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**AN INTRODUCTION**  
*TO THE STUDY OF*  
**INDIAN ECONOMICS.**  
**Vol. II**

*BY THE SAME AUTHOR.*



- 1 INDIAN ADMINISTRATION**
- 2 GOKHALE AND ECONOMIC REFORMS**
- 3 INDIA'S WAR FINANCE AND AFTER WAR PROBLEMS**
- 4 CURRENCY REFORM IN INDIA**
- 5 INDIAN INDUSTRIAL AND ECONOMIC PROBLEMS**
- 6 THE REFORMS EXPLAINED**
- 7 THE DAWN OF MODERN FINANCE IN INDIA**

**INTRODUCTION**  
**TO THE STUDY OF**  
**INDIAN ECONOMICS**

*( FIFTH EDITION )*

**Vol. II**

BY  
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APPENDIX I.

**CURRENCY STATEMENT.**

The following is an abstract of the accounts of the Currency Department on the 30th Sept. 1925.

		Increase + or decrease -- on previous week
	Rs.	Rs.
Notes in circulation ...	1,89,51,0,839	+1,18,20,568
<b>Reserve—Coin and Bullion—</b>		
<b>In India—</b>		
Silver Coin ...	83,03,85,783	+1,12,94,370
Gold coin and bullion ...	22,31,74,207	+488
Silver bullion under coinage ...	7,04,68,303	+5,20,000
<b>In England—</b>		
Gold coin and bullion ...	<i>Nil</i>	...
Silver Bullion ...	<i>Nil</i>	...
<b>In His Majesty's Dominions—</b>		
Gold Coin and bullion ...	<i>Nil</i>	...
<b>In transit between India, England and His Majesty's Dominions—</b>		
Gold coin and bullion ...	<i>Nil</i>	...
Silver bullion ...	<i>Nil</i>	...
<b>Total Coin and Bullion ...</b>	<b>1,12,40,28,293</b>	<b>+1,18,14,858</b>
<b>Securities (purchase price—</b>		
<b>In India ...</b>	<b>57,11,14,946(a)</b>	...
<b>In England ...</b>	<b>19,99,60,600(b)</b>	<b>+5,710</b>
<b>Total Securities ...</b>	<b>77,10,75,546</b>	<b>+5,710</b>
<b>Grand Total of Reserve ...</b>	<b>1,89,51,08,839</b>	<b>+1,18,20,568</b>
<b>Internal Bills of Exchange held on account of Government under Section 20 of the Indian Paper Currency Act 1923 ...</b>	<b><i>Nil</i></b>	...

Percentage of metallic reserve to circulation is 59.31.  
 (a) Nominal value Rs. 10,20,81,500 of Rupee Paper and  
 Rs. 49,65,00,000 Indian Treasury Bills. (b) Nominal value  
 Rs. 20,19,0,000 of British Treasury Bills. There was no  
 transfer between the Paper Currency Reserve and the  
 Indian branch of the Gold Standard Reserve during the week  
 ending the 30th September 1925. The Gold in the Indian  
 branch of the Gold Standard Reserve on the 30th September,  
 1925, amounted to Rs. *Nil*

APPENDIX II.

**IMPERIAL BANK OF INDIA.**

Statement of the position of the Imperial Bank of India for the week ending 2nd October, 1925, compared with the previous week, in lakhs and decimals.

		This Week.	Last Week.
<i>Liabilities.</i>			
Subscribed Capital ...		1,125·00	1,125·00
Capital Paid up ...		562·50	562·50
Reserve ...		477·50	477·50
Public Deposits ...		888·29	967·21
Other " ...		7,902·13	7,889·59
Loan against securities per contracts ...		---	
Loans from the Govt. of India under Section 20 of the Paper Currency Act against Inland Bills discounted and purchased per contracts ...		---	
Sundries ...		107·89	98·47
The above balance sheet includes—			
Deposits in London ...	£1,222,300		
Advances in London ...	£1,102,400		
Cash and Balances at other Banks in London	£144,000		
<i>Assets.</i>			
Government Securities...		1,504·38	1,505·87
Other Authorized Securities under the Act ...		112·77	112·77
Loans ...		1,478·59	1,399·99
Cash Credits ...		2,914·33	2,814·74
Inland Bills discounted and purchased ...		387·84	519·66
Foreign Bills discounted and purchased ...		30·54	29·70
Bullion ...		---	
Dead Stock ...		---	
Sundries ...		276·64	276·77
Balances with other Banks		71·38	53·34
Cash ...		21·45	16·39
		3,190·39	3,198·24
Percentage 36·05 ...			
Bank rate 5 per cent. ...			

## APPENDIX III:

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### FOREIGN CAPITAL IN INDIA

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#### Report of External Capital Committee.

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The report of the External Capital Committee, appointed by Government in accordance with the promise given by the Honourable Sir Charles Innes in the Legislative Assembly on the 5th June, 1924, to consider the question of the flow of capital into India from external sources, is summarised below :—The Committee have not attempted to estimate the amount of external capital in India as any such calculation must be largely guesswork. They do not think that any practical purpose would be served by such an estimate. As a general principle they hold that the inflow of external capital is not only unobjectionable in itself, but that it is a valuable factor in assisting the economic development of the country and in increasing its wealth and employment, though they believe that it is even more advantageous that India's requirements of new capital should be supplied from internal sources, so far as internal capital is forthcoming. India possesses a large store of dormant capital awaiting development and in order to make this available for investment they suggest that a preliminary survey should be undertaken by Government without delay of the whole field of banking organisation and credit facilities in India, this preliminary survey to be followed by a detailed examination by experts. The following are some of the questions, a detailed examination of which the Committee consider would be most likely to lead to fruitful results.

#### BANKING FACILITIES.

The first is the question of increasing the facilities for deposit and investment by the creation of new branches of

the Imperial Bank, the extension of the facilities of existing banks and the formation of new banks. They also suggest an examination of the indigenous banking system in order that the credit facilities which they now afford may be fully utilised and further developed by being fitted into the modern banking system, and of the various proposals for Government control of joint stock banks. The most important question is the provision of a comprehensive scheme of banking education which will furnish an adequate supply of Indian bankers trained on sound and modern lines. One of the first points for consideration in this connection would be the desirability of creating an all-India institute of bankers to supervise courses of instruction combining both practical and theoretical training in banking. As regards the facilities for investment, they consider that as fresh capital must, if progress is to be healthy, be attracted first into investments in which safety is the primary consideration, steps should be taken to encourage dealings in Government securities by extending the Public Debt Office facilities to the more important commercial centres outside the presidency towns thereby creating more money markets throughout India, constituted on modern lines.

Other questions of importance are a co-ordinated examination of the machinery for the provision of credit to agriculture and to industry either by direct Government assistance or through industrial and co-operative banks, and the development of negotiable instruments so that they can take their proper part in the financing of Indian trade.

#### RESTRICTIVE MEASURES.

Turning next to the question of imposing restrictions on external capital, the Committee distinguish between different forms of external capital according to the extent to which such capital carries with it control over Indian industrial organisation and Indian natural resources. According to this criterion, external capital is divided into three categories, namely :—(1) Investments in which

the external investor is merely entitled to a stipulated rate of interest and only acquires rights of control when there is default, as in the case of state and municipal loans, bonds and debentures of private companies, and bank loans; (2) Investments in which the external investor enters into competitive business on equal terms with Indian enterprise as in the case of cotton and other textile mills, mercantile houses and the like; and (3) Investments in which the external capitalist acquires special privileges or concessions of land which give him exclusive possession or exclusive rights of exploitation of particular portions of the natural resources of India. As regards Class, (1) the Committee do not consider any measures of control necessary, but in the case of Government and quasi—Government loans they add that the rate of interest should not be the sole consideration in placing such loans, and that, other things being equal, preference should be granted to the Indian investor.

#### PRACTICAL OBJECTIONS.

After careful consideration of the various devices suggested for imposing control the Committee have come to the conclusion that restrictive measures would be either impracticable or disproportionately injurious to the Indian investor in cases falling under Class (2). Most general of these suggestions for control are the registration of new companies in India with rupee capital, and definite reservation to Indian investors of a proportion of the shares, stipulations for a definite proportion of the directors being Indian, and for facilities being afforded for training of Indian apprentices, and the imposition of penal taxation on companies which do not comply with these conditions. The Committee point out that these suggestions could only be applied to new companies, and that they would entail a very elaborate system of trade licensing and inquisitorial deverment control, which would tend to prevent the development of private companies into joint stock companies. Restrictions on the transfer of shares from Indians to non-Indians might



possibly increase the yield in certain exceptional cases, but this would be largely counterbalanced by their lower sale value on account of the absence of an open market for the sale of investments. Further practical objections are the probable evasion of the restrictions by the large capitalist, and the increased difficulty to the small investor of finding purchasers, for which brokers would naturally charge an enhanced commission. The Committee's objection to a statutory minimum of directors is based on the right of shareholders under ordinary circumstances to have an unfettered control over their own directorate, and on the principle that it would be unadvisable and uneconomic to compel companies to labour under a proportion of directors whose business qualifications were only a secondary consideration.

#### THE RECOMMENDATIONS.

The Committee are also opposed to keeping subscription lists for new or additional capital open to Indians for a prolonged period as, if Indian subscribers were subsequently allowed to sell them in the open market without restriction the effects of such a policy on the ultimate control of the company would be negligible while the dislocation created to the commercial machinery of the country by such a general provision would be incalculable. Pandit Madan Mohan Malaviya, while recognising the force of this argument, holds that some such action is desirable on the ground that there would be some residuum of additional Indian holdings as a result. Where, however, definite concessions are granted to particular concerns, as in the third class of external capital, they agree that definite restrictions might be imposed. They would subdivide this class further into two :—(1) Where the foreign capitalist acquires a definite pecuniary concession such as a bounty, and (2) where he acquires a concession which will enable him to exploit a wasting asset such as a mineral concession. In the first case they consider that restrictions might be imposed of the nature described in Section 5 of the Steel Industry Protection Act of 1924, namely, that companies

should be registered in India with rupee capital, and a reasonable proportion of Indian directors, and reasonable facilities for the technical training of Indian apprentices should be provided. As regards mining and similar concessions, they are of opinion that no definite proportion can be prescribed, and the matter must be dealt with by the expert departments of Government concerned, the general criterion being that concessions should only be granted to external concerns where it is clearly in the national interest that they should, and where internal capital is not forthcoming on reasonable terms, and then only subject to such safeguards as may be suitable for each case.

Lastly the Committee do not consider it necessary to examine in detail the measures to be taken to give effect to these recommendations as they do not suppose that any general legislation will be necessary. If Government accept them, the necessary legislative and executive steps can be taken to give effect to them on each occasion when a bounty or similar concession is granted.

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## APPENDIX IV.

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### ECONOMIC INQUIRY COMMITTEE'S REPORT.

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#### A SUMMARY OF THE RECOMMENDATIONS.

The report of the Indian Economic Inquiry Committee, which is just published covers 120 sheets of a Blue Book, and in the course of this survey of the economic conditions of the country the subject is dealt with very exhaustively. The Committee came into being on January 22, in response to the wishes of the Legislature, and comprised Sir M. Visvesvaraya as Chairman, Rai Bahadur Pandit Hari Kishan Kaul as a member, and Mr. A. R. Burnett-Hurst as a member and secretary. The terms of reference were: "To examine the material at present available for framing an estimate of the economic condition of the various classes of the people of British India; to report on its adequacy; and to make recommendations as to the best manner in which it may be supplemented, and as to the lines on which a general economic survey should be carried out, with an estimate of the expenditure involved in giving effect to such recommendations." For several months the Committee collected evidence from the various Provinces and has now issued its report, which includes a note of dissent by Mr. Burnett-Hurst. The estimated cost of the Committee to Government, including the charges for printing the report and evidence, amounted to Rs. 1,02,483.

#### CHIEF TESTS.

Before making its recommendations, the Committee indicates a wide-spread desire in the country for an economic inquiry which would embrace the collection of statistical data and information which would facilitate the shaping of the economic policies and the solution of current economic problems with a view to meeting existing deficiencies, in:

proving resources and increasing the country's prosperity generally. The chief tests of economic condition are income (including production), consumption (including cost of living), and wealth. In the circumstances of British India the existing material may be considered under three main classes, viz., (a) General statistics other than production, (b) statistics of production, and (c) estimates of income, wealth etc. Statistics falling under class (a) are more or less complete, those under class (b) are satisfactory in some respects but incomplete or totally wanting in others; while no attempt has been made to collect those under class (c) on a comprehensive scale.

#### THE RECOMMENDATIONS.

The Committee proceeds to make several recommendations, which may briefly be summarised as follows :—

Statistics of class (a) have not been compiled hitherto with an eye specifically to shaping the economic policy of the country. Further improvements to bring them into line with up-to-date statistical systems abroad might be effected with the aid of statistical experts.

Complete statistics of production including the total value of production should be collected. The existing agricultural statistics, amplified and improved, offer the best means of ascertaining agricultural production. Where a subordinate revenue agency exists for doing this work, no other agency can be usefully substituted for it. Detailed suggestions as regards the collection of data relating to agricultural production and the conversion of quantities into values are given. In view of the correctness of areas and the detailed information already being collected, it is not considered necessary to have a periodical census of agricultural production; but in its stead a quinquennial review of the data collected from year to year is suggested. Detailed suggestions are given for obtaining the value of production from pastoral occupations, dairy farms, forests, fisheries and cottage and minor industries. Departments of Mining and

Industries should collect annually statistics of mineral and industrial production, respectively, including values. A detailed quinquennial census of industrial production is also proposed.

#### INTENSIVE INQUIRIES.

Intensive studies of villages have been carried out in various parts of the country and a large number of family budgets have been prepared, but they have been too detached or fragmentary to lead to any appreciable conclusions. It is suggested that intensive inquiries should be made every year in limited areas in every district for ascertaining income, wealth, cost of living, indebtedness, etc., of the people. The income-tax returns should continue to be published with certain suggested improvements. Approximate estimates of the wealth of individuals should be made, wherever possible by the investigators in the course of their intensive inquiries. In the meantime estimates of collective wealth should be prepared for villages, towns, etc., by the inventory method. Cost of living index numbers should be prepared for the principal industrial centres. Detailed proposals have been made for the collection of rates of wages of various classes of operatives in industrial establishments, mines, etc., also of persons employed in cottage industries, agricultural labour, domestic service, etc. A comprehensive quinquennial wage census is also recommended. Suggestions are made for the collection of wholesale and retail prices.

#### SCHEME OF ECONOMIC SURVEY.

For the presentation of results of intensive studies a double classification of the population based both on occupation and income, is suggested. These statistics should be tabulated by administrative units and also by economic zones where necessary.

Figures of production of all kinds should be obtained through the departments of Government by engaging additional staff where necessary. The total value of the entire

production should be recorded. Wherever it is not possible to obtain actual figures of production, a near approximation may be attempted.

Every intensive study should, as a rule, extend over a whole year. Each investigator in rural areas should deal with a group of villages in one assessment or revenue circle. In towns, houses should be selected by a random sample of 1 in 5. Ordinarily these studies should embrace income, expenditure, wealth and indebtedness. Special inquiries regarding particular phases of economic condition may be made (1) in local areas, or (2) concerning particular classes of people, whenever required by the Provincial Government. The staff under the Provincial Bureau will constitute a nucleus to undertake special investigations.

Data regarding wages in large industries and prices of industrial and mineral production will be collected by the Industries and Mining Departments, respectively, and similar particulars relating to rural and other wages and prices, wholesale and retail, by the Revenue Department.

All statistical work should, as in the Dominions, be co-ordinated and centralised, the aim being to provide a common purpose and give the statistics an economic trend by means of a central thinking office.

The whole statistical organization requires legal sanction to stabilize it as well as to arm the officers of the departments with the necessary powers to compel people to supply any information which may be specified, while guaranteeing the maintenance of secrecy in respect of the information or particulars so supplied.

#### ORGANISATION.

A Central Statistical Bureau should be established at the headquarters of the Central Government to take the place of the Statistical Section of the office of the Director-General of Commercial Intelligence for the purpose of cen-

tralization of statistics, particularly those of economic significance. It should be presided over by a Director of Statistics with the requisite staff. The Director should be able in addition, to work as a Census Commissioner for the decennial population census.

Every province should have a provincial Statistical Bureau with a provincial Statistician at its head and a staff of Assistants, usually one for every revenue division, to supervise the work in the districts.

An advisory body should be associated with each of these bureaux. The existing Publicity Advisory Committee might be strengthened by the addition of the Director of Statistics and three other members with statistical or economical experience, and utilized as an advisory body to the Central Bureau. In every province there should be a Board of Economic Enquiry to advise the provincial Statistician and, if necessary, to supervise the work connected with economic research. (Para. 86 and 87).

There will be two distinct agencies working in each district for collecting economic data : (1) A staff of inspectors to collect statistics of production other than those furnished by Government departments, and clerks for the compilation of statistics of agricultural production, etc.; (2) qualified investigators for intensive inquiries. The former staff will be under the supervision of the Revenue department but controlled in technical matters by the statistical department and the latter, while acting under the direct control of the Assistant Statistician will be associated with the Revenue Department in the matter of regulating their relations with the people. (Para 89).

On the scale provided the investigators will be able to collect every year data relating to about 2½ per cent. of the rural and 4 per cent. of the urban population. It is expected that as data continue to accumulate generalizations from them will become more and more reliable.

## LOCAL AGENCIES.

Local agencies in villages, such as Co-operative Credit Societies and local committees, zemindars, schoolmasters, shopkeepers, etc., should be associated with the inspectors and investigators as far as possible. The services of superintendents of cottage industries, grazing inspectors, members of the staff of Co-operative Credit Societies and other departments may be utilized when available.

It is suggested that the labour offices in Bombay, Madras and Burma be absorbed in the proposed Provincial Statistical Bureaux and that the posts of Director of Land Records and Provincial Statistician be amalgamated wherever possible.

The publication of an Official Year Book for British India is recommended. The statistics collected should be reviewed quinquennially by the Provincial and Central Bureaux. The results of each year's work should be reviewed and discussed in the legislatures concerned at the time of the presentation of the annual Budget.

Statistics of production, etc., pertaining to a village should be published in the village and interpreted to the people by the officials of the Revenue and Statistical Departments. The Advisory Bodies should also direct the attention of the public through the press and from the platform to deficiencies in the economic structure and to measures for removing such deficiencies.

It is suggested that the Indian States be invited, in their own interests, as well as that of the country as a whole, to undertake economic surveys on parallel lines and to join British India in a common organization for the collection of statistical data.

## ESTIMATE OF COST.

The yearly expenditure required for the Central Bureau, over and above the present cost of the Statistical Sec-



tion of the Commercial Intelligence Office, is estimated at Rs. 75,000. An initial expenditure of Rs. 1,00,000 would be needed for equipment and a sum of Rs. 25,000 for quinquennial investigations. Rupees 75,000 will be the recurring yearly outlay, and the sum of Rs. 1,25,000 will represent the special outlay required in the first two years.

A Provincial Bureau for a province of the size of the Punjab (population 20,678,393) will require a yearly recurring outlay of Rs. 4,73,000 besides a sum of Rs. 2,55,800 for initial equipment, etc., the latter sum to be expended in the first two years.

The total estimated cost worked out, on the basis of population, for all the provinces of British India aggregates Rs. 56.79 lakhs recurring and Rs. 30.62 lakhs for expenditure on initial equipment, etc., in the first two years. This is exclusive of the expenditure of the Central Bureau mentioned above.

The tracts under permanent settlement may require some further expenditure for securing data concerning agricultural production. This will have to be determined for themselves by the Provincial Governments concerned.

#### DISTRIBUTION

The Provincial Governments should ordinarily bear the entire provincial expenditure but, in view of financial stringency in the provinces, it is suggested that for a period of five years the Central Government may meet half of such expenditure.

If the suggestion is accepted, the cost of the scheme will be as distributed below :—

By the central Government.—Initial outlay, Rs. 16.56 lakhs ; recurring yearly outlay, Rs. 29.15 lakhs.

By all the Provincial Governments collectively.—Initial outlay, Rs. 15.31 lakhs ; Recurring yearly outlay, Rs. 28.40 lakhs.

It is suggested that an endeavour should be made to transfer gradually a share of the cost to local bodies and to

such villages as may come forward to participate in the work and the financial burden.

#### MINUTE OF DISSENT.

A note of dissent is appended by Professor A. R. Burnett Hurst in which he says that as a statistician and economist he regrets he is unable to share many of the views of his colleagues. His principal conclusions include the following:—

The central features of an economic survey of the various classes of the people should be a detailed description of their standard of living, the money value of real income of a family being no true index of its economic condition. In the present conditions it would not be advisable to conduct inquiries into individual wealth.

Comparisons between India and western countries based on estimates of national income would be vitiated by the entirely different economic conditions. In addition to intensive investigation and the analysing of family budgets there should be enquiry into the influence of disease on efficiency, unemployment in the middle classes etc. So long as the existing method of crop reporting is employed India must not expect returns so accurate as in certain other countries. Suggestions are made in order to bring about an improvement in agricultural statistics.

It is recommended that returns of wages and hours of labour be secured quarterly from factories, etc., that a quinquennial wages census be undertaken by the Central Bureaux of statistics and that intensive studies of wages should be carried out quinquennially by provincial bureaux. Professor Burnett-Hurst recommends the reconstitution of the Department of Statistics, and the expansion of the Labour Office, Bombay, into a Provincial Bureaux of Statistics. The Central Bureaux should publish an Official Year Book for British India. The necessary compulsory powers for securing returns from factories can be furnished by amending the Factories Act.

APPENDIX V.  
**BOMBAY STOCK EXCHANGE.**  
**Government Bill.**

REGULATIONS AND CONTROL OF TRANSACTIONS.

The following is the full text of the Bill to regulate and control transactions on the Bombay Stock Exchange, drafted by the Government of Bombay and circulated to public bodies for opinion :—

Whereas it is expedient to regulate and control certain contracts for the purchase and sale of securities in the City of Bombay in manner hereinafter appearing and whereas the previous sanction of the Governor-General required by section 80 A (3 a), of the Government of India Act has been obtained for the passing of this Act ; it is hereby enacted as follows :—

1. This Act may be called the Bombay Securities Contract Control Act 192.—

2. (1) This Act shall apply to the City of Bombay only.

(2) It shall come into operation from such date as, the Governor in Council may by notification in the *Bombay Government Gazette* appoint.

3. In this Act unless there is something repugnant in the subject or context.

(1) "Securities" includes stocks, shares, bonds, debentures, debenture stock and any other instruments of a like nature.

(2) "Stock Exchange" means any association, organization or body of individuals, whether incorporated or not, established for the purpose of assisting, regulating and controlling, business in buying, selling and dealing in stocks, shares, bonds debentures, debenture stocks and any other like securities.

(3) "Ready delivery contract" means a contract for the purchase or sale of securities for performance of which no time is specified and which is to be performed immediately or within a reasonable time.

Explanation : The question what is a reasonable time is in each particular case a question of fact.

RULE MAKING POWERS

(4) (1) A stock exchange may, subject to the sanction of the Governor - in - Council, make rules for the regulation and control of all transactions in securities (other than ready delivery contracts).

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for,

(a) the government of the stock exchange by a governing body and the constitution of such governing body;

(b) the powers and duties of the governing body and the manner in which its business shall be transacted;

(c) the fixing of a scale of charges;

(d) the making, settling and closing of bargains;

(e) the exercise of emergency powers in the case of corners;

(f) the regulation of dealings by members for their own account; and

(g) the settlement of disputes arising between members and the punishment of defaulting members.

(3) The Governor-in-Council may refuse to sanction the rules made by a stock exchange and may from time to time add to, amend vary or rescind the rules made by a Stock Exchange and sanctioned by the Governor-in-Council.

(4) Rules made by a Stock Exchange under sub-section (1) and sanctioned by the Governor-in-Council and any addition, amendment, variation or rescission made by the Governor-in-Council under sub-section (3) shall be published in the *Bombay Government Gazette*.

#### OLD RULES NOT ENFORCEABLE.

(5) All rules made by a stock exchange and in existence on the date on which this Act comes into operation relating to transactions in securities other than ready delivery contracts shall be of no effect and shall not be enforceable by law on and from the date this Act comes into operation, except such rules as are sanctioned by the Governor-in-Council.

(6) If no rules are made under sub-section (1) within such time as may be fixed by the Governor-in-Council the Governor in Council may by notification in the *Bombay Government Gazette* make rules for the regulation and control of all transactions in securities (other than ready delivery contracts).

5 Every contract entered into after the date on which this Act comes into operation for the purchase or sale of securities, whether either party thereto is a member of a stock exchange or not, other than a ready delivery contract shall be void, unless the same is made subject to the rules duly made and published under section 4; and no claim shall be allowed in any civil court for the recovery of any commission, brokerage, fee or reward in respect of any such contract.

## APPENDIX VI.

### Separation of Railway Finance from the General Finances.

In section 329, page 813, we have dealt with the proposals made by the Government of India, to give effect to the recommendations of the Acworth Committee, regarding the separation of the railway budget from the general finances of the state. These proposals were referred to a select Committee of the Legislative Assembly on the 3rd of March 1924. The original proposals, referred to at page 813, were amended to a certain extent, in the light of the recommendations of this committee. The present position in regard to the separation of railway finance will be clear from the following extract of the resolution as finally passed by the Legislative Assembly.

" This Assembly recommends to the Governor General in Council that in order to relieve the general budget from the violent fluctuations caused by the incorporation therein of the railway estimates and to enable railways to carry out a continuous railway policy based on the necessity of making a definite return to general revenues, on the money expended by the State on railways :—

- (1) The railway finances shall be separated from the general finances of the country and the general revenues shall receive a definite annual contribution from railways which shall be the first charge on the net receipts of the railways.
- (2) The contribution shall be based on the capital at charge and working results of commercial lines, and shall be a sum equal to one per cent. on the capital at charge of commercial lines (excluding capital contributed by companies and Indian States) at the end of the penultimate financial year *plus* one fifth of any surplus profits remaining after payment of this fixed return, subject to the condition that, if in any year railway revenues are insufficient to provide the per-centage of one per cent. on the capital at charge, surplus profits in the next or subsequent years will not be deemed to have accrued for purposes of division until such deficiency has been made good.

The interest on the capital at charge of, and the loss in working, strategic lines shall be borne by general revenues and shall consequently be deducted from the contribution so calculated in order to arrive at the net amount payable from railway to general revenues each year.

- (3) Any surplus remaining after this payment to general revenues shall be transferred to a railway reserve; provided that if the amount available for transfer to the railway reserve exceeds in any year three crores of rupees only two third of the excess over three crores shall be transferred to the railway reserve and the remaining one-third shall accrue to general revenues.

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