase in the Post Office Savings Bank deposits of Rs 50,20,000 is expected in the current year, apart from interest. For 1904-1905, the net deposit is estimated at Rs 40,00,000.

POST OFFICE.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
India—	R	R	R	R	R	R
Revenue	2,03,57,340	2,07,55,636	2,14,49,028	2,16,21,000	2,22,12,000	2,24,29,000
Expenditure	1,68,73,414	1,77,83,206	1,87,02,940	2,00,38,000	1,96,53,000	2,06,98,000
NET REVENUE IN INDIA	34,83,926	29,72,430	27,46,088	15,83,000	25,59,000	17,31,000
Equivalent in sterling	£	£	£	£	£	£
Net Expenditure in England	232,262	198,162	183,072	105,500	170,600	115,400
	97,320	95,077	99,915	98,500	104,700	151,000
TOTAL NET REVENUE	134,942	103,085	83,157	7,000	65,900	-35,600

174. The above statement shows the revenue and expenditure brought to account under the head Post Office in the Finance and Revenue Accounts. To obtain a correct idea of the true profit and loss on the working of the Postal

Service, various adjustments are necessary. These are exhibited in the following statement:—

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
	R	R	R	R	R	R
TOTAL NET REVENUE	20,24,130	15,46,275	12,47,355	1,05,000	9,89,000	5,34,000
Add—						
Authorised Adjustments	2,40,000	2,10,000	2,76,000	5,76,000	5,76,000	5,76,000
Cost of Savings Bank: out-of-pocket expenses	3,60,000	3,60,000	3,79,500	3,90,000	3,90,000	3,90,000
Allowance for undercharge in official rates of postage	45,00,000	45,00,030	46,20,000	47,25,000	47,25,000	47,70,000
TOTAL PROFIT OF THE POSTAL SERVICE	71,24,130	66,16,275	65,22,855	57,96,000	66,80,000	52,02,000

175. The adjustments include both credits and debits. Among the former are the following, *viz.*:—

- (1) Charges on account of District Post establishments, which are debited to the Post Office but are met from special cesses; and
- (2) Share of Subsidies, which are debited to the Post Office, but which really appertain in whole or in part to other Departments, such as Military or Political.

Among debits there are the following:—

- (1) District Post collections.
- (2) Value of free services rendered by Railways.
- (3) Rent of Government buildings.
- (4) Pensionary charges and gratuities.

TELEGRAPH.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
	₹	₹	₹	₹	₹	₹
India—						
Revenue Accounts—						
Revenue	1,32,78,032	1,34,94,365	1,30,62,086	1,31,00,000	1,26,70,000	1,24,20,000
Expenditure	77,55,447	82,59,928	86,33,598	91,77,000	87,83,000	94,92,000
NET	55,22,585	52,34,437	44,28,488	39,23,000	38,87,000	29,28,000
Equivalency in sterling	₹ 363,172	₹ 348,062	₹ 295,233	₹ 261,500	₹ 259,100	₹ 195,200
Net Expenditure in England	51,825	68,864	65,817	99,100	69,300	70,400
	+ 316,347	+ 280,098	+ 229,416	+ 162,400	+ 189,800	+ 124,800
Capital Expenditure—						
India (converted at R15 = £1)	39,028	57,994	71,212	108,200	99,100	117,300
England	164,190	218,182	190,967	184,100	181,600	171,000
	203,218	276,176	262,179	292,300	280,700	288,300
TOTAL NET REVENUE	113,129	3,922	—32,763	—129,900	—90,900	—163,500

176. The variations in revenue and expenditure have been explained in paragraphs 84, 114, 129 and 153. Of the decrease in the Revised Estimate of the current year, ₹1,00,000 is expected in Indian revenue, and ₹3,30,000 in the receipts from the Indo-European Telegraph Department. The reduction in expenditure in England on revenue account is mainly due to smaller payments on account of the guarantee (£16,500 instead of £38,000) in connection with the reduced rate for foreign telegrams. When the tariff for foreign messages was reduced from 4s. to 2s. 6d. a word from 1st March 1902, the Government of India undertook to make good to the Joint Purse the loss of revenue involved,

up to a maximum of £45,000 a year. For the first year, allowing for some increase of traffic, it was estimated that the payment under this guarantee would amount to £38,000. In fact, however, the traffic has increased in a far higher degree, and the actual payment required has been only £16,500. During the current year the traffic has continued to grow, and it is now estimated that only £12,300 will be payable in 1904-1905. Allowance has been made in the estimate for next year for the recent reduction in the tariff for inland telegrams.

The increase in Capital expenditure in India, in the ensuing year, is due to provision having been made for extra mobilisation stores. The increase in revenue expenditure is due to heavier repairs of lines being anticipated, and to increased maintenance charges of signalling offices.

MINT.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
India—	R	R	R	R	R	R
Revenue . . .	4,75,92,732	83,29,925	61,68,083	55,01,000	4,06,83,000	29,41,000
Expenditure . . .	4,70,95,788	73,71,901	62,34,258	59,75,000	3,91,50,000	33,87,000
NET REVENUE . . .	4,06,944	9,58,024	—66,175	—4,74,000	15,33,000	—4,46,000
Equivalent in sterling	£	£	£	£	£	£
Net expenditure in England . . .	33,130	63,868	—4,411	—31,600	102,200	—29,700
	13,014	12,528	8,365	5,900	7,100	6,300
TOTAL NET REVENUE	20,116	51,340	—12,776	—37,500	95,100	—36,000

177. These figures have been explained in paragraphs 94, 105, 129 and 147. Just before the close of the previous year, £300,000 worth of silver was purchased, and this was coined into rupees during the current year. In addition to this, the very large sum of 4½ millions sterling worth of silver has been purchased during the course of the year in England and in India, and the greater part of this will have been coined by the end of the present month. The profit on this coinage is expected to amount to ₹3,69,86,000, which has been, or will on completion be, transferred to the Gold Reserve Fund and invested.

The withdrawal and recoinage of the 1835 and 1840 rupees were continued during the year, 491 lakhs of these having been called in and re coined, in addition to over 50 lakhs which are awaiting recoinage at the present time.

CIVIL DEPARTMENTS.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
INDIA.	R	R	R	R	R	R
General Administration	1,62,67,295	1,65,54,642	1,89,62,104	1,71,32,000	1,79,96,000	1,75,93,000
Law and Courts . . .	3,18,60,797	3,23,58,574	3,32,26,413	3,49,05,000	3,40,13,000	3,54,61,000
Justice. (Jails . . .	1,19,55,882	1,15,61,297	1,08,81,591	1,16,96,000	1,04,17,000	1,13,40,000
Police	4,37,51,116	4,43,41,080	4,52,71,032	4,74,57,000	4,58,43,000	4,77,22,000
Marine	35,68,472	42,58,472	40,20,772	43,94,000	63,63,000	72,14,000
Education	1,63,26,203	1,69,43,997	1,94,36,735	2,27,66,000	2,06,15,000	2,33,95,000
Ecclesiastical	17,33,063	16,84,155	16,55,652	17,86,000	16,84,000	18,46,000
Medical	1,40,38,220	1,28,87,984	1,42,81,869	1,54,43,000	1,39,73,000	1,56,74,000
Political	84,41,227	1,02,50,690	1,21,83,251	1,11,66,000	1,06,63,000	1,49,43,000
Scientific and Minor Departments	63,82,287	70,79,786	71,24,439	81,87,000	75,70,000	77,21,000
TOTAL INDIA	15,43,25,462	15,78,70,677	16,70,43,858	17,49,32,000	16,91,37,000	18,29,12,000
ENGLAND.	£	£	£	£	£	£
General Administration	255,196	259,112	251,474	281,400	279,000	268,200
Marine	352,023	314,351	247,914	254,380	267,600	280,200
Other heads	76,039	48,624	53,598	49,100	56,400	53,100
TOTAL ENGLAND	683,258	622,087	552,986	584,800	603,000	601,500

178. The only important variation not already explained is the decrease under Scientific and Minor Departments. This is partly nominal and due to the transfer of horse-breeding operations to the Military Department. In part also it is due to reduced expenditure on the Survey of India; to a grant for diamond drilling not having been utilized by the Geological Survey Department; and to the abolition of the Aluminium Department in Madras.

MISCELLANEOUS CIVIL CHARGES.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
INDIA.	R	R	R	R	R	R
Territorial and Political Pensions	38,77,633	38,04,743	38,70,229	39,28,000	37,25,000	36,83,000
Civil Furlough and Absentee Allowances	23	11,492	5,480	12,000	11,000	8,000
Superannuation Allowances and Pensions	1,14,05,469	1,16,83,183	1,21,31,479	1,25,92,000	1,26,29,000	1,30,12,000
Stationery and Printing	66,29,107	67,03,453	70,25,848	68,86,000	68,29,000	68,20,000
Exchange	4,77,736	...	...	...	...	...
Miscellaneous	26,93,294	45,39,511	85,09,175	42,66,000	58,97,000	35,20,000
TOTAL INDIA	2,50,83,262	2,67,42,382	3,15,42,211	2,76,84,000	2,90,91,000	2,70,43,000
ENGLAND.	£	£	£	£	£	£
Civil Furlough and Absentee Allowances	250,864	251,807	244,026	257,500	237,500	257,500
Superannuation Allowances and Pensions	1,950,936	1,976,705	2,006,754	2,029,500	2,020,500	2,026,500
Other Heads	113,352	128,045	140,396	107,800	111,800	92,600
TOTAL ENGLAND	2,315,152	2,356,557	2,391,176	2,394,800	2,369,800	2,376,600

179. The figures have been explained in paragraphs 108, 148 and 153. The following statement shows the amount of agricultural loans written off, and charged under the head Miscellaneous :—

PROVINCE.	Accounts, 1902-1903.	1903-1904.		1904-1905.
		Budget Estimate.	Revised Estimate.	Budget Estimate.
	R	R	R	R
Bombay	26,75,809	2,12,000	2,00,000	...
Central Provinces	39,769	1,00,000	12,00,000	1,00,000
United Provinces of Agra and Oudh	1,50,041	5,000	10,000	5,000
Punjab	2,59,651	6,91,000	6,44,000	23,000

FAMINE RELIEF AND INSURANCE.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
	R	R	R	R	R	R
Famine Relief	6,18,78,449	79,37,720	48,22,634	15,30,000	3,06,000	...
Construction of Protective Railways . . . . .	...	...	24,375	23,00,000	19,07,000	22,06,000
Construction of Protective Irrigation Works	4,66,710	10,60,386	11,21,131	25,00,000	22,38,000	35,00,000
Reduction or Avoidance of Debt . . . . .	...	42,69,574	84,79,500	86,70,000	87,96,000	81,91,000
TOTAL	6,23,45,159	1,32,67,680	1,47,38,640	1,50,00,000	1,32,47,000	1,38,97,000
Net charge on account of the Bengal-Nagpur and the Indian Midland Railways shown in the Railway Revenue Account	1,42,838	17,32,320	2,61,360	...	17,53,000	11,03,000
TOTAL EXPENDITURE CHARGEABLE TO THE FAMINE GRANT	6,24,87,997	1,50,00,000	1,50,00,000	1,50,00,000	1,50,00,000	1,50,00,000

180. The figures have been explained in paragraphs 116, 117, 149 and 156. The increase in the current year in the net charge on account of the Bengal-Nagpur and the Indian Midland Railways is chiefly due to the inclusion for the first time of interest charges amounting to ₹12,26,000 on the northern section of the East Coast Railway, which is worked by the Bengal-Nagpur Railway. Till 1902, it was commonly held that there was no scope for the further construction of purely protective railways, *i.e.*, of lines which are valuable for opening up areas liable to famine, but which are not likely to pay interest on the cost of construction. This view no longer prevails, and a series of small but useful lines have been undertaken in Madras, and are being financed from the Famine Grant.

181. The information given in paragraph 255 of the last Financial Statement is repeated and brought up to date below.

Statement showing the Disposal of the Provision made in 1877-78 for Famine Relief and Insurance.

[Rupee figures are converted into sterling at 15 to the £.]

YEARS.	Revenue provided by Measures of 1877-78.	DISPOSAL OF THE REVENUE PROVIDED.						BALANCE ON THE YEAR.		Balance at credit from the commencement of the scheme to the end of the year.	
		EXPENDITURE ON FAMINE RELIEF.		EXPENDITURE ON PROTECTIVE WORKS, INCLUDING NET CHARGE FOR INDIAN MIDLAND AND BENGAL-NAGPUR RAILWAYS.		AMOUNT APPLIED IN REDUCTION OF DEBT.		TOTAL EXPENDITURE.	Credit.		Debit.
		In India at ₹15 = £1.	In England £.	In India at ₹15 = £1.	In England £.	In India at ₹15 = £1.	In England £.				
1878-79 . . .	1,000,000	208,549	597	...	...	...	...	209,146	790,854	...	790,854
1879-80 . . .	1,000,000	69,098	343	...	...	...	...	69,441	930,559	...	1,721,413
1880-81 . . .	1,000,000	21,759	1,831	...	...	...	...	23,590	976,410	...	2,697,823
1881-82 . . .	1,000,000	23,123	165	545,235	...	116,035	...	661,270	315,442	...	3,013,265
1882-83 . . .	1,000,000	14,735	...	86,876	...	385,091	...	466,705	513,295	...	3,526,560
1883-84 . . .	1,000,000	6,064	89	621,626	26	6,243	1,001,393 [*]	1,635,441	...	635,441	2,891,119
1884-85 . . .	1,000,000	4,900	...	799,669	...	1,747	...	802,316	193,684	...	3,084,803
1885-86 . . .	1,000,000	27,130	...	517,205	22,263	100	...	566,698	433,302	...	3,518,105
1886-87 . . .	1,000,000	694	...	205,319	110,323	...	...	316,336	683,664	...	4,201,769
1887-88 . . .	1,000,000	268	...	60,671	200,815	...	...	261,754	738,246	...	4,940,015
1888-89 . . .	1,000,000	5,199	...	59,968	331,586	...	...	396,753	603,247	...	5,543,262
1889-90 . . .	1,000,000	45,525	...	-89,185 [*]	408,745	...	...	415,135	584,865	...	6,128,127
1890-91 . . .	1,000,000	3,719	...	-45,643 [*]	471,231	...	...	423,307	570,693	...	6,698,820
1891-92 . . .	1,000,000	15,615	...	51,284	500,245	...	...	567,144	432,856	...	7,131,676
1892-93 . . .	1,000,000	47,227	...	408,728	509,524	...	...	965,479	34,521	...	7,166,197
1893-94 . . .	1,000,000	331	...	425,677	515,531	...	...	941,539	58,461	...	7,224,658
1894-95 . . .	1,000,000	6,839	...	31,648	511,311	...	...	552,831	447,169	...	7,671,827
1895-96 . . .	1,000,000	12,201	...	60,051	506,670	...	...	578,922	421,078	...	8,092,605
1896-97 . . .	1,000,000	1,377,091	8,360	-245,481 [*]	511,099	...	...	1,654,122	...	654,122	7,438,783
1897-98 . . .	1,000,000	3,548,592	1,730	-285,448 [*]	523,717	...	...	3,788,604	...	2,788,604	4,650,179
1898-99 . . .	1,000,000	26,702	1	141,471	534,280	...	...	702,454	297,546	...	4,947,725
1899-1900 . . .	1,000,000	2,071,201	2,717	-195,218 [*]	238,742	...	...	2,128,447	...	1,128,447	3,819,278
1900-1901 . . .	1,000,000	4,117,428	7,802	-277,907 [*]	318,544	...	...	4,165,867	...	3,165,867	653,411
1901-1902 . . .	1,000,000	529,063	118	-147,139 [*]	333,313	...	...	715,362	231,638	...	938,049
1902-1903 . . .	1,000,000	321,509	...	-235,886 [*]	319,677	...	...	435,300	564,700	...	1,502,743
1903-1904 . . .	1,000,000	20,400	...	-243,300	636,500	...	...	413,600	586,400	...	2,089,149
1904-1905 . . .	1,000,000	...	...	-207,100	661,000	...	...	453,900	546,100	...	2,635,219
TOTAL OF 27 YEARS . . .	27,000,000	12,524,965	24,763	2,093,236	8,211,175	509,219	1,001,393	24,364,751	11,007,730	8,372,481	2,635,219

* In these years, the net receipts on the Indian Midland and Bengal-Nagpur Railways exceeded the charges for other protective works in India.
^{*}In 1882-83, a remittance of ₹1,22,77,530 was made to England, realising 8,001,893¹/₂, by means of which 995,584¹/₂ of sterling debt was discharged in 1883-84.

FINANCIAL STATEMENT OF THE
RAILWAY REVENUE ACCOUNT.

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
	R	R	R	R	R	R
STATE RAILWAYS—						
Gross Receipts	25,43,06,949	28,91,58,390	28,70,64,842	29,05,74,000	30,67,13,000	30,87,13,000
Working Expenses	12,69,85,686	14,23,85,017	14,74,08,163	14,85,49,000	15,38,37,000	15,84,59,000
Net Receipts	12,73,21,263	14,67,73,373	13,96,56,679	14,20,25,000	15,28,76,000	15,02,54,000
Net Revenue equivalent at R15 = £1	£ 8,488,085	£ 9,784,892	£ 9,310,445	£ 9,468,400	£ 10,191,800	£ 10,017,000
Interest and other Charges—						
India converted at R15 = £1	3,112,165	3,223,480	3,346,997	3,501,900	3,530,400	3,750,300
England	4,556,471	5,406,829	5,511,831	5,596,200	5,557,400	5,622,000
Net Result	819,449	1,154,583	451,617	370,300	1,104,000	644,700
GUARANTEED RAIL- WAYS—						
Net Traffic Receipts converted at R15 = £1	1,316,899	914,989	946,182	918,400	947,100	988,300
Surplus Profits, In- terest and other Charges—						
India converted at R15 = £1	179,209	154,673	90,884	105,200	116,500	134,300
England	1,589,417	1,009,544	1,026,892	1,046,700	1,032,800	1,056,100
Net Result	-451,727	-249,228	-171,594	-233,500	-202,200	-202,100
Other Receipts	22,933	33,753	50,062	43,300	44,700	46,600
Other Charges	65,531	92,492	1101,136	139,200	91,900	135,000
STATISTICS—						
State Railways—						
Capital Expenditure to March 31—						
Expenditure by Government	111,384,707	114,330,144	117,729,962	121,114,344	122,551,162	127,379,662
Expenditure by Companies	34,817,796	36,590,076	38,699,861	39,975,076	40,395,561	41,821,161
Outlay on the East Indian Railway from Debentures raised by the Company	4,323,182	4,328,351	5,630,490	6,880,451	5,630,490	6,830,490
Outlay on the South Indian Railway by the Company	250,000	1,001,250	1,001,250	1,501,250	1,001,250	1,451,250
Outlay on the Great Indian Peninsula Railway by the Company	...	...	...	450,000	...	...
TOTAL	150,775,685	156,249,821	163,061,563	169,921,121	169,578,463	177,482,563
Miles open on April 1 Guaranteed Rail- ways—	17,136	19,295	19,380	20,241	20,119	20,767
Miles open on April 1	2,612	1,305	1,334	1,366	1,349	1,409

182. The Revised Estimate of net receipts from State Railways in 1903-1904 is better than the Budget Estimate by R1,08,51,000 or £723,400, the gross receipts having exceeded expectation by R1,61,39,000 and working expenses by R52,88,000. Details of the more important variations are given in paragraph 98 above.

The great improvement on the North Western Railway system was due partly to increased open mileage, but chiefly to general development of traffic throughout

the system, and especially in connection with the Jhelum and Chenab Canal Colonies. The exceptionally heavy wheat traffic was the dominating feature of the year. The country served by the Rajputana-Malwa Railway seems not yet to have fully recovered from the scarcity of some years back. The coal traffic on the Midnapore-Jherriah branch of the Bengal-Nagpur Railway has not come up to expectations.

183. The estimate of net receipts from State Railways in 1904-1905 is placed at Rs 26,22,000 or £174,800 below the Revised Estimate of 1903-1904. An increase of £133,300 has been taken in gross receipts and an increase of £308,100 in working expenses. The former allows for normal expansion of traffic and for development of traffic on extensions recently opened, but assumes that the very high rate of increase recently obtained on the North Western Railway and some other lines will not be maintained. Working expenses follow the receipts, but it has also been found necessary to provide for special renewals of permanent way and rolling-stock, and for repairs to flood damages in continuation of those undertaken in the current year. The increase in Interest and other charges in India is due to the progress of capital outlay, and that in England chiefly to further receipts of capital from Railway Companies. As a result of these increases, the estimated net gain from the working of State Railways in 1904-1905 is less by £459,300 than in the Revised Estimate for 1903-1904.

The principal modifications allowed for in the estimates of net receipts have been specified in paragraph 143.

184. The Revised Estimate of net receipts from Guaranteed Railways shows an improvement of £28,700 compared with the original estimate, due chiefly to a large increase in goods traffic on both the Madras and Bombay, Baroda and Central India Railways, partly counteracted by an increase in working expenses. In the Budget Estimate for 1904-1905 a further improvement in net receipts of £41,200 has been allowed for; the whole of this is on the Bombay, Baroda and Central India Railway, the country served by which has now recovered from the effects of famine. The increase in the Revised Estimate of Surplus Profits, Interest and other charges in India compared with the original estimate is due mainly to the larger share of surplus profits payable to the Bombay, Baroda and Central India Railway Company consequent on improved earnings. The decrease in the estimate of Interest paid in England is due to capital not having been raised as anticipated. The increases allowed for in the Budget Estimate for 1904-1905 under these heads are due mainly to the larger share of surplus profits payable to the Bombay, Baroda and Central India Railway Company and to further receipts on account of capital.

IRRIGATION.

IRRIGATION.	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
	R	R	R	R	R	R
MAJOR WORKS.						
Revenue { Direct Receipts	2,47,71,151	2,33,93,665	2,72,44,019	2,67,57,000	2,89,85,000	2,87,25,000
Land Revenue	1,12,36,246	1,22,00,957	1,22,15,889	1,26,26,000	1,30,32,000	1,32,67,000
Expenditure { Working Expenses	1,03,36,344	1,05,28,805	1,13,19,158	1,13,69,000	1,20,54,000	1,23,18,000
Interest	1,38,19,929	1,41,61,844	1,45,36,567	1,49,15,000	1,48,95,000	1,53,52,000
NET	+1,18,51,124	+1,09,03,973	+1,36,04,183	+1,30,99,000	+1,50,68,000	+1,43,22,000
MINOR WORKS.						
Receipts—Direct	23,31,393	24,68,966	20,74,935	25,47,000	23,33,000	24,53,000
Expenditure	1,06,48,641	1,07,79,865	1,27,72,936	1,47,05,000	1,34,70,000	1,29,47,000
STATISTICS OF MAJOR WORKS.						
Capital Outlay to March 31	35,21,44,980	36,15,60,720	37,24,61,175	38,41,68,720	38,31,32,175	39,94,10,175

185. In the Revised Estimate, the direct receipts from Major Works show an increase over the Budget Estimate of ₹22,28,000. The Punjab contributes the main portion of this increase which is partly due to general all-round improvements and partly to the transfer of the Indus Inundation Canals to "Major Works."

186. The Revised Estimate of expenditure shows an increase of ₹6,85,000 over the Budget Estimate. This is partly due to the execution of certain works of maintenance not foreseen when the Budget was framed, and partly to the working expenses of the Indus Inundation Canals, and special repairs to damages caused by heavy floods in the river Kistna. In the Budget for 1904-1905 provision has been made for the Indus Inundation Canals, and for larger grants required in almost every province owing to the expansion of irrigation.

187. As regards 'Minor Works,' the reduction under receipts in the Revised Estimate is due mainly to the transfer, during the year, of the Indus Inundation Canals to the category of Major Works. The increase in the Budget for 1904-1905 as compared with the Revised is due to the introduction of water rates on the Lower Sutlej Inundation Canals consequent on the abolition of the Chher system. Under expenditure, the Budget Estimate for 1903-1904 included a special additional grant of ₹25 lakhs. The Revised Estimate, however, shows a lapse, due to its not having been practicable to utilise this grant fully in 1903-1904. In the Budget for 1904-1905, a special contribution of 3 lakhs to the Central Provinces is included.

OTHER PUBLIC WORKS.

EXPENDITURE.	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
	₹	₹	₹	₹	₹	₹
India—						
Military Works	1,11,28,272	1,39,52,561	1,55,10,922	1,54,27,000	1,49,00,000	1,55,84,000
Civil Works, Imperial	39,07,654	66,37,813	72,01,046	80,00,000	88,47,000	97,37,000
Civil Works, Provincial	2,76,97,674	3,01,94,023	3,52,06,548	3,64,21,000	3,91,37,000	4,41,26,000
Civil Works, Local	1,63,09,396	1,66,08,290	1,81,65,666	2,03,19,000	1,87,68,000	2,07,64,000
TOTAL INDIA	5,90,42,996	6,73,92,687	7,60,84,182	8,01,67,000	8,16,52,000	9,02,11,000
England—	£	£	£	£	£	£
Military Works	41,057	34,612	62,607	17,500	54,000	17,700
Civil Works	92,286	105,176	107,562	108,300	95,200	90,800
TOTAL ENGLAND	133,343	139,788	170,169	125,800	149,200	108,500
RECEIPTS.						
India	₹ 64,76,334	67,63,743	68,73,931	67,39,000	78,41,000	68,04,000
England	£ 26,714	28,649	28,679	27,900	25,700	26,800

188. The Military Works expenditure of the year in India is expected to be less than the Budget Estimate by ₹5,27,000, due chiefly to the transfer of ₹5,47,000 to the grant for expenditure in England. Special expenditure amounting to ₹4,43,000 was sanctioned during the year out of savings in Army expenditure due to the continued absence of troops in Somaliland. But the excess due to this has been nearly counterbalanced by savings on other works. Under the new system of budgetting for Military Works expenditure there will be a fixed quinquennial grant for all expenditure except that on large works costing over ₹50,000 each, which will be separately budgetted for year by year according to requirements. Any part of the grant for the year not spent within the year will be regranted for expenditure in the following year, up to a maximum of 10 per cent on the whole grant. The Budget for next year has been fixed on these lines at ₹1,58,50,000 for both India and England, and is made up as follows:—

	R
Fixed quinquennial grant	97,00,000
Large works costing over ₹50,000 each—	R
(a) Schedule items	28,95,000
(b) Other works	29,55,000
	<hr/>
	58,50,000
Regrant of expected lapses of 1903-1904	3,00,000
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TOTAL	1,58,50,000
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189. It is expected that the expenditure in India on Imperial Civil Works during 1903-1904 will be more than the Budget Estimate by ₹8,47,000, due to additional sums being required for works in several provinces.

The Budget grant for 1904-1905, inclusive of provision for special payments in England, has been fixed at ₹1,10,99,000.

190. The Revised Estimate of Provincial Civil Works shows an increase of ₹27,16,000, as compared with the Budget, and is due to more funds being available for expenditure. The Revised Estimate of Local Civil Works shows a decrease of ₹15,51,000. The Provincial Civil Works Budget for 1904-1905 includes the following grants which have been entered under this head merely for the sake of convenience, and are liable to be transferred at the discretion of the respective Local Governments for expenditure under other heads. They represent partly a portion of the initial lump grants made to four Provinces whose settlements have just come under revision, and partly special grants made from Imperial revenues during 1903-1904 for expenditure during 1904-1905 on particular works of public improvement:—

	R
Central Provinces	1,50,000
Burma	3,00,000
Assam	5,50,000
Bengal	20,00,000
United Provinces	12,00,000
Punjab	22,00,000
Madras	9,00,000
Bombay	9,00,000
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TOTAL	82,00,000
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FINANCIAL STATEMENT OF THE
ARMY SERVICES.

EXPENDITURE.	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	1903-1904.		1904-1905, Budget.
				Budget.	Revised.	
INDIA—	R	R	R	R	R	R
<i>Effective Services—</i>						
Regimental Pay and Allowances.	7,18,58,256	7,85,63,254	8,25,96,895	9,10,78,000	8,86,83,000	9,84,04,000
Supply and Transport . . .	3,90,48,972	4,09,64,916	4,19,46,895	4,26,82,000	4,18,51,000	4,24,34,000
Ordnance . . .	71,02,726	96,46,625	1,12,99,554	1,17,77,000	1,10,37,000	1,25,73,000
Other Heads . . .	3,25,38,785	3,22,11,150	3,51,55,659	3,37,51,000	4,04,43,000	3,95,67,000
	15,05,48,739	16,13,85,945	17,09,99,003	17,92,88,000	18,20,14,000	19,29,78,000
<i>Non-effective Services</i>	91,03,829	93,27,144	98,37,015	97,58,000	1,00,42,000	98,37,000
TOTAL INDIA	15,96,52,568	17,07,13,089	18,08,36,018	18,90,46,000	19,20,56,000	20,28,15,000
ENGLAND—	£	£	£	£	£	£
<i>Effective Services—</i>						
Payments to War Office in respect of British Forces serving in India.	700,000	64,010	851,993	775,000	717,300	556,000
Furlough Allowances and Pay during Voyage of British Forces serving in India.	50,207	94,074	112,750	108,000	150,000	113,000
Furlough Allowances of Officers of the Indian Service	183,518	216,620	250,605	230,000	260,000	240,000
Indian Troop Service	86,286	196,521	345,499	330,100	371,300	333,800
Other Heads . . .	45,592	32,590	75,062	46,100	53,000	53,000
Stores for India—						
Clothing . . .	229,747	191,178	183,149	228,800	211,000	233,600
Ordnance and Miscellaneous . . .	673,009	1,147,238	1,015,005	899,400	777,400	1,529,300
Other Heads . . .	86,017	90,029	92,795	101,400	129,000	100,900
	2,054,376	2,032,260	2,926,853	2,718,800	2,669,000	3,159,600
<i>Non-effective Services—</i>						
Payments to War Office for Retired Pay, etc., of British Forces for services in India	553,235	554,562	615,037	650,000	647,300	716,800
Pay and Pensions of Non-effective and Retired Officers of the Indian Service . . .	1,687,393	1,650,391	1,602,887	1,570,000	1,585,000	1,560,000
Other Heads . . .	144,285	145,846	145,875	150,000	151,300	157,300
	2,384,918	2,350,799	2,363,799	2,370,000	2,383,600	2,434,100
TOTAL ENGLAND	4,439,294	4,383,059	5,290,657	5,088,800	5,052,600	5,593,700
RECEIPTS—	R	R	R	R	R	R
India	1,17,64,929	1,05,12,361	1,09,79,881	81,25,000	92,42,000	80,59,000
England	32,945	276,765	392,998	497,900	456,100	362,400

191. As usual of late years, considerable savings have accrued on the military estimates in consequence of the absence of troops in China, and also in Somaliland. They were, however, on a considerably smaller scale than in 1902-1903. Inclusive of stores, they amounted to R35,88,000: and out of this, sums aggregating R27,10,000 have been applied to meeting the cost of various measures for improving the efficiency of the army and its various Departments. The largest items among these were the following:—

	R
Construction of the second section of the road to the hill cantonment, Lansdowne	2,00,000
Cost of warm coats sent to Africa, and condemned by the Military authorities in that country	3,05,000
Special purchase of 1,900,000 rounds of '303 ammunition	1,72,000
Supply of 895 sets of mekometers	1,47,000
Reconstruction of N. I. lines at Secunderabad, Bangalore and Bellary	1,03,000
Additional grant for Camps of Exercise and Instruction	1,00,000
Staff College at Quetta (collection of materials for building)	1,00,000
Increase in pay of Indian Medical Service officers	2,00,000
Stables and quarters for horse-breeding operations	85,000
Re-armament of two 5.4 inch howitzer batteries (part)	84,000

192. It will be convenient to bring together the figures exhibiting the whole military expenditure of India both in this country and in England, and irrespective of the head of account under which it is charged.

The following shows these figures for the Budget Estimate of 1903-1904:—

	In India. R	In England. £
(1) Ordinary Military expenditure, including the Hyderabad Contingent	18,53,20,000	4,662,400
(2) Special measures for increasing the efficiency of the Army—		
(a) Under Army	36,08,000	426,400
(b) Under Military Works	40,60,000	...
(c) Under Marine	...	63,300
TOTAL	76,68,000	4,89,700
(3) Special Services	1,18,000	...
(4) Coast Defences	18,00,000	...
GRAND TOTAL	19,49,06,000	5,152,100

The corresponding figures for 1904-1905 are as follows:—

	In India. R	In England. £
(1) Ordinary Military Expenditure including the Hyderabad Contingent	19,45,08,000	4,769,300
(2) Special measures for increasing the efficiency of the Army—		
(a) Under Army	34,17,000	824,400
(b) Under Military Works	30,55,000	...
(d) Under Marine	...	107,000
TOTAL	64,72,000	931,100
(3) Special Services	48,90,000	...
(4) Coast Defences	16,00,000	150,000
GRAND TOTAL	20,74,70,000	5,850,700

193. The increase under "Ordinary Expenditure" has been explained in paragraph 159. The principal factors are (1) ₹74,08,000 on account of the extra service pay of British troops, and (2) £169,000 on account of ordnance stores for manufacture of 303 ammunition. Of the increase in respect of the special measures for increasing the efficiency of the Army, £500,000 represents the cost of new artillery, and £200,000 of new rifles which (along with a part of the expenditure on coast defences) are to be provided from the surplus revenue of the current year as explained in paragraph 82.

Excluding these two items the cost of the special measures amounts to ₹64,72,000 in India and £231,400 (equivalent to ₹34,71,000) in England, or a total of ₹99,43,000 as compared with ₹1,50,14,000 in the current year. The principal items making up this total are the following:—

	R
Rearmament of the Native Army	14,67,000
Buildings for Rifle Factory, Ishapore	4,00,000
Rolling Mills at Ishapore	9,52,000
Central Gun Carriage Factory, Jubbulpore	4,00,000
Construction of Royal Indian Marine Vessel <i>Dufferin</i>	16,05,000
Increase in strength of Native Army Reserves	3,00,000
Establishment of a Staff College in India	2,00,000
Railway Pioneer Battalion	2,29,000
Installation of Electric Lights and Fans in barracks	7,00,000
Increase to strength of Native Infantry Battalions in Madras and Bombay Commands	5,00,000
Mobilisation equipment for northern line of communications	5,03,000
Reorganization of Artillery	3,00,000
Addition of 36 horses to each British Cavalry Regiment	2,76,000
Accommodation for 3 Howitzer Batteries	2,50,000
Improvement of rifle ranges for the regulars	2,00,000
Re-introduction of signalling into all Batteries, of horse, field, heavy and mountain artillery	2,71,000

The items included under special services have been specified in paragraph 159.

Section V.—Capital Expenditure on Railways and Irrigation Works not charged to Revenue.

RAILWAY CONSTRUCTION.

194. The expenditure on Railway Construction for which the Government of India undertakes any financial responsibility or gives any direct guarantee is estimated at ₹9,82,07,000 in the current year and at ₹12,00,00,000, (inclusive of ₹60,00,000 for the purchase of four branch Railways) in 1904-1905, the amounts having been ₹10,05,75,960 in 1902-1903 and ₹11,00,00,000 in the Budget Estimate of the current year. The lapse of ₹1,17,93,000 in the current year is due to short outlay in England against some of the amounts placed at the disposal of the Secretary of State and some of the Companies' Boards for the purchase of rolling-stock and stores. This was largest in the case of the East Indian, Madras and South Indian Railways. It was partly compensated for by increased outlay in India and by commencement of construction work on the Ondal-Sainthia and Khurja-Hapur branches of the East Indian Railway. The distribution of the total expenditure on Railway Construction between

State and Companies' agency in each of the three years from 1902-1903 to 1904-1905 is as follows:—

	Accounts, 1902-1903.	Revised Estimate, 1903-1904.	Budget Estimate, 1904-1905.
<i>Expenditure in England.</i>			
	£	£	£
1. State Lines	1,529,344	1,287,800	1,709,000
2. Old Guaranteed Railways	462,521	484,900	416,400
3. Extensions of ditto	33	...	...
4. Other Guaranteed or Assisted Railways	893,333	852,700	845,900
TOTAL	2,885,231	2,625,400	2,971,300
<i>Equivalent in rupees of Expenditure in England.</i>			
	R	R	R
1. State Lines	2,29,40,155	1,93,17,000	2,56,35,000
2. Old Guaranteed Railways at contract rates	56,65,797	62,77,000	50,67,000
3. Extensions of ditto at prescribed rates	491	...	...
4. Other Guaranteed or Assisted Railways at contract rates	1,34,14,258	1,27,90,000	1,26,89,000
TOTAL	4,20,20,701	3,83,84,000	4,33,91,000
<i>Expenditure in India.</i>			
1. State Lines	4,55,19,860	5,06,94,000	6,90,20,000
2. Old Guaranteed Railways	—8,80,876	—38,00,000	—9,22,000
3. Extensions of ditto	12,34,837	2,00,000	30,000
4. Other Guaranteed or Assisted Railways	1,25,94,390	1,26,25,000	84,31,000
5. Branch Lines on firm guarantee	87,048	1,04,000	50,000
TOTAL INDIA	5,85,55,259	5,98,23,000	7,66,09,090
TOTAL OF PROGRAMME	10,05,75,960	9,82,07,000	12,00,00,000

195. The figures in the above table do not include the expenditure on Protective Railways met from the Famine Insurance grant, nor of Branch Line Companies not in receipt of a direct guarantee, nor that of other Companies whose transactions are outside the Government accounts. Including this expenditure and also the expenditure from Provincial and Local Revenues and from loans raised by Local Boards for local lines, the total expenditure on Railway Construction in the three years may be stated as follows:—

	Accounts, 1902-1903.	Revised Estimate, 1903-1904.	Budget Estimate, 1904-1905.
	R	R	R
Total as in table in paragraph	10,05,75,960	9,82,07,000	12,00,00,000
Famine Protective lines	24,375	19,07,000	22,06,000
Branch lines not on firm guarantee	7,95,054	2,58,000	1,63,000
Railways outside the Government account	1,00,20,900	93,58,000	88,96,000
Provincial and Local State lines	8,19,892	3,99,000	3,18,000
GRAND TOTAL	11,22,36,181	11,01,29,000	13,15,83,000

of 1906. The following are the details of the expenditure on State lines:—

	Accounts, 1902-1903.	Revised, 1903-1904.	Budget, 1904-1905.
	₹	₹	₹
<i>Expenditure by State Agency—</i>			
Open lines—			
North-Western	66,03,425	27,40,000	76,55,000
Frontier Railway Reserve	43,548	10,000	...
Peshawar Railway do.	—7,212	...	...
Oudh and Rohilkhand	45,81,534	33,85,000	28,98,000
Eastern Bengal	53,67,848	49,15,000	52,74,000
Warora Colliery	—73,003	—46,000	—25,000
Jodhpur-Hyderabad (British section)	58,141	3,000	8,000
Stores Transactions and Reserve	—1,49,195	...	44,10,000
TOTAL	1,64,25,056	1,10,07,000	2,02,20,000
Lines under construction—			
Moorshedabad Branch, Eastern Bengal State Railway	6,28,435	40,00,000	37,51,000
Coonoor-Ootacamund	...	...	10,00,000
Kankoorgachi Chord, Eastern Bengal State Railway	2,87,670	5,25,000	4,10,000
Kaunia-Bonarpara Extension	...	8,50,000	10,00,000
Kaunia-Dhubri Extension	5,28,012	1,41,000	1,50,000
Dhubri-Gauhati	72,581	14,35,000	10,23,000
Lower Sind Extension	...	17,80,000	18,61,000
Nowshera-Dargai	3,35,400	1,16,000	...
Agra-Delhi Chord	17,90,416	45,19,000	39,60,000
Khushalgarh-Kohat-Thal	22,49,205	3,94,000	62,000
Extensions of Chitpore Terminus	7,07,594	4,43,000	3,00,000
Allahabad-Fyzabad	53,34,749	17,52,000	6,75,000
Do. Ganges Bridge	...	24,37,000	4,03,000
Jech-Doab (Northern section)	15,42,494	2,02,000	...
Quetta-Nushki	7,26,111	25,89,000	27,35,000
Doubling line between Canal Junction and Kankoorgachi	42,867	2,36,000	3,76,000
Jech-Doab (Southern section)	...	8,68,000	23,00,000
TOTAL	1,42,45,534	2,22,87,000	2,00,06,000
Lines to be purchased	...	...	60,00,000
<i>Expenditure by Agency of Companies—</i>			
Open lines—			
East Indian Railway (including extensions)	1,33,96,937	1,37,50,000	1,57,50,000
Rajputana-Malwa	24,51,766	16,70,000	18,00,000
Tirhoot	31,55,242	10,50,000	15,00,000
Bhopal	2,72,803	1,74,000	2,00,000
South Indian	1,88,948	5,00,000	12,00,000
Guntakal-Mysore Frontier	2,657	5,000	24,000
Madras Railway, North-East line	8,72,540	26,50,000	20,00,000
Palanpur-Deesa	3,863	...	...
Bezwada Extension	5,814	15,000	3,000
Great Indian Peninsula	16,97,267	32,66,000	1,00,00,000
Nilgiri	35,41,940	3,000	3,60,000
TOTAL	2,55,89,777	2,30,83,000	3,28,37,000
Lines under construction—			
Ahmedabad-Dholka	59,900	...	...
Assam- { Land	—176	12,000	6,000
Bengal { Construction	74,44,084	36,36,000	19,94,000
{ Chittagong jetties	—6,62,562	...	...
Madura-Pamban	12,41,366	6,53,000	1,56,000
Tinnevely-Quilon—British section	6,36,296	6,36,000	3,06,000
Ditto —Native State section	31,22,750	25,01,000	3,30,000
Azikhil-Mangalore	3,52,690	32,18,000	50,00,000
Marina Loop	5,300	—5,000	...
Tirhoot State Railway Extensions	...	18,18,000	50,00,000
Rewari Phulera	...	11,65,000	28,00,000
TOTAL	1,21,99,648	1,36,34,000	1,55,92,000
GRAND TOTAL	6,84,60,015	7,00,11,000	9,46,55,000

197? The following are the details of the expenditure on the old Guaranteed Companies' lines and their extensions :—

	Accounts, 1902-1903.	Revised, 1903-1904.	Budget, 1904-1905.
	R	R	R
Madras Railway	24,43,515	1,56,000	33,00,000
Madras Railway Extensions	12,35,328	2,00,000	30,000
Bombay, Baroda and Central India Railway	23,41,406	23,21,000	8,45,000
TOTAL	60,20,249	26,77,000	41,75,000

198. The details of the figures under other Guaranteed or Assisted Railways are as follows :—

	Accounts, 1902-1903.	Revised, 1903-1904.	Budget, 1904-1905.
	R	R	R
Assam-Bengal	—61,558	...	...
Bengal Central	1,93,616	50,000	66,000
Bengal-Nagpur	8,06,123	12,71,000	12,00,000
Bengal-Nagpur Extensions	1,67,13,711	1,70,73,000	1,10,00,000
Burma Railways	58,11,768	29,53,000	32,52,000
Ditto Extensions . . . . .	...	...	15,00,000
Indian Midland (including Saugor-Katni)	12,37,469	34,84,000	27,27,000
Lucknow-Bareilly	9,34,853	3,84,000	54,000
Mysore	86,587	1,20,000	1,21,000
Southern Mahratta	2,86,079	80,000	12,00,000
TOTAL	2,60,08,648	2,54,15,000	2,11,20,000

199. The details of the expenditure on Branch lines having a direct guarantee are :—

	Accounts, 1902-1903.	Revised, 1903-1904.	Budget, 1904-1905.
	R	R	R
Brahmaputra-Sultanpur	78,342	50,000	...
Hardwar-Dehra	8,706	54,000	50,000
TOTAL	87,048	1,04,000	50,000

200. The details of the expenditure on Protective Railways met from the Famine Insurance grant are as follows :—

	Accounts, 1902-1903.	Revised, 1903-1904.	Budget, 1904-1905.
	R	R	R
Morappur-Dharmapuri	3,177	2,90,000	3,96,000
Tiruputtur-Krishnagiri	5,524	4,35,000	4,70,000
Hospet-Kottur	7,665	3,08,000	13,00,000
Bellary-Royadrag	8,009	8,74,000	40,000
TOTAL	24,375	19,07,000	22,06,000

FINANCIAL STATEMENT OF THE

201. The following are the details of Branch lines without a guarantee:—

	Accounts, 1902-1903.	Revised, 1903-1904.	Budget, 1904-1905.
	R	R	R
Ahmedabad-Parantij	23,624	6,000	11,000
Mymensingh-Jamalpur- Jagganathganj	55,527	45,000	27,000
South Behar	—57,358	—1,000	—47,000
Ahmedabad-Dholka	7,53,499	1,08,000	65,000
Tapti Valley	19,762	1,00,000	1,07,000
TOTAL	7,95,054	2,58,000	1,63,000

202. The Railways outside the Government account shown above are the following:—

	Accounts, 1902-1903.	Revised, 1903-1904.	Budget, 1904-1905.
	R	R	R
Bengal and North-West- ern Railway Extensions	22,58,600	19,08,000	4,89,000
Kalka-Simla	61,44,900	45,43,000	12,50,000
Bengal Dooars Extensions	16,17,400	7,10,000	3,57,000
Rohilkand-Kumaon Ex- tensions . . . . .	...	2,27,000	20,00,000
Southern Punjab Exten- sions . . . . .	...	19,70,000	48,00,000
TOTAL	1,00,20,900	93,58,000	88,96,000

The expenditure on the Kalka-Simla Railway, both in the current year and also that estimated for in 1904-1905, is almost wholly met from advances by Government.

203. The expenditure on the Provincial and Local State lines is distributed as follows:—

	Accounts, 1902-1903.	Revised, 1903-1904.	Budget, 1904-1905.
	R	R	R
Jorhat	—834	—1,000	—1,000
Mayavaram-Mutupet	8,20,726	4,00,000	3,19,000
TOTAL	8,19,892	3,99,000	3,18,000

IRRIGATION CONSTRUCTION.

204. The figures are:—

Accounts, 1902-1903.	Budget, 1903-1904.	Revised, 1903-1904.	Budget, 1904-1905.
R	R	R	R
84,62,858	1,00,00,000	81,18,000	1,25,00,000

The Revised Estimate for 1903-1904 has been prepared for ₹18,82,000 less than the Budget Estimate, as, with the exception of the United Provinces, no province has found it possible to work up to the budget grants. The Budget grant for 1904-1905 has been fixed at ₹1,25,00,000, or ₹25,00,000 more than in the current year so as to provide for adequate progress on projects now in hand and for new schemes likely to be started.

205. The following table shows the projects included in the programme of each year, and the amounts to be spent on each:—

NAME OF PROJECT.	Expenditure in	
	1903-1904.	1904-1905.
<i>Canals in operation—</i>	R	R
Mandalay canal	4,02,000	1,64,000
Ganges canal	9,82,000	8,36,000
Lower Ganges canal	2,00,000	4,27,000
Fatehpur Branch of the Lower Ganges canal	76,000	59,000
Eastern Jumna canal	3,01,000	3,03,000
Western Jumna canal	34,000	42,000
Bari Doab canal	1,53,000	2,30,000
Sirhind "	1,33,000	2,62,000
Chenab "	5,02,000	12,52,000
Jhelum "	17,90,000	26,97,000
Indus Inundation canals	1,19,000	7,68,000
Godavery Delta	1,54,000	2,35,000
Kistna Delta	3,43,000	3,53,000
Penner River canals	1,00,000	1,03,000
Cauvery Delta	1,83,000	2,34,000
Periyar Project	2,27,000	2,14,000
Desert canal	59,000	11,000
Eastern Nara Works	1,40,000	1,02,000
Jamrao canal	1,71,000	34,000
<i>Canals under construction—</i>		
Shwebo canal	10,42,000	8,86,000
Mon canals	65,000	5,00,000
<i>Other projects.</i>	9,42,000	7,38,000
<i>Reserve</i>		20,50,000
TOTAL	81,18,000	1,25,00,000

Section VI.—Provincial Finance.

206. During the year an important step in advance was made in the development of Provincial finance. As it is possible that this new departure may have important and far reaching consequences, it is desirable to explain its nature in some detail.

207. When the system of provincialisation was first introduced in 1871 by the Government of Lord Mayo, the method adopted was briefly as follows:— Certain heads of expenditure, of which the more important were Police, Education, Jails, Medical Services (in part), Printing, Roads and Civil Buildings, were made over to the Local Governments. To meet these charges, there were assigned to the latter the departmental receipts under the corresponding heads, and also a fixed lump grant from Imperial Revenues: the Local Governments being left to make up the deficiency, if any, by local taxation.

Early history of Provincial finance.

208. This system remained in force without material change till 1877. In that year an important modification was introduced by the Government of Lord Lytton. In the first place, a considerable addition was made to the heads of expenditure transferred to Provincial management, the new heads (in most Provinces) including Land Revenue, General Administration, Law and Justice, and Miscellaneous. Secondly, certain principal heads of revenue, including Stamps and Excise, were provincialised, the growing receipts from these sources taking the place, *pro tanto*, of the former fixed lump grant. Since 1877, a number of changes of detail have been effected, mostly in the direction of adding to the heads (or shares of heads) of expenditure and revenue which are under Provincial control. But no alteration of principle has been introduced, and broadly* speaking it may be stated that the present position is as follows:—Each Local Government is responsible for the whole of the expenditure recorded under "Salaries and Expenses of Civil Departments," "Miscellaneous Civil Charges," "Irrigation" (in part), and "Civil Public Works", as well as some charges under "Interest." It receives the whole of the corresponding departmental receipts, and a certain share (which is different in different Provinces, and under different heads) of each of the "Principal heads of Revenue" except Salt, Customs, Opium,

The present system.

* There are numerous exceptions of detail in relatively minor points, and variations between the different Provinces. It is unnecessary to specify these at length in the present place.

and Tributes. In some Provinces, irrigation revenue is also Provincial in whole or in part. The excess of expenditure over revenue is made up by a fixed assignment from Imperial Revenues.

209. Under this system the Provincial shares of growing revenue have usually (though not uniformly) increased more rapidly than the sum which could properly be spared for expenditure under the Provincial heads, having regard to the general needs of Imperial finance. It was therefore necessary to revise the terms of the settlements from time to time, ordinarily at five-year intervals, with a view to adjust inequalities that had arisen, either between the Provinces themselves, or between the Provinces as a whole and the Imperial Government. These quinquennial revisions have usually, though not invariably, resulted in the resumption of a certain amount of revenue for Imperial purposes. When the settlement of 1877 was made, a total retrenchment of 40 lakhs was enforced; in 1882 the finances were in a prosperous condition and the Imperial Government surrendered an additional 26 lakhs net; in 1887 they resumed 64 lakhs; and in 1892, 46 lakhs. The last revision, made in 1897, effected little change in the aggregate, increases to some Provinces being almost exactly counterbalanced by resumptions from others.

Its defects.

210. The system is marred by several grave defects:—

- (1) The periodical revisions interfere with the continuity of Provincial finance, and each revision involves a protracted and sometimes controversial discussion with the Local Governments.
- (2) A still more serious evil is that the system tends to encourage extravagance rather than economy. "It has been described as a system of five-year budgets: and this definition indicates the root of the evil. Each Local Government is supposed to be free to enjoy the fruits of its economy, or of the successful nursing of its revenues. But in practice its term of enjoyment is limited to five years, or, more correctly, to the last two or three years of the term of settlement, for during the earlier years it has usually little margin to spend. It is therefore under constant temptation to spend its money, not on carefully matured schemes of well-thought-out improvement, but on such as can be carried through before the close of the settlement, in order to leave as small a balance as possible for resumption at the impending revision."
- (3) The apportionment of revenue to the several Provinces has never been made on any definite or logical principle.

The new system.

211. To remove these defects, and in particular to introduce an element of relative permanence into the settlements, the following arrangement has been made. Firstly, it has been decided to give the Local Governments a permanent, instead of a merely temporary interest in the revenue and expenditure under their control. Secondly, the assignments to the Local Governments will include a slightly smaller share of growing revenues. Thirdly, this share has been calculated so that each Province separately, and all the Provinces taken together, shall be placed in possession of an amount of growing revenues which bears approximately the same proportion to the Provincial expenditure as the Imperial share of growing revenues bears to Imperial expenditure. With some small exceptions the actual heads of revenue which are either Imperial, Provincial, or divided, have been left unchanged, but the Provincial shares of the divided heads have been altered in accordance with the principle stated above. When any head of revenue is divided between Imperial and Provincial, the corresponding head of expenditure has ordinarily been divided in the same proportion.

Modifications of detail.

212. In applying these principles to the actual figures, it was found that the aggregate Provincial expenditure represented rather less than one-fourth of the whole, while the Imperial expenditure, which includes the army and the home charges, was in excess of three-fourths. These proportions have accordingly been taken as the basis of the division of revenue between Imperial and Provincial, but numerous adjustments have been necessary—(1) to make allowance for the heads of revenue which are wholly Imperial or wholly Provincial as the case might be; (2) to allow for a larger assignment to the more backward Provinces than to those which are more advanced; and (3) to permit of provision being made for various administrative reforms and works of improvement which it is

desired to undertake. Subject to these adjustments, which are specified below, it has been decided that the divided heads of revenue, and of the corresponding heads of expenditure, shall be shared as follows:—

- (1) In Bengal, United Provinces, Bombay, and Madras, three-fourths Imperial and one-fourth Provincial:
- (2) In the Punjab and Burma, five-eighths Imperial and three-eighths Provincial: and
- (3) In the Central Provinces and Assam, half Imperial and half Provincial.

213. It is intended that the settlements thus made shall be permanent, in the sense that they shall not be subject to revision at the end of fixed periods. The Government of India necessarily reserves to itself, as the final authority in India responsible for the finances and administration of the country, the power to revise the settlement of any or all Provinces at any time whenever necessity may demand it. It is however the intention of Government only to exercise this power when the variations from the initial relative standards of revenue and expenditure in any Province have, over a substantial term of years, been so great as to result in unfairness either to the Province itself, to other Provinces, or to the Government of India; or in the event of the Government of India being confronted with the alternatives of either imposing additional taxation or of seeking assistance from the Provinces.

214. For the present, the scheme has been applied to four Provinces, *viz.*, Bengal, Madras, Assam, and the United Provinces. In the ensuing year it is proposed to extend it to Bombay and the Punjab, and possibly also to the Central Provinces.

215. The modifications that have been made in applying the scheme to these four Provinces are as follows:—

Bengal.—The Provincial share of revenue and expenditure has been taken at one-half under Stamps, and at seven-sixteenths under Excise, while Registration, receipts and charges have been made wholly Provincial; and the expenditure recorded under 3.—Land Revenue, which really represents the cost of the ordinary district administration, is also made wholly Provincial. An addition of 4 lakhs has been made to the fixed assignment to enable the Local Government to improve the pay of ministerial establishments, and a further addition, not exceeding $2\frac{1}{2}$ lakhs, will be made when a scheme has been prepared and sanctioned for strengthening the staff of Deputy Collectors.

Madras.—The Provincial share of Stamp revenue and expenditure has been raised to one-half. The revenue and expenditure under Registration, and expenditure under 3.—Land Revenue have been made wholly Provincial. Special provision has been made in the form of a lump non-recurring grant of 20 lakhs for surveys and settlement. Grants of ₹75,000 and ₹50,000 a year have been made for the relief of certain local bodies, and for agricultural experiments, and the fixed assignment has been placed at a specially high figure. The Government of India have also undertaken to provide for the cost of reorganising the district administration.

United Provinces.—The Provincial share of Stamp revenue and expenditure, and of the expenditure under 3.—Land Revenue has been raised to one-half: Irrigation revenue has been made wholly Provincial, subject to a guarantee from the Government of India that the net receipts shall not fall below 40 lakhs a year; and special grants of $2\frac{1}{2}$ lakhs and $1\frac{1}{2}$ lakhs per annum respectively, have been made to enable the Local Government to relieve Municipalities from the charges for municipal police, and to reform the system of District Board finance.

216. The net result of the new settlements in these four Provinces is an increase of the Imperial contribution to Provincial of ₹23,89,000 per annum as follows:—

	₹
Bengal Provincial assignment <i>less</i>	-5,00,000
Madras Provincial assignment <i>more</i>	+16,55,000
United Provinces Provincial assignment <i>more</i>	+8,25,000
Assam Provincial assignment <i>more</i>	+4,08,000
TOTAL	+23,89,000

General Result.

217. The shares of growing revenue and the fixed assignments from Imperial to Provincial stand as follows:—

(Figures in thousands of Rupees.)

	Madras.	Bengal.	United Provinces.	Assam.
Growing Revenues	2,90,82	4,49,84	3,62,64	60,07
Fixed Assignment	59,66	49,03	4,00	12,00
TOTAL	3,50,48	4,98,87	3,66,64	72,07

The provincialisation of the whole of the Irrigation Revenue in the United Provinces, and the assignment of half shares of the Principal Heads of Revenue in Assam, account for the large proportion which the growing revenues bear to the total in those Provinces.

Effect of the alteration in the shares.

218. The following table shows the share of the average annual increments of revenue (calculated on the basis of the figures for the years 1892-93 to 1902-03), which the Local Governments would have received if the terms of the old settlements had remained unchanged, with the share which they will receive under the new settlements:—

(Figures in thousands of Rupees.)

	Under the old Settlements.	Under the new Settlements.
Madras	5,60	4,89
Bengal	9,00	7,33
United Provinces	3,33	3,91
Assam	1,50	1,24

In other words, out of the annual increment of revenue of the four Provinces taken together, the Imperial Government will receive ₹2,06,000 more than it has hitherto done. On the other hand, owing to the division of expenditure under the heads corresponding to the Principal Heads of Revenue, the Government of India will bear ₹36,000 of the present Provincial increment of expenditure. On the whole, therefore, the Imperial Government receives an additional net increment of revenue of only ₹1,70,000.

219. Finally, in order that the Local Governments may start the new settlement under favourable conditions, the Government of India have sanctioned the following initial grants, *vis.*:—

	Lakhs.
To Bengal	50
„ Madras	50
„ United Provinces	30
„ Assam	20

The grant to Bengal is exclusive of a grant of 50 lakhs which has been separately sanctioned for the Calcutta Improvement scheme, and which is conditional on an acceptable scheme being framed and sanctioned. The grant to Madras includes 20 lakhs on account of special survey and settlement expenditure which is likely to be spread over several years, but will not recur permanently. These grants have been made in the Revised Estimate of 1903-04, and will go to increase the Provincial opening balances of the ensuing year. It is not contemplated that the Local Governments will desire to spend more than a portion of these during 1904-05, and the following provision has accordingly been made by addition to the Provincial Budgets under 45.—Civil Works, *vis.*:—

	Lakhs.
Bengal	15
Madras	10*
United Provinces	6
Assam	4

* Including 4 lakhs under 3.—Land Revenue for special surveys.

The Local Governments will be at liberty to transfer these grants for expenditure under any other heads at their discretion.

220. In addition to the above a grant of R1,25,000 has been made to the United Provinces to compensate the Province for expenditure on the purchase of encumbered estates in Bundelkhand under the Bundelkhand Encumbered Estates Act, 1903.

221. The following table gives the usual information regarding the Revenue, Expenditure and balances of each Province, compared with the standard of 1897 :—

	Estimate for the Settlement of 1897-98 to 1901-1902.	ACCOUNTS.						Revised, 1903-1904.	Budget, 1904-1905.
		1897-98.	1898-99.	1899-1900.	1900-1901.	01-1902.	1902-1903.		
		1	2	3	4	5	6			7	8	9
CENTRAL PROVINCES—									
Balance on April 1, 1897 . . . . .	...	...	...	...	...	...	...	...	...
Total Revenue, including adjustments	83,83,000	89,85,000	88,10,000	83,47,000	92,10,000	1,17,14,000	1,02,98,000	1,11,78,000	1,19,78,000
Total Expenditure	83,83,000	89,85,000	86,87,000	81,70,000	92,10,000	94,71,000	1,02,99,000	1,22,19,000	1,26,80,000
Closing Balance . . . . .	...	...	1,23,000	...	...	22,43,000	22,42,000	15,01,000	8,00,000
BURMA—									
Balance on April 1, 1897 . . . . .	...	31,22,000	...	...	...	...	...	...	...
Total Revenue, including adjustments	2,93,31,000	3,15,97,000	3,41,00,000	3,47,29,000	3,84,64,000	3,65,36,000	3,40,43,000	3,68,57,000	3,75,55,000
Total Expenditure	2,93,31,000	2,99,03,000	2,99,85,000	3,21,15,000	3,49,47,000	3,57,81,000	3,73,30,000	3,85,96,000	4,09,97,000
Closing Balance . . . . .	...	48,16,000	89,31,000	1,15,45,000	1,30,62,000	1,38,17,000	1,05,30,000	87,91,000	53,59,000
ASSAM—									
Balance on April 1, 1897 . . . . .	...	9,44,000	...	...	...	...	...	...	...
Total Revenue, including adjustments	66,43,000	71,62,000	89,34,000	71,53,000	70,97,000	72,64,000	84,16,000	85,36,000	75,47,000
Total Expenditure	66,43,000	76,18,000	80,67,000	79,68,000	71,84,000	71,17,000	74,07,000	82,09,000	79,45,000
Closing Balance . . . . .	...	4,88,000	13,55,000	5,40,000	4,53,000	6,00,000	16,09,000	29,36,000	25,38,000
BENGAL—									
Balance on April 1, 1897 . . . . .	...	39,54,000	...	...	...	...	...	...	...
Total Revenue, including adjustments	4,43,49,000	4,65,69,000	4,74,76,000	4,72,90,000	4,83,97,000	4,93,24,000	5,23,82,000	6,26,90,000	5,03,80,000
Total Expenditure	4,43,49,000	4,86,01,000	4,52,81,000	4,66,89,000	4,76,53,000	4,86,80,000	5,17,69,000	5,44,20,000	5,32,34,000
Closing Balance . . . . .	...	9,22,000	31,17,000	38,18,000	42,62,000	49,06,000	55,29,000	1,37,99,000	1,05,45,000
UNITED PROVINCES OF AGRA AND OUDH—									
Balance on April 1, 1897 . . . . .	...	...	...	...	...	...	...	...	...
Total Revenue, including adjustments	3,42,62,000	3,52,97,000	3,77,31,000	3,64,77,000	3,69,76,000	3,62,46,000	3,89,87,000	4,21,97,000	3,69,55,000
Total Expenditure	3,42,62,000	3,52,97,000	3,44,95,000	3,57,23,000	3,61,72,000	3,72,10,000	3,90,51,000	3,90,03,000	3,94,15,000
Closing Balance . . . . .	...	...	32,36,000	40,40,000	48,44,000	38,80,000	38,16,000	78,10,000	53,50,000
PUNJAB—									
Balance on April 1, 1897 . . . . .	...	5,23,000	...	...	...	...	...	...	...
Total Revenue, including adjustments	1,90,28,000	1,95,58,000	2,07,00,000	1,87,24,000	2,04,57,000	2,22,16,000	2,24,54,000	2,26,30,000	2,20,69,000
Total Expenditure	1,90,28,000	1,85,81,000	1,95,46,300	2,03,78,000	2,04,57,000	2,07,20,000	2,14,25,000	2,19,55,000	2,42,69,000
Closing Balance . . . . .	...	5,00,000	16,54,000	...	...	14,96,000	25,25,000	32,00,000	10,00,000
MADRAS—									
Balance on April 1, 1897 . . . . .	...	22,95,000	...	...	...	...	...	...	...
Total Revenue, including adjustments	3,10,65,000	3,16,20,000	3,36,38,000	3,14,94,000	3,25,76,000	3,75,85,000	3,64,05,000	4,21,48,000	3,60,60,000
Total Expenditure	3,10,65,000	3,31,97,000	3,20,31,000	3,32,52,000	3,28,97,000	3,35,44,000	3,64,21,000	3,67,30,000	3,77,12,000
Closing Balance . . . . .	...	7,18,000	23,25,000	5,67,000	2,46,000	42,87,000	42,71,000	96,87,000	80,35,000
BOMBAY—									
Balance on April 1, 1897 . . . . .	...	17,96,000	...	...	...	...	...	...	...
Total Revenue, including adjustments	4,16,53,000	4,26,96,000	4,60,23,000	4,24,32,000	4,50,92,000	5,14,22,000	4,67,70,000	4,56,67,000	4,61,43,000
Total Expenditure	4,16,53,000	4,39,92,000	4,50,10,000	4,39,36,000	4,50,92,000	4,55,99,000	4,81,83,000	4,57,80,000	4,74,29,000
Closing Balance . . . . .	...	5,00,000	15,04,000	...	...	58,23,000	34,00,000	32,77,000	20,00,000

222. In the four provinces whose settlements are under revision, the new standard of Revenue and Expenditure is as follows:—

	R
Assam	72,07,000
Bengal	4,98,87,000
United Provinces	3,66,64,000
Madras	3,50,48,000

223. The Revised Estimate includes grants, aggregating R1,62,65,000, which have been given from Imperial revenues during the current year for expenditure on certain special purposes, in addition to the grant of R1,50,00,000 referred to in paragraph 219. In the case of Bombay, the Punjab, and the Central Provinces they also include R13,11,000, R7,86,000 and R15,28,000 respectively given to these Provinces to enable them to close with the prescribed minimum balance. The following table shows the distribution of the grants to various Provinces:—

PROVINCES.	Grant of 40 lakhs for Education.	Grant in 1903-1904 of recurring portion of grant of 18 lakhs for District and other Establishment.	Grant in 1903-1904 for Expenditure in 1904-1905 on special purposes.	Grant in 1903-1904 for Expenditure in 1904-1905 on special public objects.
1	2	3	4	5
	R	R	R	R
Central Provinces	2,00,000	1,90,000	3,00,000	1,50,000
Burma	4,00,000	...	...	3,00,000
Assam	1,00,000	1,11,000	...	1,50,000
Bengal	10,00,000	...	50,00,000	5,00,000
United Provinces	5,00,000	2,26,000	3,00,000	3,00,000
Punjab	4,00,000	1,36,000	20,50,000	2,00,000
Madras	8,00,000	3,50,000	...	3,00,000
Bombay	6,00,000	3,50,000	10,52,000	3,00,000
TOTAL	40,00,000	13,63,000	87,02,000	22,00,000

224. As explained in paragraph 282 of the Financial Statement for 1903-1904 the grants shown in columns 2 and 3 of the foregoing table were made for permanent recurring expenditure on education, and the improvement of district administration. Those shown in column 4 have been sanctioned in the course of the current year. The grant of R3,00,000 to the Central Provinces is intended for expenditure on Irrigation Works. That of R50,00,000 to Bengal represents the Government contribution towards the scheme for the structural improvement of Calcutta; the money will be reserved exclusively for this purpose, and its appropriation is conditional on the scheme being approved by the Government of India. The grant of R3,00,000 to the United Provinces represents a grant to the Lucknow Municipality to enable it to undertake a drainage scheme. Of the allotment of R20,50,000 to the Punjab, R20,00,000 is for expenditure on extensions and improvements in Simla, and R50,000 is a grant to the Punjab University to enable it to construct a Senate Hall at Lahore. In Bombay, a grant of R6,00,000 has been made for the completion of St. George's Hospital, and the remaining R4,52,000 is intended to enable the Local Government to carry out improvements under a variety of heads.

225. The present financial position has also enabled the Government of India to make the special grants shown in column 5 for expenditure in 1904-1905 upon a variety of desirable objects of public utility, such as hospitals, museums, colleges, public libraries, hostels, public parks and gardens, and the like, which have hitherto had to yield precedence to works of more pressing urgency.

226. In the Budget Estimate for 1904-1905 the recurring grants for expenditure on education and the improvement of district administration are repeated except for Assam, Bengal, the United Provinces, and Madras; in these Provinces the grants have been taken into account in fixing the standard of expenditure and they now form part of the permanent assignments made to Provincial revenues in the new settlements. Grants of ten and five lakhs respectively have also been made to the Punjab and Bombay for expenditure on Civil Works. The grants to the Punjab, Bombay, and the Central Provinces, which are deficit provinces, to work up to the prescribed minimum closing balances at the end of 1904-1905, are R10,66,000, R74,51,000, and R29,26,000 respectively.

Section VII.—Ways and Means.

HOME TREASURY.

227. The following are the details of the transactions of the Home Treasury in the Budget and Revised Estimates of 1903-1904 and in the Budget Estimates of 1904-1905:—

	Budget, 1903-1904.	Revised, 1903-1904.	Budget, 1904-1905.
	£	£	£
Opening balance	5,686,537	5,767,787	7,093,387
RECEIPTS.			
Capital raised and deposited by Railway Companies—			
For Capital outlay	1,052,600	7,300	1,252,600
* For discharge of Debentures	3,332,800	200,000	2,070,100
Deposits and Advances—			
* Gold Reserve Fund	102,700	2,566,200	166,800
Other items	26,000	40,900	7,500
Remittance Account between England and India—			
Railway transactions	2,053,000	16,600	2,453,000
* Remittance of Gold from India for purchase of silver . . . . .	...	3,996,900	...
Other transactions	1,510,000	2,596,700	504,000
Total Receipts excluding Council Bills and Loans and opening balance	8,077,100	9,424,600	6,454,000
DISBURSEMENTS.			
Excess of Expenditure over Revenue	17,619,300	17,487,800	18,435,900
Railway and Irrigation Capital not charged to Revenue—			
Outlay on State Railways and Irrigation Works	1,813,400	1,293,300	1,715,800
Outlay of Railway Companies	1,396,800	1,344,900	1,264,900
* Payments to Railway Companies for discharge of debentures	3,332,800	247,000	2,070,100
Permanent Debt discharged	600,000	600,000	1,002,100
Temporary Debt discharged	3,500,000	3,500,000	2,000,000
Deposits and Advances—			
* Gold Reserve Fund	102,700	2,566,200	166,800
Other transactions . . . . .	...	215,100	7,900
Remittance Account between England and India—			
Railway transactions	1,991,300	1,601,500	2,747,000
* Purchase of Silver . . . . .	...	4,055,000	...
Other transactions	472,700	278,200	350,600
Total Disbursements	30,829,000	33,189,000	29,761,100
Net Disbursements excluding Council Bills and loans and opening balance	22,751,900	23,764,400	23,307,100
<i>Financed as follows:</i>			
Council Bills	17,000,000	21,500,000	16,500,000
Permanent Debt incurred	2,000,000	1,500,000	2,500,000
Temporary Debt incurred	2,000,000	2,000,000	2,000,000
Reduction of + or addition to — Cash balance	+ 1,751,900	— 1,235,600	+ 2,307,100
TOTAL	22,751,900	23,764,400	23,307,100
Closing balance	3,934,637	7,003,387	4,696,287

* The heads marked with an asterisk appear both on the Receipt and Payment sides. As the Receipts and Disbursements under each of them are practically equal, they do not affect the Ways and Means of the year to any material extent.

228. In the Revised Estimate the net disbursements (apart from receipts from Council Bills and loans) are taken at £23,764,400 against £22,751,900 in the Budget Estimate. There is thus an increase in the net outgoings of £1,012,500. The conditions obtaining in the London money market during the current year have not been favourable for the raising of fresh capital by Railway Companies. Accordingly, the additional capital which it was originally proposed to raise through the agency of Companies, *viz.*, £1,050,000 for their own lines, and £2,050,000 for State lines worked by Companies, was in fact not raised at all; while only £200,000 was raised to discharge debentures, in place of £3,332,800 taken in the Budget. On the other hand, the net expenditure chargeable against revenue is less than the Budget Estimate by £131,500, the Capital outlay on State

1903-1904.
General Remarks.

Railways and Irrigation Works by £520,100 and the Advances to Railway Companies for Capital outlay on Purchased Railways worked by them by £389,800. The miscellaneous remittances from India, consisting mainly of recoveries from His Majesty's Imperial Government on account of expenditure incurred in India in connection with the forces in Somaliland, South Africa and China and for Emigration bills, Chelsea out-pensioners and supplies to His Majesty's Imperial Navy exceed the Budget Estimate by £1,086,700. The net result of these variations is an increase of net outgoings of £971,900. This with minor differences under other heads aggregating £40,600 make up the difference of £1,012,500 in the net disbursements mentioned above.

229. The increase in the net disbursements was met partly from an increase of £81,250 in the opening balance of the year, but mainly by an increase of £4,500,000 in Council Bills. Of the latter, £500,000 was applied towards reduction of the sterling loan proposed in the Budget Estimate and the remainder will go to swell the closing balance of the year which is expected to stand at £7,003,387.

1903-1904.
Council Bills.

230. In addition to the £21,500,000 shown in the table above, the Revised Estimate also provides for the sale of £2,200,000 additional Council Bills, for remittance to London of the balance of the Gold Reserve Fund held in India. It should be noted that the receipts by the Secretary of State on this account, as well as the remittance of gold made from India in July last on account of the Gold Reserve Fund, are for investment and do not therefore affect the balances of the Home Treasury otherwise than temporarily.

1903-1904.
Loans.

231. Great Indian Peninsula Railway debentures for £600,000 and India Bills for £3,500,000 fell due in 1903-1904. The Budget Estimate provided for the discharge of these by the issue of £2,000,000 India Stock and £2,000,000 India Bills. The Budget programme was carried out except that only £1,500,000 3 per cent India Stock was issued. Tenders were invited at a minimum rate of 97 per cent. The applications received amounted to £5,971,500; the average rate of accepted tenders was £98-19-2 and the lowest accepted rate £98-18-6 per cent.

232. The results of the issues of £2,000,000 India Sterling Bills was as follows:—

Month of Issue.	Amount tendered.	Amount accepted.	Average rate of interest per cent per annum.
	£	£	£ s. d.
May 1903	2,991,000	500,000 for twelve months	3 7 5
September "	2,038,000	500,000 ditto	3 11 6
December "	3,661,000	500,000 ditto	3 12 11
March 1904	2,439,000	500,000 ditto	3 5 2

1903-1904.
Capital raised and deposited by Companies.

233. The details of the transactions under capital raised and deposited by Railway Companies are as follows:—

	Budget.	Revised.
	£	£
RECEIPTS.		
<i>Subscribed Capital.</i>		
To discharge debentures—		
Bengal Nagpur Railway	100,000	...
" " extensions	400,000	...
Indian Midland Railway	1,584,900	...
Southern Mahratta Railway	100,000	100,000
Bombay, Baroda and Central India Railway	949,900	100,000
Madras Railway	200,000	...
	<u>3,332,800</u>	<u>200,000</u>
To meet Capital outlay—		
Bengal Nagpur Railway	50,000	...
" " extensions	200,000	...
Bombay, Baroda and Central India Railway	500,000	...
Madras Railway	300,000	...
	<u>1,050,000</u>	<u>...</u>
Miscellaneous (Transfer fees, etc.)	2,600	7,300
TOTAL RECEIPTS	<u>4,385,400</u>	<u>207,300</u>
ISSUES.		
For Discharge of Debentures	3,332,800	247,000
For Capital outlay, i.e., Stores, Establishment Charges, etc.	1,396,800	1,344,900
TOTAL ISSUES	<u>4,729,600</u>	<u>1,591,900</u>

234. For the reason stated in paragraph 228, the Companies mostly found it preferable to renew their debentures, rather than discharge them at maturity. The only exceptions were the following, which were paid off during the year :—

	£
Southern Mahratta Railway	100,000
Bombay, Baroda and Central India Railway	145,000
Madras Railway	800
	245,800

The £247,000 shown in the preceding paragraph includes £1,200 which represents discount payable on the renewal of debentures.

235. The issues for Capital outlay do not differ materially from the Budget Estimates, except that the Bombay, Baroda and Central India Railway is likely to require £113,000 more, and the Madras and Southern Mahratta Railways £130,900 and £47,600 less than the Budget Estimates.

236. The Railway Companies whose transactions are dealt with above have separate capital deposit accounts in England, and funds raised and withdrawn by them in England are brought directly to account in the Home Treasury. Besides these there are also other Railway Companies which work railways that are the property of the State. These include the East Indian, the South Indian, the Great Indian Peninsula and the Rajputana-Malwa Railways. Advances are made to these Companies in England for the purchase of stores; and funds are sometimes raised by the Companies working the railways and deposited with the Secretary of State; but these deposits and advances instead of being brought directly to account in England under the appropriate heads, are treated as remittances from or to India and are brought to account in this country. The details of these transactions during the current year are as follows :—

*1903-1904.
Remittance
Account between
England and
India—Railway
transactions.*

RECEIPTS.	Budget.	Revised.
<i>Debentures raised—</i>	£	£
East Indian Railway	1,250,000	...
South Indian Railway	350,000	...
Great Indian Peninsula Railway	450,000	...
	2,050,000	...
<i>Transfer fees, etc.</i>	3,000	16,600
TOTAL RECEIPTS	2,053,000	16,600

ISSUES.	£	£
<i>Advances for Purchase of Stores—</i>	£	£
East Indian Railway	900,000	594,000
Rajputana Malwa Railway	200,000	170,600
South Indian Railway	232,000	132,900
Bengal and North-Western Railway	30,000	141,300
Great Indian Peninsula Railway	629,300	562,700
TOTAL ISSUES	1,991,300	1,601,500

237. The demand for rupee currency during the second half of the current year has necessitated large purchases of silver in England. The total cost of the purchases is now estimated at £4,055,000; practically the whole of this amount has been remitted from India in gold, the sale-proceeds of which are taken at £3,996,900 in the Revised Estimate.

*1903-1904.
Purchase of Silver
and Remittance of
Gold from India.*

238. In the Budget Estimate of 1904-1905, the net disbursements are taken at £23,307,100 including £1,002,100 and £2,000,000 respectively for the discharge of Great Indian Peninsula Railway Debentures, and India Bills which expire next year.

*1904-1905.
Main features.*

239. This estimate of the net disbursements exceeds the Budget Estimate of the current year by £555,200. This represents the net result of a number of variations the most considerable of which are as follows:—

<i>Better.</i>		£
Capital raised by Railway Companies for Capital outlay, <i>more</i> :		200,000
Capital outlay not charged to revenue, including outlay by Companies, <i>less</i>		229,500
Temporary Debt discharged (India Bills), <i>less</i>		1,500,000
Remittance Account between England and India—		
Payments in England on account of money orders and stores for Provincial Governments and Local Funds, etc., <i>less</i>		122,100
		2,051,600
<i>Worse.</i>		
Net Expenditure on Revenue Account (Increase due to cost of new armaments and stores for Coast Defences), <i>more</i>		816,600
Permanent Debt discharged (Great Indian Peninsula Debentures), <i>more</i>		402,100
Debenture Capital raised by Railway Companies working State Railways (Debentures raised <i>more</i> £400,000, Debentures discharged, <i>more</i> £800,000) net <i>worse</i>		400,000
Remittance Account between England and India—		
Recoveries from His Majesty's Government on account of payments in India for Somaliland force, etc., <i>less</i>		1,006,000
		2,624,700

240. It is proposed to meet the net disbursement of £23,307,100 by the sale of £16,500,000 Council Bills, and by the issue of £2,500,000 India Stock and £2,000,000 India Bills. The remainder, which amounts to £2,307,100, will be met by drawing upon the cash balance of the Home Treasury which is expected to stand at £7,003,387 on 31st March 1904. The estimated balance on the 31st March 1905 is therefore £4,696,287.

241. As mentioned above, India Sterling Bills for £2,000,000 fall due in 1904-1905, and it is proposed to replace these by the issue of new Bills of a corresponding amount. Of the £2,500,000 India Stock which it is at present intended to issue next year, £1,002,100 is for the discharge of Great Indian Peninsula Railway Debentures which fall due on the 30th June 1904, and the balance is for advances to Indian Railway Companies under Act 51 Vict., c. 5.

242. The following are the details of the Estimates of Capital to be raised by Railway Companies:—

	To replace Debentures.	Additional Capital.
	£	£
<i>Subscribed Capital of Railway Companies—</i>		
Bengal-Nagpur Railway	25,000	...
Ditto Extensions	375,000	...
Indian Midland Railway	1,000,000	...
Rohilkund and Kumaon Railway	147,000	...
Bombay, Baroda and Central India Railway	120,000	500,000
Madras Railway	403,100	750,000
	2,070,100	1,250,000
Transfer fees and Miscellaneous refunds . . . . .	...	2,600
	2,070,100	1,252,600
<i>Debenture Capital of Companies working purchased Railways—</i>		
East Indian Railway	800,000	1,200,000
South Indian Railway . . . . .	...	450,000
	800,000	1,650,000
Transfer fees and Miscellaneous refunds . . . . .	...	3,000
	800,000	1,653,000
TOTAL	800,000	1,653,000

1904-1905.
Loans.

1904-1905.
Capital of
Railway
Companies.

243. The following are the details of the transactions of the Gold Reserve Fund in England:—

	1903-1904.		1904-1905.
	Budget.	Revised.	Budget.
<i>Receipts.</i>			
(a) Profit on coinage, remitted to England from India—	£	£	£
By Council Bills	...	2,200,000	...
In gold (less charges of remittance £1,400)	...	259,600	...
(b) Dividends on investments	102,700	106,600	166,800
TOTAL	102,700	2,566,200	166,800
<i>Payments.</i>			
Investments made	102,700	2,566,200	166,800
Opening Balance—			
Invested	3,810,300	3,810,300	6,376,500
Uninvested	1,000	1,000	5,700
Closing Balance—			
Invested	3,913,000	6,376,500	6,543,300
Uninvested	289,000	5,700	129,000
Net Profits on new coinage in India	288,000	2,465,700	123,300

244. The following is a summary of the figures relating to Council Bills and the Sterling Debt of Government and of Railway Companies included in the Estimates for 1903-1904 and 1904-1905. The figures are:—

	Budget, 1903-1904.	Revised, 1903-1904.	Budget, 1904-1905.
	£	£	£
RECEIPTS.			
Council Bills (exclusive of Bills drawn in connection with the Gold Reserve Fund)	17,000,000	21,500,000	16,500,000
Permanent Debt incurred (India Stock)	2,000,000	1,500,000	2,500,000
Temporary Debt incurred (India Sterling Bills)	2,000,000	2,000,000	2,000,000
Receipts on account of the Subscribed Capital of Railway Companies	4,382,800	200,000	3,320,100
Receipts on account of the Debenture Capital of other Railway Companies (the East Indian, South Indian and Great Indian Peninsula Railway Companies)	2,050,000	Nil	2,450,000
OUTGOINGS.			
Permanent Debt discharged	600,000	600,000	1,002,100
Temporary Debt discharged	3,500,000	3,500,000	2,000,000
Discharge of Railway Companies' Debentures	3,332,800	247,000	2,070,100
Discharge of East Indian Railway Company's Debentures	...	...	800,000

245. The programme herein announced of the probable drawings on India and of the transactions in connection with the Government Sterling Debt and the borrowings of Railway Companies represent the present intentions of the Secretary of State. But in view of the varying conditions of Indian finance and of the London money market, no assurance can possibly be given that the programme will be adhered to either in amount or form. The Secretary of State reserves to himself the right to vary the programme to any extent that may be considered necessary during the course of the year.

FINANCIAL STATEMENT OF THE INDIA.

246. The following is a summary of the Estimates of Ways and Means in India during 1903-1904 and 1904-1905 :—

	BUDGET ESTIMATE, 1903-1904.		REVISED ESTIMATE, 1903-1904.		BUDGET ESTIMATE, 1904-1905.	
	Rupee figures.	Equivalent in £ at R 15= £ 1.	Rupee figures.	Equivalent in £ at R 15= £ 1.	Rupee figures.	Equivalent in £ at R 15= £ 1.
RECEIPTS.						
Excess of Revenue over Expenditure charged to Revenue	R	£	R	£	R	£
Capital raised through Companies for outlay on State Railways (net)	27,85,20,000	18,568,000	30,29,86,000	20,199,000	29,03,19,000	19,354,600
Capital raised and deposited by Railway Companies	3,07,50,000	2,050,000	...	...	2,47,50,000	1,650,000
Unfunded Debt incurred, mostly Savings Bank deposits (net)	4,96,000	33,000	2,73,000	18,200	2,59,000	17,200
Deposits and Advances—	89,31,000	595,400	1,09,65,000	731,000	1,03,22,000	688,100
Appropriation for Reduction or Avoidance of Debt	86,70,000	578,000	87,96,000	586,400	81,91,000	546,100
Balances of Provincial allotments	-2,07,52,000	-1,383,500	1,80,18,000	1,201,200	-1,97,52,000	-1,316,800
Other Items (net)	49,34,000	332,300	40,10,000	267,300	5,93,000	39,500
Remittances—	...	...	...	...	...	...
Inter-Departmental Remittances	...	...	59,53,000	396,900	...	...
Remittance account between England and India—	...	...	...	...	...	...
Silver remitted from England	...	...	6,08,25,000	4,055,000	...	...
Transactions of Railway Companies	2,98,69,000	1,991,300	2,40,22,000	1,601,500	4,12,05,000	2,747,000
TOTAL RECEIPTS EXCLUDING LOANS.	34,14,68,000	23,764,500	43,58,48,000	29,056,500	35,58,87,000	23,725,700
DISBURSEMENTS.						
Capital Expenditure not charged to Revenue—	...	...	...	...	...	...
State Railways and Irrigation Works	6,28,20,000	4,188,000	5,87,30,000	3,915,300	8,14,18,000	5,427,800
Outlay by Companies (net)	1,05,94,000	706,300	83,67,000	557,700	80,27,000	535,000
Permanent Debt discharged	13,50,000	90,000	13,00,000	86,700	13,00,000	86,700
Temporary Debt discharged	...	...	...	...	50,00,000	333,500
Loans granted and repaid (net)—	...	...	...	...	...	...
Imperial	7,54,000	50,200	20,02,000	133,500	-7,63,000	-50,800
Provincial	-12,09,000	-80,600	-42,07,000	-280,500	5,65,000	37,700
Remittance account between England and India—	...	...	...	...	...	...
Gold remitted to England for purchase of silver.	...	...	5,99,54,000	3,996,900	...	...
Transactions of Railway Companies	3,07,95,000	2,053,000	2,49,000	16,600	3,67,95,000	2,453,000
Other transactions (net)	54,15,000	361,000	2,07,82,000	1,385,500	85,90,000	572,700
Council Bills	25,60,4,000	17,066,900	32,24,07,000	21,493,800	25,15,45,000	16,769,700
TOTAL DISBURSEMENTS	36,65,23,000	24,434,800	46,95,84,000	31,305,500	39,24,77,000	26,165,100
NET DISBURSEMENTS	2,50,55,000	1,670,300	3,37,36,000	2,249,000	3,65,90,000	2,439,400
FINANCED AS FOLLOWS:						
Permanent Debt incurred	2,00,00,000	1,333,300	2,00,00,000	1,333,300	3,00,00,000	2,000,000
Temporary Debt incurred	...	...	50,00,000	333,300	...	...
From Treasury Balances	50,55,000	337,000	87,36,000	582,400	65,90,000	439,400
TOTAL	2,50,55,000	1,670,300	3,37,36,000	2,249,000	3,65,90,000	2,439,400
Opening Balance	17,74,99,524	11,833,301	18,12,36,240	12,082,416	17,25,00,240	11,500,016
Closing Balance	17,24,44,521	11,496,301	17,25,00,240	11,500,016	16,59,10,240	11,060,616

247. When the Budget Estimate of the current year was framed in March last, the cash balance in the treasuries on 1st April 1903 was estimated at 17,75 lakhs. It was calculated that net revenue receipts would amount to 27,85 lakhs, and that remittance and other miscellaneous transactions would yield a net receipt of 2,71 lakhs. Council drawings were taken at 25,60 lakhs, Capital outlay on State Railways and canals at 6,28 lakhs, and net expenditure from the balances of Provincial Governments at 2,07 lakhs. The net disbursements were thus in round figures 3,39 lakhs. It was proposed to meet these (1) by a rupee loan of two crores, (2) by unfunded debt, mostly Savings Bank deposits, to the amount of 89 lakhs, and (3) by drawing on the cash balances to the extent of 50 lakhs.

1903-1904.
Main features of
Budget Estimates.

248. The results according to the Revised Estimate have differed considerably from this forecast. The actual cash balance on 1st April 1903 was 18,12 lakhs, or greater by 37 lakhs: the net revenue was better than the estimate by 2,45 lakhs: the Provincial balances, instead of being drawn upon, were increased by 1,80 lakhs, making a net improvement of 3,87 lakhs: and capital expenditure on State Railways and Irrigation was less by 41 lakhs. On the other hand, Council drawings reached the very large total of 32,24 lakhs or 6,64 lakhs more than estimated, and miscellaneous remittance and other transactions yielded a net credit of only 1,18 lakhs, being less than the forecast by 1,53 lakhs. The net result was a worseness of 1,07 lakhs, which was met as follows, (1) from an increase in Savings Bank deposits which improved to the extent of 20 lakhs, (2) by a special temporary loan from Gwalior of 50 lakhs, and (3) by drawing further on the cash balance to the extent of 37 lakhs. The cash balance at the close of the year is now estimated at 17,25 lakhs.

1903-1904.
Main features of
Revised Estimates.

249. The leading feature of the year was the strong demand for Councils. The demand was active throughout the summer and autumn, when it is as a rule comparatively weak, the sales never falling below 2 crores in any one month. This did not prevent the demand becoming still keener in the cold weather, the sales in January reaching 5,02 lakhs, and those in February 5,01 lakhs. The total sales of the year are the highest on record.

The figures shown in the table are exclusive of 3,30 lakhs paid on account of Council Bills drawn for the remittance of the profits on coinage, for investment on account of the Gold Reserve Fund.

250. The improvement in the net revenue and expenditure has been explained in Section II of the Financial Statement. The improvement in the Provincial balances is partly due to increased receipts and short expenditure by the Local Governments, but also in great measure to the large grants aggregating 2,59 lakhs, which have been made to them from Imperial revenues towards the close of the year for various purposes. The miscellaneous transactions include remittances on account of Railway Companies, and their capital receipts and expenditure, the Imperial and Provincial loan account, transactions in connection with the purchase of silver for coinage, and the portion of the Famine Insurance grant which is appropriated for the reduction or avoidance of debt. They also include expenditure incurred in India on account of His Majesty's Government the amount of which is recovered from the latter through the London account. This consists chiefly of payments on account of troops in Somaliland and China, charges for stores issued, emigration bills, Chelsea out-pensioners, and Naval charges. They considerably exceeded the forecast of the year.

251. The nature of the Railway transactions has been explained in paragraph 236. In respect of the loan account, the receipts were larger than had been expected, in consequence of the improved condition of the country which enabled recoveries of takavi advances given during the late famine to be effected on a considerable scale, especially in the Central Provinces and the Punjab. On the other hand, the advances to the Simla-Kalka Railway amounted to 45 lakhs, against only 33 provided in the Budget.

252. The remittance of gold to England for the purchase of silver, and the transfer of the latter to India for coinage, involved very large transactions approximating 6 crores on either side. But the amounts are necessarily nearly equal and have little effect on the net result. The £300,000 worth of silver purchased in 1902-1903, to which reference was made in paragraph 308 of the last Financial Statement was not received till after the close of that year, and the transaction appears in the accounts of 1903-1904 under the head of Remittances.

1903-1904.
Purchase of Silver.

1903-1904 and
1904-1905.
Unfunded Debt.

253. The following table gives the details of the transactions of Savings Banks and Provident Funds during a series of years and the estimated transactions for 1903-1904 and 1904-1905:—

YEAR.	Net additions to deposits, cash.	Interest.	Total addition.
	₹	₹	₹
1892-93	54,89,000	33,94,000	88,83,000
1893-94	17,99,000	36,80,000	54,79,000
1894-95	—8,45,000	29,70,000	21,25,000
1895-96	24,77,000	33,85,000	58,62,000
1896-97	—58,11,000	34,66,000	—23,45,000
1897-98	—65,71,000	32,70,000	—33,01,000
1898-99	—8,84,000	32,29,000	23,45,000
1899-1900	1,42,000	33,48,000	34,88,000
1900-1901	19,44,000	34,80,000	54,24,000
1901-1902	31,04,000	36,87,000	67,91,000
1902-1903	52,40,000	39,00,000	91,40,000
1903-1904 (Budget)	40,73,000	41,65,000	82,38,000
1903-1904 (Revised)	61,77,000	42,20,000	1,03,97,000
1904-1905 (Budget)	51,05,000	45,45,000	96,50,000

254. A net deposit in the Post Office Savings Bank of 30 lakhs apart from interest was assumed in the Budget Estimate of the current year. The transactions of the first eight months of the year have resulted in a net increase in the deposits of more than 61 lakhs, and allowing for withdrawals usually made in the closing months of the year, it is now expected that apart from interest there will be a net increase in the deposits of ₹50,20,000 during the year.

255. In the Budget Estimate for 1904-1905 a net deposit in the Post Office Savings Banks of 40 lakhs apart from interest is anticipated.

256. In accordance with the intention expressed in paragraph 310 of the last Financial Statement, a $3\frac{1}{2}$ per cent loan of 2 crores was announced in July last. Tenders were opened on the 22nd idem and the result of the loan was as follows:—

Total amount tendered.	Amount accepted.	Average rate of accepted tenders.	Minimum rate accepted.
₹	₹	₹ a. p.	₹ a. p.
4,96,00,835	2,00,00,000	98 1 7 ²	97 15 0

1903-1904.
Rupee Loan.

1903-1904.
Temporary Debt
incurred.

257. As stated in paragraph 19, there was an extraordinary demand for rupee currency during the past winter, and in January last, as a measure of precaution, it was arranged to obtain a temporary loan of 50 lakhs of rupees from the Gwalior Durbar for three months. It will be repaid early next year.

258. In the Budget Estimate for next year, the net disbursements are taken at ₹28,54,000 more than in the Revised Estimate of the current year. The following variations have chiefly contributed to this excess :—

<i>Worse.</i>	₹
Excess of Revenue over Expenditure, <i>less</i>	1,26,67,000
Reduction of Provincial balances	3,77,70,000
Deposits and Advances—other items and Inter-Departmental Remittances (chiefly due to absence of special receipts from coinage of bullion in balance and withdrawn coin)	93,70,000
Expenditure not charged against Revenue, including Outlay by Companies, due to a larger programme of Capital Expenditure on Railways and Irrigation Works	2,23,48,000
Temporary Debt discharged (Gwalior loan)	50,00,000
Loans by Provincial Governments (smaller recoveries of agricultural advances and a more liberal provision for loans to Municipalities for water-works, drainage schemes, etc.) <i>net</i>	47,72,000
Remittance Account between England and India—	
Withdrawals by Railway Companies for stores, etc., in England	1,93,63,000
	11,12,90,000
 <i>Better.</i> 	
Capital raised through Companies for outlay on State Railways (Debentures raised)	2,47,50,000
Loans by Imperial Government (₹12,05,000 provided on account of advances to the Simla-Kalka Railway against ₹45,00,000 in the Revised)	27,65,000
Remittance Account between England and India—	
Other transactions (chiefly due to smaller provision for payments on account of Somaliland force)	1,21,92,000
Council Bills	7,08,62,000
	11,05,69,000

259. It is proposed to meet the net disbursements of ₹3,65,90,000 in the Budget Estimate of next year by a new loan in India of three crores, and by drawing upon the cash balance to the extent of ₹65,90,000. The announcement now made regarding the rupee loan is in accordance with the present programme, but full liberty is reserved, as usual, to vary the programme now announced to any extent that may be considered desirable.

1904-1905.
Main feature.

1904-1905.
New Rupee Loan.

Section VIII.—Summary.

260. The principal features in this statement are the following :—

I.—The accounts of 1902-1903 closed with a surplus of £3,069,549, being £331,049 higher than the surplus expected in the Revised Estimate of that year.

II—1903-1904—

(1) The Revised Estimates show a total revenue of £83,067,800, a total expenditure charged to Revenue of £80,356,600, and a surplus of £2,711,200. This surplus is higher than that estimated in March 1903 by £1,762,500.

(2) There has again been a large increase of revenue under almost every important head, especially from railway net earnings and opium.

Land Revenue yielded an increase of £179,800; Excise of £420,400, Customs of £316,200, Forests of £119,200 and Irrigation Major Works of £148,600.

The reduction in the Salt duty has stimulated consumption, and the revenue is expected to exceed the estimate by £206,700.

The net earnings of State Railways exceeded the estimate by £723,400; and those of Guaranteed Railways by £28,700. The North Western Railway contributed most largely to the former.

The prices of Bengal opium ruled extraordinarily high, and the revenue exceeded the estimate by £1,354,900. On the other hand, the season's crop was a bumper, involving very large payments for the raw product. The charges exceeded the estimate by £474,100.

(3) Army expenditure is expected to exceed the estimate by £164,400. This is inclusive of £300,000 for the Tibet Mission, and £186,400 for the escorts with the Aden and Seistan Delimitation Commissions. There were savings of £239,200 on account of the absence of troops in China and Somaliland.

The expenditure on Civil Public Works increased by £121,100.

Owing to the inability of the Local Governments to expend their full allotments, there were savings under most of the chief administrative heads, the more important being Land Revenue £130,700, Jails £84,600, Police £107,500, Education £141,400, Medical £97,100 and Minor Irrigation Works £82,300.

Under Famine Relief, total expenditure was only £20,400. The grant of £120,000 for Special Defences was only used to the extent of £28,400.

(4) Special grants, aggregating £1,726,700, have been made to Provincial Governments, of which £1,000,000 represents initial grants to the four Provinces,—Assam, Bengal, the United Provinces, and Madras,—whose settlements have been revised. The remainder represents grants for various specific purposes, including £333,300 for the improvement of Calcutta.

(5) Mint receipts exceed the Budget Estimate by £2,345,500, and the expenditure has been higher by £2,212,900. These differences are mainly due to the profit of £2,465,700 on the coinage of £4,625,000 worth of silver, of which £300,000 worth was brought forward from 1902-1903, and the remainder was purchased, in India and England, during the year. The whole profits, with the exception of a sum of £5,700, will have been remitted to England for investment to the account of the Gold Reserve Fund, which now consists of Consols and National War and Local Loans stock. The amount at credit of the Fund is £6,382,200.

- (6) It has been decided to appropriate £956,700 from the surplus of the year towards the provision of new artillery and rifles, and in pushing on the scheme of special coast defences.
- (7) A loan of two crores was raised in India; and India 3 per cent stock to the amount of £1,500,000 was issued, of which £600,000 was applied to the discharge of Great Indian Peninsula Railway debentures. £3,500,000 of India Bills, temporary, fell due, of which £2,000,000 were replaced, and £1,500,000 were discharged.
- (8) A temporary loan of £333,300 for three months was raised from the Gwalior Durbar in January 1904.
- (9) The drawings of Councils in 1903-1904 are expected to amount to £23,700,000. Of this, £2,200,000 represents remittances on account of the Gold Reserve Fund, and £21,500,000 are remittances on ordinary account, as compared with £17,000,000 entered in the Budget.
- (10) In addition to Councils, a sum of £261,027 in gold was remitted to the Secretary of State in July last on account of the Gold Reserve Fund.

II.—1904-1905—

- (1) The Budget Estimates of 1904-1905 show a total revenue of £80,148,600, a total expenditure charged to Revenue of £79,229,900, and a surplus of £918,700.
- (2) Opium receipts are estimated at £781,600 less than the Revised Estimate of 1903-1904, but the other principal heads of Revenue are expected to yield an increase of £558,400, of which the principal factors are Land Revenue £329,200; and Excise £124,500. The net earnings of State Railways are taken at £174,800 less than the latest estimate of the current year.
Mint receipts are taken at £2,516,100 less, and the corresponding charges, including payments to the Gold Reserve Fund, at £2,385,000 less, than the Revised Estimates.
- (3) It is not thought necessary to make any provision for direct famine relief, but the Famine Insurance grant of one million is maintained at the same figure as formerly.
- (4) Army expenditure is expected to be greater than that of the Budget Estimate of 1903-1904 by £1,422,800. The provision of new artillery and rifles accounts for £700,000, the service pay of British troops, at 6*d.* a day, for £493,900, and expenditure on the Tibet, Aden, and Seistan Missions for £326,000. A sum of £256,700 is provided for prosecuting the scheme of special coast defences and sums aggregating £662,900 under various heads on account of projects for improving the efficiency of the army.
- (5) Most of the other heads of expenditure show an increase.
- (6) The Provincial Settlements of Assam, Bengal, the United Provinces and Madras have been revised and placed on a permanent basis. The revision involves the surrender to the Local Governments of Imperial Revenue amounting to £159,300 per annum.
- (7) Subject to the usual reservations, loans of £2,500,000 in England and of three crores in India are announced as contemplated, and the drawings of Council Bills are entered at £16,500,000. The sterling loan is required partly to pay off Great Indian Peninsula Railway debentures to the amount of £1,002,100, and partly for advances to Railway Companies. The rupee loan is intended for expenditure on Railways and Irrigation Works.
- (8) Subject to the usual reservations, provision is also made for the raising of capital through Railway Companies as follows, *viz.* :—
 - (a) towards outlay on State Railways, £1,650,000;
 - (b) for expenditure on Companies' Railways, £1,250,000.

FINANCIAL STATEMENT OF THE

(9) £2,000,000 of India Bills will fall due within the year, and it is intended to replace them by an issue of similar Bills of equal amount.

IV.—The following table shows the Capital expenditure on Railways and Irrigation Works :—

	Accounts, 1902-1903.	Revised Estimate, 1903-1904.	Budget Estimate, 1904-1905.
RAILWAYS.	R	R	R
Included in the Government programme	10,05,75,960	9,82,07,000	12,00,00,000
Famine Protective lines	24,375	19,07,000	22,06,000
Branch lines not on firm guarantee	7,95,054	2,58,000	1,63,000
Railways outside the Government account	1,00,20,900	93,58,000	88,96,000
Provincial and Local State lines	8,19,892	3,99,000	3,18,000
TOTAL RAILWAYS	11,22,36,181	11,01,29,000	13,15,83,000
Irrigation Works	84,62,858	81,18,000	1,25,00,000

E. N. BAKER.

March 23, 1904.

APPENDIX I.

ACCOUNTS AND ESTIMATES.

Accounts	1902-1903
Revised Estimates	1903-1904
Budget Estimates	1904-1905

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I.—General Statement of the Revenue and Expenditure charged to

	For details, vide Statement.	Accounts, 1902-1903.	Budget Estimate, 1903-1904.	Revised Estimate, 1903-1904.	Budget Estimate, 1904-1905.
		£	£	£	£
Revenue—					
Principal Heads of Revenue—					
Land Revenue	A	18,436,845	19,109,700	19,262,400	19,591,600
Opium	"	4,498,438	4,381,800	5,736,700	4,955,100
Salt	"	6,184,405	4,953,300	5,160,000	5,133,300
Stamps	"	3,473,711	3,546,900	3,588,100	3,637,100
Excise	"	4,426,642	4,505,100	4,925,500	5,050,000
Customs	"	3,977,636	3,613,300	3,929,500	3,917,200
Other Heads	"	6,383,223	6,212,800	6,389,700	6,484,400
TOTAL PRINCIPAL HEADS	...	47,380,900	46,322,900	48,991,900	48,768,700
Interest	A	867,667	730,600	817,200	769,000
Post Office	"	1,429,935	1,441,400	1,480,800	1,495,300
Telegraph	"	876,979	884,400	854,200	834,400
Mint	"	411,238	366,700	2,712,200	196,100
Receipts by Civil Departments	"	1,322,388	1,323,500	1,514,200	1,470,100
Miscellaneous	"	630,987	640,400	680,600	656,100
Railways	"	20,133,900	20,333,300	21,439,400	21,615,800
Irrigation	"	2,768,990	2,795,300	2,956,700	2,963,000
Other Public Works	"	486,941	477,300	548,400	480,400
Receipts by Military Department	"	1,124,990	1,039,600	1,072,200	899,700
TOTAL REVENUE	...	77,434,915	76,355,400	83,067,800	80,148,600

G. D. PUDUMJEE,
Offg. Deputy Comptroller General.

Revenue of the Government of India, in India and in England.

	For details, vide Statement.	Accounts, 1902-1903.	Budget Estimate, 1903-1904.	Revised Estimate, 1903-1904.	Budget Estimate, 1904-1905.
Expenditure—		£	£	£	£
Direct Demands on the Revenues	B	7,635,069	8,384,600	8,624,900	8,823,300
Interest	"	1,832,685	1,706,600	1,698,800	1,576,300
Post Office	"	1,346,778	1,434,400	1,414,900	1,530,900
Telegraph	"	909,742	1,014,300	945,100	997,900
Mint	"	424,014	404,200	2,617,100	232,100
Salaries and Expenses of Civil Departments	"	11,689,243	12,246,900	11,878,800	12,795,600
Miscellaneous Civil Charges	"	4,493,990	4,240,400	4,309,200	4,179,500
Famine Relief and Insurance	"	982,576	1,000,000	883,200	926,400
Railway Revenue Account	"	19,904,951	20,292,400	20,584,800	21,261,600
Irrigation	"	2,575,244	2,732,600	2,694,600	2,707,900
Other Public Works	"	5,297,107	5,521,900	5,619,300	6,143,800
Army Services	"	17,346,392	17,691,900	17,856,300	19,114,700
Special Defences (1902)	"	...	120,000	28,400	256,700
TOTAL EXPENDITURE, IMPERIAL AND PROVINCIAL . . . . .	...	74,437,791	76,790,200	79,155,400	80,546,700
<i>Add—Provincial Surpluses: that is, portion of Allotments to Provincial Governments not spent by them in the year.</i>	End of B	285,460	...	1,381,100	...
<i>Deduct—Provincial Deficits: that is, portion of Provincial Expenditure defrayed from Provincial Balances.</i>	"	357,885	-1,383,500	179,900	1,316,800
TOTAL EXPENDITURE CHARGED TO REVENUE . . . . .	...	74,365,366	75,406,700	80,356,600	79,229,900
SURPLUS . . . . .	...	3,069,549	948,700	2,711,200	918,700
TOTAL . . . . .	...	77,434,915	76,355,400	83,067,800	80,148,600

O. T. BARROW,
Offg. Comptroller General.

E. N. BAKER,
Secretary to the Government of India.

II.—General Statement of the Receipts and Disbursements of the

	For details, vide Statement.	RECEIPTS.			
		Accounts, 1902-1903.	Budget Estimate, 1903-1904.	Revised Estimate, 1903-1904.	Budget Estimate, 1904-1905.
		£	£	£	£
Surplus	C	3,069,549	948,700	2,711,200	918,700
Railway and Irrigation Capital not charged to Revenue—					
Capital raised through Companies towards Outlay on State Railways (Net)	C	1,303,361	2,050,000	...	1,650,000
Capital raised and deposited by Railway Companies (Net)	"	1,326,635	1,083,000	..	1,267,200
Debt, Deposits, and Advances—					
Permanent Debt (net Incurred)	C	1,035,655	2,643,300	2,146,600	3,411,200
Unfunded Debt (net Incurred)	"	649,383	595,400	731,000	688,100
Deposits and Advances (net)	"	1,117,156	...	1,880,700	...
Loans and Advances by Imperial Government (net Repayments)	"	17,610	...	...	50,800
Loans and Advances by Provincial Governments (net Repayments)	"	87,587	80,600	280,500	...
Remittances (net)	"	...	676,300	1,329,900	..
Secretary of State's Bills drawn	"	18,236,947	17,000,000	21,500,000	16,500,000
TOTAL RECEIPTS . . . . .	...	26,847,883	25,077,300	30,579,900	24,486,000
Opening Balance—India . . . . .	...	11,880,301	11,833,301	12,082,416	11,500,016
England . . . . .	...	6,693,137	5,686,537	5,767,787	7,003,387
TOTAL . . . . .	...	45,421,321	42,597,138	48,430,103	42,989,403

Government of India, in India and in England.

	For details, vide Statement.	DISBURSEMENTS.			
		Accounts, 1902-1903.	Budget Estimate, 1903-1904.	Revised Estimate, 1903-1904.	Budget Estimate, 1904-1905.
		£	£	£	£
Railway and Irrigation Capital not charged to Revenue—					
Outlay on Irrigation Works	C	564,191	666,700	541,200	833,300
Outlay on State Railways	"	4,564,001	5,334,700	4,667,400	6,310,300
Outlay of Railway Companies (net)	"	2,254,870	2,100,500	1,895,300	1,797,300
Capital raised and deposited by Railway Companies— (Net payments for discharge of debentures) . . . . .	"	..	..	28,800	..
TOTAL CAPITAL ACCOUNT DISBURSEMENTS . . . . .	...	7,383,062	8,101,900	7,132,700	8,940,900
Debt, Deposits, and Advances—					
Temporary Debt (net Discharged)	C	500,000	1,500,000	1,166,700	333,300
Deposits and Advances (net)	"	..	447,200	..	731,600
Loans and Advances by Imperial Government (net Advances)	"	..	50,200	133,500	..
Loans and Advances by Provincial Governments (net Advances) . . . . .	"	..	..	..	37,700
Remittances (net)	"	1,227,935	..	..	419,300
Secretary of State's Bills paid	"	18,461,021	17,066,900	21,493,800	16,769,700
TOTAL DISBURSEMENTS . . . . .	...	27,571,118	27,166,200	29,926,700	27,232,500
Closing Balance—India . . . . .	...	12,082,416	11,496,301	11,500,016	11,060,616
England . . . . .	...	5,767,787	3,934,637	7,003,387	4,696,287
TOTAL . . . . .	...	45,421,321	42,597,138	48,430,103	42,989,403

G. T. BARROW,
Offg. Comptroller General.

E. N. BAKER,
Secretary to the Government of India.

A.—STATEMENT of the REVENUE of

HEADS OF REVENUE.	ACCOUNTS, 1902-1903.					REVISED	
	INDIA. (RUPEE FIGURES.)		Total India (converted into £ at ₹15=£1).	England.	TOTAL.	INDIA. (RUPEE FIGURES.)	
	Imperial.	Provincial and Local.				Imperial.	Provincial and Local.
	₹	₹	£	£	£	₹	₹
Principal Heads of Revenue—							
I.—Land Revenue	14,31,38,195	13,34,14,485	18,436,845	...	18,436,845	13,46,92,000	15,42,44,000
II.—Opium	6,74,76,576	...	4,498,438	...	4,498,438	8,60,51,000	...
III.—Salt	9,16,62,332	11,03,737	6,184,405	...	6,184,405	7,64,73,000	9,27,000
IV.—Stamps	1,39,09,235	3,81,96,432	3,473,711	...	3,473,711	1,46,41,000	3,91,81,000
V.—Excise	4,59,16,173	2,04,83,456	4,426,642	...	4,426,642	5,16,03,000	2,22,80,000
VI.—Provincial Rates	68,795	4,11,42,059	2,747,390	...	2,747,390	76,000	4,18,82,000
VII.—Customs	5,91,52,468	5,12,070	3,977,636	...	3,977,636	5,84,14,000	5,28,000
VIII.—Assessed Taxes	1,17,69,003	93,87,420	1,410,428	...	1,410,428	1,01,64,000	80,53,000
IX.—Forest	1,01,47,834	93,23,706	1,298,103	...	1,298,103	1,14,54,000	1,01,14,000
X.—Registration	23,96,132	23,07,669	313,587	...	313,587	25,39,000	23,95,000
XI.—Tributes from Native States	92,05,728	...	613,715	...	613,715	91,68,000	...
TOTAL	45,48,42,471	25,58,71,034	47,380,900	...	47,380,900	45,52,75,000	27,96,04,000
XII.—Interest	88,06,102	18,49,176	710,352	157,315	867,667	82,34,000	20,29,000
XIII.—Post Office	2,13,67,053	81,975	1,429,935	...	1,429,935	2,21,47,000	65,000
XIV.—Telegraph	1,30,62,086	...	870,806	6,173	876,979	1,26,70,000	...
XV.—Mint	61,68,083	...	411,206	32	411,238	4,06,83,000	...
Receipts by Civil Departments—							
XVI.—Law and Justice { Courts	2,24,449	34,26,080	243,369	...	243,369	2,99,000	34,70,000
{ Jails	3,38,120	32,06,413	236,302	...	236,302	3,67,000	29,76,000
XVII.—Police	2,01,975	44,10,743	307,514	...	307,514	2,31,000	45,45,000
XVIII.—Marine	7,93,420	18,03,948	173,158	...	173,158	32,50,000	18,32,000
XIX.—Education	51,279	26,82,395	182,245	...	182,245	65,000	27,45,000
XX.—Medical	6,686	11,20,706	75,159	1,446	76,605	9,000	12,70,000
XXI.—Scientific and other Minor Departments	2,04,453	13,35,503	102,664	531	103,195	1,73,000	14,53,000
TOTAL	18,20,382	1,79,85,788	1,320,411	1,977	1,322,388	43,94,000	1,82,91,000
Miscellaneous—							
XXII.—Receipts in aid of Superannuation, etc.	12,71,882	5,09,009	118,726	82,577	201,303	14,91,000	5,27,000
XXIII.—Stationery and Printing	3,03,875	5,91,503	59,692	...	59,692	4,08,000	6,11,000
XXIV.—Exchange	4,73,568	...	31,571	...	31,571	8,16,000	...
XXV.—Miscellaneous	11,64,192	38,07,812	331,467	6,954	338,421	9,90,000	40,74,000
TOTAL	32,13,517	49,08,324	541,456	89,531	630,987	37,05,000	52,12,000
Railways—							
XXVI.—State Railways (Gross Receipts)	28,66,41,050	4,20,342	19,137,426	230	19,137,656	30,62,12,000	4,98,000
XXVII.—Guaranteed Companies (Net Traffic Receipts)	1,41,92,735	...	946,182	...	946,182	1,42,07,000	...
XXVIII.—Subsidised Companies (Repayment of Advances of Interest)	4,82,880	...	32,192	17,870	50,062	5,63,000	...
TOTAL	30,13,16,665	4,20,342	20,115,800	18,100	20,133,900	32,09,82,000	4,98,000
Irrigation—							
XXIX.—Major Works: Direct Receipts	1,95,00,913	77,43,106	1,816,268	...	1,816,268	2,15,06,000	74,79,000
Portion of Land Revenue due to Irrigation	1,22,15,889	...	814,393	...	814,393	1,30,32,000	...
XXX.—Minor Works and Navigation	7,42,539	13,32,396	138,329	...	138,329	10,05,000	13,28,000
TOTAL	3,24,59,341	90,75,502	2,768,990	...	2,768,990	3,55,43,000	88,07,000
Other Public Works—							
XXXI.—Military Works	5,74,515	...	38,301	...	38,301	6,42,000	...
XXXII.—Civil Works	2,87,004	60,12,412	419,961	28,679	448,640	2,62,000	69,37,000
TOTAL	8,61,519	60,12,412	458,262	28,679	486,941	9,04,000	69,37,000
Receipts by Military Department—							
XXXIII.—Army: Effective	98,17,847	...	654,523	333,733	988,256	80,29,000	...
Non-Effective	11,62,034	...	77,469	59,265	136,734	12,13,000	...
TOTAL	1,09,79,881	...	731,992	392,998	1,124,990	92,42,000	...
TOTAL REVENUE	85,48,97,100	29,62,04,553	76,740,110	694,805	77,434,915	91,37,79,000	32,14,43,000

INDIA in India and in England.

ESTIMATE, 1903-1904.			Increase + Decrease— of Revised, as compared with Budget Estimate, 1903-1904.	BUDGET ESTIMATE, 1904-1905.					Increase + Decrease— of Budget, 1904-1905, as compared with Budget Estimate, 1903-1904.	Increase + Decrease— of Budget, 1904-1905, as compared with Revised Estimate, 1903-1904.
Total India (converted into £ at R15=£1).	England.	TOTAL.		INDIA. (RUPEE FIGURES.)		Total India (converted into £ at R15=£1).	England.	TOTAL.		
£	£	£	£	R	R	£	£	£	£	
19,262,400	...	19,262,400	+ 152,700	15,55,94,000	13,82,86,000	19,591,600	...	19,591,600	+ 481,900	+ 320,200
5,736,700	...	5,736,700	+ 1,354,900	7,43,26,000	...	4,955,100	...	4,955,100	+ 573,300	- 781,600
5,160,000	...	5,160,000	+ 206,700	7,61,10,000	8,90,000	5,133,300	...	5,133,300	+ 180,000	- 26,700
3,588,100	...	3,588,100	+ 41,200	2,43,60,000	3,01,97,000	3,637,100	...	3,637,100	+ 90,200	+ 49,000
4,925,500	...	4,925,500	+ 420,400	5,31,47,000	2,26,03,000	5,050,000	...	5,050,000	+ 544,900	+ 124,500
2,797,200	...	2,797,200	+ 12,700	78,000	4,24,07,000	2,832,400	...	2,832,400	+ 47,900	+ 35,200
3,929,500	...	3,929,500	+ 316,200	5,85,61,000	1,97,000	3,917,200	...	3,917,200	+ 303,900	- 12,300
1,214,500	...	1,214,500	+ 27,700	1,31,79,000	57,70,000	1,263,900	...	1,263,900	+ 77,100	+ 49,400
1,437,900	...	1,437,900	+ 119,200	1,29,26,000	84,96,000	1,428,100	...	1,428,100	+ 109,400	- 9,800
328,900	...	328,900	+ 7,200	10,64,000	39,46,000	334,000	...	334,000	+ 12,300	+ 5,100
611,200	...	611,200	+ 10,100	93,90,000	...	626,000	...	626,000	+ 24,900	+ 14,800
48,991,900	133,000	48,991,900	+ 2,669,000	47,87,35,000	25,27,95,000	48,768,700	...	48,768,700	+ 2,445,800	- 23,200
684,200	133,000	817,200	+ 86,600	88,18,000	21,17,000	729,000	40,000	769,000	+ 38,400	- 48,200
1,480,800	...	1,480,800	+ 39,400	2,23,59,000	70,000	1,495,300	...	1,495,300	+ 53,900	+ 14,500
844,700	9,500	854,200	- 30,200	1,24,20,000	...	828,000	6,400	834,400	- 50,000	- 19,800
2,712,200	...	2,712,200	+ 2,345,500	29,41,000	...	196,100	...	196,100	- 170,600	- 2,516,100
251,300	...	251,300	+ 5,000	2,93,000	35,19,000	254,100	...	254,100	+ 7,800	+ 2,800
222,800	...	222,800	- 26,500	3,73,000	31,91,000	237,600	...	237,600	- 11,700	+ 14,800
318,400	...	318,400	+ 10,500	2,21,000	45,17,000	315,900	...	315,900	+ 8,000	- 2,500
338,800	...	338,800	+ 191,300	22,39,000	18,22,000	270,700	26,000	296,700	+ 149,200	- 42,100
187,300	...	187,300	- 3,900	69,000	28,86,000	197,000	...	197,000	+ 5,800	+ 9,700
85,300	1,400	86,700	+ 11,000	9,000	11,36,000	76,300	1,400	77,700	+ 2,000	- 9,000
108,400	500	108,900	+ 3,300	1,42,000	12,18,000	90,700	400	91,100	- 14,500	- 17,800
1,512,300	1,900	1,514,200	+ 190,700	33,46,000	1,82,89,000	1,442,300	27,800	1,470,100	+ 146,600	- 44,100
134,600	78,700	213,300	+ 5,700	13,03,000	5,12,000	121,000	75,700	196,700	- 10,900	- 16,600
67,900	...	67,900	+ 5,100	3,72,000	5,99,000	64,700	...	64,700	+ 1,900	- 3,200
54,400	...	54,400	+ 38,600	10,48,000	...	69,900	...	69,900	+ 54,100	+ 15,500
337,600	7,400	345,000	- 9,200	10,69,000	37,66,000	322,300	2,500	324,800	- 29,400	- 20,200
594,500	86,100	680,600	+ 40,200	37,92,000	48,77,000	577,900	78,200	656,100	+ 15,700	- 24,500
20,447,400	200	20,447,600	+ 1,076,000	30,81,25,000	5,85,000	20,580,700	200	20,580,900	+ 1,209,300	+ 133,300
947,100	...	947,100	+ 28,700	1,48,25,000	...	988,300	...	988,300	+ 69,900	+ 41,200
37,500	7,200	44,700	+ 1,400	6,14,000	...	40,900	5,700	46,600	+ 3,300	+ 1,900
21,432,000	7,400	21,439,400	+ 1,106,100	32,35,64,000	5,85,000	21,609,900	5,900	21,615,800	+ 1,282,500	+ 176,400
1,932,400	...	1,932,400	+ 148,600	1,89,48,000	97,77,000	1,915,000	...	1,915,000	+ 131,200	- 17,400
868,800	...	868,800	+ 27,100	1,32,67,000	...	884,500	...	884,500	+ 42,800	+ 15,700
155,500	...	155,500	- 14,300	11,31,000	13,22,000	163,500	...	163,500	- 6,300	+ 8,000
2,956,700	...	2,956,700	+ 161,400	3,33,46,000	1,10,99,000	2,963,000	...	2,963,000	+ 167,700	+ 6,300
42,800	...	42,800	+ 6,500	5,74,000	...	38,300	...	38,300	+ 2,000	- 4,500
479,900	25,700	505,600	+ 64,600	2,47,000	59,83,000	415,300	26,800	442,100	+ 1,100	- 63,500
522,700	25,700	548,400	+ 71,100	8,21,000	59,83,000	453,600	26,800	480,400	+ 3,100	- 68,000
535,300	408,100	943,400	+ 34,700	68,45,000	...	456,400	334,400	790,800	- 117,900	- 152,600
80,800	48,000	128,800	- 2,100	12,14,000	...	80,900	28,000	108,900	- 22,000	- 19,900
616,100	456,100	1,072,200	+ 32,600	80,59,000	...	457,300	362,400	899,700	- 139,900	- 172,500
82,348,100	719,700	83,067,800	+ 6,712,400	89,82,01,000	29,58,15,000	79,601,100	547,500	80,148,600	+ 3,793,200	- 2,919,200

B.—STATEMENT of the EXPENDITURE charged to the

HEADS OF EXPENDITURE.	ACCOUNTS, 1902-1903.					REVISED	
	INDIA. (RUPEE FIGURES).		Total India (converted into £ at R15=£1).	England.	TOTAL.	INDIA. (RUPEE FIGURES).	
	Imperial.	Provincial and Local.				Imperial.	Provincial and Local.
Direct Demands on the Revenues—							
1.—Refunds and Drawbacks	32,59,102	8,71,540	274,776	...	274,776	29,95,000	8,51,000
2.—Assignments and Compensations . .	49,40,742	1,01,63,537	1,006,952	...	1,006,952	76,66,000	1,02,48,000
Charges in respect of Collection, vis.—							
3.—Land Revenue	21,20,962	4,15,19,023	2,909,332	148	2,909,480	32,33,000	4,25,43,000
4.—Opium (including cost of Production)	2,46,60,553	...	1,644,037	4,446	1,648,483	3,31,38,000	...
5.—Salt (including cost of Production)	47,95,427	3,90,811	345,749	142	345,891	45,78,000	4,03,000
6.—Stamps	—2,07,727	13,68,876	77,410	31,898	109,308	—2,49,000	14,42,000
7.—Excise	19,05,874	9,31,744	189,175	9	189,184	21,65,000	10,49,000
8.—Provincial Rates . . . . .	...	6,28,226	41,882	...	41,882	...	5,74,000
9.—Customs	8,84,678	15,33,165	161,190	145	161,335	9,12,000	15,97,000
10.—Assessed Taxes	1,81,580	1,80,675	24,150	...	24,150	1,73,000	1,78,000
11.—Forest	60,02,832	52,46,499	749,955	1,828	751,783	66,80,000	57,43,000
12.—Registration	13,08,792	12,68,878	171,845	...	171,845	13,61,000	12,95,000
TOTAL	4,98,43,815	6,41,02,974	7,596,453	38,616	7,635,069	6,26,52,000	6,59,23,000
Interest—							
13.—Interest on Debt	3,34,70,877	74,48,056	2,727,929	4,365,547	7,093,476	3,42,60,000	75,40,000
Deduct—Amounts chargeable to Railways†	4,98,51,608	49,389	3,326,733	1,362,388	4,689,121	5,24,85,000	37,000
" Amounts chargeable to Irrigation	88,53,531	56,83,036	969,105	...	969,105	91,65,000	57,30,000
Remainder chargeable on Ordinary Debt	—2,52,34,262	17,15,631	—1,567,909	3,003,159	1,435,250	—2,73,90,000	17,73,000
14.—Interest on other Obligations . .	59,17,462	40,700	397,211	224	397,435	62,61,000	43,000
TOTAL	—1,93,16,800	17,56,321	—1,170,698	3,003,383	1,832,685	—2,11,29,000	18,16,000
15.—Post Office	1,73,42,754	13,60,186	1,246,863	99,915	1,346,778	1,82,75,000	13,78,000
16.—Telegraph	97,01,776	...	646,785	262,957	909,742	1,02,70,000	...
17.—Mint	62,34,258	...	415,617	8,397	424,014	3,91,50,000	...
Salaries and Expenses of Civil Departments—							
18.—General Administration	77,53,655	1,12,08,449	1,264,140	251,474	1,515,614	78,35,000	1,01,61,000
19.—Law and Justice { Courts	9,78,732	3,22,47,681	2,215,994	210	2,215,304	11,41,000	3,28,72,000
{ Jails	17,51,306	91,30,285	725,440	65	725,505	18,27,000	85,90,000
20.—Police	19,71,337	4,32,99,695	3,018,069	1,675	3,019,744	23,04,000	4,35,39,000
21.—Marine (including River Navigation)	19,54,456	20,66,316	268,051	247,914	515,965	42,77,000	20,86,000
22.—Education	3,28,493	1,91,08,242	1,295,782	1,882	1,297,664	5,36,000	2,00,79,000
23.—Ecclesiastical	16,55,652	...	110,377	646	111,023	16,84,000	...
24.—Medical	6,02,144	1,36,79,725	952,125	8,414	960,539	6,59,000	1,33,14,000
25.—Political	1,14,46,666	7,36,585	812,217	7,249	819,466	99,46,000	7,17,000
26.—Scientific and other Minor Departments	43,35,803	27,88,636	474,962	33,457	508,419	45,90,000	29,80,000
TOTAL	3,27,78,244	13,42,65,614	11,136,257	552,986	11,689,243	3,47,99,000	13,43,38,000
Miscellaneous Civil Charges—							
27.—Territorial and Political Pensions	38,70,229	...	258,015	12,590	270,605	37,25,000	...
28.—Civil Furlough and Absentee Allowances	5,480	...	365	244,026	244,391	11,000	...
29.—Superannuation Allowances and Pensions	10,88,758	1,10,42,721	808,765	2,006,754	2,815,519	11,18,000	1,15,11,000
30.—Stationery and Printing	10,23,632	60,02,216	468,390	102,348	570,738	7,72,000	60,57,000
31.—Exchange . . . . .	...	...	...	...	...	...	...
32.—Miscellaneous	26,63,080	58,45,195	567,279	25,458	592,737	9,62,000	49,35,000
TOTAL	86,52,079	2,28,90,132	2,102,814	2,391,176	4,493,990	65,88,000	2,25,03,000
Famine Relief and Insurance—							
33.—Famine Relief	48,20,816	1,818	321,509	...	321,509	3,05,000	1,000
34.—Construction of Protective Railways	24,375	...	1,625	...	1,625	15,74,000	...
35.—Construction of Protective Irrigation Works	13,77,256	...	91,817	2,925	94,742	22,31,000	...
36.—Reduction or Avoidance of Debt	84,70,500	...	564,700	...	564,700	87,96,000	...
TOTAL††	1,46,92,947	1,818	979,651	2,925	982,576	1,29,06,000	1,000
Carried over	11,99,29,073	22,43,77,055	22,953,742	6,360,355	29,314,097	16,35,11,000	22,59,59,000

ACCOUNTS, 1902-1903.				REVISED ESTIMATE, 1903-1904.			
INDIA.		England.	TOTAL.	INDIA.		England.	TOTAL.
Amount in Rupees.	Equivalent in £ at R15=£1.			Amount in Rupees.	Equivalent in £ at R15=£1.		
R	£	£	£	R	£	£	£
4,72,77,981	3,151,865	1,143,504	4,295,369	4,95,57,000	3,303,800	1,149,400	4,444,200
26,23,016	174,868	218,884	393,752	29,65,000	197,700	218,900	416,600
TOTAL	3,326,733	1,362,388	4,689,121	5,25,22,000	3,501,500	1,359,300	4,860,800

† Included under the following heads—
State Railways Interest on Debt
Ditto Interest chargeable against Companies on Advances

FINANCIAL STATEMENT OF THE

B.—STATEMENT of the EXPENDITURE charged to the

HEADS OF EXPENDITURE.	ACCOUNTS, 1902-1903.					REVISED	
	INDIA. (RUPEE FIGURES.)		Total India (converted into £ at ₹15=£1).	England.	TOTAL.	INDIA. (RUPEE FIGURES.)	
	Imperial.	Provincial and Local.				Imperial.	Provincial and Local.
	₹	₹	£	£	£	₹	₹
Brought forward	11,99,29,073	22,43,77,055	22,953,742	6,360,355	29,314,097	16,35,11,000	22,59,59,000
Railway Revenue Account—							
38.—State Railways : Working Expenses	14,71,63,320	2,44,843	9,827,211	...	9,827,211	15,35,52,000	2,85,000
Interest on Debt	4,72,77,981	...	3,151,865	1,143,504	4,295,369	4,95,57,000	...
Annuities in purchase of Railways	...	...	...	2,999,218	2,999,218	...	...
Interest chargeable against Companies on Advances	25,73,627	49,389	174,868	218,884	393,752	29,28,000	37,000
Interest on Capital deposited by Companies	2,57,616	46,346	20,264	1,150,225	1,170,489	3,88,000	46,000
39.—Guaranteed Companies : Surplus Profits, Land, and Supervision	12,38,368	...	82,558	...	82,558	15,19,000	...
Interest	1,24,895	...	8,326	1,026,892	1,035,218	2,28,000	...
40.—Subsidized Companies : Land, etc.	6,31,098	2,096	42,213	...	42,213	5,25,000	8,000
41.—Miscellaneous Railway Expenditure	7,89,597	94,250	58,923	...	58,923	7,56,000	90,000
TOTAL	20,00,56,502	4,36,924	13,366,228	6,538,723	19,904,951	20,94,53,000	4,66,000
Irrigation—							
42.—Major Works : Working Expenses	71,82,931	41,36,227	754,610	...	754,610	80,53,000	49,01,000
Interest on Debt	88,53,531	56,83,036	969,105	...	969,105	91,65,000	57,39,000
43.—Minor Works and Navigation	42,78,598	84,65,580	849,612	1,917	851,529	44,72,000	89,65,000
TOTAL	2,03,15,060	1,82,84,843	2,573,327	1,917	2,575,244	2,16,90,000	1,86,96,000
Other Public Works—							
44.—Military Works	1,55,10,922	...	1,034,062	62,607	1,096,669	1,49,00,000	...
45.—Civil Works	72,01,046	5,33,72,214	4,038,217	107,562	4,145,779	88,47,000	5,79,05,000
45 A.—Construction of Railways charged to Provincial or Local Revenues	...	8,19,892	54,659	...	54,659	...	3,99,000
TOTAL	2,27,11,968	5,41,92,106	5,126,938	170,169	5,297,107	2,37,47,000	5,83,04,000
Army Services—							
46.—Army : Effective	17,09,99,003	...	11,399,934	2,926,858	14,326,792	18,20,14,000	...
Non-Effective	98,37,015	...	655,801	2,363,799	3,019,600	1,00,42,000	...
TOTAL	18,08,36,018	...	12,055,735	5,290,657	17,346,392	19,20,56,000	...
Special Defence Works —							
47.—Special Defences (1902)	...	...	...	...	...	3,36,000	...
TOTAL EXPENDITURE, IMPERIAL AND PROVINCIAL	54,38,48,621	29,72,90,928	56,075,970	18,361,821	74,437,791	61,07,93,000	30,34,25,000
Add—Portion of Allotments to Provincial Governments not spent by them in the year	...	42,81,898	285,460	...	72,425	...	2,07,17,000
Deduct—Portion of Provincial Expenditure defrayed from Provincial Balances	...	53,68,273	357,885	...	...	...	26,99,000
Total Expenditure charged to Revenue	54,38,48,621	29,62,04,553	56,003,545	18,361,821	74,355,366	61,07,93,000	32,14,43,000

	ACCOUNTS, 1902-1903.			
	INDIA.		England.	Total.
	Amount in Rupees.	Equivalent in £ at ₹15=£1.		
	₹	£	£	£
Capital Expenditure not charged to Revenue—				
48.—State Railways	4,55,19,860	3,034,657	1,529,344	4,564,001
49.—Irrigation Works	83,62,673	557,512	6,679	564,191
TOTAL	5,38,82,533	3,592,169	1,536,023	5,128,192

Revenues of India, in India and in England—continued.

ESTIMATE, 1903-1904.			Increase + Decrease — of Revised, as compared with Budget Estimate, 1903-1904.	BUDGET ESTIMATE, 1904-1905.					Increase + Decrease — of Budget, 1904-1905, as compared with Budget Estimate, 1903-1904.	Increase + Decrease — of Budget, 1904-1905, as compared with Revised Estimate, 1903-1904.
Total India (converted into £ at R15=£1).	England.	TOTAL.		INDIA. (RUPEE FIGURES.)		Total India (converted into £ at R15=£1).	England.	TOTAL.		
				Imperial.	Provincial and Local.					
£	£	£	£	R	R	£	£	£	£	
25,964,700	6,407,300	32,372,000	+ 1,940,600	13,75,86,000	23,15,73,000	24,610,600	6,451,400	31,062,000	+ 630,600	- 1,310,000
10,255,800	...	10,255,800	+ 352,600	15,80,99,000	3,60,000	10,563,900	...	10,563,900	+ 660,700	+ 308,100
3,303,800	1,140,400	4,444,200	+ 25,300	5,22,57,000	...	3,483,800	1,140,800	4,624,600	+ 205,700	+ 180,400
...	3,004,600	3,004,600	+ 700	...	...	...	3,008,500	3,008,500	+ 4,600	+ 3,900
197,700	218,900	416,600	+ 700	32,19,000	49,000	217,800	238,400	456,200	+ 40,300	+ 59,600
28,900	1,193,500	1,222,400	- 37,000	6,62,000	68,000	48,700	1,234,300	1,283,000	+ 23,600	+ 60,600
101,300	...	101,300	+ 6,700	18,93,000	...	126,200	...	126,200	+ 31,600	+ 24,900
15,200	1,032,800	1,048,000	- 9,300	1,22,000	...	8,100	1,056,100	1,064,200	+ 6,900	+ 16,200
35,500	...	35,500	- 44,000	10,00,000	1,55,000	77,000	...	77,000	- 2,500	+ 41,500
56,400	...	56,400	- 3,300	8,00,000	70,000	58,000	...	58,000	- 1,700	+ 1,600
13,994,600	6,590,200	20,584,800	+ 292,400	21,80,52,000	7,02,000	14,583,500	6,678,100	21,261,600	+ 969,200	+ 676,800
803,600	...	803,600	+ 45,700	82,00,000	41,18,000	821,200	...	821,200	+ 63,300	+ 17,600
993,000	...	993,000	- 1,400	95,52,000	58,00,000	1,023,500	...	1,023,500	+ 29,100	+ 30,500
895,800	2,200	898,000	- 82,300	47,56,000	81,66,000	861,500	1,700	863,200	- 117,100	- 34,800
2,692,400	2,200	2,694,600	- 38,000	2,25,08,000	1,80,84,000	2,706,200	1,700	2,707,900	- 24,700	+ 13,300
993,300	54,000	1,047,300	+ 1,300	1,55,84,000	...	1,038,900	17,700	1,056,600	+ 10,600	+ 9,300
4,450,200	95,200	4,545,400	+ 121,100	97,37,000	6,48,90,000	4,975,200	90,800	5,066,000	+ 641,700	+ 520,600
26,600	...	26,600	- 25,000	...	3,18,000	21,200	...	21,200	- 30,400	- 5,400
5,470,100	149,200	5,619,300	+ 97,400	2,53,21,000	6,52,08,000	6,035,300	108,500	6,143,800	+ 621,900	+ 524,500
12,134,300	2,669,000	14,803,300	+ 131,900	19,29,78,000	...	12,865,200	3,159,600	16,024,800	+ 1,353,400	+ 1,221,500
669,400	2,383,600	3,053,000	+ 32,500	98,37,000	...	655,800	2,434,100	3,089,900	+ 69,400	+ 36,900
12,803,700	5,052,600	17,856,300	+ 164,400	20,28,15,000	...	13,521,000	5,593,700	19,114,700	+ 1,422,800	+ 1,258,400
22,400	6,000	28,400	- 91,600	16,00,000	...	106,700	150,000	256,700	+ 136,700	+ 228,300
60,947,900	18,207,500	79,155,400	+ 2,365,200	60,78,82,000	31,55,67,000	61,563,300	18,983,400	80,546,700	+ 3,756,500	+ 1,391,300
1,381,100	...	+ 1,201,200	+ 2,584,700	...	...	...	...	- 1,316,800	+ 66,700	- 2,518,000
179,900	...			...	1,97,52,000	1,316,800	...			
62,149,100	18,207,500	80,356,600	+ 4,949,900	60,78,82,000	29,58,15,000	60,246,500	18,983,400	79,229,900	+ 3,823,200	- 1,126,700

REVISED ESTIMATE, 1903-1904.				BUDGET ESTIMATE, 1904-1905.			
INDIA.		England.	Total.	INDIA.		England.	Total.
Amount in Rupees.	Equivalent in £ at R15=£1.			Amount in Rupees.	Equivalent in £ at R15=£1.		
R	£	£	£	R	£	£	£
5,06,94,000	3,379,600	1,287,800	4,667,400	6,90,20,000	4,601,300	1,709,000	6,312,300
80,36,000	535,700	5,500	541,200	1,23,98,000	826,500	5,800	833,300
5,87,30,000	3,915,300	1,293,300	5,208,600	8,14,18,000	5,427,800	1,715,800	7,143,600

C.—Statement of Receipts and Disbursements of the

	ACCOUNTS, 1902-1903.			REVISED ESTIMATE, 1903-1904.			BUDGET ESTIMATE, 1904-1905.		
	India.	England.	Total.	India.	England.	Total.	India.	England.	Total.
	£	£	£	£	£	£	£	£	£
Revenue (from Statement A)	76,740,110	694,805	77,434,915	82,348,100	719,700	83,067,800	79,601,100	547,500	80,148,600
Excess of Revenue over Expenditure charged to Revenue.	...	01	3,069,549	...	...	2,711,200	...	...	918,700
Railway and Irrigation Capital not charged to Revenue—									
Capital raised through Companies towards outlay on State Railways (Net)	1,303,361	...	1,303,361	...	...	...	1,650,000	...	1,650,000
OUTLAY OF RAILWAY COMPANIES—									
Repayments	847,041	3,012	850,053	1,063,700	7,300	1,071,000	848,100	2,600	850,700
NET									
RAISED AND DEPOSITED BY RAILWAY COMPANIES—									
On account of Subscribed Capital . . . NET	59,000	1,290,155	1,349,155 1,326,635	18,200	200,000	218,200 0	17,200	3,320,100	3,337,300 1,267,200
Permanent Debt Incurred—									
Sterling Debt—									
India Stock	...	1,500,000	...	...	1,500,000	...	...	2,500,000	...
Rupee Debt—									
Rupee Loan	1,000,000	...	...	1,333,300	...	...	2,000,000	...	...
TOTAL NET	1,000,000	1,500,000	2,500,000 1,039,655	1,333,300	1,500,000	2,833,300 2,146,600	2,000,000	2,500,000	4,500,000 3,411,200
Temporary Debt Incurred—									
Temporary Loans . . . NET	...	3,500,000	3,500,000 0	333,300	2,000,000	2,333,300	...	2,000,000	2,000,000 0
Unfunded Debt—									
Deposits of Service Funds	95,216	...	...	95,700	...	...	94,100	...	...
Savings Bank Deposits	3,392,085	...	...	3,511,100	...	...	3,533,800	...	...
TOTAL NET	3,487,301	...	3,487,301 649,383	3,636,800	...	3,636,800 731,000	3,627,900	...	3,627,900 688,100
Deposits and Advances—									
Balances of Provincial Allotments	285,460	...	...	1,381,100	...	...	...	...	...
Appropriation for Reduction or Avoidance of Debt	564,700	...	...	586,400	...	...	546,100	...	...
Excluded Local Funds	690,634	...	...	694,700	...	...	672,000	...	...
Railway Funds	54,567	...	...	61,800	...	...	58,800	...	...
Deposits of Sinking Funds	9,504	...	...	9,900	...	...	10,300	...	...
Gold Reserve Fund	264,028	356,085(a)	...	2,465,700	2,566,200(b)	...	123,300	166,800	...
Departmental and Judicial Deposits	16,701,174	...	...	15,201,700	40,900	...	15,007,700	...	...
Advances	13,910,820	68,145	...	4,916,900	...	...	4,122,900	7,500	...
Suspense Accounts	528,619	...	...	208,600	...	...	5,100	...	...
Exchange on Remittance Accounts, net	93	...	...	18,500	...	...	...	...	...
Miscellaneous	89,671	...	...	...	...	...	3,000	...	...
TOTAL NET	33,999,270	424,230	33,523,500 1,117,156	25,545,300	2,607,100	28,152,400 1,880,700	20,549,300	174,300	20,723,500 0
Carried over	116,536,083	7,412,202	...	114,278,700	7,034,100	...	108,295,500	8,544,500	...

(a) Includes £263,000 remitted from India by means of Council Bills.

(b) Includes £2,200,000 ditto ditto ditto.

Government of India, in India and in England.

	ACCOUNTS, 1902-1903.			REVISED ESTIMATE, 1903-1904.			BUDGET ESTIMATE, 1904-1905.		
	India.	England.	Total.	India.	England.	Total.	India.	England.	Total.
	£	£	£	£	£	£	£	£	£
Expenditure, Imperial and Provincial (from Statement B)	56,075,970	18,361,821	74,437,791	60,947,900	18,207,500	79,155,400	61,563,300	18,983,400	80,546,700
Add—Provincial Surpluses transferred to "Deposits"	285,460	...	285,460	1,381,100	...	1,381,100	...	...	...
Deduct—Provincial Deficits charged to "Deposits"	357,885	...	357,885	179,900	...	179,900	1,316,800	...	1,316,800
TOTAL	56,003,545	18,361,821	74,365,366	62,149,100	18,207,500	80,356,600	60,246,500	18,983,400	79,229,900
Excess of Expenditure charged to Revenue, over Revenue—			0			0			0
Railway and Irrigation Capital not charged to Revenue—									
OUTLAY ON IRRIGATION WORKS	557,512	6,679	564,191	535,700	5,500	541,200	826,500	6,800	833,300
OUTLAY ON STATE RAILWAYS	3,034,657	1,529,344	4,564,001	3,379,600	1,287,800	4,667,400	4,601,300	1,709,000	6,310,300
OUTLAY OF RAILWAY COMPANIES—									
Payments for Capital outlay	1,746,024	1,358,899	3,104,923	1,621,400	1,344,900	2,966,300	1,383,100	1,264,900	2,648,000
NET			2,254,870			1,895,300			1,797,300
RAISED AND DEPOSITED BY RAILWAY COMPANIES—									
Payments for discharge of Debentures	...	22,520	22,520	...	247,000	247,000	...	2,070,100	2,070,100
NET			0			28,800			0
Permanent Debt Discharged—									
Sterling Debt—									
India 4 p. c. Stock	...	...	...	...	...	...	...	...	...
G. I. P. Railway Debentures	...	1,368,800	...	...	600,000	...	...	1,002,100	...
Rupia Debt—									
4½ p. c. Loans	180	...	...	700	...	...	300	...	...
4 p. c. Loans	88,758	...	...	84,000	...	...	84,000	...	...
3½ p. c. Loans	2,594	...	...	2,000	...	...	2,400	...	...
Stock Notes	13	...	...	...	...	...	...	...	...
TOTAL NET	91,545	1,368,800	1,460,345	86,700	600,000	686,700	86,700	1,002,100	1,088,800
Temporary Debt Discharged—									
Temporary Loans	...	4,000,000	4,000,000	...	3,500,000	3,500,000	333,300	2,000,000	2,333,300
NET			500,000			1,166,700			333,300
Unfunded Debt—									
Special Loans	3,374	...	...	300	...	...	300	...	...
Deposits of Service Funds	78,919	...	...	82,400	...	...	80,800	...	...
Savings Bank Deposits	2,755,625	...	...	2,823,100	...	...	2,858,700	...	...
TOTAL NET	2,837,918	...	2,837,918	2,905,800	...	2,905,800	2,939,800	...	2,939,800
Deposits and Advances—									
Balances of Provincial Allotments	357,885	...	...	179,900	...	...	1,316,800	...	...
Excluded Local Funds	669,824	...	...	674,500	...	...	657,500	...	...
Railway Funds	52,744	...	...	68,500	...	...	60,000	...	...
Gold Reserve Fund	263,000	356,085	...	2,465,700	2,566,200	...	123,300	166,800	...
Departmental and Judicial Deposits	16,589,506	...	...	15,193,700	...	...	15,001,300	...	...
Advances	13,975,978	94,211	...	4,765,700	214,800	...	4,118,600	7,900	...
Suspense Accounts	33,372	...	...	121,700	...	...	2,900	...	...
Exchange on Remittance Accounts, net	...	...	...	...	...	...	...	...	...
Miscellaneous	13,655	84	...	20,700	300	...	...	...	...
TOTAL NET	31,955,964	450,380	32,406,344	23,490,400	2,781,300	26,271,700	21,280,400	174,700	21,455,100
Carried over	96,227,165	27,098,443	...	94,168,700	27,974,000	...	91,697,600	27,211,000	731,600

C.—Statement of Receipts and Disbursements of the

	ACCOUNTS, 1902-1903.			REVISED ESTIMATE, 1903-1904.			BUDGET ESTIMATE, 1904-1905.		
	India.	England.	Total.	India.	England.	Total.	India.	England.	Total.
	£	£	£	£	£	£	£	£	£
Brought forward	116,536,083	7,412,202		114,278,700	7,034,100		108,295,500	8,544,500	
Loans and Advances by Imperial Government	687,083	...	687,083	348,400	...	348,400	289,300	...	289,300
NET			17,610			0			50,800
Loans and Advances by Provincial Governments	679,098	...	679,098	790,300	...	790,300	578,500	...	578,500
NET			87,587			280,500			0
Remittances—									
Inland Money Orders	20,266,573	...		21,000,000	...		21,666,700	...	
Other Local Remittances	...	...		990,300	...		579,500	...	
Other Departmental Accounts	406,433	...		735,000	...		780,900	...	
Net Receipts by Civil Treasuries from—									
Post Office	674,656	...		686,700	...		602,900	...	
Guaranteed Railways	997,050	...		1,145,700	...		1,032,300	...	
Public Works	2,163,933	...		2,865,700	...		847,400	...	
Net Receipts from Civil Treasuries by—									
Telegraph	59,861	...		102,100	...		184,300	...	
Marine	379,220	...		368,800	...		338,800	...	
Military	11,955,716	...		12,976,800	...		13,091,500	...	
Remittance Account between England and India—									
Gold remitted from India	8,418	497,207		...	3,996,900		...	...
Purchase of silver	285,000	...		4,055,000	...		...	...
Railway transactions	1,534,498	1,468,307		1,601,500	16,600		2,747,000	2,453,000	
Other	679,038	836,482		685,100	2,596,700		511,900	504,000	
TOTAL	39,410,396	2,801,996	42,212,392	47,212,700	6,610,200	53,822,900	42,383,200	2,957,000	45,340,200
NET			0			1,329,900			0
Secretary of State's Bills drawn	...	(a) 18,236,947	18,236,947	...	(b) 21,500,000	21,500,000	...	16,500,000	16,500,000
TOTAL RECEIPTS	157,312,660	28,451,145		162,630,100	35,144,300		151,544,500	28,001,500	
Opening Balance	11,880,301	6,693,137		12,082,416	5,767,787		11,500,016	7,003,387	
GRAND TOTAL	169,192,961	35,144,282		174,712,516	40,912,087		163,044,516	35,004,887	

(a) In addition to £263,000 for remittance of the Gold Reserve Fund.
 (b) In addition to £2,200,000 ditto ditto ditto

G. D. PUDUMJEE,

Offg. Deputy Comptroller General.

FORT WILLIAM,

FINANCE AND COMMERCE DEPARTMENT,

March 23, 1904.

Government of India, in India and in England—continued.

	ACCOUNTS, 1902-1903.			REVISED ESTIMATE, 1903-1904.			BUDGET ESTIMATE, 1904-1905.		
	India.	England.	Total.	India.	England.	Total.	India.	England.	Total.
	£	£	£	£	£	£	£	£	£
Brought forward	96,227,165	27,098,443		94,168,700	27,974,000		91,697,600	27,211,000	
Loans and Advances by Imperial Government	669,473	...	669,473	481,900	...	481,900	238,500	...	238,500
NET			0			133,500			0
Loans and Advances by Provincial Governments	591,511	...	591,511	509,800	...	509,800	616,200	...	616,200
NET			0			0			37,700
Remittances—									
Inland Money Orders	20,239,262	...		21,000,000	...		21,666,700	...	
Other Local Remittances	352,630	...		689,000	...		579,500	...	
Other Departmental Accounts	374,948	...		735,000	...		780,900	...	
Net payments into Civil Treasuries by—									
Post Office	674,688	...		686,700	...		602,900	...	
Guaranteed Railways	997,050	...		1,145,700	...		1,032,300	...	
Public Works	2,244,559	...		2,770,100	...		847,400	...	
Net Issues from Civil Treasuries to—									
Telegraph	62,355	...		102,100	...		184,300	...	
Marine	376,807	...		368,800	...		338,800	...	
Military	11,955,716	...		12,976,800	...		13,091,500	...	
Remittance Account between England and India—									
Gold remitted from India	500,273	...		3,996,900	...		...	...
Purchase of Silver	...	285,000		...	4,055,000		...	...
Railway transactions	1,452,139	1,550,666		16,600	1,601,500		2,453,000	2,747,000	
Other	1,930,948	442,386		2,070,600	278,200		1,084,600	359,600	
TOTAL	41,161,375	2,278,052	43,439,427	46,558,300	5,934,700	52,493,000	42,661,900	3,097,600	45,759,500
NET			1,227,035			0			419,300
Secretary of State's Bills paid	(a) 18,461,021	...	18,461,021	(b) 21,493,800	...	21,493,800	16,769,700	...	16,769,700
TOTAL DISBURSEMENTS	157,110,545	29,376,495		163,212,500	33,908,700		151,983,900	30,308,600	
Closing Balance	12,082,416	5,767,787		11,500,016	7,003,387		11,060,616	4,696,287	
GRAND TOTAL	169,192,961	35,144,282		174,712,516	40,912,087		163,044,516	35,004,887	

(a) In addition to £263,000 for payment from the Gold Reserve Fund.
 (b) In addition to £ 2,200,000 ditto ditto ditto.

O. T. BARROW,
 Offg. Comptroller General.

E. N. BAKER,
 Secretary to the Government of India.

FINANCIAL STATEMENT OF THE

2).—Account of Provincial and Local Savings charged to Revenue, and held at the disposal of Provincial Governments under their Provincial Settlements.

Provincial and Local Balances.

NOTE.—These balances do not include the Balances of Deposits and Advances upon Local Fund Accounts.

	India.	Central Provinces.	Burma.	Assam.	Bengal.	United Provinces of Agra and Oudh.	Punjab.	N. W. Frontier Province.	Madras.	Bombay.	Berar.	TOTAL.	Equivalent in £ at Rs 15 = £ 1.
	R	R	R	R	R	R	R	R	R	R	R	R	£
Accounts, 1902-1903.													
Balance at end of 1901-1902	1,40,235	27,12,879	1,51,21,688	8,53,807	68,77,732	59,56,009	30,63,875	1,42,342	85,11,190	84,38,926	6,12,670	5,24,31,353	3,495,423
Added in 1902-1903	23,020	...	...	11,65,036	10,71,643	2,05,125	11,60,463	...	3,54,025	...	3,02,585	42,81,898	285,460
Spent in 1902-1903	...	6,540	32,59,557	...	...	...	...	4,088	...	20,98,088	...	53,68,273	357,885
Balance at end of 1902-1903	1,63,255	27,06,339	1,18,62,131	20,18,843	79,49,375	61,61,134	42,24,338	1,38,254	88,65,215	63,40,838	9,15,256	5,13,44,978	3,422,998
Revised Estimate, 1903-1904.	...	...	...	...	...	...	...	...	...	...	...	...	...
Balance at end of 1902-1903 (by Accounts)	1,63,255	27,06,339	1,18,62,131	20,18,843	79,49,375	61,61,134	42,24,338	1,38,254	88,65,215	63,40,838	9,15,256	5,13,44,978	3,422,998
Added in 1903-1904	11,000	...	...	12,92,000	84,53,000	41,45,000	8,88,000	26,000	56,02,000	2,01,000	99,000	2,07,17,000	1,381,100
Spent in 1903-1904	...	9,00,000	17,99,000	...	...	...	...	...	...	...	...	26,99,000	179,900
Balance at end of 1903-1904	1,74,255	18,06,339	1,00,63,131	33,10,843	1,64,02,375	1,03,06,134	51,12,338	1,64,254	1,44,67,215	65,41,838	10,14,256	6,93,62,978	4,624,198
Budget Estimate, 1904-1905.	...	...	...	...	...	...	...	...	...	...	...	...	...
Balance at end of 1903-1904 (by Revised Estimate)	1,74,255	18,06,339	1,00,63,131	33,10,843	1,64,02,375	1,03,06,134	51,12,338	1,64,254	1,44,67,215	65,41,838	10,14,256	6,93,62,978	4,624,198
Added in 1904-1905	21,000	8,09,000	39,19,000	4,72,000	36,26,000	28,24,000	26,84,000	16,000	35,75,000	15,03,000	3,03,000	1,97,52,000	1,316,800
Balance at end of 1904-1905	1,53,255	9,97,339	61,44,131	28,38,843	1,27,76,375	74,82,134	24,28,338	1,48,254	1,08,92,215	50,38,838	7,11,256	4,06,10,978	3,307,398

G. D. PUDUMJEE,
Offg. Deputy Comptroller General.

O. T. BARROW,
Offg. Comptroller General.

E. N. BAKER,
Secretary to the Government of India.

FORT WILLIAM,
FINANCE AND COMMERCE DEPARTMENT;
March 23rd, 1904.

E.—Abstract Statement of the Receipts and Disbursements of the Government of India in India and in England.

Revenue and Expenditure.	Accounts, 1902-03.					Revised Estimate, 1903-04.		Budget Estimate, 1904-05.	
	Revenue.	Expenditure.		Net Receipts.	Net Charges.	Net Receipts.	Net Charges.	Net Receipts.	Net Charges.
		Refunds and Assignments.	Cost of Collection and Production.						
	£	£	£	£	£	£	£	£	£
<i>Revenue Heads.</i>									
Land Revenue (excluding that due to Irrigation)	18,436,845	747,192	2,909,480	14,780,173		15,461,100		15,517,700	
Opium	4,498,438	3,085	1,648,483	2,846,870		3,519,700		2,947,800	
Salt	6,184,405	252,472	345,891	5,586,042		4,550,500		4,490,100	
Stamps	3,473,711	39,309	109,308	3,325,094		3,424,100		3,479,800	
Excise	4,426,642	42,402	189,184	4,194,990		4,660,500		4,750,600	
Provincial Rates	2,747,390	5,941	41,882	2,699,567		2,755,100		2,787,500	
Customs	3,977,636	147,739	161,335	3,668,512		3,637,600		3,630,900	
Assessed Taxes	1,410,428	7,756	24,150	1,378,522		1,183,400		1,234,500	
Forest	1,298,103	3,074	751,783	543,246		604,200		530,700	
Registration	313,587	928	171,845	140,814		151,000		151,800	
Tributes	613,715	31,720		581,995		413,800		409,000	
Total	47,380,900	1,281,728	6,353,341	39,745,831		40,367,000		39,945,400	
Total deductions from Revenue			7,635,069						
<i>Expenditure Heads.</i>									
Debt Services . Interest	867,667	1,832,685			965,018		881,600		807,300
Commercial Services { Post Office	1,429,935	1,346,778		83,157		65,900			35,600
{ Telegraph	876,979	909,742			32,763		90,900		103,500
{ Railways	20,123,900	19,904,951		228,949		854,600		354,200	
{ Irrigation	2,768,990	2,575,244		193,746		262,100		255,100	
Other Public Works { Military	38,301	1,096,669			1,058,368		1,004,500		1,018,300
{ Civil	448,640	4,200,438			3,751,793		4,060,400		4,645,100
Mint									
Mint	411,238	424,014			12,776		95,100		36,000
Civil Departments	1,322,388	11,689,243			10,366,855		10,364,600		11,325,500
Miscellaneous Civil { Superannuation	201,303	2,815,519			2,614,216		2,649,100		32,697,000
{ Exchange	31,571			31,571		54,400		69,900	
{ Miscellaneous	338,421	592,737			254,316		63,400		70,900
{ Other heads	59,692	1,085,734			1,026,042		970,500		966,900
Famine Relief and Insurance { Famine Relief		321,509			321,509		20,400		926,400
{ Other heads		661,067			661,067		862,800		
Army Services { Effective	988,256	14,326,792			13,338,536		13,859,900		15,234,000
{ Non-effective	136,734	3,019,600			2,882,866		2,924,200		2,981,000
{ Special Defences (1902)							28,400		256,700
Total	77,434,915	74,437,791		3,997,124		3,912,400			398,100
Provincial Adjustments { Surplus							1,201,200		
{ Deficit		72,425		72,425				1,316,800	
Total	77,434,915	74,365,366		3,069,549		2,711,200		918,700	
Surplus				3,069,549		2,711,200		918,700	
Capital Account { Railway and Irrigation Capital not charged to Revenue:—									
{ Capital raised through Companies towards outlay on State Railways (net)				1,303,361				1,650,000	
{ Capital raised and deposited by Railway Companies (net)				1,326,635			28,800	1,267,200	
{ Outlay on Irrigation Works					564,191		541,200		833,300
{ Outlay on State Railways					4,564,001		4,667,400		6,310,300
{ Outlay of Railway Companies (net)					2,254,870		1,895,300		1,797,300
Debt, Deposits, Advances, and Remittances { Permanent Debt (net)				1,039,655		2,146,600		3,411,200	
{ Temporary Debt (net)					500,000		1,166,700		333,300
{ Unfunded Debt (net)				649,383		731,000		688,100	
{ Loans and Advances by Imperial Government (net)				17,610			133,500		50,800
{ Loans and Advances by Provincial Governments (net)				87,587		280,500			37,700
{ Deposits and Advances (net)				1,117,156		1,880,700			731,600
{ Remittances (net)					1,227,035		1,329,900		419,300
{ Secretary of State's Bills drawn				18,236,947		21,500,000		16,500,000	
{ Secretary of State's Bills paid					18,461,021		21,493,800		16,760,700
Cash Balance { Opening Balance				26,847,883		30,579,900		24,486,000	
{ Closing Balance				18,573,438		17,850,203		18,503,403	
Total				45,421,321		48,430,103		42,989,403	

G. D. PUDUMJEE,
Offg. Deputy Comptroller General.

O. T. BARROW,
Offg. Comptroller General.

E. N. BAKER,
Secretary to the Government of India.

FORT WILLIAM,
FINANCE AND COMMERCE DEPARTMENT;
March 23rd, 1904.

APPENDIX II.

Memorandum by the Hon'ble Major-General Sir Edmond Elles, K.C.B., on Military, Military Works, Special Defences, and Marine Expenditure for the years 1903-1904 and 1904-1905.

The estimates with which the Military and Marine Department of the Government of India is concerned are:—

- I.—The Indian Military Estimates.
- II.—The Home (India) Military Estimates.
- III.—The Military Works Estimates.
- IV.—Special Defences.
- V.—The Marine Estimates.

I will deal with them in this order.

2. Taking the Indian and the Home (India) Military Estimates together, the net expenditure in 1904-1905 will, it is estimated, be more than that provided in the Budget for 1903-1904 by £1,562,700.

The main causes of this excess are:—

In the Indian Estimates—

(I) Increased pay of the British soldier	74 lakhs.
(II) Provision for Sikkim-Thibet Mission, Aden Delimitation and Seistan Boundary Commissions	49 "
	123 lakhs = 820,000

In the Home Estimates—

(III) Provision of 71,574 new pattern rifles,	297,800.
(IV) Provision of 3 Horse and 18 Field Artillery Batteries of the new field gun	506,000 = 797,800

TOTAL 1,617,800

The increased pay of the British soldier was dealt with in para. 2 of my Memorandum on the Budget of 1902-1903 and comes into force from the 1st April. Necessary provision has been made for the Sikkim-Thibet Mission, Aden Delimitation and Seistan Boundary Commissions, the duration of which is at present uncertain. The provision of 71,574 new rifles will enable us to arm the field army with the most improved rifle of the charger loading type. Experience in South Africa proved the necessity for re-arming our Field Artillery with a Quick firing gun carrying a heavier shell in the case of the Field Artillery and giving greater mobility and rapidity of fire in the case of the Horse Artillery. The War Office having offered to give priority to the Indian Government in the provision of these guns, the offer was accepted, it being especially desirable at the present juncture that the Army in India should be equipped with the most modern weapons.

3. Before dealing with the Estimates in detail I will refer to the measures carried out or in progress during the present year for improving the efficiency of the Army and also to those which we propose to continue or initiate during the ensuing financial year.

Following the same headings as last year, my remarks will be recorded under Field Army, Frontier Defence, Frontier Railways, Internal Defence, Coast Defence, Ordnance Factories and General requirements.

Budget 1903-04.

4. The following items have been or are being carried out as proposed:— *Field Army.*

- (1) Increase of Reserve of Military-Hospital Assistants from 20 to 25 per cent.

- (2) Organisation of 12 Mule Corps with full complement of British and Native Commissioned and Non-Commissioned Officers.
- (3) Substitution of horse for bullock draught in the 4 existing Heavy Batteries and conversion of 2 garrison companies into Heavy Batteries with bullocks.
- (4) Addition of 110 officers to the Indian Army.
- (5) Formation of Mounted Sapper Detachment.

Re-organisation of the Madras Army.—Three other regiments of Madras Infantry, viz., the 76th, 82nd, and 87th were reorganised during the past year, as also the two remaining regiments of Madras Cavalry, now the 26th and 27th Light Cavalry. Another double Company of the 71st Coorgs consisting of Tamils has been mustered out and replaced by Coorgs, leaving one double Company only to be replaced by the latter class, when the regiment will become purely Coorg in its composition.

Re-organisation of the 9th Bhopal Infantry.—This regiment has now been re-organised as to its composition, and given the same strength and constitution as an Infantry regiment of the Bengal Command, in order to render it more efficient. A proposal is also under consideration to delocalise it.

Re-organisation of the 5th, 17th and 18th Infantry and 12th Pioneers.—It became necessary for various reasons to make certain changes in the class constitution of these regiments. The 12th has moreover been converted into a Pioneer Battalion and linked with the 48th Pioneers.

Re-organisation of the Hyderabad Contingent.—This has now been carried out, the Cavalry being transferred to the Bombay Command, and the Infantry to the Madras Command. The 4 batteries of Field Artillery have all been broken up and converted into Ammunition Columns.

Frontiers Defence.

The Quetta-Nushki line has been under construction.

Internal Defence.

Rearmament.—The supply of "303" rifles to all troops, volunteers and reservists will be complete when the rifles due from home this year are received.

Ordnance Factories.

The programme in regard to expenditure on Ordnance Factories has practically been carried out.

General Requirements.

The following measures have been or are being carried out:—

- (1) Increase to Leave Reserve of Military Assistant Surgeons from 15 to 20 per cent.
- (2) Increase in the establishment of the Queen Alexandra's Military Nursing Service for India by 16 nurses.
- (3) Owing to the increase in the pay of the R. A. M. C. the pay of the I. M. S. Officers in military employ has been increased at an estimated annual cost of Rs. 3,70,000.
- (4) Reorganisation of the Army Remount Department.
- (5) Expansion of Grass and Dairy Farms.
- (6) Separation of the Burma District from the Madras Command.
- (7) Establishment of a School of Cookery at Poona and appointment of Sergeant Cooks at hill stations.

Machine Guns.—Further steps have been taken towards providing an adequate number of machine guns for the army in India. Seventy of these guns have been ordered during the past year at a cost of Rs. 1,54,375, which has been met from savings due to the absence of troops in Somaliland and China and from other military savings.

Supply and Transport. Organisation of transport.—The proposal to organise twelve corps of mule transport referred to last year has received the sanction of the Secretary of State for India, and has been partly carried out. It will be completed next year and a sum of Rs. 76,500 has been provided in the estimates for the purpose. A similar organisation has been undertaken in Burma. The number of elephants kept for military transport has been reduced, and the savings thus resulting have been applied to an increase in the complement of mules in India.

With the co-operation of His Honour the Lieutenant-Governor of the Punjab great strides have been made in the registration of transport for war and in maturing a scheme which, under the Punjab Military Transport Act, will admit of the rapid collection of transport animals in emergency with the least possible inconvenience or hardship to the civil population.

The organisation of transport which has been in progress during the last four years has during the past year and a quarter been tested at the Delhi manoeuvres and in Somaliland. At Delhi the efficiency of the organised corps was very marked and the number of casualties was far below those experienced on any similar occasion in the past. In Somaliland the good effects of organisation have been still more remarkable. The Indian camels, instead of dying at a ruinously rapid rate as has occurred in all previous campaigns, are, under their "silladar" drivers and with a military organisation, enduring the hardships of the service in a remarkable way; and their efficiency is the subject of very favourable comment by Sir Charles Egerton and other officers with the force.

Marine Estimates.—As noted last year the defence squadron previously maintained at Bombay at a cost of £59,000 annually was abolished at the end of 1902-03. The vessels of the flotilla were disposed of during the current year. The turret ships *Magdala* and *Abyssinia* and the hulk *Tenasserim* were sold. The two gunboats *Assaye* and *Plassy* and four of the torpedo boats were sent to England and are being disposed of through the agency of the Admiralty; and the three remaining torpedo boats are kept in reserve at Bombay.

Proposals for improving the position of the officers, Executive and Engineer, of the Royal Indian Marine, were submitted for the consideration of His Majesty's Government. The Secretary of State has sanctioned those for improving the position and furlough rules of the executive officers but those for the Engineer officers are still under consideration.

In addition to their usual trooping work the Royal Indian Marine vessels have been employed for the conveyance of troops, animals, etc., between India and Somaliland. Eighteen hired transports were also taken up and fitted in the Royal Indian Marine dockyards for this service. The Royal Indian Marine Ship *Hardinge* has been employed during part of the year as a hospital ship for the conveyance of the sick from Somaliland to India.

Budget 1904-05.

5. *Increase of the scales of Army Signalling equipment.*—The increase is Field Army. considered necessary with a view to bring the signalling equipment up to the level of modern requirements. The total cost involved is ₹1,22,510 initial (₹90,244 Home and ₹32,266 Indian) and ₹19,659 annual recurring. A sum of ₹90,244 has been provided in the Home Estimates for 1904-05.

Re-introduction of signalling into all batteries of horse, field, heavy, and mountain artillery.—This involves (a) issue of signalling equipment to all batteries, and (b) addition of men and issue of horses and saddlery to certain batteries of Royal Horse Artillery and Royal Field Artillery.

The total cost involved is:—

(a) Initial ₹23,393 (Home ₹3,613 and Indian ₹19,780).

Annual recurring ₹5,571.

(b) Initial ₹1,97,456 (Home ₹22,185 and Indian ₹1,75,271).

Annual recurring ₹2,06,281.

Pending the Secretary of State's sanction the following provision has been made in the Estimates for 1904-05:—

(a) ₹23,393 (Home ₹3,613, Indian ₹19,780) for initial expenditure.

(b) Initial ₹1,97,456 (Home ₹22,185, Indian ₹1,75,271). Recurring ₹50,000.

Re-organisation of artillery.—It has been proposed to raise certain batteries to the higher establishment with a view to enable them to mobilise at the

field service strength without extraneous assistance. The total cost involved is R6,59,762 initial (Military R5,67,762, and Military Works R92,000) and R1,78,467 annual recurring. A sum of R3,00,000 has been provided in the Indian Estimates for 1904-05 for purchase of horses and saddlery.

Rearmament.—A further supply of 28,936 rifles is necessary to complete the ordnance reserves and 21,574 of these have been ordered during 1904-05 at a cost of Rs. 14,67,000. Meanwhile the home authorities have now adopted a modified pattern of the Lee Enfield rifle, with a short barrel and a magazine mechanism arranged for loading with a clip or charger. The alteration of the rifles in use in India to the new pattern will be taken up shortly, and as a preliminary to that measure the Secretary of State has arranged to send out 50,000 of the new pattern from home in addition during 1904-05, at a cost of Rs. 30,00,000.

Rearmament of horse and field artillery.—After protracted trials the War Office authorities have just adopted new patterns of guns for field and horse artillery. Both of these guns are quick firers, the latter a 12½ pr. and the field artillery gun an 18½ pr. The rearmament of the batteries in India is a matter of urgent necessity, for the guns now in use have done long service and are not up to the requirements of modern conditions. Arrangements have been made to obtain twenty-one batteries next year, viz., 18 field and 3 horse batteries at a cost of £500,000.

Addition of 36 horses to each British Cavalry regiment in India.—In order to allow of British Cavalry regiments being mobilized without drawing on other mounted corps or on remount depots to complete their field service strength of horses we have decided to add 36 horses to each of the nine regiments in India, at an initial cost of Rs. 3,50,766 and a recurring cost of Rs. 1,40,101. For the initiation of this scheme a sum of Rs. 2,75,765 has been included in the budget for 1904-05.

Increase to the Native Army Reserves.—The Native Army Reserve now consists approximately of 24,500 men, but this number is not adequate to meet the heavy drain which extensive operations would entail, and the Secretary of State has sanctioned the reserve being raised gradually to 50,000 men in a series of years. A provision of 3 lakhs has been made in the estimates.

Pioneer Battalion of Hazaras.—The question of employing Hazaras more largely in our Native Army has for some time been under consideration. They are good labourers and with their soldierly qualities are expected to make excellent Pioneers. The Secretary of State has accordingly been asked to sanction the formation of a Pioneer Battalion composed exclusively of Hazaras.

Ordnance Factories.

Cordite factory.—The anticipation that cordite would be actually manufactured before the end of 1903 has not been realised. The factory will, however, be in working order during the next financial year, and provision has been made in the estimates of that year to meet the cost of the complete staff required.

Gun-carriage factory, Jubbulpore.—It is hoped that this factory will be completed shortly. Meanwhile acting on the best expert advice in England, it has been found necessary to provide a further sum of £5,000 for machinery. This amount has been provided in the home ordnance estimates of 1904-05.

Rifle factory, Ishapore.—It is not anticipated that the factory will be sufficiently advanced to admit of its being in full working order during next financial year, but all machinery has now been ordered and will be erected in the course of the year. Manufacture will be commenced and the conversion of the existing Lee Enfield rifles to charger loading will be carried out concurrently.

Rolling mills, Ishapore, and field gun factory at Cossipore.—Satisfactory progress has been made in the preparation of these two factories. An additional sum of £4,020 has been provided in the estimates of 1904-05 for machinery for the gun factory, and in both cases the buildings will be got ready and machinery will be for the most part erected during that year.

Coast Defences.

Corps of Indian coast artillery.—The Secretary of State's sanction to the scheme was asked for in our despatch of 5th March 1903, but has not yet been received. The estimated cost to India of its share of the

proposals is R1,47,000 initial, and R3,41,000 annual; out of this a sum of R3,40,000 (R1,20,000 for initial and R2,20,000 for recurring expenditure) was provided in the estimates of 1903-04, pending Secretary of State's sanction. This has lapsed. In anticipation of the Secretary of State's sanction a sum of R1,27,000 (R27,000 for Military initial and R1,00,000 for Military Works expenditure on buildings) has been made in the estimates for 1904-05.

Increase to the establishment of the Indian Nursing Service—The Secretary of State sanctioned the addition of 16 nurses to the Indian Nursing Service during 1902-03 and of the same number during 1903-04. A further addition of 7 nurses during 1904-05 has now been sanctioned, thus completing the increase which was inaugurated in 1901. For this purpose R 10,589 has been provided in the military estimates of the ensuing year. General requirements.

Reorganisation of the Remount and Horse Breeding Departments.—As stated last year the whole control of horse and mule breeding operations has now been transferred to the Army Remount Department. The new Government run for young horse stock near Shahpur in the Jhelum canal colony has been started, and the scheme for granting land to colonists on the canal subject to the condition that they shall keep a brood mare has been successfully inaugurated. A large number of eligible colonists have come forward and in another year or two the results ought to be apparent in the stock on the Government run. We are about to begin the preparation of the second run where a large number of young mule stock will be kept. This measure is no less important than the rearing of horse stock; for while the demand for mules annually increases, the supply does not keep pace. During the present spring the numbers procurable at the fairs of Northern India have been so much below our requirements that we have been obliged to arrange for considerable purchases from Persia, South America and South Africa. The mules so obtained are of excellent class but they are necessarily more expensive than indigenous animals.

The importance of fostering the pure eastern breeds of both horses and donkeys has led us to propose to the Secretary of State the establishment of two small stud farms one at Ahmednagar, the other at the Shahpur depôt. So far as horses are concerned these studs will be particularly devoted to breeding pure bred Arabs and Kathiawaris, Dekkhanis, and other pure Indian breeds.

Establishment of a Staff College in India.—His Excellency the Commander-in-Chief considers it essential that candidates for staff employ in India (whether for British or Indian service) should be more highly trained than at present and that the means of obtaining such training should be provided in India itself. The staff college at Camberley being unable to provide for more than a portion of the wants of India, and also being unable from various causes to attract the best available officers, it is proposed that an Indian Staff College should be established at Quetta, open to officers of both the British and Indian services. The total cost involved in the proposal is estimated at R6,33,440, initial (Military R17,000 and Military Works R6,16,440) and R69,892 annual recurring. Pending the Secretary of State's sanction a sum of R2,00,000 has been provided in the Military Works estimates for 1904-05.

Inspector General of Volunteers.—In 1901 the Secretary of State sanctioned the appointment of an Inspector General of Volunteers in India as an experimental measure for three years. This period will expire in August next, and as the appointment has proved the success anticipated, the sanction of His Majesty's Government has been asked to its continuance as a permanent arrangement.

Peace strength of Madras and Bombay Infantry.—At present the peace strength of Infantry regiments of the Madras and Bombay Commands is 832 and 816, respectively, out of which they have to furnish the strength of 752 at which Indian Infantry takes the field. Owing to sickness, unfits, depôt requirements, etc., they cannot, however, take the field at the authorised strength without depleting their linked battalions to such an extent as to render the latter ineffective at a time their services are likely to be most required. A proposal is therefore under consideration to raise the peace strength of Madras

and Bombay Infantry, with certain exceptions, to the Punjab-Bengal strength of 912 of all ranks.

Proposed revision of the present system of promotion in the Indian Army.—With a view to the greater efficiency of the Indian Army, proposals have been made this financial year for a revision of the present system of promotion of officers. These proposals involve an extra expenditure of about R1,00,340 and provision for this amount has been made in the estimates of 1904-05.

Redistribution of Staff Officers in military districts in India.—With a view to the better distribution of work connected with the duties of the district staff and to enable officers so employed to devote more of their time to work out of doors and in the field, an increase of staff officers has been sanctioned this financial year. To meet the extra cost provision has been made in the estimates of 1904-05 for over R60,000.

Seconding and replacement of officers.—Sanction has been accorded to the seconding of all officers taken from regiments of the Native Army for employment in any civil or political capacity, or with any department of the Army, or for oversea expeditions in extra regimental employment, or for any employment under the Imperial or a Colonial Government. With a view to carrying out this measure, the Secretary of State has been asked to send out 57 officers, and provision on this account has been made in the estimates of 1904-05 for R52,000.

General Remarks.

Marine.—Funds have been allotted for the completion during the ensuing year of the new vessel, which is being built to replace the *Clive*. The total cost of the vessel (which will be called the *Dufferin*) will be £205,000, of which £100,000 was provided this year.

Re-numbering of the regiments of the Indian Army.—With the abolition of the Presidential system, the old numbering of regiments on a Presidential basis under which several corps often had the same number became anomalous and inconvenient. The regiments of the Indian Army have accordingly been numbered consecutively throughout. Every endeavour has been made to meet the wishes of regiments as to their titles and to preserve their distinguished traditions. In many cases old titles in connection with previous service or former eminent commanders have been revived.

Somaliland.—The Army in India has continued to supply, as required, men, supplies, munitions of war, etc., for the operations in Somaliland, the whole cost being borne by His Majesty's Government. The re-organised transport and more especially the Silladar Camel Corps have been tried for the first time.

China.—The Indian Army now furnishes at the expense of the War Office five regiments for permanent Colonial garrisons. In addition we now have 2 regiments of Indian Infantry in North China and an additional Battalion at Hongkong. The whole cost of these three additional battalions is also borne by the War Office.

Aden delimitation.—The Indian Army has furnished the necessary escorts for the delimitation of the Arab Hinterland.

Sikkim-Thibet Mission.—The escort of this mission has carried out its operations at an altitude which has never before been attempted in winter. The troops have well withstood the rigour of the climate owing to the special provision made for their welfare. One detachment was withdrawn from Kambajong by a pass over 17,000 ft. high in December. The climate has been a severe test of our Indian troops.

6. I give below a statement showing the total military expenditure under the Indian Military Budget, the Military Works Budget including special defences and the Home (India) Budget for the past 8 years, in view to comparing the military expenditure with the total revenue. This statement shows that whereas the percentage of total military expenditure to revenue for the first period of four years was 24·70, the percentage for the last period of four years is only 21·08.

Military Expenditure from 1896-97 to 1903-04.

Statement showing the proportion of net Military and Military Works, including Special Defence Works, expenditure (Indian and Home) to General Revenues for the eight years 1896-97 to 1903-04.

YEARS.	1	2	3	4	5	6
	Total Revenue.	Total Expenditure.	Net Military Expenditure.	Net Military Works and Special Defence Expenditure.	Percentage of Col. 3 to Col. 1.	Percentage of Cols. 3 and 4 to Col. 1.
	£	£	£	£		
1896-97	62,621,932	63,758,614	15,091,485	786,211	24.09	25.35
1897-98	64,257,207	67,830,014	17,233,296	756,011	26.81	27.99
1898-99	67,595,815	64,954,942	15,385,042	772,467	22.76	23.90
1899-1900	68,637,164	65,862,541	14,165,743	802,656	20.63	21.80
4 Years	263,112,118	262,406,111	61,875,566	3,117,345	23.52	24.70
1900-01	75,272,291	73,602,087	14,265,525	754,051	18.95	19.95
1901-02	76,344,525	71,394,282	14,786,342	917,140	19.36	20.56
1902-03	77,434,915	74,365,366	16,221,402	1,058,368	20.95	22.32
1903-04	83,067,800	80,356,600	16,784,100	1,032,900	20.20	21.44
4 Years	312,119,531	299,718,335	62,057,369	3,762,459	19.88	21.08
TOTAL	575,231,649	562,124,446	123,932,935	6,879,804	21.54	22.73

I.—Indian Military Estimates.

Revised Estimates, 1903-1904.

7. The Revised Indian Military estimates for 1903-1904, compared with the Budget for that year, show an increase of R18,93,000 caused by an increase in receipts of R11,17,000 and an increase in expenditure of R30,10,000.

Comparison—
Revised for 1903-1904
and
Budget for 1903-1904.

The increase in receipts is chiefly due to credit from the Imperial Government for the peace equipment of native troops on service in China over and above the amount included in the accounts for 1902-1903; for Europe stores issued from stock to Somaliland and China; for Mounted Infantry ponies sent to Somaliland; to larger sales of Ordnance Stores; and to increased contributions towards Indian Military Service Family pensions.

8. The more important causes which have led to an increase in expenditure have been the following:—

- (a) Extra expenditure on account of the following Services amounting to R72,97,000:—
- (i) Military Charges in connection with the Sikkim-Thibet Mission, R45,00,000, including R4,00,000 on account of road-making operations in the Teesta Valley;
- (ii) Military Escort with the Aden Delimitation Commission R25,71,000; and

FINANCIAL STATEMENT OF THE

- (iii) Military Escort with the Seistan Boundary Commission, R2,26,000.
- (b) Cost of special expenditure to be incurred in India against the Military Estimates from savings due to the absence of troops in China and Somaliland account for R13,29,000.
- (c) Special military expenditure in India to be met from lapses from schedule items provided for in the India Military Budget amount to R2,49,000.
- (d) More supernumerary officers as candidates for the Indian Army and more Unattached List officers than provided for, R1,66,000.
- (e) More charges for conveyance of troops and stores, R4,60,000.
- (f) Transfer of the control of Breeding Operations from the Civil Veterinary Department to the Army Remount Department, and the consequent reconstitution of the latter Department, account for an increase of R2,84,000.
- (g) Mounted Infantry ponies purchased in replacement of those sent to Somaliland amount to R2,32,000.
- (h) Reconstitution of certain Native Corps of the Madras Command have caused an increase of R2,17,000, and non-effective charges in excess of the amount included in this amount, an increase of R1,69,000.
- (i) Arrear charges on account of the Delhi Durbar account for R38,000.
- (j) Arrear charges on account of Camps of exercise and manœuvres amount to R1,83,000.
- (k) The deduction made in the Indian Budget owing to an excess provision in the Home Estimates not being necessary has accounted for an increase of R1,00,000.
- (l) A sum of R2,81,000 has been sanctioned for the purchase of mules in Persia and South America in addition to a sum of R40,000 to be met from savings on account of the absence of troops in China and Somaliland.

9. On the other hand, there have been decreases of expenditure under certain heads, the more important of which are the following:—

- (a) Savings in pay and subsistence charges on account of troops serving in China and Somaliland, R29,32,000.
- (b) Less expenditure for food-supplies and grass cultivation, R10,86,000.
- (c) Lapses expected on account of schedule items so far as known at present, R7,19,000.
- (d) Smaller expenditure is anticipated to the extent of (i) R3,50,000 in the Ordnance Department, and (ii) R1,00,000 under Medical.
- (e) The difference between the credits taken by debit to Imperial Government for the value of local stores issued from stock, and also for the peace equipment of Native Troops employed in China, and the amounts likely to be spent on their replacement during the current financial year, accounts for a net decrease of R6,56,000.
- (f) Smaller charges for the garrisons beyond the North-West Frontier, and the Gilgit Agency, mainly due to the withdrawal of regular troops from Wano and certain posts in the Tochi Valley and to less feed charges on account of the Chitral and Malakand garrisons, account for R3,55,000.
- (g) Saving in the provision made for special items, apart from schedule items, such, for instance, as increased pay to officers of the R. A. M. Corps, charges for the Brigade Staff, Royal Horse and Field Artillery, and for the reorganisation of Silladar Camel Corps, etc., amount to R2,86,000.

- (d) ₹4,25,000 has been saved by the short strength of medical officers and subordinates and troops.
- (i) Savings consequent on the reorganisation of the Hyderabad Contingent in excess of the amount for which credit was taken in the Budget amount to ₹1,40,000.
- (j) A sum of ₹3,30,000 was over-estimated for the purchase of remounts in the Budget.
- (k) ₹1,20,000 represents less Sea Transport charges, chiefly due to coal having been paid for in England.

Estimates, 1904-1905.

10. The estimates for 1904-1905, in the net, amount to ₹19,47,56,000, or ₹1,38,35,000 more than the Budget for 1903-1904. This is due to a decrease in receipts of ₹66,000 and an increase in expenditure of ₹1,37,69,000.
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| <p>Comparison—
Budget for 1903-1904
and
Estimates for 1904-1905.</p> | |
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The decrease in receipts is due chiefly to less sales of malt liquor being anticipated.

The more important causes of increase in expenditure are the following:—

- (a) Service pay to British soldiers, including those on the Unattached List and with Departments accounting for ₹74,08,000.
- (b) Larger provision for conveyance of troops and stores with reference to past actuals, ₹5,50,000.
- (c) Extra expenditure on account of the following services amount to ₹48,90,000:—
 - (i) Sikkim-Thibet Mission, ₹36,00,000.
 - (ii) Military Escort with the Aden Delimitation Commission, ₹11,29,000.
 - (iii) Military Escort with the Seistan Boundary Commission, ₹1,61,000.
- (d) Larger provision to the extent of ₹3,81,000 has been made for Breeding Operations in the Army Remount Department.
- (e) Pay of officers of the Indian Medical Service having been increased has caused an extra expenditure to the extent of ₹2,15,000.
- (f) Provision to the extent of ₹4,52,000 has been made for the local purchase of stores and tools, and cost of erecting machinery in connection with the steel plant and rolling mills at Ishapore; ₹1,00,000 for the revision of the present system of promotions in the Indian Army; ₹3,00,000 for the increase of the strength of the Native Army Reserves up to 50,000 men; ₹1,33,000 for the formation of a Railway Pioneer Battalion composed exclusively of Hazaras; and ₹1,25,000 for the acquisition of land for the improvement of rifle ranges for regular troops.
- (g) Larger provision to the extent of ₹2,89,000 has been made for Supernumerary and Unattached List officers of the Indian Army.
- (h) Larger provision to the extent of ₹1,58,000 has been made for grass cultivation.
- (i) Provision to the extent of ₹4,12,000 has been made to enable all Native Infantry battalions of the Madras and Bombay Commands, with certain exceptions, being raised to a strength of 912 natives of all ranks; and of ₹4,64,000 for mobilisation equipment for two British and eight Native Infantry Battalions required for the northern line of communication.

Among other causes of increased expenditure might be mentioned the following:—

Additional officers for the supply and transport corps (₹49,000); Organisation of 12 transport mule corps (₹76,000); Establishment of two

Stallion Breeding Studs at Ahmednagar and Mona (R1,92,000); Re-introduction of signalling into all Batteries of Horse, Field, Heavy and Mountain Artillery (R2,45,000); Establishment for the Cordite Factory, Wellington (R80,000); Re-organisation of Artillery (R3,00,000); Addition of 36 horses to each of the British Cavalry Regiments in India (R2,76,000); Personnel required for the Rifle Factory at Ishapore (R62,000); Increased provision for debit note telegrams (R1,20,000) and more non-effective charges (R80,000).

11. Against the foregoing increases there will be a partial set-off by reason of certain decreases, the most important of which are—

- (a) Less provision for the garrisons beyond the North-West Frontier and the Gilgit Agency, R7,42,000.
- (b) Smaller provision for the troops which formed the Hyderabad Contingent, taking into account the re-organisation of the Cavalry and Infantry and disbandment of the Artillery, R6,20,000.
- (c) Smaller provision for initial expenditure on account of the re-organisation of mule, pony and camel cadres, R1,84,000.
- (d) Smaller provision has been made for ordinary requirements under Medical which accounts for a decrease of R2,10,000.
- (e) Less provision causing a decrease of R2,23,000 has been made for local stores and camp equipage.
- (f) Initial expenditure included in the Budget for 1903-1904 from the Schedules of September 1902 and February 1903, and also recurring expenditure on account of the Corps of India Coast Artillery, having been omitted from the Budget for 1904-1905, in the absence of sanction, accounts for a decrease of R21,51,000.
- (g) The transfer to the Military Works estimates of charges hitherto borne by the military estimates on account of telegraphic and telephonic communications and railway sidings and platforms causes a decrease of R1,03,000.

II.—Home (India) Military Estimates.

Revised Estimates, 1903-1904.

12. The Military Department is next concerned with the home estimates for army effective and non-effective charges.

Comparison -
Revised for 1903-1904
and
Budget for 1903-1904.

The Home Budget Estimates for 1903-1904 made provision for a gross expenditure of £5,088,800, but in the Revised

Estimates the provision has been reduced to £5,052,600, or by £36,200.

This decrease in the Revised Estimate as compared with the Budget Estimate is chiefly brought about by reduced expenditure on stores; smaller "payments to the War Office in respect of British forces serving in India" and less expenditure on "Passage of officers and others not charged to Indian Troop Service"; partly counterbalanced by larger payments on account of furlough allowances; by increased expenditure in connection with the Indian Troop Service mainly due to arrears of previous years in respect of the cost of moving units, etc., from South Africa to India and to increase in freight of troops to India; and by the larger payments recorded under the head "Pay and Pensions of the Non-effective and Retired Officers of the Indian Service" owing to the transfer to this head of pensions formerly charged through the Remittance Account for adjustment against Berar Revenues.

13. The net figures of the Revised Estimate show an increase of £5,600 over those of the Budget Estimate for 1903-1904, due to less expenditure of £36,200, as explained above, and a decrease in receipts of £41,800.

Estimates, 1904-1905.

Comparison—
Budget for 1903-1904
and
Estimates for 1904-1905.

14. The estimated receipts and expenditure for 1904-1905 are as follows:—

	Receipts.	Expenditure.	Net expenditure.
	£	£	£
Effective	334,400	3,159,600	2,825,200
Non-effective	28,000	2,434,100	2,406,100
TOTAL	362,400	5,593,700	5,231,300

15. Under receipts credit is taken for contributions to be made to the extent of £230,000 by the Imperial Government in respect of the cost of the transport of troops, and of military charges for Aden in consequence of the recommendations of the Royal Commission on Indian Expenditure; compared with the Budget for 1903-1904 the receipts show an anticipated decrease of £135,500. This is brought about by decreases in the receipts on account of the Indian Troop Service, and in the value of articles in the possession of regiments on their transfer from the Indian to the British Establishment; and also by smaller contributions towards pensions of Indian native soldiers lent for Imperial Service owing to a decrease in the numbers of native soldiers so lent. The total gross anticipated expenditure for 1904-1905 is more by £504,900 than the amount provided in the Budget for the preceding year. This increase is chiefly accounted for by the increased requirements for stores, chiefly artillery equipment and rifles; additional provision for the retired pay, etc., of British forces for service in India to allow for the normal growth of this charge and for an adjusting payment in respect of 1902-1903; to larger provision for the furlough allowances of officers of the Indian Service which is necessitated with reference to recent payments; partly counterbalanced by smaller anticipated payments to the War Office in respect of the British forces serving in India due chiefly to a decreased charge for deferred pay and an expected refund by the War Office on this account in respect of 1902-1903.

16. The gross charges on account of effective services, as estimated for the coming year, include payments to the War Office in respect of the British forces serving in India (£556,000); furlough allowances and pay during the voyage of British forces serving in India (£113,000); furlough allowances of officers of the Indian Service (£240,000); Indian Troop Service (£333,800); passage of officers and troops otherwise than in transports (£19,000); miscellaneous (£34,000); and stores for India (£1,863,800).

17. The gross charges on account of non-effective services are made up of the retired pay, etc., of the British forces for service in India (£716,800); pay of the non-effective Colonels of Royal Artillery (£20,300); pay and pensions of non-effective and retired officers of the Indian Service (£1,560,000); miscellaneous pensions, etc., (£87,000); and the Indian Military Service Family Pensions (£50,000).

18. The net anticipated expenditure for 1904-1905 is more by £640,400 than that for the preceding year, and, as explained above, this is due to a decrease of £135,500 in receipts and to an increase of £504,900 in gross expenditure.

III.—Military Works Estimates.

19. Formerly a fixed grant, at first one crore of rupees, was allotted annually for all military works of every class, but of late years this sum has usually been exceeded owing to the increasing demands of the Army and Defences. A new

system of budgetting has therefore been introduced under which fixed grants are allotted annually for a quinquennial period for (1) Repairs, (2) Establishments, (3) Barrack Department, (4) Original Works under ₹50,000. All works costing over ₹50,000 are considered separately, and a sum is allotted for them according to requirements and subject to financial exigencies. Under this system the control of the Finance Department is enhanced and the procedure will be in some degree analogous to that in the Public Works Department.

20. Excluding English expenditure, the Budget Estimate for 1903-1904 amounted to ₹1,54,27,000 (£1,028,500); but these figures have been modified during the year by additional grants and by transfers to other heads of account. The final grant is ₹1,53,10,000 (£1,020,700) and a lapse of ₹4,10,000 (£27,300) on this amount is anticipated, which is due mainly to short outlay on stores.

21. The Budget Estimate for 1904-1905, excluding English expenditure, is ₹1,55,84,000 (£1,038,900), or an increase over that of 1903-1904 of ₹1,57,000 (£10,500).

22. The main heads of expenditure in the Military Works Estimate are these (in round figures) :—

	R	£
Original works, including those in progress and those to be commenced	83,26,000	555,100
Repairs	36,49,000	243,300
Establishment and tools and plant	29,75,000	198,300
Barrack Department, establishment, supplies and tools and plant	9,00,000	60,000

23. In connection with the more important original works, expenditure amounting to ₹6,32,000 (£35,400) will be incurred on water-supply projects; ₹7,00,000 (£46,700) will be spent on electric lighting and punkah-pulling installations in barracks; provision has been made in the Budget for ₹30,000 (£2,000) for completing the cordite factory in the Nilgiris; ₹6,00,000 (£40,000) for the central gun-carriage factory at Jubbulpore; ₹6,00,000 (£40,000) for a small arms factory at Ishapore; ₹7,00,000 (£46,700) for steel and cartridge-metal rolling mills at Ishapore. Progress will be made towards the completion of the requirements of volunteer corps in the matter of buildings, armouries, etc., and special allotments have been entered in the budget in connection with the scheme for improving rifle ranges for regular troops and volunteers. The remaining original works include new hospitals, barracks, buildings for a medical store depôt at Calcutta, etc., and provide for the ordinary requirements of the Ordnance, Remount and Marine Departments and of the Supply and Transport Corps.

24. Provision is made for 146 new major works and schemes of which 55 are in progress and 91 have yet to be commenced. A sum of ₹6,30,000 (£42,000) is allotted to minor works, each costing not more than ₹2,500.

IV.—Special Defences.

25. Excluding English expenditure, the Budget Estimate for 1903-1904 was ₹18,00,000 (£120,000); the Revised Estimate of expenditure is taken at ₹3,36,000 (£22,400). The lapse is mainly due to short outlay on stores; but the Indian grant also has not been fully expended.

26. The Budget Estimate for 1904-1905, excluding English expenditure, is ₹16,00,000 (£106,700).

V.—Marine Estimates.

Revised Estimates, 1903-1904.

27. The net total of the Budget Estimate of the Royal Indian Marine for 1903-1904 was ₹16,04,000 (£106,933); the Revised Estimate stands at ₹10,27,000 (£68,466) showing decrease of ₹5,77,000 (£38,467).

Comparison—
Revised for 1903-1904.
Budget for 1903-1904.

28. The decrease is chiefly due to large recoveries from the Home Government in connection with the employment of Royal Indian Marine vessels on Imperial service, counterbalanced to some extent by increased expenditure in connection with the hire and fitting of transports for the Aden Boundary Commission, and the cruise of His Excellency the Viceroy, in the Persian Gulf.

Estimates, 1904-1905.

29. The net total of the Marine Estimates for 1904-1905 is Rs 20,10,000 (£134,000), against Rs 16,04,000 (£106,933), the total of the Budget for 1903-1904, showing an increase of Rs 4,06,000 (£27,067) which is chiefly due to provision being made for charges in connection with the return of the troops with the Aden Boundary Commission.

E. R. ELLES.

March 23, 1904.

APPENDIX III.

Memorandum on Railway Development and working by the Honourable Sir A. T. Arundel, K.C.S.I. (March 1904).

Our programme of capital expenditure on railways for the year 1904-1905 has been prepared on the same lines as before; and, as on previous occasions, has been limited not by the amount which the full development of the country could employ or by the which the existing organisation could profitably spend on that development, but by the amount which the Government can make available. This amount, I am glad to say, provides for a larger expenditure on railway development next year than has ever been possible before. That it is not however by any means so large as to meet all the claims upon it, is evident from the following figures contrasting the amounts which have been asked for by the various railway administrations concerned or for projects which have been accepted as necessary, with those which we have been able to allot:—

	Demand. Lakhs.	Allotment. Lakhs.
(a) Open lines, including rolling stock	645'78	548'67
(b) Lines already under construction—		
(i) Begun prior to 1903-04	379'53	351'84
(ii) „ during 1903-04	168'05	148'11
(c) New lines to be begun in 1904-05	248'52	91'38
	1441'88	1140'00
(d) Purchase of lines	60'00	60'00
TOTAL	1501'88	1200'00

2. As usual the principle has been followed of providing for the needs of open lines and lines already under construction before deciding to undertake the construction of new ones, and in doing this the necessity for providing for the additional rolling stock necessary to cope with the growth of traffic has not been overlooked. Although the number of goods wagons in India has been increased from 76,471 in 1898 to 94,796 in 1902, *i.e.*, by about 24 per cent. in five years, and although 11,731 more wagons have since been supplied or are under order, we have considered it desirable to provide no less than about 300 lakhs to pay for the latter and provide, for further increases of rolling stock during the coming year.

3. The following statement shows the growth of expenditure on railway development by Government during the past five years:—

Year.	Open lines, including Rolling Stock.	LINES UNDER CONSTRUCTION.		Total.
		Started in previous years.	Started in current year.	
	Lakhs.	Lakhs.	Lakhs.	Lakhs.
1900-01 (actual expenditure)	528'22	251'10	18'34	797'66
1901-02 ditto	352'58	509'06	25'64	887'28
1902-03 ditto	481'74	452'50	71'52	1005'76
1903-04 (latest grants)	398'81	511'20	72'06	982'07
1904-05 (proposed grants)	548'67	499'95	91'38	1140'00

4. The details of the distribution of the allotment for next year are shown in statement A, and a complete list of the railways already opened, now in hand, or about to be

started, is given in statement D. The following are the chief new items of the construction part of the programme, *vis.* :—

I. Lines started in 1903-1904 :—

Railway.	Length in miles.	ALLOTMENTS.	
		1903-1904.	1904-1905.
Khurja-Hapur Extension, East Indian railway	38·87	} 3'00	{ 10'00
Ondal-Sainthia Chord, ditto	43'62		
Kaunia-Bonarpara branch, Eastern Bengal State railway	44'25	8'50	10'00
Hyderabad-Badin Extension, North Western railway	61'00	17'80	18'61
Jech-Doab, Southern Section ditto	103'00	8'68	20'00
Hapur-Meerut branch, Oudh and Rohilkhand railway	19'50	4'25	1'50
Rewari-Phulera Chord, Rajputana Malwa railway	133'32	11'65	28'00
Bairagnia-Shikarpur, Tirhoot State railway	58'05	} 18'18	50'00
Bettiah-Bagaha, ditto	49'35		
Mansi-Baptiahi, ditto	78'62		
Sakri-Jainagar, ditto	30'47		
Shikarpur-Bikna Thori, ditto	21'50		
TOTAL	681'55	72'06	148'11

II. Lines proposed to be commenced in 1904-1905 :—

Railway.	Length in miles.	Allotments proposed for 1904-1905.
Pench Valley Coal Branch, Bengal Nagpur railway	25	5'00
Nagda-Bara-Muttra-Aligarh, Bombay, Baroda and Central India rly.	302	20'00
Henzada-Kyangin, Burma railways	66	} 15'00
Pegu-Moulmein, ditto	122	
Katihar-Malda branch, Eastern Bengal State railway	50	30'00
Coonoor-Ootacamund, Nilgiri railway	12	10'00
Jullundur-Kapurthala (British Section) North Western railway	7	2'00
Khushalgarh-Kohat Conversion and Indus Bridge, ditto	33	9'38
TOTAL	707	91'38

5. Besides these lines, arrangements have been concluded for the construction of the following railways by private enterprise not directly guaranteed or otherwise aided by the State :—

Railway.	Gauge.	Length.	Approximate cost in lakhs.
Ludhiana-Ferozepur-McLeodganj, Southern Punjab railway	5' 6"	163'06	87'19
Gainsari-Jarwar branch, Bengal and North-Western rly.	3' 3 $\frac{3}{8}$ "	12'56	3'07
Gorakhpur-Bagaha Extension, ditto ditto	3' 3 $\frac{3}{8}$ "	60'94	24'83
Kopaganj-Dohrighat, ditto ditto	3' 3 $\frac{3}{8}$ "	21'70	6'43
Uska Bazar-Tulsipur Extension, ditto ditto	3' 3 $\frac{3}{8}$ "	53'54	23'83
Bareilly-Soron, Rohilkund and Kumaon railway	3' 3 $\frac{3}{8}$ "	55'80	55'73
Lalkua Kashipur, ditto ditto	3' 3 $\frac{3}{8}$ "	40'00	10'00
Moradabad-Ramnagar, ditto ditto	3' 3 $\frac{3}{8}$ "	47'00	16'00
Barasat-Basirhat Tramway	2' 6"	26'00	9'50
Pandharpur and Tadwala Extensions, Barsi Light rly.	2' 6"	57'37	31'49
Tuna-Bundar Anjar Extension, Cutch State railway	2' 6"	11'86	2'31
Moharbanj State railway	2' 6"	28'50	6'60
Sabalgarh-Sheopur Extension, Gwalior Light railway	2' 6"	69'00	19'10
Matheran Light Tramway	2' 0"	12'00	10'00

and negotiations are in progress, which we hope will result in the early construction of the following in a similar manner :—

Railway.	Length in miles.	Gauge.	Estimated cost.
			Rs.
Amritsar-Pati, North Western railway	27	5' 6"	13,39,000
Mymensingh-Bara Ari with a branch to Gauripur, Eastern Bengal State railway	36½	3' 3¾"	22,15,812
Bezwada-Masulipatam, Southern Mahratta railway	50	3' 3¾"	27,89,406
Guntur-Repalle, ditto	38	3' 3¾"	17,33,687
Kurnool Road-Kurnool, ditto	32	3' 3¾"	7,11,000
Phirangipuram-Gurzala, ditto	50½	3' 3¾"	12,59,641
Rawalpindi-Murree with extensions to Kuldana and Gharial, North Western railway	50	2' 6"	41,34,077
Singhjani-Nalitabari, Eastern Bengal State railway	25	2' 6"	12,38,886

6. Towards the close of the current year we have been approached by the owners of the following lines, *viz.* :—

	Gauge.	Length in miles.
Segaulie-Raksaul railway, Bengal and North-Western railway	3' 3¾"	18'09
Brahmaputra-Sultanpur railway, Eastern Bengal State railway	3' 3¾"	59'37
Cooch Behar State railway, Eastern Bengal State railway	2' 6"	33'60
Ranaghat-Krishnagar Light railway, ditto	2' 6"	20'25

with a view to the purchase of the lines by the State; and, after consideration of the value of each as a commercial undertaking, Government propose to purchase them at an aggregate cost of about 60 lakhs. It is expected that the transactions will shortly be completed. The purchase of the last named line is, of course, a result of the construction of the new Ranaghat-Murshidabad line in its neighbourhood; but as regards the rest, it seems somewhat disappointing that after all the endeavours made with the intention of encouraging landowners and capitalists to embark in railway enterprise in India, the owners of the first two lines should consider it better to sell than to wait for the development of traffic which must in time make those lines remunerative investments.

7. This incident, and the fact that but few offers have been received for concessions on branch line or rebate terms, clearly show that, in the present state of the market, money cannot be attracted for railway enterprise in India except by a firm guarantee of a minimum interest at least as high as is paid on direct Government loans, or unless the promoters can be assured of a much higher rate of profit than Indian railways as a rule are likely to earn during the first few years after opening. This matter has been dealt with by Mr. T. Robertson in his report on the working of Indian railways, and his remarks are receiving the careful consideration of this Government and of the Secretary of State, but it will probably be some time before a conclusion can be arrived at.

8. It is satisfactory to observe that there are indications that the offer made by the Government of India to encourage Local Boards to finance light railways in their own districts by advancing them money on the security of their entire resources is likely to be availed of by the District Board, Kistna, for the construction of one or more of the following lines :—

- (a) Bezwada-Masulipatam,
- (b) Guntur-Repalle,
- (c) Phirangipuram Gurzala,

in the event of the promoters who have endeavoured to form a company to construct these lines failing to raise the necessary funds within the time fixed, *vide* Statement C.

9. At the beginning of the official year 1903-1904, there were 26,308 miles of railway open for traffic and 2,650 miles under construction. Since then and up to the date

of going to press 738 miles have been added to the former figure, and before the end of this month an addition of 100 miles is expected. This will raise the total length of railways open for traffic at the close of the year 1903-1904 to 27,144 miles (*vide* Statement D).

During the current year sanction was accorded to the construction of 1,282 miles of railways, details of which are to be found in Statement D, and there are now 3,044 miles under construction or sanctioned for construction.

10. The railways of India, taken as a whole, for the fourth year in succession show a balance to the credit of the general revenues after paying working expenses, interest charges and payments for annuities in redemption of Capital. The approximate figures for 1903-1904, as compared with the three previous years, are as follows :—

	1900-1901. Lakhs.	1901-1902. Lakhs.	1902-1903. Lakhs.	1903-1904. Lakhs.
Surplus of revenue over expenditure .	48.77	126.99	34.34	128.19

11. Compared with the figures of the previous year the results for the year 1903-1904 show an improvement of 93.85 lakhs. The receipts are more by 195.83 lakhs, the working expenses are higher by 64.29 lakhs, while interest charges, etc., have increased by 37.69 lakhs. In 1902-1903 although there was an improvement in the earnings of certain railways due to the Delhi Durbar, the installation of His Highness the Maharaja of Mysore and certain religious fairs, a considerable falling-off occurred in the earnings of the East Indian, North Western and Rajputana Malwa railways owing to an abnormal depression in the coal trade and in grain and pulse traffic. In the Budget Estimate for 1903-1904 due allowance was made for general improvement in traffic, particularly on the lines that were so backward in the previous year, and the above result shows that although adverse conditions remain much the same on the Rajputana Malwa railway, the improvement has been marked on some of the larger lines, the traffic on which has been exceptionally favourable. The increase in working expenses occurs chiefly on the Great Indian Peninsula railway system and on the Burma, Eastern Bengal State and North Western railways, where largely increased outlay has been necessary on maintenance and renewals of way and rolling stock and on repairs to flood damages. The charges for interest, etc., rise with the steadily increasing expenditure on Capital account, but this increase is more than covered by the increase in profits above quoted. The large surpluses of the last four years are full of encouragement for the construction of carefully selected extensions and projects in the future.

A. T. ARUNDEL.

CALCUTTA;

The 23rd March 1904.

STATEMENT A IN APPENDIX III.

STATEMENT

OF

Anticipated Capital Expenditure on Railways, Open or under Construction,
for the year 1904-1905.

Branch lines under Rebate terms are excluded.

FINANCIAL STATEMENT OF THE
CAPITAL EXPENDITURE ON RAILWAYS—1904-1906.

(Figures in Lakhs and Decimals of Lakhs.)

No.	RAILWAY.	Grants allotted for 1903-1904.	Distribution of grants during 1904-1905.
	I.—OPEN LINES.	<i>R</i>	<i>R</i>
	I.—BY STATE AGENCY.		
1	Eastern Bengal	49'15	50'00
2	Do. Improved facilities near Calcutta	12'04	10'86
3	Do. Rungpur-Dhubri	1'41	1'50
4	Oudh and Rohilkhand	29'60	27'48
5	North Western	34'52	65'62
6	Warora Colliery	-0'46	-0'25
7	Frontier Railway Reserve	0'10	...
8	Jodhpur-Hyderabad (British Section)	0'03	0'08
	Total Open Lines by State Agency	126'39	155'29
	II.—BY THE AGENCY OF MAIN LINE COMPANIES.		
9	East Indian	71'09	71'17
10	Do. Colliery Sidings	2'91	1'33
11	Rajputana Malwa	16'70	18'00
12	Tirhoot and Hajipur-Katihar	10'50	15'00
13	South Indian	5'00	12'00
	" Madura—Pamban	6'53	1'56
14	Great Indian Peninsula	32'66	100'00
15	Do. Bhopal-Itarsi (Brit. Sec.)	1'74	2'00
16	S. M. Ry., Guntakal-Mysore Frontier	'05	0'24
17	N. G. S. Ry., Bezwada Extension	0'15	0'03
18	Madras Railway—North-East (East Coast) Line	26'50	20'00
19	Do. Nilgiri	0'03	3'60
20	{ Assam Bengal—Construction	} 36'48	} 20'00
	{ " Land		
	{ " Jetties		
	Total Open Lines by Agency of Main Line Companies	210'34	264'93
	Carried over	336'73	420'22

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CAPITAL EXPENDITURE ON RAILWAYS—1904-1905—contd.
 (Figures in Lakhs and Decimals of Lakhs.)

No.	RAILWAY.	Grants allotted for 1903-1904.	Distribution of grants during 1904-1905.
	OPEN LINES—contd.	<i>R</i>	<i>R</i>
	Brought forward	336'73	420'22
	III.—AGAINST THE CAPITAL ACCOUNTS OF THE OLD GUARANTEED RAILWAY COMPANIES.		
21	Madras	1'56	33'00
22	„ Calicut-Cannanore	2'00	0'30
23	Bombay, Baroda and Central India	—0'39	5'21
24	„ „ „ „ Godhra Baroda chord	23'60	3'24
	Total Open Lines, old Guaranteed Companies	26'77	41'75
	IV.—AGAINST THE CAPITAL ACCOUNTS OF INDIAN RAILWAY COMPANIES OTHER THAN THE OLD GUARANTEED RAILWAY COMPANIES.		
25	Bengal Central	0'50	0'66
26	Bengal Nagpur (including Northern Section of East Coast Railway)	12'71	12'00
27	Burma	29'53	32'52
28	(Great Indian Peninsula), Indian Midland	34'84	21'27
29	R. & K. Ry. Lucknow-Bareilly	3'84	0'54
30	Southern Mahratta	0'80	12'00
31	„ Mysore Section	1'20	1'21
	Total Open Lines, other Railway Companies	83'42	86'20
	V.—CAPITAL ACCOUNTS OF BRANCH LINE COMPANIES WITH A FIRM GUARANTEE.		
32	Hardwar-Dehra	0'54	0'50
33	Brahmaputra-Sultanpur	0'50	...
	Total Open Lines by Branch Line Companies	1'04	0'50
34	Purchase of four Railways* . . . . .	...	60'00
	TOTAL OPEN LINES—carried over	44'96	608'67

* Cooch Behar, Brahmaputra-Sultanpur, Ranaghat-Krishnagar, and Segowlie-Raksaul.

FINANCIAL STATEMENT OF THE
CAPITAL EXPENDITURE ON RAILWAYS—1904-1905—*contd.*

(Figures in Lakhs and Decimals of Lakhs.)

No.	RAILWAY.	Length.	Amount of estimate or approximate cost.	Outlay to end of 1902-03.	Grants allotted during 1903-04.	Distribution of grants during 1904-05.
		Miles.	₹	₹	₹	₹
	TOTAL OPEN LINES—brought forward	...	...	...	447'96	608'67
	II.—LINES UNDER CONSTRUCTION.					
	I.—BY AGENCY OF MAIN LINE COMPANIES.					
35	East Indian-Gya Asansol Grand Chord	99	1,41,14	25'7	50'50	50'00
36	Ditto Shikohabad-Farukhabad	66	45'20	7'4	10'00	15'00
37	Ditto Ondal Sainthia	44	43'55	}	}	10'00
38	Ditto Khurja Hapur	39	26'08			3'00	10'00
39	B. B. & C. I. Ry. Rewari Phulera Chord	133	53'25	...	11'65	28'00
40	Tirhoot State Railway—Mansi-Baptiahi and other extensions	238	1,25,72	...	18'18	50'00
41	S. I. Ry. Tinnevely-Quilon, British Section	50	45'06	33'2	6'36	3'06
42	Ditto, Native State Section	58	1,12,65	82'0	25'01	3'30
	Ditto, Marina Loop . . . . .	...	...	...	—'05	...
43	Madras Ry. Azikhal-Mangalore	77	1,08,63	3'9	32'18	50'00
	TOTAL	...	...	152.2	156'83	219'36
	II.—AGAINST THE CAPITAL ACCOUNT OF THE OLD GUARANTEED RAILWAY COMPANIES.					
	TOTAL	...	...	...	...	...
	III.—AGAINST THE CAPITAL ACCOUNT OF INDIAN RAILWAY COMPANIES OTHER THAN THE OLD GUARANTEED RAILWAY COMPANIES.					
44	Bengal-Nagpur Sini-Midnapur-Cuttack-Calcutta	353	8,02,45	809'5	50'82	51'48
45	Ditto Jubbulpore-Gondia (Satpura)	253	85,11	63'5	34'42	17'19
46	Ditto Midnapur-Jherria Extension	114	1,07,81	125'8	65'43	24'41
47	Ditto Colliery lines	25	18,54	17'6	9'60	1'07
48	Ditto Chowrassi Branch	9	5,67	3'1	2'53	...
49	Ditto Hariharpur Bojoodih	28	31,57	0'2	6'67	15'85
50	Ditto Reserve for new lines (Pench Valley)	25	9,00	...	1'26	5'00
51	Burma Railways, Henzada Kyangin	} 188	168,00	...	...	15'00
52	Ditto Pegu-Moulmein					
	Total Lines under Construction—carried over	...	...	10,19'7	170'73	130'00
	TOTAL OPEN LINES—carried over	...	...	...	447'96	608'67

GOVERNMENT OF INDIA FOR 1904-1905.
CAPITAL EXPENDITURE ON RAILWAYS—1904-1905—*contd.*
(Figures in Lakhs and Decimals of Lakhs.)

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No.	RAILWAY.	Length.	Amount of estimate or approximate cost.	Outlay to end of 1902-03.	Grants allotted during 1903-04.	Distribution of grants during 1904-05.
		Miles.	₹	₹	₹	₹
	Total Open Lines—brought forward . . . . .	...	...	...	447'96	608'67
	Total Lines under Construction—brought forward . . . . .	...	...	...	327'56	349'36
LINES UNDER CONSTRUCTION—<i>contd.</i>						
III.—BY THE STATE.						
53	E. B. S. Ry.—Dhubri-Gauhati	151	92,31	0'7	14'35	10'23
54	„ Kaunia Bonarpara	45	21,79	...	8'50	10'00
55	„ Moorshidabad Branch	96	84,48	7'0	40'00	35'29
56	O. and R. Ry., Allahabad-Fyzabad	97	1,17,09	59'6	41'89	10'75
57	„ Hapur-Meerut	20	5,75	...	4'25	1'50
58	N. W. Ry., Hyderabad Badin	61	32,46	...	17'80	18'61
59	„ Quetta-Nushki	82	70,06	8'0	25'89	25'00
60	„ Jech-Doab (Southern Section)	52	25,70	...	8'68	20'00
61	Madras Ry.—Coonoor-Outacamund	12	22,00	...	...	10'00
62	Agra-Delhi Chord	121	90,76	19'3	45'19	35'20
63	Reserve for New Lines . . . . .	...	...	...	...	65'39
	Total Lines under Construction by the State . . . . .	...	...	94'6	206'55	241'97
	TOTAL—LINES UNDER CONSTRUCTION . . . . .	...	...	...	534'11	591'33
	TOTAL—OPEN LINES . . . . .	...	...	...	447'96	608'67
	GRAND TOTAL . . . . .	...	...	...	982'07	12,00'00

FINANCIAL STATEMENT OF THE CAPITAL EXPENDITURE ON RAILWAYS—1904-1905—concl'd.

(Figures in Lakhs and Decimals of Lakhs.)

No.	RAILWAY.	Distribution of grants during 1904-1905.	
ABSTRACT BY OPEN LINES AND CONSTRUCTION.			
I.—CAPITAL FOR OPEN LINES.			
		₹	
i.	By State agency	155'29	
ii.	By agency of Main Line Companies	264'93	
iii.	By " " old Guaranteed Companies	41'75	
iv.	By " " other Railway Companies	86'20	
v.	By " " Branch Companies	0'50	
	TOTAL OPEN LINE	548'67	
	Purchase of four railways	60'00	
II.—CAPITAL FOR LINES UNDER CONSTRUCTION BY COMPANIES.			
i.	By agency of Main Line Companies	219'36	
ii.	By " " old Guaranteed Railway Companies . . . . .	...
iii.	By " " other Railway Companies	130'00	
iv.	By " " Branch Line Companies . . . . .	...
	TOTAL LINES UNDER CONSTRUCTION BY COMPANIES	349'36	
	III.—CAPITAL FOR LINES UNDER CONSTRUCTION BY THE STATE	241'97	
	GRAND TOTAL	12,00'00	
ABSTRACT SHOWING DISTRIBUTION BY FUNDS.			
I.—From Imperial Funds.	(i) By State Agency	(a) Open Lines	155'29
		(b) Construction	241'97
		Total	397'26
	(ii) By the Agency of Main Line Companies.	(a) Open Lines	264'93
		(b) Construction	219'36
		Total	484'29
Total I		881'55	
II.—Against the Capital Account of the old Guaranteed Railway Companies.	(a) Open Lines	41'75	
	(b) Construction . . . . .	...
	TOTAL II		41'75
III.—Against the Capital Accounts of Indian Railway Companies other than the old Guaranteed Railway Companies.	(a) Open Lines	86'20	
	(b) Construction	130'00	
	TOTAL III		216'20
IV.—Against the Capital Accounts of Branch Line Companies which are in receipt of a firm Government Guarantee.	(a) Open Lines	0'50	
	(b) Construction . . . . .	...
	TOTAL IV		0'50
TOTAL, I TO IV		548'67	
V. Purchase of four railways	(a) Open Lines	591'33	
	(b) Construction	60'00	
	GRAND TOTAL	12,00'00	

STATEMENT B IN APPENDIX III.

List of new lines to be taken up as funds permit, with the estimated yearly provision required to ensure an economical rate of progress when once started.

No.	Railway.	Length in Miles.	Estimated cost.	APPROXIMATE AMOUNT EACH YEAR.				
				1st.	2nd.	3rd.	4th.	Future.
EAST INDIAN RAILWAY—				Lakhs.	Lakhs.	Lakhs.	Lakhs.	Lakhs.
1	Burdwan-Howrah Chord	42	56'33	10	20	26	...	...
2	Bhagalpur-Bausi-Baidyanath	76	56'00	10	20	20	...	...
3	Hoogly-Kutwa	65	63'12	4	30	30	...	...
4	Kutwa-Ahmedpur	32	32'00	2	10	20	...	...
5	Gya-Kutwa cross line	180	148'47	10	40	50	49	...
6	Fatepur-Markundi	72	98'46	10	40	49	...	...
7	Agra city Terminus	...	15'00	5	10	...	...	...
8	Rewa-Sutna	31	5'25	6	...	...	...	...
BENGAL NAGPUR RAILWAY—								
9	Bankura (Bishenpur) Calcutta	105	246'00	20	50	50	50	76
10	Pench Valley Coal Branch	25	9'00	5	4	...	...	...
11	Vizianagram-Raipur	310	281'00	50	50	50	50	81
12	Ganjam District Light Railways	246	65'33	10	20	20	25	...
13	Gondia-Chanda (including Brahmपुरi-Nagpur Branch)	222	100'82	40	40	21	...	...
14	Ranchi Plateau	127	45'04	10	20	15	...	...
15	Panchkura Luff Point	25	28'00	14	14	...	...	...
16	Chindwara-Nagpur	88	9'00	5	4	...	...	...
EASTERN BENGAL STATE RAILWAY SYSTEM—								
17	Katihar-Malda	50	42'00	30	12	...	...	...
18	Sara Bridge	...	130'00	30	40	40	20	42
19	Mymensingh-Netrokana-Bara Ari	36	20'93	10	11	...	...	...
20	Singhani-Sherpur-Nalitabari	25	12'39	10	3	...	...	...
21	Dacca-Aircha	45	58'14	10	20	20	8	...
22	Serajganj-Natore	60	...	10	10	...	...	...
BENGAL AND NORTH-WESTERN, ROHILKUND AND KUMAON RAILWAY SYSTEMS—								
23	Jaunpur-Azimgarh	35	14'00	4	10	...	...	...
24	Lalkua-Kashipur	40	10'00	3	7	...	...	...
25	Gograghat-Sitapur	58	25'00	5	20	...	...	...
26	Moradabad-Ramnagar	47	16'50	6	11	...	...	...
ODDH AND ROHILKHAND RAILWAY SYSTEM—								
27	Allahabad-Jaunpur	58	30'22	3	27	...	...	...
28	Pilibhit-Barmdeo	40	20'00	10	10	...	...	...
NORTH WESTERN RAILWAY SYSTEM—								
29	Shahdera-Lyallpur	72	36'00	6	20	10	...	...
30	Larkhana-Kambar	33	20'00	10	10	...	...	...
31	Kohat Bannu	83	40'00	20	20	...	...	...
32	Khyber Railway	35	35'00	10	10	15	...	...
33	Kabul River Railway	55	127'00	10	20	30	40	27
34	Kashmir Railway	70	70'00	10	20	30	10	...
35	Jullundar-Kapurthala (British Section)	7	3'99	3	...	...	...	...
BOMBAY, BARODA AND CENTRAL INDIA RAILWAY SYSTEM—								
36	Bombay Sind Connection (Viramgam-Badin)	290	280'00	10	30	30	30	180
37	Deesa-Tharad	85	22'72	10	13	...	...	...
38	Nagda-Bara-Muttra-Aligarh	392	381'16	20	40	40	50	232
JODHPUR-BIKANER RAILWAY SYSTEM—								
39	Bara-Ajmer-Marwar	213	137'00	16	48	48	25	...

FINANCIAL STATEMENT OF THE
STATEMENT B IN APPENDIX III—*contd.*

No.	Railway.	Miles.	Estimated cost.	APPROXIMATE AMOUNT EACH YEAR.				
				1st.	2nd.	3rd.	4th.	Future.
			Lakhs.	Lakhs.	Lakhs.	Lakhs.	Lakhs.	Lakhs.
GREAT INDIAN PENINSULA RAILWAY SYSTEM—								
40	Warora-Chanda	42	46'00	10	20	16	...	...
41	Itarsi-Nagpur	250	...	10	10	10	10	...
42	Multai-Wardha	91	...	5	10	10	10	...
43	Warora-Belarpur	160	31'94	5	20	7	...	...
44	Belarpur-Warangal	38	...	5	10	10	10	...
45	Harpalpur-Kalpi	102	15'91	10	6	...	...	...
46	Harpalpur-Nowgong	19	2'98	3	...	...	...	...
47	Khandwa-Akola-Basim-Purna	252	170'00	20	40	40	40	30
48	Khamgaon-Jalna	94	32'65	10	10	13	...	...
MADRAS RAILWAY—								
49	Podanur-Dindigal	115	85'00	10	30	30	15	...
50	Salem-Atur	36	17'60	7	11	...	...	...
SOUTHERN MAHRATTA RAILWAY SYSTEM—								
51	Bezwada-Masulipatam	50	27'90	7	10	10	...	...
52	Kurnool Road, Kurnool	32	7'11	8	...	...	...	...
53	Guntur-Repalle	38	17'34	7	10	...	...	...
54	Phiranjeeपुरam-Gurzala (famine feeder)	51	12'00	3	9	...	...	...
SOUTH INDIAN RAILWAY SYSTEM—								
55	Nanjangud-Erode	121	123'03	23	50	50	...	...
56	Trichinopoli-Tirukoilur	97	74'43	10	30	35	...	...
57	Rameswaram Extension	12	119'97	10	50	60	...	...
58	Kalikiri-Rayachoti (famine feeder)	34	10'76	3	8	...	...	...
BURMA RAILWAYS SYSTEM—								
59	Pegu-Syriam	100	64'00	10	20	34	...	...
60	Sagaing bridge . . . . .	...	44'44	10	20	15	...	...

STATEMENT C IN APPENDIX III.

Statement showing the lines of railway proposed, or which were or are the subject of negotiations, for construction by private Companies.

No.	Name of railway.	Length.	Estimated cost.	REMARKS.
		Miles.	₹	
<i>Bengal—</i>				
1	Burdwan-Cutwa	34	26,49,000	} Negotiations pending.
2	Hooghly-Cutwa-Ahmedpur (or Sainthia)	97	95,12,000	
3	Mymensingh, <i>vid</i> Netrakona, to Bara-Ari, with branch from Shambhuganj to Gauripur	36½	22,16,000	Negotiations in progress.
4	Phulbari-Sumjhia	13	4,42,000	} Negotiations pending.
5	Shibnibash (Kissengunge)—Kotchandpur-Magura	6¼	49,94,000	
6	Singhjani, <i>vid</i> Sherpur, to Nalatabari	25	12,39,000	Negotiations in progress.
<i>Hyderabad—</i>				
7	Raichur-Wondalli	43	12,53,000	Concession granted in June 1900, but scheme not further advanced.
<i>Madras—</i>				
8	Bellary-Rayadrug	33	8,33,000	} Under construction out of the Famine Insurance Grant.
9	Hospet-Kottur	38	10,37,000	
10	Berhampore-Russelkonda	49	14,91,000	Negotiations have not advanced.
11	Bezwada-Masulipatam	50	27,89,000	} Negotiations still proceeding, the promoters having asked for the exclusion of the Kurnool Road (Dhone)—Kurnool railway from the scheme and for an extension of time for six months from the date of approval of the revised estimates for the remainder.
12	Guntur-Repalle	38	17,34,000	
13	Kurnool Road (Dhone)—Kurnool	32	7,11,000	
14	Phirangipuram-Gurzala	51	12,60,000	
15	Vizianagram-Raipur with Sointilla branch	359	2,81,05,000	Negotiations terminated owing to the promoters' inability to form a company on the terms offered.
<i>North-West Frontier—</i>				
16	Sarai Kala-Abbottabad-Kashmir frontier	80	91,00,000	Consideration postponed pending a decision on the Kashmir railway scheme.
<i>Punjab—</i>				
17	Amritsar-Tarn Taran-Patti	27	13,39,000	Negotiations in progress.
18	Jullundur-Hoshiarpur	24	14,10,000	Negotiations pending.
19	Kangra Valley	90	59,35,000	Negotiations closed owing to the promoters' inability to form a company on the terms offered.
20	Rawalpindi-Murree with extensions to Kuldana and Gharial	50	41,34,000	Negotiations in progress.
<i>Rajputana—</i>				
21	Baran-Ajmere-Marwar	213	1,36,67,000	Proposals rejected owing to the promoters' requiring a firm guarantee in sterling.

Memorandum on the construction of Railways.

At the commencement of 1903-1904, i.e., on the 1st April 1903, the total length of railways open for traffic was 26,307.72 miles, made up as follows:—

	Miles.	Miles.		Miles.	Miles.		
(i) East Indian	1,931.15		5' 6" gauge—	6,751.51			
Bengal Central (a)	1,255.01						
Bengal-Nagpur	1,665.17						
Indian Midland	(b) 796.53						
Great Indian Peninsula	1,561.63						
Khámason							
Amraoti	(b) 13.11						
Bhopal-Itarsi (British section)	(c) 141.14						
Gouhara-Ruilom-Nagdá	(d) 20.58						
Bezawada extension	(e) & (f) 437.19						
Madras (North-East line)	(g) & (h) 3,077.50						
North Western	1,063.64	4,418.16				(i) State lines worked by companies	6,751.51
Oudh and Rohilkhand	277.02					(ii) State lines worked by the State	4,418.16
Eastern Bengal	460.68		(iii) Guaranteed companies	1,348.78			
(iii) Bombay, Baroda and Central India	888.10	1,348.78	(iv) Assisted companies	875.47			
Madras			(v) Lines owned by native states and worked by companies	709.93			
Delhi-Umballa-Kaika	(i) 162.24		3' 3 3/4" gauge—	201.63	(vi) Lines owned by native states and worked by state railway agency		
Tarakesaur	(i) 22.23						
South Behar	(j) 78.76	875.47					
Southern Punjab	(j) 424.72						
Hardwar-Dehra	(k) 32.04		(vii) State lines worked by companies	7,994.50			
Tapti Valley	(c) 155.48		(viii) State lines worked by the State	700.76			
Bina-Gooná-Báran	(b) 145.63		(ix) Assisted companies	500.67			
Bhopal-Ujjain	(b) 113.27		(x) Lines owned by native states and worked by companies	712.58			
Bhopal-Itarsi (Native State section)	(b) 44.28		(xi) Lines owned and worked by native states	1,223.04			
The Nizam's Guaranteed State	330.13	709.93	(xii) Foreign lines	73.61			
Nagdá-Ujjain	(c) 34.32		Special (2' 6" and 2' 0") gauges—	11,205.16 1/2			
Petlad-Cambay (Anand-Tarapur section)	(c) 21.50						
Petlad-Cambay (Tarapur-Cambay section)	(c) 10.92						
Kolar Gold-fields	(c) 9.88						
Rajpurá-Bháinda	(j) 107.05						
Jammu and Kashmir (Native state section)	(j) 15.92	201.63					
Ludhiána-Dhuri-Jakhal	(j) 78.66						
Bengal and North-Western—	516.89					(xiii) State lines worked by companies	56.24
Tirhoot section	813.72					(xiv) State lines worked by the State	106.13
Company's section (l)	(m) 231.17					(xv) Assisted companies	239.76
Rohilkhand and Kumaon (Lucknow-Bareilly section)	(e), (h) & (m) 1,638.36					(xvi) Lines owned by native states and worked by companies	266.99
Rajputana-Malwa	(c) 17.28					(xvii) Lines owned by native states and worked by state railway agency	33.60
Rajputana-Deesa	1,042.04					(xviii) Lines owned and worked by native states	94.36
Southern Mahratta	(n) 119.50	7,994.50					797.08
Guntakal-Mysore frontier	(n) 296.22						
Mysore section (Southern Mahratta)	(e) 16.90						
Nilgirit	1,123.13						
South Indian	(o) 71.11						
Tanjore District Board	643.71						
Assam Bengal	1,311.44						
Burma	(p) 123.88						
Jodhpur-Hyderabad (British section)	(o) 19.05						
Tinnevely-Quilon (Travancore) (British section)	535.24						
Eastern Bengal—	85.92	700.76					
Northern Behar and Kaunia-Dhubri sections (including the Kaunia-Kurigram branch, and British section, Cooch Behar-Santrabari extension, 3' 6" gauge)	(g) 79.60						
Dacca section	4.79						
Cawnpore-Burhwal (Metre gauge link)	(r) 59.37						
Deoghar	(r) 53.14						
Brahmaputra-Sultampur	53.92						
Mymensingh-Jamápur-Jagannathganj	36.40	500.67					
Rohilkhand and Kumaon (Company's section)	106.76						
Bengal Dooars	77.50						
Bengal Dooars extensions	(t) 11.00						
Dibru-Sadiya	(e) 54.70						
Ledo and Tikak-Margherita Colliery	(f) 18.09						
Ahmedabad-Parántij	(c) 25.00						
Sagauni-Raxaul	(c) 29.44						
Ahmedabad-Dholka	(c) 92.63						
Vijapur-Kalol-Kadi	(d) 391.42	712.58					
Gaekwar's Mehsána	(n) 29.27						
Hyderabad-Godávari Valley	(n) 51.35						
Kolhapur	(n) 15.80						
Hindupur (Yesvantpur-Mysore frontier)	(n) 37.92						
Mysore-Nanjangúd	(e) 64.75						
Birur-Shimoga	700.29						
Shoranur-Cochin	67.30						
Jodhpur-Bikaner	(u) 334.19	1,223.04					
Udaipur-Chitor	(v) 46.21						
Bhávnagar-Gondal-Junágad-Portbandar	(w) & (w) 54.22						
Jetalsar-Rájkot	(w) 20.63						
Jamnagar	(n) 51.11						
Dhrángadrá	(e) 7.85	73.61					
West of India Portuguese	(e) 14.65						
Pondicherry							
Karaikkal-Peraiam							
(xiii) Bengal-Nagpur—Raipur-Dhamtari branch (3' 6")	30.00	(y) 58.24					
(xiv) Jorhat (2' 0")	(j) 40.25	106.13					
Nowshera-Dungál (2' 6")	(j) 29.70						
Khushálgarh-Kohat-Tital (2' 6")	(j) 8.18						
Dandot Light (2' 6")	51.00						
Darjeeling-Himalayan (2' 0")	21.59						
Bársi Light (2' 6")	28.69						
Howrah-Amra (2' 6")	19.75						
Howrah-Sheakhála (2' 0")	20.25	239.76					
Ránaghat-Krishnagar (2' 6")	31.12						
Tárákeshwar-Mágra (2' 6")	20.10						
Tezpur-Bálpára (2' 6")	(w) 39.50						
Towayan Light (2' 6")	7.76						
Teaton-Duyázk Light (2' 6")	(e) 78.80						
Gaekwar's Dabhol (2' 6")	(c) 37.37	266.99					
Rajpála (2' 6")	(e) 24.68						
Parákimedi Light (2' 6")	(e) 126.11						
Gwalior Light (2' 0")							
(xvi) Cooch Behar (2' 6")	(r) 33.60						
(xvii) Morvi (2' 6")	91.36						
(xviii)			TOTAL	26,307.72			

(a) Although for convenience classed amongst State railways, this line is the property of the Bengal Central Railway Company.
 (b) Worked by the Great Indian Peninsula Railway Company.
 (c) Worked by the Bombay, Baroda and Central India Railway Company.
 (d) Worked by His Highness the Nizam's Guaranteed State Railways Company.
 (e) Worked by the Madras Railway Company.
 (f) Including 1.06 miles laid on a mixed (5' 6" and 3' 3 3/4") gauge, and 0.31 mile on the 3' 3 3/4" gauge.
 (g) Including 5.61 miles of military line not used for public traffic.
 (h) Including 20.88 miles of mixed (5' 6" and 3' 3 3/4") gauge between Kot Kapura and Bháinda, worked over by the North Western State and Rajputana-Malwa railways.
 (i) Worked by the East Indian Railway Company.
 (j) Worked by the North Western State railway.
 (k) Worked by the Oudh and Rohilkhand State railway.
 (l) Includes the Virangam-Wadhwan section, 39.23 miles, converted from the 5' 6" gauge to the 3' 3 3/4" gauge on 14th December 1902. The line was purchased by Government with effect from the 1st January 1903.
 (m) Excludes 39.23 miles of the Virangam-Wadhwan section converted from the 5' 6" gauge to the 3' 3 3/4" gauge on the 14th December 1902.

(n) Although for convenience classed amongst State railways, this line is the property of the Bengal and North-Western Railway Company.
 (o) Including 2.10 miles at Ujjain and 3.07 miles between Juma East Bank and Agra Cantonment, laid on the 2' 6" gauge.
 (p) Worked by the Southern Mahratta Railway Company.
 (q) Worked by the South Indian Railway Company.
 (r) Worked by the Jodhpur-Bikaner railway.
 (s) Excluding 3.66 miles of the Lucknow-Bareilly railway between Dalganj and Aishbagh, but including the length, Bara Banki to Burhwal, 16.70 miles and the length over the Cawnpore bridge, 0.59 mile, laid on a mixed gauge.
 (t) Worked by the Eastern Bengal State railway.
 (u) Worked by the Assam Railways and Trading Company.
 (v) Worked by the Bengal and North-Western Railway Company.
 (w) Including 4.87 miles of Bhávnagar Dock estates and Junágad quarry lines.
 (x) Worked by the Bhávnagar-Gondal-Junágad-Portbandar railway.
 (y) Including 3.90 miles of Bell-Bandar Dock estate siding.
 (z) Worked by the Rohilkhand and Kumaon Railway Company.
 (aa) Worked by the Bengal-Nagpur Railway Company.
 (ab) Classed as a State railway in consequence of the lease in perpetuity of the Assigned Districts of Berar to the British Government with effect from the 1st October 1907, and treated as an integral part of the Great Indian Peninsula railway undertaking as from the 1st January 1903.

FINANCIAL STATEMENT OF THE

And the mileage under construction or sanctioned for construction on the same date was 2,649.70 miles, as follows:—

5' 6" gauge—

(i) State lines worked by companies	441.92	Miles.
(ii) State lines worked by the State	303.95	Miles.
(iii) Guaranteed companies	61.07	Miles.
	806.94	

3' 3 1/2" gauge—

(iv) State lines worked by companies	613.33	
(v) State lines worked by the State	151.62	
(vi) Assisted companies	53.29	
(vii) Lines owned by native states and worked by companies	70.15	
(viii) Lines owned and worked by native states	72.85	
	961.24	

Special (2' 6" and 2' 0") gauges—

(ix) State lines worked by companies	297.50	
(x) State lines worked by the State	62.03	
(xi) Assisted companies	394.62	
(xii) Lines owned by native states and worked by companies	127.37	
	881.52	
TOTAL	2,649.70	

There was thus a grand total of railways completed and in hand, on the 1st April 1903, of miles 28,957.42

	Miles.	Miles.	Miles.
East Indian—			
Shikohabad to Farukhabad	65.82		
Manpur to 0.87 mile beyond Gurpa	25.25		
Mile 0.87 beyond Gurpa to Kodarma	18.19		
Kodarma to Hariharpur	56.35		
Mile 170 1/2 on Jheriah branch to Chandore	4.16	175.98	
Jheriah to Dhanbaid	3.75		
Tasra siding	1.75		
Northern half of the Malkera-Katrasgarh cross connection	0.71		
Bengal-Nagpur—			
Chaurashi to Nodecha in the Chaurashi coal-fields.	4.81		
Bhojudih to Hariharpur	27.90		
Bhojudih to Parthadihi	1.45		
Bhojudih to Mhoda, including the Bhaga connection	21.36	57.73	
Bhowra siding	1.50		
Southern half of the Malkera-Katrasgarh cross connection	0.71		
Indian Midland—			
Ait to Kunch	8.85		
Agra-Delhi Chord	121.16		
Madras (North-East line)—			
Korukkuppetai to Basin Road	0.93		
Azhikal-Mangalore extension	77.27		
North Western—			
Jech Doab line, Northern section—			
Malakwal to Karana	51.40		
From a point 12 miles south of Quetta to Nushki	82.50	133.90	
Oudh and Rohilkhand—			
Sultanpur to Chilibilla	23.00		
Allahabad to Siwait	11.30	85.14	
Sultanpur to Fyzabad	36.37		
Batamau to Madhoganj	14.47		
Eastern Bengal—			
Extension of Chitpore terminus	1.66		
Panchooria to the Ganges (b)	6.00	64.91	
Kankurgachi Chord	2.25		
Ranaghat to Murshidabad	75.00		
Pombay, Baroda and Central India—			
Godhra to Baroda	44.00		
Madras—			
Tellicherry to Azhikal	17.07	61.07	
Bengal and North-Western—			
Tirhoot section—			
Sakri to Jainagar (a)	30.47		
Company's section—			
Aunrihar to Jaunpur	36.14	193.65	
Uska Bazar to Talsipur	53.51		
Gaisanri to Jarwa	12.56		
Gorakhpur to Bagaha	60.99		
Rohilkhand and Kumaon (Lucknow-Bareilly section)—			
Dudhwa to the Mohan, river	5.93		
Rajputana-Malwa—			
Bewari-Phulera Chord (a)	133.32		
Famine lines (Madras Presidency)—			
Bellary to Rayadrug	33.00		
Hospet to Kottur	38.10	71.10	
South Indian—			
Saidapet to Madras	8.38		
Tiruppachettu to Sivagunga (d)	9.00	17.38	
Tinnevely-Quilon (Travancore) (British section)—			
Kallidaikurichi to the British frontier near Shencottah	31.33		
Tanjore District Board—			
Pattukkottai to Arantangi	28.35		
Adirampatnam and Thambikottai Salt sidings and Arantangi Quarry branch	5.53	33.88	
Assam-Bengal—			
Damchara to Lumding	100.74		
Burma—			
Letpadan to Tharawaw	23.00		
Henzada to Henzada shore	3.00	26.00	
Eastern Bengal—			
Golokganj to the Brahmaputra opposite Gauhati	151.62		
Bengal Dooras—			
Dalgaoon to Madarihat	9.80		
Noakhali (Bengal)—			
Laksam via Noakhali to Sahib-Ghatta (Ichakhali)	34.95	53.29	
Ahmedabad-Dholka—			
Bavla to Dholka	8.54		
Vijapur-Kalol-Kadi—			
Kalol to Kadi	12.20		
Tinnevely-Quilon (Travancore) (Native state section)—			
Quilon to the British frontier near Shencottah	57.95	70.15	
Jaipur—			
Sanganer to Siwai-Madhapur (c)	72.85		
Bengal-Nagpur (Jubbulpore-Gondia extension) (2' 6")—			
Jubbulpore to Gondia	143.43		
Neinpur to Mandla	21.75	252.67	
Neinpur to Chindwara	87.49		
Famine lines (Madras Presidency)—			
Morappur to Dharmapuri	18.37		
Tirupattur to Krishnagari	26.46	44.83	
Khushalgarh-Kohat-Thal (2' 6")—			
Kohat to Thal	62.03		
Barsi Light (2' 6")—			
Barsi Town to Pandharpur	30.67		
Barsi Town to Tadwala	26.70	57.37	
Kalka-Simla (2' 6")—			
Bukhtiarpur-Bihar Light (2' 6")—			
Bukhtiarpur to Behar	18.75		
Madura District Board (2' 6")—			
Ammayanayakkanur to Kotagudi	55.00		
Periyakulam to Krishna-Manaik's Tope	5.00		
Theni to Karuvanath	33.00	93.00	
Shahdara-Saharanpur Light—			
Shahdara to Saharanpur	95.00		
Baraut to Meerut	30.00	125.00	
Howrah-Amta (2' 0")—			
Jacatbalupur to Antpur	8.50		
Antpur to Champadanga (a)	9.00	21.00	
Antpur to Rajbulhat (a)	3.50		
Dwara-Therria (2' 6")—			
Therria Ghat to Maolong (a)	19.50		
Maolong to Noorpur or Dwara	...		
Rewah (2' 6")—			
Rewah to Sutna (a)	31.81		
Gaekwar's Dabhoi (2' 6")—			
Padra to Mboba	9.20		
Gwalior Light (2' 0")—			
Gwalior to Sabulgarh	57.86	127.37	
Moharbhay—			
Baripada Road to Baripada	28.50		

(a) Commencement of work not authorized.
 (b) Constructed but not worked.
 (c) Completion deferred.
 (d) Work not commenced.

During 1903-1904, i.e., from 1st April 1903 to 31st March 1904, 1,281.77 miles of new railway have been authorised as follows:—

	Miles.	Miles.	Miles.
East Indian—			
Ondol to Sainthia	43.62	82.49	
Khurja to Hapur	38.87		
Bengal-Nagpur—			
Jamshedpur to Ranchi		5.50	
Great Indian Peninsula—			161.95
Warangal and branch—			
Warora to Bellary (c)		37.90	
Salem-Attur (c)		36.06	
North Western—			
Hyderabad (Sind) to Badli	61.00		
Jech Doab line, southern section—		158.85	
Karana to Sirkot Road	87.85		
Oudh and Rohilkhand—			
Phaphamau to Zafarabad	57.50	77.00	258.35
Aerut to Hapur	19.60		
Eastern Bengal—			
Murshidabad to Jeaganj	6.00	22.50	
Jeaganj to Lalua	16.50		
Southern Punjab—			
Ludhiana to MacLeod Ganj			162.10

	Miles.	Miles.
5' 6" gauge—		
(i) State lines worked by companies	161.95	
(ii) State lines worked by the State	258.35	
(iii) Assisted companies	162.90	583.20

Bengal and North-Western—			
Dirhoo section—			
Mansi to Haptlahi	60.01		
Bettiah to Basaha	49.35		
Sihura to Murgani	18.61	229.22	
Balranga to Bikna Thori	79.55		
Company's section—			
Kopaganj to Dohrighat	21.70		
Nilgiri—			
Coonoor to Ootacamund		11.50	
Burma—			
Peuu to Martaban (b)		121.27	
Eastern Bengal—			44.25
Kunia to Honarpara			
Rohilkhand and Kumaon (Company's Section)—			
Bareilly to Soron	56.00		
M. radabad to Ramnagar	47.00	118.00	
Lalkua to Kashipur	45.00		

	Miles.	Miles.
3' 3 3/8" gauge—		
(iv) State lines worked by companies	361.99	
(v) State lines worked by the State	44.25	
(vi) Assisted companies	148.00	554.24

North Western—			
Jullundur to the British Frontier (a)			6.80
Baraset-Basirhat (2' 6")—			
Baraset to Basirhat		28.00	
Tarakshwor-Magra (2' 6")—			28.15
Magra to Tribeni		2.15	
Gackwar's (Dabhol) (2' 6")—			
Mobha to Kanjat		6.50	
Gwalior Light (2' 0")—			75.50
Sabalua to Sheopor		69.00	
North Western—			
Sulampur to the British frontier (a)			22.02
Cutch (2' 6")—			
Anjar to Turia			11.86

	Miles.	Miles.
Special (2' 6" and 2' 0") gauges—		
(vii) State lines worked by the State	6.80	
(viii) Assisted companies	28.15	
(ix) Lines owned by native states and worked by companies	75.50	
(x) Lines owned by native states and worked by state railway agency	22.02	
(xi) Lines owned and worked by native states	11.86	144.33

East Indian—			
Jheria to Dhanbad	3.79		
Northern Section of the Malkera Katrasgarh cross-connection—			
Taura siding	0.67	6.21	
	1.75		
Bengal-Nagpur—			
Bh. Judith to Bhaga	6.66		
Bhaga to Malkera	8.79	18.66	33.72
Southern section of the Malkera Katrasgarh cross-connection—			
Bhowra siding	0.71		
	2.50		
Indian Midland—			
Ait to Kauch		8.85	
North Western—			
Jech Doab line, Northern section—			
Malakwal to Sargoda		46.25	
Oudh and Rohilkhand—			
Chilibilla to Sultanpur	22.00		
Phaphamau to S. wait	3.63	76.47	123.70
Sultanpur to Fyzabad	36.87		
Eal. mau to Madhoganj	14.47		
Eastern Bengal—			
Extension of Chitpore terminus		0.98	
Madras—			
Tellicherry to Azhikal	16.47		
Bombay, Baroda and Central India—			60.47
Gouhra to Baroda	44.00		

	Miles.	Miles.
5' 6" gauge—		
(xii) State lines worked by companies	33.72	
(xiii) State lines worked by the State	123.70	
(xiv) Guaranteed companies	60.47	217.89

Bengal and North-Western—			
Company's Section—			
Kopaganj to Dohrighat	21.70		
Aunihar to Jaunpur	36.14	57.84	
Rohilkhand and Kumaon (Lucknow Bareilly section)—			
Dudhwa to Chandau Chowki (the Mohan river)		5.87	
Tinnevely-Quilon (Travancore) (British section)—			
Kalidakurichi to Shencottah		30.88	
Tanjore District Board—			
Pattukottai to Arantangi		28.35	249.21
Assam-Bengal—			
Damchara to Lumding		100.74	
Burma—			
Letpadam to Tharawaw		23.07	
Henzada to Henzada shore		2.46	25.53
Noakhali (Bengal)—			
Laksam to Sahighatta		34.90	
Bengal Doars extension—			
Baggaon to Madaribhat		9.81	53.21
Ahmedabad-Dholka—			
Basla to Dholka		8.50	
Vijapur-Katol-Kadi—			
Katol to Kadi		12.20	
Tinnevely-Quilon (Travancore) (Native State section)—			40.20
Quilon to Ponnair		28.00	

	Miles.	Miles.
3' 3 3/8" gauge—		
(xv) State lines worked by companies	249.21	
(xvi) Assisted companies	53.21	
(xvii) Lines owned by native states and worked by companies	40.20	342.62

Bengal-Nagpur (Jubbulpore-Gondia extension) (2' 6")—			
Gondia to Neipur	74.50		
Neipur to Seoni	47.13	121.63	
Khushalgarh-Kohat-Thal (2' 6")—			
Kohat to Thal		62.03	
Bukhtiarpur-Bihar Light (2' 6")—			
Bukhtiarpur to Bihar		18.50	
Kalka-Simla (2' 6")—			77.94
Kalka to Simla		59.44	
Gackwar's Dabhol (2' 6")—			
Padra to Kanjat			15.70

	Miles.	Miles.
Special (2' 6") gauge—		
(xviii) State lines worked by companies	121.63	
(xix) State lines worked by the State	62.03	
(xx) Assisted companies	77.94	
(xxi) Lines owned by native states and worked by companies	15.70	277.30

TOTAL 837.81

(a) Question of gauge not yet settled.
 (b) With a steam ferry to connect with the port of Moulin in Cochin.
 (c) Commencement of work not yet authorized.

The total length of open line at the commencement of 1904-1905, i.e., on the 1st April 1904, will, therefore, be 27,143'36 miles, comprising—

	Miles.	Miles.
5' 6" gauge—		
(i) State lines worked by companies	6,787'62	
(ii) State lines worked by the State	4,537'92	
(iii) Guaranteed companies	1,409'24	
(iv) Assisted companies	876'05	
(v) Lines owned by native states and worked by companies	709'93	
(vi) Lines owned by native states and worked by state railway agency	201'63	
		14,522'39
3' 3 3/4" gauge—		
(vii) State lines worked by companies	8,242'58	
(viii) State lines worked by the State	700'71	
(ix) Assisted companies	553'87	
(x) Lines owned by native states and worked by companies	752'78	
(xi) Lines owned and worked by native states	1,223'04	
(xii) Foreign lines	73'61	
		11,546'59
Special (2' 6" and 2' 0") gauges—		
(xiii) State lines worked by companies	177'87	
(xiv) State lines worked by the State	168'16	
(xv) Assisted companies	317'70	
(xvi) Lines owned by native states and worked by companies	282'69	
(xvii) Lines owned by native states and worked by state railway agency	33'60	
(xviii) Lines owned and worked by native states	94'36	
		1,074'38
TOTAL		27,143'36†

	Miles.	Miles.
(i) East Indian	1,934'47	
(i) Bengal Central (a)	125'01	
Bengal-Nagpur	1,684'22	
Indi'n Midland	805'38	
(i) Great Indian Peninsula	1,561'63	6,787'62
Bhopal-Itarsi (British section)	13'11	
Godhra-Ruttam-Nagdā	141'14	
Bezwada extension	21'47	
Madras (North-East line)	497'19	
North Western	3,113'13	
(ii) Oudh and Rohilkhand	1,441'11	4,537'92
Eastern Bengal	273'68	
(iii) Bombay, Baroda and Central India	504'68	1,409'24
Madras	904'56	
Delhi-Umballa-Kalka	162'21	
Tarkessur	22'23	
(iv) South Behar	78'76	
Southern Punjab	425'33	876'05
Hardwar-Dehra	32'04	
Tapti Valley	155'48	
Bina-Goonā-Bārān	145'63	
Bhopal-Ujjain	113'27	
Bhopal-Itarsi (Native state section)	44'28	
(v) The Nizam's Guaranteed State	330'13	
Nagdā-Ujjain	34'32	709'93
Pettād-Cambay (Anand-Tarapur section)	21'50	
Pettād-Cambay (Tarapur-Cambay section)	10'92	
Kolar Gold-fields	9'88	
Rājpurā-Bhātinda	107'05	
(vi) Jammu and Kashmir (Native state section)	15'92	201'63
Ludhiana-Dhuri-Jakkhal	73'66	
Bengal and North-Western—		
Tirhoot section	516'89	
Company's section (l)	870'80	
Rohilkhand and Kumaon (Lucknow-Bareilly section)	237'04	
Rajputana-Malwa	1,043'36	
Pānāpur-Deesa	17'28	
Southern Mahratta	1,042'04	
Guntakal-Mysore frontier	119'50	
(vii) Mysore section (Southern Mahratta)	236'22	8,242'58
Nilgiri	16'90	
South Indian	1,123'13	
Tinnevely-Quilon (Travancore) (British section)	49'93	
Tanjore District Board	39'46	
Assam-Bengal	744'08	
Burma	1,336'97	
Jodhpur-Hyderabad (British section)	123'98	
(viii) Eastern Bengal -		
Northern Behar and Kaunia-Dhubri sections (including the Kaunia-Kurigram branch and British section, Cooch Behar-Santrabari extension 2' 6" gauge)	535'19	
Dacca section	85'92	700'71
Cawnpore-Burhwal (Metre gauge link)	79'60	
Deoghur	4'79	
Brahmaputra-Sultanpur	59'37	
Mymensingh-Jamāpur-Jagannathganj	53'14	
Rohilkhand and Kumaon (Company's section)	53'92	
(ix) Bengal Dooars	36'40	553'87
Bengal Dooars extensions	116'56	
Dibrū-Sauya	77'50	
Leilo and Tikak-Margherita Colliery	11'40	
Ahmedabad-Parantij	54'70	
Sagauli-Raxaul	18'09	
Ahmedabad-Dholka	33'50	
Noakhali (Bengal)	34'90	
Gaekwar's Mehsāna	92'63	
(x) Hyderabad-Gudāvarī Valley	331'42	752'78
Kolhapur	29'27	
Hindupur (Yesvantpur-Mysore frontier)	51'25	
Mysore-Nanjāgud	15'80	
Vijapur-Kalō-Kādi	41'64	
Shoranur-Cochin	64'75	
Birur-Shimoga	37'92	
Tinnevely-Quilon (Travancore) (Native state section)	28'03	
Jodhpur-Bikaner	700'29	
Udaipur-Chitor	67'30	
(xi) Bhavnagar-Gondal-Junāgād-Forbāndar	334'19	1,223'04
Jetalsar-Rajkot	46'21	
Jamnagar	54'22	
Dhrangadrā	20'83	
(xii) West of India Portuguese	51'11	73'61
Pondicherry	7'85	
Kāraikkāl-Peralam	14'65	
Bengal-Nāgpur—		
(xiii) Jubbulpore-Gondia extension (2' 6")	121'63	177'87
Raipur-Dhamtari branch (2' 6")	56'24	
Jorhat (2' 0")	30'00	
(xiv) Nowshera-Durgai (2' 6")	40'25	168'16
Dandot Light (2' 0")	6'18	
Khushālgarh-Kohat-Thal (2' 6")	91'73	
Darjeeling-Himalayan (2' 0")	51'00	
Barsi Light (2' 6")	21'50	
Howrah Amta (2' 0")	28'60	
Howrah-Sheekhola (2' 0")	19'75	
Rānaghat-Krishnagar (2' 6")	20'25	
(xv) Tarakeswar-Magra (2' 6")	31'12	317'70
Tezpur-Bāilpāra (2' 6")	20'10	
Powayan (2' 6")	39'59	
Thaton-Duyināik Light (2' 6")	7'76	
Bukhtāpur Behar Light (2' 6")	18'50	
Kalka-Simla (2' 6")	59'44	
Gaekwar's Dabhoi (2' 6")	94'50	
(xvi) Rajpīpla (2' 6")	37'37	232'69
Parl kimeidi (2' 6")	24'68	
Gwālor Light (2' 0")	126'14	
(xvii) Cooch Behar (2' 6")		33'60
(xviii) Morri (2' 6")		94'36

(a) Although for convenience classed amongst State railways, this line is the property of the Bengal Central Railway Company.
 (b) Worked by the Great Indian Peninsula Railway Company.
 (c) Worked by the Bombay, Baroda and Central India Railway Company.
 (d) Worked by His Highness the Nizam's Guaranteed State Railways Company.
 (e) Worked by the Madras Railway Company.
 (f) Including 2'66 miles laid on a mixed gauge and 0'3 mile on the 3' 3 3/4" gauge.
 (g) Including 5'63 miles of military line not used for public traffic.
 (h) Including 26'28 miles of mixed gauge (2' 6" and 3' 3 3/4") between Kot Kapura and Bhātinda, worked over by the North Western State and Rajputana-Malwa railways.
 (i) Worked by the East Indian Railway Company.
 (j) Worked by the North Western State Railway.
 (k) Worked by the Oudh and Rohilkhand State railway.
 (l) Although for convenience classed amongst State railways, this line is the property of the Bengal and North-Western Railway Company.
 (m) Including 2'0 miles at Ujjain and 3'7 miles between Jumna East Bank and Agra Cantonment laid on the 2' 6" gauge.
 (n) Worked by the Southern Mahratta Railway Company.

(o) Worked by the South Indian Railway Company.
 (p) Worked by the Jodhpur-Bikaner railway.
 (q) Excluding 3'66 miles of the Lucknow-Bareilly railway between Daiganj and Aishbagh but including the length, Bara Banki to Barhwal, 16'70 miles, and the length over Cawnpore bridge, 59 miles, laid on a mixed gauge.
 (r) Worked by the Eastern Bengal State railway.
 (s) Worked by the Assam Railways and Trading Company.
 (t) Worked by the Bengal and North-Western Railway Company.
 (u) Including 4'93 miles of Bhavnagar Dock estates and Junāgād quarry lines.
 (v) Worked by the Bhavnagar-Gondal-Junāgād-Forbāndar railway.
 (w) Including 3'93 miles of Bedi Bandar Dock estate siding.
 (x) Worked by the Rohilkhand and Kumaon Railway Company.
 (y) Worked by the Bengal-Nagpur Railway Company.
 (z) Includes 39'23 miles between Virāngam and Wadhwan converted from the 3' 6" gauge to the 3' 3 3/4" gauge on the 14th December 1902.
 (A) Including the metre gauge connection 1'81 miles between the Oudh and Rohilkhand Cantonment and the Bengal and North-Western railway city stations at Benares.
 (B) Negotiations are in progress for the purchase of this line by the State.

* Correction of mileage.
 † Made up as follows:—
 Open at the commencement of 1903-1904 26,307'72
 Add—Opened during 1903-1904 837'81
 Deduct—Net decrease due to corrections of mileage 27,145'53
 27,143'38

26,307'72
 837'81
 27,145'53
 27,143'38

And the mileage under construction or sanctioned for construction on the 31st March 1904 will be 3,044.42 miles, made up as follows:—

	Miles.	Miles.	Miles.
East Indian—			
Manpur to Hariharpur	99.79	252.28	566.34
Kusunda to Lhandore	4.16		
Shikohabad to Farukhabad	65.82		
Ondal to Sainthia	43.62		
Khurja to Hapur	38.87		
Bengal-Nagpur—			
Bhojudih to Panjadhli	1.45	40.76	566.34
Bhojudih to Hariharpur	27.90		
Malhera to Mhoda	5.91		
Jamadhoba to Hailfary	5.50		
Madras (North-East line)—			
Ko-ukkuppétal to Basin Road Station	0.93		
Salem-Aittur (a)	38.08		
Agra-Delhi Chord	121.15		
Azhikri-Mangalore Extension	77.27		
Great Indian Peninsula (Wardha Coal branch)—			
Wardha to Bellarpur (a)	37.90		
North Western—			
Sargoda to Shorkot Road	103.00	246.50	436.87
From a point 22 miles South of Quetta to Nushki	82.50		
Hyderabad (Sind) to Badin	61.00		
Oudh and Rohilkhand—			
Allahabad to Phaphaman	7.67	84.62	436.87
Phaphaman to Zafarabad	57.50		
Meerut to Hapur	19.50		
Eastern Bengal—			
Parchoria to the Ganges (b)	6.00	105.75	1,166.11
Ranabhar to Murshidabad	75.00		
Murshidabad to Jaganj	6.00		
Jaganj to Lalgaia	18.50		
Kankurgachi Chord	2.25		
Southern Punjab—			
Ludhiana to MacLeodganj			152.90

5' 6" gauge—

(i) State lines worked by companies 566.34

(ii) State lines worked by the State 436.87

(iii) Assisted companies 162.90

1,166.11

3' 3 3/4" gauge—

(iv) State lines worked by companies 716.75

(v) State lines worked by the State 195.87

(vi) Assisted companies 148.00

(vii) Lines owned by native states and worked by companies 29.95

(viii) Lines owned and worked by native states 72.85

1,163.42

Special (2' 6" and 2' 0") gauges—

(ix) State lines worked by companies 174.83

(x) State lines worked by the state 6.80

(xi) Assisted companies 344.02

(xii) Lines owned by native states and worked by companies 155.36

(xiii) Lines owned by native states and worked by state railway agency 22.02

(xiv) Lines owned and worked by native states 11.86

714.89

TOTAL 3,044.42

Making a grand total of railways completed and in hand, at the commencement of 1904-1905 of 30,187.78 miles

And showing, after allowing for lines abandoned and corrections of mileage, an advance on the previous year of 1,230.36 miles

Bengal and North-Western—			
Tirhoot section—			
Sakri to Jolnagar	30.47	365.63	718.75
Manel to Baplahi	60.01		
Bettlah to Bagaha	49.35		
Shurua to Muriganj	18.61		
Biragnia to Bitna Thori	79.55		
Company's section—			
Uska Bazar to Tulsipur	53.54	133.32	718.75
Galsani to Jarwa	12.56		
Gorakhpur to Bagaha	60.91		
Rajputana-Malwa—			
Rewari to Phulera		133.32	718.75
Famine lines (Madras Presidency)—			
Bellary to Rayadrug	33.00	71.10	
Hospet to Kottur	38.10		
South Indian—			
Trimpachettu to Sivagunga			9.00
Tanjore District Board—			
Adirampatnam and Thambikkottai Salt sidings and Arantangi Quarry branch			5.53
Nilgiri—			
Coonoor to Ootacamund			11.50
Burma—			
Pegu to Martaban (a)			121.27
Eastern Bengal—			
Golekganj to the Brahmaputra, opposite Gauhati	151.62	195.67	
Kausia to Bonarpara	44.25		
Rohilkhand and Kumaon (Company's section)—			
Barilly to Soroi	56.00	148.00	
Miradabad to Ramnagar	47.00		
Lata to Kashiपुर	45.00		
Tenerally-Quilon (Travancore) (Native state section)—			
Ponalar to the Frontier of the Travancore State near Shencottah			29.95
Jalpur—			
Sanganer to Sitwal-Madhopur (c)			72.85
Bengal-Nagpur (Jubbulpore-Gondia extension) (2' 6")—			
Jubbulpore to Nelapar	68.93	131.04	174.83
Nelapar to Mandla	21.75		
Seoni to Chitrawara	40.36		
Famine lines (Madras Presidency)—			
Morapur to Dharmapuri (2' 6")	18.36	43.79	
Tirupattur to Krishnagiri (2' 6")	25.43		
North Western—			
Jullundur to the British frontier (d)			6.80
Báral (2' 0")—			
Báral Town to Pandharpur	30.67	57.37	
Báral Town to Tadwala	26.70		
Howrah-Amra (2' 0")—			
Jagatbul uppur to Antpur	8.50	21.00	
Antpur to Champadanga (a)	9.00		
Antpur to Rajbulhat (a)	3.50		
Dwara-Therria (2' 0")—			
Therria Ghat to Maolong (a)	6.00	19.50	
Maolong to Noorpore or Dwara	13.50		
Madura District Board (2' 6")—			
Ammayanayakanur to Kotagudi	55.00	93.00	344.02
Peiyakulam to Krishna Manai's Toppe	5.00		
Theni to Karuvanath	33.00		
Shahdara-Saharanpur (2' 6")—			
Shahdara to Saharanpur	95.00	125.00	
Baraut to Meerut	30.00		
Baraset-Basirhat (2' 6")—			
Baraset to Basirhat			26.00
Tarakeswar Magra (2' 6")—			
Magra to Tribeni			2.15
Moharhanj (2' 6")—			
Baripada to Baripada Road			28.50
Gwalior (2' 6")—			
Gwalior to Sabulgarh	57.86	126.86	155.36
Sabulgarh to Sheopor	69.00		
North Western—			
Sultanpur to the British frontier (d)			22.02
Catch (2' 6")—			
Aujar to Tuna			11.86

(a) Commencement of work not yet authorised.
(b) Constructed but not worked.

(c) Completion deferred.
(d) Question of gauge not yet finally settled.

Made up as follows:—

Completed and in hand at the beginning of 1903-1904 28,157.12
Sanctioned during 1903-1904 1,281.77

Miles.
28,157.12
1,281.77
30,239.19

Deduct—

Abandoned—
Rewah-Satna 1.81
South Indian, Marina Loop—
Saidapet to Madras 8.38

10.19
11.22

Net decrease due to corrections of mileage

51.91
20,187.78

It is expected that the following lengths of unfinished line will be opened for public traffic in 1904-1905:—

	Miles.	Miles.
5' 6" gauge—		
(i) State lines worked by companies	162.85	
(ii) State lines worked by the State	151.12	
		313.97
3' 3 3/4" gauge—		
(iii) State lines worked by the State	69.25	
(iv) Lines owned by native states and worked by companies	29.95	
		99.20
Special (2' 6") gauge—		
(v) State lines worked by companies	153.08	
(vi) Assisted companies	41.65	
		194.73
TOTAL		607.90

Leaving the undermentioned lines for completion in 1905-1906 or later:—

	Miles.	Miles.
5' 6" gauge—		
(vii) State lines worked by companies	403.49	
(viii) State lines worked by the State	285.75	
(ix) Assisted companies	162.90	
		852.14
3' 3 3/4" gauge—		
(x) State lines worked by companies	716.75	
(xi) State lines worked by the State	126.62	
(xii) Assisted companies	148.00	
(xiii) Lines owned and worked by native states	72.85	
		1,064.23
Special (2' 6" and 2' 0") gauges—		
(xiv) State lines worked by companies	21.75	
(xv) State lines worked by the State	6.80	
(xvi) Assisted companies	302.37	
(xvii) Lines owned by native states and worked by companies	155.36	
(xviii) Lines owned and worked by native states	11.86	
(xix) Lines owned by native states and worked by state railway agency	22.02	
		520.16
TOTAL		2,436.52

(i)	Bengal-Nágpur—	Miles.	Miles.	Miles.
	Bhojudin to Parthadhi	1.45		
	Bi ojudih to Hariharpur	27.93	40.78	
	Ma kera to Mhuda	5.91		
	Jamshaha to Balliary	5.50		
	Agra-Dehli Chord		121.16	162.85
	Madras (North-East line)—			
	Korukuppetai to Basin Road		0.93	
(ii)	North Western—			
	Hyderabad (Sind) to Badli	61.00	118.00	
	Jech Doab, Southern Section—			
	Sardoda to mile 46 near Chund	57.00		
	Oudh and Rohilkhand—			
	Allahabad to Phaphamau	7.62	27.12	151.12
	Meerut to Hapur	19.50		
	Eastern Bengal—			
	Panchooria to the Ganges	(a) 6.00		
(iii)	Eastern Bengal—			
	Golakganj to Sankosh	25.00		69.25
	Kaunia to Borarpara	44.25		
(iv)	Tinnevely-Qullon (Travancore) (Native state section)—			
	Konalur to the Frontier of the Travancore State near Shencottah			29.95
(v)	Bengal-Nágpur (Jubbulpore-Gondia extension) (2' 6")—			
	Jubbulpore to Neinpur	68.93	109.29	
	Seoni to Chindwara	40.36		
	Famine lines (Madras Presidency)—			
	Morappur to Dharmapuri (2' 5")	18.26	43.79	153.08
	Tirupattur to Krishnagiri (2' 6")	25.43		
(vi)	Dwara-Therria (2' 6")—			
	Dwara or Noorpur to Maolong		13.50	
	Baraset-Basirhat (2' 0")—			
	Baraset to Basirhat		26.00	41.65
	Tarakshwar-Magra (2' 6")—			
	Magra to Tribeni		2.15	
(vii)	East Indian—			
	Shikohabad to Ferkhabad	65.82		
	Kaunda to Chandore	4.16	252.86	
	Manpur to Harinarpur	99.79		
	Oddal to Sainthia	43.62		
	Kharja to Hapur	38.87		
	Great Indian Peninsula—			
	Wardha Coal Branch—			
	Warora to Bellarpur (b)		37.90	433.19
	Salem Attur			
	Salem to Attur (b)		36.06	
	Azhikau-Mangalore extension		77.27	
(viii)	North Western—			
	From mile 46 near Chund to Shor-ot Road	46.00	128.10	
	From a point 2 miles south of Quetta to Nushki	82.50		
	Oudh and Rohilkhand—			
	Phaphamau to Zafarabad		57.50	285.75
	Eastern Bengal—			
	Kankurgachi Chord	2.25		
	Ranaghat to Jaiganj	81.00	99.75	
	Jeaganj to Lalgaola	16.50		
(ix)	Southern Punjab—			
	Ludhiana to MacLeodganj			162.90
(x)	Bengal and North-Western—			
	Lirhoot section—			
	Sakri to Jaganagar	20.47		
	Mans to Bapriand	60.01		
	Bettiah to Bagaha	49.35		
	Sihura to Murliganj	18.61		
	Balrighia to Bikua Thori	79.55	365.03	
	Company's section—			
	U-ka Bazar to Tulsipur	53.51		
	Gaisanri to Jarwa	12.56		
	Gorakhpur to Bagaha	69.94		
	Rajputana—			
	Rewári to Phulera		133.32	
	Famine lines (Madras Presidency)—			
	Bellary to Rayadrug	33.00	71.10	716.75
Hospet to Kottur	38.10			
South Indian—				
Tiruppachettu to Sivagunga		9.00		
Tanjore District Board—				
Adirampatnam and Thambikottai Salt sidings and Arantangi Quarry branch		5.53		
Burma—				
Pegu to Martaban (b)		121.27		
Nilgiri—				
Coonoor to Ootacamund		11.50		
(xi)	Eastern Bengal—			
	Sankosh to the Biahmaputra opposite Gauhati			128.62
(xii)	Rohilkund and Kumaon (Company's section)—			
	Barilly to Soron	66.00		
	Moradabad to Ramnagar	47.00		148.00
	Lalkua to Kashipur	45.00		
(xiii)	Jalpur—			
	Sanganer to Siwal-Mádhapur (d)			72.86
(xiv)	Bengal-Nágpur (Jubbulpore-Gondia extension) (2' 6")—			
	Neinpur to Mandla			22.75
(xv)	North Western—			
	Jullundur to the British Frontier (c)			6.80
	Bárai (2' 6")—			
	Bárai Town to Tadwala	26.70	57.32	
	Bárai Town to Pandaharpur	30.67		
	Dwara-Therria (2' 6")—			
	Melong to Therria Ghat		6.00	
	Howrah-Amra (2' 0")—			
	Jagatballabpur to Antpur	8.50		
	Antpur to Champadanga (b)	9.00	21.00	309.37
	Antpur to Rajbhat (b)	3.50		
(xvi)	Madura District Board (2' 6")—			
	Ammayanayakkanur to Kotagudi	55.00		
	Periyakulam to Krishna Manalik's Toppe	5.00	33.00	
	Theni to Karuvanath	33.00		
	Shandara-Saharanpur (2' 6")—			
	Shahdara to Saharanpur	95.00	125.00	
	Baraut to Meerut	30.00		
(xvii)	Moharbhaj (2' 6")—			
	Baripada to Baripada Road		28.50	
	Gwallor (2' 0")—			
	Gwallor to Sheopur		126.85	155.26
(xviii)	Catch (2' 6")—			
	Anjar to Tuna			41.85
(xix)	North Western—			
	Sultaipur to the British Frontier (e)			22.62

(a) Construction completed.
 (b) Commencement of work not yet authorised.
 (c) Question of gauge not yet finally settled.
 (d) Completion deferred.

APPENDIX IV.

	1895-96.	1896-97.	1897-98.
Recorded Revenue compared with recorded expenditure, excluding Capital Expenditure on Public Works not charged against Revenue—			
Surplus	₹ 1,53,39,980	₹ 1,70,50,220	₹ 5,35,92,110
Deficit	₹ 4,35,88,920	₹ 6,42,01,230	₹ 5,30,92,250
Capital Expenditure on Public Works not charged against Revenue*	₹ 4,35,88,920	₹ 6,42,01,230	₹ 5,30,92,250
Ditto charge involved in Redemption of Liabilities	₹ 586,412	₹ 5,407,235	₹ 6,077,779
Net Public Debt incurred	₹ —586,412	₹ 5,407,235	₹ 6,077,779
Net Public Debt incurred, including Capital transactions with Guaranteed Railways and other Companies	₹ —500,651	₹ 7,538,228	₹ 5,651,626
Value of commodities exported, excluding Gold and Silver	₹ 1,14,33,50,000	₹ 1,03,98,40,000	₹ 97,63,30,000
Ditto imported, ditto ditto	₹ 72,93,70,000	₹ 76,11,70,000	₹ 73,64,70,000
Excess of Exports over Imports, excluding Gold and Silver	₹ 41,39,80,000	₹ 27,86,70,000	₹ 23,98,60,000
Net Imports of Gold	₹ 2,52,60,000	₹ 2,29,10,000	₹ 4,90,90,000
Ditto of Silver	₹ 6,58,20,000	₹ 5,85,60,000	₹ 8,47,30,000
TOTAL NET IMPORTS OF GOLD AND SILVER	₹ 9,10,80,000	₹ 8,14,70,000	₹ 13,38,20,000
Excess of Exports over Imports including Gold and Silver	₹ 32,29,00,000	₹ 19,72,00,000	₹ 10,60,40,000
Grand Total value of Imports and Exports of all kinds	₹ 2,04,89,90,000	₹ 1,98,12,30,000	₹ 1,98,95,90,000
Secretary of State's Bills sold (Rupees)	₹ 31,08,54,373	₹ 25,78,70,106	₹ 14,81,28,010
Sterling Equivalent received	₹ 17,664,492	₹ 15,526,547	₹ 9,506,077
Silver coined at the Indian Mints	₹ 29,27,130	₹ 56,86,650	₹ 98,56,910
Maximum price in pence of an oz. troy. standard Silver in London	31½ (Feb.)	31½ (June)	28½ (Apl.)
Minimum ditto ditto	29½ (Apl.)	28½ (Mar.)	23½ (Aug.)
Average Exchange upon Secretary of State's Bills sold per rupee	1s. 1'6381d.	1s. 2'4505d.	† 1s. 3'3539d.
Fixed rate of Exchange for the Adjustment of Transactions between the Indian and Imperial Treasuries	1s. 1½d.	1s. 1½d.	1s. 2½d.
Maximum rate of discount on Loans on demand at the Bank of Bengal, Calcutta	7 (Feb.)	10 (Dec. 23 to Mar. 31).	12 (Feb. 24 to Mar. 31).
Minimum rate of discount on Loans on demand at the Bank of Bengal, Calcutta	3 (July 25 to Nov. 13)	3 (July 2 to Sept. 2).	5 (July 15 to Sept. 8 & Nov. 25 to Dec. 15)
Maximum rate of discount at the Bank of England	2	4	3 (Oct. to Mar.)
Minimum ditto ditto	2	2	2 (May to Sept.)
Maximum Government balances at the three Presidency Banks	₹ 4,16,19,000 (May)	₹ 3,91,42,000 (Aug.)	₹ 3,27,96,000 (Mar.)
Minimum ditto ditto	₹ 3,00,15,000 (Nov.)	₹ 2,02,19,000 (Nov.)	₹ 2,02,53,000 (Sept.)
Maximum price in Calcutta of Government 4 per cent Rupee Securities . . . . .	...	...	...
Minimum ditto ditto . . . . .	...	...	...
Maximum price in Calcutta of Government 3½ per cent Rupee Securities (Guaranteed)	109—8 (Oct.)	110—15 (May)	104—1 (May 21)
Minimum ditto ditto	104—15 (Jan.)	98—11 (Feb.)	94—4 (Jan. 7)
Maximum price in Calcutta of 3 per cent Rupee Securities . . . . .	...	105 (Aug.)	97—4 (May & June).
Minimum ditto ditto . . . . .	...	97 (Jan. to Mar.)	90—0 (Jan. to Mar.)
Maximum amount outstanding on London Register of Rupee Securities enfaced for Interest Drafts	₹ 25,35,43,000 (Nov.)	₹ 26,64,72,000 (Nov.)	₹ 23,47,80,000 (Apl.)
Minimum ditto ditto	₹ 24,05,02,000 (Apl.)	₹ 23,92,57,000 (Mar.)	₹ 21,39,05,000 (Mar.)
Maximum price in London of 4 per cent (Rupee) Securities in Gold	...	...	...
Minimum ditto ditto . . . . .	...	...	...
Maximum price in London of 3½ per cent (Rupee) Securities in Gold	65½ (Feb.)	65½ (Aug.)	64½ (Jan.)
Minimum ditto ditto	57½ (Apl. & May)	60 (Oct.)	60½ (Dec.)
Maximum price in London of India 3½ per cent Stock	120½ (Feb.)	122½ (Apl.)	119½ (Aug.)
Minimum ditto ditto	114½ (Apl.)	114½ (Sept.)	114½ (Mar.)
Maximum price in London of India 3 per cent Stock	111½ (Feb.)	115½ (May)	112½ (May)
Minimum ditto ditto	103½ (May)	106 (Oct.)	105 (Mar.)
Maximum price in London of India 2½ per cent Stock	...	103 (June)	99½ (Apl.)
Minimum ditto ditto . . . . .	...	95½ (Sept.)	92 (Mar.)
Maximum Government Paper Currency outstanding	₹ 32,42,86,000 (July)	₹ 29,58,99,000 (July)	₹ 24,75,40,000 (Mar.)
Minimum ditto ditto	₹ 25,94,07,000 (Mar.)	₹ 23,57,85,000 (Feb.)	₹ 22,86,16,000 (May)
Number of Post Office Savings Banks	6,343	6,420	6,290
Number of accounts in Post Office Savings Banks	653,892	713,320	730,387
Amount deposited in Savings Banks	₹ 9,04,23,072	₹ 9,63,92,411	₹ 9,28,72,978
Average of each deposit	₹ 138'28	₹ 135'13	₹ 127'15
Net addition to deposits	₹ 64,05,149	₹ 59,69,339	₹ —35,19,433

* Excludes Capital charge involved in redemption of

† In calculating this rate, a re-remittance to India

‡ Excludes remittances of Gold Reserve Fund.

§ Include remittances of the Gold Reserve Fund.

|| Continuing.

DIX IV.

FINANCIAL STATISTICS.
CELLANEOUS.

1898-99.	1899-1900.	1900-1901.	1901-1902.	1902-03.	1903-1904, Revised.	1904-1905, Budget.
£ 2,640,873	£ 2,774,623	£ 1,670,204	£ 4,950,243	£ 3,069,549	2,711,200	918,700
£ 3,279,316	£ 4,093,159	£ 4,040,958	£ 4,071,152	£ 5,128,192	5,208,600	7,143,700
£ 2,553,052	£ -121,298	£ 5,922,350	£ 2,582,283	£ 1,039,655	2,146,600	3,411,200
£ 1,169,161	£ -787,763	£ 12,173,251	£ 3,207,898	£ 1,414,781	222,500	4,531,100
1,12,80,00,000	1,09,08,30,000	1,07,71,80,000	1,24,89,50,000	1,29,39,60,000		
72,10,20,000	75,30,40,000	80,89,50,000	88,78,00,000	85,81,90,000		
40,69,80,000	33,77,90,000	26,82,30,000	36,11,50,000	43,57,70,000		
6,50,30,000	9,44,00,000	84,20,000	1,93,80,000	8,76,40,000		
3,98,10,000	3,57,70,000	9,50,70,000	7,19,30,000	6,95,70,000		
10,48,40,000	13,01,70,000	10,34,90,000	9,13,10,000	15,72,10,000		
30,21,40,000	20,76,20,000	16,17,40,000	26,98,40,000	27,85,60,000		
2,10,20,80,000	2,13,31,80,000	2,27,41,70,000	2,45,74,86,000	2,50,25,20,000		
28,07,63,671	28,48,00,943	19,98,37,693	\$27,83,01,050	\$27,74,67,265	\$35,43,15,000	24,75,00,000
18,692,377	19,067,022	13,300,277	\$18,539,071	\$18,499,947	\$23,700,000	10,500,000
69,83,650	2,22,59,751	17,26,48,724	5,13,47,732	11,38,94,848	14,07,07,090	
28 ⁵ / ₁₅ (Sept.)	29 (Apl.)	30 ³ / ₈ (Oct.)	27 ¹ / ₁₅ (Apl.)	24 ¹ / ₂ (April)	28 ¹ / ₂ (Oct.)	
25 ¹ / ₂ (Apl.)	26 ¹ / ₂ (Oct.)	27 ¹ / ₈ (Apl.)	24 ¹ / ₈ (Mar.)	21 ¹ / ₂ (Nov. & Jan.)	22 ¹ / ₈ (Apl.)	
1s. 3 ⁹ / ₈ 4d.	1s. 4 ⁰ / ₆ 76d.	1s. 3 ⁹ / ₇ 33d.	1s. 3 ⁹ / ₇ 6d.	1s. 4 ⁰ / ₀ 18d.	1s. 4 ⁰ / ₅ 35d.	1s. 4d.
1s. 3 ¹ / ₂ d.	1s. 4d.	1s. 4d.	1s. 4d.	1s. 4d.	1s. 4d.	1s. 4d.
12 (Apl. 1-27)	8 (Oct. 17 to 25 and Jan. 11 to Mar. 14).	8 (Feb. 7 to Mar. 20).	8 (Feb. 12 to Mar. 26)	8 (Feb. 19 to Mar. 25)	7 (From 21st Jan. to 9 Mar.)	
4 (July 28 to Sept. 7).	4 (July 6 to Sept. 13).	3 (July 5 to Aug. 8).	3 (July 18 to Aug. 21)	3 (July 10 to Oct. 14).	3 (Aug. 27 to Dec. 9.)	
4 (Apl. and May Oct. to Jan.)	6 (Nov. 30 to Jan. 10).	5 (Jan. 3 to Feb. 1).	4 (Apl. to June 5 and Nov. to Jan. 22).	4 (Oct. 2 to Mar. 31).	4 (Apl. 1 to May 20 and Sept. 3 to March).	
2 ¹ / ₂ (July to Sept.)	3 (Apl. to July 12).	3 (June 14 to July 18).	3 (June 13 to Oct. 30, and Feb. 6 to Mar. 31).	3 (Apl. 1 to Oct. 1).	3 (June 18 to Sept. 2).	
3,48,23,000 (Aug.)	4,16,05,000 (June)	3,31,13,000 (Jan.)	3,38,00,000 (June)	3,60,28,000 (Dec.)	3,52,12,000 (Apl.)	
2,76,74,000 (Nov.)	2,58,60,000 (Nov.)	2,59,78,000 (Nov.)	2,93,82,000 (Mar.)	3,06,74,000 (Oct.)	2,70,24,000 (Nov.)	
...	
101-11 (Feb. 22)	101-9 (May 3 and 4 and 25 to 27).	97-12 (Oct. 24)	97-7 (Aug. 15)	99-9 (May 17)	99-7 (Apl. 27 & 28)	
92-10 (Apl. 22)	92-4 (Oct. 6)	93-11 (July 28)	94-7 (May 11)	96-12 (Apl. 2 & 3)	94-10 (Jan. 9)	
95-8 (Mar. 15 to 17 and 22).	95-8 (May 15 to 29).	89 (5 and 6 Apl. and 1 to 9 May).	87-0 (Apl. 1 to May 8).	87-8 (Mar. 30)	87-8 (Apl. 1)	
86-0 (Nov. 16 to Jan. 17).	88 (Mar. 13 and 14, 19, 20 and 22 to 31).	85-12 (Feb. 4 to Mar. 25).	83-0 (Jan. 11 to Feb. 1 and Mar. 8 to Mar. 31)	82-12 (Apl. 1 & 2)	85-4 (From Feb. 8 continuing.)	
21,93,37,000 (Oct.)	21,36,32,000 (Apl.)	22,25,04,000 (Sept.)	22,34,60,000 (Apl.)	20,28,92,000 (Apl.)	18,61,10,000 (Apl.)	
21,33,46,000 (Aug.)	20,28,73,000 (Aug.)	20,84,80,000 (Sept.)	20,23,95,000 (Dec.)	18,63,35,000 (Mar.)	17,05,01,000 (Jan.)	
...	
67 ¹ / ₂ (Mar.)	67 ¹ / ₂ (Apl.)	65 (Nov.)	64 ¹ / ₂ (Feb.)	66 ¹ / ₂ (Feb. & Mar.)	66 ¹ / ₂ (Sept.)	
61 ¹ / ₂ (Oct. and Nov.)	62 (Oct. and Dec.)	62 ¹ / ₁₅ (July)	63 (July)	64 ¹ / ₂ Apl. & June	64 (Jan. & Feb.)	
117 ¹ / ₂ (Mar.)	116 ¹ / ₂ (Apl.)	111 ¹ / ₂ (Apl.)	109 ¹ / ₂ (Aug.)	110 ¹ / ₂ (June)	108 ¹ / ₂ (July)	
111 (Oct.)	104 ¹ / ₂ (Dec.)	105 (July)	106 ¹ / ₂ (July)	105 ¹ / ₂ (Mar.)	102 (Jan.)	
109 ¹ / ₂ (Feb.)	109 ¹ / ₂ (Aug.)	103 ¹ / ₂ (Apl.)	102 (June)	102 ¹ / ₂ (June)	100 ¹ / ₂ (May)	
103 ¹ / ₂ (Oct.)	98 ¹ / ₂ (Dec.)	95 (Aug.)	97 ¹ / ₂ (Oct.)	98 ¹ / ₂ (Mar.)	94 (Jan.)	
94 ¹ / ₂ (Mar.)	99 ¹ / ₂ (Apl.)	90 ¹ / ₂ (May)	87 (Apl.)	90 ¹ / ₂ (June)	85 ¹ / ₂ (Apl.)	
84 ¹ / ₂ (Oct.)	85 (Dec.)	85 (Aug.)	84 ¹ / ₂ (Dec.)	84 ¹ / ₂ (Mar.)	79 (Jan.)	
28,20,33,000 (Mar.)	29,27,12,000 (July)	30,78,41,000 (July)	31,85,96,000 (Oct.)	35,72,36,000 (Mar.)	37,69,91,000 (Aug.)	
23,24,55,000 (May)	26,26,32,000 (Dec.)	27,89,64,000 (Apl.)	27,67,80,000 (Feb.)	31,24,79,000 (Apl.)	33,94,09,000 (Apl.)	
6,310	6,479	6,636	7,053	7,075		
755,871	785,729	816,651	866,693	922,353		
9,42,80,041	9,64,64,466	10,04,32,569	10,68,21,233	11,42,15,534		
124,73	122,77	122,98	123,25	123,83		
14,07,063	21,84,425	39,68,103	63,88,664	73,94,301		

liabilities. of Rs.100,00,000 by means of Bank drafts is taken into account.

FINANCIAL STATEMENT OF THE

APPENDIX IV—continued.

COMMERCIAL AND FINANCIAL STATISTICS.

Table II.—Statement showing the true financial results to the Revenues of India of the guarantee of interest upon the Capital of Guaranteed Railway Companies.

(Omitting 000 in rupee figures and 00 in sterling figures, except in accounts.)

	ACCOUNTS.					Revised Estimate, 1903-1904.	Budget Estimate, 1904-1905.
	1898-99.	1899-1900.	1900-1901.	1901-1902.	1902-1903.		
	<i>Miles.</i>	<i>Miles.</i>	<i>Miles.</i>	<i>Miles.</i>	<i>Miles.</i>	<i>Miles.</i>	<i>Miles.</i>
Open mileage at end of official year	2,588	2,612	1,305	1,334	1,349	1,409	1,409
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Gross traffic receipts	6,38,10,069	6,26,01,464	3,78,25,951	2,65,89,776	2,82,66,517	2,95,90	2,99,50
Working expenses	3,29,83,339	3,39,93,236	1,80,72,459	1,28,64,943	1,40,73,782	1,53,83	1,51,25
Percentage of working expenses on receipts	51.69	54.30	47.78	48.38	49.79	51.99	50.50
Net Revenue	3,08,26,730	2,86,08,228	1,97,53,492	1,37,24,833	1,41,92,735	1,42,07	1,48,25
Guaranteed Interest paid in England £	2,162,525	2,172,336	1,589,417	1,009,544	1,026,892	1,032,8	1,056,1
Ditto converted at Rs. 15 = £1 from 1898-99	3,24,37,876	3,25,85,042	2,38,41,249	1,51,43,168	1,54,03,371	1,54,92	1,58,41
Guaranteed interest paid in India plus interest on overdrawn Capital	82,089	1,28,387	1,22,657	1,04,551	1,24,895	2,28	1,22
Surplus paid to Railway Companies	36,18,447	42,03,949	25,81,739	23,16,119	13,33,564	15.00	17,00
Land and Supervision	3,63,890	9,47,051	—16,263	—1,00,580	—95,196	19	1,93
Net loss on receipts and disbursements of Capital in India at the contract rates of exchange instead of at the average yearly rates obtained for the Secretary of State's bills	18,16,734	21,01,940	97,052	—2,80,239	3,59,811	—9,22	59
Total Expenditure	3,83,19,036	3,99,66,369	2,66,26,434	1,71,83,019	1,71,25,445	1,63,17	1,79,15
Net Expenditure from the Public Treasury	74,92,306	1,13,58,141	68,72,942	34,58,186	29,33,710	21,10	30,90

COMMERCIAL AND FINANCIAL STATISTICS.

Table III.—Capital expenditure on State Railways in 1902-1903, and estimated expenditure on such works in 1903-1904 and 1904-1905, and to end of 1904-1905—concluded.

RAILWAYS.	To end of 1901-1902.	Accounts, 1902-1903.	Revised Estimate, 1903-1904.	Budget Estimate, 1904-1905.	To end of 1904-1905.	Sanctioned outlay.	Balance remaining unspent.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Brought forward	1,77,68,16,490	6,94,53,477	7,23,17,000	9,27,69,000	2,01,13,55,967	2,08,47,87,518	7,34,31,551
INES IN ABEYANCE OR TRANSFERRED TO COMPANIES, ETC.							
Ranaghat-Bhagwangola	3,02,450	...	...	...	3,02,450	3,02,450	...
Southern Mahratta (Depreciation on works, etc.)	5,27,071	...	...	...	5,27,071	5,27,071	...
Bellary-Kistna	1,65,78,416	...	...	...	1,65,78,416	1,65,78,416	...
Bilaspur-Etawah	75,132	...	...	...	75,132	75,132	...
Vizagapatam-Raipur	2,45,035	...	...	...	2,45,035	2,45,035	...
Nagpur-Chhattisgarh Depreciation Account	6,57,038	...	...	...	6,57,038	6,57,038	...
Umaria Colliery	1,82,672	...	...	...	1,82,672	1,82,672	...
TOTAL	1,85,67,814	...	...	...	1,85,67,814	1,85,67,814	...
Stores	7,36,940	—1,49,195	...	...	5,87,745	5,87,745	...
Reserve	...	...	...	44,10,000	44,10,000	44,10,000	...
TOTAL	1,79,61,21,244	6,93,04,282	7,23,17,000	9,71,79,000	2,03,49,21,526	2,10,83,53,077	7,34,31,551
<i>Distributed as under—</i>							
CAPITAL EXPENDITURE ON PUBLIC WORKS (not charged to Revenue)—							
State Railways—Construction *	1,05,46,94,456	6,84,60,015	7,00,11,000	9,46,55,000	1,28,78,20,471	1,28,78,20,471	...
Redemption of Liabilities †	59,20,83,646	...	...	...	59,20,83,646	59,20,83,646	...
FAMINE RELIEF AND INSURANCE—							
Protective Railways	7,24,12,846	24,375	19,07,000	22,06,000	7,65,50,221	7,65,50,221	...
CONSTRUCTION OF RAILWAYS (charged against Revenue in addition to that under Famine Insurance)							
	5,45,35,712	...	...	...	5,45,35,712	5,45,35,712	...
CONSTRUCTION OF RAILWAYS (charged to Provincial or Local Revenues)							
	88,30,796	8,19,892	3,99,000	3,18,000	1,03,67,688	1,03,67,688	...
OTHER EXPENDITURE charged against Revenue							
	1,35,63,788	...	...	...	1,35,63,788	1,35,63,788	...
TOTAL AS ABOVE	1,79,61,21,244	6,93,04,282	7,23,17,000	9,71,79,000	2,03,49,21,526		

* INCLUDES DEBENTURES RAISED BY COMPANIES—

East Indian Railway	6,93,81,519	1,95,50,411	...	1,80,00,000	10,69,31,930
South Indian Railway	1,50,57,237	...	...	67,50,000	2,18,07,237
Great Indian Peninsula Railway	...	...	...	...	...
TOTAL	8,44,38,756	1,95,50,411	...	2,47,50,000	12,87,39,167

Rs.

† East Indian Railway	18,05,98,229
Eastern Bengal Railway	2,35,46,757
Oudh and Rohilkhand Railway	15,50,40,735
North Western Railway	7,36,74,320
South Indian Railway	7,03,88,355
Great Indian Peninsula Railway	8,88,35,250
TOTAL	59,20,83,646

APPENDIX IV—continued.

COMMERCIAL AND FINANCIAL STATISTICS.

Table IV.—Capital Expenditure on Irrigation—Major Works, in 1902-1903, and estimated expenditure on such works in 1903-1904 and 1904-1905, and to the end of 1904-1905.

	Actual outlay to end of 1901-1902.	Accounts, 1902-1903.	Revised Estimate, 1903-1904.	Budget Estimate, 1904-1905.	Total Actual and estimated outlay to end of 1904-1905.	Sanctioned estimate.	Balance of sanctioned estimate remaining to be spent.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
IRRIGATION WORKS.							
CAPITAL EXPENDITURE NOT CHARGED TO REVENUE.							
<i>Burma.</i>							
Mandalay Canal	39,89,500	6,15,510	4,02,000	1,64,000	51,71,010	46,06,719	...
Shwebo Canal	9,03,459	10,75,839	10,42,000	8,86,000	39,07,298	46,28,060	7,20,762
Mon Canals . . . . .	...	...	65,000	5,00,000	5,65,000	42,63,836	36,98,836
<i>Bengal.</i>							
Orissa Canals	2,58,94,319	36,332	38,000	17,000	2,59,85,651	...	...
Midnapur Canal	82,90,288	2,309	1,000	...	82,93,597	...	...
Hijili Tidal Canal	25,51,641	...	...	...	25,51,641	...	...
Sone Canals	2,58,24,169	—1,618	—11,000	...	2,58,11,551	...	...
<i>United Provinces.</i>							
Ganges Canal	2,84,13,792	2,11,446	9,82,000	8,36,000	3,04,43,238	...	...
Lower Ganges Canal	3,37,83,829	29,406	2,00,000	4,27,000	3,44,40,235	...	...
Ditto Fatehpur Branch	31,09,554	83,278	76,000	59,000	33,27,832	...	...
Agra Canal	89,91,848	2,18,575	2,71,000	3,25,000	98,06,423	...	...
Eastern Jumna Canal	38,42,593	1,72,946	3,01,000	3,03,000	46,19,539	...	...
<i>Punjab.</i>							
Western Jumna Canal (including Sirsa Branch)	1,64,22,091	29,482	34,000	42,000	1,65,27,573	...	...
Bari Doab Canal	1,84,57,372	4,26,738	1,53,000	2,30,000	1,92,67,110	...	...
Sirhind Canal (State outlay)	2,32,92,835	1,63,347	1,33,000	2,62,000	2,38,51,182	...	...
Chenab Canal	2,59,11,448	9,32,003	5,02,000	12,52,000	2,85,97,451	...	...
Jhelum Canal	92,65,783	19,58,103	17,90,000	26,97,000	1,57,10,886	(a) 1,40,00,213	...
<i>Madras.</i>							
Godavari Delta System	1,13,90,202	61,593	1,54,000	2,35,000	1,18,40,795	...	...
Kistna Delta System	1,30,72,953	3,73,833	3,43,000	3,53,000	1,41,42,786	...	...
Pennér River Canals System	51,24,898	1,65,301	1,00,000	1,03,000	54,93,199	...	...
Periyar Project	85,99,921	85,060	2,27,000	2,14,000	91,25,981	...	...
<i>Bombay.</i>							
Desert Canal	22,22,892	2,94,076	59,000	11,000	25,86,968	...	...
Begari Canal	16,57,544	...	...	...	16,57,544	...	...
Eastern Nara Works	60,64,353	1,16,359	1,40,000	1,02,000	64,22,717	...	...
Jamrao Canal	78,05,921	2,86,692	1,71,000	34,000	82,97,613	...	...
Mutha Canals	64,78,120	1,08,922	3,19,000	1,87,000	70,93,042	...	...
<i>Other projects</i>	3,62,18,356	12,54,933	10,41,000	35,39,000	4,20,53,289	...	...
<i>Deduct—Outlay incurred from Ordinary Revenues</i>	33,75,79,686	87,00,465	85,33,000	1,27,78,000	36,75,91,151	...	...
<i>Deduct—Outlay incurred from Ordinary Revenues</i>	5,63,50,141	2,37,607	4,15,000	2,78,000	5,72,80,748	...	...
TOTAL	28,12,29,545	84,62,858	81,18,000	1,25,00,000	31,03,10,403	...	...
PROTECTIVE IRRIGATION WORKS.							
<i>Central Provinces.</i>							
Khyrbanda Tank . . . . .	...	24,843	1,24,000	25,000	1,73,843	1,77,234	3,391
Marowda Tank . . . . .	...	...	62,000	44,000	1,06,000	2,53,290	1,47,290
Asola-Menda Tank . . . . .	...	...	1,24,000	75,000	1,99,000	6,18,301	4,19,301
Khapri-Aranda Tank . . . . .	...	...	62,000	44,000	1,06,000	2,22,219	1,16,219
<i>Bengal.</i>							
Dhaka Canal	1,12,127	83,572	78,000	35,000	3,08,699	(b) 3,00,746	...
Tribeni Canal	3,27,780	2,86,993	2,71,000	4,00,000	12,85,773	(a) 40,50,375	27,64,602
<i>United Provinces.</i>							
Berwa Canal	42,88,040	30,964	1,22,000	2,12,000	46,53,004	...	...
Ken Canal . . . . .	...	...	6,000	7,66,000	7,72,000	36,74,729	29,02,729
<i>North-West Frontier Province.</i>							
Swat River Canal	39,90,298	28,472	32,000	1,00,000	41,50,770	...	...
<i>Madras.</i>							
Rushikulya Project	44,39,121	57,697	40,000	58,000	45,94,818	...	...
<i>Bombay.</i>							
Nira Canal	53,58,042	2,499	7,000	12,000	53,79,541	...	...
<i>Other projects</i>	33,77,931	9,06,088	12,10,000	17,29,000	72,23,019	...	...
<i>Deduct—Outlay incurred from Ordinary Revenues</i>	2,18,93,339	14,21,128	21,38,000	35,00,000	2,89,52,467	...	...
<i>Deduct—Outlay incurred from Ordinary Revenues</i>	28,93,110	...	...	...	28,93,110	...	...
TOTAL	1,90,00,229	14,21,128	21,8,000	35,00,000	2,60,59,357	...	...
GRAND TOTAL	30,02,29,774	98,83,986	1,02,56,000	1,60,00,000	33,63,69,760	...	...

(a) Figure intimated to Secretary of State in Despatch No. 4 P. W., dated 18th February 1904.

(b) Includes supplementary and Revised Estimates sanctioned by the Government of India.

FINANCIAL STATEMENT OF THE

APPENDIX IV—continued.

COMMERCIAL AND FINANCIAL STATISTICS.

Table V.—Gross traffic receipts, working expenses, and net traffic receipts of Guaranteed and State Railways for five years ending 1902-1903, with Revised Estimates for 1903-1904 and Budget Estimates for 1904-1905.

	Accounts.					Revised Estimate, 1903-1904.	Budget Estimate, 1904-1905.
	1898-99.	1899-1900.	1900-1901.	1901-1902.	1902-1903.		
	M.	M.	M.	M.	M.	M.	M.
GUARANTEED RAILWAYS.							
Open mileage at beginning of year	2,588	2,588	2,612	1,305	1,334	1,349	1,409
<i>Gross Traffic Receipts.</i>							
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Madras	1,02,35,380	1,09,06,956	1,15,52,942	1,10,33,035	1,20,68,312	1,25,40,000	1,25,00,000
Ditto Extensions	—	—	—	56,465	1,85,889	3,00,000	3,00,000
Bombay, Baroda and Central India	1,67,45,041	1,84,32,686	1,73,43,582	1,55,00,276	1,60,11,316	1,67,50,000	1,71,50,000
Great Indian Peninsula	3,68,29,648	3,32,61,822	89,29,427	—	—	—	—
TOTAL	6,38,10,069	6,26,01,164	3,78,25,951	2,65,89,776	2,82,66,517	2,95,90,000	2,99,50,000
<i>Working Expenses.</i>							
Madras	51,83,748	57,09,501	56,71,710	56,45,793	61,69,379	68,40,000	68,00,000
Ditto Extensions	—	—	—	22,046	79,538	1,43,000	1,50,000
Bombay, Baroda and Central India	72,51,431	99,16,496	83,57,857	71,97,104	78,24,865	84,00,000	81,75,000
Great Indian Peninsula	2,05,43,160	1,92,67,239	40,42,892	—	—	—	—
TOTAL	3,29,83,339	3,39,93,236	1,80,72,459	1,28,64,943	1,40,73,782	1,53,83,000	1,51,25,000
<i>Net Traffic Receipts.</i>							
Madras	50,46,632	51,97,455	58,81,232	53,87,242	58,98,933	57,00,000	57,00,000
Ditto Extensions	—	—	—	34,419	1,07,351	1,57,000	1,50,000
Bombay, Baroda and Central India	94,93,610	94,16,190	89,85,725	83,03,172	81,86,451	83,50,000	89,75,000
Great Indian Peninsula	1,62,86,488	1,39,94,583	48,86,535	—	—	—	—
TOTAL	3,08,26,730	2,86,08,228	1,97,53,492	1,37,24,833	1,41,92,735	1,42,07,000	1,48,25,000

APPENDIX IV—continued.

	ACCOUNTS.					Revised Estimate, 1903-1904.	Budget Estimate, 1904-1905.
	1898-99.	1899-1900.	1900-1901.	1901-1902.	1902-1903.		
STATE RAILWAYS.							
(a)	<i>M.</i>	<i>M.</i>	<i>M.</i>	<i>M.</i>	<i>M.</i>	<i>M.</i>	<i>M.</i>
Open mileage at beginning of year	15,582	16,643	17,136	19,295	19,380.	20,119	20,767
<i>Gross Traffic Receipts.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
East Indian { England	3,455	3,450	3,450	3,450	3,450	3,000	3,000
{ India	6,01,07,531	6,58,04,353	6,75,19,065	7,10,62,672	6,74,11,071	7,05,00,009	7,10,00,000
Rajputana-Malwa System	2,28,60,759	2,77,81,248	2,84,65,308	2,81,18,427	2,49,93,926	2,20,00,000	2,40,00,000
Bhopal	1,93,364	2,09,610	2,55,120	2,92,862	3,46,103	3,75,000	3,80,000
Palampur-Deesa	40,271	49,701	40,983	39,190	31,756	30,000	35,000
Warora Colliery	6,09,393	5,77,182	6,59,350	6,98,956	6,74,934	5,45,000	5,85,000
Wardha Coal	2,09,600	2,07,216	1,75,380	...	...	...	...
Bengal-Nagpur	73,81,307	1,07,42,719	1,21,44,574	1,35,36,367	1,45,37,860	1,61,00,000	1,80,00,000
Umaria Colliery	4,78,862	14,995	...	...	...	...	...
Burma Railways	86,77,541	94,69,988	1,13,34,182	1,22,32,691	1,26,67,364	1,42,00,000	1,40,00,000
Assam-Bengal	14,22,065	16,04,649	18,21,277	20,92,758	21,10,110	25,00,000	31,50,000
Jorhat	94,036	91,299	85,785	83,310	88,476	88,000	85,000
Cherra-Companyganj	6,505	6,355	4,818	2,828	...	...	...
Eastern Bengal	1,41,48,932	1,61,22,698	1,71,05,226	1,70,14,290	1,75,21,934	1,88,00,000	1,81,25,000
Bengal and North-Western, and Tirthoot	66,33,807	81,68,864	84,24,104	99,79,539	1,02,19,920	1,19,00,000	1,19,00,000
Bengal Central	10,38,158	11,49,611	13,61,919	13,93,160	13,24,944	15,25,000	14,00,000
Brahmaputra-Sultanpur Branch . . . . .	...	...	...	1,62,203	2,40,827	2,60,000	2,60,000
Oudh and Rohilkhand	1,00,88,265	1,13,25,817	1,16,10,252	1,35,20,795	1,35,27,277	1,40,00,000	1,45,00,000
Indian Midland { England . . . . .	...	...	...	45,000	...	...	...
{ India	57,13,632	73,33,950	89,21,183	83,73,471	90,10,835	78,00,000	80,00,000
Lucknow-Bareilly	10,43,931	13,09,526	12,74,927	13,86,506	14,53,542	14,25,000	14,25,000
Hardwar-Dehra . . . . .	...	...	48,031	2,27,429	2,53,685	2,65,000	2,75,000
North-Western	3,64,17,015	3,53,04,846	3,22,31,188	4,26,53,446	4,18,16,329	5,17,00,000	4,75,00,000
South Indian	84,35,906	86,58,220	90,20,566	1,03,68,269	1,09,05,420	1,21,00,000	1,22,00,000
Mysore	12,10,229	11,24,012	14,53,141	14,04,895	16,42,156	15,50,000	15,50,000
Nilgiri . . . . .	...	...	...	...	...	2,80,000	3,00,000
Bezwada Extension . . . . .	...	...	...	2,64,398	3,02,442	3,07,000	2,70,000
North East Line, Madras Railway (East Coast, Southern Section)	31,77,776	52,81,401	60,95,150	46,90,260	44,53,516	45,50,000	46,50,000
Guntakal-Mysore Frontier	3,87,828	4,05,156	4,59,810	4,37,238	4,72,119	5,00,000	4,50,000
Tinnevely-Quilon . . . . .	...	...	...	...	69,746	2,00,000	3,70,000
Mayavaram-Mutupet	2,45,846	2,38,518	2,42,502	2,97,287	3,31,866	4,10,000	5,00,000
Dhond and Manmad (net)	2,89,635	2,99,554	2,11,534	...	...	...	...
Southern Mahratta	49,94,337	62,93,041	63,75,599	57,12,614	65,62,022	67,00,000	67,00,000
Hyderabad-Shadipalli	2,29,706	2,20,367	1,97,480	...	...	...	...
Jodhpur-Hyderabad (British Section) . . . . .	...	...	12,802	4,00,599	5,05,058	6,00,000	5,00,000
Great Indian Peninsula . . . . .	...	...	2,67,52,243	4,26,63,480	4,35,86,154	4,55,00,000	4,65,00,000
In England	3,455	3,450	3,450	48,450	3,450	3,000	3,000
„ India	19,61,36,237	21,97,94,896	25,43,03,499	28,91,09,940	28,70,61,392	30,67,10,000	30,87,10,000
TOTAL	19,61,39,692	21,97,98,346	25,43,06,949	28,91,58,390	28,70,64,842	30,67,13,000	30,87,13,000

(a) Includes the length of the Bengal and North-Western Railway.

FINANCIAL STATEMENT OF THE

APPENDIX IV.—continued.

	ACCOUNTS.					Revised Estimate, 1903-1904.	Budget Estimate, 1904-1905.
	1898-99.	1899-1900.	1900-1901.	1901-1902.	1902-1903.		
	Rs.	Rs.	Rs.	Rs.	Rs.		
<i>Working Expenses.</i>							
East Indian	2,33,39,483	2,50,54,050	2,44,32,167	2,61,51,049	2,61,45,029	2,56,00,000	2,65,00,000
Rajputana-Malwa System	1,21,28,709	1,29,30,693	1,46,14,424	1,30,31,577	1,18,36,743	1,11,00,000	1,15,00,000
Bhopal	1,13,929	1,25,531	1,27,788	1,48,626	1,74,867	1,85,000	1,96,000
Palanpur-Deesa	26,514	27,831	37,279	25,256	25,375	22,000	25,000
Warora Colliery	4,26,619	4,05,760	4,18,647	4,33,330	4,44,571	3,82,000	3,95,000
Wardha Coal	1,31,773	1,24,716	94,626	...	...	...	...
Bengal-Nagpur	36,16,820	45,80,706	53,76,704	72,65,514	74,31,631	85,00,000	90,00,000
Umaria Colliery	4,51,067	16,848	...	...	...	...	...
Burma Railway	52,71,162	55,53,838	66,60,429	73,85,882	77,32,319	89,00,000	89,00,000
Assam-Bengal	13,79,359	12,34,774	14,25,435	16,96,274	18,61,892	20,00,000	27,00,000
Jorhat	88,183	1,03,821	94,770	84,715	83,046	80,000	75,000
Cherra-Companyganj	1,07,271	43,911	19,534	7,640	...	...	...
Eastern Bengal	66,44,427	72,72,708	81,43,336	87,19,070	88,83,728	1,00,00,000	97,25,000
Bengal and North-Western, and Tirhoot	48,23,561	63,93,740	75,64,228	74,10,199	80,26,894	86,50,000	86,50,000
Bengal Central	7,71,673	8,07,735	9,20,155	9,00,740	9,13,996	11,10,000	10,60,000
Brahmaputra-Sultanpur Branch . . . . .	...	...	...	82,471	1,31,113	1,42,000	1,43,000
Oudh and Rohilkhand	47,92,194	50,44,137	58,76,434	65,83,646	65,35,525	68,50,000	70,00,000
Indian Midland	32,45,596	38,01,188	43,98,626	42,14,819	46,23,692	38,75,000	41,25,000
Lucknow-Bareilly	6,00,961	7,73,507	6,92,805	7,69,986	7,50,202	7,50,000	7,50,000
Hardwar-Dehra . . . . .	...	...	24,016	1,24,969	1,47,440	1,56,000	1,62,000
North Western	1,91,54,545	1,90,26,943	1,88,63,796	2,22,52,333	2,42,93,882	2,56,00,000	2,60,00,000
South Indian	49,58,361	47,25,019	47,99,860	55,50,380	51,28,993	61,25,000	67,50,000
Mysore	9,68,892	8,34,759	10,78,609	11,27,457	11,88,564	11,50,000	12,00,000
Nilgiri . . . . .	...	...	...	...	...	2,00,000	2,25,000
Bezwada Extension . . . . .	...	...	...	1,20,248	1,49,334	1,53,000	1,28,000
North East line, Madras Railway (East Coast, Southern Section)	22,71,399	31,99,538	33,96,035	25,12,717	30,07,291	31,35,000	28,50,000
Guntakal-Mysore Frontier	2,69,557	2,62,609	2,95,561	3,10,308	2,92,918	3,00,000	3,00,000
Tinnevely-Quilon . . . . .	...	...	...	...	29,574	92,000	1,90,000
Mayavaram-Mutupet	1,69,999	1,39,379	1,35,869	1,63,106	1,61,797	2,05,000	2,85,000
Southern Mahratta	39,46,803	45,93,822	48,03,985	44,92,654	46,99,571	48,50,000	51,00,000
Hyderabad-Shadipalli	1,54,057	1,39,499	1,25,616	...	...	...	...
Jodhpur-Hyderabad (British Section) . . . . .	...	...	12,217	2,44,773	2,91,566	3,25,000	3,25,000
Great Indian Peninsula . . . . .	...	...	1,25,52,735	2,05,75,278	2,24,16,610	2,34,00,000	2,42,00,000
TOTAL	9,98,52,914	10,72,17,062	12,69,85,686	14,23,85,017	14,74,08,163	15,38,37,000	15,84,50,000

APPENDIX IV—continued.

	ACCOUNTS, ^{Rs.}					Revised Estimate, 1903-1904.	Budget Estimate, 1904-1905.
	1898-99.	1899-1900.	1900-1901.	1901-1902.	1902-1903.		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Net Traffic Receipts.</i>							
East Indian	3,67,71,503	4,07,53,753	4,30,90,348	4,49,15,073	4,12,69,492	4,49,03,000	4,45,03,000
Rajputana-Malwa System	1,07,32,050	1,48,50,555	1,38,50,884	1,50,86,850	1,31,57,183	1,09,00,000	1,25,00,000
Bhopal	79,435	84,079	1,27,332	1,44,236	1,71,236	1,90,000	1,84,000
Palanpur-Deesa	13,757	21,870	3,704	13,934	6,381	8,000	10,000
Warora Colliery	1,82,774	1,71,422	2,40,703	2,65,626	2,30,363	1,63,000	1,90,000
Wardha Coal	77,827	82,500	80,754	...	...	...	...
Bengal-Nagpur	37,64,487	61,62,013	67,67,870	62,70,853	71,06,229	76,00,000	90,00,000
Umaria Colliery	27,795	-1,853	...	...	...	...	...
Burma Railways	34,06,379	39,16,150	46,73,753	48,46,809	49,35,045	53,00,000	51,00,000
Assam-Bengal	42,706	3,69,875	3,95,842	3,96,484	2,48,218	5,00,000	4,50,000
Jorhat	5,853	-12,522	-8,985	-1,405	5,430	8,000	10,000
Cherra-Companyganj	-1,00,766	-37,556	-14,716	-4,812	...	...	...
Eastern Bengal	75,04,505	88,49,990	89,61,890	82,95,220	86,38,206	88,00,000	84,00,000
Bengal and North-Western, and Tirhoot	18,10,246	17,75,124	8,59,876	25,69,340	21,93,026	32,50,000	32,50,000
Bengal Central	2,66,485	3,41,876	4,41,764	4,92,420	4,10,948	4,15,000	3,40,000
Brahmaputra-Sultanpur Branch . . . . .	...	...	...	79,732	1,09,714	1,18,000	1,17,000
Oudh and Rohilkhand	52,96,071	62,81,680	57,33,818	69,37,149	69,91,752	71,50,000	75,00,000
Indian Midland	24,68,036	35,32,762	45,22,557	42,03,652	43,87,143	39,25,000	38,75,000
Lucknow-Bareilly	4,42,970	5,36,019	5,82,122	6,16,520	7,03,340	6,75,000	6,75,000
Hardwar-Dehra . . . . .	...	...	24,015	1,02,460	1,06,245	1,09,000	1,13,000
North-Western	1,72,62,470	1,62,77,903	1,33,67,392	2,04,01,113	1,75,22,447	2,61,00,000	2,15,00,000
South Indian	34,77,545	39,33,201	42,20,706	48,17,889	57,76,427	59,75,000	54,50,000
Mysore	2,41,337	2,89,253	3,74,532	2,72,438	4,53,592	4,00,000	3,50,000
Nilgiri . . . . .	...	...	...	...	...	80,000	75,000
Bezwada Extension . . . . .	...	...	...	1,44,150	1,53,108	1,54,000	1,42,000
North East line, Madras Railway (East Coast, Southern Section).	9,06,377	20,81,863	26,99,115	21,77,543	14,46,225	14,15,000	18,00,000
Guntakal-Mysore Frontier	1,18,271	1,42,547	1,64,249	1,26,930	1,79,201	2,00,000	1,50,000
Tinnevely-Quilon . . . . .	...	...	...	...	40,172	1,08,000	1,80,000
Mayavaram-Mutupet	75,847	99,139	1,06,633	1,34,181	1,70,069	2,05,000	2,15,000
Dhond and Manmad	2,89,635	2,99,554	2,11,534	...	...	...	...
Southern Mahratta	10,47,534	16,99,219	15,71,614	12,19,960	18,62,451	18,50,000	16,00,000
Hyderabad-Shadipalli	75,649	80,868	71,864	...	...	...	...
Jodhpur-Hyderabad (British Section) . . . . .	...	...	585	1,55,826	2,13,492	2,75,000	2,75,000
Great Indian Peninsula . . . . .	...	...	1,41,99,508	2,20,88,202	2,11,69,544	2,21,00,000	2,23,00,000
TOTAL	9,62,86,778	11,25,81,284	12,73,21,263	14,67,73,373	13,96,56,679	15,28,76,000	15,02,54,000

COMMERCIAL AND FINANCIAL STATISTICS.

Table VI.—Gross receipts, working expenses, and net earnings of Irrigation—Major Works, for five years ending 1902-03, with Revised Estimates for 1903-04, and Budget Estimates for 1904-05.

	ACTUALS.					Revised Estimate, 1903-04.	Budget Estimate, 1904-05.
	1898-99.	1899-1900.	1900-01.	1901-02.	1902-03.		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
DIRECT RECEIPTS—							
Mandalay canal . . . . .	...	...	...	...	17,803	1,10,000	1,80,000
Orissa canals	4,69,554	4,42,497	4,08,888	3,49,006	4,05,592	4,46,000	4,23,000
Midnapur canal	2,33,772	2,38,652	2,34,213	2,40,992	2,24,150	2,13,000	1,87,000
Hijili Tidal canal	75,286	53,234	47,349	47,942	41,050	42,000	40,000
Sone canals	10,75,265	10,95,351	11,15,881	11,38,971	14,50,516	12,44,000	12,27,000
Ganges canal	32,06,998	36,57,032	38,83,058	28,27,161	35,23,554	33,52,000	32,83,000
Lower Ganges canal	22,79,590	22,29,549	21,86,673	19,96,655	22,82,197	23,84,000	22,57,000
Ditto Fatehpur Branch . . . . .	...	76,330	84,969	80,380	1,35,186	2,48,000	1,95,000
Agra canal	6,81,498	8,28,626	9,27,398	6,65,736	8,80,933	8,65,000	8,31,000
Eastern Jumna canal	12,48,831	12,41,746	12,34,495	11,79,374	13,53,857	12,01,000	13,34,000
Betwa canal	1,10,665	94,267	56,896	75,562	1,06,859	1,43,000	80,000
Western Jumna canal (including Sirsa Branch)	28,00,084	29,79,562	25,33,190	21,84,804	23,61,573	23,87,000	22,50,000
Chenab canal	24,06,523	30,02,897	42,77,499	53,47,867	62,03,439	72,62,000	73,50,000
Bari Doab canal	30,06,435	29,69,561	30,16,243	28,52,395	32,97,204	32,96,000	31,50,000
Sirhind canal	27,53,361	30,90,800	30,53,344	23,15,816	27,82,581	27,43,000	24,00,000
Jhelum canal . . . . .	...	...	...	...	24,104	3,44,000	8,00,000
Swat River canal	4,13,960	4,18,038	4,84,502	4,57,845	4,82,394	5,19,000	4,90,000
Godavari Delta System	1,09,589	1,13,290	1,15,714	1,10,381	1,04,532	1,05,000	1,05,000
Kistna " "	78,372	61,565	87,066	70,850	78,578	72,000	75,000
Pennér River canals " "	2,302	1,695	2,387	3,512	1,938	3,000	3,000
Periyar Project	581	1,220	1,624	1,615	2,168	2,000	2,000
Rushikulya " "	1,470	1,789	2,027	5,084	2,811	3,000	3,000
Desert canal	43,442	47,591	39,462	48,290	53,023	48,000	70,000
Begari " "	49,964	55,277	59,348	47,713	44,956	51,000	46,000
Eastern Nara Works	26,363	22,808	28,705	27,154	26,578	30,000	42,000
Mutha canals	2,57,142	3,20,928	2,12,883	2,95,926	2,98,645	3,00,000	3,16,000
Nira canal	1,42,459	1,48,200	1,33,866	2,28,058	2,31,616	2,43,000	2,57,000
Jamrao canal . . . . .	...	...	2,060	5,128	43,686	1,59,000	1,61,000
Other projects	6,55,795	4,85,433	5,41,411	7,89,448	7,82,496	11,70,000	11,68,000
TOTAL	2,21,29,301	2,36,77,938	2,47,71,151	2,33,93,665	2,72,44,019	2,89,85,000	2,87,25,000
PORTION OF LAND REVENUE DUE TO IRRIGATION—							
Mandalay canal . . . . .	...	...	...	...	4,619	19,000	10,000
Ganges canal	7,15,593	7,80,511	7,80,511	8,26,342	8,72,442	8,84,000	8,84,000
Lower Ganges canal	2,09,586	2,09,586	2,09,586	2,09,586	2,09,586	2,14,000	2,14,000
Eastern Jumna " "	2,49,803	2,50,989	2,50,989	2,52,041	2,53,952	2,54,000	2,54,000
Chenab canal	3,31,965	4,57,345	6,32,690	10,46,645	10,56,041	11,01,000	11,00,000
Bari Doab canal	2,21,189	2,27,286	2,33,160	2,36,603	2,38,756	2,30,000	2,30,000
Jhelum " " . . . . .	...	...	...	...	13,706	...	...
Swat River " "	40,823	41,257	42,550	44,580	47,284	45,000	45,000
Godavari Delta System	29,15,743	25,66,115	29,25,382	30,93,882	29,68,262	31,19,000	31,19,000
Kistna " "	24,91,812	25,40,854	26,34,552	27,42,392	27,25,450	26,73,000	26,95,000
Pennér River canals " "	3,51,193	2,61,246	3,57,541	3,69,205	3,70,918	3,72,000	3,72,000
Periyar Project	2,62,867	3,24,717	3,88,061	4,43,315	4,56,571	4,72,000	4,83,000
Rushikulya " "	82,033	91,059	87,131	95,844	94,832	98,000	99,000
Desert canal	1,11,398	1,26,878	1,60,930	1,39,985	1,41,889	1,61,000	1,93,000
Begari " "	3,54,168	3,90,454	4,16,913	3,34,669	3,14,732	3,58,000	3,97,000
Eastern Nara Works	5,07,038	6,55,531	5,10,522	4,49,513	4,93,647	5,37,000	5,23,000
Mutha canals	—6,470	—9,403	—3,869	—8,085	—8,063	...	...
Nira canal	—7,035	—7,330	—6,584	—11,310	—11,665	...	...
Jamrao canal . . . . .	...	...	3,30,642	4,21,049	4,97,692	7,08,000	8,55,000
Other projects	12,55,880	11,45,511	12,85,539	15,14,701	14,75,038	17,87,000	17,94,000
TOTAL	1,00,87,586	1,00,52,606	1,12,36,246	1,22,00,957	1,22,15,889	1,30,32,000	1,32,67,000

APPENDIX IV.—continued.

COMMERCIAL AND FINANCIAL STATISTICS.

Table VI—Gross receipts, working expenses, and net earnings of Irrigation—Major Works, for five years ending 1902-03, with Revised Estimates for 1903-04, and Budget Estimates for 1904-05—continued.

	ACTUALS.					Revised Estimate, 1903-04.	Budget Estimate, 1904-05.
	1898-99.	1899-1900.	1900-01.	1901-02.	1902-03.		
TOTAL REVENUE—	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Mandalay canal . . . . .	...	...	...	...	22,422	1,29,000	1,90,000
Orissa canals	4,69,554	4,42,497	4,08,888	3,49,006	4,05,592	4,46,000	4,23,000
Midnapur canal	2,33,772	2,38,652	2,34,213	2,40,992	2,24,150	2,13,000	1,87,000
Hijili Tidal canal	75,286	53,234	47,349	47,942	41,050	42,000	40,000
Sone canals	10,75,265	10,95,351	11,15,881	11,38,971	14,50,516	12,44,000	12,27,000
Ganges canal	39,22,591	44,37,543	46,63,569	36,53,503	43,95,996	42,36,000	41,67,000
Lower Ganges canal	24,89,176	24,39,135	23,96,259	22,06,241	24,91,783	25,98,000	24,71,000
Ditto Fatehpur							
Branch . . . . .	...	76,330	84,969	80,380	1,35,186	2,48,000	1,95,000
Agra canal	6,81,498	8,28,626	9,27,398	6,65,736	8,80,933	8,65,000	8,31,000
Eastern Jumna canal	14,98,634	14,92,735	14,85,484	14,31,415	16,07,809	14,55,000	15,88,000
Betwa canal	1,10,665	94,267	56,896	75,562	1,06,859	1,43,000	80,000
Western Jumna canal (including Sirsa Branch)	28,00,084	29,79,562	25,33,190	21,84,804	23,61,573	23,87,000	22,50,000
Chenab canal	27,38,488	34,60,242	49,10,189	63,94,512	72,59,480	83,63,000	84,50,000
Bari Doab canal	32,27,624	31,96,847	32,49,403	30,88,998	35,35,960	35,26,000	33,80,000
Sirhind canal	27,53,361	30,90,800	30,53,344	23,15,816	27,82,581	27,43,000	24,90,000
Jhelum canal . . . . .	...	...	...	...	37,810	3,44,000	8,00,000
Swat River canal	4,54,783	4,59,295	5,27,052	5,02,425	5,29,678	5,64,000	5,35,000
Godavari Delta System	30,25,332	26,79,405	30,41,096	32,04,263	30,72,794	32,24,000	32,24,000
Kistna " "	25,70,184	26,02,419	27,21,618	28,13,242	28,04,028	27,45,000	27,70,000
Pennér River canals " "	3,53,495	2,62,941	3,59,928	3,72,717	3,72,856	3,75,000	3,75,000
Periyar Project	2,63,448	3,25,937	3,89,685	4,44,930	4,58,739	4,74,000	4,85,000
Rushikulya " "	83,593	92,848	89,158	1,00,928	97,643	1,01,000	1,02,000
Desert canal	1,54,840	1,74,469	2,00,392	1,88,275	1,94,912	2,09,000	2,63,000
Begari " "	4,04,132	4,45,731	4,76,261	3,82,382	3,59,688	4,09,000	4,43,000
Eastern Nara Works	5,33,401	6,78,339	5,39,227	4,76,667	5,20,225	5,67,000	5,65,000
Mutha canals	2,50,672	3,11,525	2,09,014	2,87,841	2,90,582	3,00,000	3,16,000
Nira canal	1,35,424	1,40,870	1,27,282	2,16,748	2,20,151	2,43,000	2,57,000
Jamrao canal . . . . .	...	...	3,32,702	4,26,177	5,41,378	8,67,000	10,16,000
Other projects	10,11,675	16,30,944	18,26,950	23,04,249	22,57,534	29,57,000	29,62,000
TOTAL	3,22,16,887	3,37,30,544	3,60,07,397	3,55,94,622	3,94,40,245	4,20,17,000	4,19,92,000
WORKING EXPENSES—							
Mandalay canal . . . . .	...	...	...	...	30,312	82,000	1,00,000
Orissa canals	4,65,598	4,45,106	4,18,409	3,95,100	3,61,432	3,93,000	4,01,000
Midnapur canal	2,69,703	2,71,378	1,63,234	1,61,668	1,44,522	1,31,000	1,57,000
Hijili Tidal canal	48,535	43,304	30,632	28,658	34,685	23,000	30,000
Sone canals	5,59,480	5,47,919	5,76,302	5,47,210	5,27,716	5,26,000	5,86,000
Ganges canal	10,62,597	10,74,296	11,19,864	10,57,425	11,20,924	10,48,000	10,88,000
Lower Ganges canal	9,96,696	8,90,350	10,61,960	10,49,948	10,56,724	10,93,000	10,78,000
Ditto, Fatehpur Branch	1,935	49,750	1,03,476	1,26,995	1,21,579	1,46,000	1,23,000
Agra canal	2,34,351	2,83,363	2,33,043	2,60,131	2,65,836	2,16,000	2,42,000
Eastern Jumna canal	3,84,099	4,09,040	4,27,362	4,65,063	5,15,809	4,25,000	4,13,000
Betwa canal	1,01,686	95,360	86,537	1,01,852	1,22,892	1,14,000	1,00,000
Western Jumna canal (including Sirsa Branch)	8,63,021	9,07,513	9,14,677	8,65,175	8,17,970	8,19,000	8,25,000
Chenab canal	7,08,766	10,53,385	12,00,241	12,86,828	13,15,846	16,41,000	14,83,000
Bari Doab canal	7,86,572	7,97,190	8,26,926	8,40,911	9,64,870	9,64,000	9,97,000
Sirhind canal	6,73,078	8,56,298	7,70,709	7,93,513	8,35,062	8,12,000	7,86,000
Jhelum canal . . . . .	...	...	...	20,046	1,42,414	2,59,000	3,00,000
Swat River canal	99,596	58,345	89,312	86,856	80,111	90,000	65,000
Godavari Delta System	5,80,559	5,89,209	6,70,826	6,09,464	5,70,647	6,13,000	6,67,000
Kistna " "	5,25,151	5,23,143	5,04,823	5,11,894	4,96,071	6,79,000	5,63,000
Pennér River canals " "	36,139	36,687	32,120	43,643	55,091	76,000	60,000
Periyar Project	1,16,138	1,05,351	83,831	98,493	1,26,351	1,05,000	1,16,000
Rushikulya " "	38,734	49,459	76,220	64,377	66,003	61,000	59,000
Desert canal	59,152	49,102	57,976	56,722	99,246	1,00,000	1,12,000
Begari " "	72,152	96,043	69,133	60,329	87,067	88,000	80,000
Eastern Nara Works	1,11,007	1,15,630	97,734	98,001	84,196	81,000	99,000
Mutha canals	74,377	73,609	66,768	74,943	1,22,653	85,000	84,000
Nira canal	52,785	52,281	42,401	44,229	43,591	49,000	50,000
Jamrao canal . . . . .	...	...	64,710	1,52,889	2,18,286	2,00,000	2,89,000
Other projects	4,82,021	4,98,172	5,47,118	6,26,442	9,04,252	11,35,000	13,65,000
TOTAL	94,03,928	99,71,283	1,03,36,344	1,05,28,805	1,13,19,158	1,20,54,000	1,23,18,000

FINANCIAL STATEMENT OF THE
APPENDIX IV.—*continued.*

COMMERCIAL AND FINANCIAL STATISTICS.

Table VI.—Gross receipts, working expenses, and net earnings of Irrigation—Major Works, for five years ending 1902-03, with Revised Estimates for 1903-04, and Budget Estimates for 1904-05—*concluded.*

	ACTUALS.					Revised Estimate, 1903-04.	Budget Estimate, 1904-05.
	1898-99.	1899-1900.	1900-01.	1901-02.	1902-03.		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
NET REVENUE—							
Mandalay canal . . . . .	...	...	...	...	—7,890	47,000	90,000
Orissa canals	3,956	—2,609	—9,521	—46,094	44,160	53,000	22,000
Midnapur canal	—35,931	—32,726	70,979	79,324	79,628	82,000	30,000
Hijil Tidal canal	26,751	9,930	16,717	19,284	6,365	19,000	10,000
Sone canals	5,15,785	5,47,432	5,39,579	5,91,761	9,22,800	7,18,000	6,41,000
Ganges canal	28,59,994	33,63,247	35,43,705	25,96,078	32,75,072	31,88,000	30,79,000
Lower Ganges canal	14,92,480	15,48,785	13,34,299	11,56,293	14,35,058	15,05,000	13,93,000
Ditto, Fatehpur Branch	—1,935	26,580	—18,507	—46,615	13,607	1,02,000	72,000
Agra canal	4,47,147	5,45,263	6,94,355	4,05,605	6,28,097	6,49,000	5,89,000
Eastern Jumna canal	11,14,535	10,83,695	10,58,122	9,66,352	10,92,000	10,30,000	11,75,000
Betwa canal	8,979	—1,093	—29,641	—26,290	—16,033	29,000	—20,000
Western Jumna canal (including Sirsa Branch)	19,37,063	20,72,049	16,18,513	13,19,629	15,43,603	15,68,000	14,25,000
Chenab canal	20,29,722	24,06,857	37,09,948	51,07,684	59,43,634	67,22,000	69,67,000
Bari Doab canal	24,41,052	23,99,657	24,22,477	22,48,087	25,71,090	25,62,000	23,83,000
Sirhind canal	20,80,283	22,34,502	22,82,635	15,22,303	19,47,519	19,31,000	16,14,000
Jhelum canal . . . . .	...	...	...	—20,046	—1,04,604	85,000	5,00,000
Swat River canal	3,55,187	4,00,950	4,37,740	4,15,569	4,49,567	4,74,000	4,70,000
Godavari Delta System	24,44,773	20,90,196	23,70,270	25,94,799	25,02,147	26,11,000	25,57,000
Kistna " "	20,45,033	20,79,276	22,16,795	23,01,348	23,07,957	20,66,000	22,07,000
Bennér River canals " "	3,17,356	2,26,254	3,27,808	3,29,074	3,17,765	2,99,000	3,15,000
Periyar Project	1,47,310	2,20,586	3,05,854	3,46,437	3,32,388	3,69,000	3,69,000
Rushikulya " "	44,769	43,389	12,938	36,551	31,640	40,000	43,000
Desert canal	95,688	1,25,367	1,42,416	1,31,553	95,666	1,09,000	1,51,000
Begari " "	3,31,980	3,49,688	4,07,128	3,22,053	2,72,621	3,21,000	3,63,000
Eastern Nara Works	4,22,394	5,62,709	4,41,493	3,78,666	4,36,029	4,86,000	4,66,000
Mutha canals	1,76,295	2,37,916	1,42,246	2,12,898	1,67,929	2,15,000	2,32,000
Nira canal	82,639	88,589	84,881	1,72,519	1,76,560	1,94,000	2,07,000
Jamrao canal . . . . .	...	...	2,67,992	2,73,288	3,23,092	6,67,000	7,27,000
Other projects	14,29,654	11,32,771	12,79,832	16,77,707	13,53,282	18,22,000	15,97,000
TOTAL	2,28,12,959	2,37,59,260	2,56,71,053	2,50,65,817	2,81,40,750	2,99,63,000	2,96,74,000

APPENDIX IV—continued.

TABLE VII.—CAPITAL ACCOUNT OF GUARANTEED AND SUBSIDIZED RAILWAYS.

Actuals, 1902-1905.

RAILWAYS.		Amount in Rupees.	Amount in sterling at contract rates.	Equivalent at Rs. 15=£1.	Exchange.
GUARANTEED RAILWAYS.		R	£	R	R
RECEIPTS.					
Madras		52,91,199	485,027	72,75,398	-19,84,199
Bombay, Baroda and Central India		54,35,034	362,014	54,30,211	4,873
	TOTAL	1,07,26,233	847,041	1,27,05,609	-19,79,326
ADVANCES.					
Madras		43,37,443	397,599	59,63,984	-16,26,541
Madras Extensions		12,34,837	82,241	12,33,605	1,232
Bombay, Baroda and Central India		55,07,964	366,811	55,02,170	5,794
	TOTAL	1,10,80,244	846,651	1,26,99,759	-16,19,515
NET RECEIPTS					
Madras		9,53,756	87,428	13,11,414	-3,57,658
Madras Extensions		-12,34,837	-82,241	-12,33,605	-1,232
Bombay, Baroda and Central India		-72,880	-4,797	-71,959	-921
	TOTAL	-3,53,961	390	5,850	-3,59,811
SUBSIDIZED RAILWAYS.					
RECEIPTS.					
Gain on re- mittances to India.	Bengal Central	...	-8	-118	118
	Bengal-Nagpur	...	23	350	-350
	Ditto Extensions	...	407	6,105	-6,105
	Burma	...	-101	-1,513	1,513
	Indian Midland	...	632	9,486	-9,486
	Lucknow-Bareilly	...	-58	-881	881
	Southern Mahratta	...	-13,118	-1,96,762	1,96,762
		...	-12,223	-1,83,333	1,83,333
Capital received in India.	Ahmedabad-Dholka	7,63,000	50,867	7,63,000	...
	Ahmedabad-Parantij	18,000	1,200	18,000	...
	Brahmaputra-Sultanpur	-7,000	-467	-7,000	...
	Mymensingh-Jamalpur-Jagannathganj	44,000	2,933	44,000	...
	Tapti Valley	67,000	4,467	67,000	...
	TOTAL RECEIPTS	8,85,000	59,000	8,85,000	...
	TOTAL RECEIPTS	8,85,000	49,777	7,01,667	1,83,333
WITHDRAWALS IN INDIA.					
Assam-Bengal		-14,36,819	-95,703	-14,35,550	-1,269
Bengal Central		1,07,114	7,141	1,07,114	...
Bengal-Nagpur		2,78,629	18,539	2,78,095	534
Ditto Extensions		94,65,077	631,005	94,65,077	...
Burma		35,46,410	236,347	35,45,206	1,204
Indian Midland		10,49,683	69,341	9,95,112	54,571
Ditto Saugor-Katni		-781	-52	-781	...
Lucknow-Bareilly		-2,958	-197	-2,958	...
Mysore		86,587	6,469	97,037	-10,450
Southern Mahratta		-4,98,552	-41,546	-6,23,190	1,24,638
		1,25,94,390	828,344	1,24,25,162	1,69,228
Ahmedabad-Dholka		7,53,499	50,233	7,53,499	...
Ahmedabad-Parantij		23,624	1,575	23,624	...
Brahmaputra-Sultanpur		78,342	5,222	78,342	...
Hardwar-Dehra		8,706	580	8,706	...
Mymensingh-Jamalpur-Jagannathganj		55,527	3,702	55,527	...
South Behar		-57,358	-3,824	-57,358	...
Tapti Valley		19,762	1,318	19,762	...
	TOTAL WITHDRAWALS	8,82,102	58,806	8,82,102	...
	TOTAL WITHDRAWALS	1,34,76,492	887,150	1,33,07,264	1,69,228
	Net Withdrawals	1,25,91,492	840,373	1,26,05,597	-14,105
GUARANTEED AND SUBSIDIZED RAILWAYS.					
	Net Withdrawals	1,29,45,453	839,983	1,25,99,747	3,45,706

FINANCIAL STATEMENT OF THE

APPENDIX IV.—continued.

TABLE VI.—CAPITAL ACCOUNT OF GUARANTEED AND SUBSIDIZED RAILWAYS—continued.

Revised Estimate, 1903-1904.

RAILWAYS.	Amount in Rupees. (Omitting 000.)	Amount in sterling at contract rates. (Omitting 000.)	Equivalent at Rs. 15=£ 1. (Omitting 000.)	Exchange. (Omitting 000.)
	R	£	R	R
GUARANTEED RAILWAYS.				
RECEIPTS.				
Madras	73.50	673.7	1,01.06	-27.56
Bombay, Baroda and Central India	58.50	590.0	58.50	—
TOTAL	132.00	1,063.7	1,59.56	-27.56
ADVANCES.				
Madras	48.50	444.6	66.69	-18.19
Madras Extensions	2.00	13.3	2.00	—
Bombay, Baroda and Central India	45.50	303.3	45.50	—
TOTAL	96.00	761.2	1,14.19	-18.19
NET RECEIPTS.				
Madras	25.00	220.1	34.37	-9.37
Madras Extensions	-2.00	-13.3	-2.00	—
Bombay, Baroda and Central India	13.00	80.7	13.00	—
TOTAL	36.00	302.5	45.37	-9.37
SUBSIDIZED RAILWAYS.				
RECEIPTS.				
Gain on remittances (Bengal-Nagpur Extensions to India. { Southern Mahratta	—	4	6	-6
	—	-16.5	-2.48	2.48
	—	-16.1	-2.42	2.42
Capital received in India. { Ahmedabad-Dholka	91	6.1	91	—
	6	4	6	—
	23	1.5	23	—
	52	3.5	52	—
	55	3.7	55	—
	46	3.0	46	—
	273	18.2	273	—
TOTAL RECEIPTS	273	2.1	31	2.48
WITHDRAWALS IN INDIA.				
Assam-Bengal	-12.33	-82.2	-12.33	—
Bengal Central	2	1	2	—
Bengal-Nagpur	5.15	34.3	5.15	—
Ditto Extensions	-80.47	59.5	80.47	—
Burma	16.95	113.0	16.95	—
Indian Midland	34.10	220.0	33.00	1.10
Lucknow-Bareilly	83	5.5	83	—
Mysore	1.20	9.0	1.34	-1.14
Southern Mahratta	-9.14	-76.2	-11.43	2.29
	1,26.25	820.0	1,23.00	3.25
Ahmedabad-Dholka	1.08	7.2	1.08	—
Ahmedabad-Parantij	6	4	6	—
Brahmaputra-Saltanpur	50	3.3	50	—
Hardwar-Dehra	54	3.6	54	—
Mymensingh-Jamalpur-Jagannathganj	45	3.0	45	—
South Behar	-1	-1	-1	—
Tapti Valley	1.00	6.7	1.00	—
	3.62	24.1	3.62	—
TOTAL WITHDRAWALS	1,29.87	844.1	1,26.62	3.25
Net Withdrawals	1,27.14	842.0	1,26.31	83
GUARANTEED AND SUBSIDIZED RAILWAYS.				
Net Withdrawals	91.14	539.5	80.94	10.20

APPENDIX IV.—concluded.

TABLE VII.—CAPITAL ACCOUNT OF GUARANTEED AND SUBSIDIZED RAILWAYS—concluded.

Budget Estimate, 1904-1905.

RAILWAYS.	Amount in Rupees. (Omitting 000.)	Amount in sterling at contract rates. (Omitting 000.)	Equivalent at Rs. 15=£1. (Omitting 000.)	Exchange. (Omitting 000.)
GUARANTEED RAILWAYS.				
RECEIPTS.				
Madras	56,30	516,1	77,41	—21,11
Bombay, Baroda and Central India	49,79	332,0	49,79	...
TOTAL	1,06,09	848,1	1,27,20	—21,11
ADVANCES.				
Madras	57,87	530,5	79,57	—21,70
Madras Extensions	30	2,0	30	...
Bombay, Baroda and Central India	39,00	260,0	39,00	...
TOTAL	97,17	792,5	1,18,87	—21,70
NET RECEIPTS.				
Madras	—1,57	—14,4	—2,16	59
Madras Extensions	—30	—2,0	—30	...
Bombay, Baroda and Central India	10,79	72,0	10,79	...
TOTAL	8,92	55,6	8,33	59
SUBSIDIZED RAILWAYS.				
RECEIPTS.				
Gain or remittances to India. } Southern Mahratta	...	—13,4	—2,01	2,01
	...	—13,4	—2,01	2,01
CAPITAL RECEIVED IN INDIA.				
Ahmedabad-Dholka	65	4,3	65	...
Ahmedabad-Parantij	11	7	11	...
Brahmaputra-Sultanpur	—1	—1	—1	...
Hardwar-Dehra	50	3,3	50	...
Mymensingh-Jamalpur-Jagannathganj	27	1,8	27	...
Tapti Valley	1,07	7,2	1,07	...
TOTAL RECEIPTS	2,59	17,2	2,59	...
WITHDRAWALS IN INDIA.				
Assam-Bengal	—7,46	—49,7	—7,46	...
Bengal Central	36	2,4	36	...
Bengal-Nagpur	1,50	10,0	1,50	...
Ditto Extensions	53,05	353,7	53,05	...
Burma	6,31	42,1	6,31	...
Ditto Extensions	15,00	100,0	15,00	...
Indian Midland	24,55	163,6	24,55	...
Ditto Saugor-Katni	2,19	14,6	2,19	...
Lucknow-Bareilly	—21	—1,4	—21	...
Mysore	1,21	9,0	1,36	...
Southern Mahratta	—12,19	—81,3	—12,19	—15
TOTAL WITHDRAWALS	84,31	563,0	84,46	—15
Ahmedabad-Dholka	65	4,3	65	...
Ahmedabad-Parantij	11	7	11	...
Hardwar-Dehra	50	3,3	50	...
Mymensingh-Jamalpur-Jagannathganj	27	1,8	27	...
South Behar	—47	—3,1	—47	...
Tapti Valley	1,07	7,2	1,07	...
TOTAL WITHDRAWALS	86,44	577,2	86,59	—15
Net Withdrawals	83,85	573,4	86,01	—2,16
GUARANTEED AND SUBSIDIZED RAILWAYS.				
Net Withdrawals	74,93	517,8	77,68	—2,75

PROCEEDINGS OF THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA,
ASSEMBLED FOR THE PURPOSE OF MAKING LAWS AND REGULA-
TIONS UNDER THE PROVISIONS OF THE INDIAN COUN-
CILS ACTS, 1861 AND 1892. (24 & 25 VICT., CAP. 67,
AND 55 & 56 VICT., CAP. 14).

The Council met at Government House, Calcutta, at 10 A.M. on Wednesday, the
30th March, 1904.

PRESENT :

His Excellency Baron Curzon, P.C., G.M.S.I., G.M.I.E., Viceroy and Gov-
ernor General of India, *presiding*.

His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.

His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M.,
G.C.M.G., Commander-in-Chief in India.

The Hon'ble Sir T. Raleigh, K.C.S.I.

The Hon'ble Sir E. F.G. Law, K.C.M.G., C.S.I.

The Hon'ble Major-General Sir E. R. Elles, K.C.B., K.C.I.E.

The Hon'ble Sir A. T. Arundel, K.C.S.I.

The Hon'ble Sir Denzil Ibbetson, K.C.S.I.

The Hon'ble Rai Sri Ram Bahadur.

The Hon'ble Mr. A. W. Cruickshank, C.S.I.

His Highness Raja Sir Surindar Bikram Prakash Bahadur, K.C.S.I., of Sirmur.

His Highness Agha Sir Sultan Muhammad Shah, Agha Khan, G.C.I.E.

The Hon'ble Mr. Gopal Krishna Gokhale, C.I.E.

The Hon'ble Mr. E. Cable.

The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.

The Hon'ble Mr. H. Adamson, C.S.I.

The Hon'ble Mr. A. Pedler, C.I.E., F.R.S.

The Hon'ble Mr. T. Morison.

The Hon'ble Dr. Ramkrishna Gopal Bhandarkar.

The Hon'ble Mr. J. B. Bilderbeck.

The Hon'ble Mr. D. M. Hamilton.

The Hon'ble Rai Bahadur B. K. Bose, C.I.E.

The Hon'ble Dr. Asutosh Mukhopadhyaya, D.L., F.R.A.S., F.R.S.E.

DISCUSSION OF THE FINANCIAL STATEMENT FOR 1904-1905.

The Hon'ble DR. ASUTOSH MUKHOPADHYAYA said :—“ My Lord, as the
junior Member of this Council, I enjoy the privilege of being in a position to

[*Dr. Asutosh Mukhopadhyaya.*]

offer the first congratulations to Your Excellency's Government for the satisfactory Budget which has been laid before the Council by the Hon'ble the Finance Member. Ever since the days of Sir Richard Temple, who was Finance Minister to the Government of India from 1863 to 1874, it has not fallen to the lot of any Finance Member to present four successive Budgets showing a substantial surplus, and I trust I may be permitted to offer my sincerest congratulations to my Hon'ble friend.

"SURPLUSES.

"But, my Lord, if the Hon'ble Member has repeated the record of Sir Richard Temple, I am glad to be able to point out that the successive surpluses which have marked Your Excellency's Administration have never been equalled, either in sequence or in amount, ever since the dark days of the Indian Mutiny. As will be evident from the statement (Table A)* which I have prepared, there was heavy deficit during the Viceroyalty of the Earl of Canning due mainly to the Mutiny, during the Viceroyalty of the Earl of Northbrook due mainly to famine, during the Viceroyalty of the Earl of Lytton due mainly to the Afghan War, during the Viceroyalty of the Marquis of Dufferin due principally to the Burma War and increased Army expenditure, and during the Viceroyalty of the Earl of Elgin due mainly to famine and fall in Exchange. But although, during the administrations of each of the Viceroys other than those I have just mentioned, a surplus might be shown as the net result of the accounts of the whole period of their *regime*, it will be found on examination that, if individual years are taken, the administration of every one of them was marked by a year or more of deficit. In the long and distinguished roll of Indian Viceroys, the administration of Your Excellency is the first which has been characterised by an absolutely unbroken record of surpluses the total amount of which exceeds twenty-four crores of rupees; this amount, my Lord, is about four times the largest surplus during the administration of any previous Viceroy, and in fact considerably exceeds the total of the surpluses during the administration of all the Viceroys who were fortunate enough to be able to show a surplus upon their whole administration.

"REASONS FOR SURPLUS.

"My Lord, this unbroken record of successive years of surplus, unrivalled in the annals of Indian administration for a period well-nigh approaching half a century, is at first sight a matter for congratulation; at any rate, it is undoubtedly a matter for congratulation that this magnificent surplus has not been swallowed up by calamities like war or famine. But, in order to enable us to judge whether the mere existence of a surplus is a matter for unqualified satisfaction, it will be desirable to examine for a moment the reasons for the surplus and the conditions under which it has been found possible to secure it. Two of the principal factors which have contributed to this result may be described to be, *first*, stability of exchange, based upon the recommendations of Sir Henry Fowler's Currency Committee of 1898, and, *secondly*, increased taxation from 1883-84 onwards. I must gratefully acknowledge that a portion of this increased taxation has since been remitted by a reduction in the duty on salt and by an exclusion from the operation of the income-tax of all incomes up to one thousand rupees.

"STABILITY OF EXCHANGE.

"As to the first of the two reasons I have just mentioned, namely, the stability or artificial fixity of exchange, I desire to point out that its operation must prove injurious to the poorer classes of the population. So far as exports of Indian merchandise are concerned, the lower the exchange the larger the

* *Vide Appendix.*

[*Dr. Asutosh Mukhopadhyaya.*]

amount received by all the persons from the producer to the exporter, assuming; of course, that the quantity of merchandise exported does not suffer a corresponding reduction with the fall in exchange. I shall discuss presently the accuracy of the assumption I have made, but I may point out, the lower the exchange, the larger the benefit conferred on the poor by reason of a fall in the prices of articles of import used by the poor. With regard to the exports of Indian merchandise, if we take the figures for 1902-1903 in respect of articles grown by ordinary cultivators, we find from the following table that the total value of the exports comes to 74,26 lakhs :—

Grains and Pulse	24,48
Seeds	14,88
Raw Cotton	14,76
Raw Jute	11,12
Jute, manufactured	9,02
	<hr/>
	74,26

“I have not included the figures for Opium, Tea, Indigo and Lac as they are hardly grown by the poorer class of cultivators. If now, we take the value of articles of import, we shall find for the same year that the value of articles of food and drink, agricultural implements, grey piece-goods, mineral oil, iron and matches, we shall find from the following table, that the total value of the articles imported into India is 23,97 lakhs :—

Articles of food and drink—	
Spices	85
Salt	62
Agricultural implements	8
Grey piece-goods	15,46
Mineral oil	3,46
Iron	3,03
Matches	47
	<hr/>
	23,97

Assuming roughly that 80 per cent. of this is used by the agricultural population, we get for the value of the articles used by the poor 19,18 lakhs. The difference, therefore, between the value of the exports of Indian merchandise grown by the agricultural classes and the value of the articles of import used by them, amounts to 55 crores of rupees. A rise in the exchange by one penny, that is to say, from 1s. 3d. to 1s. 4d., would mean a loss of one-sixteenth upon this amount, amounting to 3,44 lakhs of rupees. Of course, this loss has to be borne by all the persons from the producer of the raw articles to the exporter; but it is obvious that a substantial portion of the burden must necessarily fall upon the first link in the chain, namely, the producer himself. I therefore venture to point out that one of the two reasons for the large surpluses of recent years, namely, an artificial stability of exchange, has been productive of hardship to the agricultural classes of the country. I have already stated that the above line of reasoning is based upon the assumption that the quantity of exports is not appreciably affected by a rise or fall in exchange. I am fortified in this view by the opinion of the Currency Committee of 1898. In their report it is pointed out that Lord Herschell's Committee of 1893 examined the statistics of Indian exports for a series of years, and came to the conclusion that although one may be inclined, regarding the matter theoretically, to accept the proposition that the suggested stimulus would be the result of a falling exchange, an examination of the statistics of exported produce from India does not appear to afford any substantial foundation for the view that in practice this stimulus, assuming it to have existed, has had any prevailing effect on the course of trade; on the contrary, the progress of the export

[Dr. Asutosh Mukhopadhyaya.]

trade has been less with a rapidly falling than with a steady exchange. The Currency Committee then proceed to point out that it was not necessary to quote the statistics of the export trade to which the Committee of 1893 had called attention, but they went on to add that 'we have been unable to find any statistical support for the theory that exports are largely and permanently stimulated by a depreciation of the standard of value resulting in a fall in the exchange.' They then set out the figures of gross exports from India during the twelve years from 1887-88 to 1898-99, which I quote in Table B*, and conclude with the following statement: 'We hesitate to draw any positive conclusion from these figures, but they afford no support to the theory that large exports are incompatible with a rise in the rate of exchange.'

"INCREASE IN TAXATION.

"I shall now proceed with the second of the two causes of the surplus I have mentioned above, namely, increased taxation. The increase of taxation from 1883-84 up to the last year, when a portion of the income-tax and the duty on salt were remitted, to which I shall refer presently, may be distributed under the following heads:— (1) income-tax, (2) duty on petroleum, (3) enhancement of duty on salt, (4) increase of duty on imported spirits, (5) general import-duties, excluding the duty on petroleum, (6) import-duty on cotton-goods, (7) increase of Kohat salt-duty, (8) re-imposition of the pātwaricess, (9) excise-duty on cotton-goods, (10) excise. As will be seen from Table C,* the total increase of taxation under all these heads is about 8,78 lakhs annually; if from this we deduct the amount remitted of the salt-duty and the income-tax, the amount will be reduced by 2,08 lakhs; in other words, the net increase of taxation from 1883-84 onwards has been 6,70 lakhs a year; and I venture to hope that when we have a succession of years of surplus, it is not quite unreasonable to ask the Government to consider whether any of the taxes imposed in recent years may not be reduced or, if possible, remitted. I think an examination of our financial history will prove conclusively that additional taxation has been imposed from time to time upon grounds specified on the occasion. I venture to point out that it is by no means prudent or desirable to keep on a tax after the necessity for its initial imposition has ceased to exist. It is quite open to the Government to increase its expenditure indefinitely, and if this process is followed without limit or restraint there would be no chance of the recently imposed taxes being diminished or withdrawn. I have enumerated the heads of increased taxation in recent years, and I propose to examine in detail one of these taxes, namely, the income-tax.

"ABOLITION OF THE INCOME-TAX.

"I confess I was disappointed to read in the Financial Statement laid before us that the abolition of the income-tax is considered to be beyond the range of practical politics. In spite of this declaration of policy I regret I am unable to change my views on the subject which have been formed after a careful examination of both sides of the question. My objections to the continuance of the tax are based mainly on the following grounds:—

(1) The tax was imposed at a time of great financial exigency, brought about by a fall in exchange, an increase in the army, and the heavy cost of frontier fortifications and defensive railways. That exigency has passed away, and as the Government has secured large surpluses during the last few years the policy of continuing the tax is of doubtful necessity and propriety.

(2) The income-tax is looked upon by every nation as the great financial reserve, which may be drawn upon in times of emergency. In the present state of Indian finances all possible sources of taxation appear to be exhausted, though there may be no end to human ingenuity; the Government is bare of all resources and, should there be any sudden and extraordinary emergency, must inevitably fall back for funds on loans. The Indian money market is limited, as pointed out in paragraph 116 of the report of Lord Welby's Commission, and large sums must necessarily be borrowed in England. This will have the undesirable

* Vide Appendix.

[*Dr. Asutosh Mukhopadhyaya.*]

effect of increasing the sterling liabilities of the Government, against the warnings of Finance Ministers and contrary to the recommendations of the Currency Committee of 1898 (paragraph 70 of the report). . . If Government abolishes the tax, husband its resources, exercises a resolute economy and lives within its means, a reserve of extraordinary potentiality will be at its disposal.

(3) If the revenue from income-tax continues to be raised even after the emergency is over, it is merged in the ordinary revenues of the Empire, and at last it becomes difficult to abolish the tax without greatly dislocating the balance-sheet.

(4) Taxation is usually resorted to at a time when the Government finds itself face to face with a sudden and grave financial difficulty, in order to enable it to balance revenue with expenditure. Such taxation ought to be continued only so long as this strained state of finance lasts; to retain a tax so imposed side by side with large surpluses appears to be contrary to all sound principles of finance, contrary to the purpose for which the tax is raised, and liable ultimately to encourage extravagance. So far back as 1859 Mr. Gladstone pointed out that the tendency of income-tax was to foster the spirit of expenditure, and that 'the facility of recurring to, and of maintaining, income-tax has been a main source of extravagance in Government.'

(5) 'Evasion is so entirely the rule that forms and returns are declared to be perfectly useless, and, surcharge, or, in other words, arbitrary assessments, made almost at random, has been universally necessary to attain anything like a decent financial result.' This view receives support from the opinion of Mr. Gibbs, Special Commissioner of Income-tax, Bombay, recorded so far back as 7th May, 1851; as also from a report submitted to the Government of India in 1865 by a Committee composed of five representatives of Local Governments.

(6) The assessment proceedings are of an inquisitorial character and lead to oppression and corruption, necessarily rendering the tax most unpopular.

(7) One of the primary canons of taxation handed down to us from the days of Adam Smith and accepted by all subsequent authorities on economic subjects, is that persons should contribute to it as nearly as possible in proportion to their respective abilities. The income-tax as levied in this country violates this principle, as it is extremely unequal in its incidence. A person with an income of ₹2,000 a month is more easily able to pay ₹52-1-4 than is another with an income of ₹100 to pay ₹2-1-4: the ability of the latter to spend on necessaries is proportionately much less than that of the former; and consequently also his ability to pay the tax.

"MR. LAING ON THE INCOME-TAX.

"My Lord, in support of the views I have set forth, may I be permitted to recall to mind the opinions of two Finance Ministers. The Hon'ble Mr. Samuel Laing, in his speech on the 16th of April, 1862, said in this Council: 'I hail, therefore, every proposal which shows signs of independence and self-reliance; and, if the income-tax were to be perpetual, I would much rather see it transformed into a local tax than continued as an imperial tax. But before acting on this view there is one paramount consideration which has to be weighed, *viz.*, whether the income-tax is to be looked upon as a permanent or a temporary measure. Upon this point I have myself no doubt. The tax was imposed for a limited term (five years), and at all hazards we must strive to keep faith with the people of India, by not prolonging it. It is, of course, impossible to give any absolute pledge as to what may occur three years hence. Necessity knows no law, and unforeseen events may upset all calculations. But the question is, are we to look upon the implied pledges given by passing the Income-tax Act for five years only as a serious promise which we must strive every nerve to fulfil, or are we to follow the example of England and treat it as one of those common forms which like 'lovers' vows' are only made to be broken? It is my firm conviction that the latter course will be alike wrong and impolitic. The people of England can understand that, whatever a Chancellor of the Exchequer may say to round a period or elicit a cheer, the income-tax

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cannot be repealed unless they are prepared either to abdicate the position of a first-rate Power by disarming or to retrace the steps of Sir Robert Peel's legislation by imposing crushing duties on commerce and consumption. But the people of India see no such reasons for continuing the Indian income-tax, and they would simply feel that the Government, having got the tax on false pretences, was determined to keep it. Now, if there be one thing more than another on which our Indian Empire is based, it is our character for speaking truth. The idea that the "word of the British Government is as good as its bond" is the keystone of the fabric of our power in the East. Hence, without in any way pledging the Government as to what may or may not be possible three years hence, I venture to say this—that in my judgment the main object to which the financial policy of the Government should now be directed is to keep faith with India by getting rid of the income-tax.'

"MR. MASSEY ON THE INCOME-TAX.

"The Right Hon'ble W. N. Massey, on the 14th March, 1868, in the course of his speech on the Budget, in this Council, said:—'I am not here to disparage the income-tax. It is, as it has been, described by Mr. Gladstone, 'a mighty engine of finance,' but it is an engine of finance which has never yet been resorted to except under emergent circumstances. The income-tax was first proposed by Mr. Pitt in the stress of the revolutionary war. It was submitted to as a tax of necessity, but it was never imposed as a permanent part of the fiscal system of England. It continued during a period when England was engaged not in a sort of diplomatic war but in a struggle for her existence as a nation, and the people were prepared willingly and loyally to submit to any tax or any mode of obtaining money which the Ministry of the day thought fit to propose. But the income-tax was dropped directly on the conclusion of the Treaty of Peace. It was revived thirty years after by Sir Robert Peel under very special circumstances. It was the object of Sir Robert Peel to carry out a policy of the most extensive and beneficent character. He proposed to liberate the commerce of England from the fetters by which it was cramped and to afford a full development to enterprise and capital. To carry this policy into effect it was necessary to make a large sacrifice of revenue, to give up customs-duties of a considerable amount The Minister proposed, for a limited period, the imposition of an income-tax for the purpose of indemnifying the revenues against the loss which they would sustain; No Minister has ever ventured to declare that it is continued as a permanent tax. These, Sir, were the circumstances under which the tax was imposed in England. Under what circumstances was it proposed in India? India was just recovering from the suppression of the mutiny. In making the effort she had largely added to the debt. She had not only increased the debt but had created deficit in the income to the amount of several millions. Such was our position when Mr. Wilson brought forward his income-tax. The circumstances were of that urgent character which, in my view, justify a measure of such stringency But Mr. Wilson did not venture to propose the tax as a permanent addition to the finances. He asked the country to submit to it only for a limited period during which he calculated the resources of the country would recover themselves. That period arrived and the income-tax was suffered to expire. But let me remind you that, when this impost is described as a great engine of finance, an income-tax of 3 per cent. is computed to produce no more than a million of money here. This is a very small result to compensate for the difficulties which attend the assessment of such a tax. The peculiar objection which is entertained to an income-tax is not so much the amount exacted under a moderate scale of assessment but the inquisitorial process to which it is necessary to resort This process is not very much to the taste of the English people; but it is specially repugnant to the habits and feelings of the people of India.'

"GRADUATED SCALE OF INCOME-TAX.

"My Lord, if in spite of all these objections to the permanent retention of the income-tax, the inquisition that it entails, the frauds to which it leads, and

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the sense in the public mind of its injustice in laying the same rate upon the holder of idle and secured public funds, upon the industrious trader, and upon the precarious earnings of the professional man,—if, in spite of all this, the abolition of the tax is deemed to be beyond the range of practical politics, may I venture to suggest that the method of a graduated income-tax which has been so ably advocated by Mr. Chamberlain and which now obtains in England, should in fairness be introduced in this country. The people welcomed with rejoicings the substantial concession which was made last year by Your Excellency's Government in drawing the line of demarcation between taxable and non-taxable incomes at Rs. 1,000 instead of Rs. 500; but I venture to point out that one uniform rate for all incomes under Rs. 2,000 and another uniform rate for all incomes above Rs. 2,000, cause a great deal of hardship to many middle class men. In England, incomes up to £160 per annum, or Rs. 2,400 per year, are exempted from the operation of the tax; an abatement of £160 is allowed upon all incomes exceeding £160 but not exceeding £400; an abatement of £150 is allowed upon all incomes exceeding £400 but not exceeding £500; an abatement of £120 is allowed upon all incomes exceeding £500 but not exceeding £600; and an abatement of £70 is allowed upon all incomes exceeding £600 but not exceeding £700. Thus, whatever the rate of the income-tax may be, a person with an income of £161 has to pay the tax only upon £1, and similarly a person with an income of £500 has to pay the tax only on £350. It is obvious that this graduated system has been planned with a view to the circumstances and conditions of the taxpayer. Table D* will show what the practical effect of this rule is. For instance, if the tax be at the rate of 1s. in the £, the man with an income of £161 has to pay at the rate of 07d. in the £; whereas the man with an income of £500 pays at the rate of 8·40d. in the £; and the individual who has an income of £700 pays at the rate of 10·80d. in the £. In other words, although the tax is at the rate of 1s. in the £, and therefore, apparently affects all persons equally, by reason of the graduated abatement upon all incomes exceeding £160, the rate itself becomes a gradually progressive one, affecting unequally, as it ought to do, different grades of persons enjoying different grades of income. My Lord, I venture to press upon Your Excellency's Government for serious consideration the possibility of introducing this system of graduated income-tax and also the question of raising further the minimum limit of taxable income. It does seem to me to be somewhat anomalous that in England the minimum limit of taxable income should be £160, whereas in this country it should be Rs. 1,000.

"PRESSURE OF INCOME-TAX."

"My Lord, the graduated scale of income-tax now prevalent in England to which I have just drawn the attention of the Council leads, I think, to some remarkable conclusions. The present graduated scale of abatement was introduced in 1898-99 in England, the scale which had been used before being on somewhat different lines. During the years 1898-99 and 1899-1900 the tax was 8d. in the £, subject, of course, to the abatements I have just described; in 1900-01 it was raised to 1s. in the £, and in 1901-02 it was further raised to 1s. 2d. in the £. Now, taking the Indian rates, a tax of 4 pies in the rupee is equivalent to a tax of 5d. in the £, and a tax of 5 pies in the rupee is equivalent to a tax of 6·25d. in the £. Now, if we take a nominal tax of 8d. in the £, subject to abatement as in the English rules, it is equivalent to a virtual tax at a rate which amounts to 4·8d. in the £ upon an income of £400, and it is obviously at a smaller rate upon all lower incomes. Even upon an income of £540 it is equivalent to a virtual rate of 6·22d. per £. It is obvious therefore, that according to the English rule of abatement a tax of 8d. in the £ causes less pressure upon incomes up to £540 than the Indian rate of 4 or 5 pies in the rupee. If we take the tax at 1s. in the £, which I may call the war-rate, a virtual rate of 5d. in the £ is not exceeded till we reach an income of £280, and a virtual rate of 6·25d. in the £ is not exceeded till we reach an income of £340. Similarly, if we take the tax at 14d. in the £, a virtual rate exceeding 5d. in the

* *Vide Appendix.*

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£ is not exceeded till we reach an income of £260, and a virtual rate of 5·25*d.* is not exceeded till we reach an income of £300. With a tax of 15*d.* in the £ a virtual rate of 5*d.* in the £ is reached only upon an income of £240; and the rate of 6·25*d.* in the £ is just exceeded only upon an income of £280. It is obvious, therefore, that whether we take the English tax at the ordinary rate of 8*d.* in the £, which prevailed from 1894 to 1900, or at a higher rate varying from 12*d.* to 15*d.* in the £, due to the extraordinary exigencies of a great war, the Indian rates are not reached except upon tolerably large incomes. The Indian rate, therefore, without the moderating influence of the wholesome principle of graduated abatement, presses far more heavily upon the Indian people than the English rate does upon the English people. This, my Lord, is a circumstance which requires careful consideration, and I trust Government may find it possible to recognise the principle of graduated abatement in this country. I hope I shall not be told in reply that, if the English principle of graduated abatement is introduced in this country, the amount of the realisable tax will be greatly reduced; if this be true, it would only be an argument in favour of the total abolition of the tax, for it is virtually an admission that it is impossible to raise a substantial amount unless we adopt the obviously inequitable doctrine of allowing no abatements at all.

“PRESSURE OF STAMP-DUTIES.

My Lord, I have just pointed out that the pressure of the income-tax in India is much greater in a large number of cases than the pressure of the tax in England. Your Excellency may perhaps be surprised to hear that the pressure of many other taxes is considerably higher in this country than in England. It is extremely interesting to compare the stamp-duty payable upon various instruments in India and in the United Kingdom. Thus, as will appear from Table D,* the stamp-duty for a receipt or acknowledgment for money exceeding Rs. 20 is one anna under the Stamp Act of 1899. According to the English rule, it is 1*d.* for any sum exceeding £2; in other words, for a sum just exceeding £2, the rate is $\frac{1}{240}$; in India, for a sum just exceeding Rs. 20, the rate is $\frac{1}{320}$; that is to say, for the minimum the Indian rate is 50 per cent. higher than the English rate. Again, in England the stamp-duty upon a conveyance is 6*d.* for £5, or £1 for £200, that is to say, it is 5 per cent. upon the value of the property conveyed or transferred. In India the stamp-duty upon a conveyance is 8 annas for Rs. 50, or 10 rupees for Rs. 1,000; in other words, the rate is 1 per cent. upon the value of the property conveyed. Consequently the Indian rate is precisely double that of the English rate. To take a third illustration, in the case of mortgage-deeds, the English rate is 3*d.* per £10, or 5*s.* for £200, which reduces to a rate of 1·25 per cent. upon the value of the property. In India, the rate is that applicable to a conveyance, or that applicable to a bond, according as possession is or is not given to the mortgagee; in other words, the Indian rate varies from 1 to 6 per cent., which shows that the Indian rate is in some cases four times as much as the English rate, and in other cases quite as much as eight times the English rate. Similar observations apply to the case of leases in the two countries. Again, if we examine the stamp-duty payable upon bills of exchange, we shall find that it ranges between 0·8 to 0·25 per cent. in England. The Indian rate averages about 0·6 per cent., showing that in the majority of cases the English rate is considerably less than the Indian rate. Other cases of a similar nature will be found in Table E.* I venture to think that instances like these hardly bear out the declaration that India is the most lightly taxed country in the world.

“BURDEN OF TAXATION GENERALLY.

“In order to support my position that Government ought to consider the question of reduction of taxes whenever a handsome surplus is available, I shall calculate the pressure of taxation in this country. If we adopt the principle laid down in East India Blue Books No. 683 of 1901 and No. 1164 of 1902, the

* *Vide* Appendix.

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taxation calculated under the different revenue heads of Salt, Stamps, Excise, Provincial Rates, Customs, Assessed Taxes and Registration amounted in the year 1902-03 to Rs. 30,06 lakhs (*vide* Table F). * To this sometimes Land-revenue is added, which in 1902-03 amounted to Rs. 27,65 lakhs. The total taxation, therefore, is 57,71 lakhs of rupees, which, divided among a total population of 230 millions, gives an incidence of Rs. 2-8-1 per head. If now we assume that the income of an individual is Rs. 30 a year, as stated by Your Excellency in this Council on the 27th March, 1901, the taxation is about 8½ per cent. of the total income of the masses. In reality, however, the pressure of land-tax on the population is considerably in excess of that represented by the figure 27,65 lakhs; for it is really the gross rental the cultivators have to pay, whether to the Government or to their landlords, which must be taken into account in calculating the average pressure of taxation on each individual. These figures are of paramount importance, and when recently I put a question in this Council I was told in reply that complete figures are practically not available. The figures in Table G,* however, though undoubtedly susceptible of correction, will give us a tolerably accurate idea of the pressure of taxation as it ought to be calculated. According to this calculation the total pressure of taxation is about 83,75 lakhs of rupees, which, distributed among a population of 230 millions, gives an incidence of Rs. 3-10-1 per head, or a percentage of 12·1 on the average income of Rs. 30 per year. If now we calculate the incidence of taxation in the United Kingdom in 1899-1900, that is to say, the normal year just before the war, the total income from taxation was 99½ millions sterling. This, being distributed over a population of 41½ millions, gives an average incidence of taxation of £2-8s. per head. Now the average income per head being taken to be £36, as recently calculated by Sir Robert Giffen, the pressure on the income of an Englishman is only 6·6 per cent. against 12·1 per cent. in the case of an Indian. I need hardly point out that, even if we accept the less accurate method of determining the amount of the land-tax, we find the burden of taxation to be 8·5 per cent., which is about 33 per cent. higher than the burden of taxation in England. It seems to me that the correct solution of this problem is to be obtained not by determining the amount of taxation but by calculating the ratio of the amount of taxation to the income. It has been held by a high authority that the *burden* imposed by taxation in a country is determined not so much by the taxation which the people pay, as by the amount of wealth which they retain for themselves. It is calculated that Italy paid 55s. per head of population in taxes of all kinds in a certain year, whereas Great Britain paid 80s. per head in the same year. But the *burden* of taxation was far greater in the former country because the total average yearly income of each individual was only £8-17s. while it was £33-10s. in Great Britain. I may observe in passing that, as pointed out by the Famine Commissioners of 1880, we ought to have fuller and more detailed information relating to the land-tax in India, and I venture to express the hope that statistics upon the lines suggested in my question may be prepared at the instance of the Government. I may also add that I have not included Forests and Land-revenue due to Irrigation in Table F,* nor have I included the net Post Office revenue in my calculations, though, as pointed out by Sir E. W. Hamilton in Section IV of his memorandum dated 14th July, 1897, prepared for the Royal Commission on Local Taxation, there are good grounds for its inclusion; it is hardly necessary to point out that, if these items are included, there would be a consequent increase in the pressure of taxation.

“FAMINE AND TAXATION.

“My Lord, the accurate determination of the incidence of taxation in this country, which I have suggested the Government should undertake, assumes great importance from another practical point of view. It is found at the time of every famine of any intensity that the power of resistance of the poorer or agricultural classes of the community is almost infinitesimal; the readiness with which they flock to relief-works and receive famine wages affords almost conclusive proof that, although they may have just means enough to carry on their daily business

* *Vide* Appendix.

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under ordinary conditions of life, they have practically no margin left to enable them to struggle successfully against even one season of scarcity. Indeed, the small amount of famine wages which enables them to pass through a season of scarcity is ample proof that their reserve strength is insignificant and in many cases nominal. It may no doubt be suggested that this condition of utter helplessness on the part of the agricultural classes is traceable in some measure to their improvidence as also to the effect of loans at usurious rates of interest. The operation of these causes will no doubt be practically removed by the establishment of co-operative credit societies, and the restriction placed upon the right of alienation of land, both of which reforms we owe to Your Excellency's Government, though, I am afraid, their beneficial effects may not now be widely appreciated throughout the country. But I venture to point out that the effect of the reforms thus introduced will be materially strengthened if an investigation were undertaken to determine the incidence of taxation upon the agricultural classes, which can only be done effectively after we have fuller and more improved agricultural statistics than the Government seems to possess at the present moment. The remarks which I have already made upon the subject of taxation justify the conclusion that this lamentable want of resisting capacity on the part of the agricultural classes is traceable, in considerable measure, at least, to the great pressure of taxation upon members of that class. It seems to me to be somewhat anomalous that the Government should not possess full and accurate statistics upon this matter, and that at the same time confident declarations should be made on behalf of the Government that India is one of the most lightly taxed countries in the world and that there is no relation between taxation and famine in this country.

"AGRICULTURAL INSTRUCTION.

"My Lord, from this subject of the effect of famines upon our agricultural population, I may be permitted to pass on for a moment to the subject of agricultural instruction and the development of agriculture and agricultural industries. No one will doubt for a moment in the beginning of the twentieth century that the most vital relations subsist between agricultural instruction on the one hand, and the development of agriculture and agricultural industries on the other; and I would suggest, for the consideration of the Government, whether systematic arrangements should not be made with a view to impart agricultural instruction throughout the Empire. I am encouraged to make this suggestion here, because I believe that no Government of India has ever been more profoundly impressed with the importance of encouraging agricultural instruction than the one over which Your Excellency presides. What is required is not merely a Department of Agriculture of the Government of India under the expert direction of an able and experienced officer, but also schools and facilities for elementary, secondary and advanced agricultural instruction.

"We might perhaps take as an example the rapid and solid progress made in agricultural instruction in Germany, where the foundation was laid by Dr. Thaer only so far back as 1802, and the country is now covered with high schools, institutes, and rural schools for imparting instruction in agriculture; there are even agricultural institutes at the Universities. The principal object aimed at by the agricultural high schools and institutes in Germany is the theoretical and practical instruction of owners of estates, tenants and farmers, and even of professors, lecturers and teachers in the science of agriculture. This is supplemented by the training of future officials of the Land Administrative Departments and of scientific research for the furtherance of agricultural progress and knowledge. My Lord, it has been stated on the highest authority that in Germany agricultural science and its practical application have resulted in an important increase of agricultural and agricultural-industrial products, and it is noteworthy that this has resulted principally from funds furnished by the State. At the present moment, there is no branch of agricultural management, no branch of special agricultural production for which special facilities for instruction are not provided in Germany. The expenditure of the German States for agricultural instruction in its three

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stages,—elementary, secondary and advanced—is considerable; for Prussia, alone, I find, it is £75,000 annually. But this State expenditure for the furtherance of agricultural instruction has proved a profitable investment; and I have little doubt that the same will be our experience here, for there is no country more likely to be benefited than India by the application of agricultural science to practical agriculture. My Lord, I may refer, for a moment, to one practical illustration of the agricultural instruction given in Germany. The discovery of the presence of sugar in beet-root and experiments for its production were first made in Germany during the latter half of the 18th century and today Germany is the greatest sugar-producing country in the world. The bounty system has, of course, materially assisted the growth of the industry; but this does not detract from the value of the chemical-agricultural co-operation. In 1836 the number of sugar works was 147, which had risen to 400 in 1899. In 1836 the yield of raw sugar was only 5 per cent. upon the quantity of beet treated; in 1899 the percentage of the yield of raw sugar upon the quantity of beet had increased to 13 per cent., proving conclusively that the gradual and steady rise in the percentage yield of sugar was due mainly to the researches of agricultural chemical science. The consequence was that, whereas in 1836 the yield of raw sugar in Germany was 8,000 tons, in 1899 it was 1,600,000 tons; in about 60 years the industry had increased two hundred fold. My Lord, these are startling figures, and they would have startled Dr. Thaer, the founder of agricultural instruction in Germany, and Dr. Leibig, the founder of agricultural chemistry; ‘they have truly sown a seed which after their death has brought forth fruit a hundred fold, because chemistry, the youngest of the sciences of their day, has been summoned to the aid of the oldest of all human occupations, the tilling of the soil.’ I earnestly trust, my Lord, that agricultural instruction may, under Your Excellency’s Government, be placed on a wide and enduring foundation, so that it may confer even higher benefits on this country than it has done on Germany. We all recognise with gratitude that an excellent beginning has been made by the establishment of the experimental farm and agricultural college at Pusa which has been materially aided by the munificent donation of Mr. Henry Phipps. I hope the time is not far distant when some wealthy countryman of mine may realise the importance of the institution and fittingly supplement the princely donation of a foreigner in aid of this noble institution.

“MILITARY EXPENDITURE.

“My Lord, the next subject to which I wish to make a reference is the recurring and perplexing question of military expenditure. It is a steadily, rapidly, but necessarily growing burden on our finances. I accept it as an elementary axiom that a thoroughly efficient army is essential for the maintenance of the British power in India, both for its internal security and for its external defence; and that the efficiency and the mobility of the army are prime factors in the prosperity of the country. The loyalty and contentment of the people are factors of paramount importance in the stability of the British rule in this country; but I think it is a great mistake to deprecate the importance of the Army as its ultimate defence. My Lord, I yield to none in my appreciation of the elements which must characterise an efficient army, namely, its mobility, equipment and discipline; and I do not demur to any expenditure which our finances can bear and which our military advisers, presided over by the illustrious soldier who sits in my front, may deem necessary for the safety of this magnificent Empire. But, my Lord, what causes me the utmost disappointment is what I must plainly describe as an element of unfairness which comes in when any question arises as to the mode of apportionment of military expenditure between the Indian and the British Exchequer. This matter, my Lord, was never more painfully evident than recently when a difference arose between the Secretary of State for India, the Government of India and the War Office, with reference to the increase of pay of the British soldier. The whole question was whether the initial annual charge of £220,000 and the ultimate annual charge of £786,000 rendered necessary by the decision of His Majesty’s Government to raise the pay of the British Army could be rightly charged upon

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the revenues of India. My Lord, if I may say so without impropriety, the cause of India was strenuously fought by Your Excellency's Government in March 1902 and again in October of the same year. Fairness and justice was entirely on the side of the Indian Government, and it deeply pains me to say that the Lord Chief Justice of England, as arbitrator, should have determined that the whole of the additional pay issued in India from the 1st April 1904 should be borne by the revenues of India. As a consequence our Budget is weighted, on the expenditure side, with a burden of £493,900. It may perhaps be said that in this particular matter history has only repeated itself, and that there is no occasion for surprise or disappointment. If we examine the published correspondence between the Government of India and the Secretary of State for India relating to the incidence of the cost of Indian troops when employed out of India, we shall find from Despatch No. 239 of 4th August 1832 that the Government of the Marquis of Ripon protested, with only partial success, against the cost of the Egyptian Expedition being thrown upon the Indian revenues. The very next year the Government of the same Viceroy protested against the Indian revenues being burdened with non-effective military charges; in other words, charges incurred for retiring pay and pensions, and other expenses of that nature, arising in respect of His Majesty's forces serving in India. It was pointed out that the system under which the capitalised value of the pensions was paid by the Indian to the English Treasury was intolerable, inasmuch as under its operation charges were thrown upon the Indian revenues in an extremely uncertain manner and created a financial position of great embarrassment; it was added that when charges so incalculable and wholly beyond control were thus suddenly thrown upon the revenues, all efforts to secure a proper equilibrium of revenue and expenditure must necessarily be defeated. But, my Lord, this remonstrance, so emphatic and so well-reasoned, proved wholly ineffectual. The story was repeated when in Despatch No. 70, dated the 25th March 1890, the Government of Lord Lansdowne sought for an abatement of the claim made by the War Office against the revenues of India for the service of the British troops employed in this country. Later on, when the Government of Lord Elgin, in Despatch No. 134 of 2nd June 1896, protested against Indian revenues being used to defray any of the expenses of the Indian contingent sent to Suakin, the decision was equally unfavourable to the interest of India. My Lord, the real truth of the matter seems to be that although successive Viceroys have demanded that England should show that her treatment of India in this matter has been just and considerate, the authorities in England have been impervious to reason and remonstrance. My Lord, as was pointed out in one of the despatches to which I have referred, 'the tax-paying community of England is amongst the wealthiest, whilst that of India is amongst the poorest in the world.' It cannot surely be in consonance with justice or sound Imperial policy that the wealthy and dominant race should relieve itself of charges at the expense of the poor and subject race, if the smallest doubt can be thrown on the equity of such a proceeding.

" FICTITIOUS SURPLUSES AND THEIR EFFECTS.

" My Lord, I shall now pass on to an examination of some specific points arising upon the Budget Estimates which have been so lucidly explained by the Hon'ble Sir Edward Law. The first point to which I wish to invite attention is that, during the last four years, the amount of the surplus has been uniformly understated in the Budget; thus, in the Budget for 1900-01, the surplus was estimated at £160,300, whereas the actual turned out to be £1,670,204; in other words, the actual exceeded ten times the Budget amount. In the next year, 1901-02, the Budget surplus was £690,900 whereas the actual was £4,950,243, or, the actual exceeded more than seven times the Budget amount; in 1902-03 the Budget amount was £837,700 and the actual £3,069,549, or the actual was very nearly four times the Budget amount; in 1903-04 the Budget amount of the surplus was £948,700, and the revised estimates show £2,711,211; in other words, the actual surplus is likely to be three times the Budget surplus. My Lord, this systematic under-statement of the surplus in framing the Budget cannot but be regarded as somewhat misleading, and one finds it difficult to understand why the operation should be

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repeated year after year, although we have no longer an erratic exchange to spoil our financial calculations. As pointed out by Sir Michael Hicks Beach, the test of a great financier is the accuracy of the estimates as shown by the final returns of income and expenditure. One effect of this under-estimate of the surplus is that a Government does not devote as much of the money of the taxpayer to systematic works of improvement previously planned and carefully worked out as ought to be done; in other words, the effect of a large surplus at the end of a year is to encourage, what are euphemistically termed, special grants, but what in reality are grants for objects which the Government did not contemplate as deserving of encouragement when the estimates were framed. To put the matter from another point of view, if the Government announces that its financial operations during the year are likely to result in a surplus of three or four million pounds sterling, Government would be pressed either to make a substantial reduction in taxation or to put forward schemes for the real improvement of the administrative machinery. I think there is hardly any room for doubt that the amount of the surplus ought to be anticipated with tolerable accuracy, and it ought to be applied for the improvement of the material prosperity of the country in certain selected directions. The course which has been followed has certainly a tendency to encourage recklessness in expenditure. The observations which I have made apply with peculiar force to the surplus of the year 1903-04; as I have already pointed out, the Revised Estimate shows that the surplus is expected to be three times the amount stated in the Budget. But I venture to point out that the surplus as shown by the Revised Estimate is in itself misleading, as indeed is pointed out in paragraph 81 of the memorandum by the Financial Secretary. But for the special grants, the surplus would have been Rs. 6,72 lakhs. Now consider for a moment what these special grants mean. An examination of the figures in paragraphs 80 and 223 will show that a large portion, if not the whole, of the special grants has not been, or will not be, spent during the year 1903-04; they are expressly granted for expenditure during the year 1904-05; but I have little doubt that even a portion may remain unspent during the year 1904-05, for instance, the 50 lakhs granted to the Government of Bengal as contribution towards the scheme for the structural improvement of Calcutta, the appropriation of which is expressly made conditional on the scheme being approved by the Government of India. My Lord, I cannot but feel that it would have been more fair and accurate to show 6,72 lakhs as the surplus for the year 1903-04 and to provide in the Budget for 1904-05 for such special grants as might appear necessary to the Government. I may further add that, if this method is pursued in future years, we shall always be furnished with fictitiously low surpluses, and there will be no possibility of any reduction of the burden thrown upon the Indian taxpayer.

" FAMINE INSURANCE GRANT,

" The next point to which I wish to invite attention relates to the Famine Insurance Grant, the details of which are shown in paragraph 181 of the Financial Secretary's memorandum. The revenue provided by the measures of 1877-78 is shown at a uniform figure of £1,000,000 for the 27 years between 1878-79 and 1904-05. I find considerable difficulty in accepting the figure at £1,000,000 for the two years 1894-95 and 1895-96. So far as I can gather, the amounts for those years appear to have been reduced from £1,000,000 (=150 lakhs) to 100 lakhs. I find it stated in the Explanatory Memorandum by the Secretary of State for India relating to Accounts and Estimates for 1897-98 and presented to Parliament (page 7) under the head Famine Relief and Insurance that 'the absence of famine for many years and the near completion of the scheme of Protective works advocated by the Famine Commission led the Government to decide that from April 1st, 1894, the annual expenditure might be reduced to Rx. 1,000,000 which is the amount entered in the accounts of 1895-96.' Similarly, on turning to the Explanatory Memorandum by the Secretary of State for 1896-97 (page 12) under the head 'Famine Relief and Insurance,' I find it stated that, although in accordance with the policy adopted in 1881 respecting famine insurance it was decided annually to set aside Rx. 1,500,000 from revenue for the actual relief of famine, for the construction

[*Dr. Asutosh Mukhopadhyaya ; Rai Bahadur Bipin Krishna Bose.*]

of works calculated to protect the country from famine, or for the reduction of the existing debt, or avoidance of debt otherwise about to be incurred, yet 'in 1894-95 and the subsequent years, it has been decided that in view of the provision which has already been made, it is sufficient to allot Rx. 1,000,000 for this object.' Again, when I refer to the Financial Statement presented to this Council on the 21st March 1898, I find, from the tabular statement in paragraph 169, the total expenditure chargeable to the famine grant for each of the years 1894-95 and 1895-96 is fixed at Rx. 1,000,000. The policy of reduction appears to have been discontinued by reason of the famine which followed, and the grant appears to have been restored in subsequent years to its original figure of Rx. 1,500,000. The matter deserves inquiry and consideration, and if the view which I have stated be correct—I speak with great hesitation upon this matter—the balance at credit of the Famine Relief and Insurance Fund shown in the last column of the tabular statement in paragraph 181 of the present Budget will have to be reduced by one crore of rupees.

“ EDUCATION.

“ My Lord, I cannot conclude my observations without pointed reference to two items of expenditure of radically different characters to be found in this Budget. The first, my Lord, is the grant of 40 lakhs to Provincial Governments for educational purposes. The only exception which can be taken to this grant is on the ground of its inadequacy; but I am not without hopes that funds may be furnished more liberally in the future for the purposes of educational work, specially of the work which the re-constituted Universities are expected to undertake.

“ TIBET MISSION.

“ The second item of expenditure to which I wish to invite attention stands out in singular contrast to the one I have just mentioned, namely, the expenditure on the Sikkim-Tibet Mission exceeding 83 lakhs of rupees as may be gathered from the details furnished in paragraphs 112, 115, 155, and 159. My Lord, one feels considerable hesitation in touching upon delicate matters relating to high imperial politics; but I hope one may be pardoned for exhibiting a curiosity to know whether the whole of the expenses in relation to this Mission is to be charged to the revenues of India, and, if so, whether any serious endeavour was made to throw a portion, at least, of the burden upon the British tax-payer.”

The Hon'ble RAI BAHADUR BIPIN KRISHNA BOSE said:—“ My Lord, it is gratifying to know that the decision taken last year to utilise a portion of the surplus to reduce the duty on salt has led to a material fall in prices accompanied by an increase in consumption, thereby reducing the estimated loss of revenue. Equally beneficial in its results has been the other measure of relief granted last year—the raising of the level of income for the assessment of the income-tax. In its present form it is a tax which is eminently just and fair, and I am glad to find it authoritatively stated that, if at any future date circumstances come into existence justifying measures further to alleviate the burdens of the people, it will not be the well-to-do income-tax payers whose claims will receive prior consideration. In fact, there is no reason why this tax should not now be accepted as constituting an integral part and a permanent feature of the financial arrangements of the Government. I much regret that the Hon'ble Dr. Mukhopadhyaya thinks otherwise. He apparently does not realize that the policy he advocates must result in transferring the burden from persons more capable to persons less capable of bearing it, from the well-to-do lawyers, merchants and officials, for instance, to the toiling millions who eke out a scanty and precarious living from cultivation of land. The agricultural classes already contribute their fair share—according to Dr. Mukopadhyaya himself more than their fair share—to the revenues of the Empire. He overlooks the further fact that the progress of the country depends not so much on the prosperity of those who form the majority of the income-tax payers as the prosperity of the communities on whose toil depends the successful cultivation of land, the foundation upon which the whole fabric of our national wealth rests. And to

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lighten the burden on these communities should be the paramount duty of the Government. The analogy drawn from the state of things existing in England is fallacious, inasmuch as the conditions here are wholly different from the conditions obtaining in England. As regards irregularities and hardships to which reference was made, they are inseparable from every system of taxation that can be formulated for introduction among a population like that of India, and ought not therefore to be a determining factor in the decision of the question involved, namely, the comparative equity and justice of the various taxes that it is possible to introduce here.

"Economic condition.—It has been my misfortune during the past four years that I have sat in this Council to bewail the heavy losses caused by grievous crop-failures in the Central Provinces, reaching, according to expert calculation, the enormous total of 40 crores of rupees. Even last year, a portion of the province, the rice-country of the Waingunga Valley and Chhatisgarh was unable to escape famine. It gives me great satisfaction that I am able at last to speak of an improvement in the prospects. The agricultural season about to close has been, taken all in all, one of the most propitious within recent times.

"The monsoon, though late in coming, was adequate, and all parts of the Province have, more or less, participated in the blessings of a seasonable and well-distributed rainfall. The area lost to the plough under the blighting influence of famine has been recovered back. Displacement of superior by inferior crops was another distressing sign of deterioration. In this respect, too, there has been an improvement; the area under wheat, the most valuable crop, has increased by 20 per cent, as compared with last year, and is one per cent. above the decennial average. The outturn is estimated to be 107 per cent. of a normal crop.

"Cotton cultivation.—Reference was made to the recent speculation in cotton in America and to the possibility of a great development of the supply of the raw article taking place in India to meet the demands of the manufacturers in England. One noticeable feature of agriculture during the past few years in the Central Provinces has been the great expansion of cotton cultivation. Unfortunately, however, almost every indigenous variety has deteriorated. The agricultural department has been engaged since some time past in experiments on exotic varieties, but the result has been disappointing. Foreign seeds are found to be more subject to the vicissitudes of the season, and they deteriorate as fast as they get acclimatized. Experiments carried on by the Manager of Mr. Tata's mill at Nagpur and some private landholders with the help of our local agricultural department have been equally unsatisfactory. Cross-breeding with indigenous varieties is now being tried, and it is very much to be desired that this may yield some new vigorous varieties. Apart from the question of meeting demands outside India, the further profitable development of our own cotton industry, the most important of the industries employing Indian capital, depends largely on the introduction of varieties yielding superior lint so as to permit of finer counts being woven. It must be admitted that with farms of 10 acres each and with cultivation carried on mostly on capital borrowed at high rate of interest, the introduction of improved methods is by no means an easy matter. Nevertheless, even under existing circumstances, something might be done in the direction of careful selection of seed and its distribution among the cultivators. Seeing that as against our yield of 80 lbs. an acre we have the American yield of 200 lbs., sometimes rising to 500 lbs., no question can arise as to the great room for reform.

"New Industries.—It was pointed out that the most important step that could be taken to improve the condition of the raiyats would be found in the development of industries based directly on agriculture. In the Central Provinces there has been a considerable increase in the number of cotton-ginning factories. One unexpected and somewhat unfortunate result of the establishment of these factories has been the loss to the country of an important article of cattle-food. When cotton used to be ginned in the villages by hand-labour, the seed was utilised locally to feed the cattle. Now most of the ginning is done at the

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factories started at various trade-centres, and the seed, instead of finding its way back to the villages, is being exported in enormous quantities outside India for oil-making purposes. If some means could be devised to treat the seed here, the bye-product cake would then be available as cattle-food. I venture to submit that our Agricultural Department would be fulfilling one of its most important functions if it were to import for experimental purposes the machinery that is used in Hull (England) for treating the Indian seed or any other suitable machinery. If the experiment succeeds, private enterprise, I have reasons to think, will not be slow to take advantage of it and to set up, side by side with the gins, oil-pressing factories. The benefit would be two-fold. A new industry would be created, and the valuable cattle-food that is now lost to the country would be available for home-consumption, though in a modified form.

Land-revenue collection.—The appropriation report shows that in the Central Provinces during 1902-03 the collections under the head of ordinary Land-revenue amounted to a little less than 78½ lakhs as against a Budget estimate of about 80 lakhs. At the last revision of settlement the assessment was fixed at 91 lakhs in round figures. The revenue report gives 84 lakhs as the land-revenue on the roll on 1st October 1902. The difference, 7 lakhs, between the new assessments and the demand on 1st October 1902, represents, I presume, the abatements granted on account of deterioration caused by famine. The actual realization was less by 5½ lakhs than even this figure. I further find that more than a quarter of a crore of outstanding under land-revenue and loans was remitted. Suspensions are never popular, for there is always a strong tendency on the part of the collecting agency to recover the suspended demand with the first good crop. I am glad therefore that suspension has been very largely followed by remission. All this indicates a liberality of treatment which cannot fail to evoke feelings of gratitude. I hope the same generous policy will be steadily maintained until, under the vivifying influence of a succession of good seasons, the scars left by the misfortunes of the last decade heal up completely. I further hope that till then proceedings with a view to a new settlement may be kept in abeyance. For even, though the new assessment may not be brought into operation at once, the very institution of these proceedings has a tendency to unsettle men's minds and to substitute for the stimulus of hope the discouragement of uncertainty—a feeling which can not but paralyse all efforts to recover from the effects of the famine. Referring to the revenue report, I find the Chief Commissioner remarking that 'after such a prolonged cycle of bad seasons it was not to be expected that the revenue would be promptly collected without considerable resort to coercive processes.' It is further said that 'Mr. Hewett finds it difficult to believe, since less than 1,000 writs of demand were issued during the year, that unauthorized processes were not resorted to by the Tahsildars.' I am glad the matter has attracted attention. For not only in private conversation but sometimes in Courts of Justice from the lips of witnesses, one hears of expedients adopted for which sanction may in vain be looked for within the four corners of the Land-revenue Act. I am afraid, to some extent, this is always likely to happen. For the range of vision of an officer, whose main duty is to collect, is limited. He seldom looks ahead and is unable to realize that to screw out the maximum sum which a landholder could be made to pay by exhausting all his resources and his credit, may swell temporarily the State coffers, but greatly aggravates the troubles and difficulties of the payer, reduces him, in many cases, to the position of the money-lender's serf, and has altogether a depressing effect on his powers of future recovery. It is satisfactory to know that the Chief Commissioner has placed his doubts on record and has pointed out that 'the matter requires constant attention at the hands of the Commissioners and members of the district staff.' As it is, Mr. Hewett does not 'upon the whole regard the figures regarding coercive processes as altogether satisfactory.' The budget estimate for 1904-5 has been put down at 89 lakhs, which is 5 lakhs more than the revenue on the roll on 1st October, 1902. I hope the estimate has not been pitched too high and that the excess represents past arrears and does not imply withdrawal of abatement concessions.

Patwari-cess.—Referring to the last year's Central Provinces Administra-

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tion Report I find that the Patwari Fund closed with a surplus of Rs. 1,15,000. Now the patwari-cess has a history of its own. Formerly the patwaris were either village-servants or private servants of the malguzars. But now they have become members of the Land Record Department. They owe no allegiance either to the malguzars or to the villagers. They are appointed by, and are absolutely under, the orders of Government. They devote only a small portion of their time to the discharge of duties regarding preparation of village-papers which the malguzars are under a statutory obligation to discharge. Such being the case, the landholders ought not, I submit, to be made to bear the entire burden of the cost of the patwaris' staff. Not only they are made to do so, but the considerable surplus that used formerly, before the amendment of the Land-revenue Act in this behalf, to accumulate out of the proceeds of the patwari-cess after meeting the pay of the patwaris, is now appropriated towards the cost of the controlling staff of the Land Record Department. As would appear from the famous Resolution of 16th February 1902, the imposition of extra duties unconnected with the preparation of village-papers on the patwaris is in some Provinces acknowledged by Government grants towards the remuneration of the patwaris. I submit that the landlords and tenants in the Central Provinces have a just claim on the Government for the same liberal treatment in the matter of this cess as is meted out to their *confrères* in other provinces. The incidence should be so regulated as to cover the patwari's remuneration for the performance of what, before the present system was introduced, constituted village work proper.

"*Irrigation.*—The past year will be memorable in the history of the Province as that in which the State for the first time recognised its duty to carry out irrigation works at the cost of the public revenues. This new and important departure, pregnant with potentialities of great future progress, is the outcome of the deliberation of Your Excellency's Irrigation Commission. The first step may be said to have been taken by the substitution during the last famine of tank-works for metal-breaking and road-making as the backbone of famine relief in tracts where such works were feasible. The recommendation of the Commission that irrigation is likely to be useful only in the rice-country is in entire accordance with the experience of the people as evidenced by the tanks made to irrigate rice-lands during pre-British days. Fortunately the configuration of the country here lends itself to the construction of storage-tanks and a considerable number of them have been suggested by the Commission. Construction of irrigation-works from the State fund is somewhat complicated by the question of return they are likely to yield. But I may be permitted to point out that their value should not be measured by their financial success, but that account should also be taken of the protection they give in years of drought, while in seasons of average rainfall they give certainty to agriculture, increase the outturn and enable more valuable crops to be grown. I may mention here that the utility of tanks was fully established during the great drought of 1899. The fertilising streams from two well-known private tanks in one of the affected districts (Bhandara) saved the crops of all villages served by them, giving them the appearance of an oasis in the midst of a burnt-up desert, and the value of the crops thus saved more than compensated the expenditure incurred. The Government also benefited, inasmuch as the revenue was paid in full and no relief had to be given to the people in this tract. Summing up the Indian peasant's financial position, the late Famine Commission remarked, 'in good years he has nothing to look forward to but a bare subsistence, in bad years nothing to fall back upon than public charity.' The margin of profits of our raiyats is so slender and the uncertainties of their position so great, that a compulsory water-rate imposed at the very beginning before the utility of tanks had been brought home to their minds by an appreciable and permanent addition to their profits, would make the tanks unpopular and mar their usefulness. In course of time, when experience will have demonstrated their value, a reasonable water-rate may with safety be imposed. But a hasty step at the beginning dictated by purely financial considerations is likely to defeat the beneficent object the Government has in view.

"*Octroi in Municipalities.*—Last year the Hon'ble Mr. Sri Ram and myself had referred to the Resolution on Octroi in Municipalities. We had pointed

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out how a rigid application of the rule laid down therein would lead to financial dislocation. I am happy to find that very recently another Resolution making substantial concessions has been issued on the subject. The principles it lays down are so important that I cannot resist the temptation of summarising them. It points out that no system of taxation can be regarded with satisfaction which runs counter to the traditions and opinions of those whom it affects, that Government cannot resist the consensus of authoritative opinion that indirect taxation is strongly preferred to direct imposts, and that the Governor General in Council is concerned to find that, in order to make good the deficit resulting from a reduction of the octroi-rates, certain Municipalities have been compelled to enhance the rates of octroi on necessaries of life or to resort to the unpopular expedient of a house-tax. He has accordingly been pleased to rule that the maximum duty may be Rs. 3-2 in some and Rs. 4-11 in other cases. We in Nagpur have promptly taken advantage of this concession, for which I beg to offer our grateful thanks.

"*Collegiate education.*—One result of the labours of the Universities Commission, so far as the Central Provinces are concerned, has been that attention has at last been drawn to what I cannot but call the very inadequate aid collegiate education in Nagpur receives at the hands of the Government. Up till 1885 Nagpur was without a College. In that year the people by strenuous efforts raised a subscription of one lakh and three-quarters, and with this as a nucleus an aided College with a competent staff headed by an European Principal was founded, to which the Government and the local bodies sanctioned liberal grants. At the same time, the Free Church Mission of Scotland, to whom the people owe a deep debt for all that they have done and are doing for education, raised the status of their school to that of a College. When the new College had been in existence for about two years, a proposal was made by the Chief Commissioner (Sir Alexander Mackenzie) to close it as an institution to impart collegiate education and to utilise its trust-fund for an agricultural school. The subscribers could not see their way to agree to this diversion of the fund from its original object. This was followed by the withdrawal, under Chief Commissioner's-order, of the Government grant as also the contributions by the local bodies, except that by the Nagpur Municipality, which, however, was reduced. The promoters of the College faced the situation thus created partly by reducing the staff and partly by appeals, which were successful, to the well-wishers of the cause for special aid. Even under these somewhat depressing circumstances, in course of time a commodious building to hold the classes and a hostel to lodge the students were constructed. To the latter the Government (Sir Charles Lyall's) made a liberal grant. In 1893, 'in recognition of the good work the College was doing,' the Chief Commissioner (Sir Antony MacDonnell) gave it a monthly grant of fifty rupees. In connection with the enquiries of the Universities Commission, the attention of our late Chief Commissioner (Sir Andrew Fraser) was drawn to the above state of things, and before leaving the province he left instructions to raise the College to a high standard of efficiency. The matter was promptly taken up by his successor, Mr. Hewett, himself a member of the Commission, and, in consultation with the governing body of the College, he has drawn up a scheme, which provides for an Arts Department manned by a staff of two European professors with English University qualifications and a suitable number of Indian professors. On grounds both of economy and convenience, the arrangements for teaching Science have been made in connection with our Victoria Technical Institute, which is intended to be the centre of industrial and agricultural education in the province and which is now fast approaching completion. I understand these schemes are now before Your Excellency's Government. I earnestly hope and pray they may be sanctioned and thus our collegiate and scientific education placed on a sound and solid basis. One noteworthy feature of the schemes which I must not omit to mention is that the popular element has been adequately represented on the governing bodies of both the institutions, co-operation on terms of equality between the official and the non-official elements being the key-note of their constitution. I would fain hope that the days of doubts and difficulties are over and that, animated as all are by a single-minded desire to advance the best interests of the province, the two institutions fully equipped

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and working side by side, will, by solid work honestly done, realize the hopes and aspirations of those who have laboured long and hard to bring them into existence.

"*Co-operative Credit Societies Act.*—The Co-operative Credit Societies Act passed last week, though not likely to prove a panacea for all the evil influences that now operate to keep our agriculturists down, is undoubtedly an useful piece of legislation. In the case of those who are in a fairly prosperous condition and are sufficiently advanced to be able to combine for their common benefit, there is every likelihood of the societies under the Act taking root and proving a success. The real difficulty lies in the application of the Act to those who are not so favourably circumstanced and who are in need of some extraneous help to lift them out of their present condition. Under this category come the majority of the raiyats in the Central Provinces. I am inclined to think, as I have submitted on one or two previous occasions, agricultural banks somewhat on the lines laid down in the Government of India's despatch of 31st May 1882, would perhaps better meet the requirements of the case here. At the same time, the Act, I think, could be made to yield good results even in these cases if some of the respectable moneylenders, who now deal with individual raiyats, could be induced to deal instead with the societies formed under the Act. I must confess I do not share in the morbid dread of the moneylenders as a class which seems to dominate the judgment of some in this matter. As a result perhaps of the hard times, there has sprung up within recent years a class of petty saukars, who perhaps deserve all that is said to their prejudice. But we have among us a class of moneylenders in whose family the business may be said to run from generation to generation. I do not think that taken as a whole their profits are either extravagant or unreasonable, or that their terms, so long as they are punctually fulfilled, oppressive. I hold strongly the view that in my province the success of the measure would depend largely on enlisting the sympathy and co-operation of these people. If you alienate them, I should like very much to know who is to finance the societies. I entirely agree in thinking that the State cannot take it upon itself this duty. It is not possible for it to lend annually to thousands of raiyats all over the country. Nor is it a good policy that it should add to the odium of the tax-collector that of the moneylender and debt-collector. *Takavi* is for seasons of distress and not for ordinary times. Lately, my Local Government advanced 16 lakhs for seed, etc., in the rice country, where the rains had failed, and rightly so. But it could not, and should not, do so in a normal year. I see therefore no way out of the difficulty except by calling in the aid of the class of moneylenders I have mentioned above. To found altogether new banking institutions for the object in view would present many practical difficulties. The substitution of societies in place of individuals would largely reduce the cost of establishment and Court expenses, as also the loss resulting from the insolvency, and not unoften the dishonesty, of the debtors. This must automatically, as it were, lead to the gradual introduction of an easier rate of interest than is possible under existing circumstances. Your Excellency was pleased to speak last week of the responsibilities of my countrymen in this matter. Permit me to say, my Lord, that the leaders of my community in Nagpur have been anxiously looking forward to the day when discussion and deliberation would end and the time for action would come. And now that the opportunity has at last come they will be found, not sulking in their tents, but at the post of duty.

"*Increased pay to British Soldiers.*—The item of £493,900 referred to in paragraph 13 of the Statement is, as has been kindly explained to me by the Hon'ble the Finance Minister, part of the sum of £800,000, in round figures, representing the recent permanent addition to the Indian military expenditure on account of increased pay to British troops. The circumstances under which this heavy burden has been imposed in disregard of the protest of Your Excellency's Government are, I feel bound to submit, such as are ill calculated to inspire the Indian people with an abiding faith in the justice of the Government in England in its pecuniary dealings with India. To quote the words of one of Your Excellency's predecessors, Lord Mayo, the Government 'would not be justified in spending one shilling more on our army than can be shown to be absolutely and imperatively necessary', and that 'every shilling that is taken for unneces-

[*Rai Bahadur Bipin Krishna Bose.*]

sary military expenditure is so much withdrawn from those vast sums which it is our duty to spend for the moral and material improvement of the people.'

"India and fiscal reform.—Reference was made to the despatch of 22nd October last setting forth the views of the Government on the movement now in progress in the United Kingdom for the transformation of the fiscal system that has prevailed there for the past sixty years. 'I may be permitted to make a few remarks on the subject from the point of view of Indian interest. We have no protective tariffs. All our import-duties are revenue taxes. The excise-duty on cotton-goods removes the only argument which could be urged against our system as having a protective character. My countrymen are not of the same mind as to the wisdom of this system. Some are of opinion that the infant industries of India in their competition with foreign countries are entitled to some protection, and that without it they are not able to carry on a fair fight with countries having the advantage of a long start in the progress of industrial development. Others again hold the view that defective knowledge, want of adequate capital and a spirit of conservatism—these retard more effectively the progress of our industries than any want of protection. Looking at the matter from a practical point of view, it strikes me that we are not called upon to decide at this juncture which of these contending views is sound. For there is no likelihood of India being granted a perfectly free hand in adjusting her tariff for the protection of her industries, supposing protection is good for them. The experience of the past shows that the interest of the British manufacturers will have to be duly safeguarded in any scheme that may be formulated. It is inconceivable, for example, that the powerful manufacturing interests in Lancashire will ever permit the imposition of protective duties of any kind on their goods in order that the Indian mill-industry may be fostered. Such being the case, our interest lies in the maintenance of the existing state of things. A modified scheme, which will subordinate Indian to British interests, while doing no good to India, will only create heart-burning, which, instead of promoting, will arrest the growth of consolidation of the Empire, which it is the avowed object of the new policy to bring about.

"Excise-duty on cotton-goods.—After the emphatic declaration of the Hon'ble the Finance Minister, it would serve no useful purpose to discuss over again the question of excise-duty on cotton-goods, though I must confess I am not at all convinced of the justice of the impost by his arguments. But there is one point to which I beg respectfully to draw attention. Lately an attempt was made to find out from statistics whether the mills in Lancashire manufactured any goods similar to those made in India and which paid the excise-duty. It appears the necessary information cannot be had. The only returns which the Lancashire mills have to submit are as to the number of hands they employ and some subsidiary matters arising under the Factory Acts, and no official statistics exist to indicate production of yarn and cloth. This state of things places our mills, which have to submit returns of production, at a considerable disadvantage. For it is clear that rival manufacturers outside India profit by the knowledge of what the Indian mills produce, while our mill-owners are unable to have similar information regarding theirs. I submit that the returns, even if they must be maintained for the assessment of the duty, may not, so far as they disclose details of production, be made public.

"Technical education.—The question of industrial development, which has received considerable attention during the past few years, is no doubt, as pointed out, surrounded with difficulties. The present economic conditions, the comparative smallness of the available capital, its slow tendency to increase, the ignorance of the means and methods necessary for its judicious employment, the high charge for banking accommodation, all these combine to present serious obstacles. It is also very true in the abstract that nothing is gained by training our youths for a trade in which there would be no opening for employment; that technical education cannot create industries but only supplies skilled labour to the already existing demands of capital. I believe, however, that a demand for educated labour in many branches of commercial and industrial activity is rapidly coming into existence, and I therefore hail with satisfaction the various measures that have been initiated of late for the introduction of a system of technical and industrial educa-

[*Rai Bahadur Bipin Krishna Bose; Mr. Hamilton.*]

tion culminating in the establishment of State Technical Scholarships. These have inspired the hope that we may at no distant future be privileged to see a wide development of our industries and manufactures. The policy which would make India produce only raw materials can only result in reducing the population to the dead level of poverty-stricken agriculturists. A wise and statesman-like generosity has inspired the present policy and, carried out loyally in future in the spirit in which it has been conceived, it will have as its reward a great addition to the wealth of the country and a consequent increase in the happiness and well-being of the people."

The Hon'ble MR. HAMILTON said:—"My Lord, in the first place let me congratulate Your Excellency's Government, and the Hon'ble Sir Edward Law in particular, on the Budget. The fact that such excellent results have been achieved while still within sight of the recent famines, shows that the finances of the Empire are in very capable hands.

"To one like myself who takes a general interest in the problems connected with agriculture it is gratifying to find the Finance Minister devoting so large a portion of his Statement to the claims of this all-important branch of the business of the Empire, and, as Your Excellency and the Hon'ble Member in charge of the Revenue and Agricultural Department are equally interested in the same subject, it may be taken for granted that we shall soon be able to record as marked a development in agricultural affairs as is possible in a country where progress must inevitably be slow.

"From the tone of his remarks, I take it that the Finance Minister is eager to devote all the money he possibly can to the cause of agriculture, and the recent Government Resolutions on Education and the Pusa Farm may be taken as assurances to the same effect. As a guide to what is required in this direction I may here refer to what is considered necessary in the United States of America, my authority being the Official Agricultural Year Book for 1900 which traces the history of agriculture in that country during the previous century. The annual income of the land grant colleges and other institutions in which agriculture is taught is $6\frac{3}{4}$ millions dollars or Rs. 2,01,00,000. On the 54 Agricultural experiment stations the sum annually spent by the National Government is \$720,000 or Rs. 21,60,000, besides an additional Rs. 9,00,000 contributed by the Provincial State Funds. The number of agricultural colleges and other institutions in which agriculture is taught is 64, including the 54 experiment stations referred to. The staff of all the experiment stations numbers 685, of whom 308 are scientific teachers. In this connection it would be interesting, for purposes of comparison, to know what the staff consists of which is now engaged in supervising and encouraging agricultural operations in India, and what are the qualifications of that staff for the work of supervision.

"The Hon'ble Sir Edward Law has mentioned the fact that in the Central Provinces there are now 1,800 subscribers to a monthly agricultural magazine, and that 1,800 copies of a pamphlet in the vernacular have lately been sold to cultivators. The number of publications issued annually by the American Board of Agriculture is 6 millions, besides numerous bulletins issued by the various States.

"While on the subject of agricultural education, might I, in view of the recent debate in this Council, quote the following words of the Director of the American Experiment Stations, *viz.* :—

"Along with the improvement of the college courses in agriculture has come the realization of the true function of these courses. It is understood that they are for the training of the leaders in agricultural progress, and not for the general education of the agricultural masses. For this purpose they are to be made as thorough and complete internally and externally as the manifold needs of American agriculture for well-trained and intelligent leadership may require. Their success is to be judged by the same standard that is applied to other college courses, and the number of students is not of so much importance as their quality."

"My Lord, the figures I have quoted may send a shiver of despair through the Hon'ble Members in charge of the Finance and Agricultural Departments, but a Finance Minister who can spend 15 crores on a famine and shortly after come forward with handsome surpluses may be trusted to find the money.

[*Mr. Hamilton.*]

"Rs. 30,60,000 is the sum annually required to run 54 agricultural experiment stations on the American scale, but four or five such institutions, or the equivalent of Rs. 3 lakhs, will, for some years to come, suffice for India, and the paltry sum named will not upset either the Finance Minister or his Budget. It need not even come out of the taxpayer, for less than one million of the ten and-a-half million sovereigns now lying fallow in the gold reserve, if invested in three-half per cent. paper, would yield sufficient to run half a dozen experiment institutions, and would at the same time reduce the national debt.

"My Lord, is it too much to ask that the farms which it is proposed to attach to the experimental institutions should be large enough to serve as commercial object lessons? Your Excellency has on several occasions expressed surprise that capital does not flow more freely from Europe into India; the reason, my Lord, is simple; capital does not see the dividends. Surrounding the American experiment stations are a great body of intelligent farmers with some capital at their command who eagerly co-operate with the stations and give practical effect to their teaching. In this country there is no such medium, and a bridge is therefore necessary to cross the gulf which separates the proposed institutions from the practice of the people; and it is here that a great opening may be found for European capital and enterprise. My Lord, when the institutions believe they have got hold of a good thing, let them plant out 500 acres and publish the financial results; if these are satisfactory, Government will be in pocket by the experiment, and capital will at once begin to flow.

"In a recent memorandum Mr. Mollison pointed to theft of the crops grown, as a difficulty in the way of European enterprise in agriculture. To meet that difficulty he suggested some sort of share system with the native cultivator. Difficulties of this kind can, I have no doubt, be surmounted; perhaps as good a share system as any would be for the European, or the Indian capitalist working on Western lines, to become the landholder, and take his share by way of rent. If the 100 million acres of cultivable waste-land which are still available in India and the millions of landless labourers who are the first to go down in famine could be brought together under a system of this kind, some interesting problems might be solved. Only the other day I heard of a large European zamindari in Eastern Bengal in which the proprietor has had only one law-suit for rent in thirty years. My Lord, these are the zamindaris which are wanted throughout the country, and which Government should do their best to foster. What India wants is fair dealing and cheap capital. What the raiyat wants is a place in which he and not another shall reap the fruits of his labours, and legislation like the Punjab Land Alienation Act and the Co-operative Societies Act may, I hope, be taken as an earnest of the fact that Government has decided to clear the path of progress of the pests which now suck the life of the people.

"The Hon'ble Sir Edward Law describes the additional Army expenditure as 'regrettable' but 'inevitable.' My Lord, if Indian agriculture is to hold its own, further expenditure in that Department is also inevitable and would not be regrettable, for the welfare of India is inseparably bound up with agriculture. The raiyat pays the land-revenue and the bulk of the salt-tax, the raiyat's labour yields the opium-revenue. The raiyat pays the best part of the excise-income, and all the other branches of revenue are more or less dependent on his labours. The raiyat fills the railway waggons and loads the steamers; the raiyat grows the jute and fills the gunny bags; the raiyat grows the cotton and wears the manufactured cloth. In short, to quote the ancient sage, 'the profit of the earth is for all, the king himself is served by the field.' My Lord, while the empire rests as much on the raiyat as it does on the sword, the claims of agriculture must have a first place in the Budget. I might go even further and base these claims on military as well as on agricultural grounds, for in an empire like India, which is subject to fears within as well as to fightings without, what better protection against both could there be than a great army of well-fed and contented peasantry? With the Himalayas in front of him and an army composed of millions of the peasantry of Northern India at his back, His Excellency the Commander-in-Chief might safely 'hang the trumpet in the hall and study war no more.'

[Mr. Hamilton; Mr. Bilderbeck.]

"I am glad to find £8,107,600 budgeted for capital expenditure on Railways. The amount budgeted for Major Irrigation Works, namely, £833,300, seems comparatively small, but we may hope for an increase next year, when, if approved, a commencement may be made with the programme sketched out by the Irrigation Commission. That programme, involving, as it does, a capital expenditure of Rs. 44 crores, will require a capital outlay of over Rs. 2 crores per annum for a period of twenty years, and the Irrigation Commission wisely suggests that it should be carried out in a regular and systematic fashion by loans, irrespective of the exigencies of the Budget. As the expenditure taken as a whole is not likely to prove remunerative, provision will have to be made from revenue for a possible loss in working, and the Hon'ble Finance Minister is perhaps wise in not holding out hopes of wholesale reductions in taxation. I should certainly like to see a reduction made in the salt-tax, salt being a necessity for man and beast, but I should deprecate anything in the shape of permanent remissions in the land-revenue, that being the soundest form of taxation; while the remissions are apt to find their way into the pockets of men for whom they are not intended. I would again congratulate Your Excellency's Government on the extremely satisfactory condition of the Empire's finances."

The Hon'ble MR. BILDERBECK said:—"My Lord, I ask your kind permission to touch briefly on one or two matters in which the interests of higher education demand consideration in connection with the Budget proposals.

"In the first place, I would refer to a matter in respect of which I made an appeal to Your Lordship's Government a few days ago—the necessity of giving early effect to those sections of the new Universities Act which empower Universities in India to appoint University Professors and to erect, equip and maintain laboratories, museums and libraries. The importance—nay the urgency—of the question is undeniable, but I shall not occupy the time of the Council by repeating arguments with which Members must be quite familiar. The prosperous financial conditions of the country, indicated by the Budget Statements of this and recent years, and the fact that Government has determined to spend money liberally on the establishment and maintenance of the Agricultural Institution at Pusa and of a Staff College for the training of military officers in India, inspire the hope that Government will at an early date be prepared to take into serious consideration a scheme for raising the character of University education and promoting the influence and utility of Universities.

"Associated with the subject just mentioned is another—the recruitment of Educational officers for the Colleges maintained by the State. In the debates on the Universities Bill that have lately taken place in this Council, very strong language was employed in criticism of the qualifications of gentlemen sent out by the Secretary of State to fill professorial chairs in the Government Colleges in some parts of India. Now, my Lord, while the strength of the language seemed to me to be disproportionate to the circumstances in connection with which such language was employed, it must be admitted that it is an open secret that the various Local Governments do not always obtain the men with the qualifications they indent for; that the article supplied through the India Office is not always in accordance with specifications; and, secondly, that Government Colleges are in a chronic difficulty in respect to the engagement of the services of suitable men to fill temporary vacancies in the chairs of Professors who go on leave or are transferred to other posts. In reference to the first of these matters, I would most respectfully urge that in the interests of good administration generally, and in justice to the Colleges and their students in particular, a strong representation be made to the Secretary of State for India in view to the adoption of some more satisfactory system of recruitment than that which now prevails. In the second place, I would suggest that special provision be made in the Budget for the formation of a *Professorial Reserve* the members of which would be available for service in any part of India. The officers belonging to the Reserve might be brought out as probationers on terms similar to those obtaining in the covenants of members of the Indian Educational Service, and be held eligible for substantive appointment on the occurrence of vacancies in the different provinces. In some cases, the

[*Mr. Bilderbeck; Dr. Bhandarkar.*]

members of the Reserve might be men with particularly high qualifications in some branch of Science or Literature who could be employed as University Professors and called upon to deliver special courses of lectures or conduct special classes at convenient times of the year in different parts of the country. I am well aware that many objections can be raised against this proposal, but in view of the many advantages likely to accrue from it, the scheme is well worth a trial.

"My Lord, I have so far suggested proposals which necessarily involve an increase of expenditure on education. I have another which possibly carries with it a potentiality for increasing the funds available for educational purposes, or for meeting educational wants without an appeal to the tax-payer,

"In the Madras Presidency—and doubtless analogous conditions exist in other parts of India—there are institutions known as *mutts* and *chattrams*. The *mutts*—which are of the nature of monastic institutions—were established by pious founders in times long gone by mainly for the encouragement of learning, but in some cases have fallen into unworthy hands that squander and misapply the income arising from their valuable endowments. The *chattrams* are often endowed institutions established for the purpose of providing board and lodging for travellers and poor people. The administration of the latter institutions is, I believe, in some measure under official supervision, and possibly the endowments attached to them are not misapplied to any serious extent.

"I wish to point out in reference to the *chattrams* that it would, I believe, be in some cases perfectly consistent with the object for which they were established if some portion of the income of their endowments could be set apart for the erection of hostels and the provision of meals for poor and worthy students. In other words, the funds of these institutions might be utilised for the establishment of sizarships for this class of students. Such an application of these funds, while promoting the extension of the residential system in connection with the educational institutions of the country, would at the same time greatly weaken the force of the arguments of those who condemn the extension of the system on the ground that it increases the cost of education and is therefore unfair to the poor student.

"As regards the *mutts* and similar institutions, it seems to me that, if their administration could be taken over by Government, the value of the endowments attached to them might be considerably increased; and the State would come into the control of funds which could be legitimately employed in promoting the cause of sound learning. It would, I think, be greatly in the interests of the country and of the *mutts* themselves if a small Commission could be appointed—subject to reasonable restrictions—to collect information as to the number of these institutions, the nature and value of their endowments, the objects for which they were established and the way in which the institutions have been administered and also to make proposals for reforms in their management if such be expedient. The report of such a Commission would lay bare the facts and would prepare the public mind for the necessity of reform. From my personal knowledge of the views of many educated men in Southern India, I can say that the mismanagement of some of these *mutts* is regarded as a grave scandal, and I believe that there are many who would sympathise with, and give their support to, a well-considered effort to reform them. If reform be decided on, it would probably be necessary, in order to meet the case of the *mutts* and *chattrams*, to pass a new enactment somewhat on the lines of the Charitable Endowments Act of 1890."

The Hon'ble DR. BHANDARKAR said:—"My Lord, with Your Excellency's permission I will make a few remarks on some points suggested by the Financial Statement. Though the surplus is stated to be 672 lakhs or, after providing for special grants to Local Governments, 406 lakhs, I am somewhat concerned to find that 6 lakhs and 29 thousand only have been allotted for Education. My Lord, the Government of India has acknowledged, in the Resolution on Indian Education recently issued, that India is entitled to ask for the highest intellect and culture that English or Indian seats of learning can furnish; and, in the words of Lord Reay quoted by me in my speech the other day, 'India should

[Dr. Bhandarkar.]

have the best representatives of English learning.' Higher education cannot be placed on a satisfactory footing unless we have men of this stamp. And the number of Professors in the Colleges must be increased. No teacher should have a larger class than one of fifty students. If the number of men reading a certain course is very large, they should be divided into separate classes each entrusted to an independent Professor. To secure all this a liberal allowance from the Imperial Funds will necessarily be wanted. The present arrangement of sending out men to us from England is clearly defective and must be improved.

"I would at the same time ask Your Excellency's attention to the great importance of creating among us a class of learned men. Not only will they be the means of advancing knowledge and creating a thirst for it among others, but devoting themselves to study and reflection, away from the turmoils of practical life, they themselves will truly become lovers of wisdom or philosophers and constitute so many centres of influence. To effect this purpose a good many Fellowships in connection with our Universities should, I submit, be endowed. These Fellows should devote themselves to the study of Literature, Antiquities, History, Philosophy and Science in its numerous branches. Their initial allowance should be about Rs. 100 *per mensem*, and it should gradually rise to about Rs. 250 in the course of ten years. They should be required to show that they have been really working, by delivering lectures in connection with the Universities or assisting the College Professors. They should be eligible at the end of the period of ten years for Professorships in Colleges or Head Masterships of High Schools. At present the Colleges maintained by the Native States in our Presidency and some aided Colleges also have only one European on the staff and the rest Indians. Fellows who have been studying a subject for ten years after graduation will make better Professors for these and also for Government Colleges than those who are now appointed.

"I notice a grant of five lakhs to the Calcutta Museum and of one lakh to the Zoological Gardens. Excellent as these institutions are at present, it is proposed still further to improve them. Calcutta is the metropolis of the Indian empire, and it is but proper that the Government of India should provide it with two such first class institutions. But India is a vast country, equal in extent to the whole of Europe except Russia, and Calcutta is situated at the extreme east end of the line of its greatest width. The Museum and the Zoological Garden, therefore, can be of no use to other parts of the country than the Province of Bengal. To expect the people of Bombay, Madras and Lahore to derive any benefit from them is to expect English people to derive benefit from institutions established in Vienna. The interests of the Province of Bengal are committed to the care of the Government of Bengal; but the Government of India should, I submit, look to the interests of the whole country. I, therefore, hope, if we have a succession of such prosperous Budgets, the Government of India will set aside liberal sums for providing such institutions for the instruction and amusement of the people of Western, Southern, Central, and Northern India. Bombay, Madras, Nagpur, Alláhábád or Delhi ought to have such Museums and Zoological Gardens as Calcutta has. And may I say the same thing about the Imperial Library, which institution also has won my admiration?

"The next point that I will allude to is about agricultural education. The Hon'ble Member for Finance has endorsed the opinion of competent Europeans that the Indian raiyat is a first class agriculturist. Still he admits that there is room for instruction in certain points. I, too, readily admit that, but the methods of training suggested in the recent Resolution of Government do not appear to me to be quite satisfactory. These methods I came to know of some months ago in Poona, and that was the opinion I formed of them there. A six months' course, for pupils of the Training College at the Government Farm to fit them to be teachers of agriculture in primary schools, which is the better method of the two, can furnish the pupils with but imperfect knowledge, and supposing that they did acquire competent knowledge, the method of giving agricultural instruction to boys in a class-room can, in my opinion, serve no good purpose. At present the agriculturists teach their boys, not

[Dr. Bhandarkar.]

by means of words spoken, but actually showing to them what they do in the field and making them do it. This is a very effective method and the one now thought of must, I think, fail. And information on the points alluded to by the Hon'ble Member for Finance should rather be communicated to adult agriculturists than to boys. For this purpose the methods at present thought of would be of no use. What I would suggest is this: there is in connection with the College of Science in Poona an Agricultural Branch, where young men are trained for the Degree of Licentiate of Agriculture. The course laid down for that Degree is very high, including, as it does, Trigonometry, Physics, Botany and such other subjects. The preliminary qualification also is high. In connection with the Engineering Branch of the College there is a class for training Overseers required for the lower branch of the Public Works Department. So there ought to be in connection with the Agricultural Branch a class for training what might be called Agricultural Inspectors. The preliminary qualification need not be high and instruction in the practical agricultural portion of the course for the Degree should only be imparted to them. After they have gone through this course and passed their final examination, they should be employed by the Agricultural Department on salaries beginning with Rs. 30 and rising to about Rs. 75 per mensem. About two such Agricultural Inspectors should be employed for each taluq, and it should be their duty to visit the fields and give instruction to the peasants working there on the points mentioned by the Hon'ble Member for Finance. But in the present state of circumstances what our agriculturists want is manure. It has been the time-hallowed custom of these men to dry the farmyard manure and sell it or use it themselves as fuel; and they have not the means of procuring manure of this or any other kind elsewhere. I should, therefore, think that the *takavi* advances that are at present made should be made by the Agricultural Department through these Inspectors, and it should be their duty to see that those advances are properly spent, *i.e.*, on the purchase of good seed, necessary agricultural implements and especially manure.

"As regards the statement showing the accumulation of wealth in India, I leave it to those who have closely studied the question of the poverty of India to determine whether that statement makes out a point opposed to their views. But the Hon'ble Member's statement that the rise in the prices of certain articles that he mentions must have benefited the producers, I beg leave to question. As a matter of fact we do observe an immense disparity between the wealth at trading centres like Bombay and Ahmedabad and that in small towns and villages. While the dealers in wheat and cotton roll in wealth, those who grow those articles live from hand to mouth, and are unable to bear the stress of a single unfavourable season even in such a Province as Gujerat, which before was considered impervious to famine. There is evidently an unequable distribution of wealth. The cultivators are unable to take advantage of the rise in the prices of wheat, cotton and other articles. The reason probably is that a good many months before the harvest the traders enter into contract with the cultivators and secure the produce, and hence a rise in the prices at the time of the harvest or later the latter cannot avail themselves of. Besides, the intelligence that is required for securing a due advantage in this respect is wanting. So even here the importance of the education of agriculturists forces itself on our attention.

"The fourth point I wish to notice is that concerning the cotton excise duties. It is a good deal contentious, but I will venture to say a few words on it. The Hon'ble Member for Finance says in answer to those who maintain that there can be no direct competition between Lancashire goods and Indian goods, that the cheaper price of the Indian textiles will attract to them the purchasers of the finer textiles from Lancashire to the detriment of the latter. But it appears to be forgotten that, except in a few solitary instances, the higher classes, who use the finer cloth from Lancashire, think it derogatory to their position to use the coarser cloth produced by the Indian mills. So that there is really no competition between the two countries except within very small limits. Again, he says that the charges between Manchester and Indian bazars, including packing, freight, etc., add to the cost of Lancashire goods while the Indian goods are free from those charges; but what I have to

[*Dr. Bhandarkar ; Mr. Morison.*]

urge on the other side is that the initial cost of the construction of a mill in India is greater than that of one in Lancashire, because we have to import from England all the machinery that we require and to pay the charges for packing, freight, interest, etc. The interest on the additional capital must contribute to enhance the cost of production of Indian goods. Stores also have to be imported and those charges paid on them. The Hon'ble Member considers that the additional $3\frac{1}{2}$ annas which the purchaser has to pay on account of the excise-duties does not bear heavily on the consumer. I am sorry I cannot think so. Those who use the coarse cloth manufactured by our mills are mostly the same class of people to whom the diminution of the salt-tax has given relief, and certainly an additional $3\frac{1}{2}$ annas to such people is not inconsiderable. The remission of the duty, therefore, would be of great benefit to them. As to the necessity of additional revenues for the administration of Government, the deficit caused by the abolition of cotton excise-duties may be made up by raising the duty on the rich man's cloth, that is, the cloth of finer texture imported from Lancashire; or, when the growth of home industries diminishes the imports and materially reduces the revenue, there will be time enough to consider and frame a consistent policy calculated to make up the loss. And, finally, one of the chief reasons why these excise-duties are disliked is that they were imposed at the instance of Lancashire. India has become an agricultural country and depends for most of the manufactured articles she wants on foreign countries. The effect is that when there is no rain, or when the crops are destroyed by disease or by locusts or by rats, the country becomes helpless. India's economic salvation lies in the growth of the manufacturing industries as is tacitly acknowledged by the Government of India itself by the recent institution of scholarships to be held by Indians learning certain arts in Europe and America. One such industry has taken root; and it is supposed to have come in conflict with an English industry; and the Home Government compels the Indian Government to overweight it in the race. The anxious heart of an Indian, therefore, asks itself the question, whether, if fortunately other such industries grow up in India and compete with English industries, they will be similarly dealt with, and whether England, immediately that some of her sons nearer home raise up a cry; will always act the step-mother to her Eastern sons.

"The last point that I will touch on, is the steady increase in the Excise-revenue. During the last two years it has increased, we are told, 21 per cent. I quite believe that there is no desire on the part of the Government of India to increase the revenue by encouraging indulgence in alcohol, as stated by the Hon'ble Member, but the large increase of excise-revenue during the last four years from 590 lakhs to 738 lakhs cannot but show that drinking has largely increased; and this is confirmed by one's daily observation. However, I am quite satisfied with the assurance that Government of India know their full responsibility in the matter and are now paying special attention to it in the interests of temperance and morality."

The Hon'ble MR. MORISON said:—"Ever since the Government of India entered upon a season of surpluses one complaint has been constantly repeated in the public Press, the complaint that by the closure of the mints in 1893 the Government of India increased taxation, inasmuch as the taxpayer has to pay as many, or nearly as many, rupees of the artificial value of sixteen pence as he had to pay when the natural value of the rupee was thirteen pence.

"I venture to say that if there is one thing demonstrably clear in currency problems, it is that the purchasing power of the rupee has not yet risen in consequence of the closure of the mints; I believe on the contrary that it could be far more easily maintained that the value of the rupee went on falling after 1893; it is generally admitted that an Index number is the only means of arriving at probable certainty with regard to the rise or fall in the value of money, and of all the Index numbers which have been composed I know of none which has been prepared with such elaborate safeguards against error as the series published by Mr. F. J. Atkinson in various issues of the Journal of the Statistical Society. Beginning with the years 1868—76 and taking the average prices of 100 commodities during these

[*Mr. Morison.*]

nine years as equivalent to 100, Mr. Atkinson has prepared a series of Index numbers up to the year 1901. This Index number stood in 1881 at 95, in 191 at 116 and in 1901 at 135; this last figure is perhaps unduly swollen by the famine prices of that year, but if the whole of that series of figures is consulted it cannot, I believe, be seriously contended that there has been any tendency towards a fall of rupee prices since 1893.

"The depreciation of the rupee since 1893 has been obscured by the stability of exchange with gold countries. I recognise that as soon as the rupee was linked to gold, local prices could not have long gone on rising if the value of gold had remained stable, but a glance at Sauerbeck's tables will show that the value of gold fluctuated greatly in that period; gold prices which had been represented by 102 in 1874 had fallen steadily, until in 1896 they stood at 61. Since that year they have been rising and in 1900 stood at 75 and in 1901 at 70. As gold prices have been rising since 1896 it is no matter of surprise that rupee prices, though linked to gold, have risen too, and if this proposition is established that the purchasing power of the rupee has declined since 1893, there is no ground whatever for the assertion that by the same taxation the Government is taking more than formerly from the pocket of the taxpayer.

"If then the burden of taxation has not been increased the only question that recurring surpluses suggest is whether the people or the Government of India is likely to make the best use of the money collected in excess of the present needs of the administration; personally I do not believe that the small sums secured to each family by the remission of taxation are at all likely to be employed productively; the money will not, in the familiar phrase, fructify in the pockets of the people. But I can see many ways in which the Government of India might spend these considerable sums upon the people more wisely than the people themselves; and as there will be many claimants for the surplus which I hope the Hon'ble Member for Finance may have to announce next year, I venture to put forward two suggestions; both ideas have been suggested to me by my experience as an educational officer, but they raise such large questions of general principle that they could not, without irrelevancy, be discussed along with the Universities Bill; the first of these suggestions has reference to the organisation of higher education and the second has a direct bearing upon the moral and intellectual development of Indian society though it will hardly add anything to the burdens of the taxpayer.

"At the outset I should like to secure general assent to the proposition that our Colleges in India are in reality nothing more than schools; the age of the students, the methods of teaching, and the standard of attainments are all those of the school and not of the University. Such an estimate of the value of our Colleges may seem invidious from the mouth of an Englishman, and so I prefer to quote the opinion of an Indian friend of mine who took the highest degree in Mathematics that the Indian Universities could bestow, and then proceeded to Cambridge to study for a Research degree. After being a year in Cambridge he wrote to me that he regretted he had not read for the Ordinary Tripos as he found that many boys came up from English schools with a better knowledge of mathematics than he had brought from India; and my friend is a Master of Arts in Calcutta and a Doctor of Science in Allahabad.

"It simplifies many questions of educational policy to recognise that our Indian Colleges are really schools; it disposes, in the first place, of many irrelevant reproaches which are constantly made against them; it is frequently said, for instance, that our Indian Colleges have done nothing for the advancement of learning; this is true and it would be a serious indictment of a University, but it is no reproach to schools, the function of which is to give instruction in familiar and undisputed truths, and which are not constituted for research. In the second place, if we recognise that our Indian Colleges are really schools, we will realise that we cannot with impunity wrench them from their place in a system of secondary education and translate them to the superior grade of University Colleges; as schools they are doing very good work, and if an Indian College cannot as yet claim equality with a German gymnasium or an English Public school, many of them are capable of an approximation to

[Mr. Morison.]

those types; but if we wish to transform them to the likeness of Colleges in a European University we shall be obliged, in the first place, to reorganise and reconstitute them from top to bottom and then to set to work to create substitutes to carry on the work which they have done hitherto. The wiser as well as the easier course is to leave our B. A. Colleges undisturbed at the work of secondary education and to make some provision, on a perfectly fresh foundation, for higher studies. This brings me to my first proposal; if it is found this time next year that there is a considerable surplus after defraying the ordinary cost of administration, I make bold to ask that a sum of £1,000,000 be set aside as the endowment of a school of advanced studies.

“The interest upon one million sterling amounts to a little over 5 lakhs, and for the first two years, during which the details of the proposed school were being worked out and Professors engaged; this income could be devoted to purchasing a site and erecting buildings; and I should like to say in passing that there are in my opinion overwhelming reasons for placing such an institution in the hills. Of the capital sum of a crore and-a-half I would devote the major part, perhaps as much as 90 lakhs, to the natural sciences, because the spread of scientific knowledge is of such paramount importance for developing the material resources of the country. The school of science would perhaps comprise as many as ten chairs, filled by men who had already distinguished themselves in Europe by original work, and their salaries would probably absorb as much as Rs. 12,500 a month, or a little less than half the whole income of the school; under them would be assistants and demonstrators on smaller salaries, and the remainder of the income would go all too quickly in the expenses of laboratories, libraries and subscriptions to scientific periodicals. But, though I recognise the importance of science in India, I cannot reconcile myself to the idea of a University solely engaged in the cultivation of such utilitarian knowledge. The 60 lakhs, still unassigned, would yield a monthly income of Rs. 17,500, and with this comparatively small sum we could not pretend to cover the whole circle of the *literae humaniores*, but we might at least hope to establish a school of Oriental studies which would eventually become the recognised authority upon all branches of eastern learning. This Oriental side would naturally fall into three schools of which the first and largest would be devoted to Pali, Sanskrit and the studies which would naturally be grouped about Sanskrit literature. The second school would be of Arabic and Persian, and I should like to put in a plea for a third smaller group of studies which would comprise Political Economy, Comparative Economics and the Economic history of India, and this school would form a natural link between Science and Arts.

“There is a considerable number of persons in India who honour Sanskrit or Arabic with their lips but who are strenuously opposed to any project for making Indian youths devote much time to the study of these venerable classics; to allay the fears of this class I would explain that with regard to both Arabic and Sanskrit literature the methods of study would be European though the subject-matter would be oriental. This in itself would imply a complete change in the manner in which the languages would be studied, but I mean something more than this—something more than the adoption of philology and of Western principles of Grammar. In Europe the study of the thought of a particular people is made to serve as an introduction to the study of similar speculations in other ages, as, for example, the works of Plato and Aristotle at Oxford, though forming part of a classical education, are also made to form the basis of the teaching of philosophy; and similarly I conceive that in India a thorough comprehension of Vedant would form an admirable introduction to the comparative study of European philosophy; in like manner Indian history would be interpreted and illustrated by European analogies, and although the history of India is not as rich as that of Greece or Rome in political wisdom, it presents an unrivalled field for those speculations upon the constitution of early society which now occupy so large a place in the scientific study of history. However I must resist the temptation of dwelling upon all the details of such a school of advanced studies. I only wish to show that I conceive of it as a place wholly different from any existing College inasmuch as its object would not be to communicate and examine upon elementary or well-known truths

[Mr. Morison.]

but would be chiefly engaged in those higher reaches of knowledge where the master takes the pupil along with him in his investigations of the unknown. I may perhaps be told that there is no place in the framework of our Indian Universities for such a school; to this I would reply that I don't think it important that this school should be affiliated to any University; I do not think that it should prepare students for a degree; I do not even desire that its courses of study should terminate in an examination; let us have at least one institution where Indians may read for the love of learning and because they delight in study; on leaving they would take away with them a diploma to the effect that they had read certain subjects under certain Professors and I should trust their after-life to show what benefit they had derived therefrom. But there cannot, I fancy, be any doubt about the desirability of creating at least one such school of advanced studies for the whole of India if once we clear our minds of the illusion that the Colleges of our existing Universities are ever likely to undertake any really advanced teaching.

"I urge the endowment of this school in the interest of the Indian student, who is at present obliged to go to Europe if he desires to become proficient in any branch of science or scholarship, and I urge it even more strongly in the interest of Indian society generally as I am convinced that the intellectual level of a people must be sensibly heightened by the creation in their midst of a body of genuine scholars. This closes what I would say here about my first proposal, and with regard to what follows I speak with diffidence and hesitation as I am venturing outside the area with which I am personally acquainted.

"Scholastic education is not after all the only or indeed the prime factor in the moral and intellectual development of a people; the callings which they follow in after-life determine far more profoundly their position in the scale of civilization. I have often been tempted to wonder whether the intellectual benefits of academic training have not in India been counterbalanced by a loss of masculine virtues; schools and colleges have diffused a set of new ideas which the people have come to value very highly, but the effect of British rule has been to keep the people at large in *statu pupillari*, in which the opportunity never occurs of deciding upon momentous issues and of taking a responsible part in grave emergencies. If it is a fact that the leaders of Indian society have lost the capacity to act in a crisis, that fact would seriously detract from the ultimate and permanent value of British rule. Much of the political speaking and writing which one hears now-a-days is of a kind to make one fear that such has been the case. I confess that I would rather, were it possible, have the opinion of Mahdajee Sindhia or of Ranjit Singh upon a political question than of the leaders of the Congress. Such an enfeebling of the people is, I am convinced, altogether alien to the intentions of the Government; but the present seems an appropriate time to signalise the danger, because the division and redistribution of provinces which is now in the air suggests a means of partially counteracting it. I put forward the suggestion that a small Province or Chief Commissionership might be formed and be officered exclusively by Indians; a suitable field for this experiment might perhaps be found in Orissa enlarged by the addition of the Uriya districts of Madras and the Central Provinces; this area contains but a small number of vested interests which could take umbrage at such a change, and the administrative problems are not, I imagine, either so complicated or important as to offer an insuperable objection to the experiment. When the area has been selected and defined my suggestion is that the Government should declare their intention of reserving to Indians for a certain experimental period all the appointments in this province from that of the Chief Commissioner downwards.

"It would not, I believe, be impossible to find Indians in the higher ranks of the Civil Service, now serving in other Provinces, to act as Magistrates in so small a number of districts, and Indians already fill with honour a considerable number of District Judgeships. It is not incompatible with my proposal that there should be a transitory administration in which the Chief Commissioner and some of the Secretariat should be Englishmen. There are Englishmen in the Covenanted Civil Service who are admirably fitted by

[*Mr. Morison ; Mr. Pedler.*]

temperament as well as by capacity to initiate their Indian juniors into the higher branches of administration, and many of these men would warmly sympathise with a well-considered plan for placing Indians in positions of greater responsibility.

"While putting forward this suggestion I wish emphatically to dissociate myself from those who think that the administration of the country would be improved by reducing the number of Englishmen in Government employment. I am myself in the service of a governing body which is composed wholly of Indians, and of their own initiative my employers (who are a very representative body of men) are continually urging upon me the importance of adding more Englishmen to the staff of the College; if these gentlemen find that, in so comparatively unimportant a concern, their interests are best served by employing the expensive Englishman in preference to the cheaper Indian, I cannot believe that the State can afford to reduce the number of Englishmen in its employment."

"But I should be glad to think that the efforts of the Government to elevate the people were not confined to imparting instructions in science and scholarship, but also comprised the far harder task of fitting them worthily to fill the highest offices in a civilized State."

The Hon'ble Mr. PEDLER said:—"My Lord, the Financial Statement made at the meeting of this Council last week was of so satisfactory a nature that it almost renders comment superfluous. It must be a source of the very greatest satisfaction to Your Excellency and to the Financial Member that the figures given in the Budget testify to the existence of prosperity in almost every part of India, and that so far as can be foretold the coming year is likely to be equally prosperous. It is, I imagine, the lot of few Indian Finance Ministers after having had to provide for an expenditure much larger than usual, still to be able to be generous in making liberal grants in settling certain Provincial contracts and also to have a most comfortable surplus to fall back upon after meeting such abnormal expenditure."

"In arranging the new Provincial Settlements I understand Bengal is to receive an additional lump grant of a third of a million pounds sterling, a sum which can be very well utilized in that Province in pushing forward various most necessary and urgently required reforms."

"It appears to me too the Government of India has taken a most important step in the matter of these new Provincial Settlements, a step which will have the most beneficial and far-reaching consequences in the development of the country. Indeed, the influence of this change of procedure is to my mind one of the most remarkable features in this Financial Statement."

"The Financial Member remarked at the time of making his statement:—

"It cannot be said that the system of quadrennial settlements proved satisfactory, for with such a short period of settlement it inevitably occurred that in the first year of the term the Local Government was necessarily feeling its way under new conditions and cautious about expenditure, while in the last year, if, as was generally the case, the balances were large, there was a natural tendency to extravagance lest the terms of a new settlement might reduce resources for expenditure."

"The object of the arrangements now proposed is to give as great permanence as possible to settlements, so that Local Governments may be able to form plans involving expenditure with greater certainty as to future means of providing for their execution and at the same time have a more permanent interest in the growth of assigned revenues."

"The previous system adopted by the Imperial towards the Local Governments and the system which still exists in the relations between the Local Governments and the various Departments working under them has always seemed to me to be anomalous and the principle underlying these arrangements to be distinctly unsound."

"The old system of the quinquennial settlements can be compared with the case of a wealthy father who says to his son who is setting up house for himself, I will give you a certain income for the next five years, but at the end of that period, if you have any cash balance left, I shall ask you to refund it to me."

[*Mr. Pedler.*]

and as that balance will show me your income is too large for your wants, I shall probably reduce your future income by a corresponding amount. I am sure the natural outcome of such an arrangement would be that towards the end of the agreement the son would certainly not be inclined to save money or to be economical, but would spend every penny he was entitled to in order to prevent his future income from being reduced.

“ Was not this the exact position between the Imperial and Local Governments up to the present new arrangements, and is it not also the position between Local Governments and the Departments serving under them at the present time, except that in the latter case the settlement is annual. If the change now introduced in the financial relations between the Imperial and Local Governments is pushed to its logical conclusion, it should, I think, be applied as far as is possible to the relations between the Local Governments and their subordinate Departments and even also in the sections of such Departments.

“ Hence, it appears to me the principle now approved of by the Government of India is a most important one and may have the most far-reaching consequences in making towards steady continuity of work and real economy in carrying out all important developments, and I feel sure the principle will in the future be extended in various directions.

“ There are a few special points in the Budget Statement to which I should like to make a passing reference. The Hon'ble Sir Edward Law drew special attention to what is being done by Government in the matter of agricultural enquiry and development, and there were few more important parts of his speech than those in which he indicated very briefly what had been settled as to the new Agricultural College and Research Institution at Pusa. I look upon it that this will form an entirely new departure in Indian agricultural work and, with research and teaching of a high order which will go on hand in hand in the future, the possibilities of advance are enormous. Hitherto in Bengal the only attempts at giving an agricultural education have been made at the farm at the Seebpur College, but this experiment has been far from a success from the unsuitability of its surroundings and from other defects. It is hence proposed that the Seebpore agricultural class shall be closed when Pusa starts work. In the future, with the highly qualified staff and the improved educational opportunities at Pusa, the training in agriculture of Indian students, and specially of those in Bengal, should give a wonderful impetus to Indian agriculture, and should open out new fields of work. One of the instances of such research dealt with by the Hon'ble Member shows how much can be done by expert attention to details in any industry, and he indicated how by improved processes of indigo-cultivation and manufacture and by improvement in the general management of the industry the fierce competition from synthetic indigo has been and is being met. He mentioned, it is true, that prices have now fallen largely and that the synthetic indigo had been reduced from a price of 17 pence a pound to 8 pence a pound; so that it is clear the competition has been and is most severe, but Sir Edward Law holds out the hope that by further improvements the natural product may still hold its own in competition with the artificial. Every one interested in this industry in India will be glad therefore to know that the fight is to be continued, and that Government is trying its best to help in the matter by the grant of substantial assistance.

“ It must not, however, be forgotten that we have already had parallel cases in history and that thirty years ago the madder industry in Europe passed through a similar trial. The colouring matter of madder was first chemically isolated and its inner constitution accurately determined. Two German chemists later on worked backwards from the colouring matter of madder, which is called alizarine, to one of the constituents of coal-tar, and then proceeded to reverse the process and work from anthracene, the coal-tar body, up to alizarine. This colouring matter was thus synthetically produced from coal-tar, but at first by an expensive process so that it could scarcely compete with the natural dye, but improvements in the manufacture of the artificial dye were soon discovered in England which resulted in its cost being largely diminished. Up to this point the parallel is complete. The price of the artificial dye alizarine was not reduced

[Mr. Pedler.]

suddenly but only by slow degrees, so as to keep its price about the same or a little lower than the natural product, and thus the artificial alizarine gradually drove a large part of the madder industry entirely out of existence. In these days of rapid advance of chemical science it is well to be fore-armed, and hence every help should be given to the indigo industry to enable it to maintain its present position as long as possible. It would of course be madness to give up the struggle at present, but as science advances this might become inevitable. Even sugar, to the cultivation of which many indigo-planters are turning their attention, may in the future come to be a chemically synthesized product, for one of the forms of sugar has actually been synthetically produced within the past few years, but by a most difficult and troublesome process. There is no danger in the direction of producing synthetic sugar on a manufacturing scale at present.

"There are many other points in the Financial Statement which show how large-minded are the views of Government and how desirous Government is that true progress should be made in all directions. Most liberal grants are being made for the fostering of science and culture in the matter of aid to museums. Prominent amongst these grants is that of five lakhs to the Imperial Museum and that of one lakh to the Zoological Gardens of Calcutta. As a member of the governing bodies of both these institutions I cannot help expressing the warmest thanks for this most liberal help which will place these institutions on a much more satisfactory basis than hitherto. In the case of the Imperial Museum it is hoped to practically rearrange it and to make it not only more valuable and useful from a scientific point of view, but also to make the Museum more popular and attractive. With this large grant it is hoped most valuable scientific work may be done. In the case of the Calcutta Zoological Gardens, for a long time many of the animals have been housed in such a manner that it must have been most unhealthy and even cruel for the animals which are kept in captivity, the cages being in many cases much too small for the free movement of the animals in them. The grant of one lakh will enable much to be done and will make it possible to show the animals under much more healthy and happy conditions. The public of Calcutta will also be deeply grateful for the most liberal grant of fifty lakhs as a contribution made towards the improvement of this town, but it is scarcely my province to criticise this section of the Budget.

"The Government of India has done so much during the last two or three years towards putting education on a more satisfactory basis, and has recently spent so much time in educational debates that I scarcely like to take up the time of the Council by again entering into any detail on this subject. Education is, however, such an important matter that I may be pardoned if I say a few words specially on the ground that the subject is really one in which every thinking person is vitally interested. Education, however, frequently suffers for the fact that its effects are not always to be seen on the surface. Most of the points dealt with in a nation's financial statement represent matters in which an immediate return can be looked for corresponding to any increased expenditure. Thus, when a certain sum of money is devoted, say, to improve the prospects of, or to increase the number of, men in the executive services, an immediate result can be seen in the improvement of such services and in the quickness of despatch of Government business. An increase of expenditure on education, on the other hand, does not show itself at once but only after the lapse of some time or it may be only after a generation. If I were to state facts broadly I should say while it is the executive services which are responsible for the well-being, progress and order of the present time, it is on the nature and extent of the education which is now being given that the future of the Indian nation will depend. Proper systems of education now will mean the future success of Government, the future commercial prosperity of the nation and the happiness of India. Improper education will mean the opposite. Hence the strong plea which I put forward for the continuance of the more liberal treatment which education has secured within the past two or three years and for a still more liberal treatment, if that is possible, in the future. The experience of European nations has shown that progress and prosperity are intimately bound up with facilities for, and the development

[*Mr. Pedler ; Mr. Adamson.*]

of, education, and that without appropriate educational arrangements commercial and industrial progress is paralysed. England has recently become awake to this fact and is now putting forward immense efforts in the direction of specialized education, and it is for India to follow on in the same lines as rapidly as circumstances will permit. Money spent on education, whether it is by a parent in the case of a single child or for the children of a nation by the nation itself, is the best laid out money—it is possible to conceive. India wants more education of all forms, from the highest to the lowest, for all classes of individuals and as a preparation for all forms of work.

“I would therefore express the hope that with the continued improvement of the finances of the country which is foreshadowed in this Financial Statement Government will see its way to foster and develop education to a still larger extent than has already been the case. I need give no details of requirements in such matters, but to any one interested in education it is clear on all sides improvements and advances are possible. We want better colleges, also training colleges for teachers, better schools, and more practical courses of education; we also want more contented and better paid educational services, more inspectors, and more highly paid and more highly trained teachers, and many more of them. We want a larger proportion of boys to come to our schools than is the case at present, and still more do we want to see in India as many girls at school as there are boys. For all these money is wanted, and I trust as time goes on it will be made available.”

The Hon'ble MR. ADAMSON said:—“My Lord, there are three points in connection with Burma, the province that I represent, on which I desire to make a few remarks. The first is the European police. The police throughout India are anxiously awaiting the issue of the report of the Police Commission, and the action to be taken thereon. From the answer to a question asked recently in this Council, and from the answer to a similar question asked in Parliament, I infer that there may be considerable delay in issuing the report and taking action on it. But the European police in Burma are in a far worse condition than members of their service in other parts of India, and their case urgently demands an early remedy. Memorials were submitted by them in 1901 and 1902, and it was practically admitted that they had grievances which required early action. But as the Police Commission was about to sit, orders were deferred until their recommendations were received. The result is that up to date nothing has been done, and the facts which I am about to mention will show that the position of the Burma police is a very hard one. There was a very large increase in the European staff immediately after 1885 when Upper Burma was annexed. The addition consisted of young men fresh from English public schools. The consequence of a great number of young men of about the same age joining almost simultaneously is that there is a very serious block in promotion. This fact cannot be better shown than by a perusal of the last quarterly civil list of Burma. It shows that in the lowest grade of Assistant Superintendents, whose pay is Rs. 300 a month, the lowest officer has 16 years' service. Beneath him there are numerous officiating Assistant Superintendents drawing Rs. 180 a month, whose average service is 14 years. The total number of District Superintendents is 40, and of these as many as 23 are in the lowest grade drawing Rs. 600 a month. The pay of the highest grade of District Superintendent is Rs. 900 a month, as compared with Rs. 1,000 in other provinces of India. Owing to the block of promotion only four officers must retire on account of age within the next five years, so that by 1909 every Assistant Superintendent in the force will have over twenty years service. All this happens in a province where the necessary cost of living of a European is at least 75 per cent. higher than in the average province of India. The men who are in this lamentable position, living from hand to mouth, unable to afford to take furlough, without even the prospect of earning a full pension, are the survivors of the men who took the most prominent part in adding Upper Burma to the Empire, and who saved Lower Burma when it was in the throes of a rebellion that has not had its parallel in any province of India since the days of the great mutiny; for, as every one who knows the history of Burma is well aware, the third

[*Mr. Adamson.*]

Burmese War was essentially a policeman's war. It is unnecessary for me to enlarge on the subject. The memorials of the police-officers and the reports on them are in the hands of the Government of India, and clearly and completely state their case. I desire to urge the strong necessity for taking immediate steps to improve the condition of the European Burma police without waiting any further for the result of the Police Commission, which has already deferred for long a question that, but for the existence of the Commission, would have been recognized years ago as admitting of no delay.

"The second point to which I desire to refer is the importance of pushing on railway construction in Burma. For the last two years practically no railway construction has been going on at all. At the present moment there is not a yard of railway under construction, although the projects for the Pegu-Moulmein line and the Henzada-Kyangin line have been approved. The reason is that the Burma Railway Company were not prepared to construct these lines on the terms provided in their existing contract. New terms have now been suggested by the Secretary of State to which the Company have agreed, and these new terms are to apply to—

- (1) the Pegu-Moulmein line,
- (2) the Henzada-Kyangin line,
- (3) the Daga loop to the Henzada-Bassein Railway.

It is to be hoped that work on the first two of these lines will be begun this year. A survey is at present being carried on of a railway to Arakan, and I understand that the Engineer, Mr. Lilley, has obtained an excellent length through the Yomas from Prome, which, with a tunnel of 4,000 feet long will not involve a rise of more than 1,800 feet. The surveys will probably be ready soon. The Southern Shan States line to Taunggyi has been surveyed and estimated on the 2'6" scale, and the estimates have been received. The Chamber of Commerce is strongly pressing for this line, and Sir George Scott, the Superintendent of the Southern Shan States, who has a unique knowledge of the country, believes that it will pay. If it can get to the plateau through the Terai as far as Kalaw, it would cost only 45 to 50 lakhs. This line would open up the Southern Shan States with its fertile soil and European climate, and would give a great opening for European enterprise. It might advantageously be included in the new terms, and work on the Pegu-Moulmein, Henzada, Kyangin, and Southern Shan States lines might be commenced simultaneously, and before the Daga loop which has not yet been surveyed. Later on will come the Araken railway, the estimates for which are being prepared. To show the enormous advantages of railway communications in Burma I will take the cases of two districts, Tharrawaddy and Toungoo, where water communication is deficient. In Tharrawaddy the land-revenue has increased from two lakhs to ten lakhs since the railway was opened 27 years ago. In Toungoo, since the railway was opened twenty years ago, the population has nearly trebled, cultivation has quintupled, and the revenue has been multiplied eleven times. Of course we cannot expect these results on lines outside the delta, or rather outside the plains of Lower Burma, but there is little doubt that, if indirect returns are taken into consideration, the railways which I have mentioned will eventually pay. Above all I desire to urge that now that the Government and the Railway Company have come to terms adequate grants should be given at once to enable the railways to which the terms apply to be completed as soon as possible. It would be a thousand pities if we are to lose the whole of this year owing to grants not being forthcoming.

"The third point that I desire to mention is the importance of a liberal expenditure in Burma on public works generally. During our last provincial contract we spent over 70 lakhs a year on an average, and during the last two years we spent over 80 lakhs. Unfortunately we did not spend enough, and in consequence we ended the contract with a balance of 138 lakhs. The result was that in our new contract the standard figure for public works was fixed at 55 lakhs, and when a protest was made and a standard figure of 73 lakhs was asked for, the Finance Department naturally enough pointed to the fact that we had accumulated a balance which could

[*Mr. Adamson; Nawab Saiyid Muhammad.*]

be expended on public works. In the current contract we spent 94 lakhs in the first year, 97 in the second, and this year we shall spend about the same. We are therefore trenching largely on our balances, which will soon come to an end, and when they do we will have to restrict our public works very largely. Bengal spends about 55 lakhs, but the important point to us is that all work in Burma costs double what it does in India. Consequently 55 lakhs in Bengal is equivalent to 100 lakhs in Burma. We also are an unequipped province. Cultivation and population are rapidly extending, all of which means heavy expenditure on both buildings and roads. Hitherto in this respect the province has been run very much on the cheap. Many of our officers still live in mat houses. Many buildings in Lower Burma require renewal—among others the police buildings, many of which are falling to pieces; and the requirements for satisfactorily housing the police are estimated at at least 17 lakhs. In the province of Tenasserim there are few roads. The large district of Mergui has only about eight miles of road. In Lower Burma we have no great open plains, as we have in India, and we cannot expect forest to be cut down and waste-lands to be cultivated if communications are not provided to enable produce to be brought to the market. No doubt Burma revenue is increasing rapidly every year, but it will increase still more rapidly with liberal expenditure. Though Burma is a rich country it is undeveloped. The demands for absolutely necessary expenditure increase as fast as the revenue. But it is a country that would pay to develop, and the Government of India should deal with it liberally. I may mention a few big works that must be undertaken soon, *vis. :-*

The Chief Court	12 lakhs.
Completion of public offices	16 "
General Hospital, Rangoon	20 "
Provincial Museum	7 "
Barracks for military police, Shan States	8 "
	—
TOTAL	63 "
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"It is difficult to see how these big projects can be carried out without starving the ordinary public works requirements for the districts unless Burma is liberally dealt with. Burma is a distant province. It is not under the immediate eye of the Government, and its capabilities are not always very well understood, or invariably kept in mind. What I desire to urge is that in Burma the Government have a magnificent country with a soil and climate that will respond at once to every effort of development, and that the best policy towards it is a wise liberality in all financial matters."

The Hon'ble NAWAB SAIYID MUHAMMAD said:—"My Lord, the time has again fortunately come round for congratulating Your Excellency's Government and the Hon'ble Finance Member upon a most satisfactory Budget. The revised estimates for the year which has just closed show a surplus of £2,711,200, which is higher by £1,762,500 than the sum estimated in last year's Budget. This increase is the more remarkable since the Hon'ble Member found it safe to announce a reduction of taxation last year. In exempting incomes below Rs. 1,000 from taxation a definite loss of revenue was expected, but even under this head the actual loss has been less than the estimate. Of far more importance and much wider in effect was the reduction of the duty on salt by 8 annas on the maund. A loss of revenue under this head also was estimated for in last year's Financial Statement, but, as announced by the Hon'ble Finance Member, the actual loss has been less than what was anticipated. And the loss would have been still less but for the unfortunate accident by which the salt stocks in the Bombay Presidency were damaged. This, as the Hon'ble Member says, had the effect of causing 'a scarcity and considerably raising prices in that part of India and thereby unduly checking consumption.' Nevertheless, an increase of 429,218 maunds over the figures of the previous year is reported. Though this may not represent the exact increase in consumption, it must be regarded as some indication in that direction. Considering that salt is an absolute necessary of life and the tax presses most heavily on the poorest section of the population, the Government wisely determined upon a reduc-

[*Nawab Saïyid Muhammad.*]

tion of this tax when the prosperous state of the finances permitted it. Any reduction of this tax must necessarily stimulate the consumption of salt. In summing up the debate on the Financial Statement last year Your Excellency observed :—' Some fear has been expressed that the benefits of the reduction on the salt-tax may be frittered away before they reach the consumer. But if we examine the result of what happened at the last reduction in 1882, and again when the duty was reimposed in 1888, we find good reason for thinking that a difference of 8 annas per maund does filter down to the people, and is reflected both in the price of the commodity and in an increase or decrease of consumption.' While this is undeniable the fear to which Your Excellency referred is not quite without foundation, since we have the authority of the Hon'ble Finance Member who says in his present statement :—' The reports furnished are fairly unanimous in their conclusion that an immediate gain as regards the number of seers purchaseable for a rupee was secured by consumers who were in a position to buy salt by the seer, while it is generally held that a smaller, though direct, gain was also secured by all who were in a position to purchase salt by weight and as a commodity by itself. Unfortunately, however, it would not appear that the natural reduction in price has so far fully reached those consumers of the poorest classes who take their salt in doles from the *bantias* along with other articles. It may be anticipated that in due course the influence of competition will make itself felt in favour of the last class also.' Until that happens the real object of the reduction in the tax will not have been gained. Salt is not an article which can be abused, and the increased consumption merely shows that formerly all classes of people could not afford to consume the quantity of salt necessary for the proper maintenance of health. Having regard to the state of the finances and the steady increase of revenue, which has already been tried by the severe test of one of the most terrible famines of all time, I earnestly trust the Government will, at no distant date, sanction a further reduction in the salt tax, so that salt may become really cheaper for the great mass of the population, who have no other option but to take their salt in doles from the seller. This appears to be the more feasible since, in the long run, the surrender of revenue will not be very considerable as the reduction of the tax is likely to be compensated, in a gradually growing measure, by the increase in consumption.

" My Lord, the next feature of the Financial Statement about which I should like to say something is the question of Provincial Settlements, formerly known as Provincial Contracts. The Hon'ble Finance Member observes that the system of quinquennial revisions has not proved satisfactory, as, indeed, is shown by the experience of 27 years. In the first year of the term the Local Government was cautious about expenditure while there was a natural tendency to extravagance towards the end of the term. In support of this view the Financial Secretary in his statement quotes a passage in which the following sentences occur :—' Each Local Government is supposed to be free to enjoy the fruits of its economy, or of the successful nursing of its revenues. But in practice its term of enjoyment is limited to five years, or, more correctly, to the last two or three years of the term of settlement, for during the earlier years it has usually little margin to spend. It is, therefore, under constant temptation to spend its money, not on carefully matured schemes of well-thought-out improvement, but on such as can be carried through before the close of the settlement, in order to leave as small a balance as possible for resumption at the impending revision.' This is one way of looking at the question. From the point of view of the Local Government it may be said that it found by experience that the Imperial Government was usually inclined to resume the balance left at the end of the term. Consequently, the inducement to the Local Government for husbanding its resources and setting aside a large balance when the period of revision approached was not very strong. A very interesting and succinct history of provincial finance is given in the statement of the Financial Secretary, who also describes the changes that have taken place in the system and the apportionment of revenue and expenditure between the Imperial and the Local Governments. In the new system that is being introduced the limit of five years has been abandoned and a permanent settlement subject to certain conditions has been made. The new arrange-

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ments proposed, to quote the Hon'ble Finance Member, will 'give as great permanence as possible to settlements, so that Local Governments may be able to form plans involving expenditure with greater certainty as to future means of providing for their execution, and at the same time have a more permanent interest in the growth of assigned revenues. It is evident that the Imperial Government cannot undertake any absolute obligation to maintain at all times a definite proportion between the share of increase of revenues assigned to provincial administrations and that which it is necessary to retain to meet the growth of Imperial expenditure, and it must always reserve the right to make either special temporary or more permanent reductions from provincial revenues, if the exigencies of the State should require such measures.' This leaves the position of the Local Government somewhat uncertain, since, although there is the likelihood that the new arrangement may not be disturbed for several years, there is also the probability that the terms of the settlement may be revised at any time, even within a period of less than five years. I notice also that the proportion of allotment varies in different provinces: in the divided heads of revenue three-fourths are assigned to the Imperial Revenue and one-fourth to the Local in Bengal, the United Provinces, Bombay and Madras; in the Punjab and Burma, five-eighths to Imperial and three-eighths to Local Revenue; and in the Central Provinces and Assam the proportion will be half Imperial and half Local. The Hon'ble Finance Member will, I hope, favour the Council with the reasons for the difference in the proportion between the various provinces. I recognise fully the generous treatment accorded to the Provinces where the new settlement has been already introduced in making to them initial grants of 50 lakhs each in the case of Bengal, Madras and the United Provinces and 20 lakhs to Assam. At the same time, by the alteration made in the shares, the Local Governments, under the new arrangement, will receive a smaller share for some years than they would have received had the old arrangement been maintained. That being so, it is to be hoped that the permanency of the new arrangement will be real, and the contingency of the Government of India revising the settlement will seldom arise.

"It is gratifying to find that of the Rupee loan of three crores which it is proposed to raise in India about half will be spent on Irrigation Works, provision having been made for Rs. 1,25,00,000 in the Budget. So far the increase in the revenue from irrigation is derived chiefly from the Punjab, where irrigation works on an extensive scale have been established and are being extended. In a country like India, where the Government as well as the people are but too painfully aware of the terrible calamity that comes in the wake of the failure of the rainfall, irrigation is justly regarded as the only safeguard against the uncertainty of the monsoon. It will be long before the whole of this vast country can be covered by a network of canals, if indeed, all tracts of country can be placed within reach of irrigation works, but we gratefully acknowledge all efforts that are made to extend irrigation works in different parts of the country. Apart from the fact that the spread of canalisation and every other form of irrigation is a help to the solution of the gravest problem the Government has to face in this country, namely, the uncertainty of the periodical rainfall, irrigation works are distinctly reproductive and are certain to yield a fair interest on the capital investment. As the Hon'ble Sir Denzil Ibbetson said last year:—'Nothing was impressed upon me more forcibly, when serving upon the Irrigation Commission, than the large scope which exists for the immediately profitable expenditure of capital upon minor irrigation works to the advantage both of Government and the people.' With the light thrown on the subject by the labours of the Irrigation Commission, with the funds about to be raised for the purpose, the Government should be able to proceed to give effect to Your Excellency's words spoken last year:—'We shall have to set to work to provide for every province its reasoned programme of tanks, or reservoirs, or wells, or canals, mapped out over a long series of years, and devised with strict regard to the experience or the exigencies of drought.' I am glad the Hon'ble Finance Member has drawn attention to the experiments made in the Madras Presidency in minor irrigation of drawing water from wells by oil engines and windmills, specially by the former. It is necessary that minor irrigation works should receive as much attention as major irrigation works, for both are of equal importance, though the latter of course are of larger protective value.

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"My Lord, in bringing the lengthy debate on the Financial Statement last year to a conclusion Your Excellency made a pointed reference to one of the most serious problems of the administration—a problem which has been constantly before the public and the Government and which has been urgently pressing for a statesmanlike solution. Your Excellency said:—'There is a subject long under our notice, which we hope to deal with in the ensuing year. This is that of the union or separation of judicial and executive functions.' After referring to the great diversity and difference of opinion on the subject, Your Excellency concluded by saying:—'But the question is of great importance, and, whatever our ultimate decision may be, I should like it to be taken up and dealt with in my time.' Among the many expressions of opinion that the Government of India has received upon this question some are constructive as well as critical, showing how a separation between the two functions may be effected, with little or no additional expenditure. The question is one that goes down to the very root of the administration, and the general character of the prevailing difference of opinion may be easily described by saying that while the separation of the two functions is being urged, in the main, from without, the administration it is being resisted, also in the main, from within, the administration. There is nothing unusual in this fact. Whenever a reform of the first importance has been proposed—a reform likely to bring about a radical change in the existing state of things—it has been strenuously opposed by those whom it is likely to affect, in their opinion, in a prejudicial manner. On the other hand, the proposed reform is in strict conformity with the instinct and genius of British administration and also in accordance with the highest justice and the truest statesmanship. Without presuming to anticipate the ultimate decision of Your Excellency's Government, I may respectfully point out that the question is one of reform, and not a choice between two courses of action. It is not as if a new system of administration were about to be established and the question for decision were whether executive and judicial functions should be united or separated. The two functions have been long united; the present system has had a very long trial. If it is found, as is contended, that the union of the two functions is not conducive to good administration, then their separation should be effected; if the present arrangement is found the best, of course it will not be interfered with. In the former case such opposition as I have indicated will have to be counted with, but that having been overcome the matter will have been set at rest and the Government will have accomplished a reform which will earn for it the never-ending gratitude of the country and the approbation of history; in the latter case it will amount to the adoption of the line of least resistance, but the question will remain precisely where it is now and will not have been closed.

"My Lord, only one word more and I have done. The increase in expenditure on the army over the estimates for 1903-1904 is shown at Rs. 1,37,69,000, the principal item being the increase in the salary of the British soldier. While regretting the enormous addition to the permanent recurring military expenditure I cannot help recalling the fact that but for the firm and courageous opposition offered by Your Excellency's Government the finances of this country would have been further burdened with the charge of a large resident garrison in South Africa. There was a determination, in disregard of every principle of justice and equity, of saddling India with the cost of an establishment which has not the remotest connection with this country, which owes to Your Excellency's Government an immeasurable debt of gratitude for the unflinching and successful resistance offered to that attempted impost."

The Hon'ble MR. CABLE said:—"My Lord, it must be, I am sure, extremely gratifying to the public generally that the Hon'ble the Finance Member is once more in a position to place before us what may be fitly described as a prosperity Budget. Speaking on behalf of the commercial community, I venture to offer to the Hon'ble Member our hearty congratulations on the handsome surplus. I notice, however, that of this surplus a large portion, which has accrued from profits, will be devoted to railway construction: in other words, the Hon'ble Member proposes to add to block out of revenue. I should be the last person to oppose the fullest possible

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expenditure on railways. On the contrary, I take the earliest opportunity of expressing my appreciation of the present liberal railway programme; but it appears to me that funds for such purposes might be more properly raised exclusively by loans. Our balances would then be available for the remission of taxation, or for the formation of a liquid reserve fund. Such a fund, which should be kept within suitable bounds, would accumulate in fat years, and would serve to counterbalance deficits in lean years; and thus impart to Indian finance an equable stability which would of itself be, I venture to think, a valuable asset in the London market. At the same time constant changes in taxation, which in an Eastern country are much to be deprecated, would be avoided. I am aware that my suggestion may not be entirely in accord with the principles of sound Western finance; but I respectfully submit that the same remark applies with equal force to the present methods of Your Excellency's Government under which profits are devoted to block expenditure. I observe also that, owing presumably to the financial policy of the Government, the closing balances at the end of the year 1904-05 will, it is estimated, be about £3 million less than at the end of the year 1903-04. This appears to me to be a serious matter, particularly in view of the hesitation and difficulty experienced in meeting the demands of trade for telegraphic transfers in January last. My views are not altogether those of my Hon'ble friend Dr. Mukhopadhyaya as expressed today, but I think we both desire the same result, although we approach the matter from a different standpoint.

"My Lord, before leaving the subject of accounts, I would beg leave to tender to the Government the hearty thanks of the mercantile community for the donation of fifty lakhs to the scheme for improving the insanitary areas of this city. I would also venture to ask if the Hon'ble Member will be pleased to afford some information as to the present position and future prospects of the negotiations for a new mail contract between India and the United Kingdom.

"At the instance of the Hon'ble Member the question of establishing a combined Mint to supersede the two Mints at present in existence has been from time to time very seriously considered by the commercial community; and I am bound to say that there is among all classes a growing feeling, amounting almost to a positive conviction, that in view of the great area of this country and of the peculiar circumstances of our rule here, it would be a mistake to be entirely dependent upon one Mint only for our coinage. For instance, and by way of illustration, let us assume the occurrence of a period of internal commotion or mutiny in the country. At such times currency is as much a munition of war as are shot and shell; and the paramount importance of having two Mints, instead of one for the production of coin would be then immediately manifest.

"My Lord, the statement of the Hon'ble Member with reference to the income-tax is a frank declaration that that tax should continue to be levied as a permanent impost, and the Hon'ble Dr. Mukhopadhyaya has addressed forcible remarks to this Council on the subject today with which I find myself in agreement. This Council is aware that when the income-tax was introduced the chief justification for it was found—I quote the words of the Marquis of Dufferin—"first of all in the extraordinary fall of silver which has recently taken place and in the uncertainty which prevails as to the future fluctuations which may affect its value." My Lord, by reason of the currency legislation of the Government, fluctuations, such as those to which Lord Dufferin referred, are no longer possible; and consequently the argument based upon their existence disappears. But at the same time I desire it to be understood that the commercial and trading communities by no means wish to shirk their fair share of taxation. Their objections to the tax are based on the ground that it is unsuited to the circumstances and conditions of this country; that it is inquisitorial in character; that it is largely evaded; and that it is therefore unfair in its incidence. It is upon these grounds that hopes have been entertained for some years past that if circumstances permitted the tax would be removed. I would now ask if we are to take the declaration of the Hon'ble Member as setting the Government seal upon the permanency of the tax; for to my mind in matters of taxation a feeling of uncertainty should be always avoided if possible.

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"The Hon'ble Member has made a remarkable statement regarding the cotton excise-duties. The commercial public must have deeply regretted to hear those duties defended on grounds of principle. Hitherto it has been always understood that they were levied as a sop to Lancashire; and I feel bound to protest against their being regarded—and they evidently are so regarded by the Hon'ble Member—as being in any way a legitimate source of revenue. The Hon'ble Member states that the freight and other charges outwards on cottons constitute of themselves a sufficient protection on our Indian goods. I beg leave to differ upon this point, for, apart from other considerations, the law of surplus production, as it may be called, must be reckoned with. Countries like England, where industries are thoroughly well-established, and have reached a great pitch of perfection, are able to produce far more than is necessary for home consumption. Consequently they easily can, and undoubtedly do, often sell to foreign countries at absolutely cost prices in order to keep mills running. The Hon'ble Member observes that a certain amount of revenue is necessary for the administration, and he then goes on to say that as Indian industries develop and check imports, there must be a steady decline in customs returns for which some taxation must be framed; and the trend of his remarks leaves no room for doubt that he looks to excise-duties to fill the gap which will thus be created. Where, I would ask, in the slender ranks of our Indian industries, may we expect the next blow to fall? Not, I trust, on, for instance, the paper-making industry of Bengal, because the paper-mills here are, I am told, barely able to pay expenses, by reason of the fact that the Austrian mills are, in spite of the 5 per cent. import-duty, dumping their surplus here at ruinously low prices. The indigenous industry is thus being ousted by cheap importations of a foreign-made article; and surely in these circumstances the Hon'ble Member would not suggest that a duty upon paper could be justified as a legitimate source of revenue. The fact is, my Lord, that our nascent industries require, and I think may fairly claim, a certain amount of sympathetic consideration; at any-rate our policy should not go beyond what we ordinarily understand to be free trade principles.

"My Lord, the figures of coal exports given by the Hon'ble Member are certainly striking, inasmuch as they show, at least in my opinion, that the export trade in Bengal coal has almost reached its zenith. The Hon'ble Member has made certain remarks as to the quality of the coal exported; but I can assure him that during the last two years at all events practically none but the best qualities have been exported, for the simple reason that only the best have found a sale. In the meantime Cardiff coal is being delivered in increasing quantities at Colombo, while down the coast wood fuel still continues to be used. The trade at the present moment presents a very curious spectacle. On the one hand, collieries in Bengal are, with few exceptions, being worked on the barest margin or being closed altogether, while, on the other hand, as I have before remarked, coal from abroad is being delivered almost at our doors. It follows, therefore, that if it is desired to change this unfortunate state of things the transit charges on the product must be reduced. If not, the export trade in coal will not materially increase; and an increasing export trade is fast becoming a vital consideration for the Bengal coal-fields. The inland demand for Bengal coal is in danger of being curtailed by the development of coal-fields in the interior of India; and Bengal coal has already begun to be displaced at Cawnpore by coal from Daltongunge, while similar displacements will probably ensue elsewhere. If I venture to allude to the fact that my prediction of three years ago as to the future of the export trade in Bengal coal has been fulfilled by the figures now before us, I do so merely with the object of adding some weight to my opinion that the palmy days of the Bengal product may be regarded as past, unless important reductions in transit charges can be made. I offer these observations quite as much in the interests of the railways as of the coal trade itself; and, although there is no need for precipitate action, there are abundant reasons for immediate investigation. Upon this point—I mean the reduction of railway freights—I am glad to find that the Hon'ble Member is in full accord with the mercantile community. Coal is, after all, only one branch, and that but a small branch, of our vast trade; and the recognition by the Finance Minister that we must in future reckon with the cultivation of new lands in

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foreign countries and must meet that new competition by improvements in our communications in India, and by reductions in our railway tariffs, may, I hope, be regarded by the mercantile community in the light of a definite promise upon this important question, which will, I imagine, be agitating the Indian Chambers of Commerce during the year.

"On the question of agriculture, I desire to associate myself, if he will permit me to do so, with the remarks which have fallen from the Hon'ble Mr. Hamilton, who has made the subject his own by great study and personal interest. I feel tempted to cap his quotation by one from a more modern authority: it was the Right Hon'ble Mr. Jesse Collings who said that the true position of agriculture in the world's industries is manifest when it is considered that all manufacture is only the manipulation of produce and all commerce is merely its distribution. The question is not only of paramount importance to India, but has become of Imperial concern, the tendency of modern political efforts being entirely in the direction of the absolute independence of the whole British Empire in the matter of food-stuffs and raw produce. Now that the Government of India are paying such great attention and upon such wise lines to the development on a commercial basis of the agriculture of India, I am inclined to think that difficulties may arise unless the principle is thoroughly understood and accepted that commerce and agriculture are in this country mutually interdependent. It appears to me to be unfortunate that in the existing organisation of Government these closely connected subjects are represented in different Departments. For to my mind the trade prospects in any particular product should always be permanently in the thoughts of those who are concerned with its cultivation, in order that its development may bear some relation to the possible demand for it. I merely venture to make these observations for Your Lordship's consideration, as I am convinced of the truth of the apt remark of the Hon'ble Member that 'the trader can make no profit which is not shared by the agriculturist: under present conditions in this country their interdependence is absolute.' Both Departments will be engaged on a mission having the same ends in view, and means should be taken to ensure that they should see eye to eye and work hand in hand.

"And now, my Lord, in conclusion, I beg to be allowed to congratulate the Government upon the prospects before them. The evidence of growing prosperity as portrayed in the various tables given in the able and interesting Budget Statement before us are most reassuring, and must be a great source of pride and satisfaction to those who have been engaged in the government of the country during the recent times of trial. There is no sign of decadence in the country's forecast. Difficulties of course there will always be, but none which courage cannot surmount; problems will arise, but none that intelligence cannot solve."

The Hon'ble MR. GOKHALE said:—"Your Excellency, I join heartily in the congratulations which have been offered to my Hon'ble friend the Finance Member on the very interesting Financial Statement which he has presented to the Council this year. I think the Hon'ble Member has been the luckiest Minister that has ever held charge of the Financial portfolio in this country. Large surpluses have been the order of the day during his time. They indeed began before he took charge of his office. For the year that is about to close is the sixth year in succession when a large surplus has been realized. In the opening paragraphs of the new Financial Statement, the surplus for the closing year is shown at £2,711,200, *i.e.*, a little over four crores of rupees. But, as Mr. Baker points out in his note, the true surplus is about 6.72 crores and that of this sum special grants, aggregating 2.65 crores, have been made to Provincial Governments. We thus have the extraordinary phenomenon of a year in which taxes bringing in a revenue of close upon two crores of rupees were remitted, showing, in spite of the remission, a surplus of about 6 $\frac{3}{4}$ crores. Never before, my Lord, were such huge surpluses realized in the history of Indian finance, and the fact that they have shown themselves year after year for six years in succession proves conclusively that the level of taxation has been fixed much higher than the needs of public expenditure require or the circumstances of the country justify. The surpluses of the last six years have aggregated

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nearly 29 crores of rupees. If we take the twenty years immediately preceding this period of six years, we find that the total of surpluses in those years was only $17\frac{1}{2}$ crores and the total of deficits $19\frac{1}{2}$ crores—or a net deficit of two crores. A total surplus of 29 crores in six years as against a net deficit of two crores in twenty years—this illustrates with sufficient clearness the startling change that has taken place in the position of the country's finances. What has brought about this change? There have been no sudden accessions to the wealth of the people, nor has a policy of severe retrenchment been adopted, resulting in a reduction of public burdens. On the other hand, the earlier years of the period were marked by two of the severest famines that India has ever known, causing enormous losses to the people in crops and cattle, and necessitating a large outlay on the part of the Government for famine relief; and during the later years there has been a notable increase in public expenditure. How then have these large and recurring surpluses been caused? The explanation, my Lord, is not far to seek. For twelve years, from 1885 onwards, the country passed, financially speaking, through a period of exceptional storm and stress, the falling rupee and the falling opium causing the Finance Minister the utmost anxiety and giving him practically no rest. And the level of taxation had to be continuously raised so as to maintain, even in the most adverse circumstances, a budgetary equilibrium between the revenue and the expenditure of the country. The lowest point reached by the rupee was $13d.$ The lowest level reached by the opium-revenue was about five crores of rupees. Since then the rupee has risen to $16d.$ and has firmly established itself there, owing to the currency legislation of Government, and a rise of $3d.$ means a saving of about five crores in the remittances necessary to cover the home charges. There has also been a remarkable recovery in the opium-revenue, the figure for the closing year being actually over $8\frac{1}{2}$ crores. The rise in the rupee and the recovery in the opium-revenue have thus brought about an improvement of about eight crores a year in the financial position of the Government of India. From this we must deduct about two crores, being the amount remitted last year, under the salt-tax and the income-tax; and if we assume that the normal increases in the ordinary sources of revenue go to cover the normal increases in expenditure, we get, on the present basis of taxation, an annual surplus of about six crores of rupees. It may, however, be urged that the improvement in the opium-revenue may not last and that it is not prudent to lower the level of taxation on the strength of the present improvement. Even allowing this to be so, we still have a large permanent excess of revenue over expenditure, and this excess fully justifies a prayer on the part of the people for further remission of taxation. The relief granted last year evoked a general feeling of gratitude throughout the country and nobody has forgotten it. Looking, however, to the prosperous condition of the national exchequer, we feel we are entitled to ask for a larger measure of relief. My Lord, in the twelve years of storm and stress to which I have referred, it was perhaps necessary for the Finance Minister to act on the safe, if somewhat over-cautious, plan of under-estimating the revenue and over-estimating the expenditure. But though the difficulties of that position have passed away, the tradition, once established, still holds the field. And our budget estimates continue year after year to be so framed as to show the smallest possible surplus, when everyone, including, I believe, the Finance Member himself, fully expects that a large surplus will be realized at the end of the year. My Lord, an equilibrium between the ordinary revenue and the ordinary expenditure is, of course, a necessity in a solvent nation's finance. Under favourable conditions, even extraordinary charges might be met out of revenue. And, further, to assure the position, a moderate surplus may be provided for. But anything beyond this is opposed to all the received canons of good finance. Nothing, to my mind, can be more indefensible than to raise from the people, year after year—as has been done for the last six years—a larger revenue than is fairly needed for the requirements of the country. As Major Baring (now Lord Cromer) put it in his Financial Statement for 1882-83:—'It is, of course, desirable to estimate for a moderate surplus. But to keep on taxes in order to secure too large a surplus is unjustifiable.' The Hon'ble Member himself

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expressed a similar view in his Financial statement of last year. In announcing last year's remission of taxation, he said :—' In view of the present satisfactory situation, it is the opinion of the Government of India that it is neither desirable nor good financial policy to continue levying taxation at present rates, yielding such large recurring surpluses as have been realized during the last four years. It is true that our expenditure is necessarily increasing with the increasing development of the country, and some of our present sources of revenue do not show much sign of elasticity, but for the present our receipts are in excess of our needs, and even should it be necessary some years hence to seek the means of increasing revenue, we hold that we are not justified in continuing taxation at its present level during an interval, which we trust may be prolonged.' My Lord, in a country admittedly so poor as India is, where, again, the people are just emerging from a series of calamitous years, it is essential that the weight of public burdens should be kept as light as possible. The existence of a large surplus is a direct invitation to the Government to increase expenditure, and further it constitutes a temptation to the authorities in England to try and shift a portion of their own burdens to the shoulders of the Indian Government. I cannot help wishing, therefore, that my Hon'ble friend had seen his way, in view of his large surplus, to recommending further relief to the taxpayers of this country. As the recurring surpluses have been made possible by the currency legislation of the Government, it is but fair that the class whose interests have been most adversely affected by that legislation—the bulk of our agricultural population—should receive the major portion of whatever relief is granted. My Lord, the fall in general prices, as a result of the artificial appreciation of the rupee, has, I think, already begun, however its operation may be hidden from view by other causes. The Hon'ble Member himself seems to recognize this, inasmuch as he warns us to be prepared for a decline of prices during the next few years. When the full effects of the currency legislation unfold themselves and the final adjustment of prices to the standard of the new rupee takes place, it will be found that a grievous addition has been made to the burdens of the agricultural producer and that virtually his assessment has been enhanced by nearly fifty per cent. The delay that has occurred, owing to various circumstances, in such adjustment taking place, has enabled some people—including even persons in high authority—to make very astonishing claims for the new rupee. Thus we find that the late Secretary of State for India, at the time of presenting the last Indian Budget to Parliament, expressed himself as follows:— ' While the exchange value of the rupee has externally risen, and has without difficulty been maintained practically at the rate of 1s. 4d., prices have not been adversely affected. In fact the prices of commodities of general consumption have risen rather than fallen. By reducing the number of rupees to be remitted to this country to meet gold obligations, surplus after surplus has been secured during the past four years. And the present remission of taxation is mainly due to the success of our present currency policy.' I do not wish to trouble the Council with any lengthy discussion on this point, but all I would like to ask is, if the Secretary of State for India really imagines that such an impossible feat as that of raising the exchange value of the rupee without involving an indirect increase in the taxation of the country can be performed, what is there to prevent the Government of India from raising the rupee still higher—say, to 1s. 6d. or 1s. 9d. or even 2s.? The surpluses then would be even larger than now and as, according to Lord George Hamilton's argument, no harm is done to anybody in India by such artificial appreciation, there is no reason whatever why such a wonderfully easy and simple method of increasing the resources at the disposal of the Government should not be adopted. I think, however, that the Lords Commissioners of the Treasury showed a better appreciation of the true effects of any artificial appreciation of the rupee than the late Secretary of State for India, when, in a letter, dated 24th November 1879, they wrote:— ' It appears too that the Government of India, in making the present proposal, lay themselves open to the same criticisms as are made upon Governments which have depreciated their currencies. In general, the object of such Governments has been to diminish the amount they have to pay to their creditors. In the present case,

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the object of the Indian Government appears, to be to increase the amount they have to receive from their taxpayers. If the present level of exchange be due, to the depreciation of silver, the Government scheme, if it succeeds, may relieve the Indian Government and others, who desire to remit money to England, but this relief will be given at the expense of the Indian taxpayer or with the effect of increasing every debt or fixed payment in India, including debts due by raiyats to moneylenders." I submit, my Lord, that there should really be no difference of opinion on this point, and that the authors of the currency policy should freely admit that whatever its counterbalancing advantages may be, that policy involves a most heavy indirect addition to the burdens, especially of the agricultural population, when its full effects manifest themselves. Of course we all recognize that a reversal of the currency policy, adopted more than ten years ago, is not now within the pale of practical politics. But that only imposes upon the Government the responsibility to take every opportunity that offers itself to grant such relief, as may be reasonably possible, to those to whom the State undoubtedly owes some reparation.

"My Lord, I think that three particular forms of relief may be specially suggested for the consideration of Government on the present occasion. The first is the abolition of the excise-duty on cotton-goods; the second is a further reduction of eight annas in the salt-tax; and the third is a lowering of the land-revenue demand—especially in the North-West Provinces, Bombay and Madras. Of these, the subject of excise-duty has been more than once discussed in this Council, and I do not wish to refer to it at any length today. I think there is now no doubt that this duty is really paid by the consumers, which means by the bulk of our poorer classes; and thus while it hampers the mill-industry to a considerable extent, it also constitutes a serious and perfectly unnecessary addition to the burdens of our poorer classes. The Hon'ble Member says that 'it is impossible to believe that the average enhanced cost to the individual consumer of cotton cloth on account of the excise exceeds 3½ annas per annum.' But I submit that even 3½ annas a year is a serious matter to those whose annual income—taking official calculations alone—does not exceed Rs. 27, as calculated by Sir David Barbour and Lord Cromer, or Rs. 30, as calculated by Your Excellency three years ago, and whose normal state is one of abject poverty and, in the case of a considerable proportion, even of chronic destitution. I think, my Lord, that the arguments in favour of the abolition of this duty are unanswerable and that the moral effect of its maintenance is even more disastrous than the financial or economic one. The Hon'ble Member has, however, urged a strange plea in his Financial Statement to justify the continued levy of so objectionable a duty, and I confess it has surprised me not a little. The Hon'ble Member says:—'Moreover, it must be remembered that a certain amount of revenue is a necessity to provide for the administration of the country and the cotton excise-dues now return upwards of 20½ lakhs, having increased from Rs. 11,62,947 in 1900-01. It is very easy to object to any and every class of taxation, but those who make objections should, I think, offer suggestions as to how revenue could be maintained if their objections were to be admitted.' My Lord, if my Hon'ble friend really believes that the excise-duty is maintained because it brings in a revenue which the Government cannot afford to give up, he is probably the only man in India or in England who thinks so. Moreover, can the Hon'ble Member be serious when he advances such an argument with a surplus of nearly 6½ crores in hand, reduced to four crores by special grants made to Provincial Governments? Why, my Lord, instead of the Government being unable to sacrifice 20 lakhs a year, there seems to be such a plethora of money in the country's exchequer that the Government do not know what to do with it! I could have understood Sir Auckland Colvin or Sir David Barbour or Sir James Westland using the language that my Hon'ble friend has used. But he, the fortunate realizer of surplus after surplus—such as were never before dreamt of in the history of Indian finance—surely he must not speak as though he knew not which way to turn to make the two ends meet!

"My second suggestion for granting further relief to the poorer classes of

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the country is that another eight annas should be taken off the salt-duty. This duty was reduced by eight annas last year, and the measure of relief was received with deep gratitude throughout the country. The reduction might, however, be carried still further without any inconvenience. The salt-duty question in India is essentially a poor man's question; for it is the poorer many—and not the richer few—who eat more salt when it is cheap and less when it is dear. The soundest and best policy in the matter—even financially—would therefore seem to be to raise an expanding revenue on an expanding consumption under a diminishing scale of duties. Again, every reduction effected in this duty gives the Government a valuable financial reserve, which may be used without difficulty in times of sudden emergency. A further reduction of the salt-duty is, therefore, from every point of view a most desirable form of relief. In this connection, there is one matter which I would respectfully urge upon the attention of Government. The manufacture of salt in India is strictly under Government control, and practically a Government monopoly. And the monopoly is enforced under restrictions and in a manner which have the effect of transferring about a third of the industry to the foreign manufacturer. Numerous small salt-works which formerly existed on the coast have been suppressed and the manufacture has been concentrated at a few places with a view to bringing it under effective control. The result is restricted production. We have an extensive sea-board and salt-mines too, and can manufacture every pound of salt we need. And yet, under the existing fiscal system, about a third of our supply comes from foreign countries. The following figures, taken from the Material and Moral Progress Report for 1901-02, are instructive:—

Imports of salt from	1891-92.	1901-02.
	Tons.	Tons.
The United Kingdom	222,300	259,200
Germany	103,400	76,700
Red Sea and Persian Gulf ports	45,700	147,700
Other places	2,600	32,600
. TOTAL .	374,000	516,200

“The imports have thus increased 38 per cent. in ten years! I submit that in respect of such a prime necessary of life as salt—especially when we have plenty of it within the four corners of this country—we ought not to be forced to depend on foreign supplies to a steadily-increasing extent!

“The third measure of relief which I would respectfully urge upon the attention of Government is a lowering of the land-revenue demand, especially in North-West Provinces, Bombay, and Madras. The most noticeable feature of this branch of revenue is its large and almost continuous increase. In 1890-91 it stood at 24.04 crores. Its rise since then may be seen from the following figures:—

1890-91	24.04 crores.
1893-94	25.58 ”
1895-96	26.20 ”
1898-99	27.46 ”
1901-02	27.43 ² ”
1903-04 (Revised)	28.89 ”
1904-05 (Budget)	29.38 ”

“An increase of over 22 per cent. in fourteen years! On the other hand, the figures of cropped acreage are:—

1890-91	194.41 millions of acres.
1893-94	197.38 ”
1895-96	188.92 ”
1898-99	196.48 ”
1900-01	198.81 ”

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"Or an increase of just 2 per cent. in eleven years! Coming to the three Provinces that I have specially mentioned, we have the following interesting figures:—"

North-Western Provinces.

Year.	Ordinary land-revenue.	Cropped area.
1886-87 . . .	580.7 lakhs.	33.92 million acres.
1902-03 . . .	636 "	34.61 " "

"Or an increase of nearly 10 per cent. in revenue on a practically stationary cropped acreage.

Madras.

Year.	Land-revenue.	Cropped area.
1886-87 . . .	460.5 lakhs.	23.01 million acres.
1902-03 . . .	582.5 "	24.50 " "

"Or an increase of nearly 25 per cent., in revenue with an increase of only 6½ per cent. in the cropped acreage.

Bombay—

Year.	Land-revenue.	Cropped area.
1885-87	270 lakhs.	24.2 millions.
1894-95	289 "	24.5 "
1900-01	298.2 "	21 "

"Or an increase of 10 per cent. in revenue with hardly any increase in the cropped area, which shows some fluctuations owing to the prevalence of famine during the closing years of the last century.

"My Lord, agriculture is the only surviving economic stand-by of the mass of the people, and yet no industry in the country is in deeper distress. The soil, under a system of generally unmanured cultivation, is undergoing steady exhaustion. The yield of crop per acre is falling—being now little more than 9 or 10 bushels as against 20 to 35 bushels in western countries with far less favourable agricultural conditions. And the raiyat in most parts is a poor, struggling cultivator, with his resources all but exhausted, and himself more or less involved in debt. In these circumstances, the increases of land-revenue—especially in the Provinces referred to above—are large, and weigh with undue pressure on the land. And I submit that the question of granting relief to the hard-pressed cultivators by the lowering of the assessment is one which, in the present prosperous condition of the country's exchequer, deserves favourable consideration at the hands of Government. While on this subject I beg to acknowledge with pleasure and gratitude the liberal action of the Bombay Government in granting considerable reductions of assessment in the Guzerath districts. These reductions amount to 5.30 lakhs on an aggregate assessment of 85 lakhs—or over 6 per cent. Strangely enough, however, the Government have declined to concede any such relief to the Dekkhan raiyats, and yet the case of Dekkhan is the most urgent. The Dekkhan is an arid upland with a poor soil and a precarious rainfall, and yet pays an aggregate assessment of 120 lakhs on a cropped acreage of 11 millions of acres. The MacDonnell Commission have expressed the opinion that it is not only a full assessment, but weighs harder on the Dekkhan peasantry than elsewhere on account of scanty crop-yield, and is one of the causes of agricultural indebtedness. Besides, during the calamitous decade ending with 1901, this tract suffered as no other did throughout the country. The population declined from 62.1 lakhs to 59.4 lakhs; the cropped area fell off, and the crop-losses amounted to over 50 crores of rupees. The cattle loss was over 42 per cent. and there was an alarming increase of agricultural debts. Altogether there was in these districts a degree of agricultural deterioration and economic exhaustion such as had not been witnessed in any part of the country during the last century. And yet so far the only reductions which the Bombay Government have announced amount to a trifle over R3,000!

"My Lord, in explaining an increase of half a million sterling under excise-revenue in the revised estimates for the closing year, the Hon'ble Member says:—"

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'Increase of revenue is undoubtedly in great part due to improved administration and greater attention to preventive measures, but it is also due, and probably to a very large extent, to improvement in the condition of the people', which is the Hon'ble Member's paraphrase of the expression 'increased consumption'. And he proceeds to observe:—'Satisfactory as is from one point of view a growth of revenue, we could not regard with satisfaction any increase which might possibly be attributed to increased consumption of alcohol in excess of the legitimate requirements of those classes among the population to whom, from long habit and custom, alcohol in moderation is a virtual necessity. There is no desire on the part of the Government of India to increase revenue by encouraging indulgence in alcohol. It is a matter in which we feel our full responsibility, which undoubtedly requires constant, careful watching, and to which at the present moment we are devoting special attention in the interests of temperance and morality.' This declaration of the Hon'ble Member will be welcomed with sincere satisfaction throughout the country. The revenue under Excise shows an alarming growth during the last twenty years, having risen from 3.63 crores in 1882-83 to 6.64 crores in 1902-03, an increase of 82 per cent., or taking the year 1903-04 to 7.4 crores, *i.e.*, an increase over 100 per cent. in 20 years. The increase in population during the period has been only 15 per cent. Part of the increase in the revenue has no doubt been due to enhancements of excise-duties and to stricter preventive measures. But a large part has been owing, as admitted by the Finance Member himself, to increased consumption. The import of liquors too has increased during the time by over 35 per cent., having risen from 4.12 million gallons to 5.57 millions. All things considered, there is the clearest evidence to show that the curse of drink is on the increase especially among the lower classes and the wild aboriginal tribes, spreading ruin and misery among them. As appears from the Material and Moral Progress Report for 1901-02, in Bengal the consumption of country spirits in distillery areas shows an expansion of 55 per cent., having advanced from 3.9 lakhs of gallons to over 6.1 lakhs during the decade 1891-02 to 1901-02. So, too, in the United Provinces of Agra and Oudh, the reported consumption of country spirits was 24 per cent. higher. No accurate statistics are forthcoming on this point, but the fact of an expanding consumption is undoubted, and it behoves the authorities anxiously to consider whether more effective measures could not be devised than at present with a view to checking the spread of consumption of these intoxicants among the poorer classes. It is true that some reduction has been effected in the number of shops, but in this matter as much depends upon the sites of these shops as on their number—perhaps more. Were shops to be set down opposite schools, colleges, places of worship, hospitals, etc., as the Hon'ble Mr. Woodroffe said the other day in the Bengal Legislative Council they were in Calcutta itself, it would be of little avail to reduce merely their total number. Local option is the only remedy for an evil such as this. In the Material and Moral Progress Report, to which I have already referred, we are told that 'definite orders have been passed in accordance with the principle formulated by the Government of India in 1890 to the effect that before any new site is fixed for the establishment of a shop, reference shall be made to local opinion and that any reasonable objection shall be entertained.' The instruction here described as authoritatively laid down is as it should be; but it is open to question how far it is acted on in practice. Instances can be cited of shops, in reference to the location of which no deference whatever has been shown to local opinion or sentiment. Further, the existing arrangements of the excise administration leave much to be desired. The 'minimum guarantee' in Bombay, the general auctioning of licenses to keep stills in out-still areas and even the central distillery system, with its varying arrangements for the manufacture of spirits—these are some of the features of the existing administration which require close and careful investigation. The whole subject calls for a fresh examination and it behoves Government to institute a searching inquiry. Education would be an effective remedy, but its operation is bound to be slow. I think legislative effect should be given to the direction as to local option.

"My Lord, among the important topics of a general character, on which

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this year's Financial Statement offers some interesting observations, is the subject of India's balance of trade. The Hon'ble Member states at the outset that he has been much surprised to learn that 'there are considerable misapprehensions abroad on the question of the balance of trade.' And, after examining certain figures for the three years from 1900-01 to 1902-03, the Hon'ble Member records his conclusion that the figures 'entirely dispose of the erroneous assumption that India is paying for more than she receives under the three heads of imported goods, imported investment securities and payment abroad of budgetted Government sterling charges.' His argument is briefly this: during the three years under consideration, the excess value of exports over imports was £47·58 millions sterling. From this total must be deducted £1·45 millions, being the value of rupee paper transferred to India during the period; while we must add to it a sum of £2·14 millions, representing the value of stores, arms, munitions and animals, supplied to the Home Government in connection with their requirements in South Africa and China. This gives us a net excess of exports in three years of £48·27 millions. Now, says the Hon'ble Member, this is practically the amount of the Secretary of State's drawings during the three years. And thus the excess of the country's exports over its imports is no more than the amount of the Home charges, which means that the Home charges really represent *all* that India pays annually over and above what she has to pay in return for her imports. My Lord, I confess I was startled to read this paragraph, and I asked myself 'If the Hon'ble Member is right, what becomes of the profits which English merchants annually earn in India; what becomes of the freight the English Companies earn; what becomes of the savings of English lawyers, English doctors, English civil and military servants of the Crown? Does nothing really go out of India for all these?' And then I examined the Hon'ble Member's figures somewhat closely, when I found that he had left out of account two most important items. The excess of exports over imports that he gives is the excess of all our exports over all our imports, including merchandise and treasure and stores, both Government and private. The imports thus include (1) the capital raised annually in England and spent on Indian railways and irrigation works, for which there is no corresponding export, and (2) the Government stores for which provision is made in the Secretary of State's disbursements for current purposes; these stores are worth about $1\frac{1}{2}$ to 2 crores a year, and they represent a value received by India for a corresponding portion of the Home charges, and they are thus different from the rest of the Home charges. Our real imports, therefore, *i.e.*, those which we receive in exchange for our exports, are less than our nominal or total imports by the amount of the capital which is raised by the State and by Companies in England every year and spent on Indian railways and irrigation works. And, secondly, the net loss to the country under Home charges is represented not by the whole of the Secretary of State's drawings but by a sum which is equal to those drawings *minus* the value of the stores for which provision is made in his current disbursements. The amount raised in England during the three years under consideration and spent on public works in India was, I believe, about 16 millions sterling. This figure must therefore be deducted from our total imports to get at the imports which we received in exchange for our exports. We thus have during the three years an excess of 64 millions and not 48 millions of our exports over our real imports. As against this, we have to set not the whole of the Secretary of State's budgetted drawings, which have been stated to be 49 millions sterling, but these drawings *minus* the value of the stores included in them, which was over three millions. We thus see that while the Secretary of State's drawings for his own purposes would have been satisfied by an excess of about 46 millions sterling of our exports over imports, the actual excess was about 64 millions sterling or about 18 millions more in three years. I think, therefore, that we may well assume that this sum of 18 millions represents the amount which India paid more than she received during the three years under the three heads of 'imported goods, imported investment securities, and payment abroad of budgetted Government sterling charges.' Moreover, this figure does not take into account the capital imported into India by private individuals or Companies for minor industrial undertakings.

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"My Lord, a most striking feature of this year's budget is the great increase that has taken place in the military expenditure of the country. The Finance Member himself is almost outspoken in the expression of his regret on the subject. The Budget Estimate for 1904-05 exceeds all previous record—the charge budgetted for coming to no less than 28·6 crores. The following figures show how steady and continuous has been the rise in our military expenditure during the last twenty years:—

Year.	Military expenditure in crores of rupees.
1884-85	16·96
1887-88	20·41
1890-91	20·69
1894-95	24·09
1902-03	25·91
1903-04 (Revised)	26·78
1904-05 (Budget)	28·66

or an increase of nearly 70 per cent. in twenty years as against an increase of about 44 per cent.—from 51 crores to 73 crores—in the receipts under the principal heads of revenue. The Hon'ble Sir Edmund Elles gives in his statement what he will forgive me for calling a curious table, compiled to show that whatever may be the actual figure of military expenditure it is not only not rising relatively to the total revenue of the country, but that as a matter of fact there is a notable decline in the percentage of revenues spent on the Army. The Hon'ble Member takes two periods of four years each, one from 1896-97 to 1899-1900 and the other from 1900-01 to 1903-04, and he seeks to prove that while during the former period the net military expenditure of the country was 24·7 per cent. of the total revenue, during the latter period it has been only 21 per cent. The Hon'ble Member's method of instituting comparisons is, however, open to most serious objection. His first period is a period of famines and frontier wars, so that while the revenue during that time is not at its normal level, the military expenditure is at an abnormally high level, and thus he gets a higher percentage for purposes of his comparison. The second period, on the other hand, is a period during which the revenue is above the normal owing to specially good seasons, and the military expenditure is below the normal owing to a part of the troops being engaged in South Africa and China. Now this is bad enough, but worse than this is the fact that while he takes on the one hand only net military expenditure, he takes on the other the gross revenue of the country. Now, as we all know, the figures of gross revenue are altogether useless for purposes of a fair comparison; for they include large receipts under commercial services—*i.e.*, railways, irrigation works post and telegraph—which are balanced by corresponding entries on the expenditure side and which therefore only go to swell the total figures of gross revenue without making any real addition to the resources available for administrative purposes. Moreover, railway receipts have been of late years going up by leaps and bounds. Of course the entries under railways on the other side have also been correspondingly increasing, but if you take into consideration only the figures of gross revenue, you get an altogether erroneous idea of the growth of the real revenue of the country. For purposes of a useful comparison, therefore, the only proper method is to take the figures either of net revenue or of the total receipts under what are known as the principal heads of revenue. Taking the latter set of figures, which are more favourable to the Hon'ble Member's point of view than the former, we find that the net military expenditure is about 36 per cent. of the revenue under the principal heads, and that this percentage has practically continued steady at that figure except during the years when the Indian exchequer secured some relief by lending a portion of the Indian troops for service in South Africa and China. The question of these percentages, however, is, comparatively speaking, of less importance than the question whether there is ever to be a limit to the growth of these military burdens. My Lord, the question of military expenditure is really one of policy, and in the shaping of that policy the people of this country have no voice. But may we not ask, as I asked in my budget speech of last year, that the Government should adopt

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a policy of a little more trust in this matter! For, while things continue as they are—with our Army maintained on a war-footing in times of peace, with no national militia of any kind and the people of the country altogether shut out from the privilege of citizen soldiery—there is no prospect that the heavy sacrifices demanded at present of the country will ever grow less heavy. My Lord, His Excellency the Commander-in-Chief addressed the other day a powerful appeal to Englishmen in India to come forward and entol themselves as volunteers from a sense of public duty. May not the Government consider the desirability of permitting—aye inviting—carefully selected classes from among the children of the soil to share in the responsibilities of national defence? Both sentimental and financial considerations demand the adoption of a policy of this kind; and, unless this is done, the growing military expenditure of the country will in course of time absorb all available recourses and cast its blighting shadow over the whole field of Indian administration.

“My Lord, these were some of the observations that suggested themselves to me when I read the Financial Statement which my Hon'ble friend has presented to the Council this year. I have said nothing today about some of the more important branches of civil expenditure, because we seem to be on the eve of great changes which will affect and practically reconstruct the entire basis of the civil expenditure of the country. An administration, in many respects the most strenuous, as it undoubtedly has been the most eventful, of any that the country has known for many years past, has formulated these changes after a prolonged inquiry, and the country is waiting to see how they work in practice when they are introduced. The advance that has been made this year in the matter of Provincial finance, the undertaking of a comprehensive programme of irrigation works that is expected as a result of the Irrigation Commission's labours, an improved Police Service, increased expenditure on education in all its branches, the institution of State scholarships for industrial education abroad, the establishment of an Agricultural College at Pusa, the encouragement of co-operative credit societies—these and other measures will require a large outlay of public money, if they are not to disappoint the expectations that have been formed of them in the public mind. It will be some time before we are in a position to watch the actual operation of these measures and to see how far the increased expenditure necessitated by them has been justified. Meanwhile my own frame of mind in regard to them is, I confess, one of great hope. I feel that, if they are carried out in the spirit in which they ought to be carried out, they will prove a source of no small benefit to the country. If this hope is realized, the increase in public expenditure, which these measures must involve, will not only not be grudged, but will be regarded with feelings of sincere satisfaction and gratitude all over the country”.

His Highness THE AGHA KHAN said:—“My Lord, I congratulate Your Excellency's Government on the prosperous condition of the finances of India as exhibited by the Budget Statement for the coming year which the Hon'ble the Finance Minister presented to the Council last week. A careful study of that statement has convinced me that there has been during the past year a steady though slow improvement in the economic conditions of the country.

“My Lord, last year, at the close of the great and very weighty speech Your Lordship was pleased to deliver on the occasion of this same discussion, you drew attention to the great and momentous changes that were taking place throughout Asia—changes that were certain to affect the political and military interests of this great country, and Your Lordship was pleased to say that ‘they require that our forces shall be in a state of high efficiency, our defences secure and our schemes of policy carefully worked out and defined. Above all they demand a feeling of solidarity and common interest among those (and they include every inhabitant of this country from the Raja to the raiyat) whose interests are wrapped up in the preservation of the Indian Empire both for the sake of India itself and for the wider welfare of mankind’. The prophecy has come true sooner than most of Your Lordship's hearers last year expected. We

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now live in stirring times and hear the din and clash of arms in North-Eastern Asia. A Power that has been looming larger and larger on this Continent and has made the boundaries of her possessions almost contiguous on the North-west to the boundaries of India or of countries in which the people of India are vitally interested has now become a permanent menace to this country. History teaches us that the Muscovite when prevented from expansion on one side of his frontier naturally turns to another where he fancies the forces of resistance to be in less capable hands (witness expansion in Central Asia after the failure of Russian designs in the Balkans in 1878); so the fact that the Power that threatens the peace of this country seems to be failing in expanding in the Far East is the very reason why we should not feel more secure or less anxious about our defensive forces. We hear from all sources that troops are being massed in Central Asia. Misunderstanding the pacific disposition of the British Government and the perhaps too frequent occasions on which that Government gave way to her pretensions, Russia thought the time had come to use menaces when cajolery had failed. I refer to the communications which passed between the Russian Ambassador and Lord Lansdowne (which were recently published) regarding Thibet. They indicate that we must be constantly on the alert and be ever ready to defend ourselves if we wish to secure to this country the blessings of peace. It is, in fact, a necessary condition of our immunity from foreign invasion that our military power and organisation should always be in a state of high efficiency so as to remove from our neighbour the temptation of interfering with us. At such a juncture it seems to me necessary to consider whether the burdens which this state of constant preparedness and high efficiency entails on the Government of India are borne fairly and equitably by all those who are benefited thereby and whose possessions thereby are safeguarded against foreign intrusion. In order to ascertain this I venture to give a few figures. Roughly speaking, two-thirds of India proper is under the direct control of the Government of India and one-third of it is under the Government of the Feudatory States. At the same time, according to the Census of 1901, the population of the Native States was one-fourth of the entire population of India. The military expenditure of the Government of India has risen (and I for one do not grudge a penny of it) to £18,250,000. So for purposes of Imperial defence and in order to protect from invasion this country, one-third the area and one-fourth the population of which belongs to the Native States, the Government have no option but to spend quite 25 per cent. of the entire revenues of British India. Now let us consider whether and to what extent these States contribute towards this Imperial defence. Their aggregate revenues amount to well over £15,500,000 a year. Now, if the burden of Imperial defence were borne by the Imperial and the Feudatory Governments equitably, that is, proportionately to their revenues, the annual contribution by these Native States ought to be considerably over £3,500,000 a year. Now what do they contribute. In 1888 many Chiefs offered assistance in the defence of the North-West Frontier by placing large sums of money at the disposal of the Supreme Government. The offers of money were declined. But being renewed in another form, *viz.*, as offers of troops for Imperial service, such renewed offers were at once willingly accepted by Government. A scheme (which, my Lord, was then really in the nature of an experiment) was organised by which it was expected that the States would be able to render efficient aid to the Supreme Government in times of emergency by providing Imperial Service Troops capable of taking their place in line with the regiments of the Imperial Army. When the scheme was started it was believed that quite 25,000 would be supplied, and unless I am greatly mistaken some such number was promised. But there was one flaw in the scheme. From a delicacy of feeling (a delicacy of feeling that was then justified since the scheme was an experiment only) Government left it entirely to the Chiefs to provide or not provide Imperial Service Troops and thereafter to maintain the same number or more or less according as their patriotism dictated. The result of this voluntary system has been what was to be expected. Some have (as the figures laid on the table of this Council by Sir Edmond Elles prove) actually reduced their troops, and the total number of effective troops is now under 15,000. The generous enthusiasm which has hitherto animated many of the patriotic

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and far-sighted Chiefs and induced them honourably to carry out (and in some cases like that of that great wise and patriotic Prince His Highness Maharaja Scindhia more than carry out) their original promises to the Supreme Government may unfortunately not be shared by their successors. Moreover, while some of the Chiefs like His Highness the Maharaja Scindhia and the patriotic rulers of the Rajputana and the Punjab States and of the States of Bhownagar, Jamnagar and Junagad in Kathiawar maintain a considerable number of Imperial Service Troops, there are others (by no means unimportant or petty rulers) who do not maintain even one Imperial Service tooper. They thus altogether escape the burden of bearing their fair share of Imperial defence.

“ But, my Lord, my argument for organising a system by which each State should set aside a settled proportion of its revenues for maintaining Imperial Service Troops is not based on a mean desire to make the subjects of the Native States contribute towards Imperial defence in order to save the British Indian taxpayers from paying more in the future. It is as much in the interests of the Rulers of the Native States that they and their armies should take an active, important and honourable part in the great work of Imperial defence as it is in the interests of the Supreme Government. Companiship in arms will more than anything bring about that feeling of solidarity, of unity and of devoted loyalty to the Emperor that is the aim and object of every one of the Protected Princes of India. Such a system would add enormously to the importance and the responsibilities of the Feudatory Chiefs. It would open honourable and suitable careers (as officers) for the hereditary Sirdars, Thakores and Nobles of each and every State. My Lord, if properly carried out this scheme need not add anything serious to the financial burdens of the Native States, nor reduce the amounts now devoted by Rulers of such States towards useful civil improvements. The Chiefs have always maintained and still maintain a large army of their own, amounting to nearly 100,000 men, which is, I am sure, always at the service of Government for purposes of Imperial defence. I have, however, no hesitation in saying that for these purposes such heterogeneous bodies of ‘ mere men with muskets ’ would be quite useless. These men differently or rather indifferently armed, drilled and equipped would be absolutely incapable of fighting against the trained forces of a European foe. The maintenance of such bodies of men, which can only by courtesy be called armies, is an utter frittering away of the resources of the country and dissipation of its means of defence. I would therefore respectfully suggest that Government should propose to the Chiefs that they should in a given number of years disband these men, who are useless for all purposes except for empty show, and that every Chief should contribute a definite percentage of his revenues towards Imperial defence. I am sure there is not one Chief so wanting in patriotism as to object to such a fair proposal. On the contrary, I am certain that the loyal and patriotic Princes who assembled last year at Delhi would be only too eager to adopt such a proposal. The whole scheme of Imperial Service troops was originally an experiment. If the experiment has been successful, why should it not be extended ? The so-called armies of the Chiefs would be replaced by men who would add to the glory of their rulers and who would be worthy of fighting by the side of the flower of the British army. The States which now spend large sums on useless bodies of men dignified by the name of armies will get a genuine Army of which they may well be proud without any serious addition to the expenditure side of their Annual Budgets. If these reorganised troops are to be of any use and able to take their place in line with the regiments of the Imperial Army, they must be under the immediate and direct control of the Commander-in-Chief. There would be nothing in this arrangement in any way injurious to the right of the several Ruling Chiefs. Even the Sovereigns of the various German States who are the equal allies of the Kings of Prussia and in no way subjected to their Emperor, when they joined the Imperial Confederation in 1871 placed their troops under the Imperial Commander-in-Chief. In fact, unless these reorganised troops were under the direct command of the Commander-in-Chief during peace, it would be impossible to place any reliance on their efficiency, and the Commander-in-Chief could never depend on their being as good as the troops that were trained under his direct control and supervision. The Commander-in-Chief would appoint

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inspecting officers to such reorganised troops, while the Ruling Chiefs would retain command of their own corps, who would, of course, carry the colours and the emblems of each princely house, and if the tastes of the Prince made him turn to an active study of military subjects then of course such a Prince would naturally be not only the *de jure* but the *de facto* Commander of his own troops, receiving only his *military* orders from the Commander-in-Chief. My Lord, this scheme may appear of little value since no ruler has suggested it. But I think it is but my duty to explain that these suggestions are not my own original ideas but that I have borrowed them more or less from various Princes who attended the Delhi Durbar last year and the Coronation Ceremony in 1902. I have no right or authority to use their names. But so much I think I have a right to ask every one here to assume, that there is no Prince so wanting in patriotism and loyalty as to reject these suggestions without giving the matter careful and sympathetic consideration. My Lord, the suggestions I have just ventured to make are both rough and crude, but it is for the Ruling Chiefs and the Government of India to evolve some permanent system by which the Feudatory States may enjoy the privilege of sharing with the Government of India the power of adequately defending this great country. My Lord, there has been recently a tendency to maintain transports only. I fear it is not quite in keeping with the dignity of a powerful State that entertains hundreds of useless but costly soldiers of its own to refuse to keep any active Imperial Service Troops on the ground of expense and offers to maintain transports only. Transports are undoubtedly essential, but from the point of view of those who wish to see the bonds of common interest between the Imperial and Feudatory States tightened it is a backward step when lancers and infantry are changed into transports. Of course let it be clearly understood that I suggest that the present useless armies should be converted into one corps of efficient Imperial Service Troops in every State and not that the present men should be kept on as well as additions made to the Imperial Service Troops. The rich zamindars who enjoy impartible estates and thus are specially cared for by the State may well be invited to maintain a certain amount of transports. Carts and ponies will, no doubt, entail a certain initial expense, but afterwards such transports during peace time will cost practically very little or nothing, since they will easily earn enough to pay for the expenses of maintenance.

“ My Lord, I feel it but my duty to thank Your Excellency for establishing the Imperial Cadet Corps of Native Princes and Nobles. This excellent institution was a desideratum, and among the many and great benefits which Your Excellency's Viceroyalty has already conferred upon this country, I would look upon it as one of the greatest. If Your Excellency will permit me to say so, it was a brilliant idea conceived in a happy moment and carried out to the great gratification of the Native Princes and Nobles. Their rank, traditional prestige and natural tastes debar them from every but a military career, and that Your Excellency has, by embodying the corps, opened the possibility of a military career to them proves your deep personal interest in their welfare. They yield to none in loyalty and attachment to their beloved Emperor and country, and such an institution, the credit of initiating which justly belongs to Your Excellency, affords them a unique opportunity of serving both. At no inconsiderable expense to themselves, many have come forward and volunteered for such service. But permit me to say that at present there is no certainty as to the future of the cadets. May I venture at this stage to ask whether the time has not yet come when a few commissions in the Indian Army may not be annually given, say, to three or four of the most successful of the Imperial cadets, who one day may be the pride of their country and achieve that glory which their forefathers had attained in bye-gone days. Is it too much to ask that three or four of the cadets, who might pass all the necessary tests and in whose character and integrity the commandant of the corps might repose absolute confidence, be nominated by the Viceroy, with the sanction of the Emperor, to commissions in the Indian Army? My Lord, while the Government of India trusts any young Indian, whatever his antecedents, whatever his character, who happens to get a certain number of marks at a competitive examination, to administer districts that often equal in size and population European Principalities, while

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the Government of India trusts tens of thousands of every class and of every community to wear as sepoy the honored uniform of the Indian Army, is the Government yet unable to see its way to trust even one of the Emperor's Indian subjects with the honour of being a regular commissioned officer? But I am sure that mistrust or want of confidence is not the cause of this singular omission. I rather put it down to the innate conservatism of the British race that is satisfied to leave things alone until it becomes such a grave scandal that its removal becomes an imperative duty. The same spirit of conservatism left our University reforms though badly needed in the background until Your Excellency's Government with characteristic benevolent energy and courage of conviction carried the measure of much-needed reform by the great Act which passed into law only the other day. My Lord, there are some objections to this scheme which I have often heard and which I will venture to try and dispose of. In the first place it is asserted in some quarters that there is no young man in India whose educational and moral training fits him for being an officer. This may have been true in the past. But since the formation of the Imperial Cadet Corps we have a right to expect that a few of the cadets after three or four years' training under the direct supervision and constant care of commanding officers may be deemed worthy and capable of receiving a commission. Even if after three or four years' training under such favourable conditions as prevail in the Imperial Cadet Corps, if there is not yet one noble youth worthy of being an officer, then, my Lord, there must be something so radically wrong and incredibly defective in the moral or intellectual fibre of the Chiefs and nobles of this country that the sooner Chiefs' Colleges and Cadets Corps are abolished the better for all. Another objection raised is that these cadet officers would crowd the Indian Army and thus change its character! If it was suggested that a competitive examination should be held and such as passed the test should be one and all enrolled as officers of the Indian Army, then I admit it might change the character of the army and none would be more strongly opposed to it than myself. Even if it was suggested that ten officers should be appointed every year, I should still oppose it. But, my Lord, the appointment of three or four a year could never change the character of the army. At the end of twenty years, even if there was no natural wastage, their number would be eighty in the whole of India. But we all know that when we take wastage into consideration, we should find not eighty but probably fifty in twenty years. Now, my Lord, I do hope this will not be called a wild, visionary or immoderate scheme. A third argument against the scheme that has come to my ears is the difficulty about messing. However, a large section of His Majesty's subjects have no caste rules whatsoever, nor have they any religious prejudices about dining with Europeans. I refer, of course, to the Muhammdans. We also know that a large and very rapidly growing number of Mahratta, Rajput and Sikh princes do openly dine with Europeans, Jews and Muhammadans. I think there would be no difficulty under this head. Another objection is that these cadets would be as Commanders superior to European officers. However, no one is insane enough to propose that cadets should be directly given commands of battalions and squadrons or be specially promoted. It would take a score of years at least before any of them got command of his regiment, and I am sure that after twenty years' comradeship in a regiment where he would have already won the respect and friendship of his European brother officers, they would willingly serve under an ex-cadet. One other objection is that the European officers would not welcome Indian brother officers. I am sure it is only those who do not know the British officer that can accuse him of such blind racial prejudice. The officers of the British and Indian Army are the pick and the flower of the manhood of England. They are the cream of society. Gentle, just and noble alike by birth, tradition and temperament, they judge men not by their race and colour or creed, but by their intrinsic merits. If the cadets were well selected—and it is absolutely essential to the success of the scheme that every scrutiny and care should be taken that none except those of high moral and intellectual calibre should be selected—then, I for one am quite sure that ex-cadet officers would very soon be as popular as any European officer in their regiments, provided, of course, they behaved themselves properly and acted up to a high and model standard of duty. There is no doubt that in due time some of them would prove to be ideal officers. I

[*The Agha Khan; The Raja of Sirmur*].

have tried to meet all the objections that I have ever heard and I have asked only for a moderate and reasonable concession, a concession which, I hope, will, if made, prove to be a boon which will be gratefully accepted and acknowledged. I do hope that there is no one here who considers this suggestion of mine as wild, visionary or impracticable. My Lord, you have won the everlasting gratitude of the people of this country by your generous endeavours for the improvement of the Indian educational system in all its branches, the advancement of the agricultural classes, their relief from perpetual and harassing indebtedness, and your noble desire for the restoration of ancient monuments, which both Hindus and Muhammadans prize so highly, and also by taking up the question of much needed police reform, railway and irrigation improvements and many other reforms in the administration of this country too numerous to mention. Now that Your Excellency has removed so many abuses, conferred such numerous boons upon the people, will not Your Excellency settle this difficult question in the interests of the cadets, who owe their existence to Your Lordship's foresight. My Lord, I am appealing to one who has not only been a great ruler but who has proved himself an exalted but none the less devoted and true friend and patron of the princes, chiefs and nobles of India.

"My Lord, the Members who are not recommended for nomination to this Council by public bodies are at a certain disadvantage here, for their words are naturally supposed to come from them alone, and rarely carry the same moral weight with the Government as do the suggestions of their more fortunate Colleagues—the recommended Members. All the same, I think I am right in saying that when I earnestly appeal that three or four Cadets—and I appeal only for three or four—should be selected after a most careful and rigid scrutiny by the Viceroy for commissions in the Indian Army, I have behind me the sympathy and approval of every prince, chief and noble in India. My Lord, there seems to be no reason why such cadets as may qualify themselves by capacity, zeal and industry and also win the respect and affection of the Commandant of the Corps, should not be rewarded with commissions in the Indian Army. If such a prospect is ever held out to them, as the reward of an exemplary moral character and of diligent study, I am sure that the scions of the best and noblest of all the families in India would flock to the Cadet Corps and Government would prove and convince the people of this country that their Emperor has full faith in their unflinching loyalty to him and treats all his subjects alike. The remaining less successful cadets could be appointed as officers of the Imperial Service Troops. Regarding the question of Imperial Service Troops and of affording to all the Native States an opportunity of contributing towards their maintenance, I feel confident that such an opportunity will be eagerly embraced by those States. It will enable them to prove that the Chiefs are worthy of being Your Excellency's colleagues in the government of this country as Your Lordship so felicitously described them. It will show to those outside our frontiers whom it may concern that India no longer consists of segregated units with different aims and inconsistent aspirations. It will weld together and consolidate those units into a homogeneous and harmonious whole and foster and realize the ideal of a united country in the minds of these princes. They will have the proud satisfaction of knowing that, come what may, they and their troops will stand shoulder to shoulder with the armies of their Emperor and present a bold and united front to the enemies of their country, and that they have at their back the world-wide Empire based on liberty, justice and righteousness of which both the Raja and the raiya may well thank heaven that they form a part."

His Highness THE RAJA OF SIRMUR said :—"My Lord, I have had the honour of going through the Financial Statement for the year 1904-05, and have the pleasure to observe that it has been most carefully prepared and aims at increasing the general prosperity of the Indian Empire.

"I heartily thank Your Excellency for many useful measures of administrative reform which have been introduced, and which tend to secure lasting good for India.

[*The Raja of Sirmur ; Mr. Cruickshank.*]

"I appreciate very much the usefulness of the Imperial Cadet Corps which has supplied the long-felt want of military training, by which I have every reason to hope the Indian chiefs and nobility in general, will profit much. I fully agree with my Hon'ble Colleague His Highness Agha Khan in his observations on the corps.

"I beg, however, to suggest that by way of due appreciation of loyalty three or four cadets completing with credit their course of training every year may be granted British rank in the Indian Army, which encouragement on the part of the Government will be received with gratitude and be thoroughly appreciated by all the Princes and Chiefs and will also make the corps highly popular.

"Finally, I offer my heartfelt thanks to Your Excellency for your whole-hearted devotion to the welfare of the Indian Princes and the people in general."

The Hon'ble MR. CRUICKSHANK said:—"My Lord, on behalf of the United Provinces, it is my pleasing duty to tender the congratulations of the Local Government and the inhabitants of those Provinces on the satisfactory nature of the Statement of Revenue and Expenditure presented by the Hon'ble the Financial Member of Council, and also on the general financial prosperity of the Indian Empire which has allowed the construction of so promising a budget for 1904-05.

"The year 1903-04 began prosperously with a surplus from 1902-03 of £3,069,549, a sum £331,049 in excess of the surplus noted in the Revised Estimates for 1902-03.

"The Receipts under various heads in the Revised Estimate for 1903-04, for the most part, convincingly support the arguments marshalled so clearly in this Council in 1903 as justifying the reduction in the salt-tax and the raising of the limit of exemption from income-tax to the extent carried out in 1903-04.

"I do not propose to offer any detailed criticism of the Budget for 1904-05, as full explanation where necessary of items of receipt and expenditure has been supplied to the Council and discussed at considerable length by Hon'ble Members.

"In common, however, with all who have at heart the security and best interest of the Empire, the United Provinces rejoice to find that provision has been made for the expenditure necessary to substantially augment the efficiency of the military service of India. The supply of guns and rifles of the most recent and improved type is an essential step towards securing that efficiency.

"The pages of recent history are lurid with the lesson that immense loss of material, decrease of prestige, and wasteful sacrifice of priceless brave lives must accrue to nations unprepared to speak with their enemy in the gate.

"To India, as to all countries, assured protection from external foes is a necessary preliminary to the fruitful consideration of schemes for improving civil administration, and the items of increased military expenditure in the Budget are unassailably expedient.

"Turning to Provincial matters, the United Provinces among others welcome the approach to finality in the Financial Contracts between the Imperial Government and Provincial Administrations. The term finality is of course only applicable with the reservation that the terms of such contracts must perforce be open to revision by the Government of India in the event of unexpected financial stress.

"In considering the terms and amounts involved in such complicated transactions as the allotment of funds sufficient to carry on the administration of several Provinces, it is obvious that the point of view from which the Government of India, distributing resources among many clamorous Local Governments, regards each item must differ from the standpoint of each recipient of aid.

"That a *modus vivendi* has been reached between the Government of India and that of the United Provinces—which is, as far as it goes, satisfactory to

[*Mr. Cruickshank.*]

both—testifies to the businesslike energy, circumspection and liberality with which the preliminaries have been discussed, terms defined and needed aid granted. For years in this Council the plea has been urged on behalf of the Government of the United Provinces that no sum less than 4 crores of rupees would suffice for the expenditure necessary to guarantee the efficient administration of these Provinces. That this plea was not an excessive demand has been practically admitted, as the following explanation may demonstrate. This demand of 4 crores has hitherto been based on the supposition that the proportion of total expenditure under various heads which would be defrayed from Provincial Funds would remain unaltered.

“In the new contract the system of apportioning the relative shares of Receipt and Expenditure between Imperial and Provincial Heads of Account has been thoroughly revised on the following basis for the United Provinces:—

- (a) that when any head of Revenue is divided between ‘Imperial’ and ‘Provincial’ in any proportion, the corresponding head of expenditure shall be divided in the same proportion ;
- (b) that when the proportion between the aggregate Imperial Expenditure and the aggregate Provincial Expenditure has been determined, the whole Revenue shall be divided between Imperial and Provincial in the same proportion ;
- (c) that in no case shall a smaller share than one-fourth of any divided head of Revenue be made Provincial.

“The figures accepted by the Government of India in the second edition of the Budget of the United Provinces give for Receipts—

	Rs.
Provincial share of Heads of Revenue (including half of Stamp income instead of one-fourth as heretofore).	3,65,69,000
Add—Fixed Assignment	4,00,000
Total	3,69,69,000

“In Provincial Expenditure the following decrease in shares of expenditure debitable to the United Provinces has been allowed by the Government of India:—

Land Revenue . . . . .		. $\frac{1}{4}$ instead of the Total Expenditure.
Stamp, Stamp Refunds and Land Revenue Refunds. }	}	$\frac{1}{4}$ instead of $\frac{3}{4}$
Forest, Registration . . . . .		. $\frac{1}{4}$ instead of $\frac{1}{2}$

making an aggregate decrease of Rs. 28,20,000.

“Thus, if the shares of expenditure had not been decreased, but had remained in the old proportions, the United Provinces would have had provided an aggregate spending power of Rs. 3,97,89,000. This sum is Rs. 13,33,000 in excess of the Provincial Revenue (including recurring special grants) budgeted for in the current year 1903-04, *viz.*, Rs. 3,84,56,000. In that year, however, an amount of expenditure totalling Rs. 15,67,000 was provided by diminishing the Provincial Balance to that extent.

“Thus calculated the total Provincial Expenditure approximates to 4 crores of rupees, the often postulated minimum for efficient administration. Out of this amount, however large, additional expenditure on the relief of Municipalities from Police charges has to be met; and the Local Government is also under an engagement to provide annually for Local Finance the sum of $1\frac{1}{2}$ lakhs of rupees, when effect is given to the new scheme at present under the consideration of the Government of India. It is true that under the new contractual arrangements, the whole benefit of any increase in the receipts from Irrigation will accrue to the United Provinces. This probable increase is, however,

[*Mr. Cruickshank; Rai Sri Ram Bahadur.*]

partly counterbalanced by a diminished share of future increment being allowed to Provincial Finance in the Heads of Stamps, Income-tax and Forests, and also by the smaller enhancement of Land-revenue which may be anticipated from revisions of settlements in the near future.

"On the whole the result is considered by the Government of the United Provinces as a substantial advance on the terms of the existing arrangements. A lump sum of Rs. 30,00,000 is being granted by the Government of India to the Provincial Government with which to start the new settlement. Of this an instalment of Rs. 6,00,000 will be entered in the Budget of 1904-05 and will be available for urgently needed expenditure on Civil Works and other projected improvements.

"The special thanks of the Local Government are due to the Government of India for allowing the inclusion in the terms sanctioned of a sum of Rs. 2,50,000 *per annum* with which to relieve Municipalities from half their Police Charges. A further sum of Rs. 1,00,000 *per annum* has been budgeted for under this head to allow the larger Municipalities, in which water-works are maintained, to be entirely relieved of the burden of Police charges.

"The Government of India has also made a special grant of Rs. 3,00,000 to enable the Municipality of Lucknow to carry out its drainage scheme, and the Local Government and the inhabitants of this large and formerly royal city are deeply grateful for the unstinted aid given by the Government of India in this matter so important to the health of the city—indeed of the Province. It is matter for regret that, despite unceasing precautions, the mortality from plague has in portions of the United Provinces been higher than in 1902-03. It is also true that the crops in the year now expiring have not been up to the anticipated standard. Otherwise the Provincial outlook is on the whole hopeful.

"It is anticipated that during the coming year a substantial measure of progress will be achieved in the matter of rehabilitating the Bundelkhand proprietors, whose situation had, owing to the devastation of years of scarcity and famine and from other causes, sunk to so pitiable a state as to render imperative special legislation directed to the end of preserving the landed interest of this class.

"The cane-growers and sugar-manufacturers of the United Provinces continue to trust in the watchful guardianship exercised by the Government of India over their interests. They confidently expect that no system—disguised or un concealed, of the nature of the Cartel system—will be allowed to operate in favour of the countries whose sugar-refiners wish to flood India with cheap 'beet' sugar to the ruin of the indigenous sugar interests.

"The Indian Empire under the vigilant and virile policy of the Government of India is now enjoying the blessings of peace.

"The motive of the Trans-Frontier Mission to Thibet is essentially peaceful. If one of the ultimate results of this Mission be an increase in Thibetan trade with India, it is hoped that the United Provinces may share in the gain which will indirectly accrue to the northern tracts of India.

"The administrative improvements contemplated in 'Education' and 'Police' have not yet taken shape in detailed form. When the time is ripe for introduction of the measures chosen by Government, it is confidently anticipated that the Imperial Government will so order the financial interests involved that an unduly heavy burden will not be laid on Provincial Funds. For reform in the administration of the two departments of Government above noted is very largely bound up with Imperial progress and stability.

"The memorandum in Appendix III of the Budget Statement shows that Railways in the United Provinces—to be paid for by State Funds as well as those the subject of private enterprise—are receiving the consideration due to their importance."

The Hon'ble RAI SRI RAM BAHADUR said:—"My Lord, I join with the Hon'ble Members who have preceded me in addressing the Council in congratulating Your Excellency's Government and the Hon'ble Sir Edward Law for having another prosperity Budget.

[*Rai Sri Ram Bahadur.*]

"My Lord, I do not propose to attempt any detailed criticism of the Financial Statement made by the Hon'ble the Finance Minister, but I wish to be permitted to say a few words on some of the leading features of the Budget, and specially on those portions of it which more particularly affect that Province of the Empire which I have the honour to represent in this Council.

"Cesses on Land.

"But before I refer to those matters, I desire to offer a few remarks on one most essential aspect of the Budget and will consider it in reference to the interests of the agricultural classes. It may be said without much exaggeration that the classes directly or indirectly dependent on cultivation in India virtually form the nation; that increase of taxation imposed on these classes impoverishes the nation; and that any general relief given to these classes benefits the nation. Some relief to these classes has been afforded by lowering the tax on salt, but as the consumption of salt in an agricultural family does not much exceed two seers in the month, or at most a maund in the year, the relief, it must be admitted, is slight. On the other hand, I have vainly watched, during recent years of surpluses and prosperous Budgets, for repeal of any of those heavy and onerous cesses which have been imposed on land—in addition to the Land-revenue—since 1871. The revenues of India have gone up by leaps and bounds from under sixty-five millions sterling in 1897-98 to over eighty millions; one great cause of this increase in revenues is the fixing of the value of the rupee at 1s. 4d., which is tantamount to an increase of taxation all round; and yet there is no corresponding relief granted to agricultural classes of India—those who have borne the principal share in the increase of taxation, those who have suffered most grievously from famine, those who deserve relief most urgently when the financial condition of the Government makes it possible to afford relief.

"My Lord, within a few years after the administration of this country had passed from the East India Company to the Crown, the necessity was felt to increase the taxation of the country, because forty millions sterling, the cost of the Mutiny Wars, had been added to the Indian debt. One of the greatest of Indian Viceroys—the late Lord Lawrence—endeavoured to distribute this burden by imposing taxes on trade as well as on land; but traders are quite able to protect their own interest, and Lord Lawrence's proposals to derive a moderate increase of revenue from trade was vetoed by the Secretary of State. 'I cannot conceal from myself the conviction,' wrote Lord Lawrence to the Secretary of State in 1867, 'that all taxation which can affect, in any material degree, the non-official European community will be impracticable. So far as their voices go they will approve of no tax of the kind. They desire that all taxation shall fall on the Natives.' How far this policy has or has not been borne out by the history of subsequent years firstly by repeal of all import-duties, and secondly by imposition of excise-duties on Indian manufactures along with the re-imposition of import-duties, is a matter which I will not discuss.

"When Lord Lawrence's successor looked around him for additional sources of revenue in India his eyes fell on land and agriculture. The land-tax in Northern India had been fixed in the last years of the Company's rule at one-half of the actual rental, leaving aside some very insignificant rates then in vogue. Lord Mayo's famous decentralization scheme of 1870 violated the half rental rule and was based on the imposition of fresh cesses on land in addition to the land-revenue. My Lord, we in the Provinces of Agra and Oudh now pay cesses, not only for village-watch but also for roads, for schools and dispensaries, for post office, for patwaris and for famine insurance, and these cesses have been imposed on land in addition to the land-revenue. The allotments made to the different Provinces of India out of the revenues under Lord Mayo's decentralization scheme were less than the estimated Provincial expenditure, and Provincial Governments were openly told to make up the difference by imposition of new cesses on land in addition to the land-revenue. This will appear from the official correspondence of the day and also from the evidence given before Select Committees of the House of Commons on Indian finance

[*Rai Sri Ram Bahadur.*]

which sat in the years 1871, 1872, 1873 and 1874. My Lord; the entire question came up for the consideration of the late Marquis of Salisbury, who was Secretary of State for India in 1875. And that distinguished and large-minded statesman recorded his views on the subject in words which are as true today as they were thirty years ago.

'So far as it is possible to change the Indian fiscal system,' he said, 'it is desirable that the cultivator should pay a smaller proportion of the whole national charge. It is not in itself a thrifty policy to draw the mass of the revenue from the rural districts, where capital is scarce, sparing the towns where it is often redundant and runs to waste and luxury. The injury is exaggerated in the case of India, where so much of the revenue is exported without a direct equivalent.'

"This sound observation was recorded in 1875, but remained unheeded. The agricultural classes of India are voiceless; the landlords have lifted their voices in vain; and every additional cess imposed on land since 1871 has remained unrepealed. My Lord, the financial history of the last thirty years of the nineteenth century can be told in a few words. In years of deficit fresh taxation has been imposed on land and agriculture in addition to the land-revenue. In years of prosperous Budgets these new cesses were not repealed—the surplus was spent in additional military and other expenditure. It is a melancholy history for the agricultural population of India.

"A fresh increase, in an indirect way, of taxation on land began from 1893, from the gradual raising of the value of the rupee. Rents and the land-revenue in India are not paid in kind but in Rupees; and the artificial raising of the value of the rupee resulted in a raising of the tax on the produce of the land. This will clearly appear from a table which appears at the end of the Report of the Indian Currency Committee which sat in London under the Presidency of the Right Hon'ble Sir Henry Fowler. Comparing the prices of produce during the two years before the rise of the rupee with those of the two years immediately succeeding, the witness who furnished the table showed that there was a general fall in prices in the staple produce of every province and every division in India. This was not owing to abundant harvests, for the years taken were years of scarcity and poor harvests; but the prices in rupees had fallen because the rupee had been artificially raised in value. In other words, the agriculturists of India had to pay the same rents as before in rupees, while they obtained less from their fields, and this was an indirect but effective increase in taxation all round. I admit that the same increase took place in other sources of revenue from the same cause; but no class of taxpayers felt this more severely than the agriculturists of India.

"My Lord, the question finally came up for Your Lordship's consideration in 1902 and Your Excellency gave us some hopes that some of the cesses imposed on land in addition to the land-revenue, would be repealed, in course of time, by the Government of India. In paragraph 25 of Your Excellency's Resolution on the Indian land-revenue Policy, dated January 16th, 1902, Your Excellency, while denying that the local cesses were either onerous or excessive, nevertheless was pleased to remark that 'the question presents itself whether it is not better, as opportunities occur, to mitigate imposts which are made to press upon the cultivating classes more severely than the law intended. The Government of India would be glad to see their way to offer such relief.' Two years have elapsed since this was recorded, two years of surpluses and prosperous Budgets, but the relief which we have all looked forward to has not come.

"My Lord, Your Excellency's administration in India will shortly come to a temporary close. Your Excellency's fiscal administration has been marked by an act of real relief to the poorer classes of income-tax payers which we all appreciate. It has also been marked by a reduction of the salt-tax which has given some relief to all classes of people in India. It would have been a source of joy to the country at large if some special relief had also been given to the agricultural classes in India in respect of the numerous, irritating and burdensome cesses which have been imposed on them since 1871 in addition to the land-revenue. It would have rejoiced my countrymen if in the changes which have been introduced in the present Budget in the decentralisation

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scheme, a somewhat larger allotment had been made to each Province, enabling it to withdraw totally or partially some of the land-cesses which sit so heavily on Indian agriculture, and it would have been gratefully remembered by my countrymen that among the many changes which have been introduced under Your Excellency's rule, the most important was one which afforded relief and comfort and joy to the voiceless millions of India in their remote villages and rustic homes. The Indian cultivator would have remembered that Your Excellency at last withdrew some of the heavy burdens which were imposed on their fathers after the Mutiny Wars, and the loyal landed classes of India would have felt that some endeavour was made after the lapse of half a century to come back to the salutary rule prescribed by Lord Dalhousie in 1855 to limit the Government demand to one-half the rental, and I may add that all classes of people in India would have felt that landed and agricultural interests received the same watchful and humane care and attention which trading and commercial interests are able to secure for themselves.

"My Lord, my countrymen still entertain the hope that the relief so long sought for will not be long in coming. When Your Excellency returns to India after your temporary absence, we sincerely hope that one of Your Excellency's first acts will be to give to Indian agriculture that relief which it needs and which it is entitled to in years of prosperous Budgets. In any case we hope that this grave matter affecting the interests of virtually the entire Indian population will not be lost sight of. Years of prosperous Budgets in India are succeeded by years of deficit. It will be lamentable if the present surpluses are all spent in increased military and other expenditure, without affording some substantial relief to the agricultural classes and without permitting some reduction in those burdens on the cultivators which have been deplored by all Indian statesmen from the late Marquis of Salisbury down to Your Excellency.

"My Lord, before I conclude my remarks on this particular subject, I must say that I agree entirely with my friend the Hon'ble Mr. Bose in the observations made by him in reply to those of my friend the Hon'ble Dr. Mukhopadhyaya as regards the propriety of the income-tax. It is in the shape of this tax alone that certain classes of the community make any contribution to the public expenditure; and when such onerous taxes as the land-cesses—taxes paid by the classes who suffer most seriously from famine—remain unrepealed, I do not consider that the income-tax is a tax against the continuance of which any serious complaint can be made.

"Military Expenditure.

"Coming now to some other essential features of the Budget Statement, we find that notwithstanding the actual surplus of this year and that estimated for the coming year, the Government is going to increase the permanent debt of the country by the addition of $4\frac{1}{2}$ millions sterling. A large portion of these surpluses, it appears, has been and will be absorbed by an increase of expenses under the head of Army Services. My Lord, the non-official members of Your Excellency's Council have over and over again raised their voice against the inordinate increase of the military expenditure. We hoped that under Your Excellency's regime not only an effectual check would have been placed on the increase under this head but that it would have been reduced to an appreciable extent. We were led to cherish this hope from the action taken by Your Excellency's Government in protesting strongly, though without success, against the increase in the pay of British soldiers stationed in this country and in opposing successfully the saddling of India with a portion of the cost of the South African Garrison—for which the whole country felt grateful to Your Excellency. It is therefore a great disappointment to us that, instead of the military expenditure being reduced, it has been increased in a considerable measure. In 1900-01 it amounted to £14,265,525; for the coming year, *i.e.*, 1904-05, the amount is estimated to reach £18,215,000—an increase of £3,949,475, which in Indian currency in round numbers comes to a trifle less than six crores of rupees; and this in the short space of four years. The sum of £700,000 has been provided in the coming year's Budget for the re-armament of the artillery, the Home

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authorities having decided that 'India must be allowed priority of supply in the matter of new armament.' In a memorandum submitted on behalf of the India Office to the Indian Expenditure Commission it was urged that India is being utilized as a reserve for England, because not only the services of the British regiments stationed in India are utilized by England but even those of native regiments, towards the cost of which she makes no contribution. As if that was not quite enough, India is now going to have the very costly but unsolicited honour of having the priority of supply of new armaments. The proper course, in my own humble opinion, would have been to give the honour to the ruling country and not to its dependency for the purpose of an experiment of the efficiency or otherwise of the new armament.

"As regards the Tibet expedition, it has already cost Rs. 45 lakhs in the year which is about to close, and in the coming year a further sum of 36 lakhs of rupees has been set apart for it. This being a *quasi*-military expedition beyond the Indian frontiers, its cost ought to be borne by the British and not by the Indian Exchequer.

"The abnormally high and rapid increase in Army expenditure cannot but be deplored. The continuing growth of this already too heavy burden absorbs the surpluses and stands in the way of Government's taking steps to give relief to the agriculturists by a reduction in taxation and spending adequate and larger sums on measures calculated to improve the economic condition of the country.

" Railways.

"My Lord, it is stated that the larger portion of the loan of 4½ millions will be devoted to railway construction, and the sum of £833,300 will be spent on Irrigation Works. My Lord, I do not mean to say that the extension of the facilities of communication by construction of railway lines is not a desirable thing. But it is the manner in which the capital is provided for the construction of the railways that I take exception to. Mr. Robertson, the Special Commissioner, specially sent out to India to enquire into Indian railways, admits that 'so far, as railways per square mile of territory are concerned, India is rather better served than most countries outside Europe.' My Lord, now that all the main lines have been completed, the construction of new lines should be left to private enterprise, and they should not be constructed from borrowed capital, as borrowing adds to the permanent burden of the country which ultimately results in the imposition of fresh taxes.

" Irrigation Works.

"My Lord, as regards the other object for which this debt is going to be contracted, *viz.*, the construction of irrigation works, no one can question their utility as protective against famine. The Government in this respect has not been as active as the exigencies of the case required; the construction of irrigation works has hitherto been considered of secondary importance to the construction of railways. The extension of railway communication places better facilities for trade in the hands of influential merchants whose voice is so effectually heard by the authorities both at Home and in India; the construction and extension of works of irrigation affects mainly the poor agriculturist who has practically got no voice to bring his necessities to the notice of the Government. My Lord, the management of the Famine Insurance Fund with greater care and foresight ought to have placed sufficient means at the disposal of Government for the construction of irrigation works, and no recourse ought to have been made to fresh loans for this purpose.

" Provincial Contracts.

"My Lord, I shall now with Your Lordship's permission offer a few brief remarks on some of the matters which have immediate concern with my own Provinces. Your Excellency's Government has now revised the Provincial Contracts, and the Hon'ble the Finance Minister has announced that in order to ensure the continuity of the Provincial Finance and give to it a relative permanence, quinquennial revisions will in future be discontinued. As

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regards the United Provinces, a considerable advance on the last contract has been made by placing a larger amount for local expenditure at the disposal of the Local Government. But I should be pardoned for saying that the allotment is still insufficient. It will barely suffice for the provincial expenditure according to the present scale, but will leave no margin for meeting the rapidly growing wants, both economic and administrative, of those Provinces.

" Municipalities.

" A special grant of 2½ lakhs of rupees per annum has been made to enable the Local Government to relieve the Municipalities of the United Provinces of their police-charges, those having water-works being fully relieved, and the others to the extent of half those charges. My Lord, the relief thus afforded to the Municipalities will enable them to provide more adequately for the ever-increasing expenditure on sanitation and also to devote larger sums towards the advancement of education than they have been hitherto able to do. The sum of three lakhs of rupees entered in the current year's Budget will be spent in the next year in furtherance of the drainage scheme of the Lucknow Municipality, which is estimated to cost eight lakhs of rupees. For these grants the people of the United Provinces are grateful to Your Excellency's Government.

" District Boards.

" In the course of the Budget Debates of the two preceding years, I drew the attention of the Government to the unsatisfactory condition of the District Boards in the United Provinces, and to their inability to secure that position in the local self-government system of the country which they ought to occupy. This is partly due to the shortcomings in the provisions of the present law which was passed more than twenty years ago, and partly to the defects in the system of their finances in which centralization, and anomalous resummptions at the end of the year of the unspent portion of their annual allotments, play a very important part. Some time has now passed since a draft Bill was submitted to the Government of India for sanction to be introduced into the Local Council, but up to the present time that Bill has not seen the light, and consequently the work of this much-needed reform is at a standstill. I find, however, that in the present Budget a sum of 1½ lakhs is allotted to the Local Government to reform the system of the District Board finance. It is hoped that legislation enabling the Local Government to carry out the necessary reforms in this direction will soon be taken in hand.

" Irrigation works.

" My Lord, another subject relating to my Provinces is the carrying out of irrigation projects recommended by the Indian Irrigation Commission. Allotments have been made in the Budget for the extension of some of the canals in operation, but it does not appear that any sums have been provided for construction of any of the new canals recommended by the said Commission. One of their recommendations is the construction of a canal passing through some of the districts in Oudh. The talukdars and other landed proprietors in that Province do not consider the project to be of any practical utility, and in their opinion the benefits to be derived from it would be counterbalanced by water-logging and deterioration of the soil of the tracts through which it is suggested that the canal should pass. The construction of wells in sufficient numbers and distributed throughout the areas of those districts will act as a better preventive against famine than the projected canal. The subject, however, is, I am informed, under the consideration of the Local Government, and we must wait for their decision. But there is one part of the United Provinces which of all others is most affected by vicissitudes of rainfall and requires the immediate construction of protective works for prevention of famines. It is Bundelkhand, which has been visited by no less than five famines within the last sixty years. In the last famine alone the Government expenditure, including remissions of revenue and of advances, amounted to over a crore of rupees, of which one district alone, *vis.*, Banda, had one-half of that sum and at one time

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had more than 42 per cent. of its population receiving relief. The Irrigation Commission recommends the construction of the Ken canal which will irrigate the District of Banda. The project is estimated to cost 36½ lakhs of rupees and when completed will be capable of watering 58,000 acres on an average and 97,500 acres in a year of drought. It is hoped that the construction of this canal will ere long be taken in hand by the Government.

“Larger employment of Indians.

“My Lord, the larger employent of the Indians in the different branches of the public services of the United Provinces is the next point which I beg to bring to Your Excellency's notice. I am not speaking of the Indian Civil Service nor of the other Covenanted services, but of those special Departments which are called the minor services. Except in the subordinate judicial and executive services, which are mainly manned by the Indians, there is a total exclusion of them from some branches of the public service. In others they are found in very inappreciable numbers so far as the gazetted appointments are concerned. In the Forest Department of the Imperial service there are 17 appointments in the United Povinces, none of which is held by an Indian. Out of the five special appointments only the last two, carrying salaries of Rs. 200 and Rs. 150, respectively, are held by the Indians. In the Provincial Branch of that service there is only one Indian as Extra Deputy Conservator, and seven others as Extra Assistant Conservators holding subordinate appointments. In the Salt Department there are three offices at the head-quarters and seven Assistants and Superintendents; the salaries of the two last-named classes ranges from Rs. 300 to Rs. 800 a month; there is not a single Indian among them. In the Opium Department there are no less than 54 higher appointments in the United Provinces; of these only five are held by the Indians with salaries ranging from Rs. 250 to Rs. 500. In the Telegraph Department there are 18 appointments, the highest monthly salary being Rs. 1,000 and the lowest Rs. 250; not one of these is held by an Indian. In the Financial Department there are seven gazetted appointments; not one of them is held by an Indian. In the Provincial Civil List in the Survey of India Department there are 14 posts, and only one of them is held by an Indian getting a salary of Rs. 300 a month. In the superior ranks of the Police Service there are 4 appointments at the head-quarters, 50 District Superintendents and 30 Assistants; the total coming to 84, and of these only one is an Indian holding the post of District Superintendent. In the Postal Department, besides the post of the Post Master General, there are 17 other appointments as Superintendents. Of these 6 only are held by Indians, two getting Rs. 250 a month and four Rs. 200 a month. My Lord, the paucity of the Indian element in this Department is particularly noticeable, as only a few years ago the Indian element predominated in it. Even the highest post, *viz.*, that of the Post Master General, was at one time held by an Indian, the late Rai Bahadur Saligram, who had risen to that high post from a subordinate position. In the Public Works Department also there is a paucity of Indians, none of the higher appointments being held by them. My Lord, there may be some appointments which may require special qualifications, but there is no valid reason for the practical exclusion of Indians from appointments requiring no such qualification. The Indian Universities are now turning out every year a large number of young Indians who are capable by reason of their general education to qualify themselves for special departments, and if their entrance into public service for posts suitable for them will remain practically barred in the future, as it has been in the past, much blame cannot be laid at their doors if from lack of opportunities they do not distinguish themselves in unbeaten walks of life.

“Educational Works.

“My Lord, I now come to some of the educational needs of my Provinces. On the subject of technical and industrial education I do not wish to say anything at present. We should wait for the inauguration and development of the policy announced in the Resolution issued by Your Excellency's Government only a few days ago. The genuine interest which Your Lordship is taking

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in the spread of technical and industrial education has been evidenced very clearly by the creation of technical scholarships for which we are grateful.

"My Lord, the establishment of a Medical College in the United Provinces is an educational want which ought to receive the immediate attention of Government. The Universities Commission have recommended the establishment of such an institution, and the head of the local administration has also recognised its necessity. The Medical School at Agra costs the Government about Rs. 28,000 a year; an additional expenditure of Rs. 52,000 annually will raise that institution to the status of a college on a footing equal to that of the one at Lahore, which costs a little over Rs. 80,000 a year.

Primary Education.

"The last though not of the least importance is the subject of primary education. In this respect the United Provinces occupy the very lowest place in comparison with the other Indian Provinces. The percentage of the male population of the school-going age attending primary schools in the United Provinces is ten, whilst in Bombay and Bengal it is twenty-two and twenty-three respectively. The grant of five lakhs enabled the Local Government to add to the expenditure on primary education. New schools were opened, and in one year the total enrolment of scholars increased by 48,461, which was an increase of 17 per cent. over the number of scholars of the preceding year. This fact affords the clearest indication that the backward state of the United Provinces is not due to any apathy of the people towards education but to the absence of facilities for obtaining it.

"The most urgent educational needs described by the Head of the Educational Department, and noticed by the Local Government in their Administration Report for 1901-02, are:—

- (a) More Primary Schools.
- (b) More trained teachers, *i.e.*, more Normal Schools.
- (c) Higher salaries for teachers, English and Vernacular.
- (d) Better, and better kept, school buildings for Vernacular Schools.
- (e) An increase of the district inspecting staff.
- (f) An improvement in pay and position of Subordinate Inspecting Officers.
- (g) Greater liberality towards female education.
- (h) More boarding houses and better ones; these should be attached to all Secondary schools, whether English or Vernacular, and should be under good management.

"The carrying out of these reforms and advances,' says the Director of Public Instruction of the United Provinces, 'on a moderate scale would require an additional twenty lakhs a year. This may seem a considerable demand; but even if it could be granted it would only raise the total expenditure from public funds on education, including University, Professional and Technical, as well as the general, secondary and primary instruction, without the outlay on buildings and all the cost of direction, to 1½d. a year per head of the population, and this scale of expenditure is already exceeded in most if not all of the other Provinces.

"Even the additional contribution received from the special grant of five lakhs has not much improved the position of the United Provinces in educational matters. As a matter of fact those Provinces compare very unfavourably with the other Provinces of India. With regard to public expenditure on education per unit of population, those Provinces already stand at the bottom of the list. From the special grant also they have received less in proportion to their population. My Lord, the cause of the backwardness of the United Provinces in educational matters cannot be better expressed than in the following passage from the last year's Report of the Provincial Education Department. 'Other Provinces,' says Mr. Lewis, the Director of Public Instruction, 'have by the favour of the Government of India been allowed to increase their lead. It is therefore the misfortune rather than the fault of these Provinces that they are the last of all in educational progress; and there it seems they are destined to remain. There is little doubt that if money were spent as freely here as elsewhere on edu-

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cation, and largely devoted to the extension of primary education, there would be a large increase in the enrolment of scholars. There is a demand in perhaps all districts for more schools and more schools, but they cannot be opened because the funds are exhausted. When a people cries out for education and cannot get it, we may well, with Carlyle, count it a tragedy."

The Hon'ble SIR DENZIL IBBETSON said:—"My Lord, the remarks with which I shall trouble the Council today will be very brief.

"The Hon'ble Mr. Hamilton urges us to increase largely and at once our expenditure upon agricultural education and experiment; he assures us that the money can be easily spared and profitably spent; and he holds up America to us as an example. But at the same time, he himself tells us why the example is not in point. He tells us that each of the American experimental farms is surrounded by a great body of farmers, all with capital at their command, all able to read and write the language in which the inquiries are conducted, and all intelligent; who eagerly co-operate with the farms and carry their teaching into practice. In India the very reverse of these conditions exists; and our difficulty is not so much want of money, as want of men. In order to exercise a practical influence upon the agriculture of the country, it is not enough to experiment successfully; it will still remain to bring the results of our experiments home to the people who are to benefit by them. And no amount of mere writing or talking will do that. As was pointed out in the Budget Debate of last year, what is needed is small demonstration farms at which the results of our experiments can be reproduced before the eyes of the cultivators. What we want in India, and what I hope we shall never be satisfied until we get, is an experimental farm for each area of which the agricultural conditions are distinctive, supplemented by demonstration farms in every district. But this means a very considerable agency, which must of necessity be for the most part native; and at present we simply have not got the men that we require. It would be a grave mistake to bring our institutions into discredit by starting them before we are in a position to work them efficiently, and the first thing we have to do is to train our agency. For that we need teachers, who do not yet exist.

"When we turn to education, upon the subject of which the Hon'ble Dr. Mukherjee similarly presses us, and holds up Germany as an example, the same difficulty confronts us. If agricultural education is ever to reach the agricultural population of India, it must be through the medium of their own vernaculars and it must be imparted by teachers who have learned in the vernacular. But at present, we have neither vernacular text books, nor teachers competent to teach from them. The fact is that both in the matter of trained agency and in the matter of teaching staff, we must begin at the top and work downwards. At present agricultural science can be taught only through the medium of English. Our first necessity is, a number of highly trained English-speaking Indians, who will prepare the necessary text-books in the vernacular, and who in their turn will instruct vernacular-speaking teachers to be employed in the lower grades of training institutions and schools. In the Budget Debate of last year I said that I hoped that the Pusa Scheme, which has been fully described in a recently published Resolution, would prove to be the corner-stone of agricultural progress in India. But we must lay the corner-stone before we proceed to the superstructure. I would ask those who are impressed with the infinite importance of the subject to the future of India, to believe that the Government realise it no less fully than they do; that they are conscious of their responsibility in the matter; but that they believe that ultimate success will be best assured by beginning at the right end, and by laying a sound foundation for future progress, even though to do so may involve a certain postponement of visible results.

"Another remark of the Hon'ble Mr. Hamilton's affords me an opportunity that I have for some time past desired, of saying a few words regarding the popular conception of the Indian Banya. He told us that he accepted the Punjab Alienation and Co-operative Credit Societies Acts as 'an earnest of the fact that Government has decided to clear the path of progress of the pests which now suck the life of the people.' I understand these words of his to refer to the Banya class; and I have

[*Sir Denzil Ibbetson.*]

noticed in various quarters, and especially of late, a tendency to speak and write of the Banya of India as if he was, if not always, at any rate generally, a dishonest scoundrel, and the inveterate foe of the Indian cultivator. In my opinion nothing could be more untrue, nothing more unjust; and I wish that people would accustom themselves to think and speak of the Banya as a banker rather than as a moneylender, for to call a man a moneylender is to condemn him by an epithet.

"There are, indeed, parts of the country where the Banya comes as a foreigner to settle temporarily among an ignorant people, upon whom he fastens like a leech, only to drop off when full and return to his own home. In such parts I believe that his procedure is often of a nature that it would be difficult to characterise too harshly. There are, again, other parts, such as the Punjab, where the desire of the Banya to acquire property in land has led to evils so grave that we have felt compelled to guard against their further growth by legislation of a very special character. But even in the Punjab, it is too often the cultivator who is himself his own worst enemy. There are bad Banyas of course; and when they are bad, they are very bad. But the character of such men is perfectly well known throughout the country-side; and only those persons deal with them whose credit is so hopelessly broken that they can find no one else to deal with. At the other end of the scale there are Banyas, and not a few of them, who pride themselves upon never taking a case into Court. Between these two extremes lie the great mass of the class; and my experience is that, so long as they keep out of Court, their dealings with their clients are, speaking generally, characterised by honesty and good faith and by a very considerable amount of liberality. When they are driven into Court, I am afraid that this cannot always be said of them; but in such cases it is not the Banya alone who sins. In the parts of India that I know best, and under existing conditions, the Banya is the mainstay of the agriculturist. He fulfils the function which the air-chamber fulfils in a fire-engine, and converts the intermittent income which accrues to the cultivator only at harvest time, into the continuous supply which is necessary for the support of his family.

"We were told last Wednesday that co-operative credit societies could never succeed in India, because the Indian cultivator is bound hand and foot to the moneylender. I do not believe it for a moment; though statistics of indebtedness were quoted from a high authority in support of the statement. I do not pause to consider the degree of weight which can properly be attached to such estimates, though personally I regard them as dangerous and misleading. But I would point out that 'indebted' is by no means necessarily synonymous, as so many people seems to think it is, with embarrassed or insolvent. I do not for a moment wish to minimise the poverty and pecuniary embarrassment which undoubtedly exist among the smaller tenants and land-owners of India; though after all, the real poor of the country are, not those who hold land on their own account, but the class of agricultural labourers. But, as I said in this Council the other day, agriculture, or at any rate cultivation by small holders, is in every country in the world carried on by means of borrowed capital; and a man may owe money to his banker, and yet be perfectly solvent. Indeed, in the part of the country which I know best, indebtedness is the general custom. The cultivator's account is kept on the debit side; and if a man saves money, he never dreams of paying it in to his banker so as to convert his debit into a credit; but he either uses it to acquire more land, or invests it in jewels for his wife, or possibly buries it in a hoard.

"In this matter I am entirely in accord with the views which were expressed by the Hon'ble Mr. Cable a week ago, and by the Hon'ble Mr. Bose today. Our credit societies will be of use, mainly to supply the small needs of small folk; they certainly will never supplant the Banya; and it would be a grievous mistake if they were pressed forward in a spirit of declared hostility to him. Competition and rivalry there must be, to a certain extent. But that will be entirely wholesome; it will, I hope, tend to reduce the traditional and exorbitant rates of interest at present so often charged; and I agree with the Hon'ble Mr. Bose in thinking it very possible that the Banya may find

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it to his advantage to lend money to these societies on their combined credit, on easier terms than he can afford to give to the individual members. It may also be hoped, as suggested by the Hon'ble Mr. Cable, that the societies will exercise a valuable educative influence, by teaching the Indian villager that money is productive. If we could tempt into active circulation the vast amount of capital, scattered in small sums all over the face of the country, which at present lies idle in the shape of hoards or jewels, a considerable advance would have been made towards that development which we all so much desire.

"Last year I mentioned the new arrangement by which the Civil Veterinary Department would be relieved of a great part of its duties in connection with horse-breeding, and thus enabled to give increased attention to the cattle which are so all-important to Indian agriculture; and I stated that inoculation against rinderpest, with serum prepared at our laboratory at Muktesar, was steadily finding favour in the eyes of the people. I think it may interest the Council to learn the progress which we have made since inoculation was first started in 1900-01. In that year we inoculated 2,257 beasts; in 1901-02 we inoculated 19,859; in 1902-03 we inoculated 45,728, and might have treated more had not the supply of serum run short; while this year we have arranged for the manufacture of $2\frac{1}{2}$ lakhs of doses of rinderpest serum, besides nearly a lakh of doses of prophylactics against anthrax and other fatal diseases of cattle.

"The Hon'ble Dr. Mukherjee asks us for full and detailed statistics of the rental paid by cultivators as tenants to their private landlords, on the ground that it ought to be taken into account in calculating the total burden of taxation upon the people. I confess that it would never have occurred to me to include in the amount of the taxes which the State levies from me, the rent that I pay for the house in which I live; and in this matter I see no distinction between houses and land. From the point of view of revenue, Government are concerned with private rental, only in so far as it constitutes the proprietary profits of which the State is entitled to a share. And the only manner in which Government have interfered to regulate the amount of such rent, is by legislation designed to protect the tenant against extortionate demands on the part of his landlord."

The Hon'ble Sir ARUNDEL ARUNDEL said:—"As stated by the Hon'ble Mr. Adamson, railway construction in Burma has been at a standstill because the Burma Railway Company were not prepared to undertake further construction under the terms contemplated in their contract of 1897. An arrangement has now been made between the Secretary of State and the Railway Company, and an allotment of 15 lakhs has been made for the ensuing year to make a beginning with—

- (1) the Pegu-Moulmein line,
- (2) the Henzada-Kyangin line.

"I would gladly have allotted more, but our Budget is limited while the demands upon it are unlimited, and it is impossible to satisfy the claims that pour in from every side. It must always be remembered that the requirements of open lines and lines under construction have first to be met, and only the balance is available for allotment to new lines.

"If later in the year we should be in a position to increase the allotments for the two lines abovenamed, and at the same time the Company is in a position to spend more, I hope a further allotment may be given.

"The third line mentioned by the Hon'ble Mr. Adamson—the Daga loop to the Henzada-Bassein Railway—has not yet been properly surveyed or estimated.

"The Arakan line, which is being surveyed, will, I fear, prove to be exceedingly expensive without being financially remunerative. From a merely administrative point of view it would be useful, but it must be remembered that water-communication exists, circuitous though it may be.

"The Southern Shan States line has been estimated to be 112 miles long and so cost $68\frac{1}{2}$ lakhs, and it is by no means certain that the estimate is adequate, or that there would be enough traffic on the line to pay even working expenses.

[*Sir Arundel Arundel.*]

"Enormous sums have been swallowed up on the Lashio line that might have been remuneratively expended elsewhere, and I am not prepared to believe that the Southern Shan States hill line will pay, on the strength of Sir George Scott's robust faith. The Chamber of Commerce may press strongly for it, but would any member of that body invest a hundred rupees in the scheme with any hope of a financial return unless guaranteed by Government out of the general revenue of the country ?

"In all that the Hon'ble Member says of the promise of the future for Burma in increase of population, cultivation and wealth I cordially agree. But, limited as our assignments for railway construction are, it would seem to be a wise policy to press first for the lines that promise the best return.

"As regards public works other than railways the Government of India hope shortly to be in a position to strengthen the Public Works Department staff in the grades of Chief Engineer, Superintending Engineer, Executive Engineer and Assistant. It is impossible to expend any very large sum satisfactorily until the establishment is increased, and this can only be effected by degrees.

"With reference to the Hon'ble Mr. Cable's remarks on the subject of railway freights for coal, I would say that the East Indian Railway is already, after allowing for rebate, carrying coal at almost the minimum permissible rates. And with regard to railway freight rates in general it must be remembered that the Companies have full power to deal with such rates in their discretion within the maxima and minima laid down in their contracts. The Railway Companies have land freight to sell just as steamer companies have sea or river freight to sell, and it is not to their interest to quote rates so high as to impede traffic. If the mercantile community will point out what kinds of merchandise are held up anywhere and will not move because freights are too high, they will have done much to simplify the problem of railway rates.

"As regards coal I may say that the rates on the East Indian Railway were reduced in August 1902, and the result so far has been more beneficial to the trade than to the railway, as the increase in weight carried to Calcutta or for export was not sufficient to counterbalance the loss in earnings. It is doubtful therefore whether further reductions can be expected for some time to come. Whether the steamer freights for export are capable of reduction is a matter on which I have no information, but it is probably known to the Hon'ble Member himself.

"The Hon'ble Rai Sri Ram Bahadur desires that the construction of new railway lines should be left to private enterprise and not constructed from borrowed capital, as borrowing adds to the permanent burden of the country which ultimately results in the imposition of fresh taxes.

"If the course recommended by the Hon'ble Member were followed, hardly any new railway line would ever be built, for private enterprise except in the rarest cases demands a Government guarantee in some form or other, and a Government guarantee throws the ultimate responsibility on the revenues of India; and as private enterprise even with a Government guarantee cannot raise capital so cheaply as Government, the taxpayer is in the end worse off than if Government raised the capital and built the railway. As the railways of India generally, even including expensive unremunerative strategic lines, are paying an interest on the outlay of nearly five per cent., the burden of the country is lightened by the difference between 5 per cent. and the rate at which Government borrowed, and there are in addition all the innumerable indirect advantages of the railways in fostering and developing trade and industry, giving a market to produce and permanent paid employment to an immense army of 378,000 Native employés throughout India.

"The Hon'ble Member says 'the extension of railway communication places better facilities for trade in the hands of influential merchants whose voice is so effectually heard by the authorities at home and in India; the construction and extension of works of irrigation affects mainly the poor agriculturist who has practically no voice to bring his necessities to the notice of Government.' I must repudiate the distinction which the Hon'ble Member would draw between the influential merchant

[*Sir Arundel Arundel; Major-General Sir Edmond Elles.*]

and the poor agriculturist. The latter and the 'voiceless millions' elsewhere referred to are having their case presented and their interests looked after by the Hon'ble Member here, and by officers in every district throughout India. I have already shown that the permanent burden of taxation is directly lightened by our railway revenue. I do not think that the Hon'ble Member would wish to represent that Indian merchants do not profit by the better facilities for trade given by the railways, or that the agriculturist would be in an equally good position if he had no railway to take his cotton, his seeds, his wheat, to a market. The wonderfully successful irrigation colonies in the Punjab actually demand railway communication to get rid of their produce and so make money by it, and one successful line of railway has been built simply to meet the requirements of the colony created by the irrigation works.

"Then my Hon'ble friend says no recourse ought to have been made to fresh loans for the construction of irrigation works. I hope the following figures will convince him that his policy is anything but wise in the interests of the people of India :—

Statement showing the net receipts from canals in India credited to the State exchequer after paying all working expenses and arrears of interest to the end of 1902-03.

	Rs.
Punjab	6,91,53,974
North-West Frontier	6,71,293
United Provinces	3,15,71,760
Bengal	-6,51,27,608
Madras	7,70,11,158
Bombay and Sind	-76,72,414
Burma	-6,63,394
TOTAL	<u>10,49,44,769</u>

The Hon'ble MAJOR-GENERAL SIR EDMOND ELLES said :—"It is a great source of satisfaction to have the support of such an able and fearless critic as the Hon'ble Dr. Asutosh Mukhopadhyaya as to the necessity for maintaining our army thoroughly efficient, and I share his regret that the whole of the extra charge for the pay of the soldier has been thrown on India. It is also a great pleasure to hear the statesmanlike and broad views of His Highness the Agha Khan on military expenditure and its necessity. Should his proposals for the maintenance of transport units by minor Native States and large landowners be carried out, the military authorities will hail the measure with the greatest satisfaction.

"The increase of our expenditure on the army has been attacked by the Hon'ble Mr. Gokhale and Rai Sri Ram with their usual vigour and pertinacity, but of this increase seventy-four lakhs is a story two years old. The increase of the soldier's pay was resisted as a charge on the Indian taxpayer, but the Indian case was lost on being referred to arbitration and the charge has become a regrettable necessity. The expenditure in regard to Sikkim-Thibet, Seistan and Aden (49 lakhs) is for escorts to political missions, and I would leave it to His Excellency the Viceroy to reply to this part of the case.

"The remaining excess expenditure is due to the allotment to India of 50,000 extra rifles of new pattern and 21 batteries of Field Artillery. Is it really necessary to justify this expenditure? The knowledge on military matters of the Hon'ble Members who have attacked the military expenditure is not extensive. I have listened with admiration to some of their speeches when they have spoken as experts on the University Bill and other subjects. I now feel still greater admiration at the boldness with which they criticise military measures regarding which their knowledge must be infinitesimal. Is it possible that they wish us to remain with ancient and out-of-date equipment when all other Powers have supplied themselves with the most modern? Are we to be content to hide ourselves behind our mountain barriers under the foolish impression that we shall be safe whilst the absorption of Asiatic kingdoms is steadily in progress?

[Major-General Sir Edmond Elles.]

"It is, I think, undoubted that the Indian army in the future must be a main factor in the maintenance of the balance of power in Asia; it is impossible to regard it any longer as a local militia for purely local defence and maintenance of order.

"Have not my Hon'ble Colleagues an object lesson before them?

"Fifty years ago Japan commenced to emerge from what I may call the junk and bow and arrow stage of naval and military science. What is it that has made her a first class naval and military Power?

"Our Hon'ble critics wish us to adopt a policy of non-advancement with the times. Was it by such a policy that the evolution of Japan has taken place in a manner never before seen in any age? Japan many years ago became aware of the insidious advance of a Power to threaten her and began to prepare with a foresight and statemanship which have gained her universal admiration. Few then thought that this small island kingdom would in a few years be fighting a first class Power for her existence; yet what would have been her fate shortly had her future been guided by statesmen holding the views of my Hon'ble Colleagues Mr. Gokhale and Mr. Sri Ram? Are we to disregard all warnings and remain in a backward state of military preparation? The South African war showed the inferiority of our field gun, and since then experiments have been carried out to produce a perfect gun of quick-firing type. It is interesting to know how backward we are. Russia is armed with a quick-firing field gun firing sixteen rounds a minute; ours probably fires two with difficulty. France is also armed with quick-firing guns stated to fire twenty rounds a minute. Germany has been armed since 1896, but is now re-arming with a better one. Even Switzerland began re-arming in 1901, and Japan commenced in that year and is believed to have completed its field artillery with quick-firing guns. Re-armament is very expensive, the cost of 21 batteries being £500,000, and the full re-armament will cost over a million sterling; the other batteries we hope to re-arm by guns made in India at a lower cost.

"There is yet another point I would press on my Hon'ble Colleagues. England after an expenditure of nearly 223 millions sterling on the Boer War came to the conclusion that want of reserves was rather an expensive thing and immediately voted 10½ million for war reserves. Nearly 9 million of this has been already spent. What is our small expenditure compared to the issues at stake? Even now with the extra expenditure this year you are only paying an extra insurance for the extra prosperity of the country, and the expenditure has barely increased when compared with the expansion of revenue. You paid in insurance during the four years 1896-97 to 1899-1900 24.70 per cent. on gross revenue; in the four years 1900-01 to 1903-04 it was 21.08. For 1904-05 the estimate is 24.02, and any increase in revenue decreases the percentage. I see no reason why the army should not have a certain share of increased prosperity as for years it was completely starved.

"The Hon'ble Mr. Gokhale refers to the figures in my memorandum on the Military Budget as curious, but I do not think it is so curious as his deductions. If I take the same set of figures throughout, the comparison between years is not vitiated. I took the last eight years for my periods because they were the last eight years. I fail to see why he should not take the principal heads of revenue in calculating the general increase of revenue. He says that the revenue between 1884-85 and 1904-05 increased from 51 crores to 73 crores; but I find that the gross revenue increased from nearly 71 crores in 1884-85 to 124 crores in 1903-4, and 120 crores is estimated for next year. He says the military expenditure between 1884-85 and 1904-05 increased 70 per cent. whilst the revenue increased 44 per cent.; but I find that the gross revenue increased in that time by 75 per cent.

"The Hon'ble Sri Ram has the following statement:—'This abnormally high and rapid increase in army expenditure cannot but be deplored.' In this we may entirely agree, but so long as other Powers progress in military armaments and preparation for war we must also keep pace. He continues with this remarkable criticism:—'The continuing growth of this already too heavy burden absorbs the surpluses and stands in the way of Government taking steps to give relief to the agriculturists.' I would point out that the large surpluses have

[*Major-General Sir Edmond Elles; the Lieutenant-Governor.*]

been attained in spite of the military expenditure, and as they are a solid fact—29 crores in six years according to Mr. Gokhale—I fail to see how they can have been absorbed by the Army. At least 75 per cent. of the increased gross revenue has been expended on general purposes, and there has in addition been a large remission of taxation. Less than 25 per cent. of the gross revenue is still expended on the Army.”

His Honour THE LIEUTENANT-GOVERNOR said:—“ My Lord, I will only make a few remarks on the Budget in reference to its relation to the Province of Bengal. In the first place I should like to say that I thoroughly acknowledge what the Hon'ble Finance Member has, with his becoming modesty, called the 'reasonable liberality' with which the Government of Bengal has been treated in the new Provincial Contract. I am very glad indeed that this step forward has been taken in regard to decentralisation, so as to call forth, as I believe it must, the best efforts of Local Governments and of their officers in regard to efficiency and economy of administration; and I acknowledge gratefully that in starting us off on the new system, the Government of India has treated us with reasonable liberality. We had very considerable discussion over the Provincial Contract before the Government of India settled it; and I am bound to say that the impression which that discussion left on my mind confirmed the impression which I had formed of the relations of the Government of India with Local Governments both while I was connected with the Government of India as Home Secretary, and also during the more than four years in which I have occupied the position of the head of a Local Government: that is, I recognise fully that not only do the Local Governments maintain that we belong to the same great system, and that we are working out the same great work; but the Government of India also cordially recognise this, and meet us in a sympathetic and kindly way. We did not of course get all we asked, because we asked for all that it was possible to hope for; but we got much of what we asked; and when we had got it and looked round and saw what other people had got, we were bound to admit that we had received at all events reasonable treatment; and I am sure that nothing that it was our duty to urge in regard to the necessary and expedient expenditure of Bengal was lost sight of by Your Excellency and Your Excellency's Government.

“ There are several matters in regard to which, coming to the Province of Bengal, I have been deeply impressed; and I am glad to say that they are not matters which have impressed me without having impressed my predecessors, or which have impressed me without having impressed those who are my responsible and even irresponsible advisers in this Province. They are matters which have deeply impressed me. One is the undermanning of our district and local establishments. We have far too few Deputy Collectors, and far too few Sub-Deputy Collectors; and our ministerial establishments are underpaid and undermanned. That is a matter which we have strongly represented, and it is a matter consequently in respect of which the Government of India have given us substantial help. I trust that, with the help which that Government have given, and with the money which under the new Contract it will be possible for us to set aside for this purpose of improving our local administration, great improvement may take place. As I have said, this is a matter which attracted the attention of my predecessors and which has also attracted the attention both of my subordinates and of the Press; and I am sure that the measures which are now about to be carried out, which are now under discussion between the Government of Bengal and Your Excellency's Government, will give great satisfaction to the Province generally.

“ Then there are three matters in respect of which we feel the necessity for a very considerable expenditure, but in respect of which we are still uncertain as to what that expenditure must be. In regard to these matters the Government of India have, however, given us the assurance that while they will expect us to do all that we can for ourselves they will give us all reasonable assistance in the future.

“ The first is irrigation. In respect of irrigation I have seen and examined a good number of the projects which seem absolutely essential in these Provinces,

[*The Lieutenant-Governor.*]

and I am sure that the policy which has been developed by the Government of India will be one which will be received by all who have an interest in the agricultural community with great gratitude.

"The second point is the police. In regard to that I hardly need say anything. My predecessor, the Hon'ble Sir John Woodburn, in this Council made as strong a statement perhaps as one desires to make about the necessity for police reform in Bengal; and that statement was certainly not too strong. I have the strongest belief in the necessity for very great reform. In respect of this matter we are still waiting to ascertain what are the lines of the policy in accordance with which reform must be carried out. I believe myself that it is better to wait. I have great pressure brought to bear upon me to carry out certain reforms immediately. I believe, however, that it is better to wait and to have a clearly defined policy before us before we begin to work on this great and important question.

"The third matter with regard to which the Government of India have promised us reasonable assistance in the future is the matter of education. Here again I find myself in accord with my predecessors, and in accord with what I believe to be the best opinion in the province, when I say that in respect of primary education we must incur great expenditure; that in respect of secondary education we have hardly any model schools at all; and that in respect of Colleges, we have to start them in many respects on a new line altogether. Your Excellency is aware that something has already been done at Dacca in starting a College on these new lines; and it has been brought before this Council in another debate by the Hon'ble Dr. Mukhopadhyaya that a great number more of European Professors are required than we have at present for our Colleges. There is also another feature of education which was omitted, I think, by the Hon'ble Mr. Pedler this morning, and to which I attach as great importance as any, namely, the absolute inadequacy and too general incapacity of our inspecting staff. All these things are matters upon which we shall have to incur great expenditure. We will make every effort that we can to meet these necessities, and we have been promised the support and the assistance of the Government of India.

"It was a very great pleasure to me to listen to the story which my Hon'ble friend Mr. Bose had to tell us of the history of the Morris College in Nagpur. In respect of that College, he tells us that some men 'laboured hard and long.' I need hardly say that this is Mr. Bose's own modest way, of hiding the fact that he, Mr. Bose, laboured hard and long for this College. The work which he did, the energy that he put into it, the patience and the devotion with which year after year he laboured for this College, have now been crowned with success as I believe; and they are crowned with success on the lines of the late Universities Bill, which has now become the Act under which we are all working.

"Two other matters only, my Lord, I shall refer to and that very briefly: one is public works under the Public Works Department and under the District Board. It is hardly credible, the impression which has been created in my mind in the course of my somewhat extended tours in this Province during this cold weather of the backwardness of this 'forward' Province of Bengal with regard to communications and buildings, and also with regard to the important matter of water-supply in the interior. That is a matter to which we shall have to give of our finances; and I do trust that, despite the existence in certain limited localities of an opposite spirit, it will be found that, when the Government either directly or through the Local Boards and Municipalities expends its own money, the public will also be ready to come forward and assist as they have done in the Province to which I have so long belonged.

"The second point on which I should like to say a word is the question of agriculture. I think it must be very gratifying to Your Excellency's Government to find that a matter which occupies so large a place in the Financial Statement has also occupied so large a place in the discussion today, and that the policy which has been inaugurated, or at all events pushed forward to so great an extent as to be practically a new policy under Your Excellency's Government, is one which commends itself so much to the critical Members

[*His Honour the Lieutenant-Governor ; Sir Edward Law.*]

of this Council. I have myself visited the Pusa Estate and discussed with my friend Mr. Mollison the object which the work at Pusa has before it, and I am fully satisfied that the advantage to our Province of Bengal from the work which is going to be carried out at Pusa will be of the very highest. But I am very strongly of opinion, with my Hon'ble friend Sir Denzil Ibbetson, that it would be absolute madness to push on agricultural experiment and agricultural instruction until we have the men to conduct the experiments and to give the instruction. That is the very first work which the Pusa establishment will have to do: to furnish us with the men that will be able to carry on our demonstration farms and to give the instruction that is required in agriculture. There is, however, another point to which I should like to refer in regard to agriculture. I feel very gratified indeed to think that the Central Provinces and its agricultural work should receive such honourable mention as it has from my Hon'ble friend Sir Edward Law in the Budget Statement; and I feel very strongly that no recognition of that kind could be too high for the excellent work that has been done by my friend and late colleague Mr. Sly. One great feature of that work, however, is one which I should like to see carried out here. We have had valuable hints today from the Hon'ble Mr. Hamilton in regard to agriculture; and we have also had valuable statements from the Hon'ble Mr. Cable about the connection between agriculture and commerce in this country. What I should like to see would be an association, not a great, big, unwieldy, uninterested association—but a good sound, working association such as we have in the Central Provinces—composed of agriculturists and of commercial men and of manufacturers, to criticise our experiments, suggest experiments and help us in our work. Now I shall be very glad if, when they have leisure, my Hon'ble Colleagues Mr. Hamilton and Mr. Cable will give me some hints in regard to the formation of such an association.

"I shall not touch on the question of excise. I thoroughly concur in what has been said by the Hon'ble Finance Member in the Budget Statement in regard to excise. The views of Your Excellency and of the Government of India are well known. It is our duty as loyal though subordinate collaborators with the Government of India to enforce that policy, and we shall certainly do our best to carry it out. As is well known, the question of excise is now before the Legislative Council of the Government of Bengal, and I trust that we shall be able to work out a measure which will meet with the approval not only of the public but also of the Government of Bengal.

"In conclusion, my Lord, I join heartily in congratulating the Financial Member and Your Excellency's Government on this Budget."

The Hon'ble SIR EDWARD LAW said:—"My Lord, I think that perhaps it will be unnecessary for me to reply to each Hon'ble Member who has spoken. It will possibly save time if I confine myself to replying to those rather longer speeches which included remarks repeated, though in different form, by others who were briefer in their criticisms.

"The Hon'ble DR. Asutosh Mukhopadhyaya started the discussion with a speech which, whilst I gladly acknowledge its moderation, I cannot pass by without calling attention to the unsoundness of many of the premises on which he has founded his conclusions and criticisms.

"My Hon'ble Colleague discusses the causes of our surpluses. He considers that the principal factors which have contributed to such surpluses are first the stability of exchange and secondly increase of taxation. He has apparently persuaded himself that the means adopted to establish stability of exchange have been in themselves most prejudicial to the true interests of agriculturists, that is, to the great mass of the population. In this connection the Hon'ble Dr. Mukhopadhyaya submits a remarkable and, I would venture to say, very arbitrary statement of figures with regard to the exports of Indian merchandise (I use his words) 'grown by ordinary cultivators' and the value of the articles of import 'used by the agricultural population.' How he comes to class jute manufactures as an article 'grown by ordinary cultivators' I do not understand, and he himself has clearly some doubt as to the correctness of the principle which has

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led him to include such manufactures in his schedule, since he omits from the same schedule cotton manufactures. From the point of view of his arguments I cannot myself distinguish between the two. Again, I find that from his list of articles imported for the use of the agricultural population he omits copper, silver bullion, sugar, steel, railway material, machinery and mill work, twists and yarns, and various minor articles such as fruit and vegetables, and vegetable oils. My Hon'ble Colleague must, I think, admit that all imports of silver, of steel, of railway material and machinery and of mill work are more especially for the benefit of the masses, that is, the agricultural population. It cannot be questioned that the agriculturist is the man who is chiefly benefited by the construction of railways and the importation of steel and materials for use in connection with them, and I cannot believe that any class has derived a greater profit than the agriculturist from the importation of such machinery and mill work as are used for the purpose of reducing the cost of manufactures and thereby enhancing the value of the raw materials used in their production. Again, my Hon'ble Colleague assumes that only 80 per cent. of those articles of import which he schedules are used by the agricultural population. This seems to me to be a very arbitrary assumption, particularly as regards the imports of spices, steel, agricultural implements and grey shirtings, which he mentions. But I think I need not pursue the question in further detail. I have said enough to show that the calculations are based on premises which are, to say the least, too arbitrary to admit of any close argument being founded thereon.

"I am averse to attempting a discussion of such wide economic questions as the effect on exports, of a depreciated exchange, in the limited time available during the discussion of the Budget. I must, however, point out that the only period during which the value of commodities exported can be appreciated by a falling exchange is that during which the effect of depreciation of exchange has failed to make itself universally felt throughout the exporting country. I am aware that, particularly in a backward country, it ordinarily takes a considerable time to make such effects universally felt, but where a country has to meet gold liabilities, if exchange be not sustained, taxation to meet such obligations must be increased from the very outset of a crisis produced by exchange depreciation. It is, however, perhaps, in any case unnecessary further to pursue this line of argument, since there has been no appreciation of the value of the rupee beyond that at which it stood very shortly before the closing of the mints. The average rate of exchange in the financial year 1891-92 was 16·733 pence. The measures taken by Government in 1893 have therefore not resulted in an appreciation of the rupee, but only in maintaining its exchange value at a rate approximate to, but somewhat below, that at which it stood immediately prior to 1893. The Hon'ble Mr. Morison has, with much acumen, discussed this question from another point of view, and he has shown that on the scientific basis of a comparison of past and present index numbers, there is no foundation for the allegation that the raiyat has suffered from the measures taken to maintain the stability of exchange.

"I now come to the question of increased taxation, and I must express great surprise at the erroneous assumption made by so acute a reasoner as my Hon'ble Colleague. He says that our surpluses are due to increased taxation, and he names the heads under which there have been increases. The surpluses of recent years, against the origin of which he finds reasons for complaint, have, as I pointed out on a previous occasion, been obtained without any increase of taxation. Since the year 1896-97 there has been no increase of taxation, with the single exception of the imposition of countervailing duties on bounty-fed sugar, the returns from which have barely averaged £100,000 per annum. The years 1896-97 and 1897-98 both closed with very heavy deficits, and the cycle of surpluses only commenced in 1898-99. Last year we remitted taxation at a cost of £1,220,333, and nevertheless the growing prosperity of the country has resulted in an increase of revenue under general heads (excluding mint and opium) amounting to £2,093,661.

"I submit a table showing calculations of incidence of taxation in India. It will be observed that when, on the only sound principle for such calculations,

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Revenue from State property is treated separately, the incidence of taxation is now only Rs. 1.42 per head per annum.

Statement showing incidence of revenue from 'taxation' and 'Government Property' respectively per head of population.

1	Population. 2	GOVERNMENT REVENUE FROM				Incidence of (3) per head of population. 7	Incidence of (4) per head of population. 8
		Taxation.* 3	Property.† 4	Other items. ‡ 5	Total. 6		
	Number.	Thousands of rupees.	Thousands of rupees.	Thousands of rupees.	Thousands of rupees.	Rupees.	Rupees.
1880-81	196,429,857	19,65.77	44,92.69	9,70.55	74,29.01	1.00	2.29
1885-86	207,406,514	19,13.17	49,63.50	5,69.75	74,46.42	.92	2.39
1890-91	218,383,172	24,75.74	54,96.45	6,01.98	85,74.17	1.13	2.52
1895-96	222,866,529	30,29.57	61,94.40	6,13.05	98,37.02	1.36	2.77
1900-01	227,349,886	31,22.42	70,50.86	11,17.56	1,12,90.84	1.38	3.10
1901-02	228,246,557	32,58.13	74,02.92	7,90.63	1,14,51.68	1.43	3.24
1902-03	229,143,228	33,59.18	73,44.72	8,15.19	() 1,15,19.09	1.47	3.20
1903-04 (Revised).	230,039,899	32,51.43	78,90.97	11,88.60	(a) 1,23,34.00	1.41	3.42
1904-05 (Budget).	230,936,570	32,85.79	78,14.16	7,59.72	(a) 1,18,89.67	1.42	3.40

* Includes Salt, Stamps, Excise, Provincial Rates, Customs, Assessed Taxes and Registrati on.
 † Includes Land Revenue, Opium, Forest, Post Office, Telegraph, Railways and Irrigation.
 ‡ Include Tributes, Interest, Mint, Civil Departments, Miscellaneous, Other Public Works and Army.
 (a) The revenue from Berar, included in the Accounts of the Government of India from 1st October 1902, has been left out for the purpose of comparison in the above table.
 NOTE.—The population figures of 1880-81, 1890-91 and 1900-01 have been taken from the line 'Total British' at page 5 of the tenth issue of the Financial and Commercial Statistics (after deducting the population of Berar). For 1885-86 and 1895-96 the mean of the 1881 and 1901 and of the 1891 and 1901 figures, respectively, have been taken. For the years following 1900-01, an addition equivalent to the average annual increase of population between 1891 and 1901 has been taken.

"The Hon'ble Dr. Mukhopadhyaya has devoted a considerable portion of his speech to a suggestion that the income-tax should be abolished. He, however, agrees with me in thinking that our primary care should be not to overtax the agriculturist. The agriculturist does not pay income-tax, and I leave it to my Hon'ble Colleague to suggest in what form and on what class the new tax should be levied to take the place of the income-tax.

"I may point out that the Hon'ble Dr. Mukhopadhyaya appears to be unaware that we already have a graduated income-tax in India. On incomes below Rs. 2,000 the tax is not assessed at so many pies in the rupee, but on a fixed scale as follows:—

From Rs. 1,000 to Rs. 1,250	. . . . .	Tax Rs. 20.
From Rs. 1,250 to Rs. 1,500	. . . . .	Tax Rs. 28.
From Rs. 1,500 to Rs. 1,750	. . . . .	Tax Rs. 35.
From Rs. 1,750 to Rs. 2,000	. . . . .	Tax Rs. 42.

"The results of these rates naturally differ from those calculated by my Hon'ble Colleague; up to an income of Rs. 2,000 per annum, they only reach 5.04 pence in the pound.

"With reference to the implied suggestion that the Government of India is under some sort of an obligation to abolish income-tax when not absolutely required for the immediate purposes of administration, I must point out with emphasis that no kind of obligation exists in the matter. When originally introduced in 1860, the income-tax was admittedly a temporary impost, and consequently when it was considered that the financial situation permitted its

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abolition, it was promptly abolished. When reimposed in 1886, no sort of promise was made that it would be hereafter abolished in any specified circumstances. It has now been levied continuously for some seventeen years, and I must repeat my hope that should it be found possible to grant some measure of relief to the tax-paying population, the claims of other and more needy classes will be considered before those of the wealthier class whom we desire particularly to reach by the income-tax.

"With regard to the Famine Insurance Grant, I am afraid that the statement in paragraph 181 of the Financial Statement is perhaps not quite so clear as it might be. That statement has been drawn up on the basis of an increase of revenue amounting to $1\frac{1}{2}$ crores of rupees per annum having been obtained by measures taken by Government in 1877-78 for the special purpose of providing for famine requirements. A credit and debit account has been prepared which has year by year been credited with the full $1\frac{1}{2}$ crores, as originally proposed, and this account shows a credit balance of £2,089,149 at the close of the current financial year. Had we taken into account the reductions which were made in the contributions for famine purposes in the years 1894-95, 1895-96, 1899-1900 and 1900-01, the balance on the credit side of the account would have been *pro tanto* reduced.

"I find some difficulty in following the various calculations made by Hon'ble Dr. Mukhopadhyay on the question of the general burden of taxation, but I may at once point out that the calculations appear to me to be of very small importance, since they are based upon an entirely erroneous assumption that, apart from local cesses, land is taxed in India. At some period in the history of all countries, land has been the property of the tribe or of the State composed of amalgamated tribes. In India that system as a rule continues. The raiyat in India has, generally speaking, neither won his lands by the sword nor purchased them by a cash payment; he therefore properly pays the rent thereof to the proprietor, that is, to the State. Again, my Hon'ble Colleague appears to be quite in error in omitting from his calculation of the burden of taxation in England the very heavy local rates and taxes. It is true that local cesses are levied in certain parts of India, but these as compared with local taxation in Europe are relatively insignificant.

"My Hon'ble Colleague gave as one of the headings in his speech 'fictitious surpluses.' I must admit being unable to understand the term 'fictitious' as applied to the surpluses which our accounts have shown to have been realised in the last few years. The fact that, in connection with Provincial settlements, we have, for convenience in accounting, made large assignments during the current financial year to Local Governments for expenditure in the forthcoming year, does not, I think, in any way justify the use of the word 'fictitious' in connection with the amount of the surplus actually realised.

'In his zeal for the welfare of the agricultural classes the Hon'ble Rai Sir Ram has, I fear, somewhat overstated his case in a manner which my zeal in the same cause leads me, in their interest, to consider as a matter for regret. Although it is true that certain additional cesses, chiefly of the nature of what is properly described as local taxation, have been imposed on lands during the last thirty odd years, the sums annually collected under this head are relatively small, and since my Hon'ble Colleague views reduction of taxation to the extent of £1,000,000 under salt as a small matter, I cannot but fear that, were the cesses of which he now complains abolished, he would similarly turn round and treat the concession as a very small matter.

"Local taxation is a very complex question, and the rates levied in different provinces vary largely in amount, incidence, and history; it is not the case that incidence is heaviest where the nominal rate is highest; I observe that the Hon'ble Member has not suggested that the local taxes are specially burdensome in his own province.

"I may mention that the question of the advisability of reducing local cesses was very fully considered by Government some three years ago when we discussed schemes for the remission of taxation, and the conclusion, based on careful enquiries from the local authorities, was that the present incidence was not unreasonable, and that in many cases a remission would fail to reach the

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actual cultivator. The Government of India has no interest in granting remissions the benefit of which is likely to be intercepted by land-owning middlemen.

"The Hon'ble Member may be interested to know that, in respect of his own province, proposals are now under consideration for reserving for purely local purposes that part of existing local rates which has hitherto been allotted for expenditure on railways and canals, and, as he is aware, the new Provincial settlement with the United Provinces includes a grant of $1\frac{1}{2}$ lakhs per annum in aid of local board finance.

"With regard to my Hon'ble Colleague's observations on the effect of the maintenance of a fixed exchange, I have dealt with this question in my reply to the Hon'ble Dr. Mukhopadhyaya.

"I do not quite follow the Hon'ble Member's arithmetic when he says, 'surpluses, it appears, have been and will be absorbed by an increase of expenses under the head of Army Services'. It is true that our estimate of expenditure for the coming year, which includes a very heavy non-recurring charge, will exceed the figure for the year 1900-01 by approximately £4,000,000, but our revenue receipts, omitting profits from coinage, have increased in the same period by approximately £8,000,000; there is therefore no foundation for the statement that military expenditure has absorbed the increase in our resources.

"My Hon'ble Colleague inquired why I took an exchange rate of 16*d.* to the rupee in my statement of accumulations of treasure in India. The only sound calculation of the value of the absorbed silver is to show its value at the present moment, and that is, at the rate of exchange of the day, Rs. 15 to the £. Rates at previous dates have no significance of any kind. We want to know the present situation. As regards gold, the question of exchange does not arise.

"I am in complete sympathy with the interest expressed by my Hon'ble Colleague Mr. Hamilton in the prosperity of agriculture; but to one point in his speech, a point which has been treated, though in a less emphatic manner, by several other Hon'ble Members, I must take exception. It is of course a matter of great satisfaction to me on personal as well as on public grounds to be able to submit to Council a prosperity Budget, but the causes leading to this satisfactory situation have been entirely beyond my control. The situation is in the main due to the fortunate climatic conditions which have prevailed practically throughout India during the last two years, whilst even in our bad years, when acute distress prevailed in some parts of the country, other areas were enjoying not only normal prosperity but were positively the richer for the famine. It must be remembered that our huge famine expenditure consisted of disbursements within the Indian Empire, and in so far as they were merely a transfer of money from the pockets of one section of the population to those of another and more fortunate section, India, as a whole, was none the poorer. Personally I have done, and could do, nothing to influence this situation, and I cannot tacitly accept compliments founded on an erroneous impression.

"I cannot but admit to sharing to a certain extent the Hon'ble Mr. Cable's regret that the result of our budget estimates for the forthcoming year shows a decrease in our closing balances on 31st March, 1905.

"Our situation in India is peculiar. In most countries, relatively very small balances are required to be held by the treasury, since it is always possible by temporary expedients, such as the issue of treasury bills, to raise considerable funds at short notice to meet special requirements. In India we have no such resource at hand in times of need; we are obliged by the force of circumstances to be our own bankers. The only way in which we can meet the situation is by keeping large balances in our treasuries, but it must be remembered that the maintenance of such balances is a direct pecuniary loss in so far as the money is lying idle and unproductive, and it is therefore our duty to keep down the amount within the limits of a reasonable margin for safety. We are pressed on all sides to admit increased expenditure, particularly for productive works, and we propose in the forthcoming year to raise a rupee loan in India, and I think that my Hon'ble Colleague will agree that three crores is as much as we should reasonably ask from the Indian market, and as regards borrowing in London, he is of course aware that the situation of the European

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money markets is not in present circumstances one to inspire confidence in the possibility of large borrowings at reasonable rates in the early future. On the whole, it will, I think, be seen that there are reasons for admitting some reduction in our balances, rather than attempting to increase our borrowings in unfavourable circumstances.

"With reference to the new contract for mails between India and the United Kingdom, we have recently received telegraphic information from which I understand that an arrangement has been made with the Peninsular and Oriental Steam Navigation Company, for the prolongation of the existing contract by a term of three years, subject, under the usual penalties, to an acceleration of speed by twenty-four hours for the time of transit, either way.

"With reference to the Hon'ble Member's remarks about the income-tax, I need only add, to what I have already said, that the greatest objections to the tax are, we believe, being gradually removed by improved administration, and such improvement has undoubtedly been accelerated by the raising last year of the taxable limit.

"I think that my Hon'ble friend need not be under any apprehension as regards the probability of the introduction of excise-duties on such industries as paper-making. There is no comparison between the amount of revenue easily obtainable from the consumption of cotton manufactures and such as could be obtained from taxing the consumption of such articles as paper.

"With reference to the doubts expressed as to the correctness of my views that such difficulties as are experienced by cotton spinners and weavers are not due to the levying of excise-duties at a trifling rate, but rather as a rule to the financial organisation of the industry, I may mention, in confirmation of my opinion that well conducted mills on a sound financial basis can work at a profit, the fact that the Colaba Land Mill paid in 1903 a dividend of $5\frac{1}{2}$ per cent; the Framjee Petit Mill, $4\frac{1}{2}$ per cent; the Manokji Petit Mill and the Swadeshi Mill, 6 per cent; Jewraj Baloo Mill, 8 per cent; and the Presidency and Sholapore Mills, 7 per cent.

"The Hon'ble Dr. Bhandarkar laid considerable stress, in his remarks on the question of excise-dues, on the fact that the capital outlay for the establishment of a mill is considerably greater in this country than in Europe. That is undoubtedly the case, but on the other hand the raw product, cotton, is at the door of the Indian manufacturer. I am not able to make a definite statement on the subject, but I should imagine that one fact probably compensates the other.

"On the question of the statement which I submitted regarding the balance of trade, my Hon'ble Colleague Mr. Gokhale appears to believe that he has, at the last moment (he has had my figures before him for some weeks), discovered a serious error. I am inclined to think that there may be something in the objection which he has raised, although I am not sure that I correctly understand him. As he has put it, it is however, I think, clearly incorrect. The Hon'ble Member appears to base his criticisms on a figure of £16,000,000, which he says has been raised in England during the three years I considered, and spent on public works in India. He has, however, omitted to take into consideration that our rough estimate of distribution of expenditure on railways is one-third for stores purchased abroad, and two-thirds for expenditure on works in India, whilst for irrigation and other works the proportion spent in England is comparatively trifling. The use made of this figure of £16,000,000 would therefore appear to require very serious reconsideration. Moreover, I may mention that according to a statement which I have had hurriedly prepared today, the net borrowings by the Secretary of State during the three years considered, amounted to approximately £9,600,000, but of this sum no less than some £7,300,000 was devoted to transactions in connection with the purchase of the Great Indian Peninsula railway, a transaction having no possible connection with the balance of trade. The fact is then the average borrowings of the Secretary of State have been somewhat below £800,000 per annum.

"He asks:—

- (i) What becomes of the profits which English merchants annually earn in India?

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(2) What becomes of the freights the English companies earn ?

(3) What becomes of the savings of 'Anglo-Indian lawyers, doctors, civil and military servants of the Crown ?

" I will tell him :—

(1) It is only when the merchant finally leaves India in the evening of a life spent in developing the resources of this country that he remits any important sums abroad ; during his career in India he does not hide them under a hearth stone, but employs them to develop the resources of the country, to the lasting benefit of the masses of his Indian fellowsubjects.

(2) Freights on imports are included in the value of imports I have tabulated ; freights on exports are paid by the importing European consumers ; the latter are entirely outside the calculation.

(3) The savings of lawyers, doctors, and civil and military servants of the Crown are during their career in India almost invariably invested in this country ; it would be contrary to commonsense for a man who has the opportunity of investing his money in Indian enterprises returning 6 to 8 per cent., to invest his money in Europe where he would find it difficult to obtain 4 per cent. I must point out that whilst the officers of the Indian Army who have reached a certain rank are undoubtedly able to accumulate small savings, in the junior ranks such savings are out of the question, and moreover against the savings of the senior ranks of officers of the Indian Army we must take into account the large sums steadily drawn from Europe by the great majority of officers of the British Army serving in this country, whose pay contributed by the Indian tax-payer is insufficient to meet their daily expenditure.

" The Hon'ble Mr. Gokhale is one of the multitude who stand at the door of the treasury and cry ' Give ! Give ! ' But not only does he desire increased expenditure, he is most anxious to abolish such taxes as already exist and with which present needs are met. We are not in a position today adequately to provide for expenditure on many and various worthy objects and particularly on education in which he is keenly interested, and yet when the Budget shows, as has been remarked by the Hon'ble Mr. Cable, an unfortunate diminution of about £3,000,000, in our closing balances, with numerous unsatisfied demands for expenditure, the Hon'ble Member questions our whole fiscal policy and suggests that one of our most important resources, the land-revenue or rent paid for lands the property of the State, should be sacrificed.

" In support of his suggestions the Hon'ble Member quotes certain figures from which he draws the conclusion that the percentage of rents charged on land has been increased by 22 per cent in fourteen years. Last year my Hon'ble friend corrected me for having omitted to take into account the inclusion of the addition of Berar revenue in my Financial Statement ; today he has committed the same mistake himself, and not only has he forgotten the existence of Berar, but he has left out of account the fact that in the year 1890-91, which he arbitrarily selects as the initial year of the period he considers, land settlement in Burma was in its infancy, and further that the colonisation and irrigation schemes in the Punjab, which during the latter part of the period have borne such splendid fruit and contributed in a most important manner alike to the prosperity of the agriculturist and to the resources of the treasury, were, if nascent, of no practical account as regards their effect on revenue returns. I will venture to correct the calculations of my Hon'ble Colleague, and, deducting from the figures which he has given, the returns from land-revenue in Burma and the Punjab and the recent addition of Berar revenues, we find that the total revenue derived from land in 1890-91 was Rs. 19,71,14,000 and that for 1904-05 it is estimated at Rs. 22,53,24,000. These figures show an increase for the period not of 22 per cent but of 14.3 per cent, or one per cent per annum.

" How my Hon'ble Colleague has found the courage to commit himself to the statement that we now ' have a large permanent excess of revenue over expenditure ' I am at a loss to understand. I can only say that I envy his confidence as a prophet. Anyone who has studied fiscal questions is aware that there is nothing like permanence in any country in the comparative relations

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between income and expenditure. Demands for expenditure always increase and revenue is liable to vicissitudes which cannot be foreseen. It seems to me that nothing can be more contrary to all sound principles than to assume a permanence of relation between revenue and expenditure.

"My Hon'ble friend once more plunges into arguments on the effect of exchange. I wish that I could feel anything approaching his self-confidence in the possibility of fully solving this most difficult problem. I have already in my reply to the Hon'ble Dr. Mukhopadhyaya ventured to submit for consideration, such ideas as I have myself formed on the question of the effect of exchange on the profits of the cultivator. I need here only say that my views are entirely opposed to those so confidently submitted by the Hon'ble Mr Gokhale.

"On one point in connection with my Hon'ble Colleague's lamentations at what he is pleased to style the destitute condition of the agricultural masses I should perhaps insist, and that is, as I have already pointed out, that the recent famines affected only a small proportion of the total population of British India, and that the material prosperity of the agriculturists who in a large part of the country were favoured by climatic conditions, was advanced by the higher prices which the failure of crops elsewhere enabled them to realise for their produce. I must again repeat that our huge famine expenditure was merely a transfer of wealth, within the Empire, from the pockets of one section of the population to those of another, and finally I would remind my Hon'ble Colleague of the very large remissions of land-revenue and of debt on account of agricultural advances that were made in the distressed districts.

"Again, the Hon'ble Member finds cause for regret in his assumption that the establishment of stability of exchange has increased the debts of the raiyat to the moneylender. But these debts are due in rupee currency, and since the price of commodities has, according to his assumption, risen, the raiyat will clearly have less to pay in produce. It is, perhaps, unnecessary to pursue this question any further, since my Hon'ble Colleague takes my warning that the bringing of new lands under cultivation in America and the improvement of communications may cause a decline in the world's prices for agricultural products, as a statement closely connected with the question of exchange in India! Where he or any one else can find the connection I cannot conceive. Moreover, I feel that he has submitted to us but a portion of the arguments on which he bases the faith that is in him, since he authoritatively states that the burdens of the agriculturist have virtually been enhanced by nearly 50 per cent.; but he gives us neither the chain of reasoning nor the calculations by which he has arrived at this extraordinary figure.

"I should perhaps notice one of the somewhat remarkable arguments put forward by my Hon'ble Colleague in connection with the exchange question. What he says is to the effect that, if by raising the exchange value of the rupee to 16 pence, such wonderfully satisfactory results could be produced, why not at once raise it to 18 pence or even to two shillings? Such a question shows that my Hon'ble friend has entirely failed to understand that it is not the precise exchange value of the currency of the country that is of primary importance, but it is the stability of exchange. Sixteen pence was fixed by eminent financiers as the rate of exchange which in their opinion it would be possible to maintain without producing too serious a disturbance in the financial system. It is impossible, I think, even today, to say with certainty that a rate of 15 pence or 17 pence might not have proved better in the general interest of the country than the rate of 16 pence; but the rate actually adopted has been a success, and it is in my opinion an idle speculation to consider what might have been the effect of a penny more or a penny less. As to the suggestion that the rate might have been raised to one shilling and nine pence or two shillings, I must confess my astonishment that my Hon'ble Colleague has not realised the inevitable and disastrous upsettal of all financial stability which such an exaggerated change would have caused.

"I note with a certain amount of satisfaction that my Hon'ble Colleague who comes from Bombay admits that the excise-dues on cotton goods 'are really paid by the consumers.' This is in my opinion the fact, and I sincerely

[*Sir Edward Law ; the President.*]

trust that he will succeed in persuading his friends in the Bombay Presidency that he and I are correct on this point.

" My Hon'ble Colleague devotes a considerable portion of his speech to what he considers to be the serious burden inflicted on the population by the existence of the Government salt monopoly. Among his arguments, he observes that we have an extensive sea-board and salt-mines, and that we can manufacture every pound of salt that is needed ; any profitable importations from abroad are therefore in his opinion only possible as a result of the existing monopoly system. May I remind him that the existence of gold mines in the middle of the Sahara Desert would be of little value to any one, although gold is much easier to transport than salt. The whole economic question in considering the value of resources is dependent on the possibility of cheap transport to centres of consumption, and although there is doubtless plenty of salt in India it is not always possible to deliver it to Indian centres of consumption at the same cost for transport as is incurred in the delivery of salt from distant, but, as regards this all-important question of cost of carriage, more convenient sources of supply.

" My Hon'ble Colleague has followed his usual habit in exhausting the vocabulary of adjectives in describing in fanciful language the impoverishment of the country and the abject destitution of the raiyat population. When he takes his seat at this Council table he unconsciously perhaps adopts the role and demeanour of the habitual mourner, and his sad wails and lamentations at the delinquencies of Government are as piteous as long practice and training can make them ; but I have reason to believe that outside these precincts the Hon'ble Member's moods are sometimes in a lighter vein, and we may therefore perhaps hope that his jeremiads do not seriously indicate a feeling of such utter despair as they tend to produce in those to whom he addresses them. There is nothing more distressing than the mental attitude of the mourner who refuses to be comforted."

His Excellency THE PRESIDENT said :—" I do not propose to say much about the figures of the Budget. They speak for themselves. Hon'ble Members have found no complaint to make ; and nearly every speech to which we have listened has been in the nature of a beatitude. In my remarks I propose to look rather at the Budget as the culminating point for the moment in an era of recuperation which has now been proceeding for five years almost without a halt, and to contrast the position which we occupy today with that which was presented when I came to India at the end of 1898. My predecessor had to fight—and he fought with great courage and cool-headedness—against many drawbacks, famine, pestilence, earthquake, and war. Recurrent deficits appeared in the Budget. The exchange value of the rupee touched its lowest point, only a fraction over 1s. in 1895. In the summer of 1898 it was proposed to borrow 20 millions sterling in order to strengthen exchange. The year 1898-99 witnessed the turn of the tide and the first of a series of surpluses that have never since failed us. But even then exchange was an uncertain quantity, and we had no guarantee that the pendulum would not swing back. It was in the summer of 1899 that Sir Henry Fowler's Committee reported, and in September of that year we introduced and passed the legislation at Simla which gave us a gold standard in India, and started our present currency system on its way. Nearly five years have gone by, and we have almost forgotten the anxieties of those days. We have secured practical fixity of exchange at the rate of 16*d.* to the rupee. The lowest point touched has been 1s. 3½*d.* in July 1901, and the highest 1s. 4½*d.* in January 1900: but the ordinary fluctuations have been within much narrower limits. This has been the first and most beneficial result of the change. Hon'ble Members will recollect that another of the Committee's proposals was the creation of a Gold Reserve Fund from the profits of Indian coinage. It was reserved for Sir Edward Law to put that plan into execution in 1900. We began with 3 millions in the first year ; but we now have nearly 6½ millions invested in Consols and other gold securities in England, and bringing in an interest of £166,000 per annum. Before many years have passed I anticipate that this reserve will have reached the figure of 10 millions sterling, which will be sufficient for our purpose, and will give us a permanent guarantee for stability of exchange. The fund is valuable to my mind from another point of view. Constituted as it is from the profits on coinage, it points

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to a steadily-growing demand for currency, and, therefore, to an increase in the industrial activity and prosperity of the country. While I am speaking of our reserves, I must also not lose sight of our Currency Reserve, which, though it exists for a different purpose, *viz.*, to secure the stability of our note circulation, and to provide for a demand for gold as distinguished from rupees, is yet an important buttress to our financial position. This fund now contains upwards of $10\frac{1}{2}$ millions sterling in gold.

“But it is in my power to point to other and more direct symptoms of progress in a comparison of our present Budget with its predecessors. Our revenue has risen from $68\frac{1}{2}$ millions in 1899 to 83 millions in 1904, and this notwithstanding one very severe year of famine and in parts of India two years, as well as the continued prevalence of plague. Nevertheless, whatever head of revenue you examine, you will find the same marks of growth. The only heads under which there is a decrease in the present year are those of Salt and Assessed Taxes, and that only because of our reduction of taxation a year ago. For five years we have had a succession of surpluses, amounting to an average of 3 millions sterling per annum. Last year we gave to India the first remission of taxation that she has enjoyed for 20 years. We sacrificed thereby about £1,400,000 annually in respect of the Salt Tax and the Income Tax: but we gave to the people what in my judgment was their due, and we so arranged our remissions as to bring relief as far as possible to those classes that best deserved it. If our resources continue to expand, I should like to look forward to a day when we may proceed even further. It would, perhaps, be too much good luck for one Viceroy to give two considerable reductions of taxation in his time. But if I am not so fortunate, then I shall hope to bequeath the opportunity to my successor.

“Another evidence of our improving credit has been the figures at which we have been able to issue our rupee paper loans for Public Works expenditure. In 1900 the average rate was just over 94 rupees; last year it was a fraction over 98 Rs. 1 a. The Bank rate has never exceeded 8 per cent. nor fallen below 3 per cent. During the past year it has not exceeded 7 per cent.

“During the quinquennium our total debt, both here and in England, has been increased by less than 16 millions. But against this must be set an expenditure on capital account of nearly 20 millions on Railways and $2\frac{3}{4}$ millions on Irrigation, the increased revenue from which more than repays the interest on the capital outlay. As regards Railways and Irrigation, let me analyse a little more closely. At the end of this year 27,150 miles of railroad will be open, or an increase of 4,650 miles in my time—the largest total that has yet been recorded. But a more important feature still is that having for the first time obtained a surplus from our Railways in 1899-1900—a modest bantling of £76,000—our net Railway revenue has now risen to £855,000—a most healthy adult—or an average surplus of £466,000 in each of the five years.

“In the same period the average net revenue from Irrigation has been £823,000. Thus on the two accounts we obtain an annual surplus of $1\frac{1}{4}$ millions sterling. In fact, we have now secured the whole of our Indian railways and canals for nothing, and instead of costing us money they have become a steady source of income to the State. These figures might, I think, encourage us to borrow with even greater confidence in the future.

“From a calculation that has been made for me I further learn that the net imports of gold and silver into India, which between the years 1894-1899 amounted to 25 millions sterling, have risen to over 46 millions sterling in the succeeding five years. I do not say that I regard this influx of the precious metals with unqualified satisfaction. For I often wonder what becomes of it all, how much of it goes below the ground, and how much is left above, and what proportion is reproductive. But when I read the familiar jeremiads about the alleged drain of capital away from India, it is at least open to me to remark that there is also a great deal coming in, and the drain always seems to me to resemble a flow at one end of a pipe which is perpetually being replenished at the other. Again, I do not see how it is possible to overlook the enormous increase in Savings Banks deposits in India. In India these have risen from less than 1 million sterling in 1870 to over $7\frac{1}{2}$ millions sterling in 1903, out of which

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ths are owned by natives. Within the same period the private deposits in the Presidency, Exchange, and other Private Banks have risen from £6,600,000 to £28,500,000; and the quantity of Government paper held by natives has risen from 13½ millions to 33½ millions sterling.

“Is it not time, therefore, that instead of repeating hypothetical figures and calculations that have been exposed until exposure has become tedious, our critics should recognize the fact that India is, on the contrary, exhibiting every mark of robust vitality and prosperity? These, gentlemen, remind me rather of an amiable eccentric whom I knew at school, and who always put up his umbrella and insisted that it was raining when the sun shone. In my view there are few, even among the most advanced countries of the world, that would not welcome an economic position as sound as that which India now enjoys. There are, no doubt, calls coming upon us urgent, incessant, and irresistible; for, as I shall presently show, we are raising the administrative standard all round; and administrative efficiency is merely another word for financial outlay. But so far as I can forecast, we shall be able to meet these calls without any addition to the burdens of the people: and if I were to leave India tomorrow, I should yet be proud of the good fortune that had enabled me to indulge in the brief analysis of our financial position which I have undertaken this afternoon.

“There are two other items in the Budget to which I desire to refer, and they are both aspects of the same question, *viz.*, our attitude to Local Governments. One theory I hope that we have effectively killed; and that is the old idea that Local Governments are stinted by the Supreme Government when money is forthcoming. Year by year we have subsidised them for the many calls, administrative and otherwise, that are made upon their purses, and there is not a Governor or a Lieutenant-Governor in India from whom I have not received frequent expressions of gratitude. In the present Budget our bounty has reached its maximum; for in addition to the 1½ crores or 1 million sterling, which has been given to four of the Local Governments to start their new settlements, and the 40 lakhs which we have supplied for education, we have given them 13½ lakhs for the increase of minor establishments, and 87 lakhs for such purposes as the Calcutta improvement scheme in Bengal, the Simla improvement scheme in the Punjab, and important public works in other provinces. Finally, I had been so much struck in my various tours by the degree to which local institutions, such as hospitals, museums, libraries, public parks, and the like, have been starved or cold-shouldered for more urgent needs that I persuaded Sir E. Law to give a grant aggregating 22 lakhs for these purposes, carefully framed lists having been submitted to me by the various Heads of Administrations. These are just the sort of object that ought, in my view, to profit when funds are available: for they represent the less material and more cultured aspects of the national life. The Hon'ble Dr. Bhandarkar seemed to think that Bombay and other parts of India had been neglected in this respect, and that Calcutta, from its proximity to the Government of India, had alone got its fingers into the national purse. I think that he must have overlooked the items to which I have referred. We have endeavoured to give proportionate treatment to every province: although the fact that Calcutta is an Imperial as well as a provincial capital, necessarily enhances its claim.

The second subject is the new Provincial Settlements, which have been explained in considerable detail both by Sir Edward Law and by Mr. Baker. I alluded last year to the hope that we were on the eve of a noteworthy change in this respect—no less than the substitution of a permanent, or relatively permanent, settlement for the present five years plan. The latter has existed for a quarter of a century. It was better than the system that preceded it, but it admitted of much improvement. It was not an economical plan, because it encouraged extravagance in the concluding years of each term, and it was not a satisfactory plan, because it led to a rather unseemly squabble with the Supreme Government at the end. The better method was clearly to give to Local Governments a permanent instead of a temporary interest in the revenue and expenditure under their control, subject to certain broad principles in fixing the provincial assignments. This we have succeeded in doing in the cases of Madras, Bengal;

[The President.]

the United Provinces, and Assam, and have thereby laid the foundations of a financial autonomy that, I hope, will steadily develop and will enable the Local Governments in the future to undertake enterprises from which they are now debarred. I mention the matter here, both because of its intrinsic importance, and because I agree with the Lieutenant-Governor in thinking that it furnishes a conclusive answer to those who are always accusing the Government of India of undue centralisation. I would point out that efficiency of administrative control is not centralisation, though it is often mistaken for it. Centralisation is the absorption by a central body of powers or privileges hitherto enjoyed, or capable, if created, of being exercised, by subordinate bodies. I acknowledge no such tendency. We have kept Local Governments up to the mark, because I do not believe in lax or sluggish control, or in the abdication of powers which have been provided for special objects. But if an occasion has anywhere arisen where it was possible to devolve or depute powers, we have gladly taken it, and these new settlements constitute, in my view, the most important step in the nature of decentralisation that has been adopted for many years, and will, I hope, be the forerunner of others in the future.

“Five years ago at this table I spoke of a category of questions which I hoped to take up and press to solution in my time. Two years later I indicated the progress that we had then made. I have not the time, and there is no present need to complete the review now. But a few remarks may be made distinguishing between those that have been more or less disposed of, and those that will occupy us during the forthcoming year. Of course, the task would not then be complete. There is no standing still in administration, and no administrator can mark the point at which his work is done. New spirits start up as soon as old ones are laid : and the horizon lengthens out as we proceed. I think, however, that it is possible to frame a category of cases in which we have either definitely carried our object or reached such a point that continuity is assured. The first of these I desire to detach for special consideration in a few moments. It is Frontier Policy. I have already dealt with the second, and third, and fourth, namely, Currency Reform, Provincial Settlements, and Reduction of taxation. A few days ago I was explaining what we had been able to do in respect of the preservation of antiquities and Archæological reform; and there the lines have been laid down from which no departure should now be possible. The same applies to the changes in the Leave Rules, that were designed to prevent the frequency of official transfers, and to the reduction of Reports. I have lately had conducted a special examination of every report that reaches the Government of India from whatever quarter, and I am gratified to find that the orders about reduction have been faithfully carried out, with the result of an immense saving of work to overburdened men, and at no sacrifice of value or merit in the reports themselves. The reduction in the Telegraphic rates to Europe, to which I pledged myself in 1899, and which brought down the charge from 4s. to 2s. 6d. a word, has been so successful that we have lately addressed the Secretary of State with a proposal for a further reduction to 2s. with a corresponding reduction in the Press rate. I do not know if we shall succeed. But I think that the result of the first experiment is distinctly encouraging. We were prepared for a loss on the first year's working of £67,000. It was only £33,000. We estimated for a 10 per cent. increase in the traffic. The increase amounted to 26½ per cent. On the 1st of January of the present year we carried out a further reduction in inland rates, which, I believe, has proved beneficial to all classes of the community. The figures of January show that there was an increase of 25 per cent. in deferred messages alone over the corresponding month in the previous year.

“Next I pass to the large category of questions connected with Education. Our Universities Bill is now the law of the land. But I should have felt that we had acted in a very one-sided and inconclusive manner had we held that Educational Reform was summed up in the reconstitution of the Universities. Our recent Educational Resolution crystallises the principles that result from an examination of every branch of Educational activity, and that will, we hope, inspire our educational policy in the future. It may surprise those Hon'ble Members at this table who sometimes hint at the Simla Conference of

[*The President.*].

1901, as though it had been a sort of Star Chamber that promulgated dark and sinister decrees, to learn that the results of the Simla Conference, as finally shaped after consultation with Local Governments, are embodied in the recent Resolution. I observe in India that if people do not approve of a policy they denounce it as reactionary. If they cannot disapprove of the official statement of it, they describe it as a platitude. As our Educational Resolution has had the good fortune to be so designated, I conclude that it has been found generally satisfactory. Perhaps, however, I may point out that so far from being a perfunctory statement of obvious principles, it is really the result of nearly two years' hard work. It summarises for the public information the position which we have at present reached in educational progress, and it endeavours to lay down the lines of future advance. Many important aspects of the subject, such as Education in European Schools, Agricultural Education, Commercial Education, Industrial and Technical Education, Examinations for Government service, as well as the entire problem of Primary and Secondary Education in India, find a place in it. Some of these matters we have also dealt with independently. Our scheme for Industrial Schools and for State Technical Scholarships has gone to Local Governments, and is before the public. I rather agree with those Hon'ble Members who were arguing here the other day and who repeated today that educational reform in India is mainly a matter of money. I think it is. We have shown this by the extra grant of 40 lakhs, or nearly £270,000 a year, that we have now made for three years running to the Local Governments. These grants are in addition to the ordinary Educational assignments in the Provincial Settlements. We have also, as is known, promised a contribution of 25 lakhs to the Universities. I should like, however, to go further, and to provide for a serious and sustained expenditure upon educational improvement extending over a long series of years.

"There is another very important group of subjects to which we have given great attention. I allude to Economic Development, which may again be subdivided into Agriculture, Industries, and Commerce. Our recent Resolution on Agriculture sums up the practical steps that have been taken for the encouragement and improvement of agriculture, and for the active prosecution of scientific research. We now have our Inspector-General of Agriculture with a staff of scientific experts, we have the new institution at Pusa springing into being, where research, the training of students, and experimental farming will be simultaneously taken in hand, we have strengthened the Provincial Agricultural Departments, reorganised the Civil Veterinary Department, so as to undertake the investigation of cattle diseases and the improvement of breeds of cattle, and created a Board of Scientific Advice to co-ordinate the work that is being done in these and all other branches of scientific research in India. We have centralised bacteriological research at Kasauli and Muktesar. Then I pass to those measures that more directly affect the economic condition of the agrarian classes. We have dealt with the system of Land Revenue Assessments in India, tracing the historical growth of the present system and its steady modifications in the interests of the land-owning or land-cultivating classes, and formulating reasonable and lenient principles for observance in the future. By legislation in the United Provinces we have endeavoured to improve the relations between landlord and tenant. We have attacked the problem of the increasing indebtedness and gradual expropriation of the proprietary body from many sides, by the Land Alienation Bills in the Punjab and Bundelkund, and by the Bill to institute Co-operative Credit Societies, which we passed in this Council last week. We have endeavoured to provide against the break up of landed properties by legislation instituting a modified system of entail in Oudh, in the Punjab, in Madras, and in Bengal. Finally, in 1902 we gave direct benefit to the cultivators by remissions of Land Revenue amounting to nearly 2 crores of rupees, while, in the past five years, we have advanced between 5 and 6 crores to the people for the purchase of seed and the provision of capital.

"The Government of India have watched with anxious interest, and have done all in their power to develop, the commerce and industries of this country, some of them securely established, others struggling but hopeful, others again nascent or still in embryo. I might refer to our legislation in the interests of tea-gardens, and the institution of a tea-cess, the passing of the Mines Act, the

[*The President.*]

constitution of a Mining Department, and the issue of more liberal Mining rules, the countervailing Sugar Duties, grants for indigo-research, the passing of an Electricity Act, the opening up of the Jherriah coal-fields, reductions in coal freights, the steady increase in railway rolling stock, for which, as Sir A. Arundel has mentioned in his Memorandum, no less a sum than 3 crores, or 2 millions sterling, have been set aside. We are proposing the creation of an Imperial Customs Service. We have also endeavoured to develop our trade with adjoining countries—by the Nuskhi route with Seistan, by a Commercial Mission which we are arranging to send to South-Eastern Persia, and by new contracts with the British India Company for improvements in their service to the Persian Gulf. I am also hopeful that the Tibet Mission will result in an improvement of trading relations with that country. We have succeeded in obtaining greater advantages in the new contract with the P. and O. Company. We also have a proposal now before the Secretary of State to supersede the Commercial Bureau, for which we at first asked, but to which he objected, by some larger and more powerful organisation, involving the creation of a new Department of the Government of India for Commerce and Industry, and the appointment of a new Member of Council for those purposes. It is to me almost incredible that the Government of India should have got along for all these years with functions and duties huddled together in such haphazard fashion and thrust upon the shoulders of over-worked Departments and harassed men. Commerce has got mixed up with Finance: Industries and Emigration have been grouped with Revenue and Agriculture. The Post Office has been under one Department, and Telegraphs under another. These are only casual illustrations. But they indicate a want of method and co-ordination in our system that are inconsistent either with businesslike administration or with the progress that lies before us. If I can get this new Department created while I am at home, I shall return with greater confidence in our capacity to meet the demands of the future.

“I remarked just now that I should have something to say about Frontier Policy. I have, I think, only spoken twice about this subject in these Debates in six consecutive sessions. It is perhaps scarcely realised in this country that the Foreign Department, which is under the direct charge of the Viceroy, is the most laborious of all. But it pursues its path in a silence which I should be the last to regret, and which is only broken by the storm of criticism that bursts forth when there is an outbreak of trans-frontier war. It is not without some feeling of congratulation that I look back upon five years, unmarked by a single expedition on the entire North-West Frontier, unless the brief military sallies that were undertaken in order to close the Mahsud Waziri Blockade can be so described. This is the first time that such a claim could be made for a quarter of a century. In the petty operations that have taken place on a frontier over 1,200 miles in length, only 42 of our men have been killed during that time; 67 more lost their lives in the course of the Mahsud Blockade. But I should be reluctant to measure results by lives alone, or even by money alone, although the economies that have resulted both from withdrawal of troops and from absence of fighting have been very great. I would prefer to look at the spirit of increasing harmony and contentment among the tribes and at the relations that are growing up along the entire border.

“At the end of 1898 the embers of the Tirah conflagration were only just cooling down. New agreements had not yet been entered into with the tribes. Large garrisons of British troops were cantoned in posts far beyond the frontier, at Chitral, at Lundi Kotal, and in the Tochi; great schemes for costly fortifications were on foot, and we seemed likely once more to tread the vicious circle that has beguiled us so often before. My Councillors and I set ourselves not so much to prevent future war by preparing for it as to produce peace by creating the requisite conditions. Our policy was summed up in these principles; withdrawal of British forces from advanced positions, employment of tribal forces in the defence of tribal country, concentration of British forces in British territory behind them, as a safeguard and a support, improvement of communications in the rear. A necessary condition of the successful execution of this policy was the creation of a new administration on the frontier, especially equipped

[*The President.*]

for the purpose, and invested with a more direct responsibility than a Local Government of the old type. Perhaps those who are so severely denouncing the Government of India as a province-maker just now might cast their eyes back to the events of three years ago. We were scarcely less attacked in some quarters for the creation of the Frontier Province then. But who would now go back from it, or who would dispute that Frontier affairs are conducted under it with infinitely superior despatch, with greater smoothness, and so far with better results, than under the former system?

“Let me now ask Hon'ble Members to accompany me on a brief tour round the North-West Frontier from Gilgit to Beluchistan, so that they may see in each case how we stand. We have withdrawn all regular troops from Gilgit, which is exclusively garrisoned, along with its subordinate posts, by Kashmir Imperial Service Troops. If we pursue our way westwards towards Chitral, we come to Mastuj, which is the head-quarters of a corps of Chitrali irregulars, or scouts, whom we are training up for the defence against invasion of the many defensible positions in their narrow and rugged ravines. Chitral itself is a point upon which I look with some satisfaction. Before I came out to India I was one of the foremost combatants in the movement to retain that place within our political and strategical boundary. We won the day in England, though only by the accident of Lord Rosebery's Government being turned out at the critical moment. However, even when I arrived here I remember being warned that Chitral was the point of danger, that the line of communication between Dir and Chitral was one of extreme tenuity and risk, and that if the connection gradually faded into nothing, no one would be the worse. I, on the contrary, declared my fervent intention to maintain this connection, as absolutely essential to our scheme of frontier defence, and my conviction that it could be done, I will not say without risk, but with success. Since that time we have five times marched our reliefs up and down the Dir Road—quite the most fanatical corner of the mountain border—without a shot being fired. Our troops have been concentrated at the extreme southern end of the Chitral country at Drosch, and the force has been reduced by one-third: while the posts vacated and all outlying posts are now held by levies raised for the purpose from the Chitralis themselves. The young Mehtar of Chitral has three times been down to see me in India, and if anyone were to propose a British withdrawal from Chitral, I know very well from whom the first protest would come. Further, we have just connected Chitral by telegraph with Gilgit. Continuing southwards, I find that in Dir and Swat we had a garrison, in 1899, of 3,550 men. I withdrew the Khar Movable Column in 1902, and our troops, who are now concentrated at Chakdarra, where is the bridge over the Swat River and the starting point of the Dir-Chitral road, at the Malakand, and at Dargai, have been reduced by more than one-half, the outlying posts being held by levies from Dir and Swat. The Chiefs of Dir and Nawagai have twice visited me in India, and they in common with all the border chieftains from Hunza to Swat, were included among our guests at the Delhi Durbar. We have fortified the Malakand, and connected Dargai by a narrow-gauge line with Nowshera on the Peshawar Railway, the Kabul river being bridged at Nowshera for the purpose. We are, therefore, in an immeasurably stronger position to meet any sudden or fanatical outbreak in those parts. The elements of unrest are always there, and we shall probably some day have trouble again. But for the moment the omens are favourable: and trade, which has sprung up in a surprising manner, is a great pacificator. Then I come to the Khyber, where in 1899 we had a British garrison of 3,700 men. The whole of these have long ago been withdrawn: and the Khyber Rifles, raised from the Pass Afridis and neighbouring tribes, which had dwindled to a total of 800 after the campaign, have now been reorganised into two battalions officered by Englishmen. With them we hold the entire Pass with its connected posts and fortifications. These we rebuilt at an outlay of 5 lakhs, instead of the 15 which had been estimated for in 1898. We have also made, by agreement with the tribes and by tribal labour, the alternative route from Peshawar to Lundi Kotal through the Mullagori country, that was so vainly pressed for 15 years ago, and have connected Peshawar by the broad gauge with Jamrud. We have opened the route

[*The President.*]

through the Kohat Pass from Peshawar to Kohat by arrangement with the tribes: and Kohat has been connected with the Indian railway system at Kushalgarh by a 2' 6" line, which as soon as we have completed the new bridge over the Indus at Kushalgarh, will be converted into broad gauge. Continuing southwards we have created a body from the Orakzais and neighbouring tribes called the Samana Rifles, nearly 500 strong, who have already taken over nearly the whole of the posts upon and below the Samana that were held by regulars five years ago. Our own forces there, which were 1,700 strong, have now been reduced to 600, and will, I expect before long, be altogether withdrawn. Simultaneously we have created a flank support to this position by running the railway from Kohat to Thal at the mouth of the Kurram Valley. From this the regulars have been altogether withdrawn, and the two battalions of the Kurram Militia 1,400 strong, organised on the same lines as the Khyber Rifles and commanded by British Officers, are its sole garrison. In the troubled mountain region between the head of the Kurram and Waziristan we have also settled our border disputes by friendly arrangements with the Amir. Then we come to Waziristan. Here we have cleared out, at the second attempt, the nest of murderous outlaws who had created an Alsatia at Gumatti near Bannu. We have made agreements with the tribes for the opening up of the turbulent corner between Thal and the Tochi, and we have thus been able to proceed at leisure with our policy of conciliation and concentration in the Waziri country. There we were delayed for a long time by the turbulent contumacy of the Mahsuds; and the militia experiment, which we had introduced, also proceeded somewhat evenly. The blockade, however vigorously and unremittingly pursued, and followed by a series of sharp and unexpected punitive counter-raids into the Mahsud valleys, brought the tribe to reason, and matters are now proceeding so evenly that we have recently raised the North Waziristan Militia, which holds the line of the Tochi, to a strength of 1,200 men, and the South Waziristan Militia, which holds the line of the Gomul to a strength of 1,450. In 1899 the British garrisons of these two valleys numbered 4,000. Before next cold weather the whole of these will have been withdrawn. Waziristan will for some years to come be a section of the frontier that will require careful watching. But the consciousness of the tribes that they are trusted to bear arms in defence of their country, the security of good employment and regular pay, the tranquillising influence of improved communications and the knowledge that we want to live at peace with them, rather than at war, are all agencies on the right side. The withdrawal of the garrisons that I have named has been balanced by the concentration of the requisite supporting columns at Kohat and Bannu, and the military garrisons in these two Districts number 4,200 and 2,700, respectively. Similarly, the Gomul is supported from Dera Ismail Khan with a garrison of 3,000. Thus among the entire stretch of frontier which I have been describing the situation is completely revolutionised since 1899. If we regard the case from the point of view of British troops, there are now only 5,000 across the administrative border of British India as against 10,200, and these will be further reduced before long; but the supporting garrisons within our border have been increased from 22,000 to 24,000 and have been strengthened by railway connections which were not then in existence. On the tribal side we have called into existence a body of men representing three grades of organisation—Levies over 1,000 strong, Border Military Police over 3,000, Border Militia 5,800. The experiment may still be said to be, if not in its infancy, at any rate in its childhood, and I will not indulge in premature laudation. But five years is a long time on the frontier, and every year gained there is worth two elsewhere. This part of India may not be much interested in what is passing so far away. But I am speaking today through this representative assembly to a wider audience, and I am venturing to inform the entire country how its defences stand.

"I have not much time to pursue my course southwards and westwards through Beluchistan towards the Persian frontier. But I may mention in a sentence that we have done much to consolidate our position there. We have taken Nuskhi on perpetual lease from the Khan of Kelat: we are constructing the Quetta-Nuskhi railway and shall finish it next year; we have built up and popularised the Nuskhi-Seistan trade route, and have planted our officers

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in Seistan and on the Eastern borders of Persia in sufficient number to watch over our interests and to resist hostile designs. Finally we are consolidating our position in Mekran. Perhaps, however, the measure of the frontier security which we have enjoyed can best be estimated by the ease and safety with which we have been able during the past five years to find troops for service elsewhere, in South Africa, China, and Somaliland. At one time our Indian Army was short, in the interest of these Imperial campaigns, for which of course the Home Government paid, by over 31,000 men. Increased security here has therefore meant increased power of assistance elsewhere.

“About Foreign Affairs in their wider application I do not propose to say much. I spoke last year about the increasing range of our responsibilities in Asia, and a good deal has happened in the interim to point those remarks. My own view of India's position is this. She is like a fortress with the vast moat of the sea on two of her faces, and with mountains for her walls on the remainder. But beyond those walls, which are sometimes of by no means insuperable height and admit of being easily penetrated, extends a glacis of varying breadth and dimensions. We do not want to occupy it, but we also cannot afford to see it occupied by our foes. We are quite content to let it remain in the hands of our allies and friends: but if rival and unfriendly influences creep up to it, and lodge themselves right under our walls, we are compelled to intervene, because a danger would thereby grow up that might one day menace our security. This is the secret of the whole position in Arabia, Persia, Afghanistan, Tibet, and as far eastwards as Siam. He would be a short-sighted commander who merely manned his ramparts in India and did not look out beyond; and the whole of our policy during the past five years has been directed towards maintaining our predominant influence and to preventing the expansion of hostile agencies on this area which I have described. It was for this reason that I visited that old field of British energy and influence in the Persian Gulf: and this also is in part the explanation of our movement into Tibet at the present time: although the attitude of the Tibetan Government, its persistent disregard of Treaty obligations, and its contemptuous retort to our extreme patience, would in any case have compelled a more active vindication of our interests. I should have thought that the record that I have quoted on the North-West Frontier would have saved me from the charge of a dangerous or impulsive policy on any part of the Indian frontier. I have had no desire to push on anywhere, and the history of the past five years has been one, not of aggression but of consolidation and restraint. It is enough for me to guard what we have without hankering for more. But I would suffer any imputation sooner than be an unfaithful sentinel at my post, or allow the future peace of this country to be compromised by encroachments from the outside as to whose meaning there cannot be any question. If the Tibetan Government is wise it will realise that the interests of Indian defence and the friendship of the Indian Government are entirely compatible with the continued independence and autonomy of Tibet, so far as these may be said at present to exist. But it should also realise that they are incompatible with the predominance of any other foreign influence, carrying with it insecurity on our frontier and adding gratuitously to our cares.

“It seems a natural transition from the objects at which we aim in our Frontier and Foreign Policy to the means that we possess for securing them, and I pass therefore to the question of our Military Estimates. The military expenditure is going up. Year after year I have foretold it at this table. But it is not going up at so high a rate as in foreign countries: and it is not going up at a higher rate than our necessities demand. I am well aware of the cry that is always raised against military expenditure anywhere, and I yield to no man in my desire to secure to the peaceful millions their due share in the improving prosperity of the country. We are giving it to them in no small measure. But their tranquil enjoyment of what we give is in itself dependent upon the guarantees that we can provide for its uninterrupted continuance, and he would be a faithless guardian of the interests of the people who shuts his eyes to what is passing without in the contented contemplation of what is going on within. The matter could not have been better put than it was in the terse and effective remarks of the Hon'ble Sir Edmond Elles. We are fortunate in possessing as

[*The President.*]

Commander-in-Chief the first soldier in the British Army. He comes to us here with his unrivalled experience and energy. He is addressing himself to the problem of providing India with the army that she needs, and of equipping and distributing that army in the manner best adapted to secure the defence of the country. For this purpose the army must be efficient, not in units alone but as a whole, and not efficient alone, but as highly efficient as it is possible to make it: it must possess the latest armament: it must be adequately officered: its superior officers must be scientifically trained: it must be as far as possible self-supporting in its ammunition, its weapons, and its stores: its subordinate establishments must be not less effective than the fighting front: and the maximum available force must be capable of being directed to the vulnerable point at the moment of danger. All of these points are engaging the attention of the Commander-in-Chief and the Military Member, and I venture to say that their efforts, supplementing those of the two eminent Commanders who have preceded them and who alas have both passed away, are steadily placing the Indian Army more and more in a position to play its part should the occasion arise. I saw the other day a criticism in a well informed quarter which said, Why does not the Viceroy, instead of spending money upon internal reform, turn his attention to adding British officers to the sadly under-officered Indian Army? The critic was right in his ideas, but he was wrong in his facts. The Viceroy to whom he alluded had not forgotten this elementary need: and during his term of office he can point to the fact that no fewer than 484 British officers have been so added. This is only one of many conspicuous needs that we have filled. Were I to attempt to recapitulate either what has already been done or what is in the mind of the present Commander-in-Chief I might detain this Council long. Many of these schemes are alluded to in the memorandum of the Hon'ble Military Member. To me it will always be a gratification to think that I have assisted in measures for providing India with the factories at Ishapore, Cossipore, Jubbulpore, and Wellington, that will practically render her independent of external supplies in guns, rifles, and gunpowder, for raising the reserves of our splendid Native Army by 100 per cent., for equipping the entire army with the latest weapon, and for providing out of our surplus resources for such cardinal needs as coast and other defences. We live in days when even the strong man cannot leave his castle undefended; and when our international rivals are closing in around us with intentions which he who runs may read. I am also glad to have been instrumental in relieving the hardships and reducing the risks of the British soldier's life in India, by providing an electric-punkah installation in all our largest barracks, the cost of which will figure in our Budgets for some years to come.

"In the forthcoming year there are many objects which I look to push forward, before I can contentedly lay down my task. Three of these are on a footing of almost equal importance. We have already done a good deal during the past few years to bring our Railway Administration into closer touch both with the commercial community and with the public at large. But we have not yet reached the final stage. Mr. Robertson's Report was placed in our hands last year; and it embraced so many aspects of reform, bringing in both the Secretary of State, the Government of India, and the Companies, and raising such large questions both of administration and finance, that we could not deal with it rashly or hurriedly. Our views went home to the Secretary of State at the close of last year, and are now being considered by him. They involve an entire reconstitution of our administrative machinery, and an attempt to manage our railways in future on less strictly departmental lines. The object that we have in view can only be attained by the surrender of considerable powers by existing authorities to any new authority that may be constituted: and this is not a matter that can be easily or speedily concluded. I am hopeful, however that a decision may be given in the course of the forthcoming summer, and that this most important project may be duly launched.

"Irrigation is also one of the works of the coming summer. Our sympathies with an expanded irrigation programme have been sufficiently shown by the increased grants that we have given for construction in each year since I came to

[*The President.*]

India. Next year they touch the unprecedented total of $1\frac{1}{4}$ crores. People sometimes talk as though practically unlimited sums could be spent upon irrigation with little or no trouble. They could perhaps be spent, if experiments were rashly made in every direction, and if there were no objection to flinging money away. No science, however, demands for its practice more careful forethought and planning or more trained supervision. An untrained or inadequate establishment cannot suddenly begin to spend lakhs on tanks and canals. There is no analogy in this respect between irrigation and railways: for private enterprise is ready to help us with the latter, and the question is only one of terms. With irrigation the case is so different that whereas in the last two years we have given 2 crores to Local Governments, they could only manage to spend in 1902, 85 lakhs, and in 1903, 81 lakhs. This summer, however, we hope to address ourselves to an exhaustive examination of all the numerous projects that were worked out by the recent Irrigation Commission for the whole of India. Great expenditure will be required, and much of it will be unproductive in the technical sense of the term. But protection from drought rather than acquisition of revenue is our object: and I venture to think that we shall have it in our power to initiate a comprehensive and far-reaching policy that will do more good to the cultivating classes than any Bills that we can pass in this Council, or any remissions of taxation that the Finance Member might announce in the Budget.

"The third question is Police Reform. I should have been glad had we been able to make public our proposals upon the report of the Commission without delay. But the Secretary of State desires to see the views of Local Governments upon them before he comes to a final decision, and this must inevitably occupy some time. No one need imagine that the matter is being burked or shelved. But it is of such supreme importance that undue haste would merely prejudice the ultimate solution. I am impressed with the remarks that fell from the Hon'ble Mr. Adamson about the Police in Burma. I am aware of the condition of affairs that he has described, and I will look into his request that we should consider it independently of the general reforms which we hope to introduce.

"There are two other subjects to which His Highness the Agha Khan has alluded in his excellent and patriotic speech, and which have been for some time under my consideration. The first is the contributions made by the Indian Princes in the shape of Imperial Service Troops and otherwise to the cause of Imperial Defence. There are anomalies and inequalities in the present system which must strike the eye of any observer: and I contemplate, when I come back to India, taking the Chiefs into consultation on the matter. The second is the future of the young officers in the Imperial Cadet Corps. I hope to arrive at definite conclusions on the matter before I leave for England a month hence. In the meantime let me assure the Agha Khan that there is nothing in my view wild or visionary in the ideas that have occurred to him. To what degree they may be practicable I cannot at present say. But they appear to me to be eminently deserving of consideration.

"There are other matters which we have in view, such as legislation for the better protection of game in India, a most difficult subject upon which we have for long been engaged, and many other items of administrative reform. I will not weary the Council with these. But as regards administrative reform in general, I should like to add a remark. When I came out to India every public body or society without exception that addressed me urged me to pursue a policy of administrative reform. Spare us, they said, adventure on the North-West Frontier, extend railways and irrigation, give us a sound currency, develop the internal resources of the country, promote educational and industrial advancement, manage plague and famine with a due regard to the feelings of the community, free the Government machinery from the many impediments to its proper working. I took these authorities at their word, and I have ever since pursued administrative reform, though not, I hope, to the exclusion of other and equally important objects, with an ardour that has never slackened. I have done so, because I think that these advisers were right. Efficiency of administration is, in my view, a synonym for the contentment of the governed. It is the one means of affecting the people in their homes, and of adding, only an atom

[The President.]

perhaps, but still an atom, to the happiness of the masses. I say in no spirit of pride, but as a statement of fact, that reform has been carried through every branch and department of the administration, that abuses have been swept away, anomalies remedied, the pace quickened, and standards raised. It has not always been a popular policy; but if I am at liberty to say so, it has been whole-hearted and sincere. And yet what criticism is now more familiar to me than that no one in India desires administrative reform at all, and that the only benefactor of the people is he who gives them political concessions? Those are not my views. I sympathise most deeply with the aspirations of the Indians towards greater national unity and with their desire to play a part in the public life of the country. But I do not think that the salvation of India is to be sought on the field of politics at the present stage of her development, and it is not my conception of statesmanship to earn a cheap applause by offering so-called boons, for which the country is not ready, and for which my successors, and not I, would have to pay the price. The country and its educated classes are, in my view, making a steady advance on the path of intellectual and moral progress, and they have every reason to be proud of what they have achieved. That progress will be continued so long as they listen to the wise voices among their own leaders: but it will be imperilled and thrown back if it is associated with a perpetual clamour for constitutional change, and with an unreasoning abuse of those who do not grant it.

"The charge, however, that we give an inadequate representation to the ability of the country in our Government is one, that, though frequently repeated has always seemed to me so fallacious that I have made a special attempt to analyse it, and I will conclude my speech by presenting to this Council the results of an investigation, which I have had conducted into every branch of the administration, and which is so interesting, and I think to many people will be so surprising in its results, that I propose to publish it on behalf of Government.

"Let me begin by stating what I conceive to be the general principles that regulate the situation. They are two in number. The first is that the highest ranks of civil employment in India, those in the Imperial Civil Service, though open to such Indians as can proceed to England and pass the requisite tests, must, nevertheless, as a general rule be held by Englishmen, for the reason that they possess, partly by heredity, partly by up-bringing, and partly by education, the knowledge of the principles of Government, the habits of mind, and the vigour of character, which are essential for the task, and that, the rule of India being a British rule, and any other rule being in the circumstances of the case impossible, the tone and standard should be set by those who have created and are responsible for it. The second principle is that outside this *corps d'élite* we shall, as far as possible and as the improving standards of education and morals permit, employ the inhabitants of the country, both because our general policy is to restrict rather than to extend European agency, and because it is desirable to enlist the best native intelligence and character in the service of the State. This principle is qualified only by the fact that in certain special departments, where scientific or technical knowledge is required, or where there is a call for the exercise of particular responsibility, it is necessary to maintain a strong European admixture, and sometimes even a European preponderance.

"Now let me show how these principles are vindicated in practice. I will not recapitulate the history of the case or conduct the Council through the successive stages of Government policy and pronouncement from the Act of 1833 down to the present day. I will give—what is much more eloquent—the concrete figures and proportions. They have been compiled for a period of 36 years, the figures not being available before 1867.

"In 1867 the total number of Government posts in India with a salary above Rs. 75, now equivalent to £5 a month, was 13,431. It is now 28,278. In 1867 Europeans and Eurasians held 55 per cent. of the total; they now hold 42. Hindus held 38 per cent; they now hold 50. Muhammadans held 7 per cent.; they now hold 8. Further, while the total number of Government appointments has thus increased by 110 per cent., the figures show that the number of posts held by Hindus has increased by 179 per cent., by Muhammadans

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129 per cent., by Eurasians 106 per cent., and by Europeans only 36 per cent. In the proportion of total posts Indians have gained 13 per cent., Europeans and Eurasians together have lost 13 per cent., and 12 per cent. of this loss has been European.

“ Next let me give the results of an examination by grades. More than half of the appointments in India are and always have been posts on less than Rs. 200 a month. The European element in these was always small, and is now less than 10 per cent. Of posts on Rs. 200 to Rs. 300, the native proportion has risen from 51 per cent. to 60 per cent., from Rs. 300 to Rs. 400 from 23 per cent. to 43 per cent.; from Rs. 400 to 500 from 21 per cent. to 40 per cent.; from Rs. 500 to Rs. 600 from 9 per cent. to 25 per cent.; from Rs. 600 to Rs. 700 from 15 per cent. to 27 per cent.; from Rs. 700 to Rs. 800 from 5 per cent. to 13 per cent. Thus in no single grade has the proportion of Europeans increased, while the native increase has been continuous and striking, and has been larger in the higher grades than in the lower. The Rs. 800 line may be said to mark the limit of the Provincial Service. Between Rs. 800 and Rs. 1,000 there were, in 1867, 4 natives in Government employ, there are now 93. Posts on Rs. 1,000 and over may be regarded as superior. In 1867, out of a total of 648 such appointments 12 were filled by natives, all Hindus, or a percentage of 2. In 1903, out of 1,370 such appointments 71 were filled by Hindus and 21 by Muhammadans; the native percentage being, therefore, 7.

“ If I take the standard of pay, I find that the aggregate pay of the total number of posts has risen by 91 per cent. since 1867; but in the case of the aggregate pay drawn by Europeans and Eurasians the increase is only 6 per cent., while for natives of India it is 191 per cent., and for Hindus 204 per cent. The average pay of the total number of posts has fallen by Rs. 31, or 9 per cent., since 1867. But the average drawn by natives has risen from Rs. 175 to Rs. 188, or a rise of 7 per cent., while that drawn by Europeans and Eurasians has fallen by Rs. 2, or 4 per cent.

“ Whatever standard therefore we apply, whether it be number of posts, proportion of posts, or averages of pay, the results are the same. There has been a progressive increase in native employment and a progressive decline in European employment, showing how honestly and faithfully the British Government has fulfilled its pledges, and how hollow is the charge which we so often hear of a ban of exclusion against the children of the soil.

“ In the figures which will be published will be contained the calculations of each decade from 1867 to the present day, so that the movement may be traced stage by stage, and of each province and each department. Summarising the totals, I find, as might be expected and as I have said, that of the 1,370 Government servants drawing salaries higher than Rs. 1,000 a month, or £800 a year, 1,263 are Europeans, of the remainder 15 are Eurasians, and 92 natives. But if I take the ranks below Rs. 1,000 a month and between that total and Rs. 75 a month, *i.e.*, from £60 to £800 a year, then I find that out of a total of 26,908 Government servants, only 5,205 are Europeans, while of the remainder 5,420 are Eurasians, and the balance, or 16,283, is native.

“ It therefore appears that the British Empire employs less than 6,500 of its own countrymen, whether brought from abroad or recruited in this country, to rule over 230 millions of people; but that for the same purpose it employs 21,800 of the inhabitants of the country itself. If we went below Rs. 75 a month, the disproportion would, of course, be overwhelming. Will anyone tell me in the face of these figures that our administration is unduly favourable to the European or grudging to the native element? I hold, on the contrary, that it is characterised by a liberality unexampled in the world. You may search through history, and since the days of the Roman Empire, you will find no such trust. I have endeavoured to procure from Foreign Governments the corresponding figures for their foreign possessions, the Russians in Central Asia, the Dutch in Java, the French in Algeria, in Cochin China, and Tongking. I have not unfortunately been successful. But I have visited the majority of those countries, and have seen what there prevails: and if anyone thinks that they show proportions even remotely comparable with those which I have quoted I can assure him that he is gravely mistaken. For my own part I think that the

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[The President.]

progressive growth of confidence that is revealed by the tables which I have quoted is honourable to the British Government and honourable to the people of this country. It reveals a European system of Government entrusted largely to non-European hands: what is called a subject country, though I dislike the phrase, administered far less by the conquering power than by its own sons; and beyond all it testifies to a steady growth of loyalty and integrity on the one part and of willing recognition of these virtues on the other, which is rich with hope for the future.

"I will now bring these remarks to a close. The Government of India in my time has been involved in many controversies, and has had to bear the brunt of much attack. Perhaps when the smoke of battle has blown aside, it may be found that from this period of stress and labour has emerged an India better equipped to face the many problems which confront her, stronger and better guarded on her frontiers, with her agriculture, her industries, her commerce, her education, her irrigation, her railways, her army, and her police brought up to a higher state of efficiency, with every section of her administrative machinery in better repair, with her credit re-established, her currency restored, the material prosperity of her people enhanced, and their loyalty strengthened. We shall not deserve the main credit, because we have profited by the efforts of those who have preceded us. But perhaps we may be allowed our share; and may feel that we have not toiled, and sometimes endured, in vain."

The Council adjourned *sine die*.

CALCUTTA: }
The 31st March 1904. }

J. M. MACPHERSON,
Secretary to the Government of India,
Legislative Department.

APPENDIX.

[*Vide the speech of the Hon'ble Dr. ASUTOSH MUKHOPADHYAYA.*]

TABLE A.

	Surplus (+) Deficit (-)
	Rx.
1858-59	- 13,393,137
1859-60	- 9,290,129
1860-61	- 4,026,225
1861-62	- 150,628
1862-63	+ 1,827,345
1863-64	+ 78,347
1864-65	- 193,520
1865-66	+ 2,800,491
1866-67	+ 2,517,491
1867-68	- 1,007,695
1868-69	- 2,774,030
1869-70	+ 118,669
1870-71	+ 1,482,990
1871-72	+ 3,124,177
1872-73	+ 1,765,672
1873-74	- 1,807,668
1874-75	+ 319,197
1875-76	+ 1,589,255
1876-77	- 2,584,176
1877-78	- 4,262,040
1878-79	+ 2,134,098
1879-80	- 1,227,893
1880-81	- 3,631,394
1881-82	+ 3,595,451
1882-83	+ 674,837
1883-84	+ 1,879,477
1884-85	- 386,446
1885-86	- 2,801,726
1886-87	+ 178,427
1887-88	- 2,028,832
1888-89	+ 37,018
1889-90	+ 2,612,033
1890-91	+ 3,688,171
1891-92	+ 467,535
1892-93	- 833,412
1893-94	- 1,546,998
1894-95	+ 693,110
1895-96	+ 1,533,998
1896-97	- 1,705,022
1897-98	- 5,359,211
1898-99	+ 3,961,310
1899-1900	+ 4,161,935
1900-1	+ 2,505,306
1901-2	+ 7,425,365
1902-3	+ 4,604,324
1903-4 (Revised Estimate)	+ 4,056,800
1904-5 (Budget ")	+ 1,378,050

TABLE B.

Year.	Exchange in pence per rupee.	Value of exports of merchandise in rupees omitting 0000.
1887-88	16.898	90,471
1888-89	16.379	96,978
1889-90	16.566	103,397
1890-91	18.089	100,136
1891-92	16.733	108,036
1892-93	14.985	106,536
1893-94	14.547	106,448
1894-95	13.101	108,815
1895-96	13.638	114,263
1896-97	14.451	103,914
1897-98	15.354	97,537
1898-99	15.978	112,723

(a) Famine years.

TABLE C.

Increase of Taxation since 1883-84.

	In lakhs of rupees.
1. Income-tax	2.00
2. Duty on petroleum	44
3. Enhancement of Salt-duty	1.90
4. Imported spirits	12
5. General import-duties (excluding petroleum)	1.80
6. Import-duties on cotton goods	1.00
7. Kohat salt-duty	7
8. Re-imposition of the Patwari-cess	25
9. Excise-duty on cotton goods	20
10. Excise	2.00
	8.78
<i>Deduct</i> —Remission of salt and income tax	2.08
Net increase of taxation	6.70

TABLE D.

Income before abatement.	Income after abatement.	Tax at 1s.	Virtual rate of taxation when the tax is at 1s. in the £.	Tax at 1s. 2d.	Virtual rate of taxation when the tax is at 1s. 2d. in the £.	Tax at 1s. 3d.	Virtual rate of taxation when the tax is at 1s. 3d. in the £.
£	£	£ s. d.	Pence in £.	£ s. d.	Pence in £.	£ s. d.	Pence in £.
161	1	0 1 0	07	0 1 2	08	0 1 3	09
180	20	1 0 0	1'33	1 3 4	1'55	1 5 0	1'65
200	40	2 0 0	2'40	2 6 8	2'80	2 10 0	3'00
300	140	7 0 0	5'60	8 3 4	6'53	8 15 0	7'00
400	240	12 0 0	7'20	14 0 0	8'40	15 0 0	9'00
500	350	17 10 0	8'40	20 8 4	9'80	21 17 6	10'50
600	480	24 0 0	9'60	28 0 0	11'20	30 0 0	12'00
700	630	31 10 0	10'80	36 15 0	12'60	39 7 6	13'50

TABLE E.

Stamp duties.

Indian rates.		English rates.	
<i>Receipt or acknowledgment—</i>			
Rs.	a.	£	d.
20	1	2	1
1/8 per cent.		1/4 per cent.	
<i>Appraisal—</i>			
Rs.	Rs. a.	£	£ s. d.
50	0 4	5	0 0 3
100	0 8	10	0 0 6
200	1 0	20	0 1 0
500	2 8	50	0 2 6
1,000	5 0	100	0 5 0
5 per cent.		500	1 0 0
Varies from 2 to 25 per cent.			
<i>Apprenticeship deed—</i>			
Rs.			s. d.
5			2 6
<i>Bills of exchange—</i>			
		£	d.
		5	1
		10	2
		25	3
		100	6 to 1s.
according as the bill is foreign or inland.			
The rates thus range between 08 to 025 per cent.			
<i>Conveyances or transfers—</i>			
Rs.	Rs. a.	£	£ s. d.
50	0 8	5	0 0 6
100	1 0	10	0 1 0
500	5 0	50	0 5 0
1,000	10 0	100	0 10 0
1 per cent.		200	1 0 0
5 per cent.			
<i>Bonds—</i>			
One-half the above rates.			
<i>Mortgage-deed—</i>			
		£	s. d.
		10	0 3
		50	1 3
		100	2 6
		200	5 0
Average 125 per cent.			
The Indian rates are either those applicable to conveyances or bonds, which are 1 and 5 per cent., respectively.			

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TABLE F.

Heads of Revenue.	Revenue in lakhs of rupees. 1902-1903.
Salt	9,22
Stamps	5,05
Excise	6,62
Provincial Rates	4,01
Customs	4,46
Assessed Taxes	2,10
Registration	43
	<hr/>
<i>Deduct</i> —Remission of Salt and Income tax	Total 31,89 1,83
	<hr/>
Net approximate taxation revenue in 1903-04	30,06
	<hr/>
Land-revenue	27,55
	<hr/>
	Total 7,71
Forest	1,00
Irrigation	1,30
Net Post office	67
	<hr/>
	60,68
	<hr/>

TABLE G.

	Rs.	(in lakhs of rupees.) Rs.
Total Taxation revenue, excluding Land-revenue, brought forward from Table F		30,06
		<hr/>
<i>Bengal.</i> —		
Gross rental	17,50	
Cess on lands	48	
Village Police	5	
	<hr/>	18,03
<i>United Provinces.</i> —		
Land tax, which is approximately double the land- revenue	12,50	
Patwari-cess	25	
Other cesses (approximate)	40	
	<hr/>	13,15
<i>Central Provinces.</i> —		
Rental	1,50	
	<hr/>	1,50
<i>Assam.</i> —		
Rental	60	
	<hr/>	60
<i>Madras.</i> —		
Gross demand on raiyatwari lands including Cesses and <i>Merahs</i>	5,50	
Rental of zamindari lands	2,00	
	<hr/>	7,50
<i>Punjab.</i> —		
Rental	4,50	
Cesses	40	
	<hr/>	4,90
<i>Bombay.</i> —		
Rental	4,25	
Cesses	25	
	<hr/>	4,50
<i>Burma.</i> —		
Rental	3,50	
	<hr/>	3,50
	Total	53,68
		<hr/>
GRAND TOTAL		83,74
		<hr/>