

EAST INDIA (FINANCIAL STATEMENT).

RETURN to an Address of the Honourable The House of Commons,
dated 7 May 1906 ;--for,

“RETURN of the INDIAN FINANCIAL STATEMENT for 1906-7, and of the Proceedings
of the Legislative Council of the Governor-General thereon.”

India Office,
9 May 1906. }

ARTHUR GODLEY,
Under Secretary of State for India.

(*Sir Henry Fowler.*)

Ordered, by The House of Commons, to be Printed,
9 May 1906.

LONDON:

PRINTED FOR HIS MAJESTY'S STATIONERY OFFICE,
BY EYRE AND SPOTTISWOODE,
PRINTERS TO THE KING'S MOST EXCELLENT MAJESTY.

And to be purchased, either directly or through any Bookseller, from
WYMAN AND SONS, LTD., FETTER LANE, E.C., and
32, ABINGDON STREET, WESTMINSTER, S.W.; or
OLIVER AND BOYD, EDINBURGH; or
E. PONSONBY, 116, GRAFTON STREET, DUBLIN.

GOVERNMENT OF INDIA:
FINANCE DEPARTMENT.

FINANCIAL STATEMENT

FOR

1906-1907.



CALCUTTA:
OFFICE OF THE SUPERINTENDENT OF GOVERNMENT PRINTING, INDIA,
1906.

CALCUTTA:
GOVERNMENT OF INDIA CENTRAL PRINTING OFFICE,
8, HASTINGS STREET.

GOVERNMENT OF INDIA.
FINANCE DEPARTMENT.

FINANCIAL STATEMENT FOR 1906-1907.

CONTENTS.

PART I.

	PARA.	PAGE
Preliminary	1	3
Accounts of 1904-1905	7	4
Revised Estimate, 1905-1906	9	4
Budget Estimate, 1906-1907	23	7
Application of the Surplus	35	9
Ways and Means	49	12
Army Services	53	13
Railway Construction and Earnings	55	13
Irrigation	61	15
Exchange, Rupee Coinage and the Gold Reserve Fund	66	17
Note Circulation and the Paper Currency Reserve	71	18
Council Drawings	77	20
Countervailing Duties on Sugar	80	21

PART II.

DETAILS OF ACCOUNTS AND ESTIMATES.

	PARA.	PAGE
I.—Accounts of 1904-1905	91	27
II.—Revised Estimate of 1905-1906	98	28
III.—Budget Estimate of 1906-1907	131	34
IV.—Statements comparing the Estimates under the more important heads of Revenue and Expenditure with the actuals of past years—		
LAND REVENUE	173	43
OPIUM	174	44
SALT	175	45
STAMPS	176	45
EXCISE	177	46
PROVINCIAL RATES	179	46
CUSTOMS	182	47
ASSESSED TAXES	183	48
FOREST	184	48
INTEREST RECEIPTS	186	49
INTEREST EXPENDITURE	187	49
POST OFFICE	189	50
TELEGRAPH	190	51
MINT	192	52
CIVIL DEPARTMENTS	193	52
MISCELLANEOUS CIVIL CHARGES	195	53
FAMINE RELIEF AND INSURANCE	196	54
RAILWAY REVENUE ACCOUNT	197	54
IRRIGATION	198	55
OTHER PUBLIC WORKS	201	55
ARMY SERVICES	205	57

FINANCIAL STATEMENT OF THE

V.—Capital Expenditure on Railways and Irrigation Works not charged to Revenue—	PARA.	PAGE
RAILWAY CONSTRUCTION	208	59
IRRIGATION CONSTRUCTION	212	60
VI.—Provincial Finance	214	61
VII.—Ways and Means—		
HOME TREASURY	231	66
INDIA	246	73
VIII.—Summary	254	76

APPENDIX I.

ACCOUNTS AND ESTIMATES.

	PAGES
I.—General Statement of the Revenue and Expenditure charged to Revenue, of the Government of India, in India and in England	80—81
II.—General Statement of the Receipts and Disbursements of the Government of India, in India and in England	82—83
A.—Statement of the Revenue of India, in India and in England	84—85
B.—Statement of the Expenditure charged to the Revenues of India, in India and in England	86—89
C.—Statement of Receipts and Disbursements of the Government of India, in India and in England	90—93
D.—Account of Provincial and Local Savings charged to Revenue, and held at the disposal of Provincial Governments under their Provincial settlements	94
E.—Abstract Statement of the Receipts and Disbursements of the Government of India, in India and in England	95

APPENDIX II.

The Honourable Major-General C. H. Scott's Minute on [the subject of Military Expenditure	97
---	----

APPENDIX III.

Memorandum by the Railway Board on the results of Indian Railway working, 1905-1906, and proposals for 1906-1907	
A.—Statement of Anticipated Capital Expenditure on Railways, 1906-1907	107
B.—Statement showing proposed lines which are under negotiation for construction by private companies	111
C.—Memorandum on the construction of Railways	117
	119

APPENDIX IV.

COMMERCIAL AND FINANCIAL STATISTICS.

I.—Miscellaneous	126
II.—Guaranteed Railway Companies: Financial Results	128
III.—Capital expenditure on State Railways	129
IV.—Capital Expenditure on Irrigation Works	133
V.—Receipts and Working Expenses of Railways	135
VI.—Receipts and Working Expenses of Irrigation Works	139
VII.—Capital Account of Guaranteed and Subsidized Railways	142

PROCEEDINGS OF COUNCIL, 28TH MARCH 1906.

Discussion of the Financial Statement	145
---	-----

FINANCIAL STATEMENT FOR 1906-1907.

PART I.

Preliminary.

I beg to lay on the table the Financial Statement for 1906-1907, together with the usual figures relating to the accounts of 1904-1905, and the Revised Estimates of 1905-1906.

2. The year now drawing to a close has in certain important Provinces been less favourable than those which immediately preceded it. The Arabian Sea monsoon current was late in arriving, and the total autumn rainfall was much below the normal in the United Provinces, the Punjab, the Deccan districts of Bombay, and Rajputana. In parts of Madras also there was at one time a serious deficiency in the rainfall, but this was made good by favourable rains in the cold weather. The partial failure of the monsoon was unfortunately followed by great delay in the winter rains of Northern India, and though these eventually came, and greatly relieved the situation, they were too late to save a large proportion of the unirrigated crops. Famine conditions have been declared to exist in ten British districts and in several States of Rajputana, and by the end of February, over 360,000 persons in all were in receipt of relief. These untoward events necessitated liberal remissions and suspensions of revenue, and expenditure on famine relief, which will affect both the current year, and also 1906-1907.

3. In the rest of India the seasons were on the whole favourable, and the harvests generally good. Our revenue has come in well, and shows signs of continued and healthy development; and if the rainfall of next season should be normal, we may look forward to the restoration of prosperity in those tracts which are now unhappily suffering. After making adequate provision for famine relief, and for the effect of the drought on our land revenue, we estimate that on the present basis of taxation and expenditure, we should have had in 1906-1907 a revenue surplus of £1,687,500. This is in excess of our needs, and we have accordingly decided to carry into effect certain reductions of taxation and transfers to the Local taxation account which are estimated to absorb £586,700 per annum. Almost the whole of this sum will be devoted to relieving the burdens of the agricultural tax-payer. An account of the particular measures to be adopted will be found in paragraphs 41 to 45 of the Financial Statement.

4. In view of the present agricultural situation, it would not have been prudent to embark on any important new schemes of administrative reform involving large recurring expenditure. We have therefore limited our proposals in this direction to three measures, of which the most considerable is one to which we are already committed, while the other two do not involve large present outlay and are deemed to be of pressing importance. These projects are estimated to cost us £226,700 a year, and an account of them will be found in its proper place.

5. The effect of these measures taken together is to diminish our revenue or increase our expenditure in the aggregate by £813,400, thus reducing the estimated surplus of the ensuing year to £874,100.

6. I now present the figures for the three years, reduced to their simplest form, and excluding Capital, Debt, and Remittance transactions. They are as follows:—

	1904-1905 (Accounts).
	£
Revenue	84,812,971
Expenditure charged against Revenue	81,356,905
	<hr/>
Surplus	3,456,066
	<hr/>

FINANCIAL STATEMENT OF THE

	1905-1906 (Revised Estimate).
Revenue	£ 84,829,500
Expenditure charged against Revenue	83,073,800
Surplus	1,755,700
	1906-1907 (Budget Estimate).
Revenue	£ 86,495,100
Expenditure charged against Revenue	85,621,000
Surplus	874,100

Accounts of 1904-1905.

7. This time last year we estimated that the year 1904-1905 would close with a surplus of £3,485,500. The final accounts agree closely with this, the actual amount being £3,456,066, a shortage of £29,434. The revenue exceeded the Revised Estimate by £113,871, and the expenditure was less by £43,595, but the improvement was confined to the Provincial and Local section of the accounts, which benefited to the extent of £186,900, leaving a net worseness in the Imperial section of £29,434.

8. Under Opium, the weighments in Malwa during March were exceptionally low and resulted in a reduction of £22,501. Excise receipts exceeded the estimate by £51,424, chiefly in Bombay, where, in consequence of a change in the excise year, the fees for retail licenses in the Presidency Town for 20 months were brought to account during the year. There were increases of £40,997 under Forests mainly in Burma, and of £14,000 under Assessed Taxes fairly distributed over the Provinces. Irrigation rose by £39,836, especially in the Punjab and Madras where Land Revenue due to Irrigation improved materially. Under Interest, there was a short receipt of £20,121, the major part of which was due to the non-payment within the year of interest due by the Kalka-Simla Railway. The net Railway revenue account was reduced by £149,062, mainly in consequence of increased working expenses and renewals on the East Indian, Bengal and North-Western, Tirhoot, North-Western, Oudh and Rohilkhand, Rajputana-Malwa and Bengal Nagpur Railways, the charges for which were brought to account in the closing months of the year. Army charges were less than the estimate by £139,006, of which £93,995 was on account of Reorganization. There were also reductions of expenditure amounting to £45,356, under Public Works, Civil and Military, £24,947 under Irrigation (chiefly in Burma and Bengal), and £26,664 under Direct Demands on the Revenues, chiefly in Bombay, partially counterbalanced by small increases under other heads. Taken as a whole, the figures approximate closely to those of the Revised Estimate framed last March, and do not call for special remark.

Revised Estimate, 1905-1906.

9. Last March, we anticipated that the revenue of the year 1905-1906 would amount to £83,433,000, the expenditure chargeable against revenue to £82,529,200, and the probable surplus on the Imperial section of the accounts to £903,800. The results now anticipated are more favourable. The revenue has increased by £1,396,500, while the expenditure chargeable against revenue has also increased by £544,600, and the surplus, as now estimated, will amount to £1,755,700. These results relate, as already stated, only to the Imperial section of the accounts. If we include the Provincial and Local sections, the position is somewhat modified. The figures of revenue, both for the Budget and the Revised Estimates, are unaffected. In regard to expenditure, however, we anticipated a year ago that the total disbursements on revenue account for Imperial, Provincial, and Local taken together would amount to £83,899,500; and we expected that of this sum, the Provincial Governments and local bodies would draw on their accumulated balances to the extent of £1,370,300, the direct charge against current revenue being thereby reduced by an equivalent amount. According to our present estimates, the aggregate expenditure in all three sections will amount to £82,993,400, being less than the budget figure by £906,100.

Instead, however, of having to draw on their balances, the Provincial Governments have increased the latter by £80,400, and as this constitutes a liability against Imperial revenues, it is, in accordance with established practice, charged off at once in the accounts, increasing the expenditure chargeable against the revenue of the year to an equal extent. The causes of the increase in the Provincial balances are set forth below.

10. In the last Financial Statement I explained that an endeavour was being made to attain a higher standard of accuracy in the estimating of our revenue and expenditure. The figures now presented to the Council will show to what extent these efforts have been successful during the past year. The comparison must of course be made with the aggregate revenue and expenditure, disregarding their allocation between Imperial, Provincial, and Local. It will be seen that our total revenue has exceeded the Budget Estimate by £1,396,500, which represents 1·67 per cent on the figure taken last March. On the expenditure side, the total disbursements are now estimated to amount to £906,100 less than in the Budget. This represents a difference of only 1·08 per cent on the original estimate.

11. So far as revenue is concerned, these results are not unsatisfactory: more than half of the increment of revenue occurred in the gross receipts from Railways, in which, if anywhere, a cautious estimate is justifiable. In regard to expenditure, although the percentage of variation from the original estimate is very low, the true result is less successful, for there were large lapses of grants both for civil expenditure in India and for army charges at home, and the net reduction would have been considerably greater than it is had we not applied a portion of the funds thus set free to meeting other charges not provided for in the Budget. Even here, however, there are some grounds for a more favourable view, for the lapse in army charges in England was due to special causes which we hope are not likely to recur. On the whole, I think, it may be said that a fair amount of improvement has been effected: and for the future I can merely repeat the assurance which I gave last year that we shall continue to do our best to eliminate all avoidable sources of error.

12. The following is a statement of the principal heads of Revenue and Expenditure in which the Revised Estimate differs from the figures of the Budget by £30,000 or more. The figures of the Railway Revenue Account and of Irrigation, Post Office and Mint are taken net:—

<i>Revenue.</i>		£
DECREASE—		
Land Revenue		440,000
Customs		39,100
Irrigation		118,000
INCREASE—		
Salt		76,700
Stamps		60,400
Excise		210,400
Other principal heads		197,400
Interest		139,700
Post Office		35,700
Mint		202,400
Railway Revenue Account		461,300
Receipts by Military Department		150,300
<i>Expenditure.</i>		
INCREASE—		
Interest		52,900
DECREASE—		
Civil Departments		237,600
Other Public Works		256,900
Army Services		842,000
Special Defences		61,200

Explanations on all points of importance will be found in the annexed Memorandum by the Financial Secretary. The only matters to which reference need be made here are the following:—

Under Land Revenue, the failure of the monsoon has produced the greatest effect in Bombay and the Punjab, where the falling-off in collections is estimated at ₹22,16,000 and ₹8,70,000, respectively. In the United Provinces the shortage amounted to ₹7,95,000, and would have been larger had not the loss due to the frost of January 1905 been overestimated. In Madras the collections fell short of the Budget

Estimate by ₹23,23,000, but this was due not to the character of the harvests but to the high collections of 1904-1905 which left a comparatively small amount of arrears to be recovered in the current year. Smaller shortages are anticipated in Burma, Eastern Bengal and Assam, and Ajmer, but the estimates will be exceeded in Bengal and Berar. In the two provinces chiefly affected by drought remissions of land revenue have been made aggregating ₹80,88,000, while a further sum of ₹86,17,000 is under suspension.

13. Last March the opinion was expressed in some quarters that we had pitched our estimate of Customs revenue for the current year too low. The actual results, however, are far from bearing out this view. The receipts have fallen short of our estimate by £39,100, and the shortage would have been considerably greater but for the increase of the duty on spirits effected by the Tariff Amendment Act in January last. The increase of duty took effect one month after the date of passing the Act, and extensive clearances of stocks took place during the interval, yielding an increase of revenue of £63,300. This will of course tend to reduce the revenue from this source in the ensuing year. Apart from this exceptional item, the chief features of the year were the great and continued development of the receipts from cotton piece goods and from the corresponding excise duty on Indian mills, and the large falling-off under petroleum, and under silver and other metals. The import duty on cotton piece goods yielded £886,700, and the excise duty £183,700, both figures being the highest on record. The latter is now 250 per cent greater than in 1896-1897, the first complete year of its operation, and affords gratifying testimony to the thriving and progressive state of the industry. The falling-off in the duty on petroleum was £73,300, and is due to the stoppage of imports of Russian oil after the destruction of the works at Baku. Its place was taken by Burma oil, which pays no duty. The imports of silver have received a severe check, and the receipts from duty have fallen short of the estimate by £106,700. In the earlier months of the year, the exports of rice were somewhat behindhand, and a shortage in the export duty seemed probable. This has, however, latterly been made good, and the returns will not fall far short of the original estimate. The other variations do not call for special notice.

14. Under Salt, we had made what seemed to be a liberal allowance for the probable increase of consumption due to the reduction of the duty last March. The results have, however, surpassed our anticipations. By the end of February the issues of salt had exceeded those of the corresponding period of the previous year by 14,38,000 maunds, and we now expect that this figure will have risen to 16 lakhs of maunds by the end of the year. This advance follows on a very large increase of 17,86,000 maunds which occurred in 1904-1905, by which time the first reduction of duty made in 1903 had come into full effect. We have recently received an interesting series of reports from the Local Governments on the results of the two successive reductions of the duty in 1903 and 1905. These show that the cumulative reduction of one rupee has been proportionately of greater effect than the preceding reduction of 8 annas; that the cheapening of the retail price, and often the cause to which it is due, have become known even among the humblest classes of the people, so that "even the Bhil woman who takes her salt as a dole with her supply of grain from the bania on bazar days knows that she ought to get about a third more than she used to do;" that a purchase which formerly sufficed for 3 or 4 days now lasts the same family for 5 or 6; that more salt is being given to the cattle; that in some provinces at least the consumption per head has risen by 10 per cent in the last three years; and that the saving per head of the population may be reckoned at about one day's wages of the poorest of the working classes. It must be many years before the revenue which we have sacrificed can be made good by the development of consumption; but in the meantime the results obtained are evidence that our policy has reached the classes whom it was intended to benefit.

15. The weighments of Malwa opium have fallen very short of the estimate and are now calculated at only 16,000 chests, the lowest number for many years past. The loss of revenue on this head is estimated at £209,300. On the other hand, Bengal opium has fetched an average price of ₹1,434 per chest as compared with the estimate of ₹1,400, and the number of chests sold has been raised to 49,200 in place of 48,000, the improvement amounting to £225,400. The net result is a betterness of £12,800 as compared with the Budget.

16. Excise has exceeded the estimate in all provinces except the United Provinces and Burma, the improvement being greatest in the Central Provinces and Berar, Bengal, Madras and Bombay.

17. The increase under Mint receipts represents seigniorage at 2 per cent on larger coinage. The coinage of the year depends on the demands of trade, and it is impossible to foresee with any certainty what amount of new coinage will be required. Last March we assumed that an outturn of 500 lakhs would be necessary, whereas

the actual demand has been exceptionally heavy, and is now estimated to amount to 16,50 lakhs.

18. The earnings of State and Guaranteed Railways continued to expand, though not so rapidly as in 1904-1905. The grain traffic on the North-Western Railway was adversely affected by the failure of the *rabi* crop in Northern India and the rise in local prices, and the net earnings of this important system fell below those of the previous year by £462,500. There was also some falling-off on the East Indian Railway due to diversion of traffic to other lines and increased expenditure on working and maintenance. Most of this, however, will have been made up before the end of the year. On the other hand, the Bengal-Nagpur Railway obtained greatly enhanced receipts chiefly from coal, and its net earnings rose by £239,000. There were also large improvements on the Great Indian Peninsula (£161,100) and Rajputana-Malwa (£142,500) systems, and to a smaller extent on most of the other lines. The net revenue account is behind the figure of 1904-1905 by £80,000, but is in excess of the Budget Estimate for the current year by £461,300. This last sum is no doubt substantial, but it represents little more than 1½ per cent on the gross receipts of our Railways, which now approach the enormous sum of 25 millions sterling.

19. The chief factor in the increase under "Other principal heads of Revenue" was the development of the receipts from Forests which were exceptionally large in Burma, and also to a smaller degree in Bombay. Assessed Taxes also did well in all the principal provinces.

20. The saving under "Civil Departments" was due to the failure of the Local Governments to expend in full their allotments for Police (£203,200), Education (£243,700), Medical (£38,800), and Scientific and Minor Departments (£88,000). This is a matter for regret, but it is chiefly attributable to the fact that specially liberal grants had been made for the initiation of important schemes of administrative reform, and it is a common experience that delay unavoidably occurs in getting these under weigh at the outset. On the other hand, there was an increase of £272,300 under "Political," mainly due to payments aggregating £241,200 on account of the subsidy of the Amir of Afghanistan with arrears. At the time the Budget was under preparation the negotiations with the Amir were still proceeding, and it was considered expedient to make no reference to the matter in the estimates. The lapse under Public Works occurred chiefly in the Punjab, where the Local Government has so far failed to utilise in full the grant made for the improvement of Simla. Expenditure on Military Works also fell short of the estimate by £71,200 chiefly on works connected with Army reorganization.

21. The reduction of expenditure on the Army was mainly due to the inability of the India Office to supply within the year the full amount of stores, and munitions of war required chiefly in connection with the scheme of reorganization. There were also lapses of grants under other heads.

22. Instead of a Provincial and Local deficit of £1,370,300 as estimated, there will be a surplus of £80,400. As already explained, this item does not affect the actual revenue and expenditure, but only its allocation as between Imperial on the one hand, and Provincial *cum* Local on the other. The causes of the alteration were broadly these: in the first place, over and above the allotments made to Provincial in the Budget, we have during the year made two grants of 30 lakhs each to the Central Provinces and Eastern Bengal and Assam with reference to the new Provincial settlements. We have also transferred from the Imperial to the Provincial section three more grants of 7 lakhs, R17,20,000 and R5,00,000 which were provided in the Budget for expenditure on minor irrigation works, agricultural improvements, and University education respectively. The effect of these transfers was to increase the Provincial resources, at the cost of Imperial, to the extent of R89,20,000, or £594,600. Apart from these transfers, the Provincial and Local share of total revenue increased by £50,400 as compared with that which was estimated in the Budget. Their expenditure, on the other hand, as already explained, fell short of what was anticipated by £805,700.

Budget Estimate for 1906-1907.

23. For next year, we estimate that the revenue will amount to £86,495,100, and the expenditure (after allowing for a sum of £1,077,600 which is chargeable against Provincial and Local balances) to £85,621,000, thus leaving a surplus of £874,100.

24. We anticipate that the receipts from Land Revenue will be considerably better than during the current year, in which they have been adversely affected both by the frost of January 1905 and also by the irregularity and delay in the rainfall in some provinces. In the United Provinces it is satisfactory to know that in the opinion of the Local Government the agricultural prospects of the province as a whole are more encouraging than they were at this time last year; and after allowing for remissions and suspensions aggregating ₹31,31,000, we anticipate an increase of ₹36,61,000 over the collections of the current year. In Bombay also, in spite of the adverse conditions prevailing in the Deccan districts, a recovery to the extent of ₹21,92,000 is anticipated, after allowing ₹49,88,000 for remissions and suspensions. Considerable improvements are also expected in Burma where much new land is being brought under settlement, and also in Madras and the Punjab. It will of course be understood that, while due allowance has everywhere been made for existing conditions, these calculations are all based on the assumption that the rainfall of the ensuing year will be normal. Under Opium, we have had to take account of the heavy fall in the prices realized at the last two sales of Bengal opium. Last year, we estimated that the average price obtained would be ₹1,400 a chest, and the actual average has been ₹1,434. The sales in February and March, however, yielded rates of only ₹1,343 and ₹1,258 respectively, and for next year we cannot safely assume a higher average than ₹1,125. This involves a decrease of ₹11½ lakhs of rupees as compared with the Revised Estimate of the current year. On the other hand, we expect a small recovery in Malwa, where the weighments during 1905-1906 have been the lowest on record: and the net falling-off is estimated at ₹659,400.

25. The consumption of salt and the receipts from the salt duty have continued to expand in a very gratifying manner, and we consider that we shall be justified in assuming that there will be a further increase to the extent of 12 lakhs of maunds during 1906-1907, the increase of revenue being ₹63,300. The increase of revenue will not be in proportion to the increase of consumption because the receipts of the current year were swollen by credit sales of salt effected before the reduction of the duty in March 1905. Under Stamps and Excise we have allowed for the normal growth of revenue. Under Customs we anticipate a total increase of ₹139,300 over the receipts of the present year. Of this only ₹20,000 is attributed to the increased duty on spirits, for the reason stated in paragraph 13 above. It would not be safe to reckon on any increase in the receipts from petroleum, an industry in which duty-free Burma oil is claiming a rapidly growing share. Under other items, however, we consider that a moderate all-round growth may be looked for, especially in view of the somewhat disappointing returns of the current year; and the state of the Indian textile industry warrants us in expecting a further advance in receipts from the cotton excise duty. Under "Other principal heads" we calculate on a loss of ₹464,300. This occurs almost wholly under the head of "Provincial Rates" where a net reduction of ₹513,300 is allowed for. The explanation of this will be found in paragraph 44 below: it is wholly due to the reduction of taxation, but for which the head would have yielded a moderate increase of revenue.

26. The only other head of revenue which calls for remark is Railways. Last March, we thought it prudent to assume that the net results of the current year would fall short of the unprecedented figures of 1904-1905. In this we have been justified by the result; but the returns have nevertheless proved considerably better than we anticipated, and there is nothing in existing circumstances to warrant the belief that the revenue from this source will undergo a check in the immediate future. The figures of the past two years, and those which we have decided to take for 1906-1907 are as follows:—

	Actuals, 1904-1905.	Revised Estimate, 1905-1906.	Budget Estimate, 1906-1907.
Receipts	£ 24,022,465	£ 24,658,200	£ 26,154,600
Charges	21,917,027	22,632,700	23,925,300
Net Revenue	2,105,438	2,025,500	2,229,300

27. On the Expenditure side of the account, the only head under which a material reduction is anticipated, as compared with the Revised Estimate of the current year, is Interest, in which we expect a decrease of the charge by ₹139,000. This is partly due to the progressive transfer of debt from the non-productive to the productive class, but is also due in large measure to higher special charges in the current year which will not recur in 1906-1907.

GOVERNMENT OF INDIA FOR 1906-1907.

39

28. Under almost all other heads, we anticipate an increase of expenditure, as compared with the current year, the more important items being as follows :—

	Increase in 1906-1907, compared with Revised Estimate of 1905-1906.
Direct Demands on the Revenue	£ 287,300
Salaries and Expenses of Civil Departments	1,140,600
Other Public Works	421,500
Army Services	406,400

29. The bulk of the first item will be incurred under the head Land Revenue, and represents increased charges of district administration, spread more or less uniformly over all the principal Provinces. There are also smaller increases under Stamps (chiefly in connection with the supply of the unified stamp); Excise, in the Central Provinces and Burma; and Forests, mostly in the two latter provinces and in Madras.

30. Of the large increase under "Salaries and Expenses of Civil Departments" the greater part occurs under the heads Police (£410,100), Education (£317,400) and Scientific and Minor Departments (£151,200). In all these cases, and especially in the case of Police, the increase is due in part to the additional grants which we have decided to allot, as explained in paragraph 36 below. In large part, however, it is also due to the fact that the Local Governments failed to expend in full the considerable sums assigned to them in the Budget for the current year. Their schemes for utilizing the money have been more completely elaborated during the past twelve months, and we hope that they will make up lost ground during the ensuing year.

31. Of the increase under "Public Works" over three-fourths is on account of Civil Works, mainly in Madras, the Central Provinces, Bengal, and Eastern Bengal and Assam, and in the provinces administered by the Government of India. Under Military Works there is an increase of £91,500 mainly in connection with reorganization of the army.

32. The increase in Military expenditure is almost wholly due to the fact that a very large lapse amounting to £777,100 occurred in 1905-1906 on the grant provided for expenditure in England on new artillery and other stores for reorganization. Of this, a large part represents liabilities which have been definitely contracted, and a charge of £734,000 has accordingly been carried forward to the Home Estimates of 1906-1907, a corresponding reduction being made in the Indian Estimates of that year. To obviate to some extent the inconvenience thus occasioned in carrying out the programme of reorganization, we have regranted a portion of the lapsed grant, *viz.*, £267,000, or 40 lakhs, for expenditure in India next year. This does not imply any actual increase of expenditure, but merely a transfer of charge from one year to the next. The effect is to increase the surplus of the current year by the amount of the lapse, and to reduce that of 1906-1907 by the amount regranted, which, as stated above, is £267,000. As compared with the Budget Estimate of last year, there is a decrease of £435,600.

33. For Famine Relief, we have provided £539,100, equivalent to ₹80,86,000. Of this, 42 lakhs are expected to be required in Bombay, 20 lakhs in the United Provinces, 13½ lakhs in the provinces administered by the Government of India, mostly Rajputana, and small sums in Madras and the Punjab. The total grant shown against the head "Famine Relief and Insurance" remains constant at one million sterling, the provision for reduction or avoidance of debt being absorbed, and some reductions made in the provision for construction of Protective Railways and Irrigation Works.

34. Had we maintained taxation on the same scale as in the current year, and had not undertaken the additional expenditure on police, education, and agricultural improvement to which reference is made below, our surplus would have amounted to £1,687,500. I now proceed to give an account of the measures to which we have decided to devote a portion of this sum.

Application of the Surplus.

35. The objects to which we have decided to devote so much of the surplus as is in excess of requirements are five in number. Three of these, as stated in paragraph 4, are measures of administrative reform involving increase of expenditure; the fourth, which is by far the largest and most important, provides for the reduction of local taxation on the land; while the fifth, which is a small matter closely connected with the last named, provides for the relief of certain local authorities at the expense of Imperial revenues.

FINANCIAL STATEMENT OF THE

36. Taking these in order, we first provide a sum of 25 lakhs per annum for the reform of the Police, in accordance with the approved recommendations of the Police Commission. It will be remembered that last year a similar grant of 50 lakhs was provided for this purpose, and the grant now given is in addition thereto. We are pledged to carry out these reforms as funds become available, and though unfortunately a considerable part of the provision made last year has not been spent, we hope that this will be made good in 1906-1907 and a further material advance obtained. The principal objects to which the additional grant of 25 lakhs will be applied are the following :—

- (1) The introduction of improved scales of pay for the superior officers.
- (2) The recruitment of the new class of officers to be known as Deputy Superintendents.
- (3) The further recruitment of Sub-Inspectors.
- (4) The formation of Provincial Departments of criminal investigation.
- (5) The introduction of some of the reforms proposed in the police force of the towns of Madras, Calcutta and Rangoon.

If funds are available, some further measures may be undertaken, but this is at present uncertain.

37. The grant will be apportioned between the various Provinces as follows :—

	Lakhs.		Lakhs.
Madras	4½	United Provinces	3½
Bombay	2½	Punjab	2½
Bengal	4	Burma	2½
Eastern Bengal and Assam	2½	Central Provinces	2½
	Minor Provinces		I

38. Next, we make a further grant of four lakhs per annum for agricultural development and research, over and above the similar grant of 20 lakhs per annum made last year. This is not a new departure, but merely another step in furtherance of the policy on which we have embarked of rendering whatever assistance it may be in the power of the State to afford to the principal industry of the country. The money will in part be reserved for expenditure by the Imperial Government, while a part will be added to the grants made to the Local Governments last year.

39. Lastly, we have decided to provide a small sum of 5 lakhs a year for education, of which approximately one-half will be applied to technical education, and the remainder to the education of Europeans and Eurasians.

The grant for technical education will be allotted as follows, *viz.* :—

	R
Bombay	1,67,000
Bengal	35,000
United Provinces	30,000
Central Provinces	22,000

40. The grant to be given to Bombay is intended primarily to develop and increase the efficiency of the three central institutions, *viz.*, the College of Science, the Victoria Jubilee Technical Institute, and the Sir Jamsetji Jijibhai School of Art, Bombay; to provide adequate inspection for ordinary technical schools and schools of weaving and the textile industry, and for elementary drawing in all kinds of institutions; for the creation and maintenance of three new special technical schools, and for the development and improvement of a certain number of approved technical schools by increased grants; and for scholarships in all classes of approved technical institutions.

In the case of Bengal the grant will provide for the establishment and maintenance of a central weaving school at Serampore at which instruction in the best and latest methods of hand-weaving will be imparted.

The grant for the United Provinces is intended to assist in the proposed expansion of the mechanical apprentice class at the Roorkee College, with the object of giving a sound practical training in the principles of mechanics, steam, and electricity.

The grant to be assigned to the Central Provinces is for the establishment at Nagpur of an elementary school for handicrafts. It includes an initial grant of R10,000 for buildings.

The balance of the grant, which is to be applied to the improvement of education for Europeans and Eurasians, has not yet been distributed, and its allotment is still under consideration.

41. I now turn to the principal measure to which we propose to devote the funds at our disposal. After considering various alternatives, to which I need not further allude, we have come to the conclusion that on the present occasion it is the agricultural taxpayer who has the first claim to relief. We made a small beginning in this direction last year, by abolishing the Famine cesses in Northern India* and the Central Provinces. We now propose to take a long step further by abolishing the cesses which are levied under various names such as the patwari cess, the village service cess and the like, in Madras, the Central Provinces, the United Provinces, the Punjab and the North-West Frontier Province, and to a trifling amount also in Ajmer and Coorg. The village establishments and land records which these cesses go to maintain are, in present circumstances, an important direct Government interest, and this has been recognized by the fact that in Madras only one-half of their cost has been defrayed from the village service cess, the remainder being borne by Government. Similarly in the United Provinces an annual contribution of 10 lakhs has been made from Provincial Revenues towards the Patwari Fund, and a similar practice has prevailed in the Central Provinces. In Bombay we have gone still further, for in that Province no village service cess at all is levied, and the village establishments are wholly remunerated by service lands, which means that their entire cost devolves upon the State. The cesses are administered by Government, and not by any local authority; and we now propose to abolish them altogether, subject to the minor exceptions mentioned below, and to arrange that the Provincial Governments shall take over the entire liability for maintaining the establishments, receiving compensation from Imperial revenues for the additional charges thus thrown upon them.

42. The exceptions referred to above are (1) the cess levied in Madras on "Proprietary," *i.e.*, permanently settled estates, under Madras Act II of 1894, and (2) the village officers' cess in Sind. The latter is not really a separate cess at all, but is merely a portion of the land revenue assessment, which is earmarked for the payment of the village officials. The former is a real cess, supplemental to the land revenue, and we should have been prepared to abolish it, but for certain practical difficulties that have arisen by reason of the establishments employed in the "Proprietary" tracts of Madras being in a transitional state. In both cases the amount involved is small.

43. We further propose to abolish the zemindari dâk cess in Bengal, and the eastern districts recently transferred to the new province. Both the district post, and the cess from which it is maintained, are an anachronism, and the cost of collecting the latter is out of proportion to the amount involved. In future, the entire postal service will be maintained by the Director General of the Post Office, at whose disposal funds will be placed, from Imperial revenues, for the work hitherto paid for from the cess.

44. The revenue sacrificed by this measure is R82,19,000 per annum and its allocation among the various provinces is shown in the following statement:—

Province.	Name of cess abolished.	Amount. R
Madras	Ryotwari Village Service cess	28,00,000
Bengal	Zemindari Dâk cess	2,34,000
Do.	Patwari cess (Sambalpur)	26,000
Eastern Bengal	Zemindari Dâk cess	1,20,000
United Provinces	Patwari cess	25,54,000
Punjab	Ditto	15,04,000
North-West Frontier Province	Ditto	1,40,000
Central Provinces	Ditto	7,25,000†
Ajmer	Ditto	21,000
Coorg	Village Officers' cess	35,000

45. Lastly, we propose to discontinue the practice of making certain petty appropriations from the funds of District and Local Boards for various provincial purposes, such as the district post, normal schools, establishments employed in Government offices for local purposes, and the like. The amounts involved are in all cases small, but the practice, however defensible on logical grounds, has long been felt to be a blot on our administration of local funds. In future, the local bodies will receive their revenues intact, and the charges hitherto defrayed from the appropriations will be paid by the Local Governments, which will receive compensation from Imperial revenues. In the

* Practical difficulties have retarded the actual inception of this measure in the Punjab, but it will be carried out in that province from April 1906.

† This includes a sum of about R2,20,000 per annum which is collected direct from tenants by the patwaris, and does not pass through the Government accounts. The intention is to discontinue the levy of the whole cess.

FINANCIAL STATEMENT OF THE

case of appropriations for the district post, funds will be provided in the budget of the Post Office. The amounts involved aggregate ₹5,82,000, distributed as follows:—

Province.	Nature of appropriation.	Amount. R
United Provinces	For the district post	1,90,000
Do.	For normal schools	56,000
Do.	For local fund establishments in Commissioners' offices	11,000
Punjab	For the district post	1,41,000
North-West Frontier Province	Ditto	8,000
Burma	Ditto	1,21,000
Central Provinces	Ditto	48,000
Coorg and Ajmer	Ditto	7,000

46. These last two measures will, it is hoped, go a long way towards placing our system of local taxation on a sound basis. The arrangement at which we desire to aim is that no local cesses shall be imposed on the land, supplemental to the Land Revenue proper, except such as are levied by or on behalf of local authorities for expenditure by them on genuinely local objects; in other words, local taxation on the land shall, as far as possible, be limited to what is required for local administration by local bodies, and shall not form an asset of Imperial or Provincial revenues. We have not yet attained to that ideal. Certain exceptions still survive, and in some cases good reasons may exist for retaining them. But during the two years 1905-1906 and 1906-1907, we shall have remitted or transferred to the local account items aggregating 110½ lakhs per annum, and it may fairly be claimed that by these measures not only has substantial relief been afforded to the tax-payers, but that most of the more important excrescences which have grown up around our system of local taxation have been cleared away.

47. There is a matter to which allusion may conveniently be made in this connection, though it is not directly relevant to the Budget. We are considering whether, in those provinces where the rural tax-payer will receive substantial relief under the present proposals, the District Boards might not be empowered with their own consent to levy a small additional cess for the construction or guarantee of light local railways or tramways, such as is permitted by Madras Act VI of 1900. This system has had beneficial results in Madras, and it may be expedient to extend it to other parts of India. The power would in all cases be merely permissive. The project has not yet reached the stage of a definite proposal, and may not eventually be carried out: but as it will be facilitated by the measures which we are now undertaking, it is expedient to mention it in connection with them.

48. The cost of these five measures is £813,400 per annum, and it is distributed as follows:—

	£
Improvements in civil administration	226,700
Reduction of local taxation	547,900
Transfer to local taxation account	38,800
TOTAL	813,400

Ways and Means.

49. As stated in paragraph 23, our revenue account closes with a surplus of £874,100 which is carried forward to the second part of the statement dealing with Capital and Debt transactions, including Deposits, Remittances and Advances. Our total estimate of Capital Expenditure not chargeable to Revenue, on Railways and Irrigation Major Works is £10,864,100, of which £833,300 is for Irrigation, £7,697,900 for State Railways, £2,032,900 for expenditure by Railway Companies, and £300,000 for the purchase of the Simla-Kalka Railway. In addition to the above, we have to find £836,000 for the discharge of permanent debt (chiefly Bombay, Baroda and Central India Railway debentures). We have also to make a net payment of £1,030,600 under Deposits and Remittances, and of £456,700 on account of loans to local bodies, takavi advances to cultivators, etc. Our aggregate capital requirements thus amount to £13,187,400.

50. To meet this outlay we have (1) the revenue surplus of £874,100, (2) the net receipts of the Post Office Savings Banks which are estimated at £608,000, and (3) a sum of £2,785,500 to be raised by Railway Companies. These various resources amount to £4,267,600, leaving £8,919,800 still to be provided. We propose to meet

this by borrowing £5,000,000, of which £2,000,000 will be raised in England, and 4½ crores of rupees or £3,000,000 in India. The remainder will be obtained from our cash balances. These are expected to stand on the 31st March 1907 at £12,305,770 in India, and at £5,218,981 in England.

51. The announcement regarding the amounts to be borrowed in England and India is made subject to the usual reservation, and the Government of India retain full discretion to vary the programme, as now declared, to any extent that may be considered desirable.

52. The present intention of the Secretary of State is to draw bills on India to the amount of £17,800,000, but this also is subject to a similar reservation. This estimate of Council drawings is for the amount necessary to provide for the Secretary of State's requirements: but additional bills will, as usual, be sold, if needed to meet the demands of trade.

Army Services.

53. I append the usual statement showing the total expenditure on the Army under the various heads during the past five years:—

	Army.	Military Works.	Marine.	Special Defences.	TOTAL.
	£	£	£	£	£
1902-1903	17,346,392	1,096,669	378,211	...	18,821,272
1903-1904	17,865,208	1,034,654	580,307	27,054	19,507,223
1904-1905	20,175,694	981,599	539,467	128,295	21,875,055
1905-1906 (Revised Estimate)	19,440,300	1,077,900	523,600	192,000	21,233,800
1906-1907 (Budget Estimate)	19,846,700	1,169,400	594,000	231,500	21,841,600

54. There is little new to say on this subject. As already stated in paragraph 32, the home authorities found it impossible to complete the intended arrangements for the supply of new artillery and stocks of ammunition, and of the Budget provision the large sum of £998,700 will remain unexpended at the close of the year. The greater part of this, though not the whole, represents liabilities which will have to be discharged during the ensuing year. It is the usual practice to provide for the regrant of lapses up to a limit of 50 lakhs, or £333,000 a year, but in view of the magnitude of the lapse on the present occasion we have made a further grant in 1906-1907 of 40 lakhs or £267,000. Beyond this we have not found it possible to go; and even as it is, the ultimate completion of the scheme of reorganization will be somewhat retarded. No time will, however, be lost in effecting the full provision of new guns, rifles and reserves of ammunition, and we hope also to make substantial progress with the reorganization of our batteries of horse and field artillery, the provision of additional mule corps and cadres, and the supply of improved and increased ammunition columns, besides some other measures of less but still substantial importance. It has not been necessary to resort to borrowing for the prosecution of the scheme, and as was explained last year, it is not intended to have recourse to that step if it can be avoided by reasonable means.

Railway Construction and Earnings.

55. The following statement shows in the usual form the Capital Expenditure on Railways during the past five years, and the Budget Estimate for 1906-1907, whether incurred directly by the State or through the agency of Guaranteed or Assisted Companies:—

	1901-1902.	1902-1903.	1903-1904.	1904-1905.	1905-1906 (Revised).	1906-1907 (Budget).
	£	£	£	£	£	£
Open lines, including rolling stock	2,350,510	3,211,634	3,725,134	3,351,734	4,844,200	5,940,600
Lines under construction—						
(a) Started in previous year	3,393,756	3,016,666	2,091,200	3,246,066	3,206,934	3,592,734
(b) Started in current year	179,933	476,764	564,134	590,800	282,200	466,666
TOTAL	5,915,199	6,705,064	6,380,468	7,188,600	8,333,334	10,000,000

FINANCIAL STATEMENT OF THE

56. On the 31st March 1905 the total length of open lines was 27,728 miles. classified according to gauge as follows :—

5' 6" gauge	14,772
Metre gauge	11,778
Special gauges	1,178
	<hr/>
TOTAL	27,728
	<hr/>

During the current year we have added to these approximately the following mileage :—

5' 6" gauge	389
Metre gauge	487
Special gauges	80
	<hr/>
TOTAL	956
	<hr/>

During the ensuing year, we hope to increase this length by 973 miles more.

57. The grant for the current year was $12\frac{1}{2}$ crores of rupees, and we expect that this large sum will have been spent in full. This includes the purchase price, *viz.*, $17\frac{1}{2}$ lakhs, of the Noakhali Railway, which has recently been bought by Government. We also purchased the Bengal Central Railway and the important Bombay, Baroda and Central India system during the year, but this was effected by the issue of stock, and does not affect the capital cash outlay of the year. The Madras Railway is now the only one of the old Guaranteed Railways which has not been taken over by the State. For next year, we have found ourselves able to provide the very large sum of 15 crores of rupees, or ten millions sterling, for capital outlay, of which 655 lakhs will be expended by the State, and 845 lakhs through the agency of Companies. Of the total grant, 891 lakhs have been reserved for expenditure on open lines, and 609 lakhs for new lines and lines under construction. The former very liberal allotment will enable the railway administrations to keep pace with the development of traffic on existing lines. The principal grants proposed are 210 lakhs for the North Western Railway, of which a little less than one-third is for the prosecution of the doubling of the line from Rohri to Samasata; 128 lakhs for the East Indian Railway, of which a small sum is for the new Agra City terminus, and the remainder is for the main line; 86 lakhs for the Great Indian Peninsula; and 117 for the Bengal-Nagpur Railway.

58. As regards new lines and lines in progress, we propose to allot 141 lakhs to the important Nagda-Muttra Chord, which has made good progress but which can scarcely be completed before 1907-1908; and 10 lakhs for the Baran-Kotah line, which will link up the Nagda-Muttra Railway with the Indian Midland system. Seventy-two lakhs will be spent on the Bengal-Nagpur Railway system, which will enable us to complete the short but useful Pench Valley Branch, and to effect material progress with the Purulia-Ranchi line. A beginning will also be made with the Vizianagram-Raipur line, 311 miles long, which is to link up the Central Indian plateau with the East Coast. In addition, we shall assign 57 lakhs for lines in Burma, 47 lakhs for further work on the Katihar-Godagiri Railway in Northern Bengal, a line which may eventually give the metre-gauge systems a direct entry into Calcutta; $26\frac{1}{2}$ lakhs to the Great Indian Peninsula system; 35 lakhs for the Shilman branch of the North Western Railway, which was put in hand last autumn; $13\frac{1}{2}$ lakhs for the Golakganj-Gauhati line; and $20\frac{1}{2}$ lakhs and 24 lakhs for extensions of the South Indian and Tirhut State Railways respectively.

59. The earnings of the open lines continued to expand, and the net surplus of the current year, though falling short of that of 1904-1905, is expected to exceed £2,000,000. The following are the figures for the last seven years :—

Year.	Receipts.	Charges.	Net surplus.
	£	£	£
1899-1900	16,587,845	16,511,089	76,756
1900-1901	18,293,629	17,968,505	325,124
1901-1902	20,225,968	19,379,352	846,616
1902-1903	20,133,900	19,904,951	228,949
1903-1904	21,557,866	20,697,197	860,669
1904-1905	24,022,465	21,917,027	2,105,438
1905-1906, Revised	24,658,200	22,632,700	2,025,500
1906-1907, Budget	26,154,600	23,925,300	2,229,300

60. As has been explained on former occasions, the charges shown above include *inter alia* interest on capital of all lines whether open for traffic or not, and annuity payments in liquidation of the purchase price of certain lines which have been bought by Government. The capital at charge at the end of the present year is estimated at £250,129,517. The net receipts are estimated to amount to £13,027,900, which represents a return on the capital of 5'21 per cent. If open lines only are taken into account, the capital at charge amounts to £244,057,303 and the net return to 5'34 per cent. As the open mileage increases year by year, it may certainly be expected that both gross and net receipts will continue to expand: and as traffic develops it may be anticipated with reasonable confidence that over a series of years the net surplus after payment of interest and similar charges will also continue to grow. But experience shows that in any individual year, a set back is liable to occur. Thus the surplus of the current year is estimated to fall short of that of 1904-1905 by £80,000; and in 1902-1903 it receded by £618,000 as compared with 1901-1902. The growth may be continuous, but we cannot hope that it will be uninterrupted; and having regard to the great magnitude of the sums involved, it is manifest that in estimating the value of our Railway property as an asset of the budget, it is only common prudence to allow for a liberal margin of safety.

Irrigation.

61. The following table exhibits the principal figures of Revenue and Expenditure connected with Irrigation:—

		1902-1903.	1903-1904.	1904-1905.	1905-1906, Revised.	1906-1907, Budget.
		£	£	£	£	£
PRODUCTIVE WORKS.	Capital Outlay to end of year	23,137,270	23,718,032	24,084,700	24,636,900	25,499,100
	Direct Receipts	1,760,295	1,857,460	1,940,670	1,809,600	2,058,900
	Land Revenue due to Irrigation	805,713	828,371	883,809	901,900	942,000
	TOTAL	2,566,008	2,685,831	2,824,479	2,711,500	3,000,900
	Working Expenses	732,819	789,225	849,700	875,600	877,100
	Interest	910,285	933,105	949,928	967,700	995,000
TOTAL	1,643,104	1,722,330	1,799,628	1,843,300	1,872,100	
	NET PROFIT	922,904	963,501	1,024,851	868,200	1,128,800
PROTECTIVE WORKS.	Outlay on Construction to end of year	1,500,174	1,572,594	1,720,397	1,962,100	2,340,600
	Direct Receipts	55,973	62,570	53,061	61,300	61,900
	Land Revenue due to Irrigation	8,680	8,768	9,441	10,100	10,100
	TOTAL	64,653	71,338	63,102	71,400	72,000
	Working Expenses	21,791	21,526	25,581	23,300	24,000
	Interest	58,820	61,129	65,296	72,600	84,200
TOTAL	80,611	82,655	90,877	95,900	108,200	
	NET LOSS	15,958	11,317	27,775	24,500	36,200
MINOR WORKS AND NAVIGATION.	Direct Receipts	138,329	154,594	183,455	169,600	177,000
	Expenditure	851,529	875,021	895,848	969,300	1,012,600
	NET LOSS	713,200	720,427	712,393	799,700	835,600

FINANCIAL STATEMENT OF THE

62. To the end of 1904-1905 we had expended 3,613 lakhs on productive works, and 258 lakhs on protective works. We had constructed 19,057 miles of main and branch canals and 31,119 miles of distributaries, which, in that year, commanded and protected 43½ million acres of land and actually irrigated 20,167,967 acres. During the year now expiring we expect to have increased this mileage to 19,158 and 31,496 respectively, the area protected being increased by over 52,000 acres. The direct net return to Government on the capital outlay on productive works, which alone are constructed from loan funds, is estimated at 8·2 per cent, and the net profit to the State, after payment of all charges including interest, is estimated at 154 lakhs of rupees.

63. In addition to the works actually in operation, we have a lengthy programme of new projects, which are either under construction or are being examined by the professional advisers of Government, or in some cases awaiting sanction. The principal figures in regard to these are the following:—

	Productive.	Protective.	Minor works.
1. Number of projects	16	26	4
2. Culturable area commanded, in acres	5,164,704	4,309,686	45,691
3. Estimated annual irrigation, in acres	3,186,381	1,585,844	17,704
4. Do. cost	₹14,26,59,018	14,95,72,874	18,37,352
5. Do. net revenue	₹1,29,08,008	44,64,127	37,297
6. Do. return on capital outlay	9·05 per cent	2·98 per cent	—

64. In paragraph 44 of last year's Financial Statement I referred briefly to three of these projects which are still in course of construction in the Punjab. Only three others are of sufficient individual interest or magnitude to call for remark. One of these is the Upper Swat River Canal in the North-West Frontier Province, which will take off from the same source as the highly profitable Swat River Canal. It is designed to carry the water of the Swat River under the Malakand pass through a tunnel 5,000 feet long, and thence *via* the Dargai Nullah into the Peshawar valley. The fall from the lower end of the tunnel will probably be utilized to generate electric power for various purposes in the neighbourhood. The whole work is estimated to cost 178 lakhs, to command 449,000 acres, and to irrigate 382,000 acres, and is expected to yield the handsome return of 8½ per cent on its capital cost. The second project is the Mahanadi Canal in the Raipur District of the Central Provinces. It is estimated to cost 95 lakhs and to irrigate 200,000 acres of culturable land. The probable return is expected to be only 3·14 per cent, and if it is eventually decided to construct the canal, it will be undertaken as a protective work. Its chief interest lies in the fact that it is the first large irrigation work to be undertaken in the Central Provinces, a tract which has suffered severely from drought during the last ten years. The last scheme of which notice may be made is of a different character. It is a modest project for irrigating 50,000 acres of land on Divi island at the mouth of the Kistna River by raising water from the river by means of centrifugal pumps driven by Diesel oil engines. The cost is estimated at ₹18,06,000, and it is expected to yield a return of 9½ per cent on the outlay. It constitutes the first attempt in this country to irrigate by means of power-lifted water on a large scale—a method which has been adopted with success in Egypt. The possibility of applying this method profitably in India has been brought within the sphere of practical politics by the development of the oil engine, which it is hoped can be worked at about half the cost of an equally powerful steam engine burning coal. If the experiment proves successful, it may render feasible a number of schemes of which the cost has so far proved prohibitive.

65. This programme is, broadly speaking, the first fruits of the labours of the Irrigation Commission, whose capable and comprehensive report has been in the hands of Government for some two years. But while the list of projects so far approved is sufficient to occupy the full strength of our engineer staff for the next four or five years, and to absorb all the funds likely to be available during that period, it is very far from exhausting the tale of useful schemes which the Commission presented for the consideration of Government. The latter contemplated an aggregate expenditure of 44 crores of rupees to be spread over a period of 20 years; and it will manifestly occupy a long time to examine the details of these, to weigh their respective financial and protective prospects, to select those which present the best promise, and to prepare the requisite plans and estimates. Many of them are now being examined in this manner by the various Local Governments, but the only one to which reference may now be made is the great Tungabhadra project in Madras.

This ambitious work is designed to irrigate 970,000 acres of land and in years of drought to afford protection to a million acres more, in the Bellary, Amangapur, Kurnool, Cuddapah, and Nellore Districts, and is estimated to cost rather more than 12 crores of rupees. At its eastern extremity, where it connects with the Pennar River, the work is likely to yield satisfactory results. To the west, however, much of the country traversed consists of black cotton soil, in which, in seasons of a favourable monsoon, irrigation is neither necessary nor particularly advantageous. Its main value will therefore consist in affording protection in time of drought, and, as a whole, it is only likely to yield a very small pecuniary return on its capital cost. Direct financial returns are not the main, or even an important, criterion of the merits of a protective irrigation work: and enormous though the cost may be, Government will not shrink from it if on full consideration it is found to be indispensable for the complete protection of a large and thickly-populated area. But it will be a matter for anxious thought whether other parts of India have not stronger relative claims, and whether the great sum of money involved might not be employed to better advantage elsewhere.

Exchange, Rupee Coinage, and the Gold Reserve Fund.

66. The question of sterling exchange no longer bulks largely in Indian Financial Statements as it used to do in former years. The average rate obtained for Council drafts during the first eleven months of the year was 1s. 4⁰/₄₇d., and the fluctuations were relatively trifling. This is the eighth year in succession in which practical stability has been secured; and it is perhaps not oversanguine to hope that public confidence in its permanent maintenance is in a fair way to be established, not merely in this country where the true facts are known and understood, but more particularly in London to which we must look for the cheap capital that India so sorely needs, and whose investors and capitalists have so long been warned off the Indian market by the uncertainties of exchange.

67. During the year we purchased silver for coinage to the value of £8,574,000. The net addition made to the rupee coinage during each year since 1899-1900, when minting operations were resumed, has been as follows:—

	Lakhs.
1899-1900	52
1900-1901	13,27
1901-1902	3,11
1902-1903	14
1903-1904	10,65
1904-1905	7,31
1905-1906 (Estimated)	16,50

68. Formerly it was the custom to defer the purchase of silver till it was actually required for immediate coinage. Purchases were thus usually made in large individual amounts, the bulk of them being concentrated into three or four months when the trade demand for rupees was highest. During the current year, however, it has been decided to alter this practice, and to spread both purchase and coining as far as possible over the whole twelve months. At the beginning of each quarter an estimate is framed of the amount likely to be required during the next three months, and arrangements are made to purchase that amount gradually within the quarter and ship it to India, where it is at once made over to the Mints. It is true that early in the year materials for a really accurate estimate do not exist. But even if we should happen to overpurchase (which has not yet happened), little or no harm is done, for in present conditions the demand for silver for new coinage, though liable to fluctuate, is persistent and inevitable, and any temporary surplus would soon be worked off. If the purchases are paid for by taking gold from the Currency Reserve, we do not even lose anything in the form of interest. The advantage of the new arrangement is that we are less liable to be rushed by sudden pressure, or forced to buy in a rising market. Taken in conjunction with the ingot reserve, of which a full account was given in the last Financial Statement, it greatly strengthens the position of the Government and increases its capacity to meet the demands of trade.

69. The ingot reserve has proved of great service during the past year. The sales of Councils during the year were on an exceptionally heavy scale, and in November notwithstanding extensive purchases of silver it became necessary to draw upon the ingot reserve, which was completely exhausted by the middle of January.

The experience thus gained shows that the amount at which it was originally fixed, *viz.* three crores of tolas, is not sufficiently large, and it has been decided, with the approval of the Secretary of State, to raise it to six crores of tolas. This amount is approximately sufficient to keep the Mints fully occupied for two months. Further developments of this valuable special reserve are now in contemplation, but have not yet reached a stage at which it is possible to make any announcement regarding them.

70. The Gold Reserve Fund will have been augmented during the year by the sum of £3,734,100, of which £3,488,700 represents the profit on coinage, and £245,400 is interest. The Fund now stands at £12,262,700, the whole of which has been, or will very shortly be, invested in Consols, in National War Loan stock, Transvaal Government guaranteed stock, Local Loans stock, and a portion in Treasury Bills. The amount of gold held in the Paper Currency Reserve on the 15th instant was £11,575,400, of which £7,045,000 was in the Secretary of State's Currency Chest in London, and the remainder in India. This subject is further referred to in a later section of the Financial Statement.

Note Circulation and the Paper Currency Reserve.

71. I append the usual statements illustrating the note circulation and the Government balances with the Presidency Banks. The first of the two statements shows separately (1) the gross circulation, and (2) the circulation, excluding the notes held by the Reserve Treasuries, and by the Presidency Banks at their head offices.

Circulation of Currency Notes.

[Lakhs of rupees.]

	1902-1903.	1903-1904.	1904-1905.	1905-1906 (11 months).
GROSS CIRCULATION.				
Average	33,74	36,41	39,20	41,23
Maximum	35,72	38,21	42,52	43,79
Minimum	31,25	33,94	36,11	39,63
NET CIRCULATION.				
Average	25,74	28,70	30,69	32,78
Maximum	27,35	30,30	31,82	34,63
Minimum	23,93	27,44	29,63	31,06

Government Balances with the Presidency Banks.

[Thousands of rupees.]

	1901.	1902.	1903.	1904.	1905.	1906.
January	2,61,54	2,85,89	3,07,63	2,69,52	2,92,99	2,89,83
February	2,86,73	2,97,16	3,32,02	2,91,84	3,00,50	3,23,28
March	3,15,79	3,11,24	3,36,91	3,26,74	3,43,40	
December	2,82,02	3,05,84	2,79,07	3,01,32	2,76,70	

72. By the Paper Currency Act of 1905, which became law in March last, two changes of considerable importance were introduced in the law relating to the Currency Reserve. The first of these empowered Government to increase the currency investment by 2 crores, and to invest that amount in sterling securities of the United Kingdom or of the Government of India. Before the passing of the Act, investment was only permitted in rupee securities of the Government of India, and not in sterling. Effect was given to these provisions by the Secretary of

State in August 1905, when the sale-proceeds of Council drafts to the amount of £1,333,333 $\frac{3}{4}$ were invested as follows, *vis.*, (1) 2 $\frac{1}{2}$ per cent consols of the nominal value of £923,646-9-11 costing £837,614-6-8 and (2) 2 $\frac{3}{4}$ per cent Exchequer bonds (1906-15) of the nominal value of half a million, costing £495,719. The interest on these investments amounts to £36,841 per annum, and this represents the gain to Indian revenues effected by the amendment of the law.

73. The other change was one rather of form than of substance, and its significance lies mainly in the greater extent and more systematic manner in which we have used powers already existing, rather than in any actual addition to those powers themselves. By the Gold Note Acts of 1898 and 1900, the Government of India had obtained authority to hold a part of the metallic portion of the currency reserve in gold coin (or temporarily in silver bullion) in London, instead of in India. The object of these enactments was merely to afford temporary relief to the Indian money market in seasons of stress when the trade demand for rupees was greater than could be supplied from the Treasury balances. A certain amount of gold had in this way been held in London during 1899 and 1900, but not to any large extent, and the occasion for doing so ceased, except in regard to gold in transit, from the middle of 1900. Experience had, however, shown not merely that it was desirable to possess the power, but also that it was advantageous to exercise it in a regular and systematic manner. Accordingly, the new Act was framed in such a way as to give full power to hold the metallic portion of the currency reserve, or any part of it, either in London or in India, or partly in both places, and also in gold coin or bullion, or in rupees or silver bullion, at the free discretion of Government, subject only to the exception that rupees should be kept only in India and not in London. Full power was also taken to vary the amounts held in London and India respectively from time to time, provided always that the aggregate holding was such as was required by law.

74. In accordance with this arrangement, the Secretary of State has established a currency chest in London, and during the year we have remitted thereto sums aggregating £7,045,000, the gold being held by the Bank of England on behalf of the Secretary of State as part of the paper currency reserve. The true nature of the transaction was not at first realized in some quarters, and a leading financial paper at Home, referring to one of the remittances, expressed the view that "to place the gold in the vaults of the Bank of England and to prevent its use in the market would be an act of waste which cannot be seriously contemplated." Subsequently, another paper observed that "this special earmarking seems a primitive and unduly costly device, if the aim of the Indian Government is, as is stated, merely to provide a fund which can be used as required for the purchase of silver; for that end would be equally well attained by an ordinary deposit with the Bank of England." These remarks indicate a misapprehension of the facts. The Government of India is required by law, for the purpose of securing the convertibility of its currency notes, to maintain a stock of gold or silver coin or bullion equal to the excess of its entire note circulation over the sum of 12 crores of rupees. This obligation exactly corresponds to that which is imposed by law on the Bank of England to maintain a stock of gold to cover its note issues in excess of the sum of £18,450,000. The gold which has been placed in the Secretary of State's currency chest in London forms a portion of this stock. It is equally withdrawn from the market, whether it is held in London or in Calcutta, and its place would not be taken nor its purpose served by an ordinary deposit with the Bank of England. On the other hand, if at any time it were found convenient to place the gold at the free disposal of the Secretary of State, we could immediately do so by transferring an equivalent sum from our treasury balances to our Currency Reserve in India, if the state of the former permitted of that course. This transaction could obviously be carried out much more promptly and easily than if the whole of the gold were locked up in this country.

75. The practical advantages of establishing a currency chest in London and keeping a substantial sum in gold therein are mainly the following:—

- (1) When held in London the gold is one stage nearer the point at which it becomes practically effective for its primary purpose of securing the encashment of currency notes. So long as gold is not in active circulation in India, what the presenter of currency notes requires is not sovereigns but rupees, and the silver bullion which must be purchased for the coinage of these can ordinarily only be procured in Europe and not in this country.

FINANCIAL STATEMENT OF THE

- (2) It enables the Secretary of State to effect his purchases of silver in the promptest and most convenient manner as occasion may require, and without the publicity attendant on the shipment of gold from India. It is open to him either to treat the silver so purchased from the first as a portion of the reserve, or, if preferred, to pay for it in the first instance from his Treasury balances, and then subsequently to recoup these from the currency chest, the latter being replenished by Council sales or direct remittances from India.
- (3) It also affords a method which might in certain circumstances be very useful of speedily replenishing the Secretary of State's Treasury balances. If at any time the demand for Councils should be insufficient to supply his current requirements, it would be possible for him to transfer a part of the gold in his currency chest to his Treasury account, a corresponding transfer of either rupees or gold being simultaneously made in India from Treasury to Currency.
- (4) Conversely, it affords a means of giving relief to our Treasury balances when the trade demand for Council drafts is too large for them to meet. In such a case, it would be possible for the Secretary of State to pay the sale-proceeds of the Councils into his currency chest, thereby setting free an equivalent amount in rupees in India, which would be available for meeting the drafts.
- (5) Lastly, it facilitates the prompt investment of the receipts of the Gold Reserve Fund. When profits on coinage accrue in India the Secretary of State can at any moment draw the equivalent amount from his currency chest and invest it, a corresponding transfer being made in this country from the balance of the Gold Reserve Fund to Currency.

76. The whole arrangement is the logical and legitimate corollary of the system which has long been in operation in India by which the utmost freedom of transfer is permitted between the Currency Reserve and Treasury balances, subject always to the essential condition that the aggregate amount of coin and bullion held in the various currency chests throughout India is invariably maintained at the figure prescribed by law. This system has been productive of substantial economy in obviating the unnecessary movement of coin and enabling the whole cash resources of the State to be made available wherever they are required at any moment. Analogous advantages may be expected to ensue from the present development.

Council Drawings.

77. The drawings of the Secretary of State have largely increased during the past three years, the average sales from 1903-1904 to 1905-1906 having been £26,620,200 against an average of £17,620,000 during the previous five years. This increase does not correspond to any equivalent expansion of the Secretary of State's requirements on revenue account (which constitute the Home charges proper), though there has been some growth of the latter also. It is due primarily to the great trade demand for remittance to finance the export trade of India which has developed very largely of late. Since the closing of the mints and the establishment of the gold standard, the only means of obtaining currency that was open to trade, apart from the purchase of Council drafts and transfers, was to bring out gold to India. When, as is now the case, a sufficient stock of gold has been accumulated in the Currency Reserve to make the standard effective, and so long as gold is not to any large extent in active circulation, this method is wasteful; for it involves the eventual reshipment of the imports of that metal to Europe for the purchase of silver for coinage. To avoid this result, the policy of Government has been to sell Council drafts freely so as to supply the trade demand to the fullest extent up to the limit of our capacity to meet them. A recent development of this policy has taken the form of selling telegraphic transfers against shipments of gold from Australia, which are thus diverted from India to London.

78. The surplus proceeds of these sales, in excess of the Secretary of State's requirements on revenue account, have been applied partly to the purchase of silver for coinage, partly to strengthening the cash balances of the Home Treasury, and partly to defraying capital outlay required in connection with railway construction. The following statement gives an abstract (in round figures) of the transactions of the last

eight years, from 1898-1899 to 1905-1906. Transactions on account of the Gold Reserve Fund and of the Paper Currency sterling investment are excluded :—

Amount of Council Bills, etc., drawn	£
Remittance of gold on Treasury account	157,980,000
Receipts from His Majesty's Government against disbursements in India, mainly in connection with the war in South Africa, China, and Somaliland, <i>net</i>	999,000
	8,001,000
TOTAL	<u>166,980,000</u>
Expenditure on Revenue account (<i>net</i>)	138,017,000
Surplus receipts	<u>28,963,000</u>

These have been applied as follows :—

Purchase of silver, <i>net, i.e.</i> , disbursements in excess of gold shipped from India, or withdrawn from currency, for that purpose	10,308,000
Gold transferred to Currency chest in London	1,045,000
Capital expenditure, <i>net, i.e.</i> , disbursements in excess of loan receipts, including transactions of Railway Companies	11,953,000
Remittance and deposit transactions, <i>net</i>	46,000
Increase of cash balances	5,611,000
TOTAL	<u>28,963,000</u>

79. During the current year, the sales are expected to reach the high figure of £31,576,300, or excluding £1,333,300 on account of the Paper Currency investment, to £30,243,000. This exceeds the Budget Estimate—which was as usual framed with exclusive regard to the Secretary of State's own requirements—by £13,743,000. The excess has been employed as follows :—

Purchase of silver for coinage (<i>net</i>)	£
Sterling investments on account of the Gold Reserve Fund	7,924,000
Remitted to India through the Secretary of State's Currency chest	3,543,000
Transferred to the balances of the Home Treasury	1,045,000
TOTAL	<u>13,743,000</u>

The Secretary of State's cash balances were drawn upon during the year to the amount of £2,118,000. But for the addition made to them, as explained above, they would have been reduced by £3,349,000.

Countervailing Duties on Sugar.

80. By a notification, dated the 2nd December 1903, the countervailing duties on sugar were remitted, under certain safeguards, in the case of the countries which had adhered to the Brussels Convention of 1902, and sufficient time has now elapsed to enable a fairly clear idea to be formed of the effect on the Indian sugar industry of the legislation on this subject which was inaugurated in 1899. It may therefore be of interest to take stock of the position. It must, I fear, be acknowledged that the practical results have been of the most slender description.

81. The legislation in question was embodied in four Acts of the India Council passed respectively in 1899, 1902, 1903, and 1904. The two last, however, were little more than continuing enactments, and the substance of the law was contained in the two former.

82. The idea underlying the Act of 1899 was that bounty-fed beet-sugar, the product chiefly of Germany and Austria-Hungary, was competing unfairly with the Indian article, that in consequence the area under sugar-cane was being reduced, and refineries closed down, and that to avert the ruin of the Indian industry it was necessary to countervail the export bounty. The following statement shows the approximate acreage under sugar-cane in British India in each year from 1890-1891 to 1898-1899 :—

1890-1891	2,758,000
1891-1892	3,100,000
1892-1893	2,798,000
1893-1894	2,897,000
1894-1895	2,764,000
1895-1896	2,930,000
1896-1897	2,651,000
1897-1898	2,648,000
1898-1899	2,755,000

FINANCIAL STATEMENT OF THE

83. In introducing the Bill, Sir J. Westland said that in recent years the area had contracted by 13 per cent. As regards refineries, Government has never possessed any statistics of the slightest value; but at that time it was reported that in the United Provinces, which is the most important sugar-producing province in India, 120 refineries had already been closed, and 60 more were about to be shut down. During the same period the imports of sugar from over-sea had been as follows (in tons):—

YEAR.	CANE.		BEET.		TOTAL.	
	Refined.	Unrefined.	Refined.	Unrefined.	Refined.	Unrefined.
	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
1890-1891 . . .	90,944	9,870	45,781	...	136,725	9,870
1891-1892 . . .	89,423	7,206	14,026	1	103,449	7,207
1892-1893 . . .	77,510	5,596	14,883	...	92,393	5,596
1893-1894 . . .	91,395	4,830	10,257	1	101,562	4,831
1894-1895 . . .	100,499	9,708	14,311	13	114,810	9,721
1895-1896 . . .	89,738	10,297	36,511	2	126,249	10,299
1896-1897 . . .	89,782	8,939	44,341	8	134,123	8,947
1897-1898 . . .	100,003	18,660	111,766	2	211,769	18,662
1898-1899 . . .	111,931	15,629	76,314	...	188,245	15,629

84. The large imports of beet-sugar in 1890-1891 were quite exceptional, the highest figure previous to that year having been only a little over 3,000 tons. Allowing for this, the growth of the imports was undoubtedly large, and was clearly traceable to the operation of the Continental bounty system. There is no evidence to show that, in its origin, the grant of bounties on export was an essential condition of the latter system, or anything more than the complement of high duties on import and internal consumption. But from a variety of causes, among which the fixing of inaccurate equivalents of refined and unrefined sugar was prominent, it had gradually come to assume the position of a leading characteristic. In the late nineties the principal features of the system in force in the chief beet-growing countries included (1) a bounty on exports, (2) an internal tax on the indigenous industry, to provide the bounties, or recoup them, and (3) a prohibitive import duty to exclude foreign competition. So long as there was free competition within the producing country, the adventitious profit which local producers and refiners were able to exact from the home consumers was limited by the amount of the bounty on export: and it was in this view that the Indian legislature in 1899, following the lead of the United States of America, considered it sufficient to impose duties equivalent to the latter.

85. Continental manufacturers had, however, already perceived the limitation imposed on their profits by the existence of free competition, and had begun to form combinations—known as cartels—among themselves in order to restrict its effect. The primary object of these cartels was to raise the price of sugar in the home market approximately to that at which it would be possible to import and sell foreign sugar. The surplus outturn for which no market could be found at these enhanced prices had to be exported, and thus a fresh stimulus was given to the export of the bounty-fed article. The partial closing of the American market by legislation helped to divert a portion of the stream to India. The limit of the adventitious profit which this system rendered possible was the surtax, or difference between the import and local consumption duties. The first cartel, that of Austria-Hungary, was established in 1897-1898, and that of Germany followed in 1900.

86. It was in order to check the imports thus artificially stimulated that the legislation of 1902 was undertaken. The form and duration of the law were influenced by the resolutions adopted in the Brussels Convention which had been signed in March of the same year, the amount of the countervailing duties being limited to one-half the amount of the surtax and their operation to the 31st August 1903, to which date the enforcement of the Convention had been relegated. The power to levy duties was subsequently extended to 31st March 1904, and eventually continued indefinitely subject to certain conditions. As already explained, however, the duties were actually abolished in December 1903 in the case of those countries which had adhered to the Convention, and the only duties now remaining in force are those in respect of Denmark, Russia, Chili, and the Argentine Republic, from which the imports into India are practically *nil*.

87. To enable us to trace the effect, if any, of the duties, and of their withdrawal, on the Indian industry, I now give information similar to that in paragraphs 82 and 83 above, brought down to December 1905 :—

I.—Approximate acreage under sugar-cane in British India since 1899-1900.

1899-1900	2,693,000
1900-1901	2,522,000
1901-1902	2,474,000
1902-1903	2,358,000
1903-1904	2,280,000
1904-1905	2,400,000
1905-1906 (first nine months)	2,222,000

II.—Imports of sugar into British India by sea.

YEAR.	CANE.		BEET.		TOTAL.	
	Refined.	Unrefined.	Refined.	Unrefined.	Refined.	Unrefined.
	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
1899-1900	103,173	21,243	43,625	...	146,798	21,243
1900-1901	153,110	20,432	90,295	...	243,405	20,432
1901-1902	125,190	28,082	147,393	1	272,583	28,083
1902-1903	177,065	22,560	73,484	1	250,549	22,561
1903-1904	251,822	23,820	41,051	...	292,873	23,820
1904-1905	236,099	23,611	87,130	1	323,229	23,612
1905-1906 (first nine months)	168,171	10,381	49,980	...	218,151	10,381

On an inspection of these figures, it is impossible to resist the conclusion that the experiment—for it was admittedly nothing more—has proved a disappointing failure. It has not so far arrested the progressive decline in the acreage under sugar-cane, which fell from 2½ million acres in 1898-1899 to 2¼ millions in 1903-1904. There was no doubt some recovery in 1904-1905, but it would be rash to build much on this, and in any case, should it happily prove to be the beginning of a permanent revival, there are independent causes at work which, so far as present indications go, are sufficient to account for it. The figures so far available for the current year exhibit a further decline. Neither has it seriously affected imports of beet-sugar, which reached their highest figure in 1901-1902, and which during 1904-1905 were far above the level of the average before the legislation of 1899 was undertaken. During the first nine months of the current year, 1905-1906, the imports of beet were less than in the corresponding period of 1904-1905, but were much in excess of those of the previous year; and the reduction was in part at least attributable to the shortage of the crop both on the Continent, and in Mauritius. The former cause led to high prices and over-speculation and resulted eventually in extensive disorganization of trade.

88. The question of prices is complicated by a variety of factors, some of which are unconnected with Indian legislation. The following table gives the prices per cwt. of beet-sugar (refined) at Calcutta and Bombay, and of Indian raw-sugar at Cawnpore, on the 1st September of each year since 1895 inclusive, that date being taken as representing the commencement of a new beet-sugar "campaign."

FINANCIAL STATEMENT OF THE

Price of refined beet-sugar at Calcutta and Bombay and of Indian raw sugar at Cawnpore on or about the 1st September of each year from 1895 to 1905.

YEAR.	REFINED BEET-SUGAR (PER CWT.).		INDIAN RAW-SUGAR (PER CWT.)
	Calcutta (German crystals).	Bombay (a) (Austrian).	Cawnpore (gur or jaggery).
	R. a. p.	R. a. p.	R. a. p.
1895	12 5 4	} Information not available.	
1896	12 14 11		
1897	10 14 3	...	7 8 3
1898	10 8 1	11 2 0	4 15 2
1899	11 13 2	13 0 0	4 15 2
1900	12 6 9	13 0 0	6 12 11
1901	10 10 10	11 3 0	6 0 9
1902	9 11 2	(b) 9 6 0	4 11 9
1903	10 11 6	(c) 10 15 0	5 11 7
1904	10 8 9	10 9 0	6 6 6
1905	10 14 3	12 4 0	5 14 2

(a) Exclusive of town duty at as. 8 per cwt. (b) Ordinary crystals. (c) Dutch, superior.

It is impossible to trace in these figures any clear connection between Indian prices and countervailing legislation. The heavy fall in 1898 may conceivably be associated with the large imports of the two preceding years; but the level of prices remained the same in 1899, notwithstanding the duties imposed in March of that year. In the two following years prices recovered, notwithstanding the operation of the cartels and the rapid growth of the imports; but in 1902 there was a second severe decline despite the additional duties then imposed. The abolition of the duties has been followed by a somewhat unsteady revival of prices, but the level so far attained is still markedly below that which formerly prevailed.

89. So far, therefore, as any direct effect on Indian cultivation, imports, or prices is concerned, it must be confessed that the measures of 1899 and 1902 have been without material result. They yielded a certain revenue, some 94½ lakhs in the six years, which the Government of India did not particularly require, and which would certainly not have been imposed on fiscal grounds. On the other hand, the legislation itself, the imposition of duties thereunder, and the variation of these from time to time, occasioned no little dislocation of the import trade, which gave rise to vigorous and far from unreasonable complaints by the commercial public. It would, however, be unfair to omit certain indirect results of the action taken, which may be set down to the other side of the account. The Director of Agriculture in the United Provinces is of opinion that that action was of real value in allaying panic and creating confidence among the local manufacturers, and giving them time to readjust their methods. Of more permanent importance is the fact, which seems beyond reasonable doubt, that the Indian legislation of 1899, and the knowledge that we were about to proceed to the further measures adopted in May 1902, had an appreciable effect in bringing to a successful conclusion the Brussels Conference of 1901-1902, and that but for this, the latter might have had no more result than its various predecessors. Mr. Martineau, a well-known authority, has expressed the opinion that the eventual result of the Convention will not be to make sugar dearer, and that "free competition will allow sugar to be produced in larger quantities elsewhere, and probably in some new countries, so that eventually the beet-root crop, though still remaining an important factor, will cease to be so absolutely the governing factor in the price of sugar." If this anticipation is correct, the Convention should undoubtedly make for the benefit of the Indian sugar-producer, and no one is likely to advocate endangering its permanent maintenance by the repeal of the formal enactment which still remains on the Indian Statute Book.

90. There is one more point arising out of the figures given above which is deserving of brief comment. The acreage under sugar-cane in British India may for the present be taken at 2¼ million acres. The yield of Indian cane per acre is exceedingly low, compared with that of other countries: but if the average output of raw sugar be taken at 1½ tons per acre (which is the rate estimated by the Department of Commercial Intelligence, and

substantially corroborated for the United Provinces by the independent enquiries of Mr. Saiyid Mahomed Hadi), the annual product of British India would be about 3,000,000 tons. If we add to this some half million tons for palmyra sugar, and allow something for the output of Native States, the aggregate yield of raw-sugar in India is from $4\frac{1}{2}$ to 5 million tons per annum. For reasons already stated, no attempt can be made to express the outturn of refined sugar. Now the imports of foreign sugar, both cane and beet, in 1904-1905 were only 323,000 tons of refined, and 24,000 tons of unrefined, sugar, and this represents considerably less than one-tenth of the local product. It will also be seen that approximately four-fifths of the imports are of cane-sugar, the great bulk of it coming from Mauritius and Java. In both cases the sugar is subject to the usual 5 per cent import duty, and to the cost of carriage over-sea, and in the former case, it is produced largely by the agency of labour imported at heavy expense from India. It cannot perhaps be said that the foreign article has as yet encroached very seriously upon the indigenous product; but having regard to the fact that India is well adapted by nature for the production of sugar, it is *prima facie* somewhat worthy of remark that there should be any imports at all. The explanation is probably to be sought in the fact that of late years there has arisen a growing demand for refined (in place of unrefined) sugar of good quality and moderate price, which is greater than the local refining industry can at present supply. If this view is correct, there should be a great future before Indian sugar.

The introduction of healthier and more prolific varieties of cane, the employment of greater care in cultivation, the use of more economical processes for extracting the juice, and, above all, the adoption of the most modern and effective methods of refining, should help to make India self-supporting in respect of sugar, and even possibly to enter the world's market as an exporter.

E. N. BAKER.

March 21, 1906.

PART II.

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

Section I.—The Accounts of 1904-1905.

91. The Accounts of the year show a surplus of £3,456,066, being worse by £29,434 than the surplus of £3,485,500 anticipated in the Revised Estimates framed in March last. *1904-1905.
General Result
of Accounts.*

92. 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 10th instant.

93. The following is a general comparison of the Revised Estimates with the Accounts of the year :— *1904-1905.
Statement of the
gross figures.*

	Revised.	Accounts.	Accounts, better.	Accounts, worse.
Total Revenue, Imperial, Provincial and Local	£ 84,699,100	£ 84,812,971	£ 113,871	£ ...
Total Expenditure, Imperial, Provincial and Local	81,237,700	81,194,105	43,595	...
Adjustment of Provincial and Local Surplus or Deficit	—24,100	162,800	...	186,900
NET	81,213,600	81,356,905	...	143,305
SURPLUS	3,485,500	3,456,066	...	29,434

94. The revenue was higher, and the total expenditure smaller, than the estimate, the net improvement being £157,466. But as the improvement in the Provincial and Local section of the accounts was £186,900, the Imperial section was worse by £29,434. *1904-1905.
General Remarks.*

95. The more important items which contributed to the increase of £113,871 in revenue are : Excise (£51,424), Forest (£40,997), State Railways (£45,437) and Land Revenue (including that due to Irrigation—£24,047), while there was a falling-off of £22,501 under Opium, £20,121 under Interest and £23,801 under Marine. The increase in Excise revenue was largest in Bombay (£47,779) where there was a considerable rise in the receipts from auction sales of licenses for the presidency town, while in Burma there was a falling-off of £17,889, due to the fact that the effect of a change in the date of holding auction sales of licenses from March to April, was not fully allowed for in the estimate. The improvement under Forest occurred chiefly in Burma and Bombay. Under State Railways, there was an improvement of £53,013 on the Great Indian Peninsula Railway and of £28,666 on the Rajputana-Malwa line, while there was a falling-off of £45,229 on the East Indian Railway, due to some outstandings on account of freight on coal recoverable from other Railways being under dispute. The variations on the other lines were small. The Land Revenue collections in Madras exceeded the Revised Estimate by £120,577 owing to smaller season remissions and greater promptitude in collections. On the other hand, there was a falling-off of £75,209 in Bombay in consequence of unfavourable agricultural conditions. The falling-off in Opium revenue occurred almost wholly in Bombay, the exports of Malwa opium in March last having been very small. The decrease under Interest was the result of the non-payment, during the year, of the amount due by the Simla-Kalka Railway for the half-year ending December 1904. Under Marine the recoveries from the Imperial Government on account of hire of Royal Indian Marine steamers were smaller than the estimate by £37,540, while pilotage receipts in Bengal showed an increase of £9,900. *1904-1905.
Variations under
Revenue.*

1904-1905.
Decrease in
Expenditure.

96. The saving in expenditure was the net result of decreases and increases under a number of heads. The more important decreases occurred under (a) Minor Irrigation Works (£26,152), chiefly in Burma and Bengal; (b) Civil Works (£38,905)—chiefly on Provincial and Local Works in Bengal, there being an increase of £40,201 in the expenditure on Imperial Works; and (c) Army (£139,006). Under this last head there was a decrease of £60,105 in the effective charges, due mainly to an over-estimate of the charges for the Tibet Mission and Ordnance factories and to larger credits on account of stores returned from China and Somaliland. The charges for reorganization were also less than the Revised Estimate by £93,995, chiefly in expenditure on account of clothing, equipment for field hospitals and mobilisation equipment, and for hutting, clothing and gear in connection with the formation of additional mule corps and cadres. On the other hand, the non-effective charges exceeded the estimate by £15,094, mainly under payments to the War Office in settlement of its claims for 1903-1904.

1904-1905.
Increase in
Expenditure.

97. The chief increase in expenditure was under State Railways Working Expenses (£208,937), and accrued mainly on the East Indian Railway, £61,208; North-Western Railway £40,640; Bengal and North-Western and Tirhut Railways, £41,848; Rajputana-Malwa Railway, £24,497; Oudh and Rohilkhand Railway, £24,951; and Bengal-Nagpur Railway, £14,020. There was also an increase of £20,153 under Marine, chiefly in England, owing partly to increased expenditure on stores and partly to a payment on account of the construction of the R.I.M.S. *Dufferin*.

Section II.—The Revised Estimate of 1905-1906.

1905-1906.
Statement of the
gross figures.

98. The following is a general comparison of the Budget and Revised Estimates of 1905-1906:—

	Budget.	Revised.	Revised, better.	Revised, worse.
Total Revenue, Imperial, Provincial and Local	£ 83,433,000	£ 84,829,500	£ 1,396,500	£ ...
Total Expenditure, Imperial, Provincial and Local	83,899,500	82,993,400	906,100	...
Adjustment of Provincial and Local Surplus or Deficit	-1,370,300	80,400	...	1,450,700
NET	82,529,200	83,073,800	...	544,600
SURPLUS	903,800	1,755,700	851,900	...

1905-1906.
General Remarks.

99. The surplus is £851,900 better than was expected (£1,755,700 against £903,800). This is arrived at by an excess of revenue over the Budget Estimate amounting, in the aggregate, to £1,396,500, partially counterbalanced by an excess of total expenditure charged to revenue of £544,600. The actual outlay is, however, £906,100 less than was provided in the Budget; but whereas the Budget provided for an expenditure of £1,370,300 by reduction of Provincial and Local balances, these have as a matter of fact increased by £80,400, with the result that the Imperial section of the account is worse to this extent by £1,450,700. This, of course, arises from the fact that while expenditure which is met from balances outside Imperial adjusts the total outlay of the year for the benefit of the Imperial surplus, the converse takes place when such balances are increased, since the increase is not at the disposal of the Government of India, and is, so far as it is concerned, on the same footing as additional expenditure. The change in the position in respect to the Provincial and Local balances arises mainly from initial grants to the extent of £400,000 (60 lakhs), made in accordance with usual practice to the Central Provinces and Eastern Bengal and Assam in connection with the new settlements with these provinces, having been added to their balances at the close of the year; to increase in the revenues of the Local Governments, supplemented by the distribution of the special grants for agriculture, minor irrigation works and University reform referred to in paragraph 22 of Part I; and to the fact that they, as a rule, spent less largely than had been anticipated under Police, Education and Civil Works.

100. By Act I of 1906, passed on 26th January 1906, the duty on imported spirit was raised from R6 to R7 per proof gallon, with effect from 26th February last, and the duty on perfumed spirit and liqueurs was simultaneously enhanced from R8 and R6 per imperial gallon to R11 and R10 respectively. The object of this measure was to place the scale of taxation on imported spirit in a more suitable relation to that on country spirit. Financially the chief result of this Act during the current year was a large increase of duty receipts under Customs (spirits) in February, owing to importation of stock during the month's moratorium which had been allowed to enable the trade to adjust itself to the new conditions. The receipts under this head for February exceeded those of February 1905 by about 11½ lakhs, while a counterbalancing drop of 4½ lakhs is expected in the receipts of March.

1905-1906.
Enhancement of
duty on imported
spirit.

101. Partial failure of rains has caused a considerable falling-off in the collections of Land Revenue, and Customs and Irrigation revenue have not been as good as was expected. But the deficiencies under these heads have been considerably exceeded by improvements under most of the others, the net increase in the total revenue being £1,396,500 as shown above. Notable increases have occurred in the traffic receipts of Railways, Excise and Forest revenue, seigniorage on silver coined, and interest on temporary investments of cash balances in England. There is also an enhancement of Army receipts in consequence of the inclusion therein of the recovery from the Imperial Government of the cost of Indian regiments employed in the colonies. In the Budget Estimate the expenditure on these regiments was omitted: it has now been decided to bring both expenditure and the corresponding receipts to account.

1905-1906.
Increase of
Revenue.

102. As mentioned above, there have been considerable savings in the estimates of Provincial Expenditure, owing to the inability of the Local Governments to spend fully the large allotments made to them in the Budget for reorganization of Police, Primary Education, and in aid of the resources of District Boards, the initiation of the necessary schemes having been unavoidably delayed. Nor has it been possible to spend in full the amount allotted for reorganization of the Army, especially in England where the expenditure is now expected to fall short of the Estimate by £777,100 owing to delay in the supply by the War Office of guns and other stores contracted for. On the other hand, a considerable amount of extra expenditure has been involved by the payment of 36.18 lakhs (£241,200) on account of subsidy to His Highness the Amir of Afghanistan which was not provided for in the Budget as negotiations with His Highness had not then been completed; by outlay amounting to nearly 16½ lakhs connected with the visit of Their Royal Highnesses the Prince and Princess of Wales; by the manœuvres at Rawalpindi (14 lakhs); and by an increase in the Working Expenses of State Railways consequent on improved earnings. The net result is a saving of £906,100 in the estimate of total expenditure.

1905-1906.
Saving in
Expenditure.

103. The more important variations which have brought about the increase of £1,396,500 in the total revenue are as follows:—

1905-1906.
Variations under
Revenue.

Increases—	£	R
Salt	76,700	11,50,000
Stamps	60,400	9,07,000
Excise	210,400	31,55,000
Forest	188,200	28,23,000
Interest	139,700	20,96,000
Post Office	50,400	7,56,000
Mint	199,800	29,96,000
State Railways—Gross Receipts	794,300	1,19,14,000
Army Receipts	150,300	22,55,000
	<u>1,870,200</u>	<u>2,80,52,000</u>
Decreases—		
Land Revenue, including that due to		
Irrigation	443,900	66,58,000
Customs	39,100	5,87,000
Irrigation—Major Works—Direct		
Receipts	101,400	15,20,000
	<u>584,400</u>	<u>87,65,000</u>

1905-1906.
Salt Revenue.

104. The reduction of the duty on salt made successively in March 1903 and March 1905 has stimulated consumption, and though provision was made in the Budget for a considerable increase, the actual consumption has been still larger, and the total revenue is now expected to exceed the estimate framed in March last by ₹11,50,000. All provinces show an increase except Bengal, where imports of Liverpool and German salt have fallen off and have been replaced by salt manufactured in Northern India.

1905-1906.
Stamp Revenue.

105. Stamp revenue has also grown in all provinces except the Punjab where a falling-off of ₹3,50,000 is anticipated owing partly to the reduction of transfers and mortgages caused by the Land Alienation Act, and partly to the introduction of the Punjab Loans Limitation Act. The largest increases have occurred in Madras (₹4,80,000) and Bengal (₹3,05,000).

1905-1906.
Excise Revenue.

106. The growth of Excise revenue has been higher than provided in the Budget Estimate in all provinces except the Administrations directly under the Government of India, Burma and the United Provinces. In the first-mentioned provinces there is a slight falling-off as compared with the Budget Estimate, owing mainly to scarcity in Ajmer-Merwara. In Burma the revenue is expected to fall short of the Budget Estimate by ₹2,00,000, owing to the restriction of retail sales of opium to the actual needs of consumers. In the United Provinces the result of a poor *kharif*, and of the serious injury to crops caused by the frost of last winter, has affected the Excise revenue of the province much more seriously than was anticipated in March last, and there is a decrease of ₹7,50,000 on the Budget Estimate. The largest increases have occurred in Madras (₹7,50,000), Bombay (₹10,00,000), Central Provinces and Berar (₹12,05,000), and Bengal (₹7,51,000). In the first two provinces it was anticipated that the receipts of 1904-1905 would not be worked up to owing to unfavourable agricultural conditions, a forecast which has proved erroneous: the receipts of 1905-1906 will now in both provinces somewhat exceed those of the year preceding. In Bengal and the Central Provinces the increase is due to prosperous seasons and the introduction of important reforms in administration.

1905-1906.
Forest Revenue.

107. There has been a general growth of Forest revenue in almost all provinces. Of the total excess (₹28,23,000), as compared with the Budget, ₹19,00,000 accrues in Burma, and is due to increase in the amount of timber extracted by departmental agency and to exceptionally favourable conditions for the floating of timber down the rivers. In Bombay there is an increase of ₹6,00,000, chiefly from the supply of sleepers to railways and sale of grass in connection with famine operations.

1905-1906.
Interest Receipts.

108. Under Interest, an additional sum of £157,700 has been obtained in England from the temporary investment of a larger proportion of the Secretary of State's cash balances at rates of interest higher than estimated. On the other hand, the investment of an additional two crores of the Paper Currency Reserve (*vide* paragraph 221 of last Financial Statement) having been made at a later date than was estimated, the receipts on account of interest thereon have fallen short of the estimate by £9,200. The only other notable variation is a falling-off of ₹1,08,000 (£7,200) in Bombay, the unfavourable season having adversely affected the recoveries of interest on loans granted to cultivators.

1905-1906.
Post Office Receipts.

109. Under Post Office, the loss of revenue expected from the increase in letter-weight carried for half an anna and by a reduction in the rates of insurance fee has been more than made up by the increase resulting from the growth of the business of the department.

1905-1906.
Mint Receipts.

110. The mints are credited with a seigniorage of 2 per cent on fresh issues of rupees, to cover the cost of coinage. Coinage in the current year has been unusually heavy, to meet the demands of trade as expressed through the Secretary of State's council drawings: hence the increase under Mint receipts.

1905-1906.
State Railways,
Gross Traffic Receipts.

111. In 1904-1905 the traffic on all the larger railway systems was exceptionally favourable. Pilgrim, grain and coal traffic on the East Indian Railway, and the export wheat traffic on the North-Western Railway were specially heavy, while the traffic on the Great Indian Peninsula, Rajputana-Malwa and Bengal-Nagpur Railways was also good in consequence of favourable crops. In the Budget for 1905-1906 allowance was made for earnings on extra mileage to be opened and for an expansion of traffic on newly opened lines, while

it] was anticipated that there would be a decrease on some of the lines which had shown unusually heavy receipts in the year before. The actual results are now, however, expected to be considerably better than the estimate. There has, indeed, been a falling-off in grain and seed traffic on the North-Western Railway; but this has been much more than counterbalanced by remarkable increases on the Bengal-Nagpur, Great Indian Peninsula and the Madras Railways (North-east section) owing to development of coal, cotton and grain traffic; and on the Rajputana-Malwa and Southern Mahratta Railways in consequence of movements of grain called forth by scarcity in parts of the country served by them. The total gross traffic receipts of State Railways are expected to exceed the estimate by ₹1,19,14,000 (£794,300); but Working Expenses are also likely to show an excess of ₹59,00,000 (£393,400). Increased outlay has been required to work the increased traffic, and there has also been an increase on the East Indian and Oudh and Rohilkhand Railways, in the charges for maintenance and renewals of rails and rolling-stock, and in the Company's share of the surplus profits of the Bengal-Nagpur and Burma Railways, which is included under Working Expenses. The net earnings are thus better than the estimate of March last by ₹60,14,000 (£400,900). The more important variations from the Budget Estimate are as follows:—

	INCREASE +. DECREASE —		
	Gross Receipts.	Working Expenses.	Net Receipts.
	₹	₹	₹
Great Indian Peninsula Railway	+42,50,000	+7,85,000	+34,65,000
Rajputana-Malwa Railway	+30,00,000	+7,50,000	+22,50,000
Bengal-Nagpur Railway	+37,00,000	+13,00,000	+24,00,000
Southern Mahratta Railway	+9,00,000	+3,50,000	+5,50,000
North-East line, Madras Railway	+12,00,000	+6,50,000	+5,50,000
East Indian Railway . . . . .	...	+19,50,000	-19,50,000
North-Western Railway	-35,00,000	-18,00,000	-17,00,000

112. The increase under Army receipts is due to a recovery of ₹13,87,000 (1905-1906. ₹92,500) from His Majesty's Government on account of five Indian regiments serving in the colonies as stated in paragraph 101; to larger receipts on account of the Indian Troop Service and of clothing issued to the Native Army on payment; and to abnormal sales of unserviceable ordnance stores. Army Receipts.

113. The decrease anticipated under Land Revenue, including the portion due to irrigation, occurs mainly in Madras (19'6 lakhs), Bombay (23'1 lakhs), the United Provinces (7'5 lakhs) and the Punjab (12'5 lakhs). In Bombay, this is the result of deficient rain. In Madras, as observed in paragraph 95, the collections of 1904-1905 were greater than had been anticipated when the Budget for 1905-1906 was framed, leaving less for realization in the latter year. In the United Provinces, the partial failure of the *kharif* and of the winter rains has necessitated remissions and suspensions. In the Punjab, the *kharif* has failed in the Delhi Division, and the earthquake in Kangra has also necessitated some remissions. Decreases of Revenue. Land Revenue.

114. The decrease in Customs revenue occurs mainly under silver bullion, private import of which has been checked by rise in price (16 lakhs); petroleum, owing to the cessation of imports of Russian oil consequent on the troubles at Baku (11 lakhs); and metals (other than silver) and manufactures of metals, where the falling-off occurs mainly under ironware, copper and tin (7½ lakhs). On the other hand, there has been a considerable increase under cotton manufactures, due mainly to larger imports into Bombay and Bengal (16 lakhs), while there is also a gain of 2½ lakhs under the excise duty on local manufacture. There is likewise an increase of 9½ lakhs under spirits owing mainly to the effects of the tariff legislation referred to in paragraph 100. 1905-1906. Customs.

115. The falling-off under Irrigation, Major Works—Direct Receipts occurs chiefly in the United Provinces and the Punjab, and is due in the former province to decrease in the area irrigated for sugarcane owing to frost and bad seed, and in the latter to remissions necessitated by the failure of the cotton crop in certain tracts. 1905-1906. Irrigation, Major Works—Direct Receipts.

FINANCIAL STATEMENT OF THE

1905-1906.
Variations in
expenditure.

116. The saving of £906,100 in the total expenditure is the net result of a large number of variations, the more important of which are as follows:—

	£	₹
DECREASES—		
Land Revenue	56,800	8,53,000
Police	203,200	30,48,000
Education	243,700	36,56,000
Scientific, etc., Departments	88,000	13,20,000
Famine Relief	75,200	11,29,000
Construction of Protective Irrigation Works	67,400	10,11,000
Civil Works	178,500	26,77,000
Military Works	71,200	10,68,000
Army Services	842,000	1,26,39,000
Special Defences,	61,200	9,18,000
INCREASES—		
Opium	59,000	8,85,000
Interest	52,900	7,93,000
Telegraph	33,800	5,07,000
General Administration	81,500	12,22,000
Political	272,300	40,84,000
Miscellaneous	56,100	8,41,000
Reduction of Debt	119,800	17,97,000
State Railways—Working Expenses	393,400	59,00,000
Irrigation, Major Works—Working Expenses	44,800	6,71,000

1905-1906.
Decreases.
Land Revenue.

117. Under Land Revenue the Budget provision has in most provinces proved larger than was necessary. In the Central Provinces the transfer of the Sambalpur district to Bengal from the 16th October 1905, and the formation of the Drug district from 1st January 1906 instead of from 1st October 1905, have caused some savings. In Burma operations connected with Land Records and Agriculture and town surveys have been curtailed. In Eastern Bengal and Assam charges for survey and settlement are expected to show a saving of ₹2,75,000 owing to the postponement of settlement operations in Faridpur. In the United Provinces the charges for the purchase of estates under the Bundelkhand Encumbered Estates Act are expected to be less by ₹52,000, and delay in the introduction of measures for improving the position of the patwari and kanungo staff is likely to yield a saving of ₹46,000. In the Punjab there is a saving of ₹2,17,000 in settlement charges.

1905-1906.
Police, Education,
Medical and
Scientific and
other Minor
Departments.

118. The savings under Police, Education, and Scientific and other Minor Departments are due mainly to the special grants provided in the Budget Estimate for police reform, improvement of primary education, and agricultural and veterinary development not having been spent in full, and, to a smaller extent, to the usual savings in most of the provinces on the allotments made for salaries and other charges. A portion of these special grants has in most provinces been transferred to the Public Works Department for construction of buildings. The only points which need special mention are the following: Cantonment Funds have been relieved of police charges with effect from 1st April 1905. Under 'India General' the creation of a Central Research and an X-ray institute will involve an expenditure of ₹44,000 in the year for which no provision was made in the Budget Estimate. In Burma, provision was made for strengthening the Rangoon and Toungoo battalions of military police, but the scheme has not yet been sanctioned. In the North-West Frontier Province a special provision of ₹76,000 for the pay of the Border Military Police has not been required. In Madras there is a saving of ₹5 lakhs under Medical chiefly on the provision made for plague charges by Local Boards. In Bombay, a special payment of ₹2,00,000 is proposed to be made to the new Prince of Wales' Museum for Western India.

1905-1906.
Famine Relief,
Construction of
Protective Irriga-
tion Works and
Reduction of Debt.

119. The charges for Famine Relief are expected to fall short of the estimates in Madras and Bombay by ₹13,93,000 and ₹11,36,000, respectively, while in Ajmer and the United Provinces, where expenditure under this head was not contemplated when the Budget was framed, outlay to the amount of ₹6,96,000* and ₹6,46,000, respectively, has been found necessary. Taking all the

* This includes some small expenditure in Baluchistan and (payable by the Government of India) in Rajputana.

provinces together, there is a net saving of ₹11,29,000 under this head. A saving of ₹10,11,000 is also expected on the grant for the construction of Irrigation Works, chiefly in Bengal, United Provinces and Bombay, while the expenditure on the construction of Protective Railways in Madras is likely to exceed the allotment by ₹3,43,000. The net result under the three heads mentioned is a saving of ₹17,97,000, which has been charged under Reduction of Debt, in addition to the amount provided in the Budget, to work up to the full grant of ₹1,50,00,000 (£1,000,000) for Famine Relief and Insurance.

120. Under Civil Works (Provincial) expenditure, there is a saving on the Budget allotment of about 15 lakhs in the Punjab, and about 5 lakhs in Madras. In the Punjab the grants for the Simla Extension scheme, residences for Government officials and construction of some special buildings and works of public utility have not been fully utilised, while in Madras the schemes for drainage and water-supply in certain towns for which provision had been made are not yet ripe for execution. In Bengal the Budget included a large reserve for police, jail and other buildings which has not been fully required, but this reduction is nearly counterbalanced by additional expenditure in Eastern Bengal and Assam consequent on the creation of that province. In other provinces there is an increase, the most notable being in the United Provinces, on account of the construction of normal schools and police buildings and repairs to archaeological buildings, and in Burma for schools and a General Hospital at Rangoon. There is a saving on the estimate for local expenditure of all provinces owing to the large grants made to District Boards not having been yet fully utilized.

121. It has been decided to eliminate the special sub-head Reorganization under the main heads 46.—Army and 44.—Military Works, and on the receipt side under XXXIII.—Army, as it has been found that although the Reorganization outlay can be approximately estimated, it cannot be brought to separate account with absolute accuracy, since, in the case of some measures recurring expenditure which simply goes to strengthening existing units cannot be separately earmarked without an immense amount of trouble. The figures for Reorganization and other special measures will, however, be separately exhibited with approximate correctness in paragraph 206 (Part IV).

122. The decreases under Army, Military Works, and Special Defences are entirely due to lapses under Reorganization and other special expenditure, and are mainly caused by delay in the supply of new artillery, and stocks of ammunition and other stores contracted for through the War Office.

123. Under ordinary Army charges there is an increase of ₹6,36,000 (£42 400), but this is only nominal. It arises from the inclusion under this head of nearly 14 lakhs for Indian regiments stationed in the colonies, the cost of which is, as already stated, recovered from His Majesty's Government. Apart from this, there would be a decrease of nearly 7½ lakhs, and that after allowing for an expenditure of 16·7 lakhs in connection with the Rawalpindi manœuvres and other charges connected with the Royal visit for which Budget provision was not made, and for 2·4 lakhs in connection with outlay consequent on the Kangra earthquake. But for these charges, there would be a decrease of 26½ lakhs. This occurs chiefly by reason of smaller expenditure on stores in England and payments to the War Office on account of British forces serving in India (31·4 lakhs), the chief counterbalancing item being 5 lakhs owing to rise in food prices in India.

124. The outturn of the opium crop in the Behar Agency has been greater than was expected in March last, and has resulted in larger payments to the cultivators for the raw product.

125. Under Interest on Debt, the discount on the 3 per cent stock for £2,000,000 issued in England has involved an extra payment of £47,500. In India also, there has been an extra payment of ₹70,000 (£4,700) on account of interest on a temporary loan of 70 lakhs (in rupees) procured from the Maharaja Sindhia in December, when the Secretary of State's large council drawings rendered it necessary to strengthen our stock of coined silver.

126. The increase under Telegraph is caused by the payment of £17,500 to the Telegraph Companies concerned for loss of receipts consequent on the operation of the reduced tariff for foreign messages between March 1902 and March 1904, and by addition to establishment to cope with increased traffic in India.

1905-1906.
Civil Works.

1905-1906.
Military
Expenditure.

1905-1906.
Special Military
Expenditure.

1905-1906.
Army Ordinary.

1905-1906.
Increases of
Expenditure.
Opium.

1905-1906.
Interest on Debt.

1905-1906.
Telegraph.

1905-1906.
General Administration and
Miscellaneous.

127. The special expenditure connected with the visit of Their Royal Highnesses the Prince and Princess of Wales has chiefly contributed to the increases under General Administration and Miscellaneous. The division of Bengal has also caused an increase under the first head, while the relief measures necessitated by the earthquake involved considerable expenditure under Miscellaneous in the Punjab.

1905-1906.
Political.

128. The items which are mainly responsible for the increase under Political are the payment of Rs36,18,000 on account of the subsidy of the Amir of Afghanistan referred to in paragraph 102, extra charges incurred on account of the visit of the Prince and Princess of Wales, the strengthening of frontier militia corps, increase of consular escorts in Persia, and the purchase of a steam launch for the Consul at Mohamerah.

1905-1906.
State Railways—
Working
Expenses.

129. The increases in State Railways—Working Expenses and under Reduction of Debt have been explained in paragraphs 111 and 119.

1905-1906
Major Works—
Working
Expenses.

130. The increase in Working Expenses, Major Irrigation Works occurs chiefly in the Punjab, and is due to refunds of water-rates and outlay on some important works, and special repairs for which provision was not made in the Budget Estimate. A smaller expenditure under 49.—Irrigation, Capital Expenditure has also involved the debit to the former head of a larger share of the Establishment charges.

Section III.—The Budget Estimate of 1906-1907.

1906-1907.
Statement of the
Gross figures.

131. The following is a general comparison of the Budget Estimate of 1906-1907 with that of 1905-1906:—

	1905-1906.	1906-1907.	1906-1907, better than 1905-1906.	1906-1907, worse than 1905-1906.
Total Revenue—Imperial, Provincial and Local	£ 83,433,000	£ 86,495,100	£ 3,062,100	£ ..
Expenditure—				
Total outlay—Imperial, Provincial and Local	83,899,500	86,698,600	...	2,799,100
Adjustment of Provincial and Local Surplus or Deficit	-1,370,300	-1,077,600	...	292,700
Total net expenditure charged to Revenue	82,529,200	85,621,000	...	3,091,800
Imperial Surplus	903,800	874,100	...	29,700

1906-1907.
Remissions
of Taxation.

132. The above figures allow for the following remissions of local taxation mentioned in Part I of the Financial Statement:—

Repeal of the patwari cess in the United Provinces, the Punjab, the Frontier Province, Ajmer, the Central Provinces and the Sambalpur district of Bengal.

Abolition of the ryotwari village service cess in Madras, and of the village service cess in Coorg.

Abolition of the zamindari *dak* cess in Bengal and Eastern Bengal.

1906-1907.
Relief of
District Boards
in certain
provinces from
charges for
District Post, etc.

133. The cost of these measures is Rs2,19,000 (£547,900). Rs15,000 (£34,300) have also been allotted for the purpose of relieving District Boards in the United Provinces, the Punjab,* Burma, the Central Provinces, Frontier Province, and Coorg of the contributions they have hitherto paid towards District Post charges. These charges being now taken over by the Government of India, the District Boards concerned will be able to allot a corresponding amount of revenue for purposes of local improvement. The District Boards in the United Provinces have likewise been relieved of some small charges, amounting in all to

* In the Punjab District Post charges were taken over as Imperial in 1905-1906; but a contribution of Rs1,41,000 formerly made by the District Boards for this purpose continued to be paid to the Local Government. This will now cease, the Local Government receiving a compensatory assignment from Imperial funds.

about R67,000, which they previously paid to the Local Government for school and establishment purposes.

134. Finally, another special assignment of 25 lakhs (£166,700), which will be placed at the disposal of the Provincial Governments, has been added to the 50 lakhs (£333,300) assigned last year for purposes of police reform* ; 5 lakhs are to be assigned to the Local Governments for annual expenditure on European and technical education; and the grant of 20 lakhs for agricultural and veterinary development referred to in paragraph 126 of the last Financial Statement has been increased to 24 lakhs. Of the last mentioned sum, 21½ lakhs have been distributed to the provinces, while 2½ lakhs are reserved for expenditure classed as Imperial, such as that at the Agricultural Research Institute at Pusa and the provision of additional Civil Veterinary Officers.

1906-1907.
Additional
Assignments
for Police
Reform,
European and
technical
education, and
agricultural
improvement.

135. But for these measures of fiscal relief and administrative improvement, the surplus of the year would have stood at £1,687,500 or £813,400 above the figure actually arrived at, while the revenue would have been £547,900 higher. After making the above adjustments and remissions, the year is estimated to close with a surplus of £874,100 or £29,700 less than the surplus budgeted for in 1905-1906. As compared with that year, there is an increase of revenue of a little over £3 million (£3,062,100), but an increase of about £2¼ million (£2,799,100) in actual outlay. So far the net result is £263,000 better: the diminution in the surplus of the year as compared with that of its predecessor is consequent on the anticipation that £292,700 less of the actual outlay contemplated will be met out of Provincial and Local balances.

1906-1907.
General Results.

136. The greater part of the estimated increase of revenue in 1906-1907 as compared with the Budget of the preceding year is due to Railways, which show a total increase of £2,298,200 under Receipts, counterbalanced, however, by an increase of £1,633,100 under Charges, thus affording a net additional gain of £665,100.

1906-1907.
Important
increases and
decreases of
Revenue and
Expenditure.

137. Other important variations are increases of £331,700 under Land Revenue including portion due to Irrigation, £140,000 under Salt, £163,400 under Stamps, £374,200 under Excise, £100,200 under Customs, £186,900 under Forest, £118,800 under Post Office, £96,400 under Mint, £148,500 under Major Irrigation Works—Direct Receipts, and £136,900 under Army Receipts; counterbalanced by decreases of £646,600 under Opium and £516,800 under Provincial Rates. These will all be referred to below.

138. The most important heads of Receipt in the Indian Budget are the following:—

Main heads of
Receipt.

	£	R
Railways—		
Total gross receipts	26,154,600	39,23,19,000
Net current earnings of State Railways, deducting working expenses	12,897,900	19,34,69,000
Total net receipts deducting interest and all other charges debitable to Railways	2,229,300	3,34,40,000
Land Revenue proper	19,764,200	29,64,62,000
Excise	5,817,300	8,72,60,000
Opium	4,831,100	7,24,66,000
" net	2,959,800	4,43,97,000
Customs	4,464,200	6,69,63,000
Salt	4,400,000	6,60,00,000
Stamps	3,970,700	5,95,60,000
Irrigation—		
Gross receipts	3,250,000	4,87,50,000
Net receipts	257,100	38,56,000
Provincial Rates	2,261,300	3,39,20,000
Forest	1,789,900	2,68,48,000
" net	804,400	1,20,66,000
Post Office	1,727,100	2,59,06,000
" net	126,200	18,93,000

139. Railways.—As explained in paragraph 111, there has been a continued expansion of traffic in the current year on most of the railways except the North-

1906-1907.
Railways Gross
and net earnings.

* Besides 2 lakhs further allotted to the Government of Eastern Bengal and Assam in connection with reorganization of its military police.

Western line. Next year agricultural conditions are expected to be more favourable, and provision has been made in the Budget Estimate for a further expansion of traffic, for a recovery of the ground temporarily lost by the North-Western Railway, and for opening of additional mileage. The Budget Estimate of gross Railway receipts, the bulk of which are derived from State Railways, has accordingly been placed at £2,298,200 (345 lakhs) and £1,496,400 (224½ lakhs) higher than the Budget and Revised Estimates, respectively, of the current year; and that of net current earnings of State Railways (receipts, less working expenses) at £1,227,900 (184 lakhs) and £827,000 (124 lakhs) more in each case. A part of the increase in the gross traffic receipts is, it should be explained, due to the fact that the Bombay, Baroda and Central India Railway having become a State Railway with effect from 1st January 1906, the Budget Estimate for next year includes the gross receipts of the Railway for a whole year, while the Estimates for the current year include gross receipts for three months and only net earnings for the nine months, during which it was a Guaranteed Railway.*

140. The following are the more important differences in regard to gross receipts, working expenses, and net earnings of State Railways as compared with the Revised Estimate of the current year:—

	INCREASE + DECREASE —		
	Receipts.	Working Expenses.	Net Earnings.
	₹	₹	₹
<i>Better than Revised—</i>			
Bengal-Nagpur Railway	+ 25,00,000	+ 7,00,000	+ 18,00,000
East Indian Railway .	+ 25,00,000	+ 6,50,000	+ 18,50,000
Burma Railways .	+ 7,00,000	— 78,000	+ 7,78,000
Rajputana-Malwa Railway	+ 5,00,000	...	+ 5,00,000
<i>Worse than Revised—</i>			
North-Western Railway	+ 45,00,000	+ 51,50,000	— 6,50,000

It will be observed that the increased receipts from the North-Western Railway will be more than counterbalanced by enhanced working expenses consequent on the necessity for renewal of permanent-way and rolling-stock.

Total results.

141. Taking the Railway Revenue Account as a whole, the Budget Estimate for next year compares as follows with the Budget and Revised Estimates of the current year:—

	IN HUNDREDS OF POUNDS STERLING.			IN THOUSANDS OF RUPEES.		
	1905-1906.		1906-1907.	1905-1906.		1906-1907.
	Budget.	Revised.	Budget.	Budget.	Revised.	Budget.
Gross Receipts, including net receipts of Guaranteed Railways, and repayments of advances of interest by Subsidised Companies	£ 23,856,4	£ 24,658,2	£ 26,154,6	₹ 35,78,46	₹ 36,98,73	₹ 39,23,19
Working Expenses	11,236,9	11,630,3	12,784,0	16,85,54	17,44,54	19,17,60
Interest, Annuities, Surplus profits payable to Companies, etc. . . .	10,917,1	10,907,6	11,018,6	16,37,56	16,36,14	16,52,79
Miscellaneous Charges	138,2	91,8	122,7	20,73	14,21	18,40
NET RECEIPTS	1,504,2	2,025,5	2,229,3	2,34,63	3,03,84	3,34,40

The net profit accruing to Government from railways is thus expected to amount to £2,229,300 next year, being in excess of the Revised Estimate of the current year by £203,800 and £665,100 better than the current year's Budget.

* Only the net earnings of Guaranteed Railways appear in the India Accounts.

142. *Land Revenue*, including the portion due to Irrigation, is placed at ^{1906-1907.} £331,700 (nearly 50 lakhs) better than the Budget for 1905-1906 and £775,600 ^{Land Revenue.} (116 lakhs) better than in the Revised Estimate of that year, which has fallen materially short of the Budget in Madras, Bombay, the United Provinces, and the Punjab. The increase as compared with the 1905-1906 Budget occurs mainly in the United Provinces, where large remissions had to be given owing to the frosts of last year, and in Burma, and is counterbalanced by a decrease of nearly 12 lakhs in Madras, where the figure taken in 1905-1906 has proved an over-estimate.

143. *Excise* is taken at £374,200 (56 lakhs) better than in the Budget ^{1906-1907.} of 1905-1906, the Revised Estimate of which allows for an increase of £210,400. ^{Excise.} The main increases as compared with the current year's Budget are, as in the Revised Estimate, in Bombay, Madras, Bengal and the Central Provinces—*vide* paragraph 106. There is also an increase of $4\frac{1}{2}$ lakhs in the Punjab due to the replacement of illicit by licit consumption. In the United Provinces there is a decrease (5 lakhs), the result of unfavourable seasons in some districts.

144. *Opium* is a notoriously difficult head of receipt to estimate for, since its ^{1906-1907.} main factor, the sale-proceeds of Bengal opium auctioned in Calcutta for export, ^{Opium.} is determined by circumstances in China of which we have little knowledge, and by the speculation of the market, and the prices obtained at the monthly auctions are subject to violent fluctuations. In 1904-1905 the average sale-price obtained was ₹1,587 per chest, and it was therefore thought safe to take ₹1,400 as the estimated price for 1905-1906. This figure has been slightly exceeded, the average for the whole year having been ₹1,434 per chest, but in the last months there was a heavy drop, and the March sales, which generally give a result better than that obtained as the average for the next 12 months, only produced a chest price of ₹1,258. This being so, it is not safe to estimate for more than ₹1,125 per chest for 1906-1907. The fall of revenue thus brought about is slightly counterbalanced by the fact that the number of chests sold per month has been raised, owing to accumulation of stocks, from 4,000 to 4,400 with effect from January last, so that in 1906-1907 there will be a sale of 52,800 chests against 49,200 in 1905-1906.

The export duty on Malwa opium is also an uncertain factor, and a considerable drop in exports during the current year warrants the expectation that the receipts under this head will yet be less by 21 lakhs than the amount taken in the last Budget. In all, therefore, there is a *decrease* of £646,600 (97 lakhs) under Opium as compared with the current year's Budget, the only material decrease of revenue anticipated save that under Provincial Rates.

The expenditure under Opium, on the other hand, shows an increase of £33,900, the amount provided in the current year's Budget having been shown by experience to be inadequate for present expenses of cultivation, and taking this into account the net falling-off under Opium receipts is thus £680,500 (102 lakhs).

145. The Revised estimate of *Customs* is placed at £39,100 less than in the ^{1906-1907.} current year's Budget, while in the Budget for 1906-1907 it is estimated that ^{Customs.} this decrease will be made up and a further increase of £100,200 obtained. Increase as compared with the Budget of 1905-1906 is expected mainly under Cotton manufactures and Spirits, in the latter case owing to the recent enhancement of the duty on imported spirit from ₹6 to ₹7 per proof gallon, with proportionate increases for perfumed spirits and liqueurs. Decreases of 11 and 14 lakhs are allowed for under petroleum and silver with reference to the results of the Revised Estimate (paragraph 114).

146. The increases budgeted for under *Salt* and *Stamps* amount to ^{1906-1907.} £140,000 and £163,400, respectively. In both instances they are justified by ^{Salt.} ^{Stamps.} excess of the Revised Estimate over the Budget forecast for the current year, and by the increasing consumption of salt consequent on the late reductions of duty. The increase under Stamps is spread over most of the provinces, the only noticeable decrease being in the Punjab which shows a falling-off, attributed, as stated in paragraph 105, to the effect of the Alienation of Land Act and the Punjab Loans Limitation Act.

147. Under *Irrigation* there is an increase of revenue of £148,500 ^{1906-1907.} in direct receipts from Major Irrigation Works, and that portion of the land ^{Irrigation} ^{Receipts.} revenue which is due to Irrigation shows an expansion of £36,200, while Minor

Irrigation receipts are estimated to be £10,000 better than in the current year's Budget. The increase in direct Major Irrigation receipts is largest in the United Provinces and the Punjab, where, as observed in paragraph 115, the Revised Estimate shows a falling-off, but where circumstances are favourable for increased irrigation in the coming year.

*Irrigation
Expenditure*

148. On the expenditure side, however, there is an additional outlay of £99,500. Increased capital expenditure on Major Irrigation Works adds £30,900 to the Interest charges thereon, while the working expenses show an increase of £47,000 which occurs mainly in the Punjab and Madras. The outlay on Minor Irrigation Works is raised by £21,600, the largest increase being in Bombay (nearly 3 lakhs).

*1906-1907.
Net results under
Major Irrigation
works.*

149. Comparing the total current outlay under Major Irrigation Works with the revenue produced thereby, including the portion of land revenue due to Irrigation, the results are as follows:—

	Budget of 1905-1906.		Budget of 1906-1907.	
	£	R	£	R
Direct receipts	1,972,300	2,95,84,000	2,120,800	3,18,12,000
Portion of land revenue due to Irrigation	915,900	1,37,38,000	952,100	1,42,82,000
TOTAL	2,888,200	4,33,22,000	3,072,900	4,60,94,000
Charges, including interest	1,902,400	2,85,36,000	1,980,300	2,97,05,000
Net receipts	985,800	1,47,86,000	1,092,600	1,63,89,000

showing an estimated betterment of nearly £107,000 in the coming year.

*1906-1907.
Provincial Rates.*

150. *Provincial Rates* (£2,261,300) show a decrease of £516,800 owing to the remission of cesses referred to in paragraph 132, and, in Bombay, to the transfer of the receipts hitherto credited as village service cess in Sind to the head Land Revenue.

*1906-1907.
Forest.*

151. *Forest* revenue (£1,789,900) shows an increase of £186,900, or allowing for increased expenditure a net enhancement of £127,900. £113,300 of the net increase occurs in Burma, and is justified by the excess of the Revised Estimate over the Budget forecast for the current year.

*1906-1907.
Post Office.*

152. *Post Office* receipts (£1,727,100) show an increase of £118,800, but the expenditure is increased by nearly half this amount (£57,400).

*1906-1907.
Army receipts.*

153. There is an increase of £136,900 under Army receipts (£1,064,500) which is due to the causes already referred to in paragraph 112. The receipts anticipated are somewhat less (by £13,400) than in the Revised Estimate.

*1906-1907.
Telegraph.*

154. Only two other Revenue heads need special mention. Under *Telegraph* (£938,100) there is an increase of £29,000, which is more than swallowed up by increased expenditure to the amount of £120,600, mainly on construction and maintenance, and including a payment of £14,000 for guarantee to the Telegraph Companies concerned on loss of revenue consequent on the cheapening of foreign telegrams.

*1906-1907.
Mint.*

155. Under *Mint* (£201,900) an increase of £96,400 has been allowed for as compared with the Budget of the current year, but a decrease of £103,400 as compared with the Revised Estimate. The experience of the last few months warrants the expectation that coinage operations, on which, as stated in paragraph 110, a seigniorage of 2 per cent is credited to "Mint," will be larger than was allowed for in framing the last Budget. A concomitant but smaller increase of expenditure (£16,000) is also provided for.

*1906-1907.
Expenditure:
Main heads of
increase.
Railways.*

156. The greater part of the increase of £2,799,100 under total Expenditure shown in the table in paragraph 131 falls under the head Railways, which shows a total advance in charges of £1,633,100 (R2,44,96,000) as compared with the Budget of 1905-1906. This is due in the main to increased working expenses necessitated by the expansion of traffic, e.g. renewals of permanent way and rolling stock, and outlay on new extensions, and to growth of interest charges consequent on continued capital outlay. As observed in paragraph 136, this increase is more than covered by enhanced receipts, the railway transactions credited and debited to Revenue showing a net surplus which is £665,100 more than that provided in the current year's Budget.

157. Other noticeable increases in expenditure occur under —

Other Heads.

	£	R
(1) Land Revenue	95,000	14,25,000

Due to necessary increase of revenue establishments, and to reorganization of village establishments in Madras. The Central Provinces show a decrease of nearly 2 lakhs, but this is only nominal, as the constitution of a separate Judicial Service there will necessitate the transfer of a considerable amount of expenditure from this head to Law and Justice. Taking the two heads together, there is an increase of nearly 3 lakhs in the province which would have been greater but for a reduction in the number of districts in Berar.

	£	R
(2) Stamps	83,000	12,45,000

This is due to the cost of all stamps being now included under this head, whereas formerly Postal and Telegraph stamps were charged to those heads of account.

	£	R
(3) Forest	59,000	8,85,000

This, as above remarked, is the concomitant of a much larger increase in receipts.

	£	R
(4) General Administration	54,400	8,16,000

• This occurs mainly in Eastern Bengal and Assam, and is due to expenditure consequent on the creation of the new province.

	£	R
(5) Courts of Law	97,000	14,55,000

This occurs mainly in the Central Provinces as explained above, and in Burma, where also a separate Judicial service, such as already exists in other provinces, is being evolved.

	£	R
(6) Police	206,900	31,04,000

This is due to the progress of Police reforms, facilitated by the fresh assignments to the Local Governments referred to in paragraph 134.

	£	R
(7) Education	73,700	11,06,000

This is spread over most provinces, and represents in the main additional expenditure on schools.

	£	R
(8) Political	283,700	42,56,000

As indicated in paragraph 102, no provision was made in the Budget for the current year for payments to the Amir of Afghanistan, as the negotiations then on foot with His Highness had not been concluded. The coming year's Budget provides for the normal annual subsidy of 18½ lakhs *plus* about 24 lakhs in part payment of arrears hitherto undrawn.

	£	R
(9) Scientific and other Minor Departments	63,200	9,48,000

Due mainly to the development of agricultural and veterinary improvement.

	£	R
(10) Irrigation	99,500	14,92,000

Explained in paragraph 148.

(11) Civil Works	153,000	22,95,000
----------------------------	---------	-----------

Explained in paragraph 168.

(12) Famine Relief	327,400	49,11,000
------------------------------	---------	-----------

Explained in paragraph 172.

FINANCIAL STATEMENT OF THE

1906-1907.
Decrease under
Military charges.

158. Under Military charges there is a net *decrease* of expenditure of £391,000 made up as follows:—

	£	R
Army	-435,600	-65,34,000
Military Works	+20,300	+3,04,000
Marine (Military portion)	+46,100	+6,90,000
Special Defences	-21,700	-3,25,000
TOTAL	<u>-390,900</u>	<u>-58,65,000</u>

If we further take into account the increase of £130,200 under receipts, shown in the table in paragraph 162, the decrease of net expenditure is increased to £521,100. Further information as to Military charges is given in paragraphs 162—164.

1906-1907.
Main objects of
Expenditure.

159. The main heads of Expenditure provided for in the Indian Budget are as follows:—

	£	R
Railways—Revenue Account	23,925,300	35,88,79,000
Military Services	21,841,600	32,76,25,000
Salaries and expenses of Civil Departments (General Administration, Law and Justice, Police, Education, Ecclesiastical, Medical, Political, Scientific, etc., Departments, and Marine, deducting the portion appertaining to Military Services)	13,689,300	20,53,40,000
Charges connected with collection of revenue (Land Revenue, Opium, Salt,* Stamps, Excise, Provincial Rates, Customs, Assessed Taxes, Forest, and Registration: also Refunds and Drawbacks, and Assignments and Compensations)	9,057,200	13,58,58,000
Civil Works	5,689,900	8,53,49,000
Miscellaneous Civil charges (Pensions, Absentee Allowances, Stationery and Printing, and Miscellaneous)	4,323,500	6,48,52,000
Irrigation	2,992,900	4,48,94,000
Post and Telegraph	2,755,900	4,13,38,000
Interest	1,278,800	1,91,82,000

1906-1907.
Railways.

160. Railway expenditure, the growth under which is, as has been shown, more than counterbalanced by enhanced receipts, falls under the following heads:—

	Increase over the current year's Budget.			
	£	R	£	R
Working Expenses of State Railways	12,784,000	19,17,60,000	+1,547,100	+2,32,06,000
Interest and Annuity charges	10,431,200	15,64,68,000	+727,400	+1,09,11,000
Payment to Guaranteed and Subsidised Companies	664,100	99,61,000	-625,200	-93,78,000
Miscellaneous	46,000	6,90,000	-16,200	-2,43,000
TOTAL	<u>23,925,300</u>	<u>35,88,79,000</u>	<u>1,633,100</u>	<u>2,44,96,000</u>

161. The increase under Working Expenses and under Interest is a necessary corollary to the larger earning capacity of State Railways and to the increased capital outlay on further Railway development. The decreases are mainly due to the transfer of the Bombay, Baroda and Central India Railway from "Guaranteed" to "State."

* Including cost of production.

162. The total Military expenditure budgeted for in 1905-1906 and in 1906-1907 compares as follows :—

	1905-1906, Budget.		1906-1907, Budget.	
	£	R	£	R
Army	20,282,300	30,42,35,000	19,846,700	29,77,01,000
Military Works	1,149,100	1,72,36,000	1,169,400	1,75,41,000
Marine*	547,900	82,18,000	594,000	89,10,000
Special Defences	253,200	37,98,000	231,500	34,73,000
TOTAL	22,232,500	33,34,87,000	21,841,600	32,76,25,000
<i>Deduct—Receipts</i> Army, Military Works and Marine	1,124,600	1,68,69,000	1,254,800	1,88,22,000
Total Net Expenditure	21,107,900	31,66,18,000	20,586,800	30,88,03,000

1906-1907
Military Charges.

163. In the Budget Estimate of 1905-1906, 490 lakhs were allotted for special charges, *viz.*, Reorganization, and other special measures for the improvement of the Army, re-armament, special defences, and a new ship for the Royal Indian Marine, leaving the ordinary expenditure at nearly 28,45 lakhs. The Budget for 1906-1907 allows 415 lakhs for Reorganization and other special measures and 28,61 lakhs for ordinary expenditure, making a total of £21,841,600 (32,76 lakhs). Against this there is £1,254,800 in the shape of receipts, so that the net military outlay is £20,586,800 as against £21,107,900 in 1905-1906.

Ordinary and
Extraordinary
Expenditure.

164. Ordinary Military expenditure shows an increase of about 16 lakhs, of which 14 lakhs are under Army; but this amount represents outlay on Indian regiments serving in the Colonies, the charges for which are refunded by His Majesty's Government, thus accounting largely for the increase under Military receipts. The net actual ordinary expenditure under Army is thus the same as in the current year's budget. A decrease of 16 lakhs on stores and payments in England is counterbalanced by increase of a like amount in India, mainly owing to rise in the price of food (8½ lakhs), unadjusted expenditure on account of the Rawalpindi manoeuvres (1 lakh) and dairy farm charges (5½ lakhs). This latter amount, however, will, it is hoped, be covered by corresponding receipts.

Ordinary
Expenditure
under "Army."

165. Ordinary expenditure under Marine shows an increase of about 2 lakhs due largely to higher payments under wages. Here again the increase is likely to be covered or partially covered by receipts for work done for outside Departments.

Ordinary
expenditure
under
Marine.

166. Under *Salaries and Expenses of Civil Departments* the most important heads of account are Police (£3,761,700), Courts of Law (£2,508,200), Education (£1,912,800), General Administration (£1,555,100), Medical (£1,118,100), Political (£953,800), Scientific and Minor Departments (£803,000); and the Budget shows an aggregate increase of £903,000 over the estimate of the current year. This is spread over all the constituent heads except Ecclesiastical, which shows a small decrease. The principal increases have already been explained in paragraph 157.

1906-1907.
Salaries and
Expenses of Civil
Departments.

167. Under *Charges connected with collection of Revenue, etc.* the principal heads are Land Revenue (£3,473,000), Opium (£1,871,300), Assignments and Compensations (£1,184,700), and Forest (£985,500), and there is an aggregate increase of £300,400. The principal variations have already been noticed in paragraph 157.

1906-1907.
Charges connected
with collection
of Revenue.

168. The expenditure under *Civil Works* naturally tends to expand, especially with reference to increased building provision consequent on Police reform and the development of primary education, and to the more favourable financial situation of most of the Local Governments. This was shown with marked effect

1906-1907.
Civil Works.

* Excluding expenditure of Local Governments on river navigation.

in the current year, the Budget provision for which was £5,536,900 against £4,778,295 actually spent in 1904-1905. The Revised estimate is, however, reduced to £5,358,400; while in the coming year's Budget the amount provided is £5,689,900. This allows for increased expenditure in Eastern Bengal and Assam consequent on the creation of the new province.

1906-1907.
Miscellaneous
Civil Charges.

169. Under *Miscellaneous Civil Charges* the most important element is Civil superannuation allowances and pensions (£2,988,200) which shows an increase of £46,600.

1906-1907.
Irrigation, and
Post and
Telegraph.

170. The expenditure under *Irrigation, Post and Telegraph* has already been noticed in connection with the receipts under these heads.

1906-1907.
Interest.

171. Of the total amount payable as *Interest* on debt (£7,824,800), the greater part is charged off against Railways and Irrigation where, as above shown, it proves a profitable investment. The balance, which relates to the ordinary non-productive debt, is gradually diminishing with the transfer of debt of this description to the Railway and Irrigation heads against capital outlay incurred from surplus current revenues. It amounts to £801,700 in the coming year's Budget against £895,800 in that of 1905-1906.

Interest on other obligations (£477,100), which are mainly Post Office Savings Bank deposits, shows a slight increase of £8,000. Including these, the total Interest charges debited as such amount to £1,278,800; but they are largely counterbalanced by a corresponding receipt item of £853,000, which represents interest on the invested portion of the Currency balances, on temporary investment from current balances held by the Secretary of State, and on loans to local bodies, cultivators, etc. The provision under the receipt head shows, it may be observed, an increase of £47,600 over the current year's estimate, which is due partly to the continued grant of new loans to local bodies, and partly to the anticipation of larger temporary investments out of the Secretary of State's cash balances and to the provision for a full year's interest on the additional currency investment of £1,333,000 (2 crores of rupees) made in the current year.

1906-1907.
Famine Insurance
Grant.

172. Finally, it has to be observed that though the total expenditure provided for against the *Famine Insurance Grant* in 1906-1907 is the same as in the current year, *viz.*, the normal figure of £1,000,000 (150 lakhs), the distribution of expenditure is very different as will be seen from the following statement:—

	1905-1906, Budget.		1906-1907, Budget.	
	£	R	£	R
Famine Relief	211,700	31,76,000	539,100	80,86,000
Protective Irrigation Works and Rail- ways	415,100	62,26,000	447,700	67,15,000
Reduction or Avoid- ance of Debt	373,200	55,98,000	13,200	1,99,000
	1,000,000	1,50,00,000	1,000,000	1,50,00,000

In 1905-1906 famine expenditure was budgeted for to the extent of 15 lakhs in Madras and nearly 17 lakhs in Bombay, while the Revised Estimate shows a total of 20½ lakhs, to be spent mainly in Ajmer-Merwara, Bombay and the United Provinces. For the coming year the agricultural situation in parts of the Bombay Presidency and the United Provinces is sufficiently unfavourable to justify an anticipated expenditure of 42 and 20 lakhs, respectively, under Famine relief, while there is also provision for 13½ lakhs in Ajmer-Merwara and 5½ lakhs in parts of Madras and the Punjab.

There is also some increase of expenditure under Protective Irrigation Works, chiefly in Madras and the Central Provinces, counterbalanced by a decrease of 4½ lakhs under Protective Railways, and there is thus only a small balance to be charged under Reduction of debt.

Section IV.—Statements comparing the estimates under the more important heads of Revenue and Expenditure with the actuals of past years.

LAND REVENUE.

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
REVENUE (including that due to Irrigation)—						
India General	12,37,032	14,72,513	15,31,372	14,51,000	13,05,000	14,00,000
Central Provinces	79,11,373	83,86,263	87,29,557	88,00,000	88,80,000	} 1,74,88,000
Berar	70,08,389	78,30,166	83,06,277	83,28,000	86,00,000	
Burma	3,33,74,368	3,52,43,662	3,70,94,697	3,93,75,000	3,90,00,000		4,13,00,000
Assam	64,58,053	54,43,025	63,37,256	66,27,000	66,18,000	} 1,93,62,000
Eastern Bengal	4,11,49,522	4,10,03,080	4,11,45,565	1,26,67,000	1,23,69,000		2,93,61,000
Bengal				2,92,36,000	2,93,00,000	
United Provinces of Agra and Oudh	6,41,12,450	6,46,71,000	6,46,18,427	6,06,38,000	5,98,93,000	6,35,54,000
Punjab	2,30,31,032	2,51,51,468	2,63,91,590	2,55,00,000	2,42,50,000	2,61,97,000
N.-W. Frontier Province	17,18,531	18,29,849	19,80,446	19,32,000	19,50,000	20,31,000
Madras	6,13,34,153	6,06,29,257	5,82,47,651	6,33,22,000	6,13,64,000	6,21,31,000
Bombay	4,14,33,666	4,94,12,623	4,33,25,859	4,78,93,000	4,55,82,000	4,79,20,000
TOTAL R	28,87,68,569	30,10,72,906	29,77,08,697	30,57,69,000	29,91,11,000	31,07,44,000
Shown under XXIX.—Irrigation . R	1,22,15,889	1,25,57,090	1,33,98,743	1,37,38,000	1,36,80,000	1,42,82,000
Shown under I.—Land Revenue R	27,65,52,680	28,85,15,816	28,43,09,954	29,20,31,000	28,54,31,000	29,64,62,000
Equivalent in Sterling	19,251,238	20,071,527	19,847,247	20,384,600	19,940,700	20,716,300
Shown under XXIX.—Irrigation . £	814,393	837,139	893,250	915,900	912,000	952,100
Shown under I.—Land Revenue £	18,436,845	19,234,388	18,953,997	19,468,700	19,028,700	19,764,200
EXPENDITURE—						
India—						
District Administration	2,02,44,519	2,08,17,850	2,17,31,809	2,25,25,000	2,22,52,000	2,27,26,000
Other Charges	2,33,95,466	2,49,09,285	2,63,10,478	2,81,38,000	2,75,37,000	2,93,49,000
TOTAL INDIA R	4,36,39,985	4,57,27,135	4,80,42,287	5,06,63,000	4,97,89,000	5,20,75,000
Equivalent in Sterling	2,909,332	3,048,476	3,202,819	3,377,500	3,319,300	3,471,700
England—						
Other Charges £	148	408	875	500	1,900	1,300
TOTAL EXPENDITURE £	2,909,480	3,048,884	3,203,694	3,378,000	3,321,200	3,473,000

173. The estimates have been explained already in paragraphs 113, 117, 142 and 157. The revenue in the current year is expected to fall short of

FINANCIAL STATEMENT OF THE

the Budget Estimate in Ajmer, Burma, Eastern Bengal, United Provinces, Punjab, Madras and Bombay, owing generally to unfavourable agricultural conditions and in some cases to over-estimating. The Budget Estimate for next year provides for an increase in all provinces, due partly to the expectation of better agricultural conditions, and partly to revision of settlements, and extension of cultivation by development of irrigation and otherwise.

OPIUM.

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
INDIA.						
Revenue—						
Bengal—Sale of Opium	5,49,39,005	7,01,75,570	7,61,93,120	6,72,00,000	7,05,54,000	5,94,00,000
Bombay—Pass Fees	99,15,500	1,30,70,750	1,12,36,875	1,20,00,000	88,00,000	99,00,000
Excise Opium and other revenue	26,22,071	27,94,355	28,92,496	29,65,000	29,43,000	31,66,000
TOTAL R	6,74,76,576	8,60,40,675	9,03,22,491	8,21,65,000	8,23,57,000	7,24,66,000
Equivalent in Sterling	4,498,438	5,736,045	6,021,499	5,477,700	5,490,500	4,831,100
Expenditure—						
Payments to Cultivators, including purchase of opium	2,22,84,345	3,07,70,477	2,69,25,333	2,48,31,000	2,58,11,000	2,53,61,000
Other Charges	23,76,208	25,61,683	25,46,301	27,07,000	26,08,000	26,83,000
TOTAL INDIA R	2,46,60,553	3,33,32,160	2,94,71,634	2,75,38,000	2,84,19,000	2,80,44,000
Equivalent in Sterling	1,644,037	2,222,144	1,964,775	1,835,900	1,894,600	1,869,600
ENGLAND.						
Other Charges £	4,446	3,600	2,310	1,500	1,800	1,700
TOTAL £	1,648,483	2,225,744	1,967,085	1,837,400	1,896,400	1,871,300
Statistics—						
Bengal—						
Chests sold	48,000	48,000	48,000	48,000	49,200	52,800
Average Price	₹1,144	₹1,462	₹1,587	₹1,400	₹1,434	₹1,125
Chests produced	44,724	64,738	50,000	...	55,501	...
Chests in Balance, March 31	51,025	67,758	69,758	...	76,059	...
Reserve, December 31	18,300	15,024	31,762	33,762	33,762	40,063
Bombay—						
Chests passed for export	19,831	26,141½	18,821½	20,000	14,750	16,500
Rate of duty	₹500	₹500	₹500 & 000	₹600	₹600	₹600

174. The Estimates have been explained in paragraph 144. The quantity of Bengal opium sold monthly has been raised from 4,000 to 4,400 chests with effect from January last. The total sales for next year have been taken, accordingly, at 52,800 chests against 49,200 chests sold in the current year, but owing to the large drop in the price obtained at the sale this month, it has not been considered safe to estimate for a higher price than ₹1,125 per chest, though the average price obtained in the current year has been ₹1,434 per chest. The exports of Malwa opium are expected to amount to 14,750 chests in the current year against 20,000 chests assumed in the Budget Estimate. Those for next year have been taken at 16,500 chests.

SALT.

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
REVENUE.						
Northern India (a)	1,97,31,548	1,72,13,079	1,69,35,310	1,36,25,000	1,41,20,000	1,45,00,000
Burma (b)	18,30,199	15,48,365	16,38,131	16,75,000	17,40,000	18,00,000
Eastern Bengal (b)	2,67,94,565	2,18,01,075	2,23,61,605	15,66,000	18,40,000	19,50,000
Bengal (b) *						
Madras (a)	2,03,16,107	1,95,35,805	1,95,38,005	1,55,00,000	1,52,00,000	1,55,00,000
Bombay (a)	2,40,93,650	1,86,58,649	1,98,48,469	1,57,00,000	1,62,50,000	1,67,50,000
TOTAL R	9,27,66,069	7,87,56,973	8,03,21,520	6,39,00,000	6,50,50,000	6,60,00,000
Equivalent in Sterling .	6,184,405	5,250,465	5,354,768	4,260,000	4,336,700	4,400,000
CHARGES.						
India	R 51,86,238	49,35,853	51,62,759	55,98,000	55,45,000	55,84,000
Equivalent in Sterling .	345,749	329,057	344,184	373,200	369,700	372,300
England	£ 142	2,134	918	100	300	200
TOTAL £	345,891	331,191	345,102	373,300	370,000	372,500
Total consumption .	3,68,77,000	3,75,92,000	3,93,78,000	...	4,09,78,000	...

(a) Chiefly excise on local manufacture.

(b) Chiefly duty on imported salt.

175. As explained in paragraphs 104 and 146, the successive reductions of duty made in March 1903 and March 1905 have led to a satisfactory growth of consumption. The Budget Estimate for next year assumes a further development of consumption to the extent of 12 lakhs of maunds. The largest increase has occurred in salt manufactured in Northern India and Bombay, while there is a slight drop in the importation of Liverpool and German salt into Bengal.

STAMPS.

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
REVENUE.						
Court Fees and Plain Paper	3,58,89,411	3,67,25,008	3,82,35,186	3,90,69,000	3,89,95,000	3,96,61,000
Commercial and other Stamps	1,51,99,912	1,59,38,860	1,70,81,280	1,74,73,000	1,82,69,000	1,91,28,000
Other Revenue	10,16,344	10,39,831	7,58,970	5,67,000	7,52,000	7,71,000
TOTAL R	5,21,05,667	5,37,03,699	5,60,75,436	5,71,09,000	5,80,16,000	5,95,60,000
Equivalent in Sterling .	3,473,711	3,580,247	3,738,362	3,807,300	3,867,700	3,970,700
CHARGES.						
India	R 11,61,149	12,02,373	12,34,918	12,69,000	12,67,000	12,55,000
Equivalent in Sterling .	77,410	80,158	82,328	84,600	84,500	83,700
England (Stores)	£ 31,898	42,221	38,763	40,100	40,100	124,000
TOTAL £	109,308	122,379	121,091	124,700	124,600	207,700

FINANCIAL STATEMENT OF THE

176. The revenue has continued to develop in every province except the Punjab, where there has been a falling off owing to the introduction of the Land Alienation Act and the Punjab Loans Limitation Act having led to a reduction of transfers and mortgages and suits for recovery of loans. The Budget Estimate provides for a further improvement upon the current year's Revised in all other provinces.

The increase in the charges in England is explained in paragraph 157.

EXCISE.

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
REVENUE.						
Burma	57,64,960	74,64,332	72,81,670	86,00,000	84,00,000	88,20,000
Assam	29,20,074	30,24,404	30,54,075	31,40,000	32,10,000	63,25,000
Eastern Bengal	1,57,87,914	1,62,95,944	1,67,90,284	1,44,99,000	1,52,50,000	157,00,000
Bengal						
United Provinces of Agra and Oudh	83,23,741	94,58,526	1,02,25,122	1,05,00,000	97,50,000	1,00,00,000
Madras	1,56,16,618	1,77,02,209	1,87,53,820	1,83,00,000	1,90,50,000	1,93,00,000
Bombay	1,08,49,937	1,19,99,390	1,39,63,271	1,31,00,000	1,41,00,000	1,44,50,000
Other Provinces	71,36,385	87,56,641	1,02,33,126	1,06,57,000	1,20,68,000	1,26,65,000
TOTAL R	6,63,99,629	7,47,01,446	8,03,01,368	8,16,47,000	8,48,02,000	8,72,60,000
Equivalent in Sterling	4,426,642	4,980,096	5,353,424	5,443,100	5,653,500	5,817,300
CHARGES.						
India	R 28,37,618	32,08,429	36,22,103	40,27,000	38,76,000	43,71,000
Equivalent in Sterling	189,175	213,895	241,473	268,500	258,400	291,400
England	£ 9	33	841	100	100	100
TOTAL £	189,184	213,928	242,314	268,600	258,500	291,500

177. The figures have been explained in paragraphs 106 and 143. The revenue continues to grow everywhere except in the United Provinces, where it has been seriously affected by unfavourable agricultural conditions.

178. The Budget Estimate for next year provides for an increase in the charges consequent on the reorganization of establishments in the Central Provinces and Burma.

PROVINCIAL RATES.

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
REVENUE.						
District Local Funds	2,44,71,407	2,55,68,247	2,53,10,413	2,65,63,000	2,59,68,000	2,42,74,000
Appropriation from above for rural police . . . . .	...	...	...	...	...	22,24,000
Provincial Cesses	69,19,660	70,66,975	72,29,658	51,50,000	57,09,000	51,90,000
Village Service and Patwaris	81,47,838	79,81,295	80,66,376	81,20,000	81,40,000	8,05,000
Other Cesses	16,71,949	17,63,711	17,60,772	18,38,000	18,02,000	14,27,000
TOTAL R	4,12,10,854	4,23,80,228	4,23,67,219	4,16,71,000	4,16,19,000	3,39,20,000
Equivalent in Sterling	2,747,390	2,825,349	2,824,481	2,778,100	2,774,600	2,261,300
CHARGES	R 6,28,226	5,58,173	5,49,613	5,86,000	5,74,000	6,02,000
Equivalent in Sterling	41,882	39,212	36,641	39,100	38,300	40,100

179. The remission of the cesses referred to in paragraph 132 decreases the receipts of next year by ₹78,65,000 under "Village Service and Patwaris" and ₹3,54,000 under Other Cesses (Zemindari Dak cess). The former figure, however, allows for about 2 lakhs of payments by tenants in the Central Provinces which were not formerly passed through the Government accounts, and for an enhancement of the ryotwari village service cess in Madras which would have been made under ordinary circumstances. On the other hand the receipts are diminished, without reduction of taxation, by the transfer from this head to Land Revenue of the proceeds of the so-called Village Service cess in Sind referred to in paragraph 150. The eight lakhs still shown as derivable next year from "Village Service and Patwaris" represents the proceeds of the Proprietary Village Service cess in Madras referred to in paragraph 42 of Part I, and of a Jaglia (village police) cess in Berar which is shown under this head and produces about 3 lakhs.

180. The entry in the second head of the table represents a payment for cost of rural police which was formerly made direct from the Local Rates fund in the United Provinces. That fund having now been abolished, the adjustment has to be made by appropriation from District Local Funds to Provincial.

181. The increase under Provincial Cesses in the Revised Estimate is due to the Punjab Government not having been able to take the steps necessary for the remission of the "Famine" portion of its general cess during the current year. This will be carried out with effect from 1st April 1906.

CUSTOMS.

SEA CUSTOMS.	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
IMPORTS.						
<i>Special Import Duties.</i>						
Arms, Ammunition, and Military Stores	3,57,148	3,49,248	4,16,977	4,00,000	4,05,000	4,00,000
Liquors—						
Ale, Beer, Porter, Cider and other fermented Liquors	2,39,294	2,54,022	2,88,410	2,90,000	3,05,000	3,10,000
Spirits and Liqueurs	69,63,189	75,16,341	76,58,678	77,50,000	87,00,000	90,00,000
Wines	3,91,230	3,80,174	3,73,904	3,80,000	4,00,000	4,00,000
Opium	3,040	2,990	3,507	3,000	3,000	3,000
Petroleum	53,76,744	43,99,535	45,88,496	47,50,000	36,50,000	36,50,000
Sugar (countervailing duties, 1899)	17,04,465	2,31,917	8,014	15,000	...	...
Do. (do., 1902)	3,32,703	20,573	12,850	...	...	...
<i>General Import Duties.</i>						
Articles of Food and Drink (excluding Sugar)	14,57,463	15,45,568	18,16,188	17,50,000	19,20,000	20,50,000
Sugar (ordinary duties)	25,12,899	29,77,323	32,49,459	34,50,000	36,60,000	39,50,000
Chemicals, Drugs, Medicines and Narcotics and Dyeing and Tanning Materials	12,07,077	13,83,834	13,90,125	14,00,000	14,50,000	15,00,000
Cotton Manufactures	96,15,217	98,83,603	1,21,69,907	1,16,77,000	1,33,00,000	1,35,00,000
Metals and Manufactures of—						
Silver, Bullion and Coin	39,40,632	40,27,301	41,11,942	44,00,000	28,00,000	30,00,000
Other Metals and Manufactures of Metals	30,62,040	34,18,323	34,63,266	38,50,000	31,00,000	33,00,000
Oils (excluding Petroleum)	1,41,712	92,941	96,220	1,00,000	1,25,000	1,25,000
Manufactured Articles	61,37,209	70,81,173	81,59,549	86,50,000	82,25,000	85,00,000
Raw Materials and Unmanufactured Articles	8,27,951	9,17,898	10,28,998	10,25,000	12,15,000	13,25,000
TOTAL IMPORTS	4,42,70,813	4,44,32,844	4,88,37,270	4,98,90,000	4,92,76,000	5,10,13,000
EXCISE DUTY ON COTTON GOODS	18,66,213	20,77,449	23,81,825	25,00,000	27,55,000	30,00,000
EXPORT DUTIES—						
Rice	1,26,55,716	1,20,31,375	1,31,85,757	1,20,00,000	1,10,00,000	1,20,00,000
LAND CUSTOMS AND MISCELLANEOUS	8,71,796	9,52,802	10,21,710	10,70,000	9,40,000	9,50,000
GRAND TOTAL R	5,96,64,538	5,94,94,470	6,54,26,562	6,54,60,000	6,48,73,000	6,69,63,000
Equivalent in Sterling	3,977,636	3,966,298	4,361,771	4,364,000	4,324,900	4,464,200
Charges R	24,17,843	25,20,550	26,83,465	28,31,000	27,37,000	28,70,000
Equivalent in Sterling	161,190	168,037	178,898	188,700	182,400	191,300
England £	145	128	348	200	300	200
TOTAL £	161,335	168,165	179,246	188,900	182,700	191,500

FINANCIAL STATEMENT OF THE

182. The principal features of the current year are (1) the great and continued growth of the imports of cotton manufactures and of the corresponding receipts from the excise duty on cotton goods manufactured in this country; (2) a decline in the imports on private account of silver consequent on a rise in the price; (3) a heavy falling-off in the imports of Russian kerosine oil owing to the disturbances at Baku, its place being taken by the Burma oil which pays no duty; (4) a falling-off in the imports of metals and manufactures of metals other than silver, chiefly enamelled and other ironware and tin, the falling-off being however partially counterbalanced by increased imports of steel-ware, machinery and mill works. As explained in paragraph 100 the enhancement of the duty on spirits and the month's *moratorium* allowed, has led to a considerable clearance of stock in the interval. The imports of spirit are likely to be smaller next year, owing partly to the heavy stocks lately laid by and partly to the check which consumption is likely to receive from the enhancement of the duty; but the higher duty will more than counterbalance this. The Budget for 1906-1907 provides for a moderate improvement under all other tariff heads as compared with the Revised Estimate.

ASSESSED TAXES.

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
Deduction by Govern- ment from Salaries, Pensions, and Interest payments	46,46,579	42,56,216	43,93,912	43,75,000	44,95,000	45,60,000
Other Collections	1,65,09,844	1,39,63,760	1,46,53,120	1,48,38,000	1,51,38,000	1,55,88,000
TOTAL R	2,11,56,423	1,82,19,976	1,90,47,032	1,92,13,000	1,96,33,000	2,01,48,000
Equivalent in Sterling	1,410,428	1,214,665	1,269,802	1,280,900	1,308,800	1,343,200
Charges R	3,62,255	3,48,126	3,21,253	3,38,000	3,39,000	3,49,000
Equivalent in Sterling	24,150	23,208	21,417	22,500	22,600	23,200

183. As noticed last year, the receipts under this head are steadily growing and gradually making up for the loss of revenue entailed by the exemption of incomes between Rs 500 and Rs 1,000 in 1903-1904.

FOREST.

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
REVENUE.						
India R	1,94,71,540	2,22,16,747	2,40,29,950	2,40,45,000	2,68,48,000	2,68,11,000
Equivalent in Sterling	1,298,103	1,481,116	1,601,997	1,603,000	1,789,900	1,787,400
England . . . . . £	...	...	...	...	1,300	2,500
TOTAL £	1,298,103	1,481,116	1,601,997	1,603,000	1,791,200	1,789,900
EXPENDITURE.						
India R	1,12,49,331	1,21,66,993	1,29,67,856	1,38,72,000	1,41,75,000	1,46,72,000
Equivalent in Sterling	749,955	811,133	864,524	924,800	945,000	978,100
England £	1,828	2,485	4,614	1,700	4,400	7,400
TOTAL £	751,783	813,618	869,138	926,500	949,400	985,500
NET REVENUE £	546,320	667,498	732,859	676,500	841,800	804,400

184. The revenue is increasing in every province, the largest increase in the current year being in Burma and Bombay. The Budget for next year provides for a moderate improvement as compared with the Revised Estimate in all provinces except the two just mentioned, where the current year's receipts were due in some measure to special circumstances (*vide* paragraph 107).

185. Increase in charges is naturally concomitant with development of revenue. The net receipts for 1906-1907 are estimated at about £128,000 more than in the current year's Budget, but at £37,000 less than in the Revised Estimate.

INTEREST RECEIPTS.

	Accounts, 1903-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
India . . . R	1,06,55,278	1,13,14,112	1,03,36,614	1,07,61,000	1,06,29,000	1,11,57,000
Equivalent in Sterling .	710,352	754,274	689,108	717,400	708,600	743,800
England . . . £	157,315	141,788	160,471	88,000	236,500	109,200
TOTAL . . . £	867,667	896,062	849,579	805,400	945,100	853,000

186. The figures have been explained in paragraphs 108 and 171.

INTEREST EXPENDITURE.

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
Interest on Debt—						
India	R 4,09,18,933	R 4,17,76,092	R 4,28,54,060	R 4,39,00,000	R 4,37,06,000	R 4,57,00,000
Deduct charged to—						
Irrigation	1,43,36,567	1,49,13,519	1,52,28,363	1,57,25,000	1,56,04,000	1,61,88,000
Railways	4,99,00,997	5,24,72,714	5,52,79,407	5,80,57,000	5,85,22,000	6,20,69,000
Balance charged to Interest . . .	-2,35,18,631	-2,56,10,141	-2,76,53,770	-3,04,82,000	-3,04,20,000	-3,25,57,000
Equivalent in Sterling	£ -1,507,909	£ -1,707,343	£ -1,843,585	£ -2,032,100	£ -2,028,000	£ -2,170,400
England . . .	3,003,159	2,983,545	3,045,165	2,927,900	2,983,300	2,972,100
TOTAL . . .	1,435,250	1,276,202	1,201,580	895,800	955,300	801,700
Interest on other Obligations—						
On Savings Bank Balances converted at R15 = £1 . . .	260,001	280,968	305,787	326,500	318,800	330,800
Other items . . .	137,434	140,457	139,578	142,600	143,700	146,300
GRAND TOTAL £ . . .	1,832,685	1,697,627	1,646,945	1,364,900	1,417,800	1,278,800
Debt outstanding, March 31—						
Sterling . . .	£ 133,796,261	£ 133,045,844	£ 132,887,191	£ 137,221,044	£ 146,617,491*	£ 147,867,591
Rupee Debt—						
4 per cent . . .	R 4,59,61,550	R 4,47,61,525	R 4,35,61,525	R 4,15,06,325	R 4,15,11,525	R 4,03,11,525
3½ per cent . . .	1,00,65,18,700	1,02,65,22,700	1,05,65,35,200	1,09,65,22,700	1,09,65,35,200	1,14,15,35,200
3 per cent . . .	11,07,08,300	11,07,10,300	11,07,11,100	11,07,10,300	11,07,11,100	11,07,11,100
Other Debt . . .	1,23,52,110	1,22,48,510	1,21,70,410	1,20,53,710	1,21,05,410	1,20,15,410
Savings Bank Balances	13,27,61,060	14,36,75,142	15,61,55,910	16,82,90,142	16,33,24,910	17,15,63,910

* The increase in the Revised is due to the transactions in connection with the purchase of the Bombay, Barda and Central India Railway referred to in paragraph 234.

187. The Budget Estimate of the current year did not provide for the discount on the India 3 per cent stock of £2,000,000 raised in the current year. The transfer of a considerable amount of debt year by year from the nonproductive account to the Railway and Irrigation revenue accounts, as an equivalent for productive capital expenditure incurred from surplus revenue, is materially reducing the charge under this head.

188. The Postal Savings Bank deposits are increasing substantially year by year, but the net increase in the current year has not been as much as was anticipated, owing to larger withdrawals. These are probably due in the main to a change in the lowering of the rate of interest effected in July 1905. Formerly the uniform rate allowed was $3\frac{1}{2}$ per cent: now it is 3 per cent for deposits withdrawable at call and $3\frac{1}{4}$ per cent for those withdrawable at six months' notice.

POST OFFICE.

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
REVENUE.						
India . . . R	2,14,49,028	2,26,07,287	2,36,39,706	2,41,24,000	2,48,80,000	2,59,06,000
Equivalent in Sterling .	1,429,935	1,507,153	1,575,980	1,608,300	1,658,700	1,727,100
EXPENDITURE.						
India . . . R	1,87,02,940	1,94,77,958	2,05,01,683	2,13,49,000	2,15,67,000	2,30,77,000
Equivalent in Sterling .	1,246,863	1,298,530	1,366,779	1,423,300	1,437,800	1,538,500
England . . . £	99,915	104,694	153,034	120,200	120,400	62,400
TOTAL . . . £	1,346,778	1,403,224	1,519,813	1,543,500	1,558,200	1,600,900
TOTAL NET REVENUE £	83,157	103,929	56,167	64,800	100,500	126,200

189. The above table shows a steady development of the operations of the Department. The loss of revenue entailed by the increase in the letter weight carried for half an anna referred to in paragraph 126 of the last Financial Statement, and by a reduction in the rates of insurance fees, has been more than made good by the normal expansion of transactions.

TELEGRAPH.

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907 Budget.
				Budget.	Revised.	
REVENUE.						
Revenue Accounts—						
India . . . R	1,30,62,086	1,27,66,375	1,34,06,813	1,35,74,000	1,36,00,000	1,40,00,000
Equivalent in Sterling	870,806	851,092	893,788	904,900	906,600	933,300
England . . £	6,173	6,543	4,135	4,200	7,100	4,800
TOTAL . . £	876,979	857,635	897,923	909,100	913,700	938,100
EXPENDITURE.						
Revenue Accounts—						
India . . . R	86,33,598	88,11,582	90,93,488	93,22,000	94,73,000	99,52,000
Equivalent in Sterling	575,573	587,439	606,233	621,400	631,500	663,500
England . . £	71,990	58,920	27,284	49,000	43,400	63,600
	647,563	646,359	633,517	670,400	674,900	727,100
Capital Expenditure—						
India . . . R	10,68,178	12,87,134	15,48,646	15,07,000	16,32,000	20,47,000
Equivalent in Sterling	71,212	85,809	103,243	100,500	108,800	136,400
England . . £	190,967	184,656	165,508	263,500	284,500	291,500
	262,179	270,465	268,751	364,000	393,300	427,900
TOTAL . . £	909,742	916,824	902,268	1,034,400	1,068,200	1,155,000
TOTAL NET REVENUE £	-32,763	-59,189	-4,345	-125,300	-154,500	-216,900

190. The Revised Estimate of receipts shows an increase of ₹4,50,000 in the revenue of the Indian Telegraph Department and a decrease of ₹4,24,000 in that of the Indo-European Telegraph Department. The former arises partly from normal expansion of traffic, and partly from special work connected with the Royal visit and heavy speculation in the grain market. The latter is principally due to a reduction of the tariff rate between Europe and India from 1st August 1905. The Budget Estimate for 1906-1907 provides for a normal increase in traffic.

191. Compared with the Budget Estimate of expenditure for the current year, the Revised Estimate shows an increase in the Indian section, due to additional outlay on repairs to lines, and to extra signalling and clerical establishment required to cope with the increased traffic. Outlay on stores on capital account has also been larger, and the payment of the joint purse guarantee in respect of loss of receipts by the reduction in the tariff for foreign messages for the period 1st March 1902 to 31st March 1904, for which no provision was made in the Budget, has involved an additional expenditure of £17,500. These increases have, however, been partially counterbalanced by a decrease in the expenditure of the Indo-European section in cable maintenance and capital outlay, and in the net out-payments in respect of revenue.

The Budget Estimate for 1906-1907 provides for an increase in the expenditure of the Indian section both on revenue and capital accounts. Provision has also been made for a payment of £14,000 in respect of the guarantee for 1905-1906 and of £24,600 on account of net out-payments in respect of revenue

FINANCIAL STATEMENT OF THE
MINT.

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907. Budget.
				Budget.	Revised.	
REVENUE.						
India . . . R	61,68,083	4,32,70,754	39,95,454	15,83,000	45,79,000	30,29,000
Equivalent in Sterling . . .	411,206	2,884,717	206,364	105,500	305,300	201,900
England . . . £	32	49	46	...	...	...
TOTAL . . . £	411,238	2,884,766	206,410	105,500	305,300	201,900
EXPENDITURE.						
India . . . R	62,34,258	4,16,62,331	15,52,767	12,94,000	16,18,000	14,65,000
Equivalent in Sterling . . .	415,617	2,777,489	103,518	86,300	107,900	97,700
England . . . £	8,397	8,096	14,359	37,000	12,800	41,600
TOTAL . . . £	424,014	2,785,585	117,877	123,300	120,700	139,300
TOTAL NET REVENUE . . . £	-12,776	99,181	88,533	-17,800	184,600	62,600

192. The Estimates have been explained in paragraphs 110 and 155. The exceptionally heavy rupee coinage of the current year has given a considerable increase of net revenue, a full recurrence of which in the current year it is not safe to anticipate.

EXPENDITURE ON CIVIL DEPARTMENTS.

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
INDIA.						
	R	R	R	R	R	R
General Administration	1,89,62,104	1,82,06,139	1,80,47,997	1,83,17,000	1,93,72,000	1,91,86,000
Law and Courts	3,32,20,413	3,41,38,317	3,59,66,547	3,61,60,000	3,60,16,000	3,76,16,000
Justice. { Jails	1,08,81,591	1,06,95,458	1,05,97,958	1,13,40,000	1,16,51,000	1,17,58,000
Police	4,52,71,032	4,62,95,126	4,73,72,897	5,33,10,000	5,02,58,000	5,64,03,000
Marine	40,20,772	66,82,412	75,47,002	63,00,000	63,19,000	67,18,000
Education	1,94,36,735	2,04,57,210	2,21,18,676	2,75,27,000	2,38,47,000	2,86,01,000
Ecclesiastical	16,55,652	16,92,069	18,09,727	18,82,000	18,16,000	18,64,000
Medical	1,42,81,869	1,41,36,131	1,48,59,661	1,60,68,000	1,54,59,000	1,66,33,000
Political	1,21,83,251	1,04,62,173	1,17,93,681	1,00,19,000	1,40,51,000	1,42,72,000
Scientific and Minor Departments	71,24,439	77,32,054	75,34,631	1,04,98,000	91,11,000	1,08,46,000
TOTAL INDIA	16,70,43,858	17,04,97,089	17,67,48,777	19,14,21,000	18,79,00,000	20,38,97,000
Equivalent in Sterling . . .	£ 11,136,257	£ 11,366,473	£ 11,783,252	£ 12,761,400	£ 12,526,700	£ 13,593,100
ENGLAND.						
General Administration	251,474	279,602	272,236	279,600	290,700	276,000
Marine	247,914	281,182	292,519	281,600	256,500	314,000
Other heads	53,598	51,975	51,756	57,700	68,800	100,200
TOTAL ENGLAND	552,986	612,759	616,511	618,900	616,000	690,200
TOTAL INDIA AND ENGLAND	11,689,243	11,979,232	12,399,763	13,380,300	13,142,700	14,283,300

193. The figures have been dealt with in paragraphs 118, 127, 128, and 157. The saving on the Budget Estimate of the current year is due to the inability of the Local Governments to spend the large allotments made in March last for police reform, primary education and grants to District Boards, in consequence of unavoidable delay in initiating the necessary schemes. The Budget for next year provides for the expenditure of the allotments made last March as well as for the further allotments now made, namely, 25 lakhs for additional police reforms, 5 lakhs for European and technical education and 4 lakhs for agricultural and veterinary development, and also for the normal growth of other charges.

194. The larger part of the expenditure shown under Marine is connected with Military Administration and is therefore also shown under Army Services in the table in paragraph 206.

MISCELLANEOUS CIVIL CHARGES.

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
INDIA.						
Territorial and Political Pensions	₹ 38,70,229	₹ 36,99,387	₹ 35,65,635	₹ 37,63,000	₹ 35,19,000	₹ 36,28,000
Civil Furlough and Absentee Allowances	5,480	4,271	778	8,000	4,000	6,000
Superannuation Allowances and Pensions	1,21,31,479	1,26,66,561	1,33,63,407	1,37,42,000	1,38,35,000	1,45,01,000
Stationery and Printing Exchange	70,25,848	68,96,961	70,82,119	74,44,000	71,94,000	76,23,000
Miscellaneous	85,99,175	64,80,127	36,96,049	35,32,000	43,25,000	34,42,000
TOTAL INDIA	3,15,42,211	2,97,47,307	2,77,07,988	2,84,89,000	2,88,77,000	2,92,00,000
Equivalent in Sterling	₤ 2,102,814	₤ 1,983,154	₤ 1,847,199	₤ 1,899,300	₤ 1,925,100	₤ 1,946,700
ENGLAND.						
Civil Furlough and Absentee Allowances	244,026	238,303	218,692	250,000	230,500	243,000
Superannuation Allowances and Pensions	2,006,754	2,011,722	2,019,439	2,025,500	2,019,400	2,021,500
Other Heads	140,396	116,466	179,460	100,800	124,600	112,300
TOTAL ENGLAND	2,391,176	2,366,491	2,417,591	2,376,300	2,374,500	2,376,800
TOTAL INDIA AND ENGLAND	4,493,990	4,349,645	4,264,790	4,275,600	4,299,600	4,323,500

195. The expenditure under Superannuation Allowances and Pensions and Stationery and Printing shows a gradual and inevitable increase.

FAMINE RELIEF AND INSURANCE.

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
Famine Relief	48,22,634	3,05,264	31,165	31,76,000	20,47,000	80,86,000
Construction of Protective Railways	24,375	14,49,083	17,37,184	5,26,000	8,69,000	1,01,000
Construction of Protective Irrigation Works	14,21,131	21,66,690	32,25,200	57,00,000	46,89,000	66,14,000
Reduction or Avoidance of Debt	84,70,500	96,64,163	1,00,06,451	55,98,000	73,95,000	1,99,000
TOTAL	1,47,38,640	1,35,85,200	1,50,00,000	1,50,00,000	1,50,00,000	1,50,00,000
Net charge on account of the Bengal Nagpur and the Indian Midland Railways shown in the Railway Revenue Account	2,61,360	14,14,800	...	...	...	...
TOTAL EXPENDITURE CHARGEABLE TO THE FAMINE GRANT	1,50,00,000	1,50,00,000	1,50,00,000	1,50,00,000	1,50,00,000	1,50,00,000
Equivalent in Sterling	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

196. The variations under the component factors of this main head have already been referred to in paragraphs 119 and 172. The first charge on the total grant of £1,000,000 is direct famine relief; then follows expenditure, to an amount not exceeding one-half the total grant, on Protective Irrigation Works and Railways; and the balance is devoted to 'reduction of debt,' by outlay on Productive Works for which money would otherwise have had to be borrowed. In the current year the amounts allotted to these various purposes are now

FINANCIAL STATEMENT OF THE

estimated roundly at 20, 56 and 74 lakhs respectively: in the Budget for 1906-1907 the allotments are 81, 67 and 2 lakhs. It is estimated that expenditure on famine relief will be required to the extent of 42 lakhs in Bombay; 20 lakhs in the United Provinces; and 19 lakhs in other parts, mainly in Ajmer-Merwara. The result is a very small available balance for 'reduction of debt.'

RAILWAY REVENUE ACCOUNT.

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised	
STATE RAILWAYS—						
Gross Receipts	28,70,64,842	30,86,48,869	34,35,05,055	34,36,04,000	35,55,18,000	38,52,29,000
Working Expenses	14,74,08,163	15,56,72,365	16,94,31,560	16,85,54,000	17,44,54,000	19,17,60,000
Net Receipts	13,96,56,679	15,29,76,504	17,40,73,495	17,50,50,000	18,10,64,000	19,34,69,000
Net Revenue equivalent at Rs = £1	9,310,445	10,198,433	11,604,900	11,670,000	12,070,900	12,897,900
Interest and other Charges—						
India converted at Rs = £1	3,346,997	3,526,753	3,715,315	3,942,700	3,931,000	4,102,900
England	5,511,831	5,557,330	5,624,051	5,761,100	5,736,500	6,238,300
Net Result	451,617	1,114,350	2,265,534	1,966,200	2,403,400	2,466,700
GUARANTEED RAIL- WAYS—						
Net Traffic Receipts converted at Rs = £1	946,182	941,463	1,074,814	900,000	912,700	417,700
Surplus Profits pay- able to companies. Interest and other Charges—						
India converted at Rs = £1	90,884	117,311	138,593	174,300	201,500	2,600
England	1,026,892	1,032,772	1,045,143	1,039,000	1,038,600	584,800
Net Result	-171,594	-208,620	-108,922	-313,300	-327,400	-169,700
Other Receipts	50,062	39,812	47,314	49,500	44,300	55,000
Other Charges	101,136	84,873	98,488	138,200	94,800	122,700
NET RESULT	-51,074	-45,061	-51,174	-88,700	-50,500	-67,700
TOTAL NET RESULT	228,949	860,669	2,105,438	1,564,200	2,025,500	2,229,300
STATISTICS—						
State Railways—						
Capital Expenditure to March 31—						
Expenditure by Government	117,729,962	122,406,787	127,491,492	135,928,287	147,689,292	153,848,792
Expenditure by Companies	38,699,861	40,392,021	41,614,265	42,844,221	42,164,365	43,861,565
Outlay on the East Indian Railway from Debentures raised by the Company	5,630,490	5,630,490	6,194,127	8,193,790	7,572,127	9,422,127
Outlay on the South Indian Railway by the Company	1,001,250	1,001,250	1,401,250	1,512,250	1,511,250	1,511,250
TOTAL	163,061,563	169,430,548	176,701,134	188,478,548	198,937,034	208,643,734
Miles open on April 1	19,380	20,119	20,744	20,347*	20,330	21,521
Guaranteed Rail- ways—						
Miles open on April 1	1,334	1,349	1,408	1,408	1,408	904

* Decrease due to the transfer of the main line of the Bengal and North-Western Railway from this head as explained in paragraph 140 of the last Financial Statement.

197. The principal features of the Revised Estimate for 1905-1906 and of the Budget for 1906-1907 have already been discussed in paragraphs 18 and 26 (Part I) and in paragraphs 111, 139-141, and 160-161 of this part of the Financial Statement.

IRRIGATION.

IRRIGATION.	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
MAJOR WORKS.	₹	₹	₹	₹	₹	₹
Revenue { Direct Re- { cepts { Land Revenue	2,72,44,019	2,88,00,449	2,99,14,971	2,95,84,000	2,80,64,000	3,18,12,000
Expenditure { Working { Expenses	1,22,15,889	1,25,57,090	1,33,98,743	1,37,38,000	1,36,80,000	1,42,82,000
{ Interest	1,13,19,158	1,21,61,268	1,31,29,212	1,28,12,000	1,34,83,000	1,35,17,000
	1,45,36,567	1,49,13,519	1,52,28,363	1,57,25,000	1,56,04,000	1,61,88,000
NET REVENUE	₹	₹	₹	₹	₹	₹
	1,36,04,183	1,42,82,752	1,49,56,139	1,47,85,000	1,26,57,000	1,63,89,000
Equivalent in Sterling £	906,946	952,183	997,076	985,700	843,700 ^a	1,092,600
MINOR WORKS.						
Receipts—Direct	20,74,935	23,18,910	27,51,819	25,07,000	25,44,000	26,56,000
Expenditure	1,27,72,936	1,31,25,317	1,34,37,717	1,48,64,000	1,45,40,000	1,51,89,000
NET EXPENDITURE						
₹	1,06,98,001	1,08,06,407	1,06,85,898	1,23,57,000	1,19,96,000	1,25,33,000
Equivalent in Sterling £	713,200	720,427	712,393	823,800	799,800	835,500
STATISTICS OF MAJOR WORKS.						
Capital Outlay to March 31	₹	₹	₹	₹	₹	₹
	36,95,61,658	37,93,59,394	38,70,76,454	40,55,27,894	39,89,84,454	41,75,94,454
Equivalent in Sterling £	24,637,444	25,290,626	25,805,097	27,035,193	26,598,960	27,839,630

198. The estimates under this head have already been referred to in paragraphs 115, 130 and 147-149.

199. For 1906-1907, the direct receipts from Major Works and collections of Land Revenue due to Irrigation have been placed collectively at ₹43,50,000 higher than in the Revised Estimate of the current year, as circumstances are expected to be more favourable next year for increased irrigation in the United Provinces and the Punjab, which contribute the largest share of the revenue under this head. Working Expenses are expected to be about the same, but interest charges will increase with the additional capital outlay.

200. As regards "Minor Works," the net expenditure in the Revised Estimate is ₹3,61,000 less than in the Budget, owing to the special grant of 10 lakhs referred to in paragraph 161 of the last Financial Statement not having been spent in full. The Budget Estimate for 1906-1907 again provides for a special grant of 10 lakhs from Imperial revenues, and for a larger programme of works in Bombay.

OTHER PUBLIC WORKS.

EXPENDITURE.	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
	₹	₹	₹	₹	₹	₹
India—						
Military Works	1,55,10,922	1,47,25,195	1,39,79,372	1,69,12,000	1,54,91,000	1,70,85,000
Civil Works, Imperial	72,01,046	86,48,595	1,04,43,283	94,07,000	1,08,62,000	96,74,000
Civil Works, Provincial	3,52,06,548	4,00,31,031	4,04,57,921	4,60,97,000	4,56,89,000	5,03,30,000
Civil Works, Local	1,81,65,666	1,89,73,803	1,96,64,996	2,62,37,000	2,27,24,000	2,42,90,000
Construction of Railways charged to Provincial or Local Revenues	- 8,19,892	3,98,248	93,754	2,04,000	97,000	73,000
TOTAL INDIA	7,69,04,074	8,27,76,872	8,46,39,326	9,88,57,000	9,48,63,000	10,14,52,000

	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Revised.	
	£	£	£	£	£	£
Equivalent in Sterling	5,126,938	5,518,458	5,642,621	6,590,500	6,324,200	6,763,500
England—						
Military Works	£ 62,607	52,974	49,641	21,600	45,100	30,400
Civil Works	£ 107,562	92,026	73,882	87,500	73,400	70,300
TOTAL EXPENDITURE	£ 5,297,107	5,663,458	5,766,144	6,699,600	6,442,700	6,864,200
RECEIPTS.	R	R	R	R	R	R
India	R 68,73,931	79,39,985	76,84,868	72,97,000	76,04,000	76,35,000
	£	£	£	£	£	£
Equivalent in Sterling	458,262	529,332	512,324	486,500	506,900	509,000
England	£ 28,679	26,171	26,229	17,000	17,800	6,600
TOTAL RECEIPTS	£ 486,941	555,503	538,553	503,500	524,700	515,600

201. The Military works expenditure of the current year is expected to be less than the Budget Estimate by £71,200 as it has not been possible to spend the full allotment made for works connected with the reorganization and redistribution of the army. The Budget Estimate has been fixed at R1,75,41,000 (£1,169,400) and is made up as follows:—

	R
Fixed quinquennial grant	93,53,000
Large works costing over R50,000 each and special items	28,15,000
Works required in connection with the reorganization and redistribution of the Army	53,73,000
	<u>1,75,41,000</u>

202. The Revised Estimate of Imperial Civil Works Expenditure in India is R14,55,000 more than the Budget Estimate. The principal items which have contributed to this increase are acquisition of property in Calcutta, the Agricultural Research College at Pusa, and Settlement offices at Ranchi. The Budget Estimate for next year provides, in addition to normal expenditure, for special expenditure connected with the Agricultural College at Pusa, on a new General Post Office in Bombay, and on a Currency Office at Cawnpore. The expenditure in Berar will from next year be included under Provincial, a new provincial settlement having been made with effect from that year for the combined province of Central Provinces and Berar.

203. As regards Provincial expenditure, the Revised Estimate shows an aggregate saving of R4,08,000. The principal variations leading up to this have already been explained in paragraph 120.

The Budget Estimate for 1906-1907 includes the expenditure in Berar, which, as explained above, used to be treated hitherto as Imperial. Apart from this, there is considerable increase in the Central Provinces, and in Eastern Bengal and Assam; in the latter case consequent on the creation of the province, and in the former on expenditure enabled by the favourable terms of the new settlement.

204. As regards Local expenditure, the Revised Estimate of the current year is R35,13,000 less than the Budget Estimate, as District and Local Boards have not been able to mature schemes for utilizing in full the large additional resources placed at their disposal by the grants made from Imperial Revenues as explained in paragraph 27 of the last Financial Statement. The Budget Estimate for next year provides for considerable additional outlay in most of the provinces.

GOVERNMENT OF INDIA FOR 1906-1907.

ARMY SERVICES.

EXPENDITURE.	Accounts, 1902-1903.	Accounts, 1903-1904.	Accounts, 1904-1905.	1905-1906.		1906-1907, Budget.
				Budget.	Receipts	
INDIA—	₹	₹	₹	₹	₹	₹
<i>Effective Services—</i>						
Regimental Pay and Allowances.	8,25,96,895	8,85,44,754	9,81,48,328	9,84,97,000	10,16,48,000	10,67,86,000
Supply and Transport	4,19,46,895	4,19,01,868	4,23,40,078	4,36,97,000	4,43,36,000	4,74,78,000
Ordnance	1,12,99,554	1,09,25,486	1,17,88,401	1,36,52,000	1,28,56,000	1,36,78,000
Other Heads	3,51,55,059	4,13,42,750	4,30,03,249	3,51,87,000	3,56,92,000	3,55,25,000
	17,09,99,003	18,27,14,858	19,53,40,056	19,10,33,000	19,45,32,000	20,34,67,000
<i>Non-effective Services</i>	98,37,015	1,00,92,048	1,00,80,632	1,00,25,000	1,03,01,000	1,01,92,000
<i>Reorganisation</i> . . . . .	...	...	61,67,087	85,36,000	69,27,000	...
TOTAL INDIA	18,08,36,018	19,28,06,906	21,15,87,775	20,95,94,000	21,17,60,000	21,36,59,000
Equivalent in Sterling	£ 12,055,735	£ 12,853,793	£ 14,105,851	£ 13,972,900	£ 14,117,100	£ 14,243,900
ENGLAND—						
<i>Effective Services—</i>						
Payments to War Office in respect of British Forces serving in India	851,993	627,109	644,552	646,000	566,000	650,000
Furlough Allowances and Pay during Voyage of British Forces serving in India	112,750	141,132	124,465	126,000	132,000	130,000
Furlough Allowances of Officers of the Indian Service	250,605	261,115	269,603	250,000	295,000	270,000
Indian Troop Service	345,499	360,039	370,044	321,300	327,400	319,000
Other Heads	75,062	55,285	64,971	61,000	49,800	50,000
Stores for India—						
Clothing	183,149	238,956	212,903	203,300	187,300	198,400
Ordnance and Miscellaneous	1,015,005	795,670	1,142,545	527,100	430,600	475,800
Reorganization . . . . .	...	...	...	...	...	1,002,200
Other Heads	92,795	139,474	116,142	123,100	91,700	103,900
	2,926,858	2,618,780	2,946,125	2,257,800	2,079,800	3,199,300
<i>Non-effective Services—</i>						
Payments to War Office for Retired Pay, etc., of British Forces for services in India	615,037	659,895	729,615	725,000	715,300	745,000
Pay and Pensions of Non-effective and Retired Officers of the Indian Service	1,602,887	1,580,924	1,543,153	1,530,000	1,515,000	1,500,000
Other Heads	145,875	151,816	164,584	161,000	154,600	158,500
	2,363,799	2,392,635	2,437,352	2,416,000	2,384,900	2,403,500
<i>Reorganisation—</i>						
Stores for India . . . . .	...	...	686,366	1,635,600	858,500	...
TOTAL ENGLAND £	5,290,657	5,011,415	6,069,843	6,309,400	5,323,200	5,602,800
TOTAL EXPENDITURE £	17,346,392	17,865,208	20,175,694	20,282,300	19,440,300	19,846,700
RECEIPTS.	₹	₹	₹	₹	₹	₹
India	1,09,79,881	95,85,634	91,02,271	89,80,000	1,09,03,000	1,14,18,000
Equivalent in Sterling	£ 731,992	£ 639,042	£ 606,818	£ 598,700	£ 726,900	£ 761,200
England	392,998	450,386	354,113	328,900	351,000	303,300
TOTAL RECEIPTS	1,124,990	1,089,428	960,931	927,600	1,077,900	1,064,500

FINANCIAL STATEMENT OF THE

205. The variations have been explained in paragraphs 112, 122, 123 and 163—164.

206. The following table gives a comparison of the estimates for 1905-1906 and 1906-1907 for the whole military expenditure of India both in this country and in England under all the heads of account under which it is charged.

	Army.	Military Works.	Marine.	Special Defences.	TOTAL.
Budget, 1905-1906—					
India—	R	R	R	R	R
Ordinary	19,84,76,000	90,29,000	39,93,000	...	21,14,98,000
Special	1,11,18,000	78,83,000	2,000	11,73,000	2,01,76,000
TOTAL	20,95,94,000	1,69,12,000	39,95,000	11,73,000	23,16,74,000
Converted into £—	£	£	£	£	£
Ordinary	13,231,700	601,900	266,200	...	14,099,800
Special	741,200	525,600	100	78,200	1,345,100
TOTAL	13,972,900	1,127,500	266,300	78,200	15,444,900
England—	£	£	£	£	£
Ordinary	4,662,900	21,600	181,600	...	4,866,100
Special	1,646,500	...	100,000	175,000	1,921,500
TOTAL	6,309,400	21,600	281,600	175,000	6,787,600
Total India and England—	£	£	£	£	£
Ordinary	17,894,600	623,500	447,800	...	18,965,900
Special	2,387,700	525,600	100,100	253,200	3,266,600
TOTAL	20,282,300	1,149,100	547,900	253,200	22,232,500
Revised, 1905-1906—					
India—	R	R	R	R	R
Ordinary	20,22,51,000	89,38,000	40,04,000	...	21,51,93,000
Special	95,09,000	65,53,000	2,000	12,14,000	1,72,78,000
TOTAL	21,17,60,000	1,54,91,000	40,06,000	12,14,000	23,24,71,000
Converted into £—	£	£	£	£	£
Ordinary	13,483,200	595,900	267,000	...	14,346,100
Special	633,900	436,900	100	80,900	1,151,800
TOTAL	14,117,100	1,032,800	267,100	80,900	15,497,900
England—	£	£	£	£	£
Ordinary	4,453,800	24,600	184,500	...	4,662,900
Special	869,400	20,500	72,000	111,100	1,053,000
TOTAL	5,323,200	45,100	256,500	111,100	5,735,900
Total India and England—	£	£	£	£	£
Ordinary	17,937,000	620,500	451,500	...	19,029,000
Special	1,503,300	457,400	72,100	192,000	2,204,800
TOTAL	19,440,300	1,077,900	523,600	192,000	21,233,800
Budget, 1906-1907—					
India—	R	R	R	R	R
Ordinary	20,14,51,000	88,97,000	41,92,000	...	21,45,34,000
Special	1,22,08,000	81,88,000	7,000	20,33,000	2,24,42,000
TOTAL	21,36,59,000	1,70,85,000	41,99,000	20,33,000	23,69,76,000
Converted into £—	£	£	£	£	£
Ordinary	13,430,100	593,100	279,500	...	14,302,700
Special	813,800	545,900	500	135,500	1,495,700
TOTAL	14,243,900	1,139,000	280,000	135,500	15,798,400
England—	£	£	£	£	£
Ordinary	4,558,000	30,400	183,900	...	4,772,300
Special	1,044,800	...	130,100	96,000	1,270,900
TOTAL	5,602,800	30,400	314,000	96,000	6,043,200
Total India and England—	£	£	£	£	£
Ordinary	17,988,100	623,500	463,400	...	19,075,000
Special	1,858,600	545,900	130,600	231,500	2,766,600
TOTAL	19,846,700	1,169,400	594,000	231,500	21,841,600

207. The chief objects upon which the special expenditure for next year is to be incurred are as follows :

- The artillery rearmament which has had to be postponed this year.
- Construction of buildings and acquisition of lands in connection with the scheme of army redistribution and the expansion of ordnance factories.
- Additional mule corps and cadres.
- Addition of officers to the Indian Army.
- Reorganization of Horse and Field batteries.
- Reorganization of existing ammunition columns of Horse and Field artillery and the formation of additional columns.
- Increase in reserves of rifles and small arms ammunition.
- Increase of the Native Army reserve.

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

RAILWAY CONSTRUCTION.

208. The expenditure on Railway Construction for which the Government of India undertakes financial responsibility or gives any direct guarantee remains at $\text{₹}12,50,00,000$ in 1905-1906 as originally budgeted. There was a lapse of about a crore of rupees in England from the amounts placed at the disposal of the Secretary of State; but the effect of this short outlay has been counterbalanced by increased expenditure in England by some Railway Companies; by increases to the grants for outlay in India on the North-Western, Nagda-Muttra and East Indian Railways; and by the commencement of construction work on the Purulia-Ranchi and Bara-Kotah Railways, and on the Shilman Branch of the North Western Railway. A sum of $17\frac{1}{2}$ lakhs has also been provided for the purchase by Government of the Noakhali Railway, and 4 lakhs for the construction of Local Board's lines.

For 1906-1907 the programme of capital outlay on Railway Construction has been expanded to 15 crores.

209. The distribution of the total expenditure on Railway Construction between State and Companies' agency in each of the three years from 1904-1905 to 1906-1907 is as follows :—

	Accounts, 1904-1905.	Revised Estimate, 1905-1906.	Budget Estimate, 1906-1907.
<i>Expenditure in England.</i>			
1. State Lines	£ 1,495,093	£ 2,062,400	£ 3,544,000
2. Old Guaranteed Railways	311,047	444,100	608,500
3. Extensions of ditto	1,507	...	...
4. Other Guaranteed or Assisted Railways	744,073	795,100	1,562,400
TOTAL	2,551,720	3,301,600	5,714,900
<i>Equivalent in rupees of Expenditure in England.</i>			
1. State Lines	2,24,26,398	3,09,36,000	5,31,60,000
2. Old Guaranteed Railways at contract rates	37,56,081	53,30,000	66,38,000
3. Extensions of ditto at prescribed rates	22,602	...	...
4. Other Guaranteed or Assisted Railways at contract rates	1,11,61,112	1,19,26,000	2,34,36,000
TOTAL	3,73,66,193	4,81,92,000	8,32,34,000
<i>Expenditure in India.</i>			
1. State Lines	6,60,28,941	9,86,72,000	6,68,09,000
2. Old Guaranteed Railways	—24,94,929	—1,86,01,000	—33,78,000
3. Extensions of ditto	—68,595	30,000	40,000
4. Other Guaranteed or Assisted Railways	69,32,862	—36,98,000	19,65,000
5. Branch lines on firm guarantee	64,897	5,000	30,000
6. Local Board's Lines . . . . .	...	4,00,000	13,00,000
TOTAL INDIA	7,04,63,176	7,68,08,000	6,67,66,000
TOTAL OF PROGRAMME IN RUPEES	10,78,29,369	12,50,00,000	15,00,00,000
DITTO	IN £ STERLING.		
AT ₹15 TO THE £	7,188,625	8,333,300	10,000,000

Total outlay on Railways including expenditure by Branch Line Companies and on Protective Lines, etc.

210. 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 some small expenditure from Provincial and Local Revenues, the total outlay on Railway Construction in the three years is as follows :—

	Accounts, 1904-1905.	Revised Estimate, 1905-1906.	Budget Estimate, 1906-1907.
	R	R	R
Total as in preceding table	10,78,29,369	12,50,00,000	15,00,00,000
Famine Protective lines	17,37,184	8,69,000	1,01,000
Branch lines not on firm guarantee	87,865	10,55,000	5,11,000
Railways outside the Government accounts	69,22,000	80,68,000	53,95,000
Provincial and Local State lines	93,754	97,000	73,000
GRAND TOTAL IN RUPEES	11,66,70,172	13,50,89,000	15,60,80,000
DITTO IN £ STERLING			
AT R15 TO THE £	7,778,011	9,005,900	10,405,300

211. Details of the expenditure on State and Companies' lines, whether open or under construction, for 1905-1906 and 1906-1907, will be found in Statement A of Appendix III, furnished by the Railway Board.

CONSTRUCTION OF PRODUCTIVE IRRIGATION WORKS.

212. The figures are:—

	Accounts, 1904-1905.	Budget, 1905-1906.	Revised, 1905-1906.	Budget, 1906-1907.
Total in Rupees	54,17,580	1,25,00,000	81,18,000	1,25,00,000
Equivalent in Sterling	£ 361,172	833,300	541,200	833,300

Capital outlay on Productive Irrigation Works.

The decrease of R 43,82,000 in the Revised Estimate as compared with the Budget Estimate is due to short outlay on works, mainly in the United Provinces (R 9,66,000), Bombay (R 4,11,000), and the Punjab (R 18,70,000). The Budget grant for 1906-1907 has again been fixed at R 1,25,00,000.

Details.

213. The following table shows the projects included in the programme of 1905-1906 as now revised and in that of 1906-1907, and the amount to be spent on each.

Name of project.	Expenditure in	
	1905-1906.	1906-1907.
<i>Canals in operation—</i>		
Mandalay Canal	22,000	12,000
Ganges "	3,50,000	7,15,000
Lower Ganges Canal	2,24,000	4,59,000
Fatehpur Branch, Lower Ganges Canal	16,000	90,000
Agra Canal	2,10,000	2,68,000
Eastern Jumna Canal	1,00,000	1,68,000
Western "	30,000	...
Upper Bari Doab "	1,69,000	3,00,000
Sirhind Canal	52,000	10,000
Lower Chenab Canal	1,29,000	...
Lower Jhelum "	7,88,000	2,00,000
Indus Inundation Canals	3,91,000	40,000
Godavari Delta	1,40,000	2,33,000
Kistna "	1,39,000	1,53,000
Penner River Canals	37,000	68,000
Cauvery Delta	1,48,000	1,81,000
Periyar Project	1,80,000	4,36,000
Carried over	31,25,000	33,36,000

Name of project.	Expenditure in	
	1905-1906.	1906-1907.
Brought forward	31,25,000	33,36,000
<i>Canals under construction—</i>		
Shwebo Canal	5,40,000	4,60,000
Mon Canals	5,18,000	6,77,000
Ye-u Canal	1,90,000	3,51,000
Upper Chenab Canal	18,54,000	26,50,000
Upper Jhelum "	11,63,000	20,00,000
Paharpur Inundation Canal	1,61,000	3,00,000
Nagavalli River project	1,30,000	4,92,000
Divi Island project	1,40,000	8,21,000
<i>Other Projects</i>	2,67,000	9,13,000
<i>Reserve</i>	...	5,00,000
TOTAL R	81,18,000	1,25,00,000
Equivalent in Sterling £	541,200	833,300

Section VI.—Provincial Finance.

214. The system of *quasi*-permanent settlement described in paragraphs 211 to 213 of the Financial Statement of 1904-1905, has this year been extended to the Central Provinces and Berar, the new settlement with which will come into effect from 1st April 1906. The last temporary settlement with the Central Provinces proper was made in 1897, while in Berar revenue and expenditure have hitherto been Imperial. Financially, the whole province will now be on the ordinary Provincial footing. *New Settlement with Central Provinces and Berar.*

215. Under the former settlement the Central Provinces received three-fourths of its Stamp revenue, one-fourth share of Excise receipts, and one-half of Land Revenue, Forest, Registration and Assessed Taxes. Under the new settlement the principal divisible heads will be evenly shared between the Imperial and Local Governments, with the exception of Registration which will be wholly Provincial. The Government of India have, moreover, guaranteed that if in any year the Provincial share of the Land Revenue collection should fall below 82½ lakhs the deficit will be made up to the Local Government. The allocation of expenditure under the corresponding heads follows that of receipts, save that, under 3.—Land Revenue, the expenditure, which represents the cost of ordinary administration, has been made wholly Provincial.

216. The Local Government further receives a fixed assignment of 27'07 lakhs; and in order that it may start the new settlement under favourable conditions and provide for non-recurring public works expenditure, it has been given an initial grant of 30 lakhs in addition to an opening cash balance of 10 lakhs.

217. The reconstitution of the present provinces of Bengal and Eastern Bengal and Assam has necessitated new settlements with the Local Governments in question in supersession of those formerly entered into with the undivided province of Bengal and with Assam. Under the previous Bengal settlement, which came into effect from 1st April 1904, the Local Government received the whole of the Registration receipts, half of Stamps, seven-sixteenths under Excise, and, speaking generally, one-fourth of the remaining heads of divisible revenue.* Under the new settlement it receives the whole proceeds of Registration and of that portion of Land Revenue which is derived from Government estates *New Settlements with the reconstituted provinces of Bengal and Eastern Bengal and Assam. Bengal Settlement.*

* 12 per cent of the Land Revenue receipts derived from Government estates under direct management were wholly Provincial.

under direct management, while as regards the remaining portion of Land Revenue and the other divisible heads it obtains a uniform share of one-half. In view of this much more favourable share of growing revenue, the fixed assignment to the province now stands at 5·72 lakhs instead of 49·03 lakhs at the previous settlement.

Eastern Bengal and Assam settlement.

218. The distribution of revenue in the Eastern Bengal districts followed that of Bengal proper, while in Assam the Local Government enjoyed, under the settlement which came into force on 1st April 1904, a uniform half-share of divisible revenue. This half share has now been applied to the divisible receipts of the whole of the new province with the exception of Registration which is wholly Provincial. Here too the more liberal share of growing revenues accorded has brought about a decrease of the fixed assignment, which is now a *minus* quantity of 6·23 lakhs instead of 12·00 lakhs formerly given to Assam.

219. The new province is also to receive an initial grant of 30 lakhs in addition to the 20 lakhs formerly granted to Assam, in order to start the fresh settlement and cover building expenses consequent on new administrative arrangements. It has also been given a minimum balance of 12 lakhs and will thus start the settlement with an aggregate opening balance of 62 lakhs.

220. In view, however, of the fact that the data on which receipts and expenditure of the Eastern Bengal districts have had to be calculated are not altogether certain, and that some uncertainty also exists as to the actual scale of expenditure which will be necessary under the new arrangements, it has been decided to make the new settlement with Eastern Bengal and Assam revisable at the end of 3 years.

General Financial results of the new settlements.

221. The shares of growing revenue and fixed assignments from Imperial to Provincial now stand as follows in the provinces concerned :—

	Central Provinces and Berar.	Eastern Bengal and Assam.	Bengal.
	R	R	R
Growing Revenue	1,49,36,000	2,18,42,000	4,67,01,000
Fixed Assignment	27,07,000	-6,23,000	5,72,000
TOTAL	1,76,43,000	2,12,19,000	4,72,73,000

Under the old settlement the percentage of Provincial receipts derived from growing revenues were as follows :—

Central Provinces.	Bengal.	Assam.
94	90	83

The Central Provinces now receives 85 per cent, Bengal proper 99 per cent, while the whole resources of Eastern Bengal and Assam will be derived from growing revenues. Though the Central Provinces now gets a smaller proportion of its resources in this way than it did before, this is due merely to the fact that it is now allowed a more liberal standard of expenditure necessitating a considerable supplementary assignment. As shown in paragraph 215, it gets on the whole a better share of divisible revenues than formerly. The betterment of the two other provinces in this respect is of course at the cost of Imperial revenues, while the standard of expenditure which all three provinces will be able to work up to on the basis of the present receipts is in each case a good deal more liberal than formerly.

Outstanding special grants which have merged in the new settlements with the Central Provinces.

222. Opportunity has been taken of the new settlements to merge therein the special grants for Police, Primary Education, Agricultural development, grants-in-aid to District Boards, and compensation for remission of famine cess referred to in paragraph 208 of the last Financial Statement, in so far as these appertain to the Central Provinces, Bengal or Eastern Bengal and Assam. The grants for Police, Primary Education and District Boards, assigned to the undivided

province of Bengal, have, in drawing up the terms of the new settlements, been recalculated as follows:—

	Police reform.	Primary Education.	District Boards.
	R	R	R
Bengal	9,00,000	6,67,000	8,69,000
Eastern Bengal	3,00,000	3,33,000	3,81,000
TOTAL	12,00,000	10,00,000	12,50,000

Bengal, and Eastern Bengal.

The Central Provinces share of the grants for education and improvement of district administration referred to in paragraph 207 of the last Financial Statement, and the compensatory payments granted to the province for loss of Income-tax receipts, repeal of the Pandhri tax, and extra expenditure consequent on the addition of Berar referred to in paragraph 209, have also been merged in the new settlement with that province.

223. The grant of 5 lakhs for the improvement of University and Collegiate education referred to in paragraph 208 of the last Financial Statement has now been distributed as follows for 1905-1906 and for the three subsequent years, at the end of which time the grant will lapse:—

Redistribution of grant for University and Collegiate education.

	1905-1906.	1906-1907, and the following years.
	R	R
Madras	1,05,000	1,05,000
Bombay	65,000	65,000
Bengal	1,10,000	1,60,000
Eastern Bengal and Assam	45,000	20,000
United Provinces	80,000	80,000
Punjab	60,000	60,000
Central Provinces	35,000	10,000
TOTAL	5,00,000	5,00,000

224. The recurring grant of 5 lakhs for technical schools and European education referred to in paragraph 134 *ante*, has been distributed as follows so far as the technical education portion is concerned:—

Distribution of new grants made in 1906-1907.

	R
Bombay	1,67,000
Bengal	35,000
United Provinces	30,000
Central Provinces	22,000
TOTAL	2,54,000

Grant for technical education.

The balance, which is intended for European and Eurasian education, has not yet been distributed. The grant to the Central Provinces includes Rs 10,000 for buildings which will not be repeated in subsequent years.

225. The 25 lakhs additional recurring grant for Police reform referred to in paragraph 134 above, has been distributed among the provinces as follows:—

Grant for Police Reforms.

	R
Madras	4,50,000
Bombay	2,50,000
Bengal	4,00,000
Eastern Bengal and Assam	2,25,000
United Provinces	3,25,000
Punjab	2,50,000
Burma	2,50,000
Central Provinces	2,50,000
Minor Provinces	1,00,000
TOTAL	25,00,000

FINANCIAL STATEMENT OF THE

The Government of India have also made an additional grant of 2 lakhs to the Government of Eastern Bengal and Assam during the ensuing year for the reorganization of its Military Police.

*Grant for
Agricultural
and Veterinary
development.*

226. The grant of 20 lakhs for Agricultural and Veterinary development made this year was shown as undistributed in paragraph 208 of the last Financial Statement, but later on in the year 18'35 lakhs were distributed to the provinces.

In the coming year, as stated in paragraph 134, the grants to the Provinces have been increased to 21½ (₹21,55,000) lakhs which are now distributed thus:—

	₹
Madras	3,00,000
Bombay	3,50,000
Bengal	3,00,000*
Eastern Bengal and Assam	2,00,000*
United Provinces	3,00,000
Punjab	2,50,000
Burma	2,00,000
Central Provinces	2,20,000*
Frontier Province	35,000
TOTAL	21,55,000

* In these cases the grants are merged in the new settlements.

*Compensation to
Provinces
consequent on the
abolition of
the patwari and
village service
cesses.*

227. The remission of the patwari and village service cesses involves the following compensatory allotments to Provincial revenues:—

	₹
(a) Madras	49,00,000

Of this, 28 lakhs represent compensation for the proceeds of the cess levied from the ryots. The Madras Government contributed an equivalent amount to village service, which was deducted from the total Land Revenue receipts and shown under Local. Hereafter this deduction will cease to be made, with the result that, as three-fourths of the land revenue receipts are Imperial, the Provincial Government would under the settlement conditions only receive 7 lakhs. Hence it is necessary to make a further compensatory assignment of 21 lakhs.

	₹
(b) Bengal (for Sambalpur District)	26,000
(c) United Provinces	7,77,000

The total sum remitted in the United Provinces is ₹25,54,000, and the Local Government contributes ₹10,00,000 towards the cost of the patwari establishment which may, therefore, be taken at ₹35,54,000. This expenditure will now be shown under 3—Land Revenue, and under the terms of the Provincial settlement only half the cost (₹17,77,000) will fall on Provincial revenues. As these revenues already bear ₹10,00,000 of the cost, the extra charge entailed on them by the change is ₹7,77,000 which is given in the shape of compensation. The cost to Imperial revenues is ₹17,77,000 + 7,77,000 = ₹25,54,000.

	₹
(d) Punjab	15,64,000
(e) Central Provinces	7,25,000

The remission of these cesses will further cost nearly 2 lakhs in the Frontier Province, Ajmer and Coorg; but here the loss falls directly on Imperial.

An assignment of ₹2,50,000 has also been made to the Government of Bombay to cover the loss sustained by that Government by a reclassification of a portion of the land revenue receipts in Sind formerly classed as local under the head Provincial Rates, and devoted to the payment of village officers there. Hereafter this sum, amounting at present to ₹5,00,000, will merge in the ordinary Land Revenue head of which the Local Government obtains half. But as it will still pay the whole cost of the village service establishments, it receives a compensatory adjustment of ₹2,50,000.

228. The repeal of the zamindari dāk cess in Bengal and Eastern Bengal mentioned in paragraph 132 will fall entirely on Imperial funds. In regard to the relief of District Boards in the United Provinces, the Punjab, Burma, the Central Provinces, the Frontier Province and Coorg the contributions they have hitherto paid for district post charges, it is necessary to compensate the Central Provinces Administration for the sum formerly received by it in this connection, which was still considered as an item of Provincial revenue after district post charges had been Imperialised. The contribution thus necessitated is ₹48,000. Compensation of a similar character has, as explained in the footnote to paragraph 133, to be made to the Punjab Government to the extent of ₹1,41,000. In other cases the cost of the new arrangements falls entirely and directly on Imperial funds.

Other compensations consequent on adjustments referred to in paragraph 133.

A compensatory assignment of ₹67,000 is also made to the Government of the United Provinces on account of the relief of District Boards there from the schools and establishment charges referred to in paragraph 133.

229. The special contribution towards the improvement of the port of Chittagong referred to in paragraph 209 of the last Financial Statement, will now fall to be paid to the Government of Eastern Bengal and Assam. In view of the necessary improvements being considerably more expensive than was at first anticipated, the Government of India have decided to raise their total contribution to 10 lakhs, of which 5·22 lakhs have been provided for in the Revised Estimate of the current year, and 4·78 lakhs in the Budget for 1906-1907. A final grant of 6·74 lakhs is also provided in the Budget for 1906-1907 as Imperial contribution towards the improvement of the Madras Harbour.

Special contributions for the Chittagong Port and the Madras Harbour.

230. The following table gives the usual information regarding revenue, expenditure, and balances of each province, compared with the standards assumed in the settlements in force in each :—

Revenue, Expenditure and balances of the various provinces.

	Estimate for the previous Settlement.	Estimate for the present quasi-permanent Settlement.	ACCOUNTS.			Revised, 1905-1906.	Budget, 1906-1907.
			1902-1903.	1903-1904.	1904-1905.		
	1	2	3	4	5	6	7
	₹	₹	₹	₹	₹	₹	₹
MADRAS—							
Balance on April 1, 1902 . . . . .	...	...	42,87,000	...	...	...	...
Total Revenue, including adjustments	3,10,65,000	3,50,48,000	3,64,05,000	4,22,11,000	3,63,69,000	4,11,90,000	4,73,15,000
Total Expenditure	3,10,65,000	3,50,48,000	3,64,21,000	3,69,70,000	3,77,71,000	4,11,19,000	4,86,06,000
Closing Balance . . . . .	...	...	42,71,000	95,12,000	31,10,000	81,81,000	68,90,000
BOMBAY—							
Balance on April 1, 1902 . . . . .	...	...	58,23,000	...	...	...	...
Total Revenue, including adjustments	4,16,53,000	4,91,75,000	4,67,70,000	4,60,62,000	5,10,29,000	5,22,41,000	5,35,57,000
Total Expenditure	4,16,53,000	4,91,75,000	4,91,83,000	4,61,85,000	4,66,33,000	5,25,37,000	5,78,82,000
Closing Balance . . . . .	...	...	34,00,000	32,77,000	76,73,000	73,77,000	30,52,000
BENGAL—BEFORE PARTITION—							
Balance on April 1, 1902 . . . . .	...	...	49,06,000	...	...	...	...
Total Revenue, including adjustments	4,98,87,000†	...	5,23,02,000	6,33,54,000	5,18,20,000	5,79,90,000	...
Total Expenditure	4,98,87,000†	...	5,17,69,000	5,46,30,000	5,30,82,000	5,91,92,000	...
Closing Balance . . . . .	...	...	55,19,000*	1,42,53,000	1,30,00,000	1,17,98,000	...
BENGAL AS NOW CONSTITUTED—							
Balance on April 1, 1906 . . . . .	...	1,17,98,000	...	...	...	...	...
Total Revenue, including adjustments . . . . .	...	4,72,73,000	...	...	...	...	4,90,02,000
Total Expenditure . . . . .	...	4,72,73,000	...	...	...	...	5,18,24,000
Closing Balance . . . . .	...	...	...	...	...	...	89,76,000*
ASSAM—							
Balance on April 1, 1902 . . . . .	...	...	6,00,000	...	...	...	...
Total Revenue, including adjustments	72,07,000†	...	84,16,000	92,84,000	75,20,000	1,16,40,000	...
Total Expenditure	72,07,000†	...	74,07,000	81,44,000	77,80,000	79,20,000	...
Closing Balance . . . . .	...	...	16,09,000	27,49,000	24,80,000	62,00,000	...

* Includes ₹50,00,000 held for the Calcutta improvement scheme referred to in paragraph 219 of last year's Statement.
† Settlement of 1904.

FINANCIAL STATEMENT OF THE

	Estimate for the previous Settlement.	Estimate for the present quasi-permanent Settlement.	ACCOUNTS.			Revised, 1905-1906.	Budget, 1906-1907.
			1902-1903.	1903-1904.	1904-1905.		
	1	2	3	4	5	6	7
	₹	₹	₹	₹	₹	₹	₹
EASTERN BENGAL AND ASSAM—							
Balance on April 1, 1906 . . . . .	...	62,00,000	...	...	...	...	...
Total Revenue, including adjustments . . . . .	...	2,12,19,000	...	...	...	...	2,25,37,000
Total Expenditure . . . . .	...	2,12,19,000	...	...	...	...	2,39,15,000
Closing Balance . . . . .	...	...	...	...	...	...	48,22,000
UNITED PROVINCES OF AGRA AND OUDH—							
Balance on April 1, 1902 . . . . .	...	...	38,80,000	...	...	...	...
Total Revenue, including adjustments	3,42,62,000	3,66,64,000	3,89,87,000	4,30,39,000	3,77,58,000	3,79,36,000	4,40,79,000
Total Expenditure	3,42,62,000	3,66,64,000	3,90,51,000	3,93,29,000	3,86,27,000	4,12,07,000	4,68,74,000
Closing Balance . . . . .	...	...	38,16,000	75,27,000	66,58,000	33,87,000	5,92,000
PUNJAB—							
Balance on April 1, 1902 . . . . .	...	...	14,06,000	...	...	...	...
Total Revenue, including adjustments	1,90,28,000	2,49,50,000	2,24,54,000	2,30,40,000	2,69,82,000	2,69,85,000	2,96,34,000
Total Expenditure	1,90,28,000	2,49,50,000	2,14,25,000	2,23,65,000	2,21,87,000	2,90,64,000	3,21,81,000
Closing Balance . . . . .	...	...	25,25,000	32,00,000	79,95,000	59,16,000	33,69,000
BURMA—							
Balance on April 1, 1902 . . . . .	...	...	1,38,17,000	...	...	...	...
Total Revenue, including adjustments	3,31,33,000	...	3,40,43,000	3,76,48,000	3,85,71,000	4,22,52,000	4,42,14,000
Total Expenditure	3,31,33,000	...	3,73,30,000	3,90,80,000	4,01,62,000	4,42,58,000	4,64,79,000
Closing Balance . . . . .	...	...	1,05,39,000	84,98,000	69,06,000	49,00,000	26,35,000
CENTRAL PROVINCES PROPER—							
Balance on April 1, 1902 . . . . .	...	...	22,43,000	...	...	...	...
Total Revenue, including adjustments	83,93,000	...	1,02,98,000	1,14,39,000	1,14,84,000	1,59,33,000	...
Total Expenditure	83,93,000	...	1,02,99,000	1,21,80,000	1,21,85,000	1,26,98,000	...
Closing Balance . . . . .	...	...	22,42,000	15,01,000	8,00,000	40,35,000	...
CENTRAL PROVINCES AND BERAH—							
Balance on April 1, 1906 . . . . .	...	40,35,000	...	...	...	...	...
Total Revenue, including adjustments . . . . .	...	1,76,43,000	...	...	...	...	2,03,64,000
Total Expenditure . . . . .	...	1,76,43,000	...	...	...	...	1,97,32,000
Closing Balance . . . . .	...	...	...	...	...	...	46,67,000

Section VII.—Ways and Means.

HOME TREASURY.

231. The following are the details of the transactions of the Home Treasury in the Budget and Revised Estimates of 1905-1906 and in the Budget Estimate of 1906-1907 :—

	Budget, 1905-1906.	Revised, 1905-1906.	Budget, 1906-1907.
	£	£	£
RECEIPTS.			
Permanent Debt incurred for the Redemption of Railway Liabilities	2,927,400	12,480,400	...
Capital raised and deposited by Railway Companies—			
For Capital outlay	402,600	552,200	901,800
* For discharge of Debentures	2,274,800	600,100	2,718,300
Deposits and Advances—			
* Gold Reserve Fund	254,000	6,488,400	3,324,200
Currency Reserve	1,333,000	1,333,300	1,076,700
Other items	14,300	16,500	11,500
Remittance Account between England and India—			
Railway transactions	2,114,000	1,491,700	1,853,500
Remittance of Gold from India . . . . .	...	400,300	...
Gold withdrawn from the Paper Currency Reserve . . . . .	...	250,000	1,750,000
Other transactions	301,000	1,589,300	339,500
Total Receipts, excluding Council Bills and Loans	9,621,100	25,202,200	11,975,500

* The heads marked with an asterisk appear both on the receipt and payment sides. As the receipts and disbursements under each of them are generally equal, they do not affect the Ways and Means on the year to any material extent.

	Budget, 1905-1906.	Revised, 1905-1906.	Budget, 1906-1907.
	£	£	£
DISBURSEMENTS.			
Excess of Expenditure over Revenue	19,262,800	18,071,800	18,731,300
Railway and Irrigation Capital not charged to Revenue—			
Outlay on State Railways and Irrigation Works	2,372,500	2,088,900	3,590,000
Redemption of Railway Liabilities	3,427,400	12,980,900	...
Outlay of Railway Companies	1,145,200	1,241,900	2,172,700
* Payments to Railway Companies for discharge of debentures	2,274,800	1,236,700	2,718,300
Permanent Debt discharged	250,000	250,100	749,900
Temporary Debt discharged	500,000	500,000	...
Deposits and Advances—			
* Gold Reserve Fund	254,000	6,488,400	3,324,200
Currency Reserve	1,333,000	2,378,300	31,700
Other transactions	3,600	6,000	1,500
Remittance Account between England and India—			
Railway transactions	1,654,300	1,832,000	2,209,500
Purchase of silver . . . . .	...	8,574,000	750,000
Other transactions	408,300	371,200	422,000
Total Disbursements	32,885,900	56,020,200	34,701,100
Net Disbursements, excluding Council Bills, Loans, and Opening Balance	23,264,800	30,818,000	22,725,600
<i>Financed as follows :</i>			
Council Bills	16,500,000	26,700,000	17,800,000
Permanent Debt incurred	2,000,000	2,000,000	2,000,000
Reduction of Cash Balance	4,764,800	2,118,000	2,925,600
TOTAL	23,264,800	30,818,000	22,725,600
Opening Balance	10,338,282	10,262,581	8,144,581
Closing Balance	5,573,482	8,144,581	5,218,981

* The heads marked with an asterisk appear both on the receipt and payment sides. As the receipt and disbursements under each of them are generally equal, they do not affect the Ways and Means of the year to any material extent.

232. In the Budget Estimate of the current year, the net disbursements of the Home Treasury were taken at £23,264,800, and it was proposed to meet these by the sale of Council Bills for £16,500,000, excluding £1,333,000 to be drawn from the Currency Reserve for investment in sterling securities, by the issue of £2,000,000 of India Stock and by drawing to the extent of £4,764,800 on the opening cash balance of the year. *1905-1906.*
General Remarks.

233. The dominant feature of the year has been an exceptionally heavy demand for Council Bills, the total sales being now expected to amount to £31,576,300 or £26,700,000, excluding £3,543,000 drawn on account of the Gold Reserve Fund and £1,333,300 mentioned above as drawn for investment of a part of the currency reserve. Of the additional funds thus obtained, amounting to £10,200,000 as compared with the Budget provision, £7,924,000 has been spent for the purchase of silver sent to this country for the coinage of rupees required to meet the additional Council Bills; £1,045,000 has been remitted to India through the Secretary of State's currency chest in England, the institution of which has been referred to in paragraph 74 of Part I; and £1,231,000 is left as an increase in the resources of the Secretary of State. In addition to the quantity mentioned above as purchased from the extra drawings, silver to the value of £400,000 has been purchased from the remittance of £400,300 in gold received during the year from India, the remittance having been made from this country in March last. £250,000 worth of silver will also be sent to this country, before the 31st March, but this does not affect the Home Treasury balances as the value is to be recovered from the Secretary of State's currency chest, the cost of the silver being added to the bullion reserve of the Currency Department. The other important variations between the Budget and Revised Estimates which affect the closing balance are

(1) a saving of £1,191,000 on the Budget Estimate of net expenditure over revenue, chiefly by reason of lapses under military expenditure; (2) a decrease of £283,600 in the Capital Expenditure on State Railways; and (3) a net increase of £1,324,900 in the receipts from deposits and miscellaneous remittances from India. These together with the net balance of £1,231,000 derived from additional Council Bills have increased the resources of the Secretary of State by £4,030,500. On the other hand, the net payments to railway companies have exceeded the Budget by £1,383,700,* mainly in consequence of the East Indian Railway having raised a smaller amount of debenture stock and to the discharge by the Bombay, Baroda and Central India Railway Company of a part of their debentures. The net result of these variations is that the cash balances will be drawn upon to the extent of £2,118,000 instead of £4,764,800 estimated in March last.

*Redemption of
Railway Liabilities*

234. In the Budget provision was made for permanent debt to the extent of £2,927,400 on account of the debenture capital of the Bombay, Baroda and Central India Railway, while on the expenditure side provision was made for this sum and for £500,000 against the purchase of the Bengal Central Railway as outlay on redemption of railway liabilities. The latter charge has been duly incurred, but of the debentures of the Bombay, Baroda and Central India Railway, £536,100 were discharged by the Company before the purchase of the line. The method of purchase had not been decided upon at the time the Budget Estimate was prepared. Ultimately, the purchase price of the undertaking was fixed at £11,685,600 which was discharged, as regards £2,000,000 by the creation of new 3 per cent. capital stock of the Company to that amount, and as to the balance of £9,685,600 by the creation of £10,089,100 India 3 per cent. stock issued to the Company. Hence the large variations which appear under the heads in question as between the Budget of 1905-1906 and the Revised Estimate: they do not affect the cash balances.

*1905-1906,
Investment of part
of the Currency
Reserve.*

235. The Budget Estimate provided for the remittance to London of £1,333,000 of the currency reserve held in India for investment of an additional sum of two crores of rupees in sterling securities: in accordance with the original intention, the remittance was made by means of Council Bills, and Consols of the nominal value of £923,646½ and £500,000 of Exchequer Bonds were purchased therewith by the Secretary of State. In December and February last, to relieve the great pressure on the Indian Treasury balances, occasioned by the very heavy sales of Council Bills and telegraphic transfers, the Secretary of State paid from his Treasury balance to the Currency chest held at the Bank of England, a sum of £1,045,000 in gold: this admitted of a corresponding transfer of 156½ lakhs of rupees from the Currency to the Treasury balances in India. This accounts for the increase of £1,045,000 shown against "Currency Reserve" on the payment side of the table in paragraph 231.

	Budget, 1905-1906.	Revised, 1905-1906.
* Capital raised and deposited by Railway companies—	£	£
For capital outlay	402,600	552,200
For discharge of debentures	2,274,800	600,100
Remittance Account between England and India—		
Railway transactions	2,114,000	1,491,700
Total Receipts	4,791,400	2,644,000
Railway and Irrigation Capital not charged to Revenue—		
Outlay of Railway companies	1,145,200	1,241,900
Payments to Railway companies for discharge of debentures	2,274,800	1,236,700
Remittance Account between England and India—		
Railway transactions	1,654,300	1,832,000
Total Disbursements	5,074,300	4,310,600
Net Disbursements	282,900	1,666,600
Increase		1,383,700

236. As already mentioned, the demand for Council Bills and telegraphic transfers has been exceptionally heavy throughout the year, and the sales are now expected to reach the record figure of £31,576,300. Of this sum, £3,543,000 and £1,333,300, respectively, have been appropriated for the remittance to London of the profit on coinage accruing to the Gold Reserve Fund and the sterling investment on account of the Currency Reserve. To avoid heavy shipments to India of gold from Australia, the Secretary of State in December last decided to purchase from certain selected banks and firms consignments of sovereigns, payment being made therefor by telegraphic transfers issued at 16d. per rupee. The sum of £31,576,300 mentioned above includes transfers aggregating £3,178,300 granted under these conditions.

1905-1906.
Council Bills.

237. The Budget Estimate provided for the discharge of the residue (£500,000) of the Temporary Sterling Debt, and for the issue as permanent debt of £2,000,000 India Stock for the purchase of the Bengal Central Railway (£500,000); the discharge of Great Indian Peninsula Railway Debentures (£250,000), and advances to Indian Railway Companies under Act 51 Vict., c. 5. This programme has been adhered to. The sterling loan was announced in April last, tenders being invited for £2,000,000 of 3 per cent India Stock at a minimum rate of 97 per cent. The applications received amounted to £5,203,800 and the average rate of accepted tenders was £97 18s. 1d.

1905-1906.
Loans.

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

1905-1906.
Capital raised
and deposited by
Railway
Companies.

	Budget, 1905-1906.	Revised, 1905-1906.
RECEIPTS.		
<i>Subscribed Capital.</i>		
<u>To discharge Debentures—</u>	£	£
Assam Bengal Railway	300,000	...
Bengal-Nagpur Railway Extensions	400,000	...
Indian Midland Railway	150,000	..
Southern Mahratta Railway	688,100	600,000
Bombay, Baroda and Central India Rail- way	636,700	100
Madras Railway	100,000	...
	2,274,800	600,100
<u>To meet Capital outlay—</u>		
Southern Mahratta Railway	100,000	249,600
Madras Railway	300,000	299,900
	400,000	549,500
Miscellaneous (Transfer fees, etc.)	2,600	2,700
TOTAL	402,600	552,200
TOTAL RECEIPTS	2,677,400	1,152,300
ISSUES.		
For discharge of Debentures	2,274,800	1,236,700
For Capital outlay, i.e., Stores, Establish- ment Charges, etc.	1,145,200	1,241,900
	3,420,000	2,478,600

Railway debentures for £1,040,600 which matured during the course of the year were renewed and the discount paid on renewal amounted to £2,500. Debentures for £1,234,200 were discharged, but only £600,100 of these were replaced by fresh capital.

239. 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. There are, however, other Companies which work railways that are the property of the State, namely, the East Indian, the South Indian, the Great Indian Peninsula, the Bombay, Baroda and Central India and the

1905-1906.
Remittance
Account between
England and India
—Railway
transactions.

FINANCIAL STATEMENT OF THE

Rajputana-Malwa Railways. Advances are made to these Companies in England for the purchase of stores, and funds are sometimes raised by them and deposited with the Secretary of State: these deposits and advances, instead of being brought directly to account in England, are treated as Remittances from or to India and are brought to account in this country. The details of the transactions during the current year are as follows:—

RECEIPTS.	Budget, 1905-1906.	Revised, 1905-1906.
<i>Debentures raised—</i>	£	£
East Indian Railway { To replace Debentures	300	300
{ For additional Capital	1,999,700	1,378,000
South Indian Railway Ditto	111,000	110,000
	<hr/>	<hr/>
	2,111,000	1,488,300
<i>Transfer fees, etc.</i>	3,000	3,400
	<hr/>	<hr/>
TOTAL RECEIPTS	2,114,000	1,491,700
	<hr/>	<hr/>
ISSUES.		
<i>For discharge of Debentures—</i>		
East Indian Railway	300	300
<i>Advances for Purchase of Stores—</i>	1,654,000	1,831,700
	<hr/>	<hr/>
TOTAL ISSUES	1,654,300	1,832,000
	<hr/>	<hr/>

The East Indian Railway issued only £1,500,000 of Debenture Stock instead of the £2,000,000 budgeted for. The proceeds amounted to £1,378,300.

Budget Estimate
of 1906-1907.

240. In the Budget Estimate of 1906-1907 the net disbursements, exclusive of receipts from Council Bills and Loans, are taken at £22,725,600: of this, £749,900 is for the discharge of Bombay, Baroda and Central India Railway debentures. Inclusive of £500,000 for the purchase of the Bengal Central Railway, and £250,000 for the discharge of Great Indian Peninsula Railway debentures, the net outgoings in the Budget Estimate of the current year were £23,264,800. The decrease next year is thus £539,200: this is the net result of several variations, the more important of which are:—

<i>Better.</i>	£
Net expenditure on Revenue Account (Decrease chiefly in Army Reorganization expenditure), <i>less</i>	531,500
Capital raised by Railway Companies for capital outlay (Debentures raised, <i>more</i> £943,500; Debentures discharged, <i>more</i> £443,500), net <i>better</i>	500,000
Temporary Debt discharged (India Bills), <i>less</i>	500,000
Redemption of Railway Liabilities, <i>less</i> £3,427,400, and Permanent Debt incurred therefor, <i>less</i> £2,927,400, net <i>better</i>	500,000
Gold withdrawn from the Paper Currency Reserve in London, including repayment to Secretary of State's treasury of the £1,045,000 referred to in para. 235, and £750,000 for the purchase of Silver, <i>more</i>	2,795,000
	<hr/>
	4,826,500
	<hr/>
<i>Worse.</i>	
Issues to Railway Companies for capital outlay, <i>more</i>	1,027,500
Issues to Railway Companies working State Railways, for capital outlay, <i>more</i>	555,500
Debenture capital raised by Railway Companies working State Railways (Debentures raised, <i>less</i> £261,000; Debentures discharged, <i>less</i> £300), net <i>worse</i>	260,700
Outlay on State Railways and Irrigation Works, <i>more</i>	1,217,500
Permanent Debt discharged (Debentures of purchased Railways), <i>more</i>	499,900
Purchase of silver	750,000
	<hr/>
	4,311,100
	<hr/>

Of the net disbursement of £22,725,600 next year, it is proposed to meet £17,800,000 by the sale of Council Bills and £2,000,000 by the issue of India Stock. The remainder, £2,925,600, will be met by drawing upon the cash balance of the Home Treasury, which at the close of the current year is expected to stand at £8,144,581. The cash balance on the 31st March 1907 is therefore estimated at £5,218,981. The estimate of Council drawings is for the amount required to provide for the Secretary of State's requirements: but additional bills will, as usual, be sold if needed to meet the demands of trade.

241. There is no temporary Sterling debt now outstanding. Of the £2,000,000 India Stock which it is at present intended to place upon the market, £749,900 is for the discharge of Bombay, Baroda and Central India Railway debentures which fall due next year, and the remainder for advances to Indian Railway Companies.

242. The details of the estimates of capital to be raised by Railway Companies are as follows:—

	To replace Debentures.	Additional Capital.	1906-1907. Loans.
<i>Subscribed Capital of Railway Companies:—</i>			
	£	£	
Bengal-Nagpur Railway and Extensions	1,348,900	...	
Indian Midland Railway	972,900	...	
Burma Railways . . . . .	...	700,000	
Madras Railway	396,500	200,000	
	<u>2,718,300</u>	<u>900,000</u>	
<i>Transfer fees and miscellaneous refunds</i> . . . . .	...	1,800	
	<u>2,718,300</u>	<u>901,800</u>	
<i>Debenture Capital of Companies working purchased Railways:—</i>			
East Indian Railway . . . . .	...	1,850,000	
<i>Transfer fees and miscellaneous refunds</i> . . . . .	...	3,500	
TOTAL	<u>...</u>	<u>1,853,500</u>	

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

	1905-1906.		1906-1907.	1905-1906 and 1906-1907. Gold Reserve Fund.
	Budget.	Revised.	Budget.	
RECEIPTS.				
(a) Profit on coinage, remitted to England from India—	£	£	£	
By Council Bills . . . . .	...	3,543,000	...	
(b) Dividends on investments and discount on Treasury Bills	254,000	245,400	324,200	
(c) Treasury Bills paid off at maturity, and re-invested . . . . .	...	2,700,000	3,000,000	
TOTAL	<u>254,000</u>	<u>6,488,400</u>	<u>3,324,200</u>	
PAYMENTS.				
Investments made	254,000	6,488,400	3,324,200	

FINANCIAL STATEMENT OF THE

BALANCES.	1905-1906.		1906-1907.
	Budget.	Revised.	Budget.
	£	£	£
Opening Balance—			
Invested	8,377,700	8,376,600	12,165,000
Uninvested	100,300	152,000	97,700
	<u>8,478,000</u>	<u>8,528,600</u>	<u>12,262,700</u>
Closing Balance—			
Invested	8,631,700	12,165,000	12,489,200
Uninvested	250,300	97,700	97,700
	<u>8,882,000</u>	<u>12,262,700</u>	<u>12,586,900</u>
Profits on new coinage in India	150,000	3,488,700	...

1905-1906 and
1906-1907.
Summary of Debt
Transactions and
Capital Account
of Railway
Companies.

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 1905-1906 and 1906-1907:—

	Budget, 1905-1906.	Revised, 1905-1906.	Budget, 1906-1907.
RECEIPTS.	£	£	£
Council Bills (exclusive of Bills for £3,543,000 in the Revised Estimate of 1905-1906 on account of the Gold Reserve Fund, and £1,333,300 in the Budget and Revised Estimates of 1905-1906 on account of the Currency Reserve)	16,500,000	26,700,000	17,800,000
Permanent Debt incurred for the Redemption of Railway Liabilities	2,927,400	12,480,400	...
Permanent Debt incurred (India Stock)	2,000,000	2,000,000	2,000,000
Receipts on account of the Subscribed Capital of Railway Companies	2,674,800	1,149,600	3,618,300
Receipts on account of the Debenture Capital of other Railway Companies (the East Indian and South Indian Railway Companies)	2,111,000	1,488,300	1,850,000
OUTGOINGS.			
Redemption of Railway Liabilities	3,427,400	12,980,900	...
Permanent Debt discharged	250,000	250,100	749,900
Temporary Debt discharged	500,000	500,000	...
Discharge of Railway Companies' Debentures	2,274,800	1,236,700	2,718,300
Discharge of East Indian Railway Company's Debentures	300	300	...

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, represents 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 be given that this programme will be adhered to either in amount or in 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.

INDIA.

246. The following is a summary of the Estimates of Ways and Means in India during 1905-1906 and 1906-1907 :—

	BUDGET ESTIMATE, 1905-1906.		REVISED ESTIMATE, 1905-1906.		BUDGET ESTIMATE, 1906-1907.	
	Rupee figures.	Equivalent in £ at R15=£1.	Rupee figures.	Equivalent in £ at R15=£1.	Rupee figures.	Equivalent in £ at R15=£1.
	R	£	R	£	R	£
RECEIPTS.						
1. Excess of Revenue over Expenditure charged to Revenue . . .	30,24,99,000	20,166,600	29,74,13,000	19,827,500	29,40,81,000	19,605,400
* 2. Capital raised through Companies for outlay on State Railways (net) . . .	3,16,61,000	2,110,700	2,23,20,000	1,488,000	2,77,50,000	1,850,000
3. Capital raised and deposited by Railway Companies . . .	1,52,000	10,100	10,38,000	69,200	5,32,000	35,500
4. Unfunded Debt incurred, mostly Savings Bank deposits (net) . . .	1,26,98,000	846,500	79,86,000	532,400	91,20,000	608,000
5. Appropriation for Reduction or Avoidance of Debt . . .	55,98,000	373,200	73,95,000	493,000	1,98,000	13,200
6. Other Deposits and Remittances (net) . . .	-3,53,000	-23,500	3,14,67,000	2,097,800	-1,44,13,000	-960,900
7. Capital Local Boards (net) . . .	...	...	22,000	1,500	24,000	1,600
8. Remittance account between England and India— (a) Silver remitted from England . . .	60,50,000	403,300	13,10,30,000	8,735,300	1,50,00,000	1,000,000
(b) Transactions of Railway Companies (net) excluding debenture capital . . .	2,47,65,000	1,651,000	2,74,24,000	1,828,300	3,30,90,000	2,206,000
TOTAL RECEIPTS EXCLUDING LOANS . . .	38,30,70,000	25,537,900	52,60,95,000	35,073,000	36,53,82,000	24,358,800
DISBURSEMENTS.						
9. Capital Expenditure not charged to Revenue— (a) State Railways and Irrigation Works . . .	7,98,43,000	5,322,900	10,63,92,000	7,092,800	7,86,18,000	5,241,200
(b) Outlay by Companies (net) . . .	66,86,000	445,700	-2,19,21,000	-1,461,400	-20,70,000	-138,000
10. Permanent Debt discharged . . .	21,50,000	143,300	21,16,000	141,100	12,91,000	86,100
11. Provincial and Local surpluses or deficit added to or deducted from expenditure † . . .	2,05,55,000	1,370,300	-12,06,000	-80,400	1,61,64,000	1,077,600
12. Imperial and Provincial Loans (net) . . .	32,06,000	213,700	16,61,000	110,700	68,51,000	456,700
13. Remittance account between England and India— * (b) Capital raised by Railway Companies (net) . . .	3,16,61,000	2,110,700	2,23,20,000	1,488,000	2,77,50,000	1,850,000
(c) Other transactions (net) . . .	-4,85,000	-32,300	1,80,13,000	1,200,900	2,96,34,000	1,975,600
14. Council Bills † . . .	25,20,54,000	16,803,600	40,04,67,000	26,697,800	26,70,57,000	17,803,800
TOTAL DISBURSEMENTS . . .	39,56,70,000	26,377,900	52,78,42,000	35,189,500	42,52,95,000	28,353,000
NET DISBURSEMENTS . . .	1,26,00,000	840,000	17,47,000	116,500	5,99,13,000	3,994,200
FINANCED AS FOLLOWS:						
Permanent Debt incurred . . .	4,00,00,000	2,666,700	4,00,00,000	2,666,700	4,50,00,000	3,000,000
Reduction of + or addition to Treasury Balances . . .	-2,74,00,000	-1,826,700	-3,82,53,000	-2,550,200	+1,49,13,000	+994,200
TOTAL . . .	1,26,00,000	840,000	17,47,000	116,500	5,99,13,000	3,994,200
Opening Balance . . .	15,50,00,274	10,333,352	16,12,47,000	10,749,770	19,95,00,000	13,299,970
Closing Balance . . .	18,24,00,274	12,160,052	19,05,00,000	13,299,970	18,45,87,000	12,305,770

* The figures under heads 2 and 13 (b) balance each other.

† Head 11 represents expenditure defrayed by reduction of Provincial and Local balances.

‡ The figures shown under head 14 differ from those given in the Home Treasury Ways and Means statement, as Bills drawn by the Secretary of State towards the end of one year are paid in India in the next. The figures of the present statement represent payments in India.

1905-1906.

Main features of
Budget Estimate.

247. In the Budget Estimate of 1905-1906 it was assumed that the year would open with a cash balance in Indian Treasuries of 15,50 lakhs. It was calculated (1) that the net Revenue receipts would amount to 30,25 lakhs; (2) that the deposits in Savings Banks and Provident Institutions would result in a net receipt of 1,27 lakhs; (3) that the remittances of Railway Companies and on other miscellaneous accounts would yield a net sum of 2,49 lakhs on the receipt side; (4) that a sum of 56 lakhs would be available from the Famine Insurance grant for avoidance of debt, after meeting the expenditure required for Famine Relief and construction of Protective Works; and that 60½ lakhs worth of silver bullion sent from England in March last would be received in the current year. On the other hand, provision was made (1) for a net expenditure from Provincial balances of 2,05½ lakhs; (2) for Capital expenditure in India on Railways and Canals, to the extent of 8,65 lakhs; (3) for discharge of Provincial Debenture loans falling due during the year for 9 lakhs, and for the payment of the annual instalment of 12 lakhs towards liquidation of the Gwalior loan of 1887; (4) for 32 lakhs for loans to Native States, cultivators, municipalities and other local bodies; and (5) for payment of Council Bills to the extent of 25,20 lakhs. The payments mentioned aggregate 36,43½ lakhs, while the receipts amount to 35,17½ lakhs, the net disbursements being thus 1,26 lakhs. A rupee loan of 4 crores was to be raised to meet this deficiency and to strengthen the cash balances.

1905-1906.

Main features of
Revised Estimate.

248. The results according to the Revised Estimate show considerable variations from this forecast. Council Bill payments have exceeded the estimate by 14,84 lakhs; but against this silver to the value of 12,50 lakhs (13,10 lakhs against 60½ lakhs estimated) has been received from England for coinage of rupees, the net excess payment being 14,84—12,50=2,34 lakhs. The net Imperial revenue in India is now estimated at 29,74 lakhs, being 51 lakhs less than the Budget Estimate. Savings Banks deposits are now expected to fall short of the Budget by 47 lakhs, while Capital expenditure in India on Railways and Irrigation works is expected to exceed the estimate by 2,65 lakhs. On the other hand, Provincial balances will be increased by 12 lakhs, instead of being drawn upon to the extent of 2,06 lakhs. The net payments to Railway Companies on account of Capital outlay are 322 lakhs less than the Estimate. The amount available from the Famine Insurance grant for avoidance of debt, after meeting the expenditure for Famine Relief and construction of Protective Works is 18 lakhs more. Loans granted to Native States, municipalities and other local bodies are 15 lakhs less, while deposits and remittance transactions are expected to show an excess receipt of 133 lakhs. The total improvements mentioned above amount to 7,06 lakhs and the increased disbursements to 597 lakhs, the net result being an improvement of 109 lakhs. The cash balances are accordingly expected to be better than on 1st April last by 383 lakhs instead of by 274 lakhs as in the Budget Estimate; adding a betterment of 62 lakhs in the opening balance, the year is expected to close with a cash balance of 19,95 lakhs against 18,24 lakhs taken in the Budget Estimate.

1905-1906.

Council Bills.

249. As mentioned already, the demand for Council Bills in the current year has been exceptionally heavy. In addition to the 40,05 lakhs shown in the table above as paid from treasury balances, 2 crores have been paid from the currency reserve and 5,31 lakhs from the Gold Reserve Fund for investment in England in gold securities. The total payments thus amount to the record figure of 47,36 lakhs.

1905-1906.

Rupee Loan.

250. In accordance with the intention expressed in paragraph 233 of the last Financial Statement, a 3½ per cent loan of 4 crores was announced in July last. Tenders were opened on the 2nd August 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.
19,26,86,200	4,00,00,000	98 13 10 45	98 12 0

1906-1907.

Main features of
Budget Estimate.

251. In 1906-1907, the net Imperial revenue in India is estimated at 29,41 lakhs. Savings Banks are expected to yield a net receipt of 91 lakhs; but only 2 lakhs are expected to be available from the Famine Insurance grant for avoidance of debt; the transactions with Railway Companies are expected to show a net receipt of 357 lakhs of which 283 lakhs represent fresh capital to be raised by them; and deposits and miscellaneous remittance transactions are expected to show a net receipt of 166 lakhs. On the other hand, provision

has been made (1) for expenditure of 162 lakhs from Provincial balances; (2) for capital expenditure in India on State Railways and Irrigation Works of 786 lakhs; (3) for 13 lakhs for discharge of permanent debt, chiefly the payment of the annual instalment towards repayment of the Gwalior loan; (4) for 68 lakhs for loans to be granted to cultivators, Native States, Municipalities, and District Boards for construction of railways; (5) for a payment of 457 lakhs to the Currency Department as the equivalent of an amount to be transferred by the Secretary of State from his Currency chest to his treasury, of which 150 lakhs is for the purchase of silver to be sent to this country for coinage; and (6) for payment of Council Bills to the extent of 26,70 lakhs. The payments mentioned aggregate 41,56 lakhs while the receipts come to 35,57 lakhs, the net disbursements being 599 lakhs.

252. It is proposed to meet 4½ crores out of the net disbursement of 599 lakhs by raising a new rupee loan for that amount in 1906-1907, the remaining 149 lakhs being met by drawing upon the cash balances. The year is thus expected to close with a cash balance of 18,46 lakhs. The announcement now made regarding the rupee loan is in accordance with present intention; but full liberty is reserved, as usual, to vary the programme now announced to any extent that may be considered desirable.

253. The following table gives details of the transactions of Savings Banks and Provident Funds during a series of years, and the estimated transactions for 1905-1906 and 1906-1907:—

YEAR.	Net additions to deposits, cash.	Interest.	Total addition.
	₹	₹	₹
1892-1893	54,89,000	33,94,000	88,83,000
1893-1894	17,99,000	36,80,000	54,79,000
1894-1895	—8,45,000	29,70,000	21,25,000
1895-1896	24,77,000	33,85,000	58,62,000
1896-1897	—58,11,000	34,66,000	—23,45,000
1897-1898	—65,71,000	32,70,000	—33,01,000
1898-1899	—8,84,000	32,29,000	23,45,000
1899-1900	1,40,000	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	66,99,000	42,15,000	1,09,14,000
1904-1905	78,94,000	45,87,000	1,24,81,000
1905-1906 (Budget)	70,73,000	48,97,000	1,19,70,000
1905-1906 (Revised)	23,87,000	47,82,000	71,69,000
1906-1907 (Budget)	32,77,000	49,62,000	82,39,000

A net deposit in the Post Office Savings Banks of 70½ lakhs apart from interest was assumed in the Budget Estimate of the current year. The transactions of the first ten months of the year have resulted in a net increase in the deposits of only 22 lakhs, probably owing, as stated in paragraph 188, to the immediate effect of an alteration in the rates of interest. There is, however, some indication that the withdrawals in the closing months of the year are not likely to be as heavy as in 1904-1905 and it is now expected that, apart from interest, there will be a net increase in the deposits of about 23½ lakhs during the year 1905-1905.

In the Budget Estimate for 1906-1907, a net deposit of 32½ lakhs, apart from interest is anticipated.

1906-1907.
New Rupee Loan.

1905-1906 and
1906-1907.
Post Office Savings
Banks, etc.

Section VIII.—Summary.

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

I.—The Accounts of 1904-1905 closed with a surplus of £3,456,066, being £29,434 less than the surplus expected in the Revised Estimate of that year.

II.—1905-1906—

- (1) The Revised Estimates show a total revenue of £84,829,500, a total expenditure charged to Revenue of £83,073,800, and a surplus of £1,755,700. This surplus is higher than that estimated in March 1905 by £851,900.
- (2) There has again been a large development of revenue in all branches outside Land, Customs and Irrigation Revenue, net earnings of Railways showing the largest increase. Railway traffic receipts have expanded largely, and the net receipts have exceeded the estimate by £413,600. Excise has yielded an increase of £210,400 and Forest of £188,200. Interest receipts show an improvement of £139,700 and Mint of £199,800 owing to exceptionally heavy coinage of rupees. Land Revenue receipts, including the portion credited to Irrigation, are expected to fall short of the estimate by £443,900, chiefly in Bombay, Madras, Punjab and the United Provinces owing to partial failure of rains. Irrigation Direct Receipts are also less by £101,400.
- (3) Army expenditure is expected to be less than the estimate by £842,000: Special Expenditure is less by £884,400, while ordinary Expenditure is more by £42,400. This is only nominal, being more than covered by increase in receipts amounting to £150,300. Military Works Expenditure is also less by £71,200, chiefly in special expenditure connected with the reorganization of the Army. The grant of £253,200 for Special Defences has been used only to the extent of £192,000. Owing mainly to the inability of the Local Governments to expend their full allotments, there are savings under most of the chief administrative heads, the more important being Civil Departments other than Political, £509,900, and Civil Works £178,500. Political Expenditure is more by £272,300, chiefly in consequence of payment of Amir's subsidy. Famine relief expenditure is £75,200 less than the estimate. There is a saving on the provision in Madras and Bombay, but it has been partially counterbalanced by expenditure in Ajmer and the United Provinces.
- (4) Special grants, aggregating £400,000, have been made to the Governments of the Central Provinces and Eastern Bengal and Assam to start their new settlements.
- (5) A loan of four crores of rupees was raised in India; and India 3 per cent stock of £2,000,000 was raised in England, of which £250,000 was applied to the discharge of Great Indian Peninsula Railway Debentures. £500,000 being the residue of India Bills, temporary, fell due, and were discharged.
- (6) Fresh capital was raised through Railway Companies to the extent of £1,470,100 as compared with £2,520,800 entered in the Budget.
- (7) The drawings of Councils in 1905-1906 are expected to amount to £31,576,300. Of this £3,543,000 represent remittances on account of the Gold Reserve Fund, and £1,333,300 on account of the Currency Reserve invested in sterling securities and

£26,700,000 are remittances on ordinary account, as compared with £16,500,000 entered in the Budget.

- (8) Out of the additional Council Bills sold during the year, silver to the value of £7,924,000 has been purchased and sent to India for coinage. Silver to the value of £400,000 has also been purchased from gold remitted from India in March last and a further quantity worth £250,000 will be purchased for the same purpose from the Currency reserve before the close of the current year.
- (9) The Gold Reserve Fund on 31st March 1906 stands at £12,262,700.

III.—1906-1907.

- (1) The Budget Estimates of 1906-1907 show a total revenue of £86,495,100, a total expenditure charged to revenue of £85,621,000 and a surplus of £874,100.
- (2) This surplus is obtained after providing for the following measures of fiscal relief and administrative improvement :—
- (a) Repeal of the Patwari cess in Northern India and the Central Provinces, of the Ryotwari Village Service cess in Madras, and of the Village Service cess in Coorg; cost £524,300.
 - (b) Abolition of Zamindari Dāk cess in Bengal and Eastern Bengal; cost £23,600.
 - (c) Relief of District Boards in Northern India, Central Provinces, Coorg and Burma of contributions they have hitherto paid towards District Post charges; cost, including relief of United Provinces District Boards of some small school and other charges, £38,800.
 - (d) Further grant of £166,700 for police reform.
 - (e) Additional grant of £26,700 for agricultural and veterinary improvement and of £33,300 for European and technical education.

The total cost of these measures is estimated at £813,400. Under existing conditions the surplus would therefore have been £1,687,500.

- (3) Of the increase in receipts compared with current year's Budget £2,298,200 are due to Railways. There is a counterbalancing increase of £1,633,100 under Railway charges, thus affording a net additional gain of £665,100.
- (4) Other important variations in revenue are increases of £331,700 under Land Revenue including portion due to Irrigation, £140,000 Salt, £163,400 Stamps, £374,200 Excise, £118,800 Post Office, £148,500 Major Irrigation Works Direct receipts, and £100,200 Customs.
- (5) There are decreases of £646,600 under Opium, owing mainly to the price of Bengal opium being now taken at R1,125 per chest, and of £516,800 under Provincial Rates owing to the remission of cesses above mentioned.
- (6) The total Military expenditure, including Army, Military Works, Marine and Special Defences, is £21,841,600—£390,900 less than in the current year's Budget. Including Military receipts the net outlay is less by £521,100. The allotment for Re-organisation and other special expenditure included in the above is £2,766,600 against £3,266,600 provided this year.
- (7) Civil administration heads show general increase, the most important being £206,900 under Police, due to carrying out of reforms; £283,700 Political (payments to Amir); and £327,400 Famine Relief. Total Famine Relief Expenditure is £539,100.
- (8) A *quasi*-permanent settlement has been made with the Central Provinces and Berar, and the settlements previously made with Bengal and Assam are now revised with reference to re-constitution of province. Generally speaking, these provinces get one-half share of divisible revenues, and Central Provinces and Eastern Bengal obtain, as above mentioned, initial grants of £200,000 each.

FINANCIAL STATEMENT OF THE

- (9) Subject to the usual reservations, loans of £2 millions in England and of 4½ crores in India are announced. The sterling loan is required to discharge £749,900 Bombay, Baroda and Central India debentures and for advances to Indian Railway companies. The rupee loan is for capital expenditure on Railways and Irrigation.
- (10) Subject to the usual reservations, provision is also made for the raising of capital through railway companies as follows :—namely, (a) for outlay on State Railways £1,850,000 and (b) for expenditure on Companies' Railways £935,500.
- (11) Drawings of Council Bills are entered at £17,800,000.

IV.—Capital Expenditure.

The following table shows the capital expenditure on Railways and Irrigation Works :—

	Accounts, 1904-1905.	Revised Estimate, 1905-1906.	Budget Estimate, 1906-1907.
	₹	₹	₹
RAILWAYS			
Included in the Government			
“Capital” programme . . .	10,78,29,369	12,50,00,000	15,00,00,000
Famine Protective lines . . .	17,37,184	8,69,000	1,01,000
Branch lines not on firm guarantee	87,865	10,55,000	5,11,000
Railways outside the Government			
accounts	69,22,000	80,68,000	53,95,000
Provincial and Local State lines . . .	93,754	97,000	73,000
TOTAL RAILWAYS	11,66,70,172	13,50,89,000	15,60,80,000
IRRIGATION WORKS	54,17,580	81,18,000	1,25,00,000
TOTAL RAILWAYS AND IRRIGATION			
WORKS, IN RUPEES	12,20,87,752	14,32,07,000	16,85,80,000
Converted into sterling at R15 =			
£1	8,139,183	9,547,100	11,238,700

March 21, 1906.

W. S. MEYER.

APPENDIX I.

ACCOUNTS AND ESTIMATES.

Accounts	1904-1905
Revised Estimates	1905-1906
Budget Estimates	1906-1907

CONTENTS.

	PAGES
I.—GENERAL STATEMENT of the REVENUE, and EXPENDITURE charged to REVENUE, of the GOVERNMENT of INDIA, in INDIA and in ENGLAND	800—801
II.—GENERAL STATEMENT of the RECEIPTS and DISBURSEMENTS of the GOVERNMENT of INDIA, in INDIA and in ENGLAND	802—803
A.—STATEMENT of the REVENUE of INDIA, in INDIA and in ENGLAND	804—805
B.—STATEMENT of the EXPENDITURE charged to the REVENUES of INDIA, in INDIA and in ENGLAND	806—809
C.—STATEMENT of RECEIPTS and DISBURSEMENTS of the GOVERNMENT of INDIA, in INDIA and in ENGLAND	810—813
D.—ACCOUNT of PROVINCIAL and LOCAL SAVINGS charged to REVENUE, and held at the disposal of PROVINCIAL GOVERNMENTS under their PROVINCIAL SETTLEMENTS	814
E.—ABSTRACT STATEMENT of the RECEIPTS and DISBURSEMENTS of the GOVERNMENT of INDIA, in INDIA and in ENGLAND	815

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

	For details, vide Statement.	Accounts, 1904-1905.	Budget Estimate, 1905-1906.	Revised Estimate, 1905-1906.	Budget Estimate, 1906-1907.
Revenue—					
Principal Heads of Revenue—					
		£	£	£	£
Land Revenue	A	18,953,997	19,468,700	19,028,700	19,764,200
Opium	"	6,021,499	5,477,700	5,490,500	4,831,100
Salt	"	5,354,768	4,260,000	4,336,700	4,400,000
Stamps	"	3,738,362	3,807,300	3,867,700	3,970,700
Excise	"	5,353,424	5,443,100	5,653,500	5,817,300
Customs	"	4,361,771	4,364,000	4,324,900	4,464,200
Other Heads	"	6,668,814	6,625,100	6,822,500	6,358,200
TOTAL PRINCIPAL HEADS . . . . .	...	50,452,635	49,445,900	49,524,500	49,605,700
Interest	A	849,579	805,400	945,100	853,000
Post Office	"	1,575,980	1,608,300	1,658,700	1,727,100
Telegraph	"	897,923	909,100	913,700	938,100
Mint	"	206,410	105,500	305,300	201,900
Receipts by Civil Departments	"	1,547,333	1,508,800	1,533,900	1,533,900
Miscellaneous	"	690,126	707,200	735,000	650,700
Railways	"	24,022,465	23,856,400	24,658,200	26,154,600
Irrigation	"	3,071,036	3,055,300	2,952,500	3,250,000
Other Public Works	"	538,553	503,500	524,700	515,600
Receipts by Military Department	"	960,931	927,600	1,077,900	1,064,500
TOTAL REVENUE . . . . .	...	84,812,971	83,433,000	84,829,500	86,495,100

L. E. PRITCHARD,
Deputy Comptroller General.

FORT WILLIAM,
FINANCE DEPARTMENT;
March 21, 1906.

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

	For details, vide Statement.	Accounts, 1904-1905.	Budget Estimate, 1905-1906.	Revised Estimate, 1905-1906.	Budget Estimate, 1906-1907.
Expenditure—		£	£	£	£
Direct Demands on the Revenues	B	8,569,136	8,756,800	8,769,900	9,057,200
Interest	"	1,646,945	1,364,900	1,417,800	1,278,800
Post Office	"	1,519,813	1,543,500	1,558,200	1,600,900
Telegraph	"	902,268	1,034,400	1,068,200	1,155,000
Mint	"	117,877	123,300	120,700	139,300
Salaries and Expenses of Civil Departments	"	12,399,763	13,380,300	13,142,700	14,283,300
Miscellaneous Civil Charges	"	4,264,790	4,275,600	4,299,600	4,323,500
Famine Relief and Insurance	"	1,000,000	1,000,000	1,003,000	1,000,000
Railway Revenue Account	"	21,917,027	22,292,200	22,632,700	23,925,300
Irrigation	"	2,786,353	2,893,400	2,908,600	2,992,900
Other Public Works	"	5,766,144	6,699,600	6,442,700	6,864,200
Army Services	"	20,175,694	20,282,300	19,440,300	19,846,700
Special Defences (1902)	"	128,295	253,200	192,000	231,500
TOTAL EXPENDITURE, IMPERIAL AND PROVINCIAL . . . . .	...	81,194,105	83,899,500	82,993,400	86,698,600
<i>Add—</i> Provincial Surpluses: that is, portion of Allotments to Provincial Governments not spent by them in the year.	End of B	608,724	2,500	572,700	30,200
<i>Deduct—</i> Provincial Deficits: that is, portion of Provincial Expenditure defrayed from Provincial Balances.	"	445,924	1,372,800	492,300	1,107,800
TOTAL EXPENDITURE CHARGED TO REVENUE . . . . .	...	81,356,905	82,529,200	83,073,800	85,621,000
SURPLUS . . . . .	...	3,456,066	903,800	1,755,700	874,100
TOTAL . . . . .	...	84,812,971	83,433,000	84,829,500	86,495,100

A. F. COX,
Comptroller General.

W. S. MEYER,
Secretary to the Government of India.

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

	For details, vide Statement.	RECEIPTS.			
		Accounts, 1904-1905.	Budget Estimate, 1905-1906.	Revised Estimate, 1905-1906.	Budget Estimate, 1906-1907.
		£	£	£	£
Surplus	C	3,456,066	903,800	1,755,700	874,100
Railway and Irrigation Capital not charged to Revenue—					
Capital raised through Companies towards Outlay on State Railways (net)	C	963,636	2,110,700	1,488,000	1,850,000
Capital raised and deposited by Railway Companies (net)	"	1,448,684	410,100	—17,900	935,500
Debt, Deposits, and Advances—					
Permanent Debt (net Incurred)	C	3,413,480	7,200,800	16,755,900	4,164,000
Unfunded Debt (net Incurred)	"	879,611	846,500	532,400	608,000
Deposits and Advances (net)	"	1,087,936	...	1,009,800	...
Loans and Advances by Imperial Government (net Repayments)	"	112,637	3,500	245,600	56,200
Loans and Advances by Provincial Governments (net Repayments)	"	108,716	...	...	...
Capital Account of Local Boards	"	1,468	...	1,500	1,600
Remittances (net)	"	...	328,300	1,455,700	...
Secretary of State's Bills drawn	"	23,725,162	16,500,000	26,700,000	17,800,000
TOTAL RECEIPTS . . . . .	...	35,197,396	28,303,700	49,926,700	26,289,400
Opening Balance—India . . . . .	...	11,869,552	10,333,352	10,749,770	13,299,970
England . . . . .	...	7,294,782	10,338,282	10,262,581	8,144,581
TOTAL . . . . .	...	54,361,730	48,975,334	70,939,051	47,733,951

Government of India, in India and in England.

	For details, vide Statement.	DISBURSEMENTS.			
		Accounts, 1904-1905.	Budget Estimate, 1905-1906.	Revised Estimate, 1905-1906.	Budget Estimate, 1906-1907.
		£	£	£	£
Railway and Irrigation Capital not charged to Revenue—					
Outlay on Irrigation Works	C	361,172	833,400	541,200	833,300
Outlay on State Railways	"	5,897,023	6,852,000	8,640,500	7,997,900
Outlay of Railway Companies (net)	"	1,337,691	1,588,300	—222,200	2,032,900
Capital raised and deposited by Railway Companies— (Net payments for discharge of debentures) . . . . .	"	...	...	...	...
Capital involved in Redemption of Railway Liabilities	"	...	3,427,400	12,980,900	...
TOTAL CAPITAL ACCOUNT DISBURSEMENTS . . . . .	...	7,595,886	12,711,100	21,940,400	10,864,100
Debt, Deposits, and Advances—					
Temporary Debt (net Discharged)	C	1,833,333	500,000	500,000	...
Deposits and Advances (net)	"	...	1,009,900	...	970,300
Loans and Advances by Imperial Government (net Advances)	"	...	...	...	...
Loans and Advances by Provincial Governments (net Advances)	"	...	217,200	356,300	512,900
Remittances (net)	"	470,527	...	...	58,100
Secretary of State's Bills paid	"	23,449,633	16,803,600	26,697,800	17,803,800
TOTAL DISBURSEMENTS . . . . .	...	33,349,379	31,241,800	49,494,500	30,209,200
Closing Balance—India . . . . .	...	10,749,770	12,160,052	13,299,970	12,305,770
England . . . . .	...	10,262,581	5,573,482	8,144,581	5,218,981
TOTAL . . . . .	...	54,361,730	48,975,334	70,939,051	47,733,951

(of net 200,000 in fr. the purchase of the (india) to 22)

A. F. COX,
Comptroller General.

W. S. MEYER,
Secretary to the Government of India.

A.—Statement of the Revenue of the

HEADS OF REVENUE.	ACCOUNTS, 1904-1905.					REVISED	
	INDIA. (RUPEE FIGURES.)		Total India (converted into £ at Rs15=£1).	England.	TOTAL.	INDIA. (RUPEE FIGURES.)	
	Imperial.	Provincial and Local.				Imperial.	Provincial and Local.
	₹	₹	£	£	₹	₹	
Principal Heads of Revenue—							
I.—Land Revenue	13,81,59,554	14,61,50,400	18,953,997	...	18,953,997	12,44,33,000	16,09,98,000
II.—Opium	9,03,22,491	...	6,021,499	...	6,021,499	8,23,57,000	...
III.—Salt	7,93,74,293	9,47,227	5,354,768	...	5,354,768	6,41,80,000	8,70,000
IV.—Stamps	2,50,20,524	3,10,54,012	3,738,362	...	3,738,362	2,85,24,000	2,94,92,000
V.—Excise	5,66,74,723	2,36,26,645	5,353,424	...	5,353,424	5,54,45,000	2,93,57,000
VI.—Provincial Rates	48,031	4,23,19,188	2,824,481	...	2,824,481	2,000	4,16,17,000
VII.—Customs	6,52,26,475	2,00,087	4,361,771	...	4,361,771	6,47,74,000	99,000
VIII.—Assessed Taxes	1,32,40,904	58,06,128	1,269,802	...	1,269,802	1,36,09,000	60,24,000
IX.—Forest	1,44,19,821	96,10,129	1,601,997	...	1,601,997	1,58,60,000	1,09,88,000
X.—Registration	10,78,030	40,02,315	338,690	...	338,690	7,33,000	45,77,000
XI.—Tributes from Native States	95,07,654	...	633,844	...	633,844	89,09,000	...
TOTAL	49,30,72,500	26,37,17,031	50,452,635	...	50,452,635	45,88,26,000	28,40,22,000
XII.—Interest	83,75,927	19,66,687	689,108	160,471	849,579	87,14,000	19,15,000
XIII.—Post Office	2,35,26,151	53,555	1,575,980	...	1,575,980	2,48,50,000	30,000
XIV.—Telegraph	1,34,06,813	...	893,788	4,135	897,923	1,36,00,000	...
XV.—Mint	30,95,454	...	206,364	46	206,410	45,79,000	...
Receipts by Civil Departments—							
XVI.—Law and Justice { Courts	2,91,345	35,23,039	254,292	...	254,292	4,97,000	35,94,000
{ Jails	3,52,389	33,28,683	245,405	...	245,405	3,54,000	35,44,000
XVII.—Police	2,28,843	46,97,050	328,393	...	328,393	2,15,000	4,56,68,000
XVIII.—Marine	29,71,195	21,28,796	339,999	4,000	343,999	18,000,000	23,15,000
XIX.—Education	61,725	28,53,992	194,381	...	194,381	64,000	31,11,000
XX.—Medical	6,080	12,20,598	81,779	1,105	82,884	6,000	14,96,000
XXI.—Scientific and other Minor Departments	1,68,221	12,92,208	97,362	617	97,979	1,55,000	12,63,000
TOTAL	40,79,798	1,90,44,366	1,541,611	5,722	1,547,333	30,91,000	1,98,91,000
Miscellaneous—							
XXII.—Receipts in aid of Superannuation, etc	13,13,900	4,54,979	117,925	73,048	190,973	13,52,000	4,90,000
XXIII.—Stationery and Printing	4,19,119	6,57,557	71,778	...	71,778	3,99,000	6,71,000
XXIV.—Exchange	14,10,977	...	94,065	...	94,065	13,76,000	...
XXV.—Miscellaneous	9,57,689	40,03,196	330,726	2,584	333,310	10,91,000	38,76,000
TOTAL	41,01,685	51,15,732	614,494	75,632	690,126	42,18,000	50,37,000
Railways—							
XXVI.—State Railways (Gross Receipts)	34,28,78,650	6,22,955	22,900,107	230	22,900,337	35,48,35,000	6,80,000
XXVII.—Guaranteed Companies (Net Traffic Receipts)	1,61,22,268	...	1,074,814	...	1,074,814	1,36,90,000	...
XXVIII.—Subsidiary Companies (Government share of surplus profits and Repayment of Advances of Interest)	5,66,840	...	37,789	9,525	47,314	3,66,000	...
TOTAL	35,95,67,698	6,22,955	24,012,710	9,755	24,022,465	36,89,21,000	6,80,000
Irrigation—							
XXIX.—Major Works: Direct Receipts	1,94,47,520	1,04,67,451	1,994,331	...	1,994,331	1,22,21,000	1,58,43,000
Portion of Land Revenue due to Irrigation	1,33,98,743	...	893,250	...	893,250	1,36,80,000	...
XXX.—Minor Works and Navigation	11,91,068	15,60,751	183,455	...	183,455	9,75,000	15,69,000
TOTAL	3,40,37,331	1,20,28,202	3,071,036	...	3,071,036	2,68,76,000	1,74,12,000
Other Public Works—							
XXXI.—Military Works	6,81,931	...	45,462	...	45,462	7,02,000	...
XXXII.—Civil Works	2,87,877	67,15,060	466,862	26,229	493,091	3,34,000	65,68,000
TOTAL	9,69,808	67,15,060	512,324	26,229	538,553	10,36,000	65,68,000
Receipts by Military Department—							
XXXIII.—Army Effective	77,55,953	...	517,063	327,327	844,390	95,29,000	...
Non-Effective	13,46,318	...	89,755	26,786	116,541	13,74,000	...
TOTAL	91,02,271	...	606,818	354,113	960,931	1,09,03,000	...
TOTAL REVENUE	95,33,95,436	30,92,57,588	84,176,868	636,103	84,812,971	92,56,14,000	33,55,55,000

India, in India and in England.

ESTIMATE, 1905-1906.			BUDGET ESTIMATE, 1906-1907.							Increase + Decrease - of Budget, 1905-1907, as compared with Budget Estimate, 1905-1906.		Increase + Decrease - of Budget, 1906-1907, as compared with Revised Estimate, 1905-1906.	
Total India (converted into £ at Rs=£1).	England.	Total.	Increase + Decrease - of Revised, as compared with Budget Estimate, 1905-1906.	INDIA. (RUPEE FIGURES.)		Total India (converted into £ at Rs=£1).	England.	Total.	Increase + Decrease - of Budget, 1905-1907, as compared with Budget Estimate, 1905-1906.	Increase + Decrease - of Budget, 1906-1907, as compared with Revised Estimate, 1905-1906.			
				Imperial.	Provincial and Local.								
£	£	£	£	₹	₹	£	£	£	£	£			
19,028,700	...	19,028,700	-440,000	12,59,94,000	17,04,68,000	19,764,200	...	19,764,200	+295,500	+735,500			
5,490,500	...	5,490,500	+12,800	7,24,66,000	...	4,831,100	...	4,831,100	-646,600	-659,400			
4,336,700	...	4,336,700	+76,700	6,51,00,000	9,00,000	4,400,000	...	4,400,000	+140,000	+63,300			
3,667,700	...	3,667,700	+60,400	2,91,76,000	3,03,84,000	3,970,700	...	3,970,700	+163,400	+103,000			
5,653,500	...	5,653,500	+210,400	5,31,50,000	3,42,10,000	5,817,300	...	5,817,300	+374,200	+163,800			
2,774,600	...	2,774,600	-3,500	3,000	3,39,17,000	2,261,300	...	2,261,300	-516,800	-513,300			
4,324,900	...	4,324,900	-39,100	6,68,64,000	99,000	4,464,200	...	4,464,200	+100,200	+139,300			
1,308,800	...	1,308,800	+27,900	1,24,69,000	76,79,000	1,343,200	...	1,343,200	+62,300	+34,400			
1,789,900	1,300	1,791,200	+188,200	1,52,66,000	1,15,45,000	1,787,400	2,500	1,789,900	+186,500	-1,300			
354,000	...	354,000	+11,300	5,35,000	47,85,000	354,700	...	354,700	+12,000	+700			
593,900	...	593,900	-26,500	91,37,000	...	609,100	...	609,100	-11,300	+15,200			
49,523,200	1.	49,524,500	+78,600	45,01,60,000	29,38,87,000	49,603,200	2,500	49,605,700	+159,800	+81,200			
708,600	236,500	945,100	+139,700	87,76,000	23,81,000	743,800	109,200	853,000	+47,600	-92,100			
1,658,700	...	1,658,700	+50,400	2,59,00,000	6,000	1,727,100	...	1,727,100	+118,800	+68,400			
906,600	7,100	913,700	+4,600	1,40,00,000	...	933,300	4,800	938,100	+29,000	+24,400			
305,300	...	305,300	+199,800	30,29,000	...	201,900	...	201,900	+90,400	-103,400			
272,700	...	272,700	+8,600	2,88,000	37,10,000	266,500	...	266,500	+2,400	-6,200			
259,900	...	259,900	+14,700	3,20,000	36,00,000	261,300	...	261,300	+16,100	+1,400			
318,900	...	318,900	-5,400	1,37,000	45,17,000	310,300	...	310,300	-14,000	-8,600			
274,300	...	274,300	-5,900	21,45,000	23,28,000	298,200	...	298,200	+18,000	+23,900			
211,700	...	211,700	+5,700	24,000	32,74,000	219,900	...	219,900	+13,900	+8,200			
100,100	1,200	101,300	+7,100	5,000	12,12,000	81,100	1,000	82,100	-12,100	-19,200			
94,500	600	95,100	+300	1,35,000	12,91,000	95,100	500	95,600	+800	+500			
1,532,100	1,800	1,533,900	+25,100	30,54,000	1,99,32,000	1,532,400	1,500	1,533,900	+25,100	...			
122,800	70,800	193,600	+2,400	13,68,000	5,08,000	125,100	63,300	193,400	+2,200	-200			
71,300	...	71,300	+2,700	4,12,000	6,67,000	71,900	...	71,900	+3,300	+600			
91,700	...	91,700	+37,000	6,00,000	...	40,000	...	40,000	-14,700	-51,700			
331,200	47,200	378,400	-14,300	8,47,000	41,29,000	331,700	13,700	345,400	-47,300	-33,000			
617,000	118,000	735,000	+27,800	32,27,000	53,04,000	568,700	82,000	650,700	-56,500	-84,300			
23,701,000	200	23,701,200	+794,300	38,45,24,000	7,02,000	25,081,700	200	25,081,900	+2,775,000	+1,980,700			
912,700	...	912,700	+12,700	62,65,000	...	417,700	...	417,700	-482,300	-495,000			
26,400	17,900	44,300	-5,200	5,10,000	...	34,000	21,000	55,000	+5,500	+10,700			
24,640,100	18,100	24,658,200	+801,800	39,12,99,000	7,02,000	26,133,400	21,200	26,154,000	+2,298,200	+1,496,400			
1,870,900	...	1,870,900	-101,400	1,33,95,000	1,84,17,000	2,120,800	...	2,120,800	+148,500	+249,900			
912,000	...	912,000	-3,900	1,42,82,000	...	952,100	...	952,100	+36,200	+40,100			
169,600	...	169,600	+2,500	10,30,000	16,26,000	177,100	...	177,100	+10,000	+7,500			
2,952,500	...	2,952,500	-102,800	2,87,07,000	2,00,43,000	3,250,000	...	3,250,000	+194,700	+297,500			
46,800	...	46,800	+1,700	7,10,000	...	47,300	...	47,300	+2,200	+500			
460,100	17,800	477,900	+19,500	3,16,000	66,09,000	461,700	6,600	468,300	+9,900	-9,600			
506,900	17,800	524,700	+21,200	10,26,000	66,09,000	509,000	6,600	515,600	+12,100	-9,100			
635,300	315,000	948,300	+138,800	1,00,33,000	...	668,900	273,300	942,200	+132,700	-6,100			
91,600	38,000	129,600	+11,500	13,85,000	...	92,300	30,000	122,300	+4,200	-7,300			
726,900	351,000	1,077,900	+150,300	1,14,18,000	...	761,200	303,300	1,064,500	+136,900	-13,400			
84,077,900	751,600	84,829,500	+1,306,500	94,05,96,000	34,88,64,000	85,964,000	531,100	85,495,100	+3,062,100	+1,665,600			

B.—Statement of the Expenditure charged to the

HEADS OF EXPENDITURE.	ACCOUNTS, 1904-1905.					REVISED	
	INDIA. (RUPEE FIGURES.)		Total India (converted into £ at Rs=£1).	England.	TOTAL.	INDIA. (RUPEE FIGURES.)	
	Imperial.	Provincial and Local.				Imperial.	Provincial and Local.
Direct Demands on the Revenues—							
1.—Refunds and Drawbacks	26,08,075	7,59,284	224,490	...	224,490	25,04,000	8,79,000
2.—Assignments and Compensations	78,12,524	98,57,756	1,178,019	...	1,178,019	87,58,000	91,52,000
Charges in respect of Collection, viz. :—							
3.—Land Revenue	64,62,825	4,15,79,462	3,202,819	875	3,203,694	68,77,000	4,29,12,000
4.—Opium (including cost of Production)	2,94,71,634	...	1,964,775	2,310	1,967,085	2,84,19,000	...
5.—Salt (including cost of Production)	51,50,891	11,863	344,184	918	345,102	55,30,000	15,000
6.—Stamps	1,20,912	11,14,006	82,328	38,763	121,091	2,60,000	10,07,000
7.—Excise	24,83,418	11,38,685	24,14,773	841	242,314	25,30,000	13,45,000
8.—Provincial Rates . . . . .	...	5,49,613	36,641	...	36,641	...	5,74,000
9.—Customs	22,88,667	3,94,798	178,898	348	179,246	23,37,000	4,00,000
10.—Assessed Taxes	2,04,979	1,16,274	21,417	...	21,417	2,24,000	1,15,000
11.—Forest	79,84,821	49,83,035	864,524	4,614	869,138	86,80,000	54,95,000
12.—Registration	4,98,357	22,15,129	180,899	...	183,899	3,25,000	24,75,000
TOTAL	6,50,87,103	6,27,19,910	8,520,467	48,659	8,569,136	6,64,44,000	6,43,70,000
Interest—							
13.—Interest on Debt	3,53,68,100	74,85,960	2,856,937	4,423,911	7,280,848	3,36,23,000	1,00,83,000
Deduct—Amounts chargeable to Railways	5,52,17,951	61,510	3,685,298	1,378,746	5,064,044	5,84,74,000	48,000
" Amounts chargeable to Irrigation	94,49,130	57,79,233	1,015,224	...	1,015,224	73,07,000	82,97,000
Remainder chargeable on Ordinary Debt	2,92,98,981	16,45,211	1,843,585	3,045,165	1,201,580	3,21,58,000	17,38,000
14.—Interest on other obligations	66,53,390	27,084	445,365	...	445,365	69,16,000	22,000
TOTAL	2,26,45,591	16,72,295	1,398,220	3,045,165	1,646,945	2,52,42,000	17,60,000
15.—Post Office	1,92,16,411	12,85,272	1,366,779	153,034	1,519,813	2,05,67,000	10,00,000
16.—Telegraph	1,06,42,134	...	709,476	192,792	902,268	1,11,05,000	...
17.—Mint	15,52,767	...	103,518	14,359	117,877	16,18,000	...
Salaries and Expenses of Civil Departments							
18.—General Administration	77,67,698	1,02,80,299	1,203,200	272,236	1,475,436	81,89,000	1,11,83,000
19.—Law and Justice { Courts	12,02,911	3,33,63,636	2,337,770	480	2,338,250	12,04,000	3,48,12,000
Jails	19,30,680	86,67,278	706,530	19	706,549	20,27,000	96,24,000
20.—Police	23,88,026	4,49,84,871	3,158,193	622	3,158,815	24,81,000	4,77,77,000
21.—Marine (including River Navigation)	44,54,207	30,92,795	503,134	292,519	795,652	40,06,000	23,13,000
22.—Education	5,14,413	2,16,04,263	1,474,578	5,064	1,479,643	5,41,000	2,33,06,000
23.—Ecclesiastical	18,09,727	...	120,649	350	121,039	18,16,000	...
24.—Medical	6,60,843	1,41,98,818	990,644	6,196	996,840	6,91,000	1,47,68,000
25.—Political	1,11,84,070	6,09,611	786,245	4,094	790,339	1,33,88,000	6,63,000
26.—Scientific and other Minor Departments	41,96,279	33,38,352	502,309	34,891	537,200	48,46,000	42,65,000
TOTAL	3,61,08,854	14,06,39,923	11,783,252	616,511	12,399,763	3,91,89,000	14,97,11,000
Miscellaneous Civil Charges—							
27.—Territorial and Political Pensions	35,65,635	...	237,709	10,672	248,381	35,19,000	...
28.—Civil Furlough and Absentee Allowance	778	...	52	218,692	218,744	4,000	...
29.—Superannuation Allowance and Pensions	12,43,461	1,21,19,946	890,894	2,019,439	2,910,333	12,88,000	1,25,47,000
30.—Stationery and Printing	11,70,066	59,12,053	472,141	102,802	574,943	13,01,000	58,93,000
32.—Miscellaneous	8,34,724	28,61,325	246,403	65,986	312,389	14,46,000	28,79,000
TOTAL	68,14,664	2,08,93,324	1,847,199	2,417,591	4,264,790	75,58,000	2,13,19,000
Famine Relief and Insurance—							
33.—Famine Relief	136	31,029	2,078	...	2,078	7,92,000	12,55,000
34.—Construction of Protective Railways	14,56,817	...	97,121	18,691	115,812	7,4,000	...
35.—Construction of Protective Irrigation Works	32,25,200	...	215,013	...	215,013	46,4,000	...
—Reduction or Avoidance of Debt	1,00,06,451	...	667,097	...	667,097	73,95,000	...
TOTAL	1,46,88,604	31,029	981,309	18,691	1,000,000	1,35,70,000	12,55,000
Carried over	13,14,64,946	22,72,41,753	23,913,780	6,506,812	30,420,592	13,48,09,000	23,84,15,000

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

ACCOUNTS, 1904-1905.				REVISED ESTIMATE, 1905-1906.			
INDIA.		England.	TOTAL.	INDIA.		England.	TOTAL.
Amount in Rupees.	Equivalent in £ at Rs=£1.			Amount in Rupees.	Equivalent in £ at Rs=£1.		
5,20,09,868	3,466,858	1,241,439	4,608,297	5,50,17,000	3,667,800	1,170,500	4,838,300
39,79,599	218,440	237,307	435,747	35,05,000	233,700	265,700	499,400
TOTAL	5,52,79,467	3,685,298	1,378,746	5,85,22,000	3,901,500	1,436,200	5,337,700

Revenues of India, in India and in England.

ESTIMATE, 1905-1906.			Increase + Decrease — compared with Budget Estimate, 1905-1906.	BUDGET ESTIMATE, 1906-1907.					Increase + Decrease — of Budget, 1906-1907, as compared with Budget Estimate, 1905-1906.	Increase + Decrease — of Budget, 1906-1907 as compared with Revised Estimate, 1905-1906.	
Total India (converted into £ at Rs=£1).	England.	TOTAL.		INDIA. (RUPEE FIGURES.)		Total India (converted into £ at Rs=£1).	England.	TOTAL.			
£	£	£		Imperial.	Provincial and Local.	£	£	£			
225,500	...	225,500	+6,400	24,29,000	8,45,000	218,300	...	218,300	-800	£	7,200
1,194,000	...	1,194,000	+3,400	85,37,000	92,33,000	1,184,700	...	1,184,700	-5,900	£	-9,300
3,319,300	1,900	3,321,200	-56,800	71,11,000	4,49,64,000	3,471,700	1,300	3,473,000	+95,000	£	+151,800
1,894,600	1,800	1,896,400	+59,000	2,80,44,000	...	1,869,600	1,700	1,871,300	+33,900	£	-25,100
369,700	300	370,000	-3,300	55,69,000	15,000	372,300	200	372,500	-800	£	+2,500
84,500	40,100	124,600	-100	2,22,000	10,23,000	83,700	124,000	207,700	+83,000	£	+83,100
258,400	100	258,500	-10,100	27,14,000	16,57,000	291,400	100	291,500	+22,900	£	+33,000
38,300	...	38,300	-800	...	6,02,000	40,100	...	40,100	+1,000	£	+1,800
182,400	300	182,700	-6,200	24,34,000	4,36,000	191,300	200	191,500	+2,600	£	+8,800
22,600	...	22,600	+100	1,85,000	1,64,000	23,200	...	23,200	+700	£	+600
945,000	4,400	949,400	+22,900	87,16,000	59,56,000	978,100	7,400	985,500	+59,000	£	+36,100
186,700	...	186,700	-1,400	2,26,000	27,43,000	197,900	...	197,900	+9,800	£	+11,200
8,721,000	48,900	8,769,900	+13,100	6,61,97,000	6,76,38,000	8,922,300	134,900	9,057,200	+300,400	£	+287,300
2,913,800	4,419,500	7,333,300	+40,900	3,52,31,000	1,04,69,000	3,046,700	4,778,100	7,824,800	+532,400	£	+491,500
-3,001,500	1,436,200	5,337,700	+10,600	6,20,22,000	47,000	4,137,900	1,806,000	5,943,900	-595,600	£	-606,200
1,040,300	...	1,040,300	+8,000	77,46,000	8,442,000	1,079,200	...	1,079,200	-30,900	£	-38,900
-2,028,000	2,983,300	955,300	+59,500	-3,45,37,000	19,80,000	-2,170,400	2,972,100	801,700	-94,100	£	-133,600
462,500	...	462,500	-6,600	71,30,000	27,000	477,100	...	477,100	+8,000	£	+14,600
-1,565,500	2,983,300	1,417,800	+52,900	-2,74,07,000	20,07,000	-1,693,300	2,972,100	1,278,800	-86,100	£	-139,000
1,437,800	120,400	1,558,200	+14,700	2,27,94,000	2,83,000	1,538,500	62,400	1,600,900	+57,400	£	+42,700
740,300	327,900	1,068,200	+33,800	1,19,99,000	...	799,900	355,100	1,155,000	+120,600	£	+86,800
107,900	12,800	120,700	-2,600	14,65,000	...	97,700	41,600	139,300	+16,000	£	+18,600
1,291,500	290,700	1,582,200	+81,500	80,39,000	1,11,47,000	1,279,100	276,000	1,555,100	+54,400	£	-27,100
2,401,100	...	401,100	-10,100	9,11,000	3,67,05,000	2,507,700	500	2,508,200	+97,000	£	+107,100
776,700	200	776,900	+20,700	18,62,000	98,96,000	783,900	100	784,000	+27,800	£	+7,100
3,350,500	1,100	3,351,600	-203,200	21,84,000	5,42,19,000	3,760,200	1,500	3,761,700	+206,900	£	+410,100
421,300	256,500	677,800	-23,800	41,99,000	25,19,000	447,900	314,000	761,900	+60,300	£	+84,100
1,589,800	5,600	1,595,400	-243,700	6,42,000	2,79,59,000	1,906,700	6,100	1,912,800	+73,700	£	+317,400
121,100	300	121,400	-4,500	18,64,000	...	124,300	400	124,700	-1,200	£	+3,300
1,030,600	11,500	1,042,100	-38,800	6,22,000	1,60,11,000	1,108,900	9,200	1,118,100	+37,200	£	+76,000
936,700	5,700	942,400	+272,300	1,36,24,000	6,48,000	951,400	2,400	953,800	+283,700	£	+11,400
607,400	44,400	651,800	-88,000	53,59,000	54,87,000	723,000	80,000	803,000	+63,200	£	+151,200
12,526,700	616,000	13,142,700	-237,600	3,93,06,000	16,45,91,000	13,593,100	690,200	14,283,300	+903,000	£	+1,140,600
234,600	11,100	245,700	-16,000	36,28,000	...	241,900	10,800	252,700	-9,000	£	+7,000
300	230,500	230,800	-19,700	6,000	...	400	243,000	243,400	-7,100	£	+12,600
922,300	2,019,400	2,941,700	+100	11,66,000	1,33,35,000	966,700	2,021,500	2,988,200	+46,600	£	+46,500
479,600	90,700	570,300	+3,500	14,17,000	62,06,000	508,300	87,500	595,700	+28,900	£	+25,400
288,300	22,800	311,100	+56,100	8,18,000	26,24,000	229,500	14,000	243,500	-11,500	£	-67,600
1,925,100	2,374,500	4,299,600	+24,000	70,35,000	2,21,65,000	1,946,700	2,376,800	4,323,500	+47,900	£	+23,900
136,300	...	136,500	-75,200	13,50,000	67,36,000	539,100	...	539,100	+327,400	£	+402,600
49,300	8,600	57,900	+22,800	1,01,000	...	6,700	...	6,700	-28,400	£	-51,200
309,500	3,100	312,600	-67,400	65,14,000	...	434,300	6,700	441,000	+61,000	£	+128,400
493,000	...	493,000	+119,800	1,99,000	...	13,200	...	13,200	-360,000	£	-479,800
988,300	11,700	1,000,000	...	81,64,000	67,36,000	993,300	6,700	1,000,000	...	£	...
24,881,600	6,495,500	31,377,100	-101,700	12,95,53,000	26,34,20,000	26,198,200	6,639,800	32,838,000	+1,359,200	£	+1,460,900

BUDGET ESTIMATE, 1906-1907.			
INDIA.			
Amount in Rupees.	Equivalent in £ at Rs=£1.	England.	TOTAL.
5,84,24,000	5,894,900	1,535,600	5,410,500
36,48,000	243,000	270,400	513,400
6,20,69,000	4,137,900	1,806,000	5,943,900

B.—Statement of the Expenditure charged to the

HEADS OF EXPENDITURE.	ACCOUNTS, 1904-1905.					REVISÉ	
	INDIA. (RUPEE FIGURES.)		Total India (converted into £ at Rs=2s).	England.	TOTAL.	INDIA. (RUPEE FIGURES.)	
	Imperial.	Provincial and Local.				Imperial.	Provincial and Local.
	₹	₹	£	£	₹	₹	
Brought forward	13,14,64,946	22,72,41,753	23,913,780	6,506,812	30,440,592	13,48,09,000	23,84,15,000
Railway Revenue Account—							
38.—State Railways: Working Expenses	16,90,58,527	3,73,033	11,295,437	...	11,295,437	17,40,36,000	4,18,000
Interest on Debt	5,20,02,868	...	3,466,858	1,141,439	4,608,297	5,50,17,000	...
Annuities in purchase of Railways	...	...	...	3,009,333	3,009,333	...	...
Interest chargeable against Companies on Advances	32,15,083	61,516	218,440	237,307	455,747	34,57,000	48,000
Interest on Capital deposited by Companies	3,81,736	68,519	30,017	1,235,972	1,265,989	3,74,000	69,000
39.—Guaranteed Companies: Surplus Profits, Land, and Supervision	18,01,760	...	120,117	...	120,117	29,82,000	...
Interest	2,77,131	...	18,476	1,045,143	1,063,619	40,000	...
40.—Subsidized Companies: Land, etc.	7,49,583	3,965	50,237	...	50,237	7,17,000	1,00,000
41.—Miscellaneous Railway Expenditure	6,38,164	85,605	48,251	...	48,251	5,58,000	46,000
TOTAL	22,81,24,852	5,92,638	15,247,833	6,669,194	21,917,027	23,71,81,000	6,81,000
Irrigation—							
42.—Major Works: Working Expenses	90,73,504	49,55,708	875,281	...	875,281	65,49,000	69,34,000
Interest on Debt	94,49,130	57,79,233	1,015,224	...	1,015,224	73,07,000	82,97,000
43.—Minor Works and Navigation	44,78,165	89,29,582	893,850	1,998	895,848	30,28,000	1,15,12,000
TOTAL	2,30,00,799	1,87,64,523	2,784,355	1,998	2,786,353	1,68,84,000	2,67,43,000
Other Public Works—							
44.—Military Works	1,39,79,372	...	931,958	49,641	981,599	1,54,91,000	...
45.—Civil Works	1,04,43,283	6,01,22,917	4,704,413	73,882	4,778,295	1,08,62,000	6,84,13,000
45 A.—Construction of Railways charged to Provincial or Local Revenues	...	93,754	6,250	...	6,250	...	97,000
TOTAL	2,44,22,655	6,02,16,671	5,642,621	123,523	5,766,144	2,63,53,000	6,85,10,000
Army Services—							
46.—Army: Effective	20,15,07,143	...	13,433,809	3,632,491	17,066,300	20,14,59,000	...
Non-Effective	1,00,80,632	...	672,042	2,437,352	3,109,394	1,03,01,000	...
TOTAL	21,15,87,775	...	14,105,851	6,069,843	20,175,694	21,17,60,000	...
Special Defence Works—							
47.—Special Defences (1902)	5,38,613	...	35,908	92,387	128,295	12,14,000	...
TOTAL EXPENDITURE, IMPERIAL AND PROVINCIAL	61,91,39,640	30,68,15,585	61,730,348	19,463,757	81,194,105	62,82,01,000	33,43,49,000
Add—Portion of Allotments to Provincial Governments not spent by them in the year	...	91,30,866	608,724	...	...	...	85,91,000
Deduct—Portion of Provincial Expenditure defrayed from Provincial Balances	...	66,88,863	445,924	...	162,800	...	73,85,000
Total Expenditure charged to Revenue	61,91,39,640	30,92,57,588	61,893,148	19,463,757	81,356,905	62,82,01,000	33,55,55,000

Capital Expenditure not charged to Revenue—	ACCOUNTS, 1904-1905.			
	INDIA.		England.	Total.
	Amount in Rupees.	Equivalent in £ at Rs=2s.		
	₹	£	£	₹
48.—State Railways	6,60,28,941	4,401,930	1,495,093	5,897,023
49.—Irrigation Works	53,08,699	353,913	7,259	361,172
TOTAL	7,13,37,640	4,755,843	1,502,352	6,258,195
51.—Redemption of Liabilities	...	...	...	...

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

ESTIMATE, 1905-1906.				BUDGET ESTIMATE, 1906-1907.						Increase + Decrease — of Budget, 1906-1907, as compared with Budget Estimate, 1905-1906.	Increase + Decrease — of Budget, 1906-1907, as compared with Revised Estimate, 1905-1906.
Total India (converted into £ at Rs15=£1).	England.	TOTAL.	Increase + Decrease — of Revised, as compared with Budget Estimate, 1905-1906.	INDIA. (RUPEE FIGURES.)		Total India (converted into £ at Rs15=£1).	England.	TOTAL.			
				Imperial.	Provincial and Local.						
£	£	£	£	₹	₹	£	£	£	£	£	
24,881,600	6,495,500	31,377,100	—101,700	12,95,53,000	26,34,20,000	26,198,200	6,639,800	32,838,000	+ 1,359,200	+ 1,460,900	
11,630,300	...	11,630,300	+ 393,400	19,12,94,000	4,66,000	12,784,000	...	12,784,000	+ 1,547,100	+ 1,153,700	
3,667,800	1,170,500	4,838,300	+ 3,700	5,84,24,000	...	3,894,900	1,535,600	5,430,500	+ 595,900	+ 592,200	
...	3,013,800	3,013,800	+ 600	...	...	...	3,018,200	3,018,200	+ 5,000	+ 4,400
233,700	265,700	499,400	—14,300	35,98,000	47,000	243,000	270,400	513,400	—300	+ 14,000	
29,500	1,286,500	1,316,000	—26,300	7,55,000	70,000	55,000	1,414,100	1,469,100	+ 126,800	+ 153,100	
198,800	...	198,800	+ 30,000	34,000	...	2,300	...	2,300	—166,500	—196,500	
2,700	1,038,600	1,041,300	—3,200	4,000	...	300	584,800	585,100	—459,400	—456,200	
54,500	...	54,500	—21,500	10,00,000	1,50,000	76,700	...	76,700	+ 700	+ 22,200	
40,300	...	40,300	—21,900	6,79,000	11,000	46,000	...	46,000	—16,200	+ 5,700	
15,857,600	6,775,100	22,632,700	+ 340,500	25,57,88,000	7,44,000	17,102,200	6,823,100	23,925,300	+ 1,633,100	+ 1,292,600	
898,900	...	898,900	+ 44,800	67,03,000	68,14,000	901,100	...	901,100	+ 47,000	+ 2,200	
1,040,300	...	1,040,300	—8,000	77,46,000	84,42,000	1,079,200	...	1,079,200	+ 30,900	+ 38,900	
969,400	...	969,400	—21,600	42,74,000	1,09,15,000	1,012,600	...	1,012,600	+ 21,600	+ 43,200	
2,908,600	...	2,908,600	+ 15,200	1,87,23,000	2,61,71,000	2,992,900	...	2,992,900	+ 99,500	+ 84,300	
1,032,800	45,100	1,077,900	—71,200	1,70,85,000	...	1,139,000	30,400	1,169,400	+ 20,300	+ 91,500	
5,285,000	73,400	5,358,400	—178,500	96,74,000	7,46,20,000	5,619,600	70,300	5,689,900	+ 153,000	+ 331,500	
6,400	...	6,400	—7,200	...	23,000	4,900	...	4,900	—8,700	—1,500	
6,324,200	118,500	6,442,700	—256,900	2,67,59,000	7,46,93,000	6,763,500	100,700	6,864,200	+ 164,600	+ 421,500	
13,430,400	2,938,300	16,368,700	—829,300	20,34,67,000	...	13,564,400	3,199,300	16,763,700	—	+ 395,000	
686,700	2,384,900	3,071,600	—12,700	1,01,92,000	...	679,500	2,403,500	3,083,000	—1,300	+ 11,400	
14,117,100	5,323,200	19,440,300	—842,000	21,36,59,000	...	14,243,900	5,602,800	19,846,700	—435,600	+ 405,400	
80,900	111,100	192,000	—61,200	20,33,000	...	135,500	96,000	231,500	—21,700	+ 39,500	
64,170,000	18,823,400	82,993,400	—906,100	64,65,15,000	36,50,28,000	67,436,200	19,262,400	86,698,600	+ 2,799,100	+ 3,705,200	
572,700 492,300	...	80,400	+ 1,450,700	{	4,53,000 1,66,17,000	{ 30,200 1,107,800 }	...	1,077,600	+ 292,700	—1,158,000	
64,250,400	18,823,400	83,073,800	+ 544,600	64,65,15,000	34,88,64,000	66,358,600	19,262,400	85,621,000	+ 3,031,800	+ 2,547,200	

REVISED ESTIMATE, 1905-1906.				BUDGET ESTIMATE, 1906-1907.			
INDIA.		England.	Total.	INDIA.		England.	Total.
Amount in Rupees.	Equivalent in £ at Rs15=£1.			Amount in Rupees.	Equivalent in £ at Rs15=£1.		
₹	£	£	£	₹	£	£	£
9,86,72,000	6,578,100	2,062,400	8,640,500	6,68,09,000	4,453,900	3,544,000	7,997,900
77,21,000	514,700	26,500	541,200	1,18,10,000	787,300	46,000	833,300
10,63,93,000	7,092,800	2,088,900	9,181,700	7,86,19,000	5,241,200	3,590,000	8,831,200
...	...	12,980,900	12,980,900	...	...	...	...

C.—Statement of Receipts and Disbursements of the

	ACCOUNTS, 1904-1905.			REVISED ESTIMATE, 1905-1906.			BUDGET ESTIMATE, 1906-1907.		
	India.	England.	Total.	India.	England.	Total.	India.	England.	Total.
	£	£	£	£	£	£	£	£	£
Revenue (from Statement A)	84,176,868	636,103	84,812,971	84,077,900	751,600	84,829,500	85,964,000	531,100	86,495,100
Excess of Revenue over Expenditure charged to Revenue.			3,456,066	...	...	1,755,700	...	...	874,100
Railway and Irrigation Capital not charged to Revenue—									
Capital raised through Companies towards outlay on State Railways (net)	963,636	...	963,636	1,488,000	...	1,488,000	1,850,000	...	1,850,000
OUTLAY OF RAILWAY COMPANIES—									
Repayments	940,297	13,218	953,515	835,400	2,700	838,100	809,200	1,800	811,000
NET			0			222,200			0
RAISED AND DEPOSITED BY RAILWAY COMPANIES—									
On account of Subscribed Capital	8,649	1,501,250	1,509,899	69,200	1,149,600	1,218,800	35,500	3,618,300	3,653,800
NET			1,448,684			0			935,500
Permanent Debt Incurred—									
<i>Sterling Debt—</i>									
India Stock	...	2,500,000	...	...	2,000,000	...	...	2,000,000	...
B. B. C. I. Debentures	...	...	...	...	12,480,400	...	...	...	...
<i>Rupee Debt—</i>									
Rupee Loan	2,000,000	...	...	2,666,700	...	...	3,000,000	...	...
TOTAL NET	2,000,000	2,500,000	4,500,000	2,666,700	14,480,400	17,147,100	3,000,000	2,000,000	5,000,000
			3,413,480			16,755,900			4,164,000
Temporary Debt Incurred—									
Temporary Loans	...	500,000	500,000	466,700	...	466,700	...	...	...
NET			0			0			0
Unfunded Debt—									
Deposits of Service Funds	99,221	...	...	99,500	...	...	100,000	...	...
Savings Bank Deposits	...	...	...	...	...	...	...	...	...
TOTAL NET	4,025,775	...	...	4,950,300	...	...	4,108,400	...	...
	4,124,996	...	4,124,996	4,149,800	...	4,149,800	4,208,400	...	4,208,400
			879,611			532,400			608,000
Deposits and Advances—									
Balances of Provincial Allotments	608,724	...	...	572,700	...	...	30,200	...	...
Appropriation for Reduction or Avoidance of Debt	667,097	...	...	493,000	...	...	13,200	...	...
Excluded Local Funds	813,161	...	...	759,900	...	...	746,400	...	...
Railway Funds	60,981	...	...	52,800	...	...	20,000	...	...
Deposits of Sinking Funds	10,280	...	...	10,600	...	...	11,200	...	...
Gold Reserve Fund	1,790,380	(a)2,000,112	...	3,488,700	(b)6,488,400	...	...	3,324,200	...
Currency Reserve: Council Bills appropriated	...	...	...	...	1,333,300	...	...	...	...
Currency Reserve: Bonds drawn	...	...	...	...	...	...	...	...	...
Currency Reserve: gold transferred	...	...	...	1,045,000	...	...	...	1,045,000	...
Departmental and Judicial Deposits	18,846,014	...	...	19,351,100	...	...	19,425,400	...	...
Advances	8,815,675	15,954	...	4,214,600	16,500	...	3,698,000	11,500	...
Suspense Accounts	137,258	...	...	66,800	...	...	28,800	...	...
Exchange on Remittance Accounts, net	10,294	...	...	9,500	...	...	...	...	...
Miscellaneous	14,855	...	...	...	...	...	3,800	...	...
TOTAL NET	31,780,719	2,016,066	33,796,785	30,064,700	7,838,200	37,902,900	23,983,000	4,412,400	28,395,400
Carried over	123,995,165	7,166,637	1,087,930	123,818,400	24,222,500	1,009,800	119,850,100	10,563,600	0

(a) Includes £700,396 remitted from India by means of Council Bills.

(b) Ditto £3,543,000 Ditto Ditto.

Government of India, in India and in England.

	ACCOUNTS, 1904-1905.			REVISED ESTIMATE, 1905-1906.			BUDGET ESTIMATE, 1906-1907.		
	India.	England.	Total.	India.	England.	Total.	India.	England.	Total.
Expenditure, Imperial and Provincial (from Statement B)	£ 61,730,348	£ 19,463,757	£ 81,194,105	£ 64,170,000	£ 18,823,400	£ 82,993,400	£ 67,436,200	£ 19,262,400	£ 86,698,600
<i>Add</i> —Provincial Surpluses transferred to "Deposits"	608,724	...	608,724	572,700	...	572,700	30,200	...	30,200
<i>Deduct</i> —Provincial Deficits charged to "Deposits"	445,924	...	445,924	492,300	...	492,300	1,107,800	...	1,107,800
TOTAL	61,893,148	19,463,757	81,356,905	64,250,400	18,823,400	83,073,800	66,358,600	19,262,400	85,621,000
Excess of Expenditure charged to Revenue, over Revenue—			0			0			0
Railway and Irrigation Capital not charged to Revenue—									
OUTLAY ON IRRIGATION WORKS	353,913	7,259	361,172	514,700	26,500	541,200	787,300	46,000	833,300
OUTLAY ON STATE RAILWAYS	4,411,930	1,495,993	5,897,923	6,578,100	2,062,400	8,640,500	4,453,900	3,544,000	7,997,900
CAPITAL CHARGE INVOLVED IN REDEMPTION OF LIABILITIES	...	...	...	...	12,980,900	12,980,900	...	...	...
OUTLAY OF RAILWAY COMPANIES—									
Payments for Capital outlay	1,221,361	1,069,845	2,291,206	—626,000	1,241,900	615,900	671,200	2,172,700	2,843,900
NET			1,337,691			0			2,032,900
RAISED AND DEPOSITED BY RAILWAY COMPANIES—									
Payments for discharge of Debentures	...	61,215	61,215	...	1,236,700	1,236,700	...	2,718,300	2,718,300
NET			0			17,900			0
Permanent Debt Discharged—									
<i>Sterling Debt</i> —									
India 5 p. c. Stock	...	100	...	...	...	...	...	...	...
India 4 p. c. Stock	...	...	...	...	100	...	...	...	...
G. I. P. Railway Debentures	...	1,002,100	...	...	250,000	...	...	...	...
B. B. C. I. Railway Debentures	...	...	...	...	...	...	...	749,900	...
<i>Ruppes Debt</i> —									
4½ p. c. Loans	33	...	...	300	...	...	700	...	...
4 p. c. Loans	83,274	...	...	82,700	...	...	84,000	...	...
3½ p. c. Loans	1,013	...	...	1,300	...	...	1,300	...	...
Stock Notes	...	...	...	100	...	...	100	...	...
Provincial Debentures	...	...	...	56,700	...	...	...	...	...
TOTAL	84,320	1,002,200	1,086,520	141,100	250,100	391,200	86,100	749,900	836,000
NET			0			0			0
Temporary Debt Discharged—									
Temporary Loans	333,333	2,000,000	2,333,333	466,700	500,000	966,700	...	...	...
NET			1,833,333			500,000			0
Unfunded Debt—									
Special Loans	672	...	...	500	...	...	500	...	...
Deposits of Service Funds	81,920	...	...	84,300	...	...	84,100	...	...
Savings Bank Deposits	3,162,793	...	...	3,332,600	...	...	3,515,800	...	...
TOTAL	3,245,385	...	3,245,385	3,617,400	...	3,617,400	3,600,400	...	3,600,400
NET			0			0			0
Deposits and Advances—									
Balances of Provincial Allotments	44,5924	...	...	492,300	...	...	1,107,800	...	...
Excluded Local Funds	799,512	...	...	741,100	...	...	711,300	...	...
Railway Funds	61,068	...	...	77,000	...	...	24,600	...	...
Gold Reserve Fund	1,805,538	2,000,112	...	3,641,200	6,488,400	...	...	3,324,200	...
Currency Reserve: sums invested	...	...	...	...	1,333,300	...	...	31,700	...
Do. gold transferred	...	...	...	...	1,045,000	...	1,045,000	...	...
Departmental and Judicial Deposits	18,583,072	...	...	19,247,300	...	...	19,380,100	...	...
Advances	8,808,307	118,775	...	3,777,900	6,000	...	3,724,200	1,500	...
Suspense Accounts	71,406	...	...	41,400	...	...	15,300	...	...
Miscellaneous	15,027	108	...	2,200	...	...	...	...	...
TOTAL	30,589,854	2,118,995	32,708,849	28,020,400	8,872,700	36,893,100	26,008,300	3,357,400	29,365,700
NET			0			0			970,300
Carried over	102,123,244	27,218,364		102,962,800	45,994,600		101,995,800	31,850,700	

FINANCIAL STATEMENT OF THE

C.—Statement of Receipts and Disbursements of the

	ACCOUNTS, 1904-1905.			REVISED ESTIMATE, 1905-1906.			BUDGET ESTIMATE, 1906-1907.		
	India.	England.	Total.	India.	England.	Total.	India.	England.	Total.
	£	£	£	£	£	£	£	£	£
Brought forward . . .	123,995,165	7,166,637		123,818,400	24,222,500		119,850,100	10,563,600	
Loans and Advances by Imperial Government . . .	323,481	...	323,481	447,300	...	447,300	275,900	...	275,900
NET . . .			112,637			245,600			56,200
Loans and Advances by Provincial Governments . . .	520,020	...	520,020	439,300	...	439,300	474,000	...	474,000
NET . . .			108,716			0			0
Capital of Local Boards NET . . .	1,468	...	1,468	28,200	...	28,200	88,300	...	88,300
Remittances— Inland Money Orders . . .	22,615,846	...		23,533,300	...		24,200,000	...	
Other Local Remittances . . .	...	...		300,800	...		351,300	...	
Other Departmental Accounts . . .	508,182	...		969,500	...		241,000	...	
Net Receipts by Civil Treasuries from— Post Office . . .	920,401	...		619,500	...		624,700	...	
Guaranteed Railways . . .	1,414,100	...		1,263,500	...		712,000	...	
Public Works . . .	3,653,677	...		3,091,000	...		3,907,800	...	
Net Receipts from Civil Treasuries by— Telegraph . . .	76,980	...		109,700	...		119,500	...	
Marine . . .	272,374	...		205,800	...		206,600	...	
Military . . .	13,301,965	...		13,242,100	...		13,193,900	...	
Remittance Account between England and India— Gold remitted from India . . .	9,738	4,090,388		...	400,300		...	...
Purchase of silver . . .	4,141,068	...		8,735,300	...		1,000,000	...	
Railway transactions . . .	2,624,257	1,781,056		1,832,000	1,491,700		2,209,500	1,853,500	
Other " . . .	1,366,771	1,016,485		5,108,300	1,839,300		3,031,200	2,089,500	
TOTAL . . .	50,905,359	6,887,929	57,793,288	59,070,800	3,731,300	62,802,100	49,797,500	3,943,000	53,740,500
NET . . .			0			1,455,00			0
Secretary of State's Bills drawn . . .	...	(a) 23,725,162	23,725,162	...	(b) 26,700,000	26,700,000	...	17,800,000	17,800,000
TOTAL RECEIPTS . . .	175,745,493	37,779,728		183,804,000	54,653,800		170,485,800	32,306,600	
Opening Balance . . .	11,869,552	7,294,782		10,749,770	10,262,581		13,299,970	8,144,581	
GRAND TOTAL . . .	187,615,045	45,074,510		194,553,770	64,916,381		183,785,770	40,451,181	

(a) In addition to £700,396 for remittance of the Gold Reserve Fund.

(b) In addition to £3,543,000 ditto ditto ditto. and £1,333,300 on account of Currency Investment.

L. E. PRITCHARD,
Deputy Comptroller General.FORT WILLIAM,
FINANCE DEPARTMENT;

March 21, 1906.

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

	ACCOUNTS, 1904-1905.			REVISED ESTIMATE, 1905-1906.			BUDGET ESTIMATE, 1906-1907.		
	India.	England.	Total.	India.	England.	Total.	India.	England.	Total.
	£	£	£	£	£	£	£	£	£
Brought forward	102,123,244	27,218,364		102,962,800	45,994,600		101,965,800	31,850,700	
Loans and Advances by Imperial Government	210,844	...	210,844	201,700	...	201,700	219,700	...	219,700
NET			0			0			0
Loans and Advances by Provincial Governments	411,304	...	411,304	795,600	...	795,600	986,900	...	986,900
NET			0			356,300			512,900
Capital Account of Local Boards	...	...	...	26,700	...	26,700	86,700	...	86,700
Remittances—									
Inland Money Orders	22,592,446	...		23,533,300	...		24,200,000	...	
Other Local Remittances	63,277	...		359,400	...		351,300	...	
Other Departmental Accounts	511,800	...		969,500	...		241,000	...	
Net payments into Civil Treasuries by—									
Post Office	920,317	...		619,500	...		624,700	...	
Guaranteed Railways	1,414,100	...		1,263,500	...		712,000	...	
Public Works	3,577,647	...		2,465,500	...		3,907,800	...	
Net Issues from Civil Treasuries to—									
Telegraph	74,142	...		109,700	...		119,500	...	
Marine	271,980	...		205,800	...		206,600	...	
Military	13,301,965	...		13,242,100	...		13,193,900	...	
Remittance Account between England and India—									
Gold remitted from India	4,500,001	...		...	...		...	...
Purchase of Silver	...	4,540,378		...	8,574,000		...	750,000	
Railway transactions	1,763,637	2,641,676		1,491,700	1,832,000		1,853,500	2,209,500	
Other	1,678,938	411,511		6,309,200	371,200		5,006,800	422,000	
TOTAL	50,670,250	7,593,565	58,263,815	50,569,200	10,777,200	61,346,400	50,417,100	3,381,500	53,798,600
NET			470,527			0			58,100
Secretary of State's Bills paid	(a) 23,449,633	...	23,449,633	(b) 26,697,800	...	26,697,800	17,803,800	...	17,803,800
TOTAL DISBURSEMENTS	176,865,275	34,811,929		181,253,800	56,771,800		171,480,000	35,232,200	
Closing Balance	10,749,770	10,262,581		13,299,970	8,144,581		12,305,770	5,218,981	
GRAND TOTAL	187,615,045	45,074,510		194,553,770	64,916,381		183,785,770	40,451,181	

(a) In addition to £700,396 for payment from the Gold Reserve Fund.

(b) In addition to £3,543,000 for payment from the Gold Reserve Fund and to £1,333,300 for payment from the Currency Reserve.

—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.	Berar.	Burma.	Eastern Bengal and Assam.	Bengal.	United Provinces of Agra and Oudh.	Punjab.	N.-W. Frontier Province.	Madras.	Bombay.	TOTAL.	Equivalent in £ at Rs 15 = £1.
	R	R	R	R	R	R	R	R	R	R	R	R	£
Accounts, 1904-1905.													
Balance at end of 1903-1904 . . .	1,63,422	18,24,521	10,00,322	99,46,279	31,67,627	1,67,75,446	1,00,78,268	50,69,817	1,42,507	1,43,54,113	66,76,646	6,91,98,968	4,613,264
ded in 1904-1905 . . .	...	...	91,704	...	...	...	...	50,54,891	...	...	39,84,271	91,30,866	608,724
ent in 1904-1905 . . .	14,981	7,02,146	...	15,70,179	1,46,185	11,92,604	7,92,486	...	5,919	22,64,363	...	66,88,863	445,924
Balance at end of 1904-1905 . . .	1,48,441	11,22,375	10,92,026	83,76,100	30,21,442	1,55,82,842	92,85,782	1,01,24,708	1,36,588	1,20,89,750	1,06,60,917	7,16,40,971	4,776,064
Revised Estimate, 1905-1906.													
Balance at end of 1904-1905 (by Accounts) . . .	1,48,441	11,22,375	10,92,026	83,76,100	30,21,442	1,55,82,842	92,85,782	1,01,24,708	1,36,588	1,20,89,750	1,06,60,917	7,16,40,971	4,776,064
ded in 1905-1906 . . .	...	33,63,000	87,000	...	35,81,000	8,95,000	...	...	25,000	6,40,000	...	85,91,000	572,700
ent in 1905-1906 . . .	26,000	...	...	17,85,000	45,000	...	34,22,000	20,81,000	...	...	26,000	73,85,000	492,300
Balance at end of 1905-1906 . . .	1,22,441	44,85,375	11,79,026	65,91,100	65,57,442	1,64,77,842	58,63,782	80,43,708	1,61,588	1,27,29,750	1,06,34,917	7,28,46,971	4,856,464
Budget Estimate, 1906-1907.													
Balance at end of 1905-1906 (by Revised Estimate) . . .	1,22,441	56,64,401	...	65,91,100	65,57,442	1,64,77,842	58,63,782	80,43,708	1,61,588	1,27,29,750	1,06,34,917	7,28,46,971	4,856,464
ded in 1906-1907 . . .	...	4,53,000	...	...	...	...	...	...	...	...	...	4,53,000	30,200
ent in 1906-1907 . . .	16,000	...	...	20,99,000	20,72,000	28,68,000	28,52,000	19,26,000	19,000	7,26,000	40,39,000	1,66,17,000	1,107,800
Balance at end of 1906-1907 . . .	1,06,441	61,17,401	...	44,92,100	44,85,442	1,36,09,842	30,11,782	61,17,708	1,42,588	1,20,03,750	65,95,917	5,66,82,971	3,778,864

(a) Excludes balance of Local Funds of Eastern Bengal on 15th October 1905.

L. E. PRITCHARD,
Deputy Comptroller General.

A. F. COX,
Comptroller General.

W. S. MEYER,
Secretary to the Government of India.

FORT WILLIAM,
NANCE DEPARTMENT;
March 21, 1906.

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

REVENUE AND EXPENDITURE.	Accounts, 1904-1905.				Revised Estimate, 1905-1906.		Budget Estimate, 1906-1907.		
	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)	18,053,997	727,596	3,293,694	15,022,797		14,966,400		15,554,700	
Opium	6,021,499	3,415	1,967,085	4,950,999		3,599,500		5,950,300	
Salt	5,354,768	261,302	345,102	4,748,364		3,701,900		5,704,100	
Stamps	3,738,362	41,260	121,091	3,556,011		3,695,200		3,720,600	
Excise	5,353,424	47,226	242,314	5,063,884		5,343,500		5,474,500	
Provincial Rates	2,824,481	4,123	36,641	2,783,717		2,731,400		2,717,300	
Customs	4,061,771	94,739	179,246	4,037,786		4,052,200		4,178,700	
Assessed Taxes	1,209,802	6,704	21,417	1,241,681		1,277,800		1,312,500	
Forest	1,601,997	2,835	869,138	730,024		838,800		801,500	
Registration	338,690	769	180,899	157,022		166,400		155,900	
Tributes	633,844	212,540	...	421,304		389,400		412,100	
Total	50,452,635	1,402,509	7,166,627	41,883,499		40,754,600		40,548,500	
Total deduction from Revenue			8,569,136						
<i>Expenditure Heads.</i>									
Debt Services	849,579	1,646,945			797,366		472,700		425,800
Commercial Services	1,575,980	1,519,813		56,167		100,500		126,200	
{ Post Office	897,923	902,268					154,500		
{ Telegraph	24,022,405	21,917,027		2,105,438		2,025,500		2,229,300	
{ Railways	3,071,036	2,786,353		284,683		43,900		257,100	
{ Irrigation									
Other Public Works	45,462	981,599			936,137		1,031,100		1,122,100
{ Military	493,091	4,784,545			4,291,454		4,886,900		5,226,500
{ Civil									
Mint	206,410	117,877		88,533		184,600		62,600	
Civil Departments	1,547,333	12,399,793			10,852,430		11,608,800		12,749,400
Miscellaneous Civil Services	190,973	2,910,333			2,719,360		2,748,100		2,704,800
{ Superannuation	94,005			94,005		91,700		40,000	
{ Miscellaneous	333,310	312,389		20,921		67,300		101,900	
{ Other heads	71,778	1,042,068							
Famine Relief and Insurance		2,078			2,078		136,500		539,100
{ Famine Relief		997,922			997,922		863,500		460,900
{ Other heads									
Army Services	844,390	17,066,300		16,221,910		15,420,400		15,821,500	
{ Effective	116,541	3,109,394		2,992,853		2,942,000		2,960,700	
{ Non-effective	...	128,295		128,295		192,000		231,500	
{ Special Defences (1902)									
Total	84,812,971	81,194,105		3,618,866		1,836,100		203,500	
Provincial Adjustment		162,800			162,800		80,400		1,077,600
{ Surplus									
{ Deficit									
Total	84,812,971	81,356,905		3,456,066		1,755,700		874,100	
Surplus				3,456,066		1,755,700		874,100	
Capital Account									
{ Railway and Irrigation Capital not charged to Revenue									
{ Capital raised through Companies towards outlay on State Railways			(net)	963,636		1,488,000		1,850,000	
{ Capital raised and deposited by Railway Companies			(net)	1,448,684		-17,900		935,500	
{ Outlay on Irrigation Works					361,172	541,200		833,300	
{ Outlay on State Railways					5,897,023	8,640,500		7,997,900	
{ Outlay of Railway Companies			(net)		1,337,691	-222,200		2,022,900	
{ Capital involved in Redemption of Railway Liabilities						12,980,900			
Debt, Deposits, Advances, and Remittances									
{ Permanent Debt			(net)	3,413,480		16,755,900		4,164,000	
{ Temporary Debt			(net)		1,833,333		500,000		
{ Unfunded Debt			(net)	879,611		532,400		608,000	
{ Loans and Advances by Imperial Government			(net)	112,637		245,600		56,200	
{ Loans and Advances by Provincial Governments			(net)	108,716			356,300		512,900
{ Capital Account of Local Boards			(net)	1,468		1,500		1,600	
{ Deposits and Advances			(net)	1,087,936		1,000,800		970,300	
{ Remittances			(net)			1,455,700		58,100	
{ Secretary of State's Bills drawn			(net)	23,725,162	470,527	26,700,000		17,800,000	
{ Secretary of State's Bills paid			(net)		23,449,633		26,697,800		17,803,800
Cash Balance									
{ Opening Balance			(net)	35,197,396	33,349,379	49,026,700	49,494,500	26,289,400	30,209,200
{ Closing Balance			(net)	19,164,334		21,012,351		21,444,551	
Total				54,361,730	54,361,730	70,039,051	70,039,051	47,733,951	47,733,951

L. E. PRITCHARD,
Deputy Comptroller General.

A. F. COX,
Comptroller General.

W. S. MEYER,
Secretary to the Government of India,

FORT WILLIAM,
FINANCE DEPARTMENT;
March 21, 1906.

APPENDIX II.

Memorandum by the Hon'ble Major-General C. H. Scott, C.B.,
R.A., on Army, Military Works, Special Defences, and
Marine Expenditure for the years 1905-1906 and 1906-1907.

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

- I.—The Indian Army Estimates.
- II.—The Home (India) Army 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) Army Estimates together the net expenditure in 1906-1907 will, it is estimated, be less than that provided in the Budget of 1905-1906 by £572,600.

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 institute during the ensuing year.

Budget, 1905-1906.

4. As mentioned in Sir Edmond Elles' Budget Memorandum of the 22nd March 1905, the sum of 331 lakhs—£2,206,666—[including 50 lakhs (£333,333) on account of lapses in the Home and Indian Estimates of 1904-05] was provided in this year's Army Estimates towards carrying out the scheme for the reorganization of the Army in India framed by His Excellency the Commander-in-Chief. Of this sum, 144 lakhs (£960,000) were allotted for the rearmament of horse and field artillery. Among other important measures introduced, the following may be mentioned :—

*Army
Reorganization.*

- Increase to the reserves of artillery ammunition and small arms ammunition ;
- Increase to the reserve of rifles ;
- Increase of ammunition columns due to the extra ammunition required in the field ;
- Provision of mobilization equipment for the increased field army ;
- Reorganization of the Supply and Transport Corps ;
- Provision of additional army transport carts ;
- Addition of 90 officers to the Indian Army ;
- Creation of the appointment of Inspector General of Ordnance Factories ;
- Formation of an additional railway company of sappers and miners ;
- Purchase of horses for Q. F. batteries ;
- Provision of local stores for field hospitals and of additional maps for the field army ;
- Erection of machinery in connection with the expansion of Ordnance Factories ;
- Acquisition of land for the extension of cantonments and buildings in connection with the redistribution of the army.

The manufacturing capacity of the Alipore and Madras factories being insufficient to meet the large demands for made up clothing for troops, and any extension of these factories at a reasonable cost not being practicable, it has been decided to start a factory at Fatehgarh where labour is cheap and the buildings of the late gun carriage factory are available for the purpose. The measure is at present on an experimental basis in order to test local conditions.

*Additional
Factory.*

General requirements.

The introduction of the double company organization into the 42nd Deoli, 43rd Erinpura and 44th Merwara Infantry, which involves an extra expenditure of R7,380 (£492) annually, was sanctioned by the Secretary of State in 1905.

Owing to the number of troops now located in Northern India, and the distance of Bombay from the Punjab, it was desirable to adopt Karachi as a port for the embarkation and disembarkation of troops between India and England. Other military considerations also rendered the establishment of troop-ing at Karachi desirable.

The measure has been sanctioned by the Secretary of State. It will involve an initial expenditure of R20,108 (£1,340) and an annual saving of recurring expenditure of R37,684 (£2,512).

In 1903 sanction was accorded tentatively to the supply of regimental necessities to British troops in India by the Army Clothing Department, instead of under regimental arrangements. This change of system which has been found to conduce to greater rapidity and convenience of supply has now been permanently adopted.

A new system of clothing the native army was introduced on 1st April 1905, when the following measures were approved :—

- (a) increase of kit money on enrolment from R30 to R40;
- (b) purchase by the State of all rights to compensation with a view to their extinction;
- (c) grant of an annual consolidated allowance in lieu of issues of clothing in kind.

With the amounts under (a) and (c) the soldier obtains his uniform on payment from clothing factories as he requires it, without being subjected to deductions from pay. An annual saving of R17,930 (£1,195) will result from these measures.

The pay of officers of the Army Veterinary Department below the rank of lieutenant-colonel was increased with effect from the 30th April 1905 as follows :—lieutenants from R400 to R480 a month; captains from R450, R500, and R600 to R570 and R650; majors from R700 to R750. The cost involved comes to R50,000 (£3,333) a year.

Two officers have been added to the Army Remount Department, the annual charges on this account being R20,859 (£1,390). The strength of the Department is now 25 officers including 9 officers of the Army Veterinary Department.

In order to ensure effective supervision and control over the horse and mule-breeding operations carried on by grantees of land on the Jhelum canal and Chenab canal it is proposed to withdraw four of the six districts comprising the Jhelum Canal Colony Circle and to form them into a separate circle designated the Chenab Canal Colony Circle. The cost involved is estimated at R48,375 (£3,225) a year.

With a view to removing administrative inconvenience the three presidential lists of military assistant surgeons have been amalgamated for all general service purposes. For purposes of promotion to the senior grades men now in the service will continue to be borne on their respective lists until they are absorbed.

The conditions of service of hospital assistants in army employ have been improved by the grant to them of the following concessions :—

- (a) free passage when proceeding on or returning from leave on reduced pay for a period of not less than six months;
- (b) pension under Civil Service Regulations;
- (c) an annual allowance of R12 in aid of the provision and maintenance of cloth uniform;
- (d) pony allowance of R12 a month when at, proceeding to, or returning from, a camp of instruction, manœuvres, or concentration.

The cost of the above concessions amounts to about R13,000 (£866) a year.

It is considered desirable to maintain 15 sets of portable X-ray equipment for the use of the army. The cost of the measure is estimated at

Rs. $\frac{87,886 (\text{£}5,889) \text{ initial}}{9,961 (\text{£}664) \text{ annual recurring}}$ Fifteen sets of equipment costing R49,455 (£3,297) are under supply from England.

General requirements.

On a report on the working of the Punjab Military Transport Animals Act during the past year it has been decided that its further extension is not necessary to localities where camels and mules are not available. Local Governments and Administrations within whose jurisdiction such localities exist have, however, been requested to intimate what steps they propose to take to ensure supply of suitable bullocks, draught and riding ponies on mobilization. They have also been informed that the services of Registration officers will be available if their advice is required. The Act is now in force in the Punjab and in the North-West Frontier Province.

The salary allowed in India to Ridingmasters and Quartermasters, having less than 10 years' service, was deemed barely sufficient to enable them to maintain their position as regimental officers, in the present conditions of Indian service. Moderate increases of pay have accordingly been sanctioned for them. The extra cost is estimated at about R27,000 (£1,800) per annum.

It has been decided that the cost of Police employed in cantonments shall be borne by Provincial Revenues. This change it is estimated will relieve Cantonment Funds in India of charges amounting to R1,10,000 (£7,333) per annum, approximately; and will admit of funds being made available for expenditure on various objects conducive to the welfare of the inhabitants of Cantonments.

In pursuance of a programme of works which has been undertaken in consequence of the rearmament of the volunteer force with the Lee-Metford rifle, a sum of about R1,00,000 (£6,666) has been spent on the provision of buildings and ranges for volunteer corps in the places where they are most urgently required.

Progress has been made with the scheme for providing improved lighting and ventilation of the barracks and hospitals of British troops in the larger cantonments where the hot weather is of long duration. The installation in Fort William has been completed and that at Meerut practically completed.

Budget, 1906-1907.

5. In pursuance of the scheme for the reorganization of the Army in India, it is proposed to provide a sum of about 253 lakhs (£1,686,666) in the Army Estimates of the ensuing financial year. This sum includes ninety lakhs (£600,000) on account of regrant of lapses, due chiefly to non-completion of this year's programme of artillery rearmament. Artillery rearmament will therefore absorb a large portion of the funds allotted for reorganization and among other important measures for which funds will be provided in 1906-1907 are the following:—

Army Reorganization.

- Reorganization of Horse and Field Batteries;
- Reorganization of existing artillery ammunition columns and formation of additional columns;
- Additional mule corps and cadres;
- Provision of small arms ammunition columns;
- Increase to the reserves of artillery ammunition and small arm ammunition;
- Increase to the reserve of rifles;
- Provision of additional stores for Ordnance Field Parks;
- Additional officers for the Indian Army;
- Acquisition of land in connection with the redistribution of the Army;

A sum of R53,73,000 (£358,200) has also been provided in the Military Works estimates for buildings in connection with the redistribution of the Army and for the expansion of Ordnance Factories.

Proposals are under consideration for the manufacture of acetone (the solvent used in the manufacture of cordite) at the Cordite factory, Aruvankad.

Factories.

Manufacture has commenced and it is hoped that the Gun factory at Cossipore will be able to supply 18 pr. and 13 pr. guns during 1906-1907.

General requirements.

It was anticipated that the Rifle factory at Ishapore would have been able to turn out 6,000 rifles during 1905-1906, but this could not be done. During 1906-1907, 16,000 rifles are to be manufactured.

The rolling mills,* Ishapore (now called gun and shell factory, Ishapore branch) will be in full working order by the 1st April 1906.

It is anticipated that the Gun carriage factory at Jubbulpore will be in full working order by the 1st April 1907. Manufacture has already commenced.

A bounty of £15 has been offered to soldiers of British Infantry units of 8 or 7 years' service, and the grant of 6 months' furlough with free passage to and from England to men of 3 years' service, to induce them to extend their service with the colors to 12 and 8 years, respectively. The cost of this measure cannot be stated until the numbers accepting the bounty are known. A reference is also being made to the Secretary of State for India regarding the incidence of the cost.

In 1904 the Secretary of State sanctioned an increase to the reserves of the Native Army to bring their total strength up to 50,000 men. This involves an addition of about 25,000 men. It was decided that the measure should be carried out in the course of the next 10 years, and a sum of 3 lakhs (£20,000) was provided in the estimates of 1905-1906 to admit of an increase of 2,500 in that year. Budget provision has also been made in 1906-1907 for a further increase of 2,500 men. The formation of a Native Cavalry reserve will constitute a part of this measure.

The native artificers now serving as followers with R. A. units in India and with Ordnance Field Parks do not come up to the standard of modern requirements, and they will be replaced by competent artificers possessing a higher standard of mechanical skill. A corps will be recruited from men who have served a three years' apprenticeship in the Gun Carriage Factory at Jubbulpore. The cost has been estimated at—

		₹
Initial expenditure	{ Army	28,640 (£1,909)
	{ Military Works	21,500 (£1,433)
Annual recurring saving		19,540 (£1,303)

The measure has been sanctioned by the Secretary of State and will be given effect to as soon as funds are made available.

For sanitary reasons it is necessary to remove the Sapper and Miner lines at Bangalore from their present site and to construct lines on a new site. A sum of ₹92,686 (£6,179) has been provided in the India Army Estimates of 1906-1907 for the purpose.

A sum of ₹1,05,117 (£7,008) has been provided in the estimates of 1906-1907 to meet expenditure on account of the establishment of new and extension of existing dairies during that year.

Four officers will be added to the establishment employed on farms with effect from 1st April 1906, at a cost of ₹53,499 (£3,566) per annum. The establishment will now consist of 14 officers.

To improve the efficiency of the volunteer force a sum of ₹50,000 (£3,333) will be provided in the Military Works Budget. Estimates for buildings and ranges for volunteer corps.

For the improved lighting and ventilation of the barracks and hospitals of British troops, a sum of ₹1,00,000 (£6,666) will be provided in the Military Works Estimates. Electrical installations are to be commenced at certain stations, probably Lucknow and Peshawar.

I.—Indian Army Estimates.

Revised Estimates, 1905-1906.

6. The Revised Indian Army estimates for 1905-1906, compared with the Budget for that year, show a net increase of ₹2,43,000 (£16,200). This is caused by an increase in gross receipts of ₹19,23,000 (£128,200), and an increase in gross expenditure of ₹21,66,000 (£144,400).
- | | |
|-----------------------|--|
| Comparison— | |
| Revised for 1905-1906 | |
| and | |
| Budget for 1906-1907. | |

The increase in receipts is chiefly caused by more receipts under clothing, due to issues to the Native Army being made on payment under the new clothing scheme; to larger demands of medical stores by Civil Institutions; to abnormal sales of unserviceable Ordnance Stores; and to the adjustment in the Indian accounts of a lump sum credit from the War Office on account of the five Native Infantry Regiments serving in the colonies; this increase is partly counterbalanced by smaller recoveries for malt liquor and by the adjustment, by credit to His Majesty's Imperial Government, of the value of peace equipment of corps returned from China and Somaliland.

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

- (a) Expenditure amounting to ₹16,67,000 (£111,133) on the manœuvres at Rawalpindi and other charges connected with the visit of Their Royal Highnesses the Prince and Princess of Wales.
- (b) Charges amounting to ₹12,80,000 (£85,333) on account of the five Native Infantry Regiments on garrison duty in the colonies, but which have been recovered from the Imperial Government and taken as a set-off under Receipts.
- (c) Excess strength of British troops and the deduction made in the Budget for probable savings not being fully realized, account for an increase of ₹8,00,000 (£53,333).
- (d) Clothing allowance to Native troops under the new clothing scheme, amount to ₹6,70,000 (£44,666).
- (e) More charges amounting to ₹5,00,000 (£33,333) on account of rise in prices of food-supplies.
- (f) More charges for conveyance of troops and stores, for warm clothing, supply of water, and toll on troops, etc., account for ₹4,25,000 (£28,333).
- (g) Extra expenditure amounting to ₹2,40,000 (£16,000), in connection with the earthquake at Dharmsala.
- (h) More charges amounting to ₹3,50,000 (£23,333) for pay of Regimental Officers, due to the deduction made in the Budget for probable savings having proved too high.
- (i) Increased expenditure in connection with the Aden Delimitation Commission and the Gilgit Agency, account for ₹1,54,000 (£10,266).
- (j) More non-effective charges, ₹2,00,000 (£13,333).

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

- (a) Less "Reorganization" expenditure in India, ₹16,09,000 (£107,266).
- (b) Less charges for Ordnance establishments and for purchase of stores for Arsenal and Ordnance Factories, amounting to ₹6,00,000 (£40,000).
- (c) Smaller expenditure anticipated under Army and Garrison Staff, Remount, Veterinary and Medical Establishments, amounting to ₹4,70,000 (£31,333).
- (d) Less charges for service pay and good conduct pay to British soldiers ₹3,00,000 (£20,000) and for clothing supplies and services, ₹2,60,000 (£17,333).
- (e) Lapse of the special provision for initial expenditure in connection with the Native Army Reserves and the formation of the 106th Hazara Pioneers, amounting to ₹2,00,000 (£13,333).
- (f) Smaller purchases of malt liquor, ₹2,52,000 (£16,800).
- (g) Less expenditure on account of "Tibet Mission" and "Seistan Boundary Commission," ₹1,68,000 (£11,200).

FINANCIAL STATEMENT OF THE

Estimates, 1906-1907.

8. The estimates for 1906-1907, in the net, amount to $\text{R}20,22,41,000$ ($\text{£}13,482,733$) or $\text{R}16,27,000$ ($\text{£}108,466$) more than the Budget for 1905-1906. This is due to an increase in gross receipts of $\text{R}24,38,000$ ($\text{£}162,533$) and in gross expenditure of $\text{R}40,65,000$ ($\text{£}271,000$).

The increase in receipts may be chiefly attributed to more realizations from dairy farms; to the introduction of the new clothing scheme for the native army under which issues of clothing are made on payment; to larger sales of Ordnance Stores and camp equipage; and to the expenditure incurred and charged to Indian revenues on account of the five Native Infantry Regiments serving in the colonies being recovered from the War Office and credited in the Indian accounts.

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

- (a) Larger provision on account of Reorganization, $\text{R}17,21,000$ ($\text{£}114,733$).
- (b) Provision on account of the five Native Infantry Regiments serving at Colonial Stations, amounting to $\text{R}14,00,000$ ($\text{£}93,333$).
- (c) Larger provision owing to rise in prices of food-supplies, $\text{R}8,50,000$ ($\text{£}56,666$); for Dairy and Grass Farms, $\text{R}5,63,000$ ($\text{£}37,533$); for conveyance of troops and stores, $\text{R}1,00,000$ ($\text{£}6,666$); for extra labour in the Ammunition Factory, Dum Dum, and Gun Carriage Factory, Madras, and for Arsenal Stores, $\text{R}2,35,000$ ($\text{£}15,666$).
- (d) Smaller deduction for probable savings under pay of Regimental Officers and soldiers, $\text{R}8,50,000$ ($\text{£}56,666$).
- (e) Clothing allowance to the Native Army, less half-mounting allowance abolished, $\text{R}7,00,000$ ($\text{£}46,666$).
- (f) Provision of $\text{R}2,20,000$ ($\text{£}14,666$) made for the Native Infantry Regiment returned from Somaliland, for which a deduction was made in 1905-1906.
- (g) Increased rate for purchase of mules in India and additional cost for importing transport mules from America, $\text{R}1,86,000$ ($\text{£}12,400$).
- (h) More non-effective charges, $\text{R}1,20,000$ ($\text{£}8,000$).

Against the foregoing increases there will be a set-off by reason of certain decreases, the most important of which are due to:—

- (a) Smaller provision on account of special measures other than Reorganization, $\text{R}6,31,000$ ($\text{£}42,066$).
- (b) Smaller provision under Tibet Mission, $\text{R}3,39,000$ ($\text{£}22,600$); and occupation of Chitral and its communications, $\text{R}1,76,000$ ($\text{£}11,733$).
- (c) Smaller provision for good conduct pay and service pay, $\text{R}2,34,000$ ($\text{£}15,600$).
- (d) No provision having been made for the Seistan Boundary Commission, $\text{R}2,54,000$ ($\text{£}16,933$).
- (e) Omission of the special provision made in 1905-1906 in connection with the new scheme for the supply of clothing to the Native Army, $\text{R}5,08,000$ ($\text{£}33,866$).
- (f) Smaller purchases of Remounts, $\text{R}2,60,000$ ($\text{£}17,333$).
- (g) Smaller provision on account of compensation in lieu of clothing, $\text{R}1,80,000$ ($\text{£}12,000$).
- (h) Smaller provision having been made for stores, including hides, for factories, $\text{R}2,75,000$ ($\text{£}18,333$).
- (i) Initial expenditure provided in 1905-1906 for Native Army Reserves not repeated in 1906-1907, $\text{R}1,50,000$ ($\text{£}10,000$).

II.—Home (India) Army Estimates.

Revised Estimates, 1905-1906.

10. The Military Department is next concerned with the Home estimates for Army effective and non-effective charges. Comparison—
Revised for 1905-1906
and
Budget for 1905-1906. The Home Budget Estimates for 1905-1906 made provision for a gross expenditure of £6,309,400, but in the Revised Estimates this provision has been reduced to £5,323,200, or by £986,200.

This decrease in the Revised Estimate as compared with the Budget Estimate is stated by the India Office to be due mainly to less charges under the head "Reorganization—Stores for India;" less payments to the War Office in respect of British Forces serving in India; less charges for passage of officers and others not charged to Indian Troop Service; smaller demands for stores for ordinary requirements; less payments to War Office for retired pay, etc., of British Forces for service in India; less charges for pay and pensions of non-effective and retired officers of the Indian Service.

These decreases are partly counterbalanced by increases due to more charges for furlough pay during voyage of British forces serving in India and for furlough allowances of officers of the Indian Service; and larger expenditure under the head "Indian Troop Service" owing to increased payments for conveyance of troops to and from India in Imperial transports, etc.

The net figures of the Revised Estimate show a decrease of £1,008,300 as compared with those of the Budget Estimate for 1905-1906 due to less expenditure of £986,200, as explained above, and an increase in receipts of £22,100.

Estimates, 1906-1907.

Comparison—
Budget for 1905-1906
and
Estimates for 1906-1907.

11. The estimated receipts and expenditure for 1906-1907 are as follows:—

	Receipts.	Expenditure.	Net expenditure.
	£	£	£
Effective	273,300	3,199,300	2,926,000
Non-effective	30,000	2,403,500	2,373,500
TOTAL	303,300	5,602,800	5,299,500

12. Compared with the Budget for 1905-1906 the receipts show an anticipated decrease of £25,600 and this is chiefly due to smaller receipts on account of the Indian Troop Service and to a decrease in the value of articles in possession of regiments on their transfer from the Indian to the British Establishment. The gross anticipated expenditure for 1906-1907 is less than the amount provided in the Budget for the preceding year by £706,600. This decrease is chiefly accounted for by less requirements of stores (both ordinary and Reorganization); smaller provision of pay and pensions of non-effective and retired officers of the Indian Service and of pay of Non-effective Colonels of Royal Artillery, smaller anticipated expenditure on Indian Troop Service and on account of passage of officers and others not charged to the Indian Troop Service; and smaller provision under head "Miscellaneous."

These decreases are however partly counterbalanced by larger anticipated payments to War Office in respect of British forces serving in India; by larger

anticipated expenditure on account of furlough allowances and pay during voyage of British forces serving in India, of furlough allowances of officers of the Indian service and of payments to War Office for retired pay, etc., of British forces, for service in India.

13. 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 (£650,000); furlough allowances and pay during the voyage of British forces serving in India (£130,000); furlough allowances of officers of the Indian Service (£270,000); Indian Troop Service (£319,000); passage of officers and troops otherwise than in transports (£15,000); Miscellaneous (£35,000); and stores for India, both ordinary and Reorganization (£1,780,300).

14. The gross charges on account of non-effective services comprise the retired pay, etc., of the British forces for service in India (£745,000); pay of non-effective Colonels of Royal Artillery (£15,500); pay and pensions of non-effective and retired officers of the Indian Service (£1,500,000); Miscellaneous, pensions, etc., (£88,000); and the Indian Military Service Family Pensions (£55,000).

15. The net anticipated expenditure for 1906-1907 is less by £681,000 than that for the preceding year, and, as explained in paragraph 12 above, this is due to a decrease of £25,600 in receipts and of £706,600 in gross expenditure.

III.—Military Works Estimates.

44—Military Works.

16. Including English expenditure, the Budget Estimate for 1905-1906 amounted to ₹1,72,36,000 (£1,149,000); but these figures have been modified during the year by various causes. The Revised Estimate is ₹1,60,67,000 (£1,071,100) which is less than the Budget of 1905-1906 by ₹11,69,000 (£78,000).

17. The Budget Estimate for 1906-1907, including English expenditure, is ₹1,75,41,000 (£1,169,400), showing an increase on that of 1905-1906 of ₹3,05,000 (£20,300).

18. The main heads of expenditure are in round figures:—

	R	£
Original works, including those in progress and those to be commenced	97,09,000	647,200
Repairs	35,59,000	237,200
Establishment, Tools and Plant	33,73,000	224,800
Barrack Department—Establishments, Supplies and Tools and Plant	9,00,000	60,000

19. In connection with the more important original works, expenditure amounting to ₹4,03,000 (£26,800) will be incurred on water-supply projects; ₹1,00,000 (£6,600) will be spent on electric lighting and punkah-pulling in barracks, etc.; provision has been made in the Budget for ₹2,00,000 (£13,300) for completing the Central Gun-carriage Factory at Jubbulpore; ₹2,25,000 (£15,000) for the steel plant and cartridge metal rolling mills at Ishapur; ₹1,50,000 (£10,000) for the staff college at Quetta; ₹2,09,000 (£13,900) for accommodation at Maymyo for a battalion of British Infantry; ₹4,00,000 (£26,600) for the Kirkee Arsenal; ₹1,25,000 (£8,300) for quarters for ordnance subordinates at Cossipore and Dum Dum; ₹1,43,000 (£9,500) for additional buildings at the Mona Remount Depôt; ₹8,79,000 (£58,600) for expansion of Ordnance factories on account of the increase in the reserve of artillery ammunition, ₹36,67,000 (£244,400) for buildings in connection with the scheme for the redistribution of the Army. Progress will be made towards completion of the requirements of volunteer corps in the matter of buildings and rifle ranges. The remaining original works include roads, buildings for troops, buildings for a medical store depôt at Calcutta, buildings for a young stock run and depôt at Sargodha, and provide for the ordinary requirements of the Ordnance, Marine and Army Clothing Departments and of the Supply and Transport Corps.

20. Provision is made for 205 new major works and schemes, of which 73 are in progress and 132 have yet to be commenced. A sum of ₹7,00,000 (£46,600) is allotted to minor works, each costing over ₹2,500.

IV.—47—Special Defences.

21. Including English expenditure, the Budget Estimate for 1905-1906 was ₹37,98,000 (£253,200). The Revised Estimate of expenditure is taken at ₹28,81,000 (£192,000).

22. The Budget Estimate for 1906-1907, including English expenditure, is ₹34,73,000 (£231,500).

Marine Estimates.

HOME AND INDIAN.

Revised Estimates, 1905-1906.

23. The total receipts in the Budget for 1905-1906 were ₹22,78,000 (£151,866) and the Revised Estimate stands at ₹18,00,000 (£120,000) showing a decrease of ₹4,78,000 (£31,866).

Comparison—	
Revised for 1905-1906.	₹18,00,000 (£120,000)
Budget for 1905-1906.	₹22,78,000 (£151,866)

The decrease is chiefly due to falling off in receipts owing to less work done for and stores supplied to the Royal Navy and other Departments. A change in the method of adjusting recoveries on account of the employment of Royal Indian Marine vessels in carrying out the triennial reliefs of the five Native Indian Regiments on colonial garrison duty under the Imperial Government, has also contributed towards reducing the receipts which would otherwise have actually accrued to the Royal Indian Marine in 1905-1906. By this change which has been introduced from 1st April 1905, the liability of His Majesty's Imperial Government will be met by the payment of a capitation rate which, as at present arranged, will be wholly treated as military receipts in India.

24. The total expenditure provided for in the Budget for 1905-1906 was ₹82,19,020 (£547,935) but the Revised Estimate stands at ₹78,54,000 (£523,600), showing a decrease of ₹3,65,020 (£24,335). The decrease is chiefly due to less expenditure incurred than was provided for the construction of a new vessel to replace the "Canning."

Estimates, 1906-1907.

25. The total receipts for 1906-1907 are ₹21,45,200 (£143,013) against ₹22,78,000 (£151,866), the total of the Budget for 1905-1906, showing a decrease of ₹1,32,800 (£8,853).

Comparison—	
Budget for 1905-1906.	₹22,78,000 (£151,866)
Estimates for 1906-1907.	₹21,45,200 (£143,013)

The decrease is chiefly due to less recoveries being anticipated on account of dockyard services and supplies.

26. The total expenditure for 1906-1907 is ₹89,09,300 (£593,953) against ₹82,19,020 (£547,935), the total of the Budget for 1905-1906 showing an increase of ₹6,90,280 (£46,018). This is chiefly due to large expenditure on stores in India and to the construction of new vessels at Home, to replace the "Canning" and "Nancowry." These increases are partly counterbalanced by savings in other directions.

27. In order to accelerate the promotion of officers of the R. I. M. the establishment of 1st and 2nd grade commanders has been increased from 7 to 8 and from 9 to 10 respectively.

The appointments of Marine Transport Officer, Mandalay, Superintending Engineer, Mandalay, Assistant to the Superintending Engineer, Burma, and Engineer and Harbour Master, Port Blair, have been reserved for officers of the R. I. M. The reservation of the appointment of Port Officer, Chittagong, for officers of the R. I. M., has also been recommended to the Secretary of State.

In addition to their usual trooping work, the R. I. M. vessels "Hardinge" and "Dufferin" were employed to convey troops between India and China. The "Dufferin" was also used to convey H. E. Lord Curzon and party to Suez. A vessel is under construction in England for use as a troopship in replacement of the R. I. M. S. "Canning." The cost will be £187,000, of which amount £72,000 has been spent this year and the balance £115,000 provided in the estimates of 1906-1907.

General remarks.

The R. I. M. S. "Investigator" has been employed during the past season on surveying work in the Persian Gulf and at Aden, while the "Nancowry" has been engaged in a survey of the Andamans. Arrangements are being made to replace the above vessels which are out of date.

March 21st, 1906.

C. H. SCOTT.

APPENDIX III.

Memorandum by the Railway Board

ON THE

Results of Indian Railway working 1905-1906 and proposals for 1906-1907.

The results of working of Indian Railways for the year 1905-1906 show larger gross receipts and larger revenue expenditure than in any previous year.

The estimated net surplus Revenue after paying all charges including interest is three crores three lakhs and eighty-three thousand (£2,025,600).

CAPITAL EXPENDITURE.

The Capital expenditure during the year 1905-1906 will amount to twelve crores fifty lakhs (£8,333,000) being about two crores in excess of the expenditure for the year 1904-1905.

For the year 1906-1907 these figures have been largely increased. The estimate provides for spending a sum of 15 crores (£10,000,000), an increase of 20 per cent. on the provision of last year.

Under the head of lines already open, including the provision of additional rolling stock, the amount expended in 1905-1906 will be 726 lakhs (£4,840,000), showing an advance of about 224 lakhs over the expenditure under the same head for the previous year.

Under the same heads in 1906-1907 provision is made for 891 lakhs (£5,940,000), an increase of about 23 per cent.

A comparison, showing capital expenditure for 1906-1907 and the previous five years, is contained in the following statement:—

	Lines already open including additional rolling stock.	LINES UNDER CONSTRUCTION.		Total.	'Equivalent in sterling.
		Started in previous years.	Started in current year.		
		Lakhs.	Lakhs.		
1901-1902 (actual expenditure)	3,52'58	5,09'06	25'64	8,87'28	5,915,199
1902-1903 (" ")	4,81'74	4,52'50	71'52	10,05'76	6,705,064
1903-1904 (" ")	5,58'77	3,13'68	84'62	9,57'07	6,380,468
1904-1905 (" ")	5,02'76	4,86'91	88'62	10,78'29	7,188,600
1905-1906 (latest grants)	7,26'63	4,81'04	42'33	12,50'00	8,333,334
1906-1907 (proposed grants)	8,91'09	5,38'91	70'00	15,00'00	10,000,000

The information showing in detail how the expenditure in 1905-1906 and 1906-1907 will be distributed is contained in statement A attached to this memorandum.

Under the order of the Secretary of State a programme has been submitted to him for expenditure on Railways during the next three years.

This "triennial programme," as it is called, has been definitely agreed to by the Secretary of State for the year 1906-1907 and provisionally approved for the remaining two years.

The year 1906-1907 is the first year this arrangement will come into operation. The object aimed at is to enable a Railway Programme, extending over a reasonable period, being made out under as fixed conditions, for new Railways and additions to existing ones, as Indian Finance will permit, and also to secure a definite continuity of Railway Policy, and the Railway Board have every hope, that the funds required to meet the expenditure of 15 crores per annum for the next three years will be duly provided.

The mileage of lines of all gauges open to traffic on 1st April 1905 was 27,728, and under construction, 2,344; on 1st April 1906 there will be 28,684 open and 1,959 under construction.

At the end of the coming year there will be 1,509 miles under construction among which will be twelve new projects.

RAILWAY REVENUE ACCOUNT.

The Railways of India, taken as a whole, have for a succession of years shown at balance to the credit of general revenues, after allowing for working expenses, interest

on capital expended, charges for annuities in redemption of capital and miscellaneous railway expenditure. The following table shows the approximate figures for 1905-1906 compared with the actual results for the previous five years:—

(Figures in rupees omitting 000.)

	Gross receipts.	Working expenses.	Interest charges, etc.	Surplus of Revenue over expenditure.	Equivalent in sterling.
	R	R	R	R	£
<i>Actuals—</i>					
1900-1901	27,44,04	12,69,86	14,25,41	48,77	325,100
1901-1902	30,33,90	14,23,85	14,83,06	1,26,99	846,600
1902-1903	30,20,08	14,74,08	15,11,66	34,34	228,900
1903-1904	32,33,68	15,56,72	15,47,86	1,29,10	860,700
1904-1905	36,03,37	16,94,32	15,93,23	3,15,82	2,105,500
<i>Estimate—</i>					
1905-1906	36,98,72	17,44,54	16,50,35	3,03,83	2,025,600

Compared with the results of the previous year the figures for 1905-1906 show a falling off of Rs. 11,99,000 (£79,900). The receipts are more by Rs. 95,35,000 (£635,700) but the working expenses are higher by Rs. 50,22,000 (£334,800) while interest charges, etc., have increased by Rs. 57,12,000 (£380,800).

GROSS RECEIPTS.

In 1904-1905 traffic conditions were exceptionally favourable on all the larger railway systems. Pilgrim, grain and coal traffic accounted for a large increase on the East Indian railway, the recently completed irrigation works in the Punjab rendered possible the heavy export traffic in wheat *via* Karachi resulting in an extraordinary increase on the North Western railway, while the earnings of the Great Indian Peninsula, Rajputana-Malwa, and Bengal-Nagpur railways were also affected by favourable crops. During the current year, while there has been a considerable falling off in grain and seed traffic on the North Western railway, and the East Indian railway earnings were practically stationary, the earnings from the other three above-mentioned railways show still better results owing to further development of cotton, grain and specially coal traffic. The following are the principal differences resulting in the net increase of Rs. 95,35,000 in gross receipts:—

	Increases.	Rs.
Bengal-Nagpur		56,65,000
Great Indian Peninsula		32,55,000
Rajputana-Malwa		30,70,000
Other railways (net)		33,93,000
		<u>1,53,83,000</u>
	Decrease.	
North Western		58,48,000
		<u>Net Increase 95,35,000</u>

WORKING EXPENSES, INTEREST CHARGES, ETC.

The increase in working expenses during the year 1905-1906 is estimated to amount to Rs. 50,22,000 (£334,800.) This increase to a large extent is due to increased traffic on certain lines of which the Bengal-Nagpur, Great Indian Peninsula and Rajputana-Malwa railways are the most prominent examples.

These three lines will have earned more than one crore of rupees (£666,700) in excess of their earnings during the previous year, and this increase in earnings necessitate increased working expenses.

There are, however, other causes which may increase both working expenses and interest charges in the future. The increase in working expenses should be to a considerable extent temporary; the increase in interest charges, however, will be permanent.

The causes are these—

Railways in India have now to run faster trains, provide better carriages, improve the conditions under which third class passengers are carried, introduce a more elaborate system of signalling, and generally conduct their business under more up to date methods than were in use in the past.

Some of these improvements will lead to increased revenue. Some will not, but have to be provided to meet the public demands.

The cost of many of these improvements being in the nature of renewals has to fall to a considerable extent on revenue.

During the period this raising of the standard is being carried out working expenses must rise, though in the end under some items more economical working should be secured.

Again it is generally admitted that there is economy in Railway working in hauling heavy train loads. To enable heavy train loads to be hauled the permanent way of railways has to be improved, and girders strengthened. Most lines now when making branches wish to use their light main line rails in these branches and renew the main line with heavier rails.

This is a sound business arrangement, but carrying out the policy indicated means that Revenue has to renew before the rail itself is nearly worn out. The result is increased debits to Revenue for a time causing increased working expenses. The Board hope that a practical solution may be found to meet this difficulty, so that working expenses may be steadied and not liable to unnecessary fluctuations.

The results of improvement in the standard of permanent way carrying with it the capacity to haul heavier loads will well repay the expenditure by ultimate reduction in cost of haulage.

NEW LINES TO BE CONSTRUCTED.

The new lines, the construction of which is to be commenced during 1906-1907, are:—

No.	Railway.	Gauge.	Probable length, miles.
<i>(i) State, by State Agency.</i>			
1	Bombay—Sind connection	5' 6"	295
2	Eastern Bengal— Lalgola-Gherria	5' 6"	13
3	North-Western— Jhang-Chiniot-Sangla	5' 6"	70
4	Lodhran-Khanewal	5' 6"	55
5	Shorkot Road-Chichoki	5' 6"	130
6	Thal-Parachinar	5' 6"	55
7	Kohat-Thal (conversion from the 2' 6" gauge, not resulting in increased open mileage)	5' 6"	62
<i>(ii) State, by Agency of Companies.</i>			
8	Assam-Bengal— Kalaura-Sylhet	3' 3½"	31
9	Burma— Daga-Naikban	3' 3½"	69
10	East Indian— Katwa-Azimganj-Barharwa	5' 6"	103
<i>(iii) From Capital of Companies.</i>			
11	Bengal-Nagpur— Vizianagram-Raipur	5' 6"	310
<i>(iv) From Capital of Local Boards.</i>			
12	Kurnool-Dhone	3' 3½"	32

OPEN LINE REQUIREMENTS.

In dealing with the Capital funds available for expenditure on railways the Railway Board have given due consideration to the demands of open lines for the provision of additional facilities required by a growing trade.

For improving railway working there are demands of high importance for doubling existing lines, additional crossing stations, improved signalling, improvement of railway workshops, more staff quarters and the general provision of facilities of smaller character required to enable Railways to deal more expeditiously with their traffic.

The total amount allotted during 1906-1907 to open lines, viz., 891 lakhs (£5,940,000) out of a total for the year of 1,500 lakhs (£10,000,000) has been divided between general open line requirements and additional rolling stock approximately as follows:—

		Lakhs.
1906-1907	{ Open line requirements	509
	{ Rolling stock	382

This shows a considerable increase over 1905-1906, the figures for which were as follows:—

		Lakhs.
1905-1906	{ Open line requirements	45 ²
	{ Rolling stock	274

ROLLING STOCK.

The question of what is a sufficiency of rolling stock on a railway is one about which there is considerable difference of opinion. If railways are to be worked commercially, their interests have to be considered. It is sometimes argued that it is in the interest of the railway to always be able to carry *all* traffic offering at *all* times.

To provide for a maximum demand for transport for a short period would necessitate a very large amount of extra rolling stock being kept to meet this exceptional demand. This rolling stock would lie idle for considerable periods and be a burden on the capital cost of the line.

In most countries of the world, especially in America, where a large export grain, seeds and coal business is done, there is shortness in the supply of rolling stock at certain times and during unusual briskness of trade.

On this important question, the Railway Board are of the opinion that Indian Railways as a whole are at present below what should be the standard of equipment of rolling stock, for present requirements. Since the Board was formed they have taken steps to improve this standard and will continue to do so to meet future developments of trade.

For the year 1906-1907 the sum of three crores eighty-two lakhs has been provided for new rolling stock, being an excess of one crore eight lakhs over the provision for 1905-1906.

The stock now under indent consists of heavier engines and higher capacity vehicles. This represents a considerable increase in power of transportation beyond that indicated by the actual numbers added.

Some of the restrictions on axle loads in existing stock have also been relaxed, which has permitted existing wagons being more heavily loaded.

THIRD CLASS PASSENGER TRAFFIC.

The question of improving the comfort and convenience of third class passenger traffic is a matter the Railway Board have been devoting considerable attention to during the past year.

More third class rolling stock is undoubtedly required.

Provision has, as far as practicable, been made for this during the year 1906-1907, the number sanctioned being double that supplied in 1905-1906.

The additional stock to be supplied during the ensuing year will be of a better type than formerly. The carriages will be of a large size, better lighted and be supplied with latrine accommodation. The stock being built for renewals is also of this higher standard.

Steps will be taken during the ensuing year to develop more rapidly the system of communication between passengers and guards and drivers of trains, the system being applied to third class carriages equally with those of the higher classes.

The Board would also note that in response to their representations, the various Railway Administrations are paying attention to the general convenience of third class passengers in taking tickets, avoiding crushes on platforms, and overcrowding in carriages, but much more remains to be done. The Board hope that this will induce larger numbers to travel and thus lead to improved receipts from this valuable class of traffic.

GENERAL.

During 1905 the Railway Board authorized a substantial reduction in the minimum rate for the carriage of coal. Railways, however, are moving cautiously in taking advantage of this reduction, but the Board feel sure the final result must be a large increase in the coal business and a general stimulus to industries situated far from their coal supply.

Attention is invited to statements B and C accompanying this memorandum, which contain information of interest.

F. R. UPCOTT, *Chairman.*

W. H. WOOD, }
T. R. WYNNE, } *Members.*

STATEMENT A IN APPENDIX III.

STATEMENT

OF

Anticipated Capital Expenditure on Railways, Open and under Construction
for the year 1906-1907.

Branch lines under rebate terms are excluded.

FINANCIAL STATEMENT OF THE
CAPITAL EXPENDITURE ON RAILWAYS, 1906-1907.

(Figures in lakhs and decimals of lakhs.)

No.	RAILWAY.	Grants allotted for 1905-1906.	Distribution of grants during 1906-1907.
	A.—OPEN LINES.	₹	₹
	I. (i)—STATE, BY STATE AGENCY.		
1	Eastern Bengal— Main line	(a) 125'65	38'06.
2	Canal Junction-Kakurgachi duplicating	0'95	} 1'90.
3	Kakurgachi chord	2'10	
4	Kasipur-Chitpur improvements	1'10	
5	Kaunia-Bonarpara	4'85	1'30.
6	Jodhpur-Hyderabad (British section)	0'32	3'86.
7	Oudh and Rohilkhand— Main line	31'16	0'30.
8	Allahabad-Fyzabad, Ganges Bridge	—1'48	...
9	North Western— Main line	131'29	150'50
10	Peshawar Railway Reserve	—2'89	...
11	Rohri-Samasata doubling	65'50	59'50
12	Warora Colliery	—0'95	—0'20
13	Purchase of Kalka-Simla Ry. . . . .	...	45'00
	Total Open Lines, State, by State Agency	357'60	322'22
	I. (ii)—STATE, BY AGENCY OF COMPANIES.		
14	Assam-Bengal	(b) 37'17	15'00
15	Bengal and North-Western— Tirhoot	15'20	20'00.
16	Sakri-Jainagar . . . . .	...	1'00
17	Bombay, Baroda and Central India— Main line	(c) 160'48	10'00.
18	Palanpur-Deesa	0'01	0'03
19	Rajputana-Malwa	20'64	30'00
20	Rewari-Phulera	7'44	2'90
21	East Indian— Main line	89'00	122'00.
22	Agra Junction-Belanganj	6'00	6'00
23	Great Indian Peninsula— Main line	58'82	78'00
24	Agra-Delhi chord	10'93	1'20
25	Bhopal-Itarsi (British section)	0'60	2'00
26	Lonavla-Poona doubling . . . . .	...	5'00
27	Madras— Nilgiri	1'90	1'80
28	North-East line (East Coast)	7'00	20'00
29	Nizam's Guaranteed State— Bezwada extension	0'04	0'03
30	South Indian— Main line	17'75	27'50
31	Travancore branch (Native State section)	0'82	2'00
32	" " (British section)	0'27	1'00
33	Southern Mahratta— Guntakal-Mysore Frontier	0'08	0'10
	Total Open Lines, State, by Agency of Companies	434'15	345'56

(a) Includes ₹77'62 advanced to the Bengal Central Railway Company up to 30th June 1905, transferred from "Capital of Indian Railway Companies."

(b) Includes ₹17'25 for purchase of Noakhali Railway.

(c) Includes ₹155'48 advanced to and overdrawn by the Company up to 31st December 1905, transferred from "Guaranteed Companies."

CAPITAL EXPENDITURE ON RAILWAYS, 1906-1907—*contd.*

(Figures in lakhs and decimals of lakhs.)

No.	RAILWAY.	Grants allotted for 1905-1906.	Distribution of grants during 1906-1907.
		₹	₹
A.—OPEN LINES—<i>concl.</i>			
II.—FROM CAPITAL OF OLD GUARANTEED COMPANIES.			
34	Bombay, Baroda and Central India	(a) —1,48'73	...
Madras—			
35	Main line	16'02	32'60
36	Calicut-Azhikal	0'30	0'40
Total Open Lines, old Guaranteed Companies		—1,32'41	33'00
III.—FROM CAPITAL OF COMPANIES OTHER THAN OLD GUARANTEED COMPANIES.			
37	Assam-Bengal	—0'17	...
38	Bengal Central	(b) —77'54	...
Bengal-Nagpur—			
39	Main line	6'27	17'00
40	Midnapur-Jherriah	} 82'19	100'00
41	Satpura (Jubbulpur-Gondia)		
42	Sini-Midnapur-Cuttack-Calcutta		
Burma—			
43	Main line	24'07	29'00
44	Hlawga-Letpadan doubling . . . . .	...	} 6'00
45	Thingangyun-Pegu doubling . . . . .	...
Great Indian Peninsula—			
46	Indian Midland	10'30	22'70
47	Bhopal-Dewanganj doublin . . . . .	...	4'00
Rohilkhand and Kumaon—			
48	Lucknow-Bareilly	2'08	3'00
Southern Mahratta—			
49	Main line	18'51	6'00
50	Mysore Section	1'53	2'31
Total Open Lines, other Companies		67'24	190'01
IV.—FROM CAPITAL OF BRANCH LINE COMPANIES WITH FIRM GUARANTEE.			
51	Hardwar-Dehra	0'05	0'30
Total Open Lines, Branch Line Companies		0'05	0'30

(a) Includes credit of ₹155'48 representing advances to and overdrafts by Company up to 31st December 1905, transferred to "State Railways."

(b) Includes credit of ₹77'62 representing advances to Company on 30th June 1905 transferred to "State Railways."

FINANCIAL STATEMENT OF THE
CAPITAL EXPENDITURE ON RAILWAYS, 1906-1907—*contd.*

(Figures in lakhs and decimals of lakhs.)

No.	RAILWAY.	Length.	Amount of estimate or approximate cost.	Outlay to end of 1904-1905.	Grants allotted during 1905-1906.	Distribution of grants during 1906-1907.
		Miles.	₹	₹	₹	₹
B.—CONSTRUCTION OF LINES.						
I. (i)—STATE, BY STATE AGENCY.						
<i>Lines in Progress.</i>						
52	Coonor-Ootacamund	12	24'40	2'35	6'86	9'00
Eastern Bengal—						
53	Golakganj-Gauhati	151	93'26	34'02	22'13	13'40
54	Forbesganj-Nepal Frontier	6'5	2'22	...	0'70	1'40
Nagda-Muttra—						
55	Main line	344	298'11	7'29	73'19	141'00
56	Baran-Kotah	40	37'59	...	1'00	10'00
North-Western—						
57	Khushalgarh-Kohat conversion and Indus Bridge	33	24'45	1'51	15'63	3'00
58	Quetta-Nushki	83	90'06	69'61	16'45	1'47
59	Sargoda-Shorkot Road (Jech Doab)	103	71'59	44'96	18'84	3'00
60	Shahdara-Sangla	55	28'29	4'19	16'16	5'50
61	Shilman Branch	23	50'43	...	7'75	35'00
Oudh and Rohilkhand—						
62	Allahabad-Jaunpur	58	33'04	6'10	19'00	4'00
Ranaghat-Katihar—						
	Katihar-Godagari	105	104'86	6'35	31'89	47'00
64	Ranaghat-Murshidabad-Lalgola	98	105'53	73'19	14'09	6'00
<i>New Lines.</i>						
65	Bombay-Sind connection	295	211'00	...	...	3'00
Eastern-Bengal—						
66	Lalgola-Gherriah	13'47	9'19	...	...	6'00
North-Western—						
67	Jhang-Chiniot-Sangla	70	35'00	...	...	7'00
68	Lodhran-Khanewal	57	45'15	...	...	7'00
69	Shorkot Road-Chichoki	130	81'34	...	...	10'00
70	Thal-Parachinar	60	85'22	...	...	} 7'00
71	Kohat-Thal conversion	57	30'32	...	...
TOTAL		...	...	249'57	243'69	319'77

CAPITAL EXPENDITURE ON RAILWAYS, 1906-1907—contd.

(Figures in lakhs and decimals of lakhs.)

No.	RAILWAY.	Length.	Amount of estimate or approximate cost.	Outlay to end of 1904-1905.	Grants allotted during 1905-1906.	Distribution of grants during 1906-1907.
		Miles.	₹	₹	₹	₹
B.—CONSTRUCTION OF LINES—concl'd.						
I. (ii)—STATE, BY AGENCY OF COMPANIES.						
<i>Lines in Progress.</i>						
72	Assam Bengal— Akhaura-Bhairab Bazar	19	12'20	...	1'77	4'97
73	Bengal and North-Western— Tirhoot extensions	209	114'80	40'60	37'50	24'00
74	Burma— Henzada-Kyangin	66	54'59	} 31'07	52'06	51'00
75	Pegu-Moulmein	122	112'88			
76	East Indian— Bhagalpur-Bausi	31	23'31	...	5'00	10'00
77	Gya-Barakar	148	206'81	131'40	60'00	15'00
78	Hooghly-Katwa	65	58'46	...	3'00	10'00
79	Khurja-Hapur	39	26'08	5'09	11'00	7'00
80	Ondal-Sainthia	45	43'55	16'57	23'50	4'00
81	Shikohabad-Farakhabad	66	53'83	32'00	15'00	...
82	Great Indian Peninsula— Harbour Branch	8	45'60	...	9'94	20'00
83	Warora-Bellarpur	38	31'94	8'26	8'40	6'67
84	Madras— Azhikal-Mangalore	77	129'05	77'64	29'85	16'00
85	South Indian— Rameswaram Extension	12	35'19	0'97	3'62	20'50
<i>New Lines.</i>						
86	Assam Bengal— Kalaura-Sylhet	31	22'06	...	...	6'00
87	Burma— Daga-Naikban	69	50'00	...	...	6'00
88	East Indian— Katwa-Azimganj-Barharwa	103	86'37	...	...	3'00
TOTAL		...	...	343'60	260'64	204'14
II.—FROM CAPITAL OF OLD GUARANTEED COMPANIES						
TOTAL		...	...	...	...	...
III.—FROM CAPITAL OF COMPANIES OTHER THAN OLD GUARANTEED COMPANIES.						
<i>Lines in Progress.</i>						
89	Bengal-Nagpur— Gondia-Chanda	212	89'34	...	4'34	41'00
90	Pench Valley	29	16'53	1'87	5'87	3'00
91	Purulia-Ranchi	72	39'83	...	4'83	20'00
<i>New Lines.</i>						
92	Bengal-Nagpur— Vizianagram-Raipur	311	250'42	...	...	8'00
TOTAL		...	...	1'87	15'04	72'00
IV.—FROM CAPITAL OF BRANCH LINE COMPANIES WITH FIRM GUARANTEE						
TOTAL		...	...	...	...	...
V.—FROM CAPITAL OF LOCAL BOARDS.						
<i>Lines in Progress.</i>						
93	Bezwada-Masulipatam	50	24'25	...	4'00	6'00
<i>New Lines.</i>						
94	Dhone-Kurnool	32	7'11	...	...	7'00
TOTAL		...	...	...	4'00	13'00

FINANCIAL STATEMENT OF THE
CAPITAL EXPENDITURE ON RAILWAYS, 1906-1907—*concl'd.*

(Figures in lakhs and decimals of lakhs.)

No.	RAILWAY.	Distribution of grants for 1906-1907.			
		₹	₹		
	ABSTRACT BY OPEN LINES AND CONSTRUCTION.				
	A.—CAPITAL FOR OPEN LINES.				
	I. (i) State, by State agency	322'22			
	I. (ii) State, by agency of Companies	345'56			
	II. Old Guaranteed Companies	33'00			
	III. Other Companies	190'01			
	IV. Branch Line Companies	0'30			
	TOTAL OPEN LINES		891'09		
	B.—CAPITAL FOR LINES IN PROGRESS AND NEW LINES.				
	I. (i) State, by State agency	319'77			
	I. (ii) State, by agency of Companies	204'14			
	II. Old Guaranteed Companies . . . . .	...		
	III. Other Companies	72'00			
	IV. Branch Line Companies . . . . .	...		
	V. Local Boards	13'00			
	TOTAL LINES IN PROGRESS AND NEW LINES		608'91		
	GRAND TOTAL		1500'00		
	ABSTRACT SHOWING DISTRIBUTION BY FUNDS.				
I.—From Imperial Funds.	(i) State, by State agency	(a) Open Lines	322'22	641'99	
		(b) Construction	319'77		
		Total (i)			
	(ii) State, by agency of Companies	(a) Open Lines	345'56		549'70
		(b) Construction	204'14		
		Total (ii)			
		TOTAL I			1191'69
	II.—From Capital of old Guaranteed Companies.	(a) Open Lines	33'00		33'00
		(b) Construction . . . . .	...	
		TOTAL II			
III.—From Capital of Companies other than old Guaranteed Companies.	(a) Open Lines	190'01	262'01		
	(b) Construction	72'00			
	TOTAL III				
IV.—From Capital of Branch Line Companies with firm Guarantee.	(a) Open Lines	0'30	0'30		
	(b) Construction . . . . .	...		
	TOTAL IV				
V.—From Capital of Local Boards.	(a) Open Lines . . . . .	...	13'00	
	(b) Construction	13'00			
	TOTAL V				
	TOTAL, I TO V	(a) Open Lines	891'09	13'00	
		(b) Construction	608'91		
	GRAND TOTAL . . . . .	...	1500'00	

STATEMENT B IN APPENDIX III.

Statement showing proposed lines which are under negotiation for construction by private Companies.

No.	NAME OF RAILWAY.	Length.	Estimated cost.	
		Miles.	₹	
<i>Bengal—</i>				
1	Panchkura to Luff Point with terminal and loading arrangements for ships or steamers at the latter place	30	(a)	
<i>Bombay—</i>				
2	Aden to Nobat Dakim (or Sheikh Othman and D'thala)	(b) 40	Not stated	
3	Dholka-Dhandhuka	40	Do.	
4	Dhandhuka-Ranpur	18	Do.	This is a tramway.
5	Idar Road to Bramhakhed	32	Do.	
<i>Eastern Bengal and Assam—</i>				
6	Borjan to Suntak	8	2,70,000	This is a tramway.
7	Mymensingh, <i>via</i> Netrokona, to Bara-Ari, with branch from Shambhuganj to Gauripur	36	22,16,000	
8	Singhjani, <i>via</i> Sherpur, to Nalatabari	25	12,39,000	
9	Sirajganj-Ullapara	18	11,00,000	
<i>Madras—</i>				
10	Tinnevely-Tiruchendur	38	20,52,000	
<i>Punjab—</i>				
11	Rawalpindi-Murree, with extensions to Kuldana and Gharial	40	36,89,000	

(a) The share capital of the proposed company is £250,000, which, at Rs=91, is equivalent to Rs7,50,000.

(b) Represents the distance between Aden and Nobat Dakim, *via* Lahej. The length of the alternative line is not stated.

FINANCIAL STATEMENT OF THE

And the mileage under construction or sanctioned for construction on the same date, *viz.*, 1st April 1905, was 3,186.80 miles, as follows:—

	Miles.	Miles.
5' 6" gauge—		
(i) State lines worked by the State	546.44	
(ii) State lines worked by companies	476.48	
(iii) Branch line companies' railways assisted by Government under "Rebate" terms	154.00	
(iv) Native State line worked by Company	1.39	
		1,178.31

3' 3 3/4" gauge—

(v) State lines worked by the State	300.87
(vi) State lines worked by companies	609.34
(vii) District Boards' lines	5.53
(viii) Assisted companies' lines—	
A. Subsidized by the Government of India	148.00
B. Receiving land only from Government	116.94
	264.94
(ix) Native State lines worked by companies	72.85
	1,253.53

Special (2' 6" and 2' 0") gauges—

(x) State lines worked by the State	6.80
(xi) State lines worked by companies	325.52
(xii) Assisted companies' lines—	
A. Subsidized by District Boards	105.50
B. Receiving land only from Government	214.66
	320.16
(xiii) Native State lines—	
A. Worked by Native States	11.86
B. Worked by companies	68.60
C. Worked by State railway agency	22.02
	102.48
	754.96
TOTAL	3,186.80

There was thus a grand total of railways completed and in hand, on the 1st April 1905, of miles 30,914.48

Lines under construction and sanctioned on 31st March 1905.

	Miles.	Miles.	Miles.
Eastern Bengal—			
Kankurgachi Chord	2.25		
Panchcozia to the river Ganges (a)	6.00		
Raughat to Lalga Ghat	97.50		105.75
Nagda-Mutra (Southern section)—			
Nagda to the crossing of the Chambal river			141.52
(i) North Western—			
From a point 12 miles south of Quetta to			
Nushki	83.36		
Sargoda to Shorkot Road	103.14		241.67
Shahdara to Sangla	55.17		
Oudh and Rohilkhand—			
Phaphamau to Zafarabad			57.50
Azikhil-Mangalore			77.27
Bengal-Nagpur—			
Bhojudih to Hartharpur	26.96		
Bhojudih to Parthadhi	2.28		32.64
Malakra to Mohuda	3.40		
East Indian—			
Bhagalpur to Bausi	31.04		
Etmadpur chord	1.11		
Khurja to Hapur	39.49		
Mile 17 1/2 from Howrah on the Jharia branch to Chandore	4.16		282.00
Tasra siding	1.75		
Ondal to Salunthia	44.93		
Manpur to Dhanbad	121.49		476.48
Nagri to Kasunda	1.59		
Mainpur to Farukhabad	36.44		
Great Indian Peninsula—			
Kurla to Mazagaon	6.51		
Mahim link	1.32		45.42
Warora to Belarpar	37.59		
Indian Midland—			
Portion of Agra-Balinganj branch			2.24
Madras (North-East line)—			
Korukkuppattai to Basin Road			0.85
Salem-Attur (b)			36.06
(iii) Southern Poojab Extension—			
Ludhiana to MacLeod Ganj			154.00
(iv) Pettad-Cambay (Tarapur-Cambay section)—			
Cambay to Cambay Bandar			1.30
(v) Eastern Bengal—			
Golokganj to the Brahmaputra river opposite			
Gauhati	151.62		300.87
Kathihar to Godagari	105.00		
Kaunia to Bonarpura	44.25		
Belary-Rayadrug			33.00
Burma Extension—			
Benzada to Kyangin	65.66		186.93
Pegu to Martaban (b)	121.27		
Hospet-Kottur			44.10
Nilgiri—			
Coonor to Ootacamund			11.50
Rajputana-Malwa—			
Narnaul to Phulera			100.60
(vi) South Indian—			
Mandapam to Rameswaram Temple	10.12		
Tangamadam to Port Amphill	1.71		20.83
Tirupachettai to Sivaganga	9.00		
Tirhoot—			
Bairagnia to Bhikna Thoree	79.55		
Bettial to Bagaha	49.35		
Bhagalpur to Bhagalpur Ghat	4.50		212.38
Mausi to Bhaptiali	60.37		
Saharsa to Muriganj	18.61		
(vii) Tanjore District Board—			
Adirampudi Salt siding			1.00
Arantangi Quarry branch			3.90
Thambikkottai Salt siding			0.63
(viii) A. Rohilkund and Kumaon—			
Bareilly to Soron			56.00
Luckua to Kasipur			45.00
Moradabad to Ramnagar			47.00
B. Bengal and North-Western—			
Barhni (Bahadurganj) to Tulsipur			22.54
Dharonda to Maharajganj			3.90
Gainsari to Jarwa			12.56
Gorsakpur to Bagaha			60.94
Savan to Thawe			17.00
(ix) Jaipur—			
Sanganer to Siwal-Madhopur			72.85
(x) Jullundur-Kapurthala-Sultanpur (British section) (c)—			
Jullundur to the British Frontier			6.80
(xi) Gondia-Chanda (2' 6")—			
Gondia to Chanda (b)	148.85		
Pauli (Brahmapuri) to Nagpur (b)	83.75		212.40
(xii) Jubbulpore-Gondia Extension (2' 0")—			
Chhindwara to Burcoole	21.36		
Jubbulpore to Bungi	17.54		69.33
Khuradevi to Sirgoda	4.50		
Nainpur to Mandla	22.67		
Morappur-Dharmapuri (2' 6")			18.36
Tirappatur-Krishnagiri (2' 6")			25.43
(xiii) Howrah-Amra Light (2' 0")—			
Autpur to Champadanga (b)	9.00		12.50
Autpur to Rajhat (b)	3.50		
(xiv) Madura District Light (2' 0")—			
Ammayanayakanar to Kotagudi	55.00		
Periyakulam to Krishna-Manali's Tope	5.00		93.00
Theni to Karuvannath	33.00		
(xv) Barsi Light (2' 6")—			
Barsi Road Junction to Pandharpur	30.67		57.37
Barsi Town to Tadwala	26.70		
(xvi) Dwara-Therria Light (2' 6")—			
Dwara to Raon (a)	13.50		19.50
Maolong to Therria Ghat (b)	6.00		
(xvii) Matheran (2' 0")—			
Neral to Matheran			12.79
(xviii) Shahdara (Delhi)—Saharanpur Light (2' 6")—			
Baraut to Meerut	30.00		
Shahdara to Saharanpur	95.00		125.00
(xix) A. Cutch (2' 6")—			
Anjar to Tuna			11.86
(xx) B. Gwalior Light (2' 0")—			
Sabalgarh to Sagar			68.66
(xxi) C. Jullundur-Kapurthala-Sultanpur (Native State section)—			
Sultanpur to the British Frontier (c)			22.02

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

(c) Commencement of work not authorized and question of gauge not finally settled.
(d) Completion deferred.

New Lines authorised.

	Miles.	Miles.	Miles.
(i) Nagda-Muttra— Crossing of the Chambal river to Muttra	202'16	242'40	265'46
Kotah to Baran	40'00		
North Western— Kacha Garhi to mile 23		23'00	
(ii) Agra-Delhi Chord— Kotli to Sanket		6'06	80'67
Bengal-Nagpur— Branch line near Khanoodih		1'87	
East Indian— Agra direct access	1'75		
Borachuck to Sodepur	4'50		
Hooghly to Katwa	65'20	72'61	
Chord line between the East Indian and Oudh and Rohilkhand State railways near Moghal Sarai	1'19		
(iii) Amritsar-Patti			26'85
(iv) Eastern Bengal— Forbesganj to the Nepal Frontier			6'50
(v) Assam-Bengal— Akhaura to Ashuganj		19'00	25'70
Burma— Thamalog to Malagaon		6'70	
(vi) Bezwada-Masulipatam			45'80
(vii) Dibru-Sadiya— Talap to Shaikwaghat			8'50
(viii) A. Morvi— Stone Quarry branch (a)			2'75
B. Gaekwar's Mehsana— Chausama to Bechradi	17'27	38'47	42'47
Manund Road to Harij	21'20		
Sangli— Miraj to Sangli Town		4'00	
(ix) Purulia-Ranchi (2' 6")			72'26
(x) Cutch (2' 6")— Anjar to Bhu		25'38	44'63
Dholpur-Bari (2' 6")		19'25	

Lines opened or likely to be opened.

(xi) Eastern Bengal— Panchooria to the river Ganges	8'00	103'85	187'14
Ranghat to Lalgaola Ghat	97'85		
North Western— Spezand Junction to Nuakhi		83'29	
(xii) Agra-Delhi Chord— Kotli to Sanket		6'06	49'17
Bengal-Nagpur— Mohuda to Malkera		5'70	
East Indian— Etmadpur Chord	1'11		
Mainpuri to Farukhabad	26'30	37'41	
(xiii) Southern Punjab Extension— MacLeodganj to Ferozepore City		76'88	152'78
Ferozepore Cantonment to Ludhiana		75'90	
(xiv) Eastern Bengal— Bonarpata to Kaunia		44'47	79'84
Golokganj to Kokrajhar		35'37	
(xv) Bellary-Rayadrug Hoaspet-Kottur		33'05	283'43
Bajputana-Malwa— Phulera to Narnaul		43'06	
Tirhoot— Balragonia to Narkataganj		100'53	
Bhagalpur to Bhagalpur Ghat	58'05		
Bettiah to Bhikna Thoree	42'29	106'59	
(xvi) A. Rohilkund and Kumaon— Bareilly to Soron			56'00
B. Bengal and North-Western— Barhni to Tulsipur		23'05	35'61
Gainsari to Jarwa		12'56	
(xvii) Jaipur— Sanganer to Nawai			32'25
(xviii) Jubulpore-Gondia Extension (2' 6")— Burgl to Jobulpore		16'86	60'75
Morappur-Dharmapuri (2' 6")		18'30	
Tirupattur-Krishnagiri (2' 6")		25'43	
(xix) Baral Light (2' 6")— Baral Town to Kuslamb			7'00
(xx) Cutch (2' 6")— Anjar to Tuna			11'6

During 1905-1906, *i.e.*, from 1st April 1905 to the 31st March 1906, 621'69 miles of new railway have been authorized as follows:—

	Miles.	Miles.
<i>5' 6" gauge—</i>		
(i) State lines worked by the State	265'46	
(ii) State lines worked by companies	80'67	
(iii) Branch line company's railway assisted by Government under "Rebate" terms	26'85	
		372'98
<i>3' 3 3/8" gauge—</i>		
(iv) State lines worked by the State	6'50	
(v) State lines worked by companies	25'70	
(vi) District Boards' lines	45'90	
(vii) Assisted company's lines subsidized by Local Governments	8'50	
(viii) Native State lines—		
A. Worked by Native States	2'75	
B. Worked by companies	42'47	
		45'22
		131'82
<i>Special (2' 6" and 2' 0") gauges—</i>		
(ix) State lines worked by companies	72'26	
(x) Native State lines worked by Native States	44'63	
		116'89
		621'69

And 955'83 miles have been or are likely to be opened to public traffic as follows:—

	Miles.	Miles.
<i>5' 6" gauge—</i>		
(xi) State lines worked by the State	187'14	
(xii) State lines worked by companies	49'17	
(xiii) Branch line companies' railways assisted by Government under "Rebate" terms	152'78	
		389'09
<i>3' 3 3/8" gauge—</i>		
(xiv) State lines worked by the State	79'84	
(xv) State lines worked by companies	283'43	
(xvi) Assisted companies' lines—		
A. Subsidized by the Government of India	56'00	
B. Receiving land only from Government	35'61	
		91'61
(xvii) Native State lines worked by com- panies	32'25	
		487'13
<i>Special (2' 6" and 2' 0") gauges—</i>		
(xviii) State lines worked by companies	60'75	
(xix) Assisted companies' lines receiving land only from Government	7'00	
(xx) Native State lines worked by com- panies	11'86	
		79'61
		955'83

(a) This branch is on the 2' 6" gauge.
Correction of mileage.

The total length of open line at the commencement of 1906-1907, i.e., on the 1st April 1906, will, therefore, be 28,683.81 miles, comprising—

Table showing railway lines categorized by gauge (5' 6" gauge, 3' 3 3/8" gauge, Special gauges) and ownership (State, Companies, Government, etc.). Includes sub-categories like 'Assisted companies' lines' and 'Native State lines'. Totals are provided at the bottom.

Table titled 'Open lines on 1st April 1906' listing specific railway lines with their respective lengths in miles. Includes lines like Eastern Bengal, North Western, Agra-Dehli Chord, and various regional lines.

(a) See foot-note (a) on page 119. (b) See foot-note (b) on page 119. (c) Worked by the Great Indian Peninsula Railway Company. (d) Although for convenience classed amongst State railways, this line was the property of the Bengal Central Railway Company. It was purchased by the State on the 1st July 1905, and amalgamated with the 5' 6" gauge section of the Eastern Bengal State railway. (e) Worked by His Highness the Nizam's Guaranteed State Railways Company. (f) Includes 39.2 miles of 3' 3 3/8" gauge line between Viramgam and Wadhwan. (g) Worked by the Bombay, Baroda and Central India Railway Company. (h) Worked by the Madras Railway Company. (i) See foot-note (h) on page 119. (j) Worked by the Oudh and Rohilkhand State Railway. (k) Worked by the East Indian Railway Company. (l) Worked by the North Western State Railway. (m) See foot-note (m) on page 119. (n) Worked by the Southern Maharashtra Railway Company. (o) Worked by the Jodhpur-Bikaner railway. (p) Worked by the Rohilkhand and Kumaon Railway Company. (q) See foot-note (q) on page 119. (r) Worked by the South Indian Railway Company. (s) Worked by the Bengal and North-Western Railway Company. (t) Worked by the Eastern Bengal State Railway. (u) Worked by the Assam Railway and Trading Company. (v) Includes 5.23 miles of Bhavnagar Dock estates and Junagad quarry lines. (w) Worked by the Bhavnagar-Gondal-Junagad-Forbandar railway. (x) Includes 3.93 miles of the Bedi Bandar Dock estate lines. (y) Includes 16.75 miles of 2' 6" gauge line between Vankaner and Morvi. (z) Worked by the Bengal-Nagpur Railway Company.

* Correction of mileage. † Purchased by the State with effect from the 1st January 1905 and transferred to State lines worked by Companies. ‡ Purchased by the State with effect from the 1st January 1905 and amalgamated with the Assam-Bengal railway. § Made up as follows:— Open at the commencement of 1905-1906 27,727.68 Opened during 1905-1906 856.83 28,584.51 Net increase due to corrections of mileage 0.30 28,584.81

APPENDIX IV.

COMMERCIAL AND

TABLE I.—MIS

	1897-98.	1898-99.	1899-1900.
Recorded Revenue compared with recorded expenditure, excluding Capital Expenditure on Public Works not charged against Revenue—			
Surplus	£ 5,35,92,110	£ 2,640,873	£ 2,774,623
Deficit	£ 5,30,92,250	£ 3,279,316	£ 4,093,159
Capital Expenditure on Public Works not charged against Revenue*	6,077,779	£ 2,553,052	£ —121,298
Ditto charge involved in Redemption of Liabilities . . . . .	...	...	...
Net Public Debt incurred	5,651,626	£ 1,169,161	£ —787,763
Net Public Debt incurred, including Capital transactions with Guaranteed Railways and other Companies			
Value of commodities exported, excluding Gold and Silver	97,63,30,000	1,12,80,00,000	1,09,08,30,000
Ditto imported, ditto ditto	73,64,70,000	72,10,20,000	75,30,40,000
Excess of Exports over Imports, excluding Gold and Silver	23,98,60,000	40,69,80,000	33,77,90,000
Net Imports of Gold	4,90,90,000	6,50,30,000	9,44,00,000
Ditto of Silver	8,47,30,000	3,98,10,000	3,57,70,000
TOTAL NET IMPORTS OF GOLD AND SILVER	13,38,20,000	10,48,40,000	13,01,70,000
Excess of Exports over Imports including Gold and Silver	10,60,40,000	30,21,40,000	20,76,20,000
Grand Total value of Imports and Exports of all kinds	1,98,95,90,000	2,10,20,80,000	2,13,31,80,000
Secretary of State's Bills sold (Rupees)	14,81,28,010	28,07,63,671	28,48,09,943
Sterling Equivalent received	9,506,077	18,692,377	19,067,022
Silver coined at the Indian Mints	98,56,910	69,83,650	2,22,59,751
Maximum price in pence of an oz. troy. standard Silver in London	28½ (Apl.)	28½ (Sept.)	29 (Apl.)
Minimum ditto ditto	23½ (Aug.)	25½ (Apl.)	26½ (Oct.)
Average Exchange upon Secretary of State's Bills sold per rupee	† 1s. 3'3539d.	1s. 3'9784d.	1s. 4'0670d.
Fixed rate of Exchange for the Adjustment of Transactions between the Indian and Imperial Treasuries	1s. 2½d.	1s. 3½d.	1s. 4d.
Maximum rate of discount on Loans on demand at the Bank of Bengal, Calcutta	12 (Feb. 24 to Mar. 31).	12 (Apl. 1—27)	8 (Oct. 17 to 25 and Jan. 11 to Mar. 14).
Minimum rate of discount on Loans on demand at the Bank of Bengal, Calcutta	5 (July 15 to Sept. 8 & Nov. 25 to Dec. 15)	4 (July 28 to Sept. 7).	4 (July 6 to Sept. 13).
Maximum rate of discount at the Bank of England	3 (Oct. to Mar.)	4 (Apl. and May Oct. to Jan.)	6 (Nov. 30 to Jan. 10).
Minimum ditto ditto	2 (May to Sept.)	2½ (July to Sept.)	3 (Apl. to July 12).
Maximum Government balances at the three Presidency Banks	3,27,96,000 (Mar.)	3,48,23,000 (Aug.)	4,16,05,000 (June)
Minimum ditto ditto	2,02,53,000 (Sept.)	2,76,74,000 (Nov.)	2,58,60,000 (Nov.)
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)	104—1 (May 21)	101—11 (Feb. 22)	101—9 (May 3 and 4 and 25 to 27).
Minimum ditto ditto	94—4 (Jan. 7)	92—10 (Apl. 22)	92—4 (Oct. 6)
Maximum price in Calcutta of 3 per cent Rupee Securities	97—4 (May & June).	95—8 (Mar. 15 to 17 and 22).	95—8 (May 15 to 29).
Minimum ditto ditto	90—0 (Jan. to Mar.)	86—0 (Nov. 16 to Jan. 17).	88 (Mar. 13 and 14, 19, 20 and 22 to 31).
Maximum amount outstanding on London Register of Rupee Securities enforced for Interest Drafts	23,47,80,000 (Apl.)	21,93,37,000 (Oct.)	21,36,32,000 (Apl.)
Minimum ditto ditto	21,39,05,000 (Mar.)	21,33,46,000 (Aug.)	20,28,73,000 (Aug.)
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	64½ (Jan.)	67½ (Mar.)	67½ (Apl.)
Minimum ditto ditto	60½ (Dec.)	61½ (Oct. and Nov.)	62 (Oct. and Dec.)
Maximum price in London of India 3½ per cent Stock	119½ (Aug.)	117½ (Mar.)	116½ (Apl.)
Minimum ditto ditto	114½ (Mar.)	111 (Oct.)	104½ (Dec.)
Maximum price in London of India 3 per cent Stock	112½ (May)	109½ (Feb.)	109½ (Aug.)
Minimum ditto ditto	105 (Mar.)	103½ (Oct.)	98½ (Dec.)
Maximum price in London of India 2½ per cent Stock	99½ (Apl.)	94½ (Mar.)	99½ (Apl.)
Minimum ditto ditto	92 (Mar.)	84½ (Oct.)	85 (Dec.)
Maximum Government Paper Currency outstanding	24,76,40,000 (Mar.)	28,20,33,000 (Mar.)	29,27,12,000 (July)
Minimum ditto ditto	22,86,16,000 (May)	23,24,55,000 (May)	26,26,32,000 (Dec.)
Number of Post Office Savings Banks	6,290	6,310	6,479
Number of accounts in Post Office Savings Banks	730,387	755,871	785,729
Amount deposited in Savings Banks	9,28,72,978	9,42,80,041	9,64,64,466
Average of each deposit	127'15	124'73	122'77
Net addition to deposits	—35,19,433	14,07,063	21,84,425

* 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.

1900-1901.	1901-1902.	1902-1903.	1903-1904.	1904-1905.	1905-1906, Revised.	1906-1907, Budget.
£ 1,670,204	£ 4,950,243	£ 3,069,549	£ 2,996,400	£ 3,456,066	£ 1,755,700	£ 874,100
£ 4,040,958	£ 4,071,152	£ 5,128,192	£ 5,043,003	£ 6,258,195	£ 9,181,700	£ 8,831,200
£ 5,922,350	£ 2,582,283	£ 1,039,655	£ 2,146,825	£ 3,413,480	£ 12,980,900	£ 4,164,000
£ 10,827,153	£ 3,207,898	£ 1,414,781	£ 225,540	£ 4,488,109	£ 16,755,900	£ 4,916,600
£ 12,173,251	£ 1,248,950,000	£ 1,293,960,000	£ 1,535,170,000	£ 1,577,080,000	£ 1,313,810,000	£ 925,510,000
80,89,50,000	88,78,00,000	85,81,90,000	92,59,20,000	1,04,41,30,000	92,51,50,000	
26,82,30,000	36,11,50,000	43,57,70,000	60,92,50,000	53,29,50,000	38,86,60,000	
84,20,000	1,93,80,000	8,76,40,000	9,93,20,000	9,70,60,000	43,60,000	
9,50,70,000	7,19,30,000	6,95,70,000	13,55,00,000	13,37,30,000	9,32,80,000	
10,34,90,000	9,13,10,000	15,72,10,000	23,48,20,000	23,07,90,000	9,76,40,000	
16,47,40,000	26,98,40,000	27,85,60,000	37,44,30,000	30,21,60,000	29,10,20,000	
2,27,41,70,000	2,45,74,86,000	2,50,25,20,000	2,99,67,90,000	3,18,05,80,000	2,60,22,00,000	
19,98,37,693	\$27,83,01,050	\$27,74,67,205	\$35,67,94,845	\$36,53,57,364	\$47,21,35,000(a)	26,70,00,000
13,300,277	\$18,539,071	\$18,499,947	\$23,859,303	\$24,425,558	\$31,536,600(a)	17,800,000
17,26,48,724	\$15,13,47,732	11,38,94,848	16,53,11,541	11,37,04,366		
30 $\frac{1}{2}$ (Oct.)	27 $\frac{1}{2}$ (Apl.)	24 $\frac{1}{2}$ (April)	28 $\frac{1}{2}$ (Oct.)	28 $\frac{1}{2}$ (Dec.)	30 $\frac{1}{2}$ (Feb.)	
27 $\frac{1}{2}$ (Apl.)	24 $\frac{1}{2}$ (Mar.)	21 $\frac{1}{2}$ (Nov. & Jan.)	22 $\frac{1}{2}$ (Apl.)	24 $\frac{1}{2}$ (Apl.)	25 $\frac{1}{2}$ (Apl.)	
1s. 3'9733d.	1s. 3'9876d.	1s. 4'0018d.	1s. 4'049d.	1s. 4'045d.	1s. 4'051d.	1s. 4d.
1s. 4d.	1s. 4d.	1s. 4d.	1s. 4d.	1s. 4d.	1s. 4d.	1s. 4d.
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.)	8 (From 9th Mar. 05 to 29th Mar. 1905.)	9 (From 1st Feb. 1906 to	
3 (July 5 to Aug. 8.)	3 (July 18 to Aug. 21)	3 (July 10 to Oct. 14.)	3 (Aug. 27 to Dec. 9.)	3 (23rd June to 5th Oct.)	3 (20th July to 16th Aug.)	
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 Mar.)	4 (Apl. 5 to 13)	4 (Sept. 28 to Mar.)	
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.)	2 $\frac{1}{2}$ (From Mar. 9.)	2 $\frac{1}{2}$ (Apl. 1 to Sept. 7.)	
3,31,13,000 (Jan.)	3,38,00,000 (June)	3,60,28,000 (Dec.)	3,52,12,000 (Apl.)	3,84,32,000 (Sept.)	3,82,91,000 (May)	
2,59,78,000 (Nov.)	2,93,82,000 (Mar.)	3,06,74,000 (Oct.)	3,03,54,000 (Feb.)	3,00,53,000 (Jan.)	2,84,08,000 (Nov.)	
97-12 (Oct. 24)	97-7 (Aug. 15)	99-9 (May 17)	99-7 (Apl. 27 & 28.)	99-9 (16th Aug. 2nd & 3rd Mar.)	100-4 (4th Aug. 1905.)	
93-11 (July 28)	94-7 (May 11)	96-12 (Apl. 2&3)	94-10 (Jan. 9)	96-11 (Nov. 11)	97-8 (9th and 10th Jan. 1906.)	
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)	87-4 (From 3rd Mar.)	88-12 (From 10th to 16th Aug. 1905.)	
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 (Feb. 8 to Mar. 31.)	85-4 (5th Apl. to 3rd Mar.)	87-0 (21st Dec. 1905.)	
22,25,04,000 (Sept.)	22,34,60,000 (Apl.)	20,28,92,000 (Apl.)	18,61,10,000 (Apl.)	17,02,89,000 (Apl.)	17,61,09,000 (May)	
20,84,80,000 (Sept.)	20,23,95,000 (Dec.)	18,63,35,000 (Mar.)	17,05,01,000 (Jan.)	16,50,97,000 (Feb.)	16,21,03,000 (Dec.)	
65 (Nov.)	64 $\frac{1}{2}$ (Feb.)	66 $\frac{1}{2}$ (Feb. & Mar.)	66 $\frac{1}{2}$ (Sept.)	66 $\frac{1}{2}$ (Feb. & Mar.)	66 $\frac{1}{2}$ (Aug. & Sept.)	
62 $\frac{1}{2}$ (July)	63 (July)	64 $\frac{1}{2}$ (Apl. & June)	64 (Jan. & Feb.)	65 (July)	65 $\frac{1}{2}$ (June)	
111 $\frac{1}{2}$ (Apl.)	109 $\frac{1}{2}$ (Aug.)	110 $\frac{1}{2}$ (June)	108 $\frac{1}{2}$ (July)	109 (Feb.)	107 $\frac{1}{2}$ (Apl.)	
105 (July)	106 $\frac{1}{2}$ (July)	105 $\frac{1}{2}$ (Mar.)	102 (Jan.)	103 (Apl.)	103 $\frac{1}{2}$ (Oct.)	
103 $\frac{1}{2}$ (Apl.)	102 (June)	102 $\frac{1}{2}$ (June)	100 $\frac{1}{2}$ (May)	99 $\frac{1}{2}$ (Feb.)	98 $\frac{1}{2}$ (Apl.)	
95 (Aug.)	97 $\frac{1}{2}$ (Oct.)	98 $\frac{1}{2}$ (Mar.)	93 $\frac{1}{2}$ (Mar.)	93 $\frac{1}{2}$ (Aug.)	94 $\frac{1}{2}$ (Oct.)	
90 $\frac{1}{2}$ (May)	87 (Apl.)	90 $\frac{1}{2}$ (June)	85 $\frac{1}{2}$ (Apl.)	85 $\frac{1}{2}$ (Feb.)	84 $\frac{1}{2}$ (Apl.)	
85 (Aug.)	84 $\frac{1}{2}$ (Dec.)	84 $\frac{1}{2}$ (Mar.)	78 $\frac{1}{2}$ (Mar.)	79 $\frac{1}{2}$ (Apl.)	79 $\frac{1}{2}$ (Oct.)	
30,78,41,000 (July)	31,85,06,000 (Oct.)	35,72,36,000 (Mar.)	38,21,17,000 (Mar.)	42,51,61,000 (July)	43,78,94,000 (Aug.)	
27,89,64,000 (Apl.)	27,67,80,000 (Feb.)	31,24,79,000 (Apl.)	33,94,09,000 (Apl.)	36,11,07,000 (Apl.)	39,63,12,000 (Nov.)	
6,636	7,053	7,075	7,372	7,855		
816,651	866,693	922,353	987,635	1,058,813		
10,04,32,569	10,68,21,233	11,42,15,534	12,33,36,717	13,40,70,130		
122'98	123'25	123'83	124'88	126'62		
39,68,103	63,88,604	73,94,301	91,21,183	1,07,33,44		

liabilities. of ₹1,00,00,000 by means of Bank drafts is taken into account.

(a) Include remittance of the Currency Department.

(b) Figures for ten months of 1904-1905.

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, 1905-1906.	Budget Estimate, 1906-1907.
	1900-1901.	1901-1902.	1902-1903.	1903-1904.	1904-1905.		
	Miles.	Miles.	Miles.	Miles.	Miles.	Miles.	Miles.
Open mileage at end of official year	1,305	1,334	1,349	1,408	1,408	9,04	9,04
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Gross traffic receipts	3,78,25,951	2,65,89,776	2,82,66,517	2,99,01,287	3,23,13,144	2,79,90	1,47,00
Working expenses	1,80,72,459	1,28,64,943	1,40,73,782	1,57,79,341	1,61,90,936	1,43,00	84,35
Percentage of working expenses on receipts	47.78	48.38	49.79	52.77	50.11	51.09	57.38
Net Revenue	1,97,53,492	1,37,24,833	1,41,92,735	1,41,21,946	1,61,22,208	1,36,90	62,65
Guaranteed Interest paid in England £	1,589,417	1,009,544	1,026,892	1,032,772	1,047,316	1,052,9	584,8
Ditto converted at Rs. 15 = £1 from 1898-99	2,38,41,249	1,51,43,168	1,54,03,371	1,54,91,582	1,57,09,732	1,57,93	87,72
Guaranteed interest paid in India plus interest on overdrawn Capital	1,22,657	1,04,551	1,24,895	2,28,672	2,77,131	40	4
Surplus paid to Railway Companies	25,81,739	23,16,119	13,33,564	15,27,629	19,08,241	27,50	...
Land and Supervision	—16,263	—1,00,580	—95,196	3,359 (a)	1,12,648	2,32	34
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	97,052	—2,80,239	3,59,811	8,46,623	4,72,410	6,68	12,66
Total Expenditure	2,66,26,434	1,71,83,019	1,71,26,445	1,80,97,865	1,84,80,162	1,94,83	1,00,76
Net Expenditure from the Public Treasury	68,72,942	34,58,186	29,33,710	39,75,919	23,57,954	57,93	38,11

* The Accounts for 1904-1905 and the Revised Estimate for 1905-1906 include £2,173 and £14,300 respectively on account of "Interest on advances" to Guaranteed Railway Companies (B., B. and C. I. Railway).

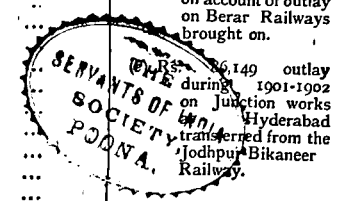
(a) Excludes the net credit under supervision vide Account 54 A of the Finance and Revenue Accounts for 1904-1905.

APPENDIX IV—continued.

COMMERCIAL AND FINANCIAL STATISTICS.

Table III.—Capital Expenditure on State Railways in 1904-1905 and Estimated Expenditure on such works in 1905-1906 and 1906-1907, and to end of 1906-1907.

RAILWAYS.	To end of 1903-1904.	Accounts, 1904-1905.	Revised Estimate, 1905-1906.	Budget Estimate, 1906-1907.	To end of 1906-1907.	Sanctioned Outlay.	Balance remaining unspent.	REMARKS.
OPEN LINES.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
East Indian	33,52,00,976	1,68,93,080	2,12,50,000	1,74,00,000	39,07,44,056	39,07,44,056	...	(a) Rs. 17,86,051, outlay prior to March 1900 on the metre gauge link between Bhatinda and Ferozapore transferred from Rajputana Malwa railway to North Western railway.
Rajputana-Malwa System	(a) 15,64,17,521	5,19,440	20,64,000	30,00,000	16,20,00,961	16,20,00,961	...	
Palanpur-Deesa	2,37,069	...	1,000	3,000	2,41,069	2,41,069	...	
Bhopal	31,03,386	86,359	60,000	2,00,000	34,49,745	34,49,745	...	
Warora Colliery	14,75,588	—78,900	—95,000	—20,000	12,81,688	12,81,688	...	
Burma	7,69,12,324	...	...	...	7,69,12,324	7,69,12,324	...
Assam-Bengal (Construction)	6,84,33,457	19,59,985	38,22,000	16,19,000	7,58,34,442	7,58,34,442	...	
Ditto (Land)	36,44,425	28,202	72,000	3,78,000	41,22,627	41,22,627	...	
Jorhat	9,07,124	437	3,000	4,000	9,14,561	9,14,561	...	
Eastern Bengal	13,30,45,456	72,10,892	1,25,65,000	38,06,000	15,66,27,348	15,66,27,348	...	
Tirhoot	5,09,32,075	23,18,580	15,20,000	20,00,000	5,67,70,655	5,67,70,655	...	
Oudh and Rohilkhand	20,00,33,802	20,57,061	31,16,000	22,00,000	20,74,06,863	20,74,06,863	...	
Lucknow-Bareilly	51,21,139	...	...	...	51,21,139	51,21,139	...
North-Western	(a, b) 48,95,01,070	81,89,392	1,31,29,000	1,50,50,000	52,58,69,462	52,58,69,462	...	
Guntakal Mysore frontier	59,08,246	9,341	8,000	10,000	59,35,587	59,35,587	...	
South Indian	10,34,94,087	11,40,592	17,75,000	27,50,000	10,91,59,679	10,91,59,679	...	
Tanjore District Board	27,42,567	93,317	94,000	69,000	29,98,884	29,98,884	...	
Jodhpur-Hyderabad (British Section)	(c) 39,62,716	10,323	32,000	30,000	40,35,039	40,35,039	...	
Petroleum Operations	1,10,187	...	...	...	1,19,187	1,19,187	...
Frontier Railway Reserve Material	43,98,154	23	...	...	43,98,177	43,98,177	...
Peshawar Railway Reserve Material	2,88,641	...	—2,80,000	...	—359	—359	...	
Great Indian Peninsula and Warora Bellarpur	(d) 11,57,05,940	1,03,03,846	77,16,000	1,09,67,000	14,46,92,786	14,46,92,786	...	
East Coast—Northern Section	3,09,29,430	...	...	...	3,09,29,430	3,09,29,430	...
Madras Railway—North East Line	6,36,10,524	9,42,362	7,00,000	20,00,000	6,72,52,886	6,72,52,886	...	
Bezwada Extension	11,74,444	2,698	4,000	3,000	11,84,142	11,84,142	...	
Nilgiri Railway	35,38,772	10,575	1,90,000	1,80,000	39,19,347	39,19,347	...	
Bombay, Baroda and Central India	...	...	(b) 20,32,54,000	10,00,000	20,42,54,000	20,42,54,000	...
Rohri-Samasata Doubling	...	6,56,170	65,50,000	59,50,000	1,31,56,170	1,31,56,170	...	
Bengal Central	...	...	(c) 75,08,000	...	75,08,000	75,08,000	...
Carried over	1,86,08,38,120	5,23,53,775	28,50,49,000	6,85,99,000	2,26,68,39,895	2,26,68,39,895	...	



STATE OF RAJASTHAN

APPENDIX IV—continued.

RAILWAYS.	To end of 1903-1904.	Accounts, 1904-1905.	Revised Esti- mate, 1905-1906.	Budget Esti- mate, 1906-1907.	To end of 1906-1907.	Sanctioned Outlay.	Balance re- maining unspent.	
Brought forward	1,86,08,38,120	5,23,53,775	28,50,49,000	6,85,99,000	2,26,68,39,895	2,26,68,39,895	...	(d) Includes Rs. 1,93,809 on account of survey outlay and land charges brought on.
Bellary-Royadug	4,33,451	1,31,903	2,10,000	25,000	8,00,354	8,00,354	...	
Hospet-Kottur	3,27,216	9,45,910	1,35,000	55,000	14,63,126	14,63,120	...	
Tirupatur-Krishnagiri	4,54,126	3,86,923	2,71,000	3,000	11,15,049	11,15,049	...	(b) Survey outlay brought on to the construction account during 1903-1904.
Morappur-Dhurmapuri	2,89,777	2,72,448	2,53,000	18,000	8,33,225	8,33,225	...	
TOTAL OPEN LINES.	1,86,23,42,690	5,40,90,959	28,59,18,000	6,87,00,000	2,27,10,51,649	2,27,10,51,649	...	
LINES UNDER CONSTRUCTION.								
Forbesganj-Nepal Frontier	...	...	70,000	1,40,000	2,10,000	2,22,000	12,000	
Shahdera-Sangla	(b) 8,999	4,19,370	16,16,000	5,50,000	25,94,369	28,29,000	2,34,631	
Burma Railway Extensions	(b) 1,05,903	31,06,612	52,06,000	51,00,000	1,35,18,515	1,67,47,000	32,28,485	
Khusalgarh-Kohat Railway—Conversion and Indus Bridge.	...	1,51,466	15,63,000	3,00,000	20,14,466	24,46,000	4,31,534	
Coonoor-Ootakamund	(b) 12,729	2,35,214	6,86,000	9,00,000	18,33,943	24,40,000	6,06,057	
Jech-Doab (Southern Section)	11,09,271	33,87,353	18,84,000	3,00,000	66,80,624	71,59,000	4,78,376	
Tirhoot Extensions	(a) 24,61,802	33,72,780	37,50,000	25,00,000	1,17,84,582	1,14,41,000	—3,43,582	
Extensions to Chitpore (E. B. Railway)	28,20,462	2,47,829	1,10,000	1,30,000	33,08,291	36,48,000	3,39,709	
Kaunia-Bonarpara	10,44,265	6,43,510	4,85,000	3,86,000	25,58,775	21,69,000	—3,89,775	
Jullundur-Hoshiarpur	14,531	...	...	...	14,531	15,000	469	
Ludhiana-Ferozepur	28,311	...	...	...	28,311	29,000	689	
Agra-Delhi Chord	71,30,571	42,72,582	10,93,000	1,20,000	1,26,16,153	1,14,30,000	—11,86,153	
Allahabad Fyzabad	96,61,225	9,92,361	1,48,000	...	1,05,05,586	1,17,09,000	12,03,414	
Ganges Bridge (Allahabad-Fyzabad)	...	...	...	...	...	...	...
Tinnevely-Quilon—British Section	39,80,700	3,54,689	27,000	1,00,000	44,62,389	44,99,000	36,611	
Ditto Native State Section	1,06,67,454	10,29,567	82,000	2,00,000	1,19,79,021	1,15,03,000	—4,76,021	
Azikhhal-Mangalore	33,60,869	44,03,401	29,85,000	16,00,000	1,23,49,270	1,29,05,000	5,55,730	
Dhubri-Gauhati	16,95,446	17,07,096	22,13,000	13,40,000	69,55,542	92,31,000	22,75,458	
Moorshedabad Branch	45,11,518	28,06,799	14,09,000	6,00,000	93,27,317	1,05,53,000	12,25,683	
Kankoorgachi Chord	8,89,589	4,76,937	2,10,000	50,000	16,26,526	13,98,000	—2,28,526	
Doubling the line between Canal Junction and Kankoorgachi.	2,31,881	1,40,089	95,000	1,40,000	6,06,970	4,36,000	—1,70,970	
Shilman Branch	...	...	7,75,000	35,00,000	42,75,000	50,43,000	7,68,000	
Carried over	4,94,35,526	2,77,47,655	2,41,11,000	1,79,56,000	11,92,50,181	12,78,52,000	86,01,819	
TOTAL OPEN LINES, carried over	1,86,23,42,690	5,40,90,959	28,59,18,000	6,87,00,000	2,27,10,51,649	2,27,10,51,649	...	

APPENDIX IV—continued.

RAILWAYS.	To end of 1903-1904.	Accounts, 1904-1905.	Revised Esti- mate, 1905-1906.	Budget Esti- mate, 1906-1907.	To end of 1906-1907.	Sanctioned, Outlay.	Balance remaining unspent.	
TOTAL OPEN LINES, brought forward	1,86,23,42,690	5,40,90,959	28,59,18,000	6,87,00,000	2,27,10,51,649	2,27,10,51,649	...	(a) Survey outlay brought, on to the construction account during 1903-1904.
Brought forward	4,94,35,526	2,77,47,655	2,41,11,000	1,79,56,000	11,92,50,181	12,78,52,000	86,01,819	
Barun Kotah . . . . .	...	...	1,00,000	10,00,000	11,00,000	37,59,000	26,59,000
Ahmedabad-Dholka (Earthwork, etc.)	59,900	...	...	...	59,900	60,000	100
Quetta-Nushki	7,17,567	32,42,893	16,45,000	1,47,000	87,52,460	90,06,000	2,53,540	
Rewari-Phulera	15,09,797	26,46,795	7,44,000	2,90,000	51,90,592	57,05,000	5,14,408	
Nagda-Muttra	(a) 51,107	7,29,445	73,19,000	1,41,00,000	2,21,99,552	2,98,11,000	76,11,448	
Katihar-Godagiri	(a) 28,482	6,35,074	31,89,000	47,00,000	85,52,556	1,04,86,000	19,33,444	
Allahabad-Jaunpur	(a) 16,742	6,09,650	19,00,000	4,00,000	29,26,392	30,22,000	95,608	
Rameswaram Extension	(a) 21,082	97,154	3,62,000	20,50,000	25,30,236	35,19,000	9,88,764	
TOTAL LINES UNDER CONSTRUCTION	5,48,40,203	3,57,08,666	3,93,70,000	4,06,43,000	17,05,61,869	19,32,20,000	2,26,58,131	
LINES 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 LINES IN ABEYANCE, ETC.	1,85,67,814	1,85,67,814	1,85,67,814	...	
Purchase of Kalka-Simla Railway . . . . .	...	...	...	45,00,000	45,00,000	45,00,000	...
Stores	2,66,049	4,86,652	...	...	7,52,701	7,52,701	...
Reserve . . . . .	...	...	...	63,00,000	63,00,000	63,00,000	...
GRAND TOTAL, carried over	1,93,60,16,756	9,02,86,277	32,52,88,000	12,01,43,000	2,47,17,34,033	2,49,43,92,164	2,26,58,131	

APPENDIX IV—continued.

RAILWAYS.	To end of 1903-1904.	Accounts, 1904-1905.	Revised Esti- mate, 1905-1906.	Budget Esti- mate, 1906-1907.	To end of 1906-1907.	Sanctioned Outlay.	Balance remaining unspent.
GRAND TOTAL, brought forward	1,93,60,16,756	9,02,86,277	32,52,88,000	12,01,43,000	2,47,17,34,033	2,49,43,92,164	2,26,58,131
<i>Distributed as under—</i>							
CAPITAL EXPENDITURE ON PUBLIC WORKS (not charged to Revenue)—							
State Railways—Construction*	1,19,18,98,371	8,84,55,339	12,96,08,000	11,99,69,000	1,52,99,30,710		
Redemption of Liabilities†	59,20,83,646	...	19,47,14,000	...	78,67,97,646		
FAMINE RELIEF AND INSURANCE—							
Protective Railways	7,38,86,303	17,37,184	8,69,000	1,01,000	7,65,93,487		
CONSTRUCTION OF RAILWAYS (charged against Revenue in addition to that under Famine In- surance.)	5,45,35,712	...	...	...	5,45,35,712		
CONSTRUCTION OF RAILWAYS (charged to Provin- cial or Local Revenues).	1,00,48,936	93,754	97,000	73,000	1,03,12,690		
OTHER EXPENDITURE charged against Revenue	1,35,63,788	...	...	...	1,35,63,788		
TOTAL AS ABOVE	1,93,60,16,756	9,02,86,277	32,52,88,000	12,01,43,000	2,47,17,34,033		

* INCLUDES DEBENTURES RAISED BY COMPANIES—

East Indian Railway	8,89,31,931	84,54,549	2,06,70	2,77,50	14,58,06,480
South Indian Railway	1,50,57,237	60,00,000	16,50	...	2,27,07,237
TOTAL	10,39,89,168	1,44,54,549	2,23,20	2,77,50	16,85,13,717

	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	7,30,74,320
South Indian Railway	7,03,88,355
Great Indian Peninsula Railway	8,88,35,250
Bombay, Baroda and Central India Railway	59,20,83,646
Bengal Central Railway	18,72,06,000
	75,08,000
TOTAL	78,67,97,646

APPENDIX IV—continued.

COMMERCIAL AND FINANCIAL STATISTICS.

Table IV.—Capital Expenditure on Irrigation—Major Works, in 1904-1905, and estimated expenditure on such works in 1905-1906 and 1906-1907, and to the end of 1906-1907.

	Actual outlay to end of 1903-1904.	Accounts, 1904-1905.	Revised Estimate, 1905-1906.	Budget Estimate, 1906-1907.	Total actual and estimated outlay to end of 1906-1907.	Sanctioned estimate.	Balance of sanctioned estimate remaining to be spent.
IRRIGATION WORKS.							
CAPITAL EXPENDITURE NOT CHARGED TO REVENUE.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Burma.</i>							
Mandalay Canal	49,35,598	1,54,465	22,000	12,000	51,24,063	49,47,897	...
Shwebo Canal	29,71,602	8,49,199	5,40,000	4,60,000	48,20,801	46,28,060	...
Mon Canals	80,798	1,69,223	5,48,000	6,77,000	14,75,021	42,63,836	27,88,815
Ye-u Canal . . . . .	...	...	1,90,000	3,51,000	5,41,000	34,05,297	28,64,297
<i>Bengal.</i>							
Orissa Canals	2,59,71,406	27,737	23,000	50,000	2,60,72,143	...	...
Midnapur Canal	82,93,548	4,028	7,000	26,000	83,30,576	...	...
Hijili Tidal Canal	25,51,641	...	...	...	25,51,641	...	...
Sone Canal	2,58,04,391	2,441	3,000	4,000	2,58,13,832	...	...
<i>United Provinces.</i>							
Ganges Canal	2,96,40,857	5,09,248	3,50,000	7,15,000	3,12,15,105	...	...
Lower Ganges Canal	3,39,42,863	2,26,687	2,24,000	4,59,000	3,48,52,550	...	...
Ditto, Fatehpur Branch	32,30,847	35,041	16,000	90,000	33,71,888	...	...
Agra Canal	94,57,301	1,38,725	2,10,000	2,68,000	1,00,74,026	...	...
Eastern Jumna Canal	42,79,693	1,87,800	1,00,000	1,68,000	47,35,493	...	...
<i>Punjab.</i>							
Western Jumna Canal	1,64,74,934	—149	30,000	...	1,65,04,785	...	...
Bari Doab Canal	1,89,85,071	1,27,168	1,69,000	3,00,000	1,95,81,239	...	...
Sirhind Canal (State outlay)	2,35,75,156	62,646	52,000	10,000	2,36,99,802	...	...
Lower Chenab Canal	2,72,93,042	1,25,085	1,29,000	...	2,75,47,127	...	...
Lower Jhelum Canal	1,30,19,216	9,17,786	7,88,000	2,00,000	1,49,25,002	1,83,95,782	34,70,780
Indus Inundation Canals	8,40,666	5,95,626	3,91,000	40,000	18,67,292	...	...
Upper Jhelum Canal . . . . .	...	13,424	11,63,000	20,00,000	31,76,424	2,90,70,397	2,58,93,973
Upper Chenab Canal . . . . .	...	30,362	18,54,000	26,50,000	45,34,362	2,89,29,792	2,43,95,430
Lower Bari Doab Canal . . . . .	...	...	...	...	...	1,78,11,842	1,78,11,842
<i>North-West Frontier Province.</i>							
Paharpur Inundation Canal . . . . .	...	...	1,61,000	3,00,000	4,61,000	7,07,703	2,46,703
<i>Madras.</i>							
Godavari Delta System	1,15,80,489	1,80,091	1,40,000	2,33,000	1,21,33,580	...	...
Kistna Delta System	1,38,98,043	4,35,438	1,39,000	1,53,000	1,46,25,481	...	...
Pennér River Canals System	53,90,771	70,505	37,000	68,000	55,66,276	...	...
Periyar Project	88,79,012	1,30,357	1,80,000	4,36,000	96,25,369	...	...
Cauvery Delta system	30,05,628	1,11,401	1,48,000	1,84,000	34,49,029	...	...
Nagavalli River Project . . . . .	...	...	1,30,000	4,92,000	6,22,000	10,36,606	4,14,606
Divi Island Project . . . . .	...	...	1,40,000	8,21,000	9,61,000	18,06,000	8,45,000
<i>Bombay.</i>							
Desert Canal	25,70,617	20,145	12,000	...	26,02,762	...	...
Begari Canal	16,57,544	...	...	1,24,000	17,81,544	...	...
Eastern Nara Works	63,09,897	73,724	33,000	33,000	64,49,621	...	...
Jamrao Canal	82,35,898	—1,98,589	—64,000	...	79,73,309	...	...
Mutha Canals	68,95,081	34,951	1,000	1,87,000	71,18,032	...	...
Other projects	3,59,98,872	4,65,445	4,17,000	14,22,000	3,83,03,317	...	...
	35,57,70,482	55,00,010	82,83,000	1,29,33,000	38,24,86,492	...	...
Deduct—Outlay incurred from Ordinary Revenues	5,84,59,602	82,429	1,65,000	4,33,000	5,91,40,031	...	...
Carried over	29,73,10,880	54,17,581	81,18,000	1,25,00,000	32,33,46,461	...	...

FINANCIAL STATEMENT OF THE
APPENDIX IV—continued.

COMMERCIAL AND FINANCIAL STATISTICS.

Table IV.—Capital Expenditure on Irrigation—Major Works, in 1904-1905, and estimated expenditure on such works in 1905-1906 and 1906-1907, and to the end of 1906-1907.

	Actual outlay to end of 1903-1904.	Accounts, 1904-1905.	Revised Estimate, 1905-1906.	Budget Estimate, 1906-1907.	Total actual and estimated outlay to end of 1906-1907.	Sanctioned estimate.	Balance of sanctioned estimate remaining to be spent.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Brought forward	29,73,10,880	54,17,581	81,18,000	1,25,00,000	32,33,46,461	...	...
PROTECTIVE IRRIGATION WORKS.							
<i>Central Provinces.</i>							
Tank Projects	5,10,272	6,22,638	5,12,000	10,84,000	27,28,910	...	...
<i>Bengal.</i>							
Tribeni Canal	8,62,560	3,61,589	4,15,000	7,55,000	23,94,149	50,20,251	2,26,102
<i>United Provinces.</i>							
Betwa Canal (including Dukwa weir)	44,26,176	2,09,031	5,65,000	5,86,000	57,86,207	...	...
Ken Canal	88,868	6,53,295	14,20,000	11,20,000	32,82,163	36,74,729	3,92,566
Dassan Canal . . . . .	...	...	1,55,000	6,45,000	8,00,000	38,79,619	30,79,619
<i>North-West Frontier Province.</i>							
Swat River Canal	40,21,592	1,397	11,000	91,000	41,24,989	...	...
<i>Madras.</i>							
Rushikulya Project	45,40,483	59,082	35,000	61,000	46,95,565	...	...
Mopad Project . . . . .	...	1,747	2,46,000	5,68,000	8,15,747	11,36,000	3,20,253
<i>Bombay.</i>							
Chankapur Tank	2,00,069	1,50,041	1,52,000	3,74,000	8,76,110	13,11,518	4,35,408
Nira Canal	53,67,449	3,561	9,000	6,000	53,86,010	...	...
Other projects	35,71,443	69,374	1,05,000	3,87,000	41,32,817	...	...
	2,35,88,912	21,31,755	36,25,000	56,77,000	3,50,22,667	...	...
<i>Deduct—Outlay incurred from Ordinary Revenues</i>							
	29,96,450	...	...	...	29,96,450	...	...
TOTAL	2,05,92,462	21,31,755	36,25,000	56,77,000	3,20,26,217	..	...
GRAND TOTAL	31,79,03,342	75,49,336	1,17,43,000	1,81,77,000	35,53,72,678	...	...

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 1904-1905, with Revised Estimates for 1905-1906 and Budget Estimates for 1906-1907.

(Omitting 000 except in accounts).

	Accounts.					Revised Estimate, 1905-1906.	Budget Estimate, 1906-1907.
	1900-1901.	1901-1902.	1902-1903.	1903-1904.	1904-1905.		
	<i>M.</i>	<i>M.</i>	<i>M.</i>	<i>M.</i>	<i>M.</i>	<i>M.</i>	<i>M.</i>
GUARANTEED RAILWAYS.							
Open mileage at beginning of year	2,612	4,305	4,334	4,349	4,408	4,408	9,04
<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>
Madras	1,15,52,942	1,10,33,035	1,20,68,312	1,27,77,060	1,34,30,576	1,40,00	1,43,00
Ditto Extensions . . . . .	...	56,465	1,85,889	3,17,370	3,75,918	3,65	4,00
Bombay, Baroda and Central India	1,73,43,582	1,55,00,276	1,60,11,316	1,68,06,857	1,85,06,650	1,36,25	...
Great Indian Peninsula	89,29,427	...	...	...	...	...	...
TOTAL	3,78,25,951	2,65,89,776	2,82,66,517	2,99,01,287	3,23,13,144	2,79,90	1,47,00
<i>Working Expenses.</i>							
Madras	56,71,710	56,45,793	61,69,379	69,95,955	76,05,016	79,00	82,00
Ditto Extensions . . . . .	...	22,046	79,538	1,48,793	2,02,666	2,00	2,35
Bombay, Baroda and Central India	83,57,857	71,97,104	78,24,865	86,34,593	83,83,254	62,00	...
Great Indian Peninsula	40,42,892	...	...	...	...	...	...
TOTAL	1,80,72,459	1,28,64,943	1,40,73,782	1,57,79,341	1,61,90,936	1,43,00	84,35
<i>Net Traffic Receipts.</i>							
Madras	58,81,232	53,87,242	58,98,933	57,81,105	58,25,560	61,00	61,00
Ditto Extensions . . . . .	...	34,419	1,07,351	1,68,577	1,73,252	1,65	1,65
Bombay, Baroda and Central India	89,85,725	83,03,172	81,86,451	81,72,264	1,01,23,396	74,25	...
Great Indian Peninsula	48,86,535	...	...	...	...	...	...
TOTAL	1,97,53,492	1,37,24,833	1,41,92,735	1,41,21,946	1,61,22,208	1,36,90	62,65

APPENDIX IV—continued.

	ACCOUNTS.					Revised Estimate, 1905-1906.	Budget Estimate, 1906-1907
	1900-1901.	1901-1902.	1902-1903.	1903-1904.	1904-1905.		
	M.	M.	M.	M.	M.		
STATE RAILWAYS.							
Open mileage at beginning of year	17,136	19,295	19,380	20,119	20,744	20,330	21,500
<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	3,450	3,450	3,450	3,450	3,450	3	
India	6,75,19,065	7,10,62,672	6,74,11,071	7,08,45,143	7,61,21,110	7,65,00	7,90,00
Rajputana-Malwa System	2,84,65,308	2,81,18,427	2,49,93,926	2,19,35,587	2,54,29,995	2,85,00	2,90,00
Bhopal	2,55,120	2,92,862	3,46,103	3,77,177	3,95,734	3,25	3,2
Palampur-Deesa	40,983	39,190	31,756	28,155	31,619	35	3
Warora Colliery	6,59,350	6,98,956	6,74,934	5,52,948	5,51,760	5,50	4,5
Wardha Coal	1,75,380	...	...	...	...	...	...
Bengal-Nagpur	1,21,44,574	1,35,36,367	1,45,37,860	1,65,95,948	1,98,35,177	2,55,00	2,80,00
Burma Railways	1,13,34,182	1,22,32,691	1,26,67,364	1,41,06,869	1,51,48,710	1,58,00	1,65,00
Assam-Bengal	18,21,277	20,92,758	21,10,110	25,87,822	29,88,285	35,00	40,00
Jorhat	85,785	83,310	88,476	89,205	75,720	80	82
Cherra-Companyganj	4,818	2,828	...	...	...	...	...
Eastern Bengal	1,71,05,226	1,70,14,290	1,75,21,934	1,87,14,401	1,92,64,510	2,20,00	2,30,00
Bengal and North-Western, and Tirhoot	84,24,104	99,79,539	1,02,19,920	1,21,67,584	1,28,88,240	63,00	66,00
Bengal Central	13,61,919	13,93,160	13,24,944	15,05,612	15,68,378	3,55	...
Brahmaputra-Sultanpur Branch . . . . .	...	1,62,203	2,40,827	2,69,758	1,721	...	...
Oudh and Rohilkhand	1,16,10,252	1,35,20,795	1,35,27,277	1,40,12,128	1,54,69,228	1,59,00	1,65,00
Indian Midland { England . . . . .	...	45,000	...	...	...	...	...
India	89,21,183	83,73,471	90,10,835	77,85,868	83,35,493	86,00	88,50
Lucknow-Bareilly	12,74,927	13,86,506	14,53,542	14,29,244	14,93,378	16,50	17,00
Hardwar-Dehra	48,031	2,27,429	2,53,685	2,65,261	2,69,354	3,25	3,25
North-Western	3,22,31,188	4,26,53,446	4,18,16,329	5,20,87,345	6,33,47,929	5,75,00	6,20,00
South Indian	90,20,566	1,03,68,269	1,09,05,420	1,21,89,359	1,27,61,620	1,30,00	1,33,50
Mysore	14,53,141	14,04,895	16,42,156	15,66,130	15,82,491	18,50	17,00
Nilgiri . . . . .	...	...	...	2,74,905	2,90,129	3,15	3,20
Agra Delhi Chord . . . . .	...	...	...	...	18,070	8,05	13,00
Bezwađa Extension . . . . .	...	2,64,398	3,02,442	3,07,113	3,20,656	3,50	3,50
North East Line, Madras Railway (East Coast, Southern Section)	60,95,150	46,90,260	44,53,516	46,03,446	55,91,475	67,00	70,00
Guntakal-Mysore Frontier	4,59,810	4,37,238	4,72,119	5,17,267	8,18,265	8,25	7,50
Tinnevely-Quilon . . . . .	...	...	69,746	2,03,472	3,59,584	4,95	5,00
Mayavaram-Mutupet	2,42,502	2,97,287	3,31,866	4,10,936	5,47,235	6,00	6,20
Dhond and Manmad (net)	2,11,534	...	...	...	...	...	... 50
Southern Mahratta	63,75,599	57,12,614	65,62,022	67,81,358	74,09,721	82,00	80
Hyderabad-Shadipalli	1,97,480	...	...	...	...	...	...
Jodhpur-Hyderabad (British Section)	12,802	4,00,599	5,05,058	5,83,491	5,90,818	8,50	8,00
Great Indian Peninsula	2,67,52,243	4,26,63,480	4,35,86,154	4,58,51,887	4,99,95,200	5,32,50	5,40,00
Bombay, Baroda and Central India . . . . .	...	...	...	...	...	47,50	2,00,00
Hospet Kottur . . . . .	...	...	...	...	...	44	4
Bellary Rayadrug . . . . .	...	...	...	...	...	30	...
Tirrupattur. Krishnagiri . . . . .	...	...	...	...	...	25	...
Morappur-Dharmapuri . . . . .	...	...	...	...	...	6	...
In England	3,450	48,450	3,450	3,450	3,450	3	
„ India	25,43,03,499	28,91,09,940	28,70,61,392	30,86,45,419	34,35,01,605	35,55,15	38,5
TOTAL	25,43,06,949	28,91,58,390	28,70,64,842	30,86,48,869	34,35,05,055	35,55,18	38,5

(a) Includes the length of the Bengal and North-Western Railway except for Revised Estimate, 1905-1906, and Budget Estimate, 1906-1907.

APPENDIX IV—continued.

	ACCOUNTS.					Revised Estimate, 1905-1906.	Budget Estimate, 1906-1907.
	1900-1901.	1901-1902.	1902-1903.	1903-1904.	1904-1905.		
<i>Working Expenses.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
East Indian	2,44,32,167	2,61,51,049	2,61,45,029	2,62,26,989	2,81,18,126	2,85,50	2,92,00
Rajputana-Malwa System	1,46,14,424	1,30,31,577	1,18,36,743	1,11,21,644	1,16,67,461	1,26,00	1,26,00
Bhopal	1,27,788	1,48,626	1,74,867	1,85,736	1,97,668	1,60	1,60
Palanpur-Deesa	37,279	25,256	25,375	21,987	19,662	23	23
Warora Colliery	4,18,647	4,33,330	4,44,571	3,82,076	3,75,159	3,70	3,40
Wardha Coal	94,626	...	...	...	...	...	...
Bengal-Nagpur	53,76,704	72,65,514	74,31,631	86,21,206	97,10,297	1,18,00	1,25,00
Burma Railway	66,60,429	73,85,882	77,32,319	89,17,418	93,93,401	1,02,78	1,02,00
Assam-Bengal	14,25,435	16,96,274	18,61,892	20,81,249	30,46,275	33,00	34,00
Jorhat	94,770	84,715	83,046	80,280	81,672	73	76
Cherra-Companyganj	19,534	7,640	...	...	...	...	...
Eastern Bengal	81,43,336	87,19,070	88,83,728	99,98,494	99,50,977	1,18,00	1,29,50
Bengal and North-Western, and Tirhoot	75,64,228	74,10,199	80,26,894	87,88,628	1,01,27,727	27,50	28,50
Bengal Central	9,20,155	9,00,740	9,13,996	11,25,074	10,75,964	4,65	...
Brahmaputra-Sultanpur Branch . . . . .	...	82,471	1,31,113	1,47,254	8,510	...	...
Oudh and Rohilkhand	58,76,434	65,83,646	65,35,525	70,31,234	81,74,262	87,50	96,00
Indian Midland	43,98,626	42,14,819	46,23,692	39,04,410	41,09,663	41,00	43,50
Lucknow-Bareilly	6,92,805	7,69,986	7,50,202	7,24,648	8,32,539	7,50	7,75
Hardwar-Dehra	24,016	1,24,969	1,47,440	1,55,680	1,57,191	2,00	2,00
North Western	1,88,63,796	2,22,52,333	2,42,93,882	2,64,98,970	2,91,09,608	3,02,00	3,53,50
South Indian	47,99,860	55,50,380	51,28,993	60,53,945	66,99,779	73,00	77,00
Mysore	10,78,609	11,27,457	11,88,564	11,03,305	11,57,652	13,00	12,50
Nilgiri . . . . .	...	...	...	2,00,918	2,23,967	2,65	2,90
Agra Delhi Chord . . . . .	...	...	...	...	8,079	3,85	6,35
Jezwada Extension . . . . .	...	1,20,248	1,49,334	1,52,891	1,41,701	1,45	1,50
North East line, Madras Railway (East Coast, Southern Section)	33,96,035	25,12,717	30,07,291	29,71,686	38,03,792	41,50	43,00
Muntakal-Mysore Frontier	2,95,561	3,10,308	2,92,918	3,05,337	5,12,162	4,90	4,80
Trinnevelly-Quilon . . . . .	...	...	29,574	89,900	1,96,312	2,55	2,80
Tayavaram-Mutupet	1,35,869	1,63,106	1,61,797	2,05,581	2,91,361	3,45	3,90
Southern Mahratta	48,03,985	44,92,654	46,99,571	48,09,622	52,29,796	57,00	54,00
Delerabad-Shadipalli	1,25,616	...	...	...	...	...	...
Madhupur-Hyderabad (British Section)	12,217	2,44,773	2,91,566	3,21,112	2,95,152	4,00	4,00
Great Indian Peninsula	1,25,52,735	2,05,75,278	2,24,16,610	2,34,45,061	2,47,61,525	2,56,00	2,62,00
Bombay, Baroda and Central India . . . . .	...	...	...	...	...	18,50	95,50
Diospet-Kottur . . . . .	...	...	...	...	...	44	44
Chellary-Rayadrug . . . . .	...	...	...	...	...	25	35
Chirrupatur-Krishnagiri . . . . .	...	...	...	...	...	25	48
Chirrupatur-Dharmapuri . . . . .	...	...	...	...	...	6	34
at							
TOTAL	12,69,85,686	14,23,85,017	14,74,08,163	15,56,72,365	16,94,31,560	17,44,54	19,17,60

FINANCIAL STATEMENT OF THE

APPENDIX IV—continued.

	ACCOUNTS.					Revised Estimate, 1905-1906.	Budget Estimate, 1906-1907.
	1900-1901.	1901-1902.	1902-1903.	1903-1904.	1904-1905.		
<i>Net 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	4,30,90,348	4,49,15,073	4,12,69,492	4,46,21,604	4,80,06,434	4,79,53	4,98,03
Rajputana-Malwa System	1,38,50,884	1,50,86,850	1,31,57,183	1,08,13,943	1,37,62,534	1,59,00	1,64,00
Bhopal	1,27,332	1,44,236	1,71,236	1,91,441	1,98,066	1,65	1,65
Palanpur-Deesa	3,704	13,934	6,381	6,168	11,957	12	12
Warora Colliery	2,40,703	2,65,626	4,30,363	1,70,872	1,76,601	1,80	1,10
Wardha Coal	80,754	...	...	...	...	...	...
Bengal-Nagpur	67,67,870	62,70,853	71,06,229	79,74,742	1,01,24,880	1,37,00	1,55,00
Burma Railways	46,73,753	48,46,809	49,35,045	51,89,451	57,55,309	55,22	63,00
Assam-Bengal	3,95,842	3,96,484	2,48,218	5,06,573	—57,990	2,00	6,00
Jorhat	—8,985	—1,405	5,430	8,925	—5,952	7	6
Cherra-Companyganj	—14,716	—4,812	...	...	...	...	...
Eastern Bengal	89,61,890	82,95,220	86,38,206	87,15,907	93,59,413	1,02,00	1,00,50
Bengal and North-Western, and Tirhoot	8,59,876	25,69,340	21,93,026	33,78,956	27,60,513	35,50	37,50
Bengal Central	4,41,764	4,92,420	4,10,948	3,80,538	4,92,414	—1,10	...
Brahmaputra-Sultanpur Branch . . . . .	...	79,732	1,09,714	1,22,504	—6,789	...	...
Oudh and Rohilkhand	57,33,818	69,37,149	69,91,752	69,80,894	72,94,966	7,50	69,00
Indian Midland	45,22,557	42,03,652	43,87,143	38,81,428	42,25,830	45,00	45,00
Lucknow-Bareilly	5,82,122	6,16,520	7,03,340	7,04,596	6,60,839	9,00	9,25
Hardwar-Dehra	24,015	1,02,460	1,06,245	1,09,581	1,12,163	1,25	1,25
North Western	1,33,67,392	2,04,01,113	1,75,22,447	2,55,88,375	3,42,38,321	2,73,00	2,60,50
South Indian	42,20,706	48,17,889	57,76,427	61,35,414	60,61,841	57,00	56,50
Mysore	3,74,532	2,77,438	4,53,592	4,62,825	4,24,839	5,50	4,50
Nilgiri . . . . .	...	...	...	73,987	66,162	50	30
Agra Delhi Chord . . . . .	...	...	...	...	9,991	4,20	2,65
Bezváda Extension . . . . .	...	1,44,150	1,53,108	1,54,222	1,78,955	2,05	2,00
North East line, Madras Railway (East Coast, Southern Section)	26,99,115	21,77,543	14,46,225	16,31,760	17,87,683	25,50	27,00
Guntakal-Mysore Frontier	1,64,249	1,26,930	1,79,201	2,11,930	3,06,103	3,35	2,70
Tinnevelly-Quilon . . . . .	...	...	40,172	1,13,572	1,63,272	2,40	2,20
Mayavaram-Mutupet	1,06,633	1,34,181	1,70,069	2,05,355	2,55,874	2,55	2,30
Dhond and Manmad	2,11,534	...	...	...	...	...	...
Southern Mahratta	15,71,614	12,19,950	18,62,451	19,71,736	21,79,925	25,00	26,50
Hyderabad-Shadipalli	71,864	...	...	...	...	...	...
Jodhpur-Hyderabad (British Section)	585	1,55,826	2,13,492	2,62,379	2,95,666	4,50	4,00
Great Indian Peninsula	1,41,99,508	2,20,88,202	2,11,69,544	2,24,06,826	2,52,33,675	2,76,50	2,78,00
Bombay, Baroda and Central India . . . . .	...	...	...	...	...	29,00	1,04,50
Hospet-Kottur . . . . .	...	...	...	...	...	...	...
Bellary-Rayadrug . . . . .	...	...	...	...	...	5	5
Tirrupattur-Krishnagiri . . . . .	...	...	...	...	...	...	...
Morappur-Dharmapuri . . . . .	...	...	...	...	...	...	3
TOTAL	12,73,21,263	14,67,73,373	13,96,56,679	15,29,76,504	17,40,73,495	18,10,64	19,34,69

APPENDIX IV—continued.

COMMERCAIL AND FINANCIAL STATISTICS.

Table VI.—Gross receipts, working expenses, and net earnings of Irrigation—Major Works, for five years ending 1904-05, with Revised Estimates for 1905-06, and Budget Estimates for 1906-07.

	ACTUALS.					Revised Estimate, 1905-06.	Budget Estimate, 1906-07.
	1900-01.	1901-02.	1902-03.	1903-04.	1904-1905.		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
DIRECT RECEIPTS—							
Mandalay canal . . . . .	...	...	17,803	79,048	70,695	2,75,000	2,75,000
Orissa canals	4,08,888	3,49,006	4,05,592	4,29,897	3,88,900	4,66,000	4,46,000
Midnapur canal	2,34,213	2,40,992	2,24,150	2,20,343	2,06,215	2,05,000	1,94,000
Hijili Tidal canal	47,349	47,942	41,050	42,334	45,242	58,000	52,000
Sone canals	11,15,881	11,38,971	14,50,516	13,28,315	14,05,810	14,21,000	13,80,000
Ganges canal	38,83,058	28,27,161	35,23,554	32,95,743	34,46,755	30,05,000	38,12,000
Lower Ganges canal	21,86,673	19,96,655	22,82,197	23,40,320	24,98,352	20,05,000	25,62,000
Ditto, Fatehpar Branch	84,969	80,380	1,35,186	2,46,339	2,82,584	1,70,000	4,07,000
Agra canal	9,27,398	6,65,736	8,80,933	8,37,371	8,91,284	4,60,000	6,84,000
Eastern Jumna canal	12,34,495	11,79,374	13,53,857	11,92,809	13,02,309	10,60,000	12,05,000
Betwa canal	56,896	75,562	1,06,859	1,42,688	1,72,992	2,27,000	1,29,000
Western Jumna canal	25,33,190	21,84,804	23,61,573	24,09,698	27,34,556	19,01,000	17,50,000
Lower Chenab canal	42,77,499	53,47,867	62,03,439	72,17,299	73,38,371	62,23,000	74,00,000
Bari Doab canal	30,16,243	28,52,395	32,97,204	33,03,413	33,35,459	31,46,000	33,70,000
Sirhind canal	30,53,344	23,15,810	27,82,581	27,41,580	26,85,001	26,62,000	26,90,000
Lower Jhelum canal . . . . .	...	...	24,104	...	4,73,231	8,38,000	14,20,000
Indus Inundation canals . . . . .	...	...	...	1,36,764	1,07,344	1,14,000	1,20,000
Swat River canal	4,84,502	4,57,845	4,82,394	5,10,505	4,82,779	4,40,000	5,00,000
Godavari Delta System	1,15,714	1,10,381	1,04,532	1,07,943	1,11,389	1,13,000	1,13,000
Kistna " "	87,066	70,850	78,578	86,005	70,184	72,000	72,000
Pennér River canals "	2,387	3,512	1,938	1,602	1,890	3,000	3,000
Periyar Project	1,624	1,615	2,168	3,017	2,547	3,000	3,000
Cauvery Delta System	1,733	1,664	3,315	3,148	1,432	2,000	2,000
Rushikulya Project	2,027	5,084	2,811	1,958	751	1,000	1,000
Desert canal	39,462	48,290	53,023	49,591	1,52,059	1,01,000	1,01,000
Begari "	59,348	47,713	44,956	18,496	67,498	62,000	62,000
Eastern Nara Works	28,705	27,154	26,578	26,025	36,094	41,000	25,000
Mutha canals	2,12,883	2,95,926	2,98,645	3,27,935	2,70,328	3,36,000	3,35,000
Nira canal	1,33,866	2,28,058	2,31,616	2,54,754	1,23,191	2,14,000	2,57,000
Jamrao canal	2,060	5,128	43,686	1,70,160	1,46,572	1,13,000	18,000
Other projects	5,39,678	7,87,784	7,79,181	9,91,678	10,63,157	9,37,000	10,51,000
TOTAL	2,47,71,151	2,33,93,665	2,72,44,019	2,88,00,449	2,99,14,971	2,66,74,000*	3,04,39,000*
PORTION OF LAND REVENUE DUE TO IRRIGATION—							
Mandalay canal . . . . .	...	...	4,619	13,748	19,216	21,000	24,000
Ganges canal	7,80,511	8,26,342	8,72,442	8,93,659	9,05,865	9,06,000	9,06,000
Lower Ganges canal	2,09,586	2,09,586	2,09,586	2,65,747	3,04,245	3,04,000	3,04,000
Eastern Jumna "	2,50,989	2,52,041	2,53,952	2,53,952	2,53,952	2,54,000	2,54,000
Lower Chenab canal	6,32,690	10,46,645	10,56,041	11,38,808	13,63,773	9,63,000	12,40,000
Bari Doab canal	2,33,160	2,36,603	2,38,756	2,49,263	2,61,668	2,30,000	2,30,000
Lower Jhelum " . . . . .	...	...	13,706	-60,465	12,724	80,000	2,80,000
Indus Inundation canals . . . . .	...	...	...	2,69,918	2,71,538	2,62,000	2,55,000
Swat River canal	42,550	44,580	47,284	55,240	51,248	51,000	50,000
Godavari Delta System	29,25,382	30,93,882	29,68,262	29,15,810	32,74,398	32,44,000	32,44,000
Kistna " "	26,34,552	27,42,392	27,25,450	25,13,947	29,23,231	29,36,000	29,36,000
Pennér River canals "	3,57,541	3,69,205	3,70,918	3,77,049	85,118	3,77,000	3,77,000
Periyar Project	3,88,061	4,43,315	4,56,571	4,51,757	4,73,813	4,86,000	4,97,000
Cauvery Delta System	9,20,483	9,25,995	9,21,373	9,14,310	9,20,194	9,14,000	9,15,000
Rushikulya Project	87,131	95,844	94,832	90,318	97,589	1,00,000	1,01,000
Desert canal	1,60,930	1,39,985	1,41,889	1,59,159	1,64,772	1,76,000	1,98,000
Begari "	4,16,913	3,34,669	3,14,732	3,72,424	3,15,487	3,59,000	3,69,000
Eastern Nara Works	5,10,522	4,49,513	4,93,647	5,00,159	5,08,482	5,21,000	5,35,000
Mutha canals	-3,869	-8,085	-8,063	-10,113	-6,459	...	...
Nira canal	-6,584	-11,310	-11,465	-12,615	-6,036	...	...
Jamrao canal	3,30,642	4,21,049	4,97,692	4,79,930	5,08,190	6,58,000	7,16,000
Other projects	3,65,056	5,88,706	5,53,665	7,25,079	6,95,335	8,38,000	8,51,000
TOTAL	1,12,36,240	1,22,00,057	1,22,15,880	1,25,57,000	1,33,98,743	1,36,80,000	1,42,82,000

*Excluding Civil officers' figures as under:—

	Revised.	Budget.
	Rs.	Rs.
United Provinces	2,40,000	2,20,000
Punjab	11,50,000	11,53,000
Total	13,90,000	13,73,000

APPENDIX IV—continued.

COMMERCIAL AND FINANCIAL STATISTICS.

Table VI.—Gross receipts, working expenses, and net earnings of Irrigation—Major Works, for five years ending 1904-05, with Revised Estimates for 1905-06, and Budget Estimates for 1906-07—concluded.

	ACTUALS.					Revised Estimate, 1905-06.	Budget Estimate, 1906-07.
	1900-01.	1901-02.	1902-03.	1903-04.	1904-1905.		
NET REVENUE—	<i>Rs</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Mandalay canal . . . . .	...	...	—7,890	769	14,610	1,75,000	1,71,000
Orissa canals	—9,521	—46,094	44,160	72,060	70,504	1,36,000	1,18,000
Midnapur canal	70,979	79,324	79,628	79,301	74,853	44,000	50,000
Hijili Tidal canal	16,717	19,284	6,365	18,529	—2,410	19,000	2,000
Sone canals	5,39,579	5,91,761	9,22,800	8,33,958	9,15,215	9,01,000	8,27,000
Ganges canal	35,43,705	25,96,078	32,75,072	31,88,595	31,65,172	27,32,000	35,69,000
Lower Ganges canal	13,34,299	11,56,293	14,35,058	14,70,862	17,74,289	13,43,000	18,34,000
Ditto, Fatehpur Branch	—18,507	—46,615	13,607	1,12,833	1,55,172	12,000	2,66,000
Agra canal	6,94,355	4,05,605	6,28,097	5,76,467	6,13,776	1,71,000	3,86,000
Eastern Jumna canal	10,58,122	9,66,352	10,92,000	10,13,507	11,09,234	9,25,000	10,95,000
Betwa canal	—29,641	—26,290	—16,033	34,230	48,171	1,03,000	5,000
Western Jumna canal	16,18,513	13,19,529	15,43,603	15,62,340	18,00,950	9,01,000	8,70,000
Lower Chenab canal	37,09,948	51,07,684	59,43,634	66,82,396	70,06,073	54,11,000	70,70,000
Bari Doab canal	24,22,477	22,48,087	25,71,090	25,57,182	24,68,091	22,01,000	24,50,000
Sirhind canal	22,82,635	15,22,303	19,47,519	18,94,434	17,65,771	17,92,000	17,70,000
Lower Jhelum canal . . . . .	...	—20,046	—1,04,604	—55,836	11,288	2,78,000	11,50,000
Indus Inundation canals . . . . .	...	...	...	1,13,508	1,56,053	76,000	1,05,000
Swat River canal	4,37,740	4,15,569	4,49,567	4,68,035	4,16,149	3,95,000	4,77,000
Godavari Delta System	23,70,270	25,94,799	25,02,147	24,16,152	26,89,132	26,73,000	27,35,000
Kistna	22,16,795	23,01,348	23,07,957	19,57,444	22,59,287	23,44,000	24,11,000
Pennér River canals	3,27,808	3,29,074	3,17,765	3,03,688	10,910	3,00,000	3,04,000
Periyar Project	3,05,854	3,46,437	3,32,388	3,59,048	3,84,653	3,89,000	3,88,000
Cauvery Delta System	8,57,686	8,90,913	8,80,640	8,71,976	8,56,184	8,40,000	8,24,000
Rushikulya Project	12,938	36,551	31,640	36,744	38,964	52,000	22,000
Desert canal	1,42,416	1,31,553	95,666	89,224	1,93,950	1,57,000	1,84,000
Begari	4,07,128	3,22,053	2,72,621	3,15,670	2,97,073	3,18,000	3,56,000
Eastern Nara Works	4,41,493	3,78,666	4,36,029	4,47,929	4,17,839	4,64,000	4,63,000
Mutha canals	1,42,246	2,12,898	1,67,929	2,31,909	1,68,408	2,39,000	2,49,000
Nira canal	84,881	1,72,519	1,76,560	1,94,271	50,761	1,48,000	1,99,000
Jamrao canal	2,67,992	2,73,288	3,23,092	4,40,165	3,39,290	5,11,000	4,29,000
Other projects	4,22,146	7,86,794	4,72,642	9,08,881	9,15,090	8,62,000	4,60,000
TOTAL	2,56,71,053	2,50,65,817	2,81,40,750	2,91,96,271	3,01,84,502	2,69,12,000	3,12,39,000

FINANCIAL STATEMENT OF THE
APPENDIX IV—continued.

TABLE VII.—CAPITAL ACCOUNT OF GUARANTEED AND SUBSIDIZED RAILWAYS.
Actuals, 1904-1905.

RAILWAYS.		Amount in Rupees.	Amount in sterling at contract rates.	Equivalent at Rs. 15=£1.	Exchange.
GUARANTEED RAILWAYS.		R	£	R	R
RECEIPTS.					
Madras		65,36,062	599,139	89,87,087	—24,51,025
Bombay, Baroda and Central India		51,17,365	341,158	51,17,365	...
	TOTAL	1,16,53,427	940,297	1,41,04,452	—24,51,025
ADVANCES.					
Madras		52,53,568	481,577	72,23,658	—19,70,090
Madras Extensions		—68,595	—4,573	—68,595	...
Bombay, Baroda and Central India		39,04,930	260,329	39,04,930	...
	TOTAL	90,89,903	737,333	1,10,59,993	—19,70,090
NET RECEIPTS.					
Madras		12,82,494	117,562	17,63,429	—4,80,935
Madras Extensions		68,595	4,573	68,595	...
Bombay, Baroda and Central India		12,12,435	80,829	12,12,435	...
	TOTAL	25,63,524	202,964	30,44,459	—4,80,935
SUBSIDIZED RAILWAYS.					
RECEIPTS.					
Gain on re-mittances to India.	Southern Mahratta	...	—29,380	—4,40,700	4,40,700
Capital received in India.	Ahmedabad-Dholka	22,000	1,467	22,000	...
	Ahmedabad-Parantij	2,000	133	2,000	...
	Hardwar-Dehra	68,000	4,533	68,000	...
	Brahmaputra-Sultanpur	—35,266	—2,351	—35,266	...
	Mymensinga-Jamalpur-Jagannathganj	18,000	1,200	18,000	...
	Tapti Valley	55,000	3,667	55,000	...
	TOTAL RECEIPTS	1,29,734	8,649	1,29,734	...
	TOTAL RECEIPTS	1,29,734	—20,731	—3,10,966	4,40,700
WITHDRAWALS IN INDIA.					
Assam-Bengal		—10,87,858	—72,524	—10,87,858	...
Bengal Central		—58,310	—3,887	—58,310	...
Bengal-Nagpur		—3,10,801	—20,723	—3,10,861	...
Ditto Extensions		73,57,163	490,477	73,57,163	...
Burma		3,66,387	24,426	3,66,387	...
Indian Midland		17,42,630	116,175	17,42,630	...
Ditto Saugor-Katni		—167	—11	—167	...
Lucknow-Bareilly		—62,827	—4,188	—62,827	...
Mysore		97,323	7,271	1,09,069	—11,746
Southern Mahratta		—11,10,618	—92,551	—13,88,272	2,77,654
		69,32,862	444,465	66,66,954	2,65,908
Ahmedabad-Dholka		39,447	2,630	39,447	...
Ahmedabad-Parantij		1,988	133	1,988	...
Hardwar-Dehra		64,897	4,326	64,897	...
Mymensingh-Jamalpur-Jagannathganj		17,119	1,141	17,119	...
South Behar		—23,076	—1,538	—23,076	...
Tapti Valley		52,387	3,492	52,387	...
	TOTAL WITHDRAWALS	70,85,624	454,649	68,19,716	2,65,908
	Net Withdrawals	69,55,890	475,380	71,30,682	—1,74,792
GUARANTEED AND SUBSIDIZED RAILWAYS.					
	Net Withdrawals	43,92,366	272,416	47,86,223	3,06,143

APPENDIX IV—continued.

TABLE VII.—CAPITAL ACCOUNT OF GUARANTEED AND SUBSIDIZED RAILWAYS—
continued.

Revised Estimate, 1905-1906.

RAILWAYS.		Amount in Rupees. (Omitting 000.)	Amount in sterling at contract rates. (Omitting 00.)	Equivalent at Rs. 15 = £ 1. (Omitting 000.)	Exchange. (Omitting 000.)
GUARANTEED RAILWAYS.		R	£	R	R
RECEIPTS.					
Madras		63,50	582,0	87,30	—23,80
Bombay, Baroda and Central India		38,00	253,3	38,00	...
TOTAL		1,01,50	835,3	1,25,30	—23,80
ADVANCES.					
Madras		44,00	403,3	60,50	—16,50
Madras Extensions		30	2,0	30	...
Bombay, Baroda and Central India		—1,28,51	—85,8	—1,28,51	...
TOTAL		—84,21	—451,5	—67,71	—16,50
NET RECEIPTS.					
Madras		19,50	178,7	26,80	—7,30
Madras Extensions		—30	—2,0	—30	...
Bombay, Baroda and Central India		1,66,51	1,110,1	1,66,51	...
TOTAL		1,85,71	1,286,8	1,93,01	—7,30
SUBSIDIZED RAILWAYS.					
Receipts.					
Capital received in India.	Ahmedabad-Dholka	19	1,3	19	...
	Ahmedabad-Parantij	5	3	5	...
	Amritsar-Pati	9,70	64,7	9,70	...
	Hardwar-Dehra	4	3	4	...
	Mymensingh-Jamalpur-Jagannathganj	34	2,3	34	...
	Tapti Valley	5	3	5	...
TOTAL RECEIPTS		10,37	69,2	10,37	...
WITHDRAWALS IN INDIA.					
Assam-Bengal		—29,93	—193,5	—29,93	...
Bengal Central		—77,71	—518,1	—77,71	...
Bengal-Nagpur		—2,48	—16,5	—2,48	...
Ditto Extensions		62,70	418,0	62,70	...
Burma		8,95	59,7	8,95	...
Indian Midland		8,78	58,5	8,78	...
Ditto Extensions		1,30	8,7	1,30	...
Lucknow-Bareilly		—64	—4,3	—64	...
Mysore		1,53	11,4	1,71	—18
Southern Mahratta		—10,38	—69,2	—10,38	...
TOTAL WITHDRAWALS		—36,98	—245,3	—36,80	—18
Net Withdrawals					
Ahmedabad-Dholka		20	1,3	20	...
Ahmedabad-Parantij		5	3	5	...
Amritsar-Pati		9,70	64,7	9,70	...
Hardwar-Dehra		5	3	5	...
Mymensingh-Jamalpur-Jagannathganj		43	2,9	43	...
South Behar		10	7	10	...
Tapti Valley		7	5	7	...
TOTAL WITHDRAWALS		—26,38	—174,6	—26,20	—18
Net Withdrawals		—36,75	—243,8	—36,57	—18
GUARANTEED AND SUBSIDIZED RAILWAYS.					
Net Withdrawals		—2,22,46	—1,530,6	—2,29,58	7,12

APPENDIX IV—concluded.

TABLE VII.—CAPITAL ACCOUNT OF GUARANTEED AND SUBSIDIZED RAILWAYS—
concluded.

Budget Estimate, 1906-1907.

RAILWAYS.	Amount in Rupees. (Omitting 000.)	Amount in sterling at contract rates. (Omitting 00.)	Equivalent at Rs. 15=£1. (Omitting 000.)	Exchange. (Omitting 000.)
GUARANTEED RAILWAYS.				
RECEIPTS.				
Madras	88,28	809,2	1,21,38	- 33,10
ADVANCES.				
Madras	54,50	499,6	74,94	- 20,44
Madras Extensions	40	2,7	40	...
TOTAL	54,90	502,3	75,34	- 20,44
NET RECEIPTS.				
Madras	33,78	309,6	46,44	- 12,66
Madras Extensions	- 40	- 2,7	- 40	...
TOTAL	33,38	306,9	46,04	- 12,66
SUBSIDIZED RAILWAYS.				
RECEIPTS.				
CAPITAL RECEIVED IN INDIA.				
Ahmedabad-Dholka	56	3,7	56	...
Ahmedabad-Parantij	15	1,0	15	...
Amritsar-Pati	4,10	27,3	4,10	...
Hardwar-Dehra	30	2,0	30	...
Mymensingh-Jamalpur-Jagannathganj	10	7	10	...
Tapti Valley	12	8	12	...
TOTAL RECEIPTS	5,33	35,5	5,33	...
WITHDRAWALS IN INDIA.				
Assam-Bengal	- 17,06	- 119,7	- 17,06	...
Bengal-Nagpur	2,79	18,6	2,79	...
Ditto Extensions	11,02	73,5	11,02	...
Burma	11,07	73,8	11,07	...
Indian Midland	25,18	167,8	25,18	...
Ditto Extension	1,00	6,7	1,00	...
Lucknow-Bareilly	1,95	13,0	1,95	...
Mysore	2,51	17,2	2,58	- 27
Southern Mahratta	- 17,71	- 118,1	- 17,71	...
TOTAL WITHDRAWALS	19,65	132,8	19,92	- 27
Ahmedabad-Dholka	56	3,7	56	...
Ahmedabad-Parantij	15	1,0	15	...
Amritsar-Pati	4,10	27,3	4,10	...
Hardwar-Dehra	30	2,0	30	...
Mymensingh-Jamalpur-Jagannathganj	10	7	10	...
South Behar	7	5	7	...
Tapti Valley	13	9	13	...
TOTAL WITHDRAWALS	5,41	36,1	5,41	...
Net Withdrawals	25,06	168,9	25,33	- 27
Net Withdrawals	19,73	133,4	20,00	- 27
GUARANTEED AND SUBSIDIZED RAILWAYS.				
Net Withdrawals	- 13,65	- 178,5	- 26,04	12,39

PROCEEDINGS OF THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA,
 ASSEMBLED FOR THE PURPOSE OF MAKING LAWS AND REGULATIONS,
 UNDER THE PROVISIONS OF THE INDIAN COUNCILS ACTS,
 1861 AND 1892 (24 & 25 VICT., CAP. 67,
 AND 55 & 56 VICT., CAP. 14).

The Council met at Government House, Calcutta, on Wednesday, the 28th
 March, 1906.

PRESENT :

- His Excellency the Earl of Minto, P.C., G.C.M.G., G.M.S.I., G.M.I.E., Viceroy
 and Governor 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 A. T. Arundel, K.C.S.I.
- The Hon'ble Sir Denzil Ibbetson, K.C.S.I.
- The Hon'ble Mr. H. Erle Richards, K.C.
- The Hon'ble Mr. J. P. Hewett, C.S.I., C.J.E.
- The Hon'ble Mr. E. N. Baker, C.S.I.
- The Hon'ble Major-General C. H. Scott, C.B., R.A.
- The Hon'ble Sir Rameshwara Singh, K.C.I.E., Maharaja Bahadur of Dar-
 bhanga. (*Bengal*)
- The Hon'ble Rai Sri Ram Bahadur, C.I.E. (*U.P.*)
- The Hon'ble Mr. L. A. S. Porter. (*U.P.*)
- The Hon'ble Mr. L. Hare, C.S.I., C.I.E. (*Bengal*)
- The Hon'ble Mr. H. A. Sim, C.I.E. (*Madras*)
- The Hon'ble Nawab Fateh Ali Khan, Kazilbash, C.I.E.
- The Hon'ble Mr. Gopal Krishna Gokhale, C.I.E. (*Bombay*)
- The Hon'ble Mr. A. A. Apcar, C.S.I. (*Calcutta*)
- The Hon'ble Mr. S. Ismay, C.S.I. (*Central Provinces*)
- The Hon'ble Mr. W. T. Hall, C.S.I. (*Burma*)
- The Hon'ble Mr. A. C. Logan. (*Bombay*)
- The Hon'ble Nawab Bahadur Khwaja Salimulla of Dacca, C.S.I. (*Eastern Bengal & Assam*)
- The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur. (*Madras*)

DISCUSSION OF THE FINANCIAL STATEMENT FOR 1906-07.

The Hon'ble NAWAB SAIYID MUHAMMAD SAHIB BAHADUR said :—“ My Lord, I beg to congratulate the Hon'ble the Finance Member and Your Lordship's Government on the Financial Statement that has been presented to this Council. It is now some years that the element of uncertainty, due mainly to the fluctuations of exchange, has been gradually eliminated from the Budget estimates, and in spite of cautious and partial surrender of revenue from taxation, it has been found possible to provide for a surplus year after year. I notice with pleasure the success that has attended the endeavour to attain a higher standard of accuracy in estimating revenue and expenditure. Thus the final accounts of 1904-1905 agree closely with the estimates at the beginning of the year. The same remark applies to the year which is now drawing to a close, though the conditions in some important provinces were less favourable than were anticipated. It is recognised on all hands that so long as exchange is in stable equilibrium, other causes, however regrettable or unexpected, cannot have a permanently disturbing effect on the Financial administration, and it is this important factor that has enabled the Government to deal more firmly with the problem of taxation than was found feasible in former years. The first word of acknowledgment in this connection is due to the salt tax. When the first reduction of 8 annas on the maund was made the effect was not very noticeable, as the boon did not reach to the poorest consumer. But the further reduction of another 8 annas on the maund has had a decisive effect upon consumption, as the Hon'ble Finance Member points out in paragraph 14 of his statement. Salt is not an article that can be wasted or abused, and the remarkable advance that has taken place in the consumption conclusively proves that the old rate of taxation pressed heavily upon the people, who had to go without the quantity of salt necessary for all their requirements. Even cattle are being given more salt, and the reduction of taxation has had the most beneficial effect, and I venture to think that this great boon which has given a powerful stimulus to the consumption of salt will have ultimately a wholesome effect on the health of the population.

“ My Lord, the proposed application of the surplus is such as will commend itself to all right-thinking people. After reducing the salt tax and raising the taxable minimum of income it is in the fitness of things that the claims of the agricultural tax-payer to relief should be considered. I hope the time will come when the Government will be in a position to announce a reduction in the land-revenue demand itself, but in the meantime I gratefully welcome the beginning that has been made in abolishing a number of local cesses which pressed very heavily on the agricultural population. I recognise with special gratitude that the largest surrender of revenue occurs in the Presidency which I have the honour to represent, and that the Ryotwari Village Service Cess in the Madras Presidency has been abolished. At the same time I regret that it has not been found possible to abolish the cess levied in Madras on proprietary or permanently-settled estates. The Hon'ble the Finance Member states that this could not be done because of ‘ certain practical difficulties that have arisen by reason of the establishments employed in the “ Proprietary ” tracts of Madras being in a transitional state. ’ Consequently, the difficulty is not of a permanent nature, and since it is admitted to be a real cess I submit that it may be abolished, on principle, as early as it is found practicable. I am glad the practice of making certain petty appropriations from the funds of District and Local Boards for Provincial purposes is to be abolished, since no criticism of the existing system can be severer than that employed by the Hon'ble the Finance Member himself, who characterises it as ‘ a blot on our administration of Local Funds. ’

“ Among the proposed irrigation works I note the reference to the great Tungabhadra project in Madras, though there seems to be no immediate likelihood of its being taken in hand. It is undoubtedly an ambitious scheme, but

[*Nawab Saiyid Muhammad ; Nawab Khwaja Salimulla of Dacca.*]

its scope of utility is correspondingly large, while its importance as a protective work cannot be exaggerated. Before finally making up their minds, I hope the Government of India will give the scheme their best attention and afford the Local Government an opportunity of placing it before them in all its bearings.

"In the memorandum of the Railway Board attached to the Financial Statement, it is satisfactory to find that the Board is devoting its attention to improve the comfort and convenience of third class passengers. The two urgent reforms are the development of the system of communication between passengers and guards and drivers of trains and the general convenience of third class passengers. In the higher classes of carriages the means of communication between passengers and guards and drivers exists on some of the lines at present, but it is still more necessary in third class carriages, particularly in carriages and compartments reserved for females. And as regards the general convenience of third class passengers, the Board admits that a great deal remains to be done.

"My Lord, I may be permitted to draw attention to the claims of Indians to higher appointments under Government in connection with the various redistributions of territories for administrative purposes. Besides such redistributions as have been already effected, there are, I understand, schemes in progress in the Madras Presidency for the creation of new districts out of the old ones which are considered to be too large or unwieldy. In every instance the administrative machinery is to be enlarged and the employment of a larger number of public servants becomes necessary. It is on occasions of this kind that the Government has a fitting opportunity for recognising the claims of the Indians and associating them more largely in the important work of administering the country."

The Hon'ble NAWAB BAHADUR KHWAJA SALIMULLA of Dacca:—
 "My Lord, allow me to congratulate Your Lordship's Government on the very satisfactory budget presented to us and the Hon'ble Finance Member for his clear, lucid and interesting exposition of the dry details of figures. We are grateful to the Government for the remissions in taxation it has granted since the budgets began to shew surpluses, and it was but right and proper that such remissions began with those on whom the taxation was pressing very hardily. The reduction of the salt duty has been one of the greatest blessings that could be conferred on the agricultural population of India, and the remarks of the Financial Member that even the Bhil woman knows that for the same price she ought to get a third more of salt than she used to do, shows that the beneficent results of the reduction have reached the humblest classes of His Majesty's subjects, classes for whom they are intended, and with regard to whom doubts had been expressed in some quarters, as to whether the effects would be felt by them at all. In two years, there has been an increase in consumption to the extent of nearly 34 lakhs of maunds, and the agriculturists are now able to use salt for their cattle. I trust our Finance Minister, before he lays down the reins of office, may be able to announce a further reduction from this Council Chamber to the further relief of the millions of the agricultural population of India. The raising of the taxable limit of incomes has conferred another great boon on the poorer middle classes, whose lot is the hardest in India. Unaccustomed to manual work, many of them, so far Bengal is concerned, unused to trade, their sole means of subsistence are the minor services which afford a scope which must daily become more and more contracted with increasing numbers. The lot of the 'Bhadra loge' in Bengal, Hindu or Mussulman, is very hard indeed, and no boon would be better appreciated by a large class of His Majesty's subjects than if the taxable minimum under the income tax were raised to Rs. 1,500 a year. If this were not possible at an early date, may I venture to suggest that the present minimum of Rs. 1,000 a year should be excluded from all incomes up to Rs. 2,000 a year, for while an income of

[*Nawab Khwaja Salimulla of Dacca.*]

Rs. 1,000 is wholly exempted, an income of Rs. 1,100 a year has to bear the tax on the whole amount. Incomes up to Rs. 2,000 a year are assessed to tax on a lower scale, and might not the Government ease the burden that sits on the bread-winners amongst the poorer classes, by extending the concession in the way I have ventured to suggest. It is a matter of very great disappointment to us, that the countervailing duties on sugar have availed nothing to revive the dying sugar industry of India. The resources of organization, capital and skill, which continental nations have brought to bear upon this industry, have been too much for the humble agriculturists in India, and sugar, like indigo, may soon cease to be an industry that may be taken into account in India. No grant is more useful and looked upon with greater interest by the landed classes than the one for agricultural development and research, and no part of the grant will be better employed than that which may be set apart for improving the sugarcanes in India and the methods of their cultivation.

"I have to thank Your Lordship's Government for the abolition of the Dak cess in Bengal; the days when it was necessary have long gone by, and a much needed reform has come to the great relief of the zamindars of Bengal. Though the amount remitted under the heading of cesses, in the combined provinces of Bengal and Assam, amounting to Rs. 3,80,000, is comparatively very small compared to the substantial relief granted to the other provinces in the Ryotwari village service cess and the Patwari cess, I do not grudge the good fortune of our sister provinces; Madras has had a remission of Rs. 28,00,000 and the United Provinces of Rs. 25,54,000: would it be too much to hope for a readjustment of the Road cess in Bengal in the light of these large and substantial remissions to the other provinces of India?

"My Lord, I have the honour to be the first representative in Your Lordship's Council of the new province of Eastern Bengal and Assam. The province has just been born amidst many fears and hopes. I venture to predict that with passing years, as the policy of the Government is better understood and appreciated, the fears will have passed away and the hopes will have become realized. I do not for a moment ignore the strong sentiment of attachment and a passionate desire to cling together, which a seeming severance has so unmistakeably evoked, but I am sure that time will show that there has been no severance, in the sense in which those who were opposed to the creation of the new province understood it, no division of the Bengali-speaking people, Hindus and Mussalmans, no weakening, but on the contrary, a greater development, of the two sister provinces, better government, better education in both, better means of intercommunication and generally a great accession of strength to the Bengali race. The Eastern Province is very largely Mahommedan; it is no exaggeration to say that the masses are practically Mahommedan, and the want of education from which they suffer is a source of weakness to the nation and a loss of available strength to Government. I do not plead for any exceptional treatment of the Mahommedans as against any other race or community in India. Given the same advantages and the same opportunities, the Mahommedan is as good an asset of the country and of the State as a member of any other community, but the Mahommedans have to recover lost ground, and in their efforts to do so I am sure they will have the sympathy of Your Lordship's Government and the Members of Your Lordship's Council, representing other interests and other communities. As the representative of a largely Mahommedan province I am deeply concerned in this. The only means to raise the Mahommedans—their only hope—is education; it is to be regretted that in the past, they have not been able to avail themselves of the opportunities offered to them by Government in this respect and they have allowed precious time to go by. The leaders of our community are now happily fully alive to the great importance of the question of Mahommedan education, and I trust that as in the case of the Europeans and Eurasians, for whom, having regard to their circumstances and position, a separate special allotment has

[*Nawab Khwaja Salimulla of Dacca; Mr. Logan.*]

been so justly and so generously made, some facilities by way of a special allotment should be given to the Mahomedan community so that they may get over the handicap from which they suffer so severely at present."

The Hon'ble MR. LOGAN said :—" My Lord, I desire to restrict my remarks to a point of practical importance, more especially to the Government of Bombay, but perhaps in a greater or less degree to all the Provincial Governments which are exposed to the contingency of famine. The liberality with which Bombay was treated in the Provincial settlement which came into force on April 1, 1905, has, I believe, been heartily acknowledged by the Governor in Council; but there is nevertheless one unsettled point which the occurrences of the last two years have brought into prominence, and which now requires solution. The Bombay Presidency, as everybody knows, has been suffering from scarcity, sometimes amounting to famine, in successive or occasionally alternate years since 1896; and although the tolerably favourable aspect of 1904, when the settlement was drawn up, excited the expectation that the lean years were passed, that expectation has unhappily not been fulfilled, and the Dekkhan at least has suffered from a partial, but severe, failure of the crops in both years since then! It is quite possible that such failures will continue to occur for some time, for we know from history that a series of famines commenced in the Dekkhan in 1396 and did not end till 1409, and these thirteen years so depopulated the country that little revenue could be collected for a generation afterwards. Such a cycle is evidently now recurring, and may prove all the longer, because the annual visitations are less intense. Thus scarcity may become a feature of the peninsula for nearly as many years in the future as it has been in the past.

" Now settlements with Provincial Governments are intended to provide for all regularly recurring charges. In the last settlement with Bombay, however, the Government of India made no proposals for the division and regulation of famine expenditure; and since all charges not settled on a Provincial Government are a liability on the Imperial revenues, it was at first supposed that as long as scarcity was chronic in the Presidency the charges would be met by the Government of India. Subsequently, however, it was made known that the principles laid down when famine was a rarity are to be followed under the very different circumstances now prevailing: in other words, that famine expenditure is first to fall on Provincial revenues, and only to be transferred to Imperial when the former are exhausted. This dictum at once called forth a moderate protest from the Bombay Government, but the point was then not pressed because of the hope that the cessation of lean years would deprive it of practical importance.

" But, my Lord, as I have already said, this hope has been disappointed and both years of the new settlement have been marked by scarcity. In the current season this is so serious that, as I observe, the Government of India have had to allot 42 lakhs in the Budget to the Presidency for famine charges from next month. The question of principle has thus become of pressing importance, and the Bombay Government has been compelled to draw attention to it emphatically. It holds that the stimulus to economical administration which Provincial settlements are intended to create will be destroyed by the prospect of all savings being swept away on each occurrence of distress, and asks the Government of India either to devolve famine charges on the Provincial Government as part of the settlement with a corresponding allotment of revenue, or else to undertake the whole of those charges itself. The latter it regards as the far preferable course; since famine, like wars, expeditions and political missions, is properly a matter to be financed by a Government which has powers, not possessed by Provincial Governments, of borrowing or otherwise raising funds for irregularly recurring emergencies. But so far the Financial Department of the Supreme Government has shown no disposition to accede to this request, and

[Mr. Logan.]

has merely accepted the liability for the coming year because the situation requires it.

"I may be allowed, my Lord, to dilate a little on the present situation. The Government of India started the new settlement with a special assignment of 50 lakhs to help in clearing off old famine and plague debts; yet in only the second budget framed under it in Bombay what do we find? Although the estimated receipts on which the settlement was framed have already increased by 15 lakhs, the expenditure estimated for the settlement has increased by 56½; and of this nearly 46 lakhs are expenditure on famine, or on village water-supply diminished by the failure of rain. So that the whole of the 50 lakhs meant to give the Bombay Government a clearance of old debt is absorbed by an accession of new debt; and in addition the Bombay Government have had to cut down desirable, and in some cases urgent, requirements in thirteen departments by over 15 lakhs, in order to make up the minimum balance of 20 lakhs required by the Civil Account Code. So here is the Bombay Government practically insolvent again in the second year of the settlement. The picture is sufficient to illustrate the disheartening circumstances under which the Presidency will continue to be administered if the failures continue; and it gives cogency to the argument that the principle of the exhausted balance should now be replaced by something less calculated to derange the orderly course of Provincial administration and worry the administrators. I do not see why this should pass the wit of the imperial statesmen. The conditions of the problem do not seem to me, *prima facie*, very complex or delicate. What mischiefs, counterbalancing the inconveniences of the present system, does the Government of India apprehend from frankly relieving Local Governments of all liability for famine? Political pleasantries apart, we all know that Local Governments cannot either produce or prevent failures of the rain or rivers, and when famine does come they are bound to give relief in accordance with the minute and liberal regulations drawn up under the orders of the Supreme Government. They can therefore neither create nor materially control the liability, and the Government of India would risk little or nothing from a supposed recklessness on their part as to whether famine occurred or not. Nor can it be argued that if relieved of famine charges the Local Governments would be reckless in expending their money in other ways; for the settlements all proceed on the assumption that there will be no famines, and that the Local Governments will nevertheless evince economy and efficiency in the ratio of their independence, and this latter assumption I believe has never been belied. Thirdly, the Government of India can have no possible fear of financial difficulty on its own part, since it is positively embarrassed by its surpluses year after year, and will continue to be as long as the rupee stands where it is. I may add that undertaking all famine charges will be a stimulus to the Government of India to push on the great irrigation schemes which are the best means of mitigating future famines in the Dekkhan. I would therefore suggest that in future imperial budgets full provision should be made under the head Famine Relief and Insurance for all anticipated famine charges, irrespective of the balances of Local Governments. It is better to apply the surpluses in this way, if necessary, than in remitting taxation while Local Governments are in the utmost straits for money. But if there are valid objections to this course which I have overlooked, then I would suggest that in the Bombay Presidency at least, with its chronic liability to scarcity, an insurance account should be opened in the provincial budget, and that the late settlement should be revised so as to create an additional assignment for this purpose. This course may obviate some possible objections as to provincial responsibility which might apply to the former. But in either case the money must come from the Government of India, for to a Local Government famine means not only expenditure on relief but the loss of revenue as well, and therefore, except in the first of a series of famines, there never can be any substantial balance to meet the charges. Nor indeed ought there to be

[*Mr. Logan ; Mr. Hall.*]

any balance beyond the prescribed reserve, while the needs of the Presidency in a hundred directions continue to outrun its resources, or any funds which even by the most liberal settlement may be conferred by the Government of India. Knowing as I do how much money is urgently required for the improvement of almost every branch of the administration, and cannot be got, it seems to me very anomalous that the Government of India should call on the Local Government to deplete its already insufficient funds for abnormal emergencies, while their own money bags are overflowing. It is true that the Government of India have made a liberal allotment for the famine in the present budget; but I have already shown the straits into which the Government of Bombay was thrown before this was done. What is wanted is some settlement which will obviate such anxiety and disturbance in the future; and any device that can be adopted to this end will no doubt be welcomed by Local Governments."

The Hon'ble MR. HALL said:—"My Lord, I wish to congratulate the Hon'ble Finance Member and the Government upon the prosperous state of the finances—over one-third of a million persons are in receipt of relief and yet there is a large surplus in the current year, the agricultural taxpayers' burden is in some provinces to be substantially reduced, additional grants are promised for administrative improvements, while Districts Funds are to be aided by the abolition of certain contributions which they have hitherto had to make.

"I desire to express gratitude for the amelioration of the Burma Police and in particular for the special pension scheme for officers who joined the force some twenty years ago. I am convinced that the additional expenditure on the Police generally, large as it is to be, is fully required and that the results will be very gratifying.

"The grant for agricultural and veterinary development is also most welcome. Twenty-five years ago there were to be found people who doubted whether the Veterinary Department would ever become a success. But confidence in the Veterinary Assistants was gradually established. Their services are now much in request, and one would have to make a long journey to find any one—official or cultivator—willing to express doubt as to the utility of this Department in Burma.

"So it will be in the case of agricultural development. There may be some difficulty, doubt and delay at the outset. I am, however, confident that but a few years will elapse before it is recognised by all classes that a great boon was conferred on the country by the Government when it initiated the measures which are now being undertaken for the improvement of agriculture.

"One cannot but recognise that the reasons given in the Financial Statement for the abolition of certain cesses in some Provinces are sound. In Burma there is no patwari cess, and accordingly the agricultural taxpayer in that Province does not share in the relief which is to be so generously granted elsewhere.

"I would also mention here that Upper Burma did not get any share of the grant made a year ago in aid of District Funds, which was described as being approximately 25 per cent. of their total revenue from cesses on the land. There are District Funds in Upper Burma, but there is no cess, and so the poorer and more backward portion of the province did not participate in the grant, though its needs are undoubtedly very pressing.

"I desire to express gratitude for the discontinuance of the practice of taking a contribution from Local Funds for the district post—Burma so gains Rs. 1,21,000 a year. But at the same time I venture to hope that if there is any surplus available for distribution to District Funds a year hence, it may be found possible to make a somewhat larger assignment to my province and especially to Upper Burma.

"There is one other matter on which I would say a few words. The coming expiry of the current Provincial Settlement makes us who are particularly interested in the development of Burma somewhat anxious. The share of

[*Mr. Hall; Mr. Ismay.*]

the revenue under some of the principal heads which we have been allowed to enjoy has not been unduly low when compared with the shares as fixed in some other provinces. I would, however, represent that liberal expenditure in Burma, if well directed—and there is every ground for believing that it will be well directed—will pay, will in fact be immediately productive.

“In conclusion, then, I would express a confident hope that in the new settlement Burma will receive generous treatment and due consideration for its admitted needs.”

The Hon'ble MR. ISMAY said :—“ My Lord, the very brief remarks which I have to make on the Budget concern only its relation to the Central Provinces and Berar. I desire in the first place to acknowledge the very welcome relief which will be afforded to agricultural taxpayers by the abolition of the Patwari cess. All land-revenue cesses are more or less unpopular, but whereas the Road, School and District Dāk cesses have been realized in the Central Provinces since the earliest days of British rule, the Famine Insurance cess and the Patwari cess have been the creation of comparatively recent years. The object of the former cess was never properly appreciated by those from whom it was realized, and its abolition during the current year was hailed with great satisfaction. The Patwari cess has always been regarded as a greater burden even than the Famine Insurance cess. At a time when the Patwari was the servant of the proprietary body the remuneration for his services as village accountant was never grudged. But under our present revenue system the Patwari has become as much a member of the district staff as any other official of the Land Record Department, and so far from being regarded as the natural friend of the Malguzar he too often labours under the suspicion of being inimical to his interests. Then again the incidence of the cess was such as to impose a not inconsiderable burden upon the agricultural classes. The local law provides that a Malguzar may be called upon to contribute any sum not exceeding six per cent. on the assessed revenue towards the remuneration of Patwaris and the defraying of charges incurred on account of the proper supervision, maintenance and correction of the Patwaris' records. My Lord, the removal of this heavy burden is a boon for which the agricultural classes of my Provinces will be deeply grateful.

“The only other matter on which I desire to offer any remarks is the new Provincial Contract for the Central Provinces and Berar. In lieu of the temporary settlements which have hitherto been made from time to time with the Central Provinces the new Contract with the amalgamated Provinces which will come into force from the 1st April is of a quasi-permanent nature. The present irregular distribution of revenue will then come to an end and the income derived from Land-revenue, Stamps, Excise, Forests and Assessed Taxes will be divided half and half between Imperial and Provincial.

“My Lord, I have examined with some considerable care the terms of the new Contract, and I find that the provision now made for developing the resources of the Provinces is very much more liberal than has been allowed on any previous occasion. The last temporary settlement with the Central Provinces was made in 1897, but under that settlement it was found impossible to make both ends meet, and the Provincial accounts have year by year disclosed a deficit varying from 15 to 30 lakhs which has had eventually to be made good by the Imperial Government. Apart from the ordinary terms of the present Contract, which in themselves appear to be sufficiently liberal, a special guarantee has been given insuring the Provinces against any extraordinary loss of land-revenue arising from famine or unfavourable seasons, and an initial gift of no less than 30 lakhs has been made to enable the amalgamated Provinces to make a fair start.

“My Lord, it is probably only those who have served in the Central Provinces who are able to appreciate to the full how backward this part of the country is as compared with other parts of India. The Provinces are being rapidly opened up by railways and the exploitation of their mineral wealth is proceeding at an ever-increasing pace, but the resources of the Local Govern-

[*Mr. Ismay ; Mr. Apcar.*]

ment have hitherto not been such as enable it to keep abreast with the requirements imposed by the general development of the country. Many important feeder roads still remain to be constructed and such progress as has been made in this direction has only been rendered possible by sacrificing the Grand Trunk roads which before the advent of the railway were the pride of the Provinces. The Great Eastern road, upon which lakhs of rupees were spent in the seventies, is no longer properly maintained, and the same is the case with the road from the north which traverses the Nerbudda Valley. The road from Nagpur towards Bombay practically terminates in a swamp a few miles out of Nagpur, and even the road connecting Jabalpur with Nagpur, which was for many years one of the best in India, has, owing to the heavy manganese traffic, fallen into great disrepair at the Nagpur end.

"And what is true of roads is equally true of buildings. It is unnecessary to enter into detail, but it may not be out of place to say that, as head of the Judicial Department, I have recently found it necessary to urge upon the Local Government that the Court-houses in every district are becoming overcrowded and that nearly 20 lakhs will have to be expended upon Court buildings alone if proper accommodation is to be made available. At Nagpur, the head-quarters of the Administration, Judges are at present holding their Courts in tents and in temporary sheds.

"Then again there are other calls upon the Provincial revenues which are no less urgent than those connected with roads and buildings. I may refer briefly to one measure of reform in which I am personally interested. Until very recently no attempt had ever been made to separate the judicial and executive branches of the Administration, and the trial of civil suits was practically in the hands of Extra Assistant Commissioners and Tahsildars, who possessed no legal training and who were already burdened with executive and magisterial work. All this is now changed and a judicial service has been constituted consisting, as in other parts of India, of District Judges, Subordinate Judges and Munsifs. But the scale of pay at present sanctioned for members of this service is admitted on all sides to be unduly low, and as a natural consequence suitable candidates for judicial employment in the Central Provinces and Berar are no longer forthcoming. To put the judicial service upon a proper footing will entail considerable expenditure, but it is a reform which cannot any longer be delayed.

"My Lord, it is in no spirit of complaint that I have made these few remarks. I recognize fully that my Provinces cannot expect to be placed, at the expense of the general taxpayer, in as good a position as other Provinces in which local taxation is heavier and the land-revenue more productive. I frankly appreciate the liberal treatment we have received in connection with the new Provincial Contract, but I also desire to emphasise the fact that but for such liberality much good work which will now be rendered possible would have had to be left undone."

The Hon'ble MR. APCAR said:—"My Lord, I am glad to be able to congratulate the Hon'ble Member on the satisfactory Budget Statement he has submitted to the Council.

"In the Memorandum by the Railway Board for 1905-06 attached to the Budget Statement it is stated that the estimated net gain to the State on the working of the State and Guaranteed Railways is nearly 304 lakhs of rupees, almost the largest yet obtained in any year after meeting, as I understand, in addition to the expenses of working, all charges for interest on Capital outlay by the State and on Capital raised by Companies and also the annuity payments for railways purchased by the State. And it further appears that this is the sixth year in succession in which there had been a surplus.

"To Lord Curzon the credit must obtain of having opened the largest mileage. No less than 5,525 miles have been added during the first six years of his reign, and the total mileage open at the end of 1904 was 27,565 miles with a capital outlay of Rs. 35,285 lakhs. The gross earnings per mile have

[*Mr. Apcar.*]

risen from Rs. 63 in 1854 to Rs. 277 in 1904, and the percentage of net earnings on Capital from '22 to 5'91.

"In 1874 the goods carried were 5,503,000 tons: in 1904 they were 52,051,000 tons, while the number of passengers rose from 24,977,000 to 227,097,000. I gather these figures from the Administration Report of the Railway Board for 1904-05.

"Now this state of things is very satisfactory and should make the Government have no hesitation in further extending and developing railways in India, for it is evident that if wisely projected they will pay handsomely.

"The coal traffic is, I observe, a most important one, for in 1904 no less than 8,233,451 tons are said to have been mined, of which 7,080,425 tons fell to Bengal. In 1885 the coal was only 1,294,221 tons out of a goods total of 18,925,000 tons. In other words, the percentage of coal carried has risen from 6'8 in 1885 to 15'8 in 1904.

"It is apparent from the above that the coal traffic is an important and expanding one, and that every effort should be made to facilitate it. I read in the report that 'as usual the needs of open lines, especially in regard to rolling stock, have received first consideration.' This is a statement which no doubt 'as usual' is inserted in every report, but it is one which it is difficult to reconcile with existing facts. I would very respectfully but earnestly ask that this statement regarding rolling stock be made a matter of practice rather than precept. With the splendid results shown, parsimony in providing the urgent needs of a railway in respect to rolling stock is worse than a mistake; it is wholly inexcusable and it indeed would be much better, if any question of funds arises, that a halt be made in the matter of extension and that the clamant needs of the existing railways in the matter of rolling stock be first attended to. I therefore notice with great pleasure a provision in the Budget of 382 lakhs for rolling stock. I hope that this sum will be spent, and more if necessary. It is satisfactory to see it at last acknowledged by the Railway Board that Indian railways as a whole are at present below what should be the standard of equipment of rolling stock for present requirements. The deficiency being admitted, it only remains to make it good.

"Another matter to which I would venture to draw attention to is that of the incidence of Income-tax. I am not unmindful of the fact that its continuance is suspiciously like a breach of faith. It is a convenient mode of raising revenue, and it is perhaps desirable that the machinery for levying the tax should be with us and in working order; but I think that the limit might be raised, and that in the case of small incomes there might be a rebate as is the case in Great Britain. There all incomes of £160 are exempt and for incomes between that amount and £700 an abatement which ranges from £160 to £70 is allowed. Thus an income of £400 pays tax on £240 and one of £700 on £630. This, my Lord, seems a reasonable thing, and I should like to see the minimum raised to Rs. 1,500 and an abatement of Rs. 1,500 allowed up to incomes of Rs. 3,600. The tax itself, as ways and means admit, should be reduced also.

"There is another matter which will before long come before my Hon'ble friend, the Finance Minister, though it will not probably be necessary to budget for it this year, and that is the Calcutta Improvement Scheme. This is not the time to discuss the merits of that scheme, but I would only point out that in the opinion of the mercantile community the contribution of Rs. 50 lakhs proposed by the Government is quite inadequate; it should be at least Rs. 120 lakhs. The improvement of Calcutta is not a municipal but an imperial matter, and I would ask the Government to think 'imperially' on this subject.

"When Mr. Risley introduced the present Municipal Act into Council just six years ago, he said that 'the state of the City calls for more than the attention of the Municipal Commission; it is a matter which concerns not only the Government of Bengal but the Supreme Government and is sure to attract very special notice in England as well as in other countries.' And again 'the

[*Mr. Apcar ; Mr. Gokhale.*]

interests threatened are those of the foreign trade not of Calcutta only, but of the whole of Northern India and Assam.

“ With these remarks I entirely concur, and inasmuch as the improvement of Calcutta is designed in the first instance to eradicate the plague, and in the second place to generally improve the health of Calcutta, upon which in no small degree does the expansion of commerce depend, it is only fair that a large proportion of the cost should fall on the imperial revenues, and that that proportion should be fixed with no niggard hand.”

The Hon'ble MR. GOKHALE said:—“ My Lord, for the second time, the Hon'ble Mr. Baker has laid before the Council a budget, which, judged by the limits within which he was free to move, is an interesting and satisfactory statement, and which for lucidity of exposition will take high rank among the Financial Statements of the Government of India. I am particularly pleased to read what the Hon'ble Member writes about the effect of the recent reductions of salt duty on the consumption of that article. Time was, not so long ago, when it was the fashion, both in this Council and outside, to regard the burden imposed on the masses by a high salt duty as after all only a light one, and to deny that its rate could seriously affect consumption. If ever the Government of India finds itself driven to enhance the duty again, I hope the Finance Member of the future will remember the eloquent testimony of my Hon'ble friend on the results of recent reductions, and no one will again venture to contest the proposition that in dealing with a prime necessary of life, such as salt, the only right policy is to raise an expanding revenue on an expanding consumption under a diminishing scale of taxation. Even at present, the level of the duty—about 1,600 per cent. of the cost price—is much too high, and I earnestly trust that the Hon'ble Member will have, as I have no doubt he will be glad to have, another opportunity during his tenure of office as Finance Minister to effect a further reduction, thereby making the duty throughout India at least uniform with what it is in Burma, namely, Rs. 1 a maund. The consumption in India, which was under 10 lbs. per head before these reductions, has now risen to about 11 lbs., but it is still far below the level of Burma, where it is about 17 lbs. per head. My Lord, the abolition of certain cesses on land and the discontinuance of certain appropriations from the funds of District and Local Boards for Provincial purposes will be greatly appreciated in the Provinces concerned, and I regard with sincere satisfaction the policy which underlies these measures. My only regret is that Bombay does not participate in the benefit of the relief accorded, and, if it is not yet too late, I would like to suggest one or two directions in which the Hon'ble Member could usefully come to our assistance on the same principle on which he has given the present relief to the other Provinces. One is as regards the loss which our Local Boards have to bear as a result of the suspensions and remissions of land revenue granted by Government. The principal part of the income of these Boards is derived from the one-anna cess on land; so when the Government, owing to the prevalence of famine, suspends or remits a part of the land-revenue, the one-anna cess that is paid with such revenue is also automatically suspended or remitted. The Government anticipates that the amount suspended or remitted this year owing to the present famine will be about 50 lakhs of rupees. This means that the Local Boards will lose a little above 3 lakhs of their revenue during the year. The proceeds of the one-anna cess for the whole Presidency are under 30 lakhs, and to lose 3 lakhs out of 30 lakhs is a serious matter. Moreover, the loss is not spread over the whole Presidency but has to be borne only by the districts affected, which means that in those districts the Boards will not have enough money even for their barest wants. I suggest, therefore, that the grant this year to the Boards from the Provincial revenues should be increased by 3 lakhs or whatever may be the amount of the one-anna cess suspended or remitted with the land-revenue, the Provincial Government receiving, if necessary, compensation from the Government of India for the purpose. I understand that this is the practice that is followed in the Punjab, where as

[*Mr. Gokhale.*]

a result the Boards receive their full amount intact, whatever suspensions or remissions the Provincial Government may grant to the agriculturists; and I only ask that our Boards may be treated with the same consideration. Another direction in which the Hon'ble Member could come to the rescue of these Boards is by relieving them of all responsibility for famine relief, which the Famine Code imposes upon them. Under the Code, the duty of relieving famine distress is first cast on the resources of the Local Boards and then on those of the Provincial and Supreme Governments. Now the means at the disposal of the Boards, even for the objects for which they have been brought into existence, namely, education, sanitation and medical relief, and roads, are woefully inadequate, and to throw on them in addition so heavy and unjustifiable a burden as famine relief is to take away from them practically all power of doing useful work. For the last ten years and more, we have had on our side an almost unbroken succession of unfavourable seasons, with no less than four famines, and the embarrassments of Local bodies have been further aggravated by plague and the cost of plague measures; as a result, over the greater part of the Presidency our Boards have been reduced to a position not far removed from bankruptcy. The relief I ask for, though small, will therefore not fail to prove useful in their present circumstances, and I earnestly trust that the Hon'ble Member, who has already given abundant evidence of his sympathy with Local bodies in their struggles, will realize the justice and necessity of granting it.

"Before I proceed to deal with the larger questions on which I wish to offer a few observations today, I would like to make two suggestions and address one inquiry to the Hon'ble Member. My first suggestion is that in the general statements of revenue and expenditure, given in Appendix I, the figures under Railways and Irrigation (productive works) should be given net. In the budget for the coming year the receipts under these heads have been estimated at about 29½ millions and the charges at about 27 millions. The net receipts to the State, therefore, under the two heads amount to only about 2½ millions, and I submit that it would give us a much more correct idea of the true revenue and expenditure of the country if only this sum of 2½ millions were entered on the revenue side in the general statements and a separate statement appended showing the gross receipts and charges under the two heads, than that two such huge figures as 29½ millions and 27 millions should be entered on the two sides of the account. The outlay on Railways and Irrigation is on a commercial basis out of borrowed capital, and the receipts are bound to go up, as the capital outlay increases. As a matter of fact, they have been going up of late years owing to increased capital expenditure and other causes by leaps and bounds, having nearly doubled themselves in ten years, standing today at 29½ millions against 15½ millions in 1896-97; but they make no real addition to the revenue of the country, except by that portion of them which represents the net profit earned by the State. In Japan, where they do things more scientifically than with us, the course that is adopted as regards State Railways is the one I have suggested, and only the profits on the undertakings appear on the revenue side in the Financial Statement. Our present practice has been responsible for many curious misapprehensions of the financial position, and it has misled even those who should know better. Thus two years ago, the Military Member of the Government of India—Sir Edmond Elles—advanced in this Council the obviously untenable proposition that though the military expenditure of the country had in recent years been growing, its growth, proportionately speaking, was less than that of our revenue; and he proceeded gravely to establish his contention by treating these rapidly increasing gross receipts under Railways and Irrigation as part of the revenue at the disposal of the State. And when I drew his attention to this error, he simply would not budge an inch, and contented himself merely with the remark that he did not know why he should not take the figures as he found them! My second suggestion is that the income and expenditure of Local Boards, included under the head of Provincial Rates, should be separated from the accounts of the Government of India. It is a small matter—only about 2 millions a year—but it gives rise to much confusion. Take, for instance,

[*Mr. Gokhale.*]

education. A reference to Statement B will give one the idea that the Government expenditure on education is nearly 2 millions sterling, when in reality it is only about a million; the rest is Local Boards' expenditure merely included in Government accounts. It is true that the heading 'Provincial and Local' is there to prevent a misconception: but that in itself is again misleading, as the term Local ordinarily includes Municipal also, whereas in the accounts of the Government of India, the income and expenditure of only Local Boards and not of Municipalities are included. I trust the Hon'ble Member will be able to effect this simple but necessary reform. If the suggestions I have made are accepted, our real revenue will be seen to be about 58 millions instead of 87 millions as the Statements in Appendix I lead one to imagine. The inquiry I want to make is about the Gold Reserve Fund and the profits from Coinage. It was stated by Lord Curzon two years ago that the Gold Reserve Fund was to accumulate till it rose to 10 millions sterling, which amount, he declared, 'will be sufficient for our purpose and will give us a permanent guarantee for stability of exchange.' This limit has been already passed and the Fund to-day stands at over 12 millions sterling, and I think the Hon'ble Member owes it to the country to say what he proposes to do with the profits from Coinage in future years. The fund is to accumulate at compound interest and may therefore be left where it is. And the profits—about 2 millions a year on an average of six years—may henceforth be used to provide money for loans to agriculturists in a comprehensive scheme for the relief of agricultural indebtedness. They will thus yield a better interest than when they are invested in consols; such a course will also enable the Government to make some reparation to those classes which have been hit the hardest by its currency legislation. Even if they were devoted to productive public works, reducing by a corresponding amount the annual borrowings of the State, that will be better than the present plan of investing in consols. The justification of a policy, which invests its own money in 2½ per cent. and borrows at the same time for its purposes at 3½, is not quite obvious.

"My Lord, our financial administration is bound up with questions of policy of the highest importance affecting the Government of the country, and unless that policy undergoes a radical change, our revenues will not be administered in a manner which will best promote the true well-being of the people. Of such questions, the most dominant, as it is the most difficult and delicate, is the question of the Army. My Lord, I fear that a protest in this country against the military policy of the Government and the ceaseless and alarming growth of our military burdens is almost like a cry in the wilderness, but the protest has to be made on every occasion that presents itself, as our most vital interests are involved in a proper solution of this question. Moreover, if ever there was a juncture when our voice in this respect should be heard by the authorities, that juncture is now. A profound change has taken place in the general position of Asiatic politics. The triumph of Japan in the late war has ensured peace in Mid and East Asia. The tide of European aggression in China has been rolled back for good. The power of Russia has been broken; her prestige in Asia is gone; she has on her hands troubles more than enough of her own to think of troubling others for years to come; and thus a cloud that was thought to hang for twenty years and more over our North-Western frontier has passed away, and, humanly speaking, is not likely to return, at any rate during the time of the present generation. The Anglo-Japanese alliance, concluded without considering how it would be regarded by the people of this country, is a further guarantee of peace in Asia, if such an alliance has any meaning. Surely, my Lord, this is the time, when the people of this country have a right to look for a substantial relief from the intolerable burden of an excessively heavy military expenditure, which they have had to bear for so many years past. And the first step in the direction of such relief is to suspend the execution of the Reorganization Scheme drawn up by His Excellency the Commander-in-Chief and estimated to cost more than 10 millions sterling. This scheme was projected in the early stages of the Russo-Japanese War, and was sanctioned in November 1904, when the issue of the struggle was not only uncertain but the odds seemed to be against Japan, and when

[*Mr. Gokhale.*]

apprehensions were entertained of hostile movements of Russian troops in the direction of Cabul. Now, however, that the situation has undergone a complete change and the North-Western frontier has for the time ceased to be our one danger-zone, there is no justification for proceeding with a costly scheme, devised to ensure a concentration of the entire armed strength of the country on that frontier at the shortest notice. Ten millions, again, does not represent the whole cost of the scheme. There is to be in addition a permanent burden on its account ; how much it will be we have not yet been told, but the Hon'ble Mr. Baker warned the Council last year that it would be considerable. This recurring charge is to appear on the scene after five years, during which period 2 millions a year are to be spent out of current revenues to carry out the scheme. My Lord, I respectfully protest against the execution of such a scheme at such a time, as involving an expenditure of money and effort wholly beyond our capacity and not called for or justified by the requirements of the situation. The Secretary of State for India stated in Parliament the other day in reply to a question that the matter was being further considered. I earnestly trust that his decision will be to hang up the scheme, at any rate till a more disquieting situation than the present arises on the North-Western frontier. Should the Government, however, unfortunately make up its mind to ignore recent events and proceed with the scheme, I would most strongly urge that the money required for the initial outlay should be found out of loan funds. My Lord, during the last eight years, the Government has spent its surpluses, amounting to about 35 crores of rupees, on railways, in addition to borrowed capital. Now such expenditure of current revenues as capital outlay on productive works appears in the accounts as an addition to our productive debt (which represents the capital expended on productive works), and this necessitates a reduction by a corresponding amount of the unproductive debt of the country. Last year, when I made this simple statement in connection with my plea that the cost of the Army Reorganization Scheme should be met out of borrowings, the Hon'ble Member, to my surprise, denied the correctness of my proposition. He no doubt spoke under a misapprehension and he evidently thought that my contention was that the total debt of the country, productive and unproductive taken together, had been reduced, when my whole argument was that as our unproductive debt, which after all is the only real debt, had been reduced by the amount of current revenues spent as capital, the whole cost of the new Army Scheme could be met out of loan funds and yet our unproductive debt would stand lower than where it was eight years ago. My Lord, it is most unjust to the tax-payers of this country that while the surpluses that accumulate should be spent as capital, heavy non-recurring charges in connection with the Army should be thrown on current revenues, when every pie that can be spared from these revenues is urgently needed for the education of our children and for a hundred other objects of internal progress. The Hon'ble Member may say that till the surpluses are actually realized, no one can tell what they will be. But surely when they have been realized and when they have been so employed as to reduce the unproductive debt of the country, I think there is no excuse for avoiding borrowing, within the limits of such reduction, for meeting heavy non-recurring charges.

" My Lord, I beg leave next to urge that the strength of the Army in India should now be reduced by at least those additions that were made in 1885 under the influence of the Penjdeh scare. The growth of the military expenditure in recent years has been simply appalling, as may be seen from the following figures :—

1884-1885	17'9 crores.	(Before the increases of 1885 were made.)
1888-1889	22'2 crores.	(After the increases had their full effect.)
1902-1903	28'2 crores.	
1906-1907 (Budget)	32'8 crores.	

Our military expenditure is now nearly double of what it was twenty years ago. Since 1888, it has risen by over 10½ crores a year and this notwithstanding

[*Mr. Gokhale.*]

ing the fact that the strength of the Army has not been increased by a single troop or company during the time. The increases made in 1885 were made in spite of the protest of two Members of the Government of India and in disregard of the view recorded by the Army Commission of 1879 that the then strength of the Army was sufficient both for internal peace and to repel foreign invasion, not only if Russia acted singly but even if Afghanistan joined her as an ally. And since that time the fear of Russian aggression has been the one dominating factor in all our military arrangements. With Russia now crippled and the Anglo-Japanese allowance concluded, the last trace of any such fear should disappear from the mind of the Government, and the country should be relieved of the burden imposed upon it specially as a result of that fear. The increasing difficulty that has of late been experienced in England in the matter of recruitment and in providing the annual drafts for India, with the resulting payment of bounties to short-service men here as an inducement to extend their service, also points to a reduction of the garrison in this country as a necessary measure of justice to the Indian tax-payer. Should the view, however, be upheld that such a reduction is not possible on the ground, urged in this Council by Sir Edmond Elles, that the Indian Army 'is no longer a local militia for purely local defence and maintenance of order' and that it 'must in the future be a main factor in the maintenance of the balance of power in Asia,' I submit that the Imperial Government ought in justice to bear a part of the cost of an army maintained for such a purpose. My Lord, our military expenditure has now grown to such proportions that it over-shadows the whole field of Indian finance, and under its chilling shade, no healthy development is possible for the people. And unless the axe is resolutely applied to its overgrown portions, our life will continue to exhibit the same signs of sickliness that at present unhappily mark its growth.

"But the appalling increase in the weight of military burdens is not our only grievance in connection with the Army. The whole system of Indian defence, founded as it is on a policy of distrust, rests on an unnatural basis, and one notes with regret that the position is growing worse every day. Whole populations are now excluded from the Army. The abolition of the Madras Command under the new scheme involves the disestablishment of that Presidency as a recruiting ground and amounts to a denial to the people of Southern India of all opportunity of service even in the ranks. Recruitment is being confined more and more to frontier or trans-frontier men, to the people of non-Indian or extra-Indian areas, with the result that the Army is approximating more and more completely to a mere mercenary force. The Arms Act is being worked with increasing rigour and licenses to carry arms are now issued more sparingly than at any time before. I believe there are not more than thirty to forty thousand such licenses at the present moment in all India. A large increase has been made in the number of British officers attached to the Native Army, so as to give all Punjab regiments an establishment of 13 British officers and all other regiments of 12. This increase completely ousts the Native officers from even such positions of trust as were open to them before and not even the command of troops and companies is now really left to them. We have been asking for years that the commissioned ranks in the Indian Army may be thrown open to aspiring and qualified Indians, scions of aristocratic families and others, and the reply of the Government is a stiffer closing of such careers to us. It is true that four members of the Cadet Corps were granted commissions last year and the language used by the late Viceroy more than once in speaking of the Corps had raised the expectation that these young men would be allowed the same opportunities of attaining to positions of command in the Indian Army as British officers. The reply given by the Commander-in-Chief to my question on this subject last week disposes of this expectation, and we see that Lord Curzon's promise in the matter, though kept to the ear, has been broken to the hope. In pre-Mutiny days we had two systems, the regular and the irregular. Under the regular there were 25 British officers to a Native regiment, whereas under the irregular there were only just 3 picked ones. The Army Commission of 1859 pronounced in favour

[*Mr. Gokhale.*]

of the 'irregular' arrangement; and after considerable discussion a compromise was eventually arrived at and it was decided in 1863 that 7 British officers should be attached to each Native regiment—these to command squadrons and wings, while the Native officers were to have charge of troops and companies. The question was re-opened in Lord Mayo's time and an increase of British officers was demanded; and the discussion again went on till 1875-6, when it was finally decided by Lord Salisbury (then Secretary of State for India) that the 7 officers system should be upheld, his Lordship laying stress on the point that the position of the Native officers should be improved and raised. And now the question having been brought up afresh, we find the decision going against us and the number of British officers in Native regiments raised from 7 to 12 and 13! My Lord, such growing distrust of the people, after so many years of British rule, is to be deplored from every point of view, and not until a policy of greater trust is inaugurated will the military problem, or indeed any other problem in India, be satisfactorily dealt with. I recognize the difficulty of the situation and the undoubted need that exists for caution in the matter. But after all it is only confidence that will beget confidence, and a courageous reliance on the people's loyalty will alone stimulate that loyalty to active exertion. As long as things continue as at present, the problem of Indian defence, do what you will, must remain essentially and practically unsolved. The experts, who accompanied the Russian and Japanese armies in the late War, have declared that the Indian Army will be found too small, if a great emergency really arises. This is bound to be so, as long as reliance is placed on standing battalions exclusively, with such reinforcements as England might be able to send in the hour of need. Everywhere else in the civilized world, the standing army is supported by a splendid system of reserves, and the nation is behind them all. Here alone there are no reserves worth speaking of to augment the fighting strength of the country in times of war, and the matter is treated as if it were no concern of the people. The late Viceroy quoted last year the achievements of Japan to justify the enormous growth in our military expenditure. Does any one, however, believe that Japan's glorious achievements would have been possible, if the Government of that country had merely poured money like water on its standing battalions, unaugmented by reserves, and the magnificent spirit of every man, woman and child in that country had not been behind the Army to support it? Japan's ordinary budget for the Army is only about 37·3 millions yen, or a little under six crores of rupees. And for so small an expenditure, she has a standing army of 167 thousand men, with reserves, which can raise it to over six hundred thousand men in times of war. We spend nearly six times as much money a year and yet in return for it we have only an inexpansive force of about 230 thousand men, with about 25 thousand Native reservists and about 30 thousand European volunteers! Both on financial and on political grounds, therefore, our present unnational system of military defence is open to the gravest objection. My Lord, I respectfully submit that it is a cruel wrong to a whole people—one-fifth of the entire population of the world—to exclude them from all honourable participation in defence of their hearths and homes, to keep them permanently disarmed and to subject them to a process of demartialization, such as has never before been witnessed in the history of the world. Lord George Hamilton once told an English audience that there were millions of men in India, who were as brave as any people on the face of the earth. Leaving such material in the country itself neglected, the Government has thought fit to enter into an alliance with a foreign Power—and that an Asiatic Power, which once borrowed its religion from us and looked up to us—for the defence of India! Japan came under the influence of western ideas only forty years ago, and yet already, under the fostering care of its Government, that nation has taken its place by the side of the proudest nations of the West. We have been under England's rule longer than forty years, and yet we continue to be mere hewers of wood and drawers of water in our own country and of course we have no position anywhere else. My Lord, things cannot continue—they must not continue—much longer on so unsatisfactory a basis. Time and events will necessitate a change, and true statesmanship lies in an intelligent

[*Mr. Gokhale.*]

anticipation of that change. The present Prime Minister, speaking in November last on the subject of the Anglo-Japanese alliance, observed as follows:—‘I am enough of an Imperialist, if this be Imperialism—to hold that the maintenance of the integrity of India is our affair and no one else’s; and if further measures of defence are necessary—of which I have no assurance—the appeal should be to the loyalty of the people of India and to our own capacity for organizing their defence. Is there not danger that the pride of the Indian people may be wounded and the prestige of the Empire abased in the eyes of the world by the provision, by which Japan makes herself conjointly responsible for the defence of the Indian frontier?’ My Lord, this is true and far-sighted statesmanship and my countrymen ask for nothing more than that the military problem in India be dealt with in the spirit of this declaration of the Prime Minister. The measures needed are Short Service for the Indian Army, the creation of Indian reserves, and the gradual extension, first to select classes of the community, and then, as confidence grows, to all, of the privilege of citizen-soldiership, so that they may be able, if the need ever arises, to bear arms in the defence of their own land. The Government may move as cautiously as may be necessary, but it is in this direction that it must move; and then the whole situation will be altered. Our military defence will then be gradually placed on a national basis, the Army will have the support of the nation behind it, the present military burden will be largely reduced and funds set free to be devoted to other objects of national well-being, the people of the country, instead of being condemned, as at present, merely to pay the taxes and then helplessly look on, will be enabled to feel a real and living interest in their Army, and our position in the matter will cease to wound our self-respect. Now that all fear of any immediate aggression from outside has disappeared, a trial may be given to this policy, and I feel a profound conviction within me that England will have no cause to regret its results.

“ My Lord, I am free to confess that there is but little chance of any considerable change in the military policy of the Government of India being made in the immediate future, and if I have spoken at some length on the subject today, it is both because the character of our national existence is bound up with the question and also because a special appeal for a reconsideration of the policy is justified at the present juncture. I have already said that military expenditure overshadows the whole field of Indian finance, and it is a matter for further regret that even such slender resources as remain at the disposal of the Government of India after meeting the cost of the Army are not employed to the best advantage. My Lord, during the last eight years, the surpluses of the Government of India have amounted to no less a sum than 35 crores of rupees, and the whole of this money has been spent by the Government on Railways in addition to the large amounts specially borrowed for the purpose! Now I do not wish to say anything against the construction of Railways as a commercial undertaking. Till recently they used to cost a net loss to the State every year, but that has now ceased; and there is no doubt that in future years they will bring a growing revenue to the Exchequer. To the construction of Railways on a commercial basis out of borrowed money I have, therefore, no objection, though even here the claims of irrigation to a larger share of the capital raised must be recognized better than they have been in the past. But I have the strongest possible objection to our surpluses being devoted to Railway construction, when they are urgently needed for so many other objects vitally affecting the interests of the masses. My Lord, I submit that there should be some sense of proportion in this matter. Already a sum of 250 millions sterling has been spent on Railways. For many years, it was the height of ambition to the Government of India to have in the country twenty thousand miles of Railways. The mileage open to traffic today is nearly twenty-nine thousand and another two thousand is under construction. Are Railways everything, is mass education nothing, is improved sanitation nothing, that the Finance Minister should lay hands on every rupee that he can get either by borrowing or out of surpluses and devote it to the construction of Railways only? Replying to my observations on this subject last year, the Hon’ble Member said:—‘ When a surplus actually

[*Mr. Gokhale.*]

accrues either from a fortunate windfall or from sources the continuance of which is not assured, then I think no more advantageous use for it can be found than to devote it to the construction of remunerative public works.' Now, with all deference I beg to say that the Hon'ble Member's proposition is an unsound one. The course adopted by the Government would be right, if there was no need of non-recurring expenditure in other directions, more intimately connected with the well-being of the mass of the people. But with such urgent needs of the country as decent school-houses for primary schools, works of sanitary improvement beyond the capacities of local bodies, and so forth, unsatisfied, I submit it is not a justifiable course to employ the proceeds of taxation for purposes of remunerative investment. That the surpluses are uncertain does not affect my contention at all. Whenever they are available, they may be devoted to the objects I have mentioned. When they are not available, the position cannot be worse than it is at present.

"My Lord, the surpluses of the last few years,—rendered possible by the artificial enhancement of the value of the rupee, and realized first by maintaining taxation at a higher level than was necessary in view of the appreciated rupee, and secondly by a systematic under-estimating of revenue and over-estimating of expenditure,—have produced their inevitable effect on the expenditure of the country. With such a plethora of money in the Exchequer of the State, the level of expenditure was bound to be pushed up in all directions. Economy came to be a despised word and increased establishments and revised scales of pay and pension for the European officials became the order of the day. Some remissions of taxation were no doubt tardily granted, but the evil of an uncontrolled growth of expenditure in all directions in the name of increased efficiency was not checked and the legacy must now remain with us. The saddest part of the whole thing is that in spite of this superabundance of money in the Exchequer and the resultant growth of administrative expenditure, the most pressing needs of the country in regard to the moral and material advancement of the people have continued for the most part unattended to, and no advantage of the financial position has been taken to inaugurate comprehensive schemes of State action for improving the condition of the masses. Such State action is, in my humble opinion, the first duty now resting on the Government of India, and it will need all the money—recurring or non-recurring—that the Hon'ble Member can find for it. My Lord, the three evils to be combated in connection with the raiyat's position are his fearful poverty, his ignorance and his insanitary surroundings. And I hope your Lordship will bear with me while I indicate very briefly the lines on which action is really needed.

"(1) First come a group of three measures in connection with the land. They must really go together, if a substantial improvement is the object in view. Of these the first is a reduction of the State demand on land, especially in Bombay, Madras and the United Provinces, and a limitation of that demand all over India. There is ample evidence to show that over the greater part of India—especially in the older Provinces—the agricultural industry is in a state of deep depression. The exhaustion of the soil is fast proceeding, the cropping is becoming more and more inferior and the crop-yield per acre, already the lowest in the world, is declining still further. And such a deterioration in agricultural conditions is accompanied by an increase in the land-revenue demand of the State! The raiyat staggers under the burden, but, under the economic conditions prevailing, cannot help submitting to it. Mr. O'Conor, late Director-General of Statistics in India, speaking two years ago before the Society of Arts in London, and speaking with all his special knowledge of Indian agriculture, said:—'It is doubtful whether the efforts now being made to take the cultivator out of the hands of money-lenders will have much effect, or even if they have the fullest effect, that they will materially improve the cultivator's position until a larger share of the produce of the soil is left in his hands and he is protected against enhanced assessment by Government officials and against enhanced rent by private landlords.' And again:—"I have little doubt that the reduction of the land-revenue by 25 or 30 per cent. if the

[*Mr. Gokhale.*]

reduction is secured to the profit of the cultivator, would be of far more value in the improvement of the class who constitute the bulk of the population and who contribute most largely to the finances of the State.' The present system is having, and can have, but one effect. It tends to keep the one industry of the country in a hopelessly depressed condition, discouraging all expenditure of capital on land and rendering agricultural improvement an impossible hope. Whatever loss of revenue such a measure may cause directly to the State will be indirectly more than made up by a material improvement in the condition of the people.

(2) Next, a resolute attempt must be made to rescue the Indian agriculturist from the load of debt that at present overwhelms him. The problem is one of vast magnitude and probably the conditions of the different Provinces will need different treatment. The best plan will be to take in hand an experiment on a sufficiently large scale over a selected area in each Province. Thus take the Deccan Districts in the Bombay Presidency. It is the opinion of competent authorities that quite one-third of our agriculturists, if not more, have already lost their lands and they are remaining on them merely as the serfs of their money-lenders. Now I would take the cases of such men first, and I would appoint a special tribunal to go round and look into each case, going behind the bond where necessary, and I would have a composition effected, either by amicable arrangement or in exercise of legal powers with which the tribunal may be armed. I would place, say, a million sterling at the disposal of the tribunal out of which advances should be made to clear the debt, to be recovered by adding about $4\frac{1}{2}$ per cent. on them to the land-revenue demand of the State— $3\frac{1}{2}$ per cent. for interest and about 1 per cent. for repayment of capital, the repayment being spread over fifty years or so. Having helped to free the man in this manner, the Government may then fairly claim to impose restrictions on his powers of alienation. Of course, this is only a bare outline and the scheme will have to be worked out in detail and examined carefully before adoption. If the experiment shows signs of success, it can be extended to other parts. If it ends in failure, well, some money will be lost, but the risk has to be taken. When Lord Lansdowne was Viceroy of India, he was so impressed with this evil of agricultural indebtedness that he is understood to have left a minute behind, expressing his opinion that the condition of the agricultural community was a most serious danger to British rule, and pointing out the necessity for immediate action. It is now fourteen years since he left India, and yet the only attempt made by the Government to deal with the problem is represented by some legislation, intended to restrict the raiyat's powers of borrowing! What may usefully be the last link of the chain has thus been made by the Government the sole link, with the result that the situation today is as grave as ever.

(3) But these two measures will fail to do any permanent good to the raiyat, unless they are accompanied by the third measure of the group, namely, the providing of facilities which, while encouraging thrift, will enable the agriculturist to borrow on occasions for his reasonable wants at a low rate of interest. The Co-operative Credit Societies, for which an Act was passed two years ago, will not go any long way in this direction. The communal spirit is now very weak over the greater part of India, and the unlimited liability principle, which the Act insists upon, will keep substantial men from these Societies, and any number of paupers brought together will have neither the cash nor the credit to help one another. If unlimited liability is removed and a portion of the Savings Banks deposits are made available to these Societies, they may do some useful work. But what the country really needs is the establishment of Agricultural Banks, like those which have been so successfully introduced into Egypt by Lord Cromer.

(4) Two other measures necessary for the promotion of agricultural prosperity in India, one of which has already received a good deal of attention at the hands of the Government, and the other has been recently taken up by it, are Irrigation and Scientific Agriculture. About Irrigation, I would only like to ask why it is necessary to have the selected projects carried out

[*Mr. Gokhale.*]

departmentally and why their execution cannot be entrusted, as in Egypt, to expert contractors, who would find and train the required labour, the Government exercising supervisory control only? I think in this matter, too, the Government of India may well take a leaf out of the book of that great administrator, Lord Cromer. If this were done, far more rapid progress would be made in the matter of Irrigation. As regards Scientific Agriculture, the country is watching with keen interest the steps which the Government is taking in the matter. I must, however, express one fear in this connection. If it is proposed to import European experts for the work as a standing arrangement, there will be small chance of any substantial good being done. The knowledge brought into the country by a succession of foreign experts who retire to their own lands as soon as they have earned their pension, is like a cloud that hangs for a time overhead without descending in fertilizing showers, and then rolls away. Unless promising and carefully selected Indians are sent abroad to be trained and to take the places of the imported experts in due course, such expert knowledge will never become a part and parcel of the possession of the community. Of course, to begin with, a reliance on foreign experts is necessary, but care must be taken to make the arrangement only temporary.

"(5) The promotion of industrial and technical education in the country is also an urgent necessity as a remedy for the extreme poverty of our people. This field has so far remained entirely neglected, with what results even the most superficial observer can see. The sum of 2½ lakhs of rupees, provided in this year's Budget, is as nothing compared with what is needed. The country requires at least one large fully equipped Technological Institute at some central place, with Branch Institutes in the different Provinces.

"(6) I now come to the question of Primary Education. From Mr. Nathan's Report on Education, we find that in 1901-2, the total expenditure on the primary education of boys in India from the funds of the State was the staggeringly small sum of 13½ lakhs! Since then the amount has been increased, but even so, it remains most miserably inadequate, compared with the requirements of the situation. My Lord, the question of mass education in this country has been neglected much too long, and the Government must lose no more time in waking up to its responsibilities in the matter. What is needed is a clear aim and a resolute pursuit of that aim in a feeling of faith and with enthusiasm for the cause. The first step is to make primary education free in all schools throughout the country, and that can be done at once. The total receipts from fees in Primary Schools throughout India in 1901-1902 were only 30½ lakhs of rupees, so the sacrifice will not be very great. Moreover, the larger Municipal Corporations might be asked to bear a portion of this loss, so far as their own areas are concerned. The next step will be to make this education compulsory for boys in the Presidency-towns and perhaps in a few other leading towns. When the minds of the people have been accustomed to the idea of compulsion in the matter of education, the area of compulsion may be gradually extended, till at last in the course of twenty years or so from now, we have in our midst a system of compulsory and free primary education throughout the country, and that for both boys and girls. It will not do to be deterred by the difficulties of the task. Our whole future depends upon its accomplishment, and as long as the Government continues listless in the matter, it will justly be open to the reproach of failing in one of its most sacred duties to the people.

"(7) Lastly, there is the pressing need of works of sanitary improvement, such as good water-supply and drainage. As I pointed out last year, most of our towns are simply powerless to undertake such costly works without substantial assistance from the State. With the ravages of the plague in all directions and with the death-rate of the country steadily rising, the question of sanitary improvements assumes an importance which the Government cannot long ignore. The resources of our local bodies are barely sufficient for their current needs and any large capital outlay is wholly beyond them. The present dis-

[*Mr. Gokhale: Mr. Sim.*]

tribution of resources and responsibilities between local bodies and the central Government is most unfair to local bodies, and that is the explanation of the spectacle we have seen during the last few years, namely, that of the Exchequer of the Government overflowing with money, while these bodies have been in a state verging on bankruptcy. It is necessary that the Government should formulate and announce a definite policy in this matter.

"All these measures that I have briefly outlined will require a large expenditure of money—both recurring and non-recurring. But even as our resources stand at present, there is room for undertaking them all. Thus if the Army Re-organization scheme is held up or at least its initial cost is met out of borrowings, a sum from one or two millions a year will be available, and that may be devoted to a vigorous extension of primary education. The profits of coinage—averaging now about two millions a year—may supply funds for the relief of agricultural indebtedness. The famine grant, which stands at a million sterling, may, after deducting the expenditure on actual famine relief, now be devoted to industrial and technical education. The deposits in Savings Banks may be made available to Co-operative Credit Societies. And whatever surpluses accrue may be devoted to assisting local bodies in the construction of works of sanitary improvement. At any rate an important beginning can be made in all these directions, only the spell, under which the official mind has been for so many years, must be broken.

"My Lord, the improvement of the condition of the masses and the conciliation of the educated classes are the two really great problems before the British Government in India. The success or failure of England's work in this country will be determined by the measure of her achievement in these two fields. I have already spoken of the work that must be taken forthwith in hand for the moral and material advancement of the mass of our people. The task is one of great magnitude, but it is comparatively a simple one. The question of the conciliation of the educated classes is vastly more difficult and raises issues which will tax all the resources of British statesmanship. There is but one way in which this conciliation can be secured, and that is by associating these classes more and more with the government of their own country. This is the policy to which England stands committed by solemn pledges given in the past. This is also the policy which is rendered imperative by the growth of new ideas in the land. Moreover, my Lord, the whole East is today throbbing with a new impulse—vibrating with a new passion—and it is not to be expected that India alone should continue unaffected by changes that are in the very air around us. We could not remain outside this influence even if we would. We would not so remain if we could. I trust the Government will read aright the significance of the profound and far-reaching change which is taking place in the public opinion of the country. A volume of new feeling is gathering, which requires to be treated with care. New generations are rising up, whose notions of the character and ideals of British rule are derived only from their experience of the last few years, and whose minds are not restrained by the thought of the great work which England has on the whole accomplished in the past in this land. I fully believe that it is in the power of the Government to give a turn to this feeling, which will make it a source of strength and not of weakness to the Empire. One thing, however, is clear. Such a result will not be achieved by any methods of repression. What the country needs at this moment above everything else is a Government national in spirit, even though it may be foreign in personnel,—a Government that will enable us to feel that *our* interests are the first consideration with it and that *our* wishes and opinions are to it a matter of some account. My Lord, I have ventured to make these observations, because the present situation fills me with great anxiety. I can only raise my humble voice by way of warning, by way of appeal. The rest lies on the knees of the gods."

The Hon'ble MR. SIM said :—"My Lord, I wish to congratulate Your Excellency's Government on the continuance of the policy of 'popular' relief and reform, to which the Hon'ble Mr. Baker introduced us last year. The abolition of the *Village Cess* will be greatly appreciated in Madras; the relief

[Mr. Sim.]

will reach every Government raiyat in the Presidency, and though the individual sums may be small, the total of 28 lakhs will be considerable; as large, for instance, as the whole Forest-revenue of the Presidency was last year. Equally appreciated will be the words in which the Hon'ble Mr. Baker expresses the desire of Government to set bounds to the extension of *Local Taxation*; it is so easy to impose such taxation, and so easy to drag anything, even Famine Relief, within any definition of it that can be devised, that the Hon'ble Mr. Baker's words, backed, as he rightly claims them to be, by deeds, will be regarded as a very welcome pronouncement.

Similarly, the increased provision for expenditure on *Forests*, and the kindly mention of the *Tungabhadra Irrigation Project*, will be greatly appreciated. In regard to the former, I would again put in a special plea for all the liberality that is possible; parsimony in the case of Forests simply means postponement—postponement of all the benefits, which we expect and which we have led the public to expect, the forests will eventually yield in return for present inconvenience; liberality means hastening those benefits, and there can be few departments in which a policy of vigorous development and liberal expenditure will more rapidly repay itself. For the staff, too, I would bespeak the most favourable consideration of Government, when occasion offers, for the work of a Forest-officer is work of a high order, and the conditions under which it is carried out are exceptionally arduous.

“The prominent mention of the *Tungabhadra Project* and the strong and sympathetic consideration promised to it will be read with much satisfaction in Madras; so also, I think, and over a much larger area, will be the Hon'ble Mr. Baker's assurance that in considering the relative priority of works, direct financial returns will not be allowed to obscure or outweigh the awful indirect claims of Famine. We admit, of course, that the relative claims of others must be fairly considered before the project can be sanctioned, but, sincerely as Madras sympathizes with those others in their needs, it believes that there can be few places in India where greater good can be done by the introduction of irrigation than in the tract commanded by the *Tungabhadra Project*; 1,500 square miles irrigated; 1,500 more commanded, and five districts protected, in the heart of the famine zone, constitute, we believe, a very strong claim.

“In such a connection, the need for cheap and easy loans at once obtrudes itself, and the success which has attended the *Agricultural Bank* in Egypt shows how much liberality and simplicity of procedure may accomplish in this direction. That Bank has been but a short time in existence, yet at the end of last year it had 185,530 loans out amounting to £3,900,000, and after discharging all its preference dues, it paid dividends at the rate of $7\frac{1}{2}$ per cent. on its ordinary shares, and £15-15-0 on its deferred. It is true that the concession to the Bank is an extremely liberal one and that the Bank does not attempt to combine its money-lending business with complicated lessons in self-help and co-operative credit; still it shows what can be done and has no doubt already attracted the attention of Government. Like myself, the Hon'ble Mr. Gokhale has just drawn attention to this in his speech.

“For its share in the additional grant for *Police*—shared with the Minor Provinces, I notice—as well as for the grants for *Railways*, the *Madras Harbour*, and the like, we shall be duly grateful; and if Madras does not figure in the distribution of this year's grant for *Technical Education*, we trust it is only because the Hon'ble Member in charge is considering how much he can give us next year.

“I should like to congratulate the Central Provinces, Bengal, and Eastern Bengal and Assam, on their *Provincial Settlements*, as set out in paragraphs 215—222 of the Statement. It does not perhaps seem to be a matter with which Madras has much concern, and certainly Madras does not grudge them the liberal terms which they have obtained from the Hon'ble Member. But Madras may perhaps be excused if, comparing its own terms with theirs, it wishes that *its* turn, too, for re-settlement had still to come, instead of being past and over.

[Mr. Sim; Mr. Hare; Mr. Porter.]

"It was in 1903-04 that the question of revising the Settlements and the terms of revision were set out in paragraph 212 of the Financial Statement of March, 1904. There it was laid down that the revision should be carried out on a general basis of Provincial receiving not more than a *quarter share of growing revenues*, and Bengal, Madras and the United Provinces were at once, speaking generally, re-settled on this basis; the other Provinces, however, had to wait till the next year, and in the meantime more liberal ideas had come in, and in paragraph 203 of the Financial Statement for March, 1905, the present Hon'ble Member, in settling Bombay and the Punjab, raised their share of growing revenues, generally, to a *half*, instead of a quarter, and in the present year (paragraphs 215-217-218) he has similarly settled the Central Provinces; and (because of the partition) re-settled Bengal and Eastern Bengal and Assam. The result is that Madras and the United Provinces remain on the old *quarter share* basis, while the other Provinces are on the new *half share* footing.

"The balance, of course, was made up to Madras by a fixed assignment; and I am not now suggesting that the total amount granted to Madras was insufficient *at the time*; but it is easy to see that, while the greater part—in the latest cases, 99 and 100 per cent.—of the provincial revenues of the other Provinces will be continually increasing, a much smaller part of ours in Madras will be similarly developing, and the rest will be absolutely stationary: we may therefore, without difficulty, foresee a time when Madras will stand at a great disadvantage compared with the other Provinces; and I trust that when that time comes the Hon'ble Member, who, of course, is well aware of these conditions, will show the same liberality to Madras that he has shown to the rest of India.

"May I, at the same time, join with the Hon'ble Mr. Logan and the Hon'ble Mr. Gokhale in asking the Hon'ble Member to make *Famine Relief* less Provincial, and more Imperial, for the present arrangement tells with great hardship on such Provinces as Madras and Bombay. Famine in Madras is of such regular and certain recurrence, that the cost of relief ought, I would suggest, in fairness to the Presidency, to be either specially allowed for in the Provincial Settlement, or shared with Imperial: to treat it as a rare and remote contingency, which may, for that reason, be fairly met from Provincial savings, is to ignore the facts, and to place famine Provinces, like Madras and Bombay, under a heavy liability, from which other and more fortunate Provinces are virtually exempt, and which falls upon the famine-stricken Province at a time when it can least be borne.

"In conclusion, my Lord, I have to thank your Excellency's Government for the consideration shown to Madras."

The Hon'ble MR. HARE said:—"My Lord, I only wish to congratulate the Government on the Budget which has been presented and to express our gratitude for the remission of the Zamindari Dāk Cess. The relief given by this remission is not to be measured merely by the comparatively small amount of tax remitted, but by the removal of the disproportional annoyance which its collection has hitherto caused."

The Hon'ble MR. PORTER:—"My Lord, I congratulate the Financial Member on finding himself at length in a position to abolish the Patwari Rate. When last year the Hon'ble Rai Sri Ram Bahadur recommended the abolition of the rate, he pointed out that the argument for the abolition was that the patwari was no longer a village servant pure and simple, but was really an officer of the Provincial Land Records Department; and that—as such—his pay should be met from Provincial revenues. There is much force in this argument. It is true that even now the patwari does perform certain purely village duties, and that theoretically there would be no injustice in requiring the village to contribute a fair share of the patwari's pay. But the present arrangement, by which the local rate contributes 25½ lakhs and Provincial revenues only some ten lakhs, is not fair. His local duties now form but a minor portion of the patwari's work. What a fair distribution of the cost of the patwari

[*Mr. Porter.*]

establishment between Local and Provincial would be it is difficult to say ; as not only the amount but the nature of the patwari's duties have to be considered. Probably one-third Local and two-thirds Provincial would be a fair proportion. In remitting the cess altogether the Government have not only removed a genuine grievance, but have treated the agricultural taxpayer with generosity.

" There are one or two other matters in connection with the finances of the United Provinces to which I should like to call attention.

" The enhanced annual grant for the reform of the Police will, I hope, go far towards removing the reproach that Police-officers in the lowest grade of Sub-Inspector cannot live on their present pay. But I regret that the Financial Member has not seen his way to make a lump grant for the proper housing of superior Police-officers. No improvements in pay or other prospects will suffice to attract and keep men of the required stamp, unless the quarters in which they have to spend their lives are decent and sanitary. In the large majority of our police-stations the quarters for officers do not fulfil these requirements. The Local Government is fully alive to the necessity of providing suitable accommodation. Out of the special 6½ lakhs grant, over 3 lakhs have been allotted both this year and next for police buildings. This is in addition to the ordinary budget expenditure. But the leeway to be made up is enormous; and unless some special grants can be made, a generation must elapse before the police-force can be suitably housed.

" I regret also that no special grant has been made for non-recurring educational expenditure. A statement of the present educational requirements of the United Provinces will be found in the Local Government Resolution published in the *United Provinces Gazette* of the 13th January last. By far the most urgent of all the local requirements is the need of sufficient suitable boarding accommodation in connection with secondary schools. For primary schools boarding houses are of course not required; and in case of the various colleges much has been done by Government and by private liberality to provide suitable hostels and to secure thereby a healthy university life. But to a large extent the secondary schools have hitherto been left out in the cold, and it is at these schools that boys spend several of the most impressionable years of their life. The majority of these schools are under district boards; these boards have no powers of taxation, and they are not in a financial position to provide enough boarding houses. The result is that a very large number of the boys attending those schools are under no supervision or discipline outside school hours; and their moral and physical welfare has to look after itself. I do not see how we can expect to turn out good and loyal citizens under such a system of education as that.

" Another matter to which I should like to refer is the importance of aiding municipal boards to carry out urgent sanitary reforms with a view to preventing the spread of plague. In Benares work on the sewerage and drainage scheme is stopped owing to want of funds. Allahabad cannot yet begin its drainage scheme, estimated (I believe) to cost 5 lakhs, though it hopes to be able to borrow 2 lakhs to make a start. The important hill sanatoria of Naini Tal and Mussoorie both require help; and there are about 25 towns in the plains that have prepared schemes of sanitary improvements, for which it is difficult to find the money. The prevention of plague is not a purely local concern. The subject is one of supreme importance to the Provincial and to the Imperial Governments. Government might well assist local bodies in their efforts either by grants or by loans free of interest. The Local Government is powerless as it has not the money.

" I have mentioned these three matters, not because they exhaust the needs of the United Provinces, but for two reasons. In the first place, the expenditure required to meet these needs is non-recurring, and can therefore most fitly be met by grants from surpluses. The second reason is that no one but district officers like myself, who are in immediate touch with the people, can know how urgent these local needs are.

" It may perhaps be objected that the United Provinces have their allotted heads of income and that special grants over and above that income are doles,

[*Mr. Porter; Rai Sri Ram Bahadur.*]

and—as such—are opposed to sound finance. To that objection—if it were brought—there are two answers. In the first place, the United Provinces ask for no doles. Those provinces contribute more largely, I believe, than almost any other province to the Imperial Government; and all that they ask is that if in any year the Imperial Government has more money than it requires, a portion of their contribution should be returned to the United Provinces for local expenditure. The second answer is that though the new contract is more favourable to the provinces than its predecessor was, the Provincial revenues are still insufficient to carry on the administration with reasonable efficiency, and at the same time to meet the cost of those reforms which are admitted to be urgently needed. To make matters worse the last two years have been very unfavourable, and Provincial Revenues have suffered severely. In 1904-05 a cold blizzard of unprecedented severity caused enormous loss to the crops throughout nearly the whole of the provinces. This year the rains have failed over a considerable area, and relief works on a large scale have had to be started in some districts. According to the latest accounts some 170,000 persons are in receipt of Government relief. The Provincial treasury is so depleted that it is unable to meet the cost of these relief measures, which is estimated to amount to—this year and the next—some 26½ lakhs. The truth is that the Provincial income is insufficient for Provincial needs. This fact will have to be faced sooner or later. In the interest of the Provinces the sooner it is faced the better.”

The Hon'ble RAI SRI RAM BAHADUR:—“ My Lord, it is a matter of great satisfaction that the first year of Your Excellency's administration should be signalled by the presentation of a Budget statement disclosing many pleasant features. The Hon'ble Mr. Baker is to be congratulated, because he has, since his assumption of the guardianship of the public purse, been able to present two consecutive Budgets in which the surpluses have been properly utilized and partial relief given to the Indian taxpayers by remission of taxation.

“GENERAL REMARKS.

“ It is regrettable that the partial failure of the last monsoons has affected seriously the agricultural situation in the United Provinces, the Punjab, some of the districts of Bombay, Rajputana and parts of Madras. Necessity has thus arisen for expenditure on Famine Relief and for remissions and suspensions of revenue in the affected tracts. The consequent decrease in land-revenue has diminished the amount of surplus, and thus the resources at the disposal of Your Excellency's Government for improvement of administration and lightening of taxation have been very much curtailed. It must, however, be acknowledged that the manner in which the available surplus of this year is going to be applied has evoked a feeling of approbation. The sound and beneficial policy of relieving a portion of the heavy burden on land, by the abolition of some of the cesses, inaugurated by your distinguished predecessor, and a small beginning in which direction was, last year, made by the remission of the Famine cesses in Northern India and the Central Provinces, has, it must gratefully be noted, been continued and considerably expanded by Your Excellency's Government. The abolition of the Raiyatwari Village Cess in Madras, the Zamindari Dāk Cess in Bengal, the Village Officers' cess in Coorg and the Patwari Cess in the United Provinces, the Punjab, the North-West Frontier Province, the Central Provinces, Ajmer and in Sambalpur, has afforded relief to a class of taxpayers who required relief in this direction so urgently, who have been looking for it patiently so long and from whom it could no longer be withheld with justice, especially when the Indian finances have now for some years past been in such prosperous condition.

“THE PATWARI CESS.

“ My Lord, the abolition of the Patwari Cess will be hailed with unmixed feelings of gratefulness by the agricultural taxpayers of the United Provinces. Since the remodelling of the system which completely altered the position of

[*Rai Sri Ram Bahadur.*]

the Patwaris from servants of the village to servants of Government, the levying of any cess from the classes connected with land, for defraying the expenses of their remuneration, was wholly unjustifiable. On the occasion of previous Budget discussions, at this Board, I have been urging the abolition of the Patwari rate. In doing so I simply echoed the universal voice of the payers of that rate in the United Provinces; and I am glad to notice that the same feeling existed in the minds of the officials also, as the remarks just made by the Hon'ble Mr. Porter, the official representative for those provinces, shows. In reply to the remarks made by me on this subject during the last year's Budget debate, and in defence of the action of Government for the retention of this rate, the Hon'ble Mr. Baker was pleased to say that 'the history of the patwari-cess in the United Provinces' threw "grave doubts on the reality of the benefits to be derived by the cultivating classes from the abolition of the cess.' But I beg to say that no such doubt ought to have been entertained, as the enactment (Act IX of 1889) governing the appointment of Patwaris empowered the landlords to realize from the actual cultivators of the soil a moiety of the cess paid by them to Government; and the landlords exercised this power to the full extent. Your Excellency's Government has earned the gratitude both of the land-holding and the cultivating classes who will be benefited equally by the relief now afforded them by the remission of the Patwari cess.

" WANTS OF THE UNITED PROVINCES.

" My Lord, with Your Excellency's permission, I would like first to notice briefly those portions of the Financial Statement which have a direct bearing on the United Provinces—the Provinces which I have the honour to represent, and to urge, for the consideration of Your Excellency's Government, some of the most pressing local requirements and the necessity for enlarging the amount at present allotted to the Provincial Exchequer for expenditure under the settlement now in force.

" I find that in the Budget Estimates—

- (1) provision has been made for Famine Relief and for suspensions and remissions of revenue,
- (2) an additional grant of three and a quarter lakhs has been given for carrying out the reforms recommended by the Police Commission, and
- (3) a sum of Rs. 30,000 has been given for the expansion of the mechanical apprentice class at the Roorkee College.

" As regards the first item, I beg to say that the Provinces have hardly had breathing time to recover from the injurious effects of the unprecedented frost of last year's Winter; the partial failure of the rains in the last rainy season and the keeping off of the Winter rains, too late to retrieve the lost position, have rendered the agricultural outlook in many parts very gloomy and serious. No less than eight districts, or portions of districts, comprising an area of 10,504 square miles, with a population of 3,337,000, have been declared by Government as affected by famine, and the number of persons now on the Relief Works in the affected areas is about 200,000. It cannot, however, at present be said with certainty whether the sum allotted in the Budget will suffice for the purpose.

" The three items described above are the only additional allotments. The Imperial Government has made no further additions to the amount at the disposal of the Local Government to meet the increasing expenditure required for sanitary, educational, and other administrative wants of the Provinces. Indeed, my Lord, the absence of any additional grants in the Budget allotments, for the removal of some of the most pressing needs of the Province, has, I must confess, engendered a feeling of great disappointment. I beg to mention some of the most important matters deserving immediate attention, but which, for want of funds, cannot be taken in hand.

[*Rai Sri Ram Bahadur.*]

"SANITATION.

"The United Provinces have a greater number of big and thickly populated cities and towns than any other province. The carrying out of sanitary measures in these urban areas does therefore occupy a most prominent place in the list of administrative works. The necessity for these measures has now acquired a greater importance in order to prevent and alleviate the severity of plague and other epidemic diseases. These cities and towns require funds to demolish their insanitary quarters, to improve the paving of their roads, alleys and side walks, to widen narrow streets, and to construct and perfect their systems of drainage. Some of the larger municipalities have already commenced to improve and construct their drainage system, but it is impossible for them to bring them to completion without substantial aid from the Government. The incomes which these and other municipalities derive from local sources do hardly suffice for their ordinary expenses. Without Government assistance the measures of sanitation so necessary for the improvement of the health of these towns cannot be taken in hand. In the Home Department Resolution No. 78, dated the 17th January, 1906, Your Excellency's Government has announced the policy that the municipalities and local bodies should be encouraged and assisted in carrying out measures of sanitary improvement.

"EDUCATION.

"The next matter which deserves an equal—if not greater—share of attention is Education. A considerable increase in the sum now allotted is necessary for the expansion of Education in all its branches, but those mentioned below require special consideration.

"*Secondary Education.*—The special grant of 6 lakhs, out of the 35 lakhs to the whole of India, has enabled the Educational Department to give a good start in Primary Vernacular Education; a still larger expenditure is required to bring the United Provinces abreast with other provinces. But I am sorry to say that Secondary Education has not received the care which its importance deserves. The grant for Primary Education being ear-marked, no portion of it can be applied to improve Secondary Education. In its last review on Education the Local Government, referring to Secondary Education, remarked that in no branch of public instruction is reform more urgently required. The local University has been trying to raise the standard of collegiate education; but this object cannot be attained as long as the students from the institutions imparting Secondary Education go to the colleges with meagre attainments and with no solid training. My Lord, the situation is so truly depicted in the concluding portion of those remarks that I cannot refrain from quoting them *in extenso* :—

'There can be little doubt that the policy of concentrating expenditure on Primary Education and leaving English Education to look after itself has been pushed to undue lengths, with results that were certainly never contemplated by the Government of India, and, in fact, are productive of general dissatisfaction. The remedy is to improve the position of teachers so as to attract good men, to improve the accommodation and surroundings of the schools, to build decent Boarding Houses, and to make large grants to aided schools. The Local Government is doing what it can, . . . but a full measure of reform must await a grant from the Imperial Exchequer.'

The sum annually required by the Local Government to improve the position of Secondary Schools is five and-a-half lakhs to be applied to the following objects:—

- | | |
|---|----------|
| (1) Improving the teaching staff in English Schools | 1,50,000 |
| (2) Increasing grants-in-aid to English Schools | 1,00,000 |
| (3) Improving the teaching staff in Vernacular Secondary Schools. | 1,00,000 |
| (4) Grant for buildings | 2,00,000 |

[*Rai Sri Ram Bahadur.*]

" But on this point also the Budget Statement is totally silent and the prayer of the Local Government for additional allotments has not met with a favourable response.

" *Female Education.*—No Province is more backward in female education than the United Provinces. In the Quinquennial Report on Education in India (1897-98 to 1901-02) it was noticed that, except for the Frontier Province, the United Provinces stood at the bottom of the list, with only one girl out of every 203 attending a Primary or Secondary School. Matters have not improved much in the succeeding three years, for the Provincial Education Report, for the year ending 31st March 1905, gives the number of girls attending schools as follows:—

Secondary Schools	3,304
Primary Schools	18,309
Private Institutions	4,037
TOTAL	<u>25,650</u>

These figures give the very insignificant percentage of '74 only for every hundred (in other words seven girls in a thousand) of the female population of the school-going age. This deplorable condition of female education in the Province attracted the attention of the Local Government, and in the last year a committee of Indian gentlemen was appointed to go round and visit institutions imparting education to females in the different provinces, and submit a feasible scheme suitable to the condition and wants of the United Provinces. In due course the Committee submitted their Report containing suggestions for the improvement and expansion of female education; and the scheme proposed by them, when in full working, was ultimately to cost about 6 lakhs of rupees a year. To give the scheme a start a much smaller sum was required, but the Local Government in its letter dated 22nd February last addressed to the Director of Public Instruction, though valuing greatly the proposals of the Committee, expressed its inability to give effect to those proposals in their entirety for some time to come; and said that it had no funds to make any further allotment whatever for the purpose during the year 1906-07.

" My Lord, these facts speak for themselves and require no comment. The situation is deplorable indeed when not even a beginning can be made in the improvement of female education for want of funds.

" *Other Educational Reforms and Measures.*—In its Resolution reviewing the educational progress of the last year, the Local Government requires about 2½ lakhs of rupees as a recurring, and 14½ lakhs as non-recurring, for additional expenditure on reforms considered to be most urgently needed in collegiate education and in the inspecting staff. This demand of theirs also has received no favourable consideration.

" The educational awakening in the United Provinces is unprecedented. To commemorate the Royal visit, the establishment of a Medical College was decided upon, and within the short space of only six weeks no less than 12 lakhs of rupees were subscribed spontaneously for that purpose. 'Private liberality,' says the Local Government in its review on the last Educational Report, 'has done much. Within the last three years several lakhs of rupees have been spent on the schemes for the development of Arabic and Sanscrit, on the endowment of scholarships and on the building of Schools and Boarding Houses . . . Including these sums (19,55,500), and contributions from missionary bodies and donations . . . the subscriptions of the public for education in the Province must in three years have amounted to nearly 40 lakhs of rupees.'

" Surely, my Lord, a people who have shown their eagerness for educational advancement in such a practical way deserve every encouragement from the Government who should help them in their efforts with liberal pecuniary aid.

" The aggregate amount of money received from all sources and spent on the education of each unit of population in the United Provinces is very low

[*Rai Sri Ram Bahadur.*]

as compared to all other provinces, with the exception of the North-West Frontier Province. The tabular statement given below (compiled from the returns contained in the various Provincial Educational Reports for the last year) will show that the United Provinces spent only Rs. 80 for each thousand of their population, whilst Bombay, which tops the list, spent Rs. 245 for the same unit.

Table showing for each Province (excluding Native States), the total expenditure on education from Provincial Revenues, Local and Municipal Funds and the special grant of Rs. 35,00,000; and the expenditure per thousand of the population according to the census of 1901.

Province.	Provincial Revenues.	Local Funds.	Municipal Funds.	Provincial share in the special grant of Rs. 35,00,000.	Total of columns 2, 3, 4 and 5.	Population according to the census of 1901.	Expenditure per thousand of population.
1	2	3	4	5	6	7	8
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.
Bombay	26,29,430	9,72,209	4,51,887	5,00,000	45,53,526	18,559,561	245
Burma	9,34,388	2,58,605	2,48,626	2,00,000	16,41,619	10,490,624	156
Central Provinces and Berar	6,29,478	6,56,732	1,09,269	2,00,000	15,95,485	12,630,662	126
Punjab	13,26,732	5,76,936	3,40,443	3,00,000	25,44,111	20,330,339	125
Assam	3,08,427	3,28,298	8,500	1,00,000	7,45,225	6,126,343	121
Madras	25,51,641	9,45,280	2,69,829	6,00,000	43,66,750	38,209,436	114
Bengal	32,27,919	17,45,521	1,17,285	10,00,000	60,90,725	74,744,866	81
United Provinces	11,47,247	19,18,997	1,51,072	6,00,000	38,17,316	47,691,782	80
North-West Frontier	31,124	51,761	38,266	<i>Nil.</i>	1,21,151	2,125,480	56

“PROVINCIAL SETTLEMENT.

“On the occasion of previous Budget debates I have tried to show that the United Provinces are not being fairly treated by the Imperial Government in the matter of allotments made to them for local expenditure out of the revenues raised by them. When the last Provincial settlement was being made we hoped that it would be effected in such a way as to put the Local Government in possession of funds which would suffice not only to cover the actual expenses, but leave a good margin to enable it to meet the ever-increasing wants of a progressive Province, in matters administrative, sanitary and educational. In the Financial Secretary's Memorandum appended to the Budget the estimated revenue for the previous provincial settlement is given at Rs. 3,42,62,000 and the expenditure also comes to the same amount. For the present 'quasi-permanent settlement' the figures both for revenue and expenditure are Rs. 3,66,64,000. No doubt the Government of India have now and then been helping the provincial exchequer with additional grants to meet certain unforeseen charges, such as Famine Relief and remissions of revenue, etc.; but, my Lord, though the sums thus doled out serve the purpose for which they are given, yet unless the allotment is increased by 50 lakhs a year the provincial wants cannot be adequately relieved, nor can improvements of a satisfactory nature be effected in the various administrative measures required to promote the material prosperity and educational advancement of its people. That the United Provinces have been starved in the past admits of no doubt, but that is no reason why the same state of things should be allowed to continue in the future. Justice requires that they should receive the same treatment financially as the other provinces of India. They contribute no less than a quarter of the total amount of land-revenue payable by the whole of British India. They do not receive as liberal a share in certain heads of divisible revenue as the other provinces do. The subjoined table will show the approximate shares which the different provinces receive

FINANCIAL STATEMENT OF THE

[Rai Sri Ram Bahadur.]

respectively in those heads of revenue; these shares have been calculated from the figures given in Finance and Revenue Accounts of the Government of India for the financial year 1904-05 at pages 6-7, 18-19 and 22-23 :—

Province.	HEADS OF DIVISIBLE REVENUE.					
	Land Revenue.	Stamp.	Excise.	Assessed taxes.	Forest.	Registration.
United Provinces.	$\frac{1}{4}$	$\frac{1}{2}$	$\frac{1}{4}$	$\frac{1}{4}$	$\frac{1}{4}$	$\frac{1}{4}$
Bengal	$\frac{2}{3}$	$\frac{1}{2}$	$\frac{7}{16}$	$\frac{1}{4}$	$\frac{1}{4}$	1
Central Provinces	$\frac{7}{8}$	$\frac{3}{4}$	$\frac{1}{4}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Burma	$\frac{3}{4}$	$\frac{3}{4}$	$\frac{3}{8}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Punjab	$\frac{6}{7}$	$\frac{3}{4}$	$\frac{1}{4}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Madras	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{4}$	$\frac{1}{4}$	$\frac{1}{4}$	1
Bombay	$\frac{7}{8}$	$\frac{3}{4}$	$\frac{1}{4}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$

A glance at this table will show that the United Provinces' share in land-revenue is only one-fourth, while the shares of the more favoured provinces range from one-half to seven-eighths. Under head Stamp four provinces get three-fourths, while the United Provinces get only one half. Excise gives a larger share to Burma and Bengal—that of the last-named being seven-sixteenths, *i.e.*, a little less than one-half—than given to the United Provinces which get only one-fourth. In Assessed Taxes no less than four provinces get one-half, but the United Provinces get only a quarter. Under the head Forest four provinces get one-half, but the United Provinces receive only a quarter. Under no head is this difference more visible than Registration. Two provinces get the entire revenue, others get a moiety, the United Provinces alone getting only a quarter.

“The total receipts under the different heads of divisible revenue for the United Provinces in 1904-05 were as follows:—

	Land Revenue.	Stamps.	Excise.	Assessed Taxes.	Forest.	Registration.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Total amount	6,31,00,000	84,46,000	1,02,00,000	20,90,000	23,97,000	4,54,000
Imperial share	4,57,00,000	42,23,000	76,68,000	15,76,000	17,97,000	3,40,000
Provincial share	1,73,00,000	42,23,000	25,00,000	5,13,000	5,99,000	1,13,000

If the United Provinces' share in land-revenue alone be equalised to those of the more favoured provinces, their finances will be placed in a satisfactory financial condition. The same object can also be attained by the equalisation of the United Provinces' share in two or three other heads of revenue, say Stamp, Excise and Assessed Taxes, with those of other provinces, who are more favourably treated in this respect.

“INDUSTRIAL EDUCATION AND INDIGENOUS INDUSTRIES.

“My Lord, one of the highly disappointing features of the Budget Statement is that only a very small addition has been made to the amount to be spent on technical and industrial education; the total additional sum for the whole of British India being ₹2,54,000 only. It is hardly necessary to state that the

[*Rai Sri Ram Bahadur.*]

addition now made is wholly inadequate when we take into consideration the great importance of the matter, the gravity of the situation, the large interests at stake, the incalculable injury which the absence of a proper and well-organised system of technical and industrial education has done to the material condition of the people, the previous neglect by Government in this direction, and lastly though large surpluses have been accruing since the last seven or eight years yet this branch of education excepting agriculture has not been further advanced. And this paltry sum of 2½ lakhs of rupees has been given to only four provinces and for specified purposes.

“ My Lord, opinions may differ as regards the causes—economic or otherwise—which have brought about the poverty of the masses of the Indian population; they may differ also on the question whether the people are getting poorer or richer, but there can be no diversity of opinion as to the fact that the great masses of the people of India are really poor. No better or higher authority can be cited on this point than Your Excellency's distinguished predecessor Lord Curzon himself, who, when summing up the Budget Debate in 1903, said as follows:—

‘ I do not wish it for a moment to be thought . . . that there is no poverty in India. Far from it. There is enough, and far more than enough. There is a great deal more than anyone of us can contemplate with equanimity or satisfaction.

“ Such a conclusion must force itself irresistibly upon the mind of every impartial observer of the state of affairs in this country. The whole of the vast population of India may be divided into three classes—the upper, the middle and the lower. The upper class consists of a handful of big zamindars, rich merchants, and holders of important Government offices. They may be left out of consideration as they form only an infinitesimal portion of the population. As regards the middle classes, who form the backbone of the nation, a large number of them look to service or one of the professions as their only haven. But these walks of life cannot absorb any appreciable number of them; they have very slender chance of earning even a humble livelihood, as trade, commerce and industry are practically shut to the majority of them. If we descend to the lower classes—the vast mass—we are confronted with a spectacle of poverty which, as Lord Curzon said, is ‘ a great deal more than any one of us can contemplate with equanimity or satisfaction’—and these lower classes form more than 80 per cent. of the three hundred millions of the population of India. In days gone by a goodly number of them had either agriculture or an independent calling of their own as means of livelihood. They either tilled the soil themselves, or were employed by the agriculturists as labourers, or followed some handicraft. The only employment now available to the great majority of the population in the rural areas is either cultivation or labour. The lot of the cultivator, though a little better, is not the less hard or less precarious than that of the labourer. The majority of the peasant classes is involved in deep and inextricable indebtedness, and if the condition of the agricultural labourer is miserable in ordinary times, it becomes simply unbearable, when by the least vicissitude of the season there is a stoppage or cessation of work in the fields. The labouring classes are in a chronic state of poverty hardly raised above the point of starvation.

“ The problem of a few thousand of the unemployed in England is deeply exercising the minds of His Majesty's Ministers, but here in India millions of human beings, also subjects of the same Sovereign, are without employment and sufficient food. This problem of the unemployed in this country, I humbly submit, should engage the serious attention of the Government.

“ My Lord, one of the most disastrous and far-reaching effects of the great famine of 1877 was that vast numbers of the artisan and industrial classes, finding their occupations crippled or gone altogether, forsook their hereditary callings and betook to agriculture as a means of subsistence. This combined with foreign competition dealt a death-blow to native industries and handicrafts. A great portion of the rural population has thus been driven to fall back upon land,

[*Rai Sri Ram Bahadur.*]

and adopt as their calling agriculture, the success of which in India, more specially in those parts where the means of artificial irrigation are deficient or non-existent, depends largely on the downfall of rain at seasonable times and in suitable quantities. A fierce competition for land for agricultural purposes has sprung up and pressure on it has increased to an alarming magnitude.

“In order to protect the rural masses against the consequences of drought and to improve their condition to resist the effects of famine, the first Famine Commission in their report of 1880 suggested (1) extension of means of irrigation wherever it was practicable with advantage, and (2) improvement in the methods of agriculture. Both these subjects have now been taken in hand by the Government and are receiving due consideration. As regards the first, recommendations of the Irrigation Commission are being carried out in several parts of the country. With regard to the second, steps have already been, or are being, taken to establish institutions for scientific research, for imparting instruction in scientific and practical agriculture and for introducing measures calculated to improve the indigenous methods. Liberal allotments for these purposes have been made to the different Local Governments. The provincial Departments have been awakened to their real duties and it is hoped that, within a reasonable period, lasting and extensive improvements will be effected in the agricultural methods of the country, and which would help to remove the poverty of the rural classes to a considerable extent.

“It is an historical fact that only a hundred and fifty years ago India was industrially one of the foremost countries in the world. Not only did it supply its own cotton and silk fabrics, its metal utensils, its sugar and other industrial products, but exported many of these articles to foreign countries, including the British Isles. But the adoption of the policy of protection by the ruling country in days gone by and other potent causes have dealt the death-blow to the once flourishing industries of India, and alas! her people have now been reduced to the condition of a purely agricultural nation. The figures given in the last Census Report reveal the very disquieting fact that the means of livelihood of a great majority of the Indian population is agriculture. Roughly speaking, of the total population of 300 millions, no less than nearly 192 millions are returned as having agriculture as the means of their subsistence. This indicates that out of every hundred people no less than nearly 66 live by agriculture. A merely agricultural nation, my Lord, which depends to a very large extent on the manufactured goods of other countries, can never rise in prosperity. ‘An agricultural nation,’ observed Frederick List, the eminent German economist, ‘is a man with one arm, who makes use of an arm belonging to another person, but cannot be sure of having it always available. An agricultural manufacturing nation is a man who has both his arms of his own and at his disposal.’ The first Famine Commission, in their report, alluded to above, noticed with concern ‘that at the root of much of the poverty of the people of India, and of the risk to which they are exposed in seasons of scarcity, lies the unfortunate circumstance that agriculture forms almost the sole occupation of the mass of the population, and that no remedy for the evils can be complete which does not include the introduction of a diversity of occupations, through which the surplus population may be drawn from agricultural pursuits, and led to find the means of subsistence in manufacture or in some such employments.’ My Lord, this was the state of things in 1880; more than a quarter of a century has passed away since then. Has any substantial, enduring and appreciable improvement taken place in the condition of the majority of the people, regarding whom the above remarks were made? I am deeply grieved to say that the only answer which can be given to this question is in the negative. It is true that some people have found employment as operatives in the mills established since 1880, in the mining industries recently introduced and on the extensive lines of railways opened since that time. But, my Lord, when the fact is taken into consideration that in the last census (1901) the persons whose means of subsistence is agricultural labour came to about 35½ millions—leaving out the agriculturists proper—the number of men who have found employment in the newly established mills, mines and railways sinks into insignificance, and it cannot be said that any appreciable change for the better in the general condition of that class of people has taken place.

[*Rai Sri Ram Bahadur.*]

“ The question of industrial education has sometimes been mooted, but it has never engaged the attention of Government to the extent which its importance demands. Your Excellency's predecessor appointed a Committee in 1901, which was directed to visit the different Provinces with a view to enquire into the advisability of establishing Industrial Schools at suitable places and to advise Government, after consultation with local educational officers and others, what in the opinion of the Committee would be the best means of establishing such institutions. The constitution of the Committee had, however, one great drawback—it had no Indian on it as a member. The Committee visited various industrial centres and the head-quarters of the Provincial Governments, held local conferences, collected much useful and valuable information and finally submitted their report. That report embodied proposals which did not commend themselves to the Government of India, and in the Home Department Resolution of 14th January 1904 those proposals were characterised as not fulfilling the requirements laid down in the instructions given for the guidance of the Committee. The recommendations of the Committee were described as open to serious objections. The said Resolution laid down certain lines according to which Local Governments were desired to take action with regard to Industrial Schools as well as the adoption of means to produce better handicraftsmen. But the solution of the problem was left to Local Governments.

“ My Lord, this was in 1904 ; since then the Government has created a new bureau specially devoted to Commerce and Industry, and has placed it under an officer who is possessed of an intimate knowledge of the requirements of the various Provinces and who by his broad sympathies is fitted to advance the cause of industrial training and of the indigenous industries. My Lord, the subject divides itself into two branches ; first, industrial education, and, second, revival and creation of indigenous industries. It is hoped that both these matters will receive a more careful attention from Your Excellency's Government than they did during the late *régime* ; that prompt, well-defined and systematic action will be taken, and means devised for the resuscitation, promotion and encouragement of indigenous industries, for starting industrial schools where none exist, and for placing the existing institutions on a more useful and efficient footing. In order to attain these objects the appointment of special expert officers, European and Indian, both under the Central and Local Governments, appears to me to be a necessary step. These officers should devote the whole of their time to the subject. What I beg most earnestly to submit is that not only would Your Excellency's Government be pleased to devote their best attention to this matter, but would so place sufficient funds at the disposal of the Provincial Governments to enable them to carry on a well-defined, progressive and gradually expanding system of technical and industrial education. No time should be lost in adopting measures, in addition to those already taken, to resuscitate dying industries and manufactures, and to develop and expand those which are in existence, so that every possible resource of the country may be profitably tapped and utilized, and a substratum of wealth, among the people, may be created, which would enable them to tide, over without great suffering, calamities like famine and scarcity. The adoption of such measures will not only improve the material condition of the people, but will also save, to a great extent, the large expenditure which the Government incurs on such occasions and for the recoupment of which recourse is not unoften had to harassing taxation. The considerable sums which Governments of other civilized countries devote to Industrial Education and to the promotion and encouragement of indigenous industries place in very unfavourable light the very small amount which is devoted to this purpose in this country. My Lord, the people of India entertain a very sanguine hope that Your Excellency's Government will be pleased to take a more extensive and more vigorous action in the matter of technical and industrial education and of the revival, establishment and development of indigenous industries. This hope of theirs is strongly fortified by the fact that one of the first measures taken by Your Excellency was the appointment of a Committee to enquire into and report on the question of purchasing supplies and stores for Government Departments from local manufacturers. The Resolution appointing the Committee and indicating the lines to be followed in purchasing stores of local manufacture has

[*Rai Sri Ram Bahadur.*]

in some quarters been styled as the 'Swadeshi' Resolution. The sympathetic policy indicated in that Resolution will, when carried out, no doubt give great impetus and encouragement to local industries.

" Before I conclude my remarks on this subject, I beg to bring to Your Lordship's notice that the recent action of some of the Government Departments is not calculated to encourage local industries. I refer particularly to supplies of warm clothing issued, through the Army Clothing Department, to the troops; although worsted socks of good make and finish could be supplied by the Cawnpore Woollen Mills, yet, I am told, a very large order has just been sent Home without giving the said mills or any other Indian firm a chance to submit a tender for supplying that article. When the Cawnpore Woollen Mills asked for a specification to enable them to submit a tender, they were told that none was available. Articles imported from England have to be paid for long before they can be brought into use; and they cannot be rejected if found inferior in quality. The English manufacturers pay no income tax in India, while the Indian mills, by whom such tax is paid, are deprived of the profits which they would make by getting such jobs.

" INCOME-TAX.

" My Lord, there is one item of income which requires special explanation. While presenting the Budget Statement for 1903-1904, Sir Edward Law anticipated a decrease of £240,000 = ₹36,00,000 in the receipts under the head of Income Tax, from the rise of the taxable limit of incomes to ₹1,000. For the year preceding, the Accounts gave the total collections under the head of Assessed Taxes as amounting to ₹2,11,56,423. In the first year after the remission this amount fell to ₹1,82,19,976. But from the next year the amounts began to rise annually, ; in the year 1904-1905 it reached to ₹1,90,47,032, and for the current year (1905-1906) it is estimated to come to ₹1,96,33,000. For the coming year it is estimated that this item of revenue will yield ₹2,01,48,000. A glance at these figures raises in one's mind a very strong suspicion that many persons who ought to have been exempted either have got no exemption at all or that they are being reassessed. The increase of more than 19 lakhs in the estimated income for the year 1906-1907 over that of 1903-1904 appears to be otherwise inexplicable.

" GRADE PROMOTIONS OF SUBORDINATE, JUDICIAL AND EXECUTIVE OFFICERS.

" There is one matter connected with the public services in India to which I beg to invite the special attention of Your Excellency's Government. Under Chapter VI of the Civil Service Regulations grade promotions are allowed to the members of the services enumerated therein, but the subordinate judicial and executive branches of the Provincial Service are excluded from that category; the result is that Munsifs and Subordinate Judges in the judicial branch and Deputy Collectors, Sub-Deputy Collectors and Tahsildars in the executive branch, do not get any temporary grade promotions. These classes of public servants yield to none in their devotion to duty and the performance of the work entrusted to them. In fact, it is they on whom the great bulk of the executive and judicial work in the districts and the sub-divisions falls. The allotment of small sums to each of the provinces will suffice to cover the cost of giving temporary grade promotions to these hard-worked public servants. The bestowal of this privilege will be highly appreciated by them and will give them an incentive to work still better.

" APPOINTMENT OF INDIANS AS ASSISTANT ENGINEERS.

" There is another question relating to the public service in India to which I would draw Your Lordship's attention. It is the appointment of Assistant Engineers to the Indian Public Works Department made in England by the

[*Rai Sri Ram Bahadur.*]

Secretary of State for India. Until recent years the door of competition for entrance into the Public Works Service of the Imperial branch was open to such Indians as had the means and the enterprise to compete for those appointments by entering the Royal Engineering College at Cooper's Hill. Lately the number of appointments open to Indians was limited to two. The notices issued by the Secretary of State during the last two years inviting applications from candidates for appointment as Assistant Engineers expressly excluded the Indians, but as the appointments advertised for were in addition to those to be made from the Royal Engineering College at Cooper's Hill, the appointments which were open to Indians, as pointed out by the Hon'ble Sir Denzil Ibbetson during the Budget discussions last year, remained untouched. The Cooper's Hill College is going to be closed, I think, after this year: the Indian public are anxious to know what steps the Government is going to take in order that the appointments which can now be secured by Indians will remain open to them in future when the Cooper's Hill College ceases to exist.

“ACCOMMODATION FOR THIRD CLASS RAILWAY PASSENGERS.

“My Lord, there is one matter connected with the Railway administration to which the Indian public attach great importance, and therefore I consider it my duty to bring it to Your Lordship's notice. There has been a complaint now of long standing that the number of carriages for third class passengers is insufficient on almost all the railway lines, and falls much below the requirements of the constantly growing traffic. This drawback is most injuriously felt when there is a great pressure of third class traffic, specially on the occasion of great gatherings at the religious places. The inconvenience and discomfort to which third class passengers are put, and the great risk of falling victims to epidemic diseases which they incur because of the overcrowding in the carriages, and the long time they have to wait before they can find accommodation in a train, are matters which pass description. It is not an infrequent sight to find the passengers huddled together in trucks and waggons intended for carrying goods. These goods waggons have sometimes labels attached to them limiting the number of passengers to be accommodated in the hot and cold weather, but this injunction is more honoured in the breach than in the observance. My Lord, it is the third class passengers who contribute the large sums which go to swell the railway earnings in coaching traffic. They being voiceless cannot give utterance to their grievances; their case therefore deserves the greater attention. In order to remove their just grievances and to minimise their discomfort and inconvenience, it is necessary that the number of third class carriages on the principal lines should be largely increased. There can be no excuse now for not increasing the number of this class of carriages, as large yearly surpluses have been accruing to those railways, a portion of which can be applied to no better object than providing sufficient accommodation for the class of passengers who contribute so largely to their earnings.

“My Lord, before I conclude I beg to say a few words on the reduction of postage on letters. The time, in my opinion, has come when the minimum charge should be reduced from half-an-anna to one pice. The concession made to the public, by increasing the weight of letters to be carried for half-an-anna, is not of much benefit to them, as half-tola weight letter paper is used more generally than paper exceeding that weight. But by the reduction of postage from half-an-anna to one pice real benefit will be conferred on the public. Receipts of the Postal Department have been increasing steadily every year, and after deducting all expenses, large annual savings have been accruing to Government. In the Financial Secretary's Memorandum the increase for the year about to close is estimated at a little over 15 lakhs, and for the ensuing year it is anticipated to reach nearly 19 lakhs. No apprehension should be entertained of any ultimate loss of income from the concession. Past experience of the working of the Postal Department has shown that

[*Rai Sri Ram Bahadur ; the Maharaja of Darbhanga.*]

whenever any concession has been made the increase in the receipts has always exceeded the anticipated loss."

The Hon'ble THE MAHARAJA OF DARBHANGA said :—" My Lord, it has become the custom for unofficial Members of Council like myself to take advantage of the yearly discussions upon the Budget to lay before the Government of India their submissions upon questions of internal administration in which they feel themselves to be interested. In past years there have been occasions more than one in which it has been impossible to avoid controversy or, at all events, serious disagreement with the policy of Government. Today I am glad to recognise that we are meeting in an atmosphere of rest and calm. As the Secretary of State for India observed, in his suggestive speech in the House of Commons some weeks ago, the time has come to allow India to take breath : and we in Bengal at any rate are glad to think that in those words we have discovered the keynote of the policy which Your Excellency intends to pursue in internal affairs. But we are not without our hopes also of progress upon the lines of genuine sympathy and mutual trust which stand revealed by Your Excellency's public utterances. We are in no hurry. The bustle and excitement of the past seven years have cured even the most advanced of Indian reformers of any desire in that direction : but we are nevertheless full of anticipations. Year by year the educated class in India is growing : and while we take a pride in our connections with England, and are grateful for the privileges we enjoy, we are looking forward to the time when Mr. Morley's visions may be realised and when we may be more closely associated with the government of the country than we are at present. Personally all my instincts and all the instincts of the land-owning class to which I belong are against change ; but we like, my Lord, to feel that we are trusted by our rulers, and that our efforts to act as the mouthpiece of Government to the people are being appreciated.

" Your Excellency has already heard from many an authoritative source of the sincerity and the depth of loyal welcome which India has been proud to extend to Their Royal Highnesses the Prince and Princess of Wales. We in Bengal affirm that we yield to none in our affection for the Royal House ; and although Their Royal Highnesses were not able to extend their tour to any other portion of Bengal than the capital of the province and of the Empire, they may rest assured that whether at Dacca or at Bankipore the manifestations of joy and respect would have been no less outspoken than they were in Calcutta. The memories of Their Royal Highnesses' visit will long be cherished in India, and the kind and sympathetic words which they have everywhere spoken in response to our greetings have sunk deeply in our hearts.

" I now venture, my Lord, to approach the consideration of two questions in which I confess I am greatly interested. The one relates to the separation of Executive and Judicial functions, the other to the development of Agriculture.

" I am glad to observe from the recent home telegrams that there is a possibility of some reduction being made in the Army expenditure—an economy which I am sure would be applauded by the whole country. If an expenditure of 15 millions was considered sufficient during the South African War, when Russia was in her full strength, there can surely be no sound reason why an expenditure of considerably over 20 millions should be necessary now when the power of Russia has been broken for years to come, and when we are further protected by '*ententes cordiales*' and the Japanese Alliance. What, I ask, is the use of alliances if we are not to take advantage of them ? There is not the shadow of a doubt that 5 millions a year might safely be cut off the army expenditure for the next ten years, and if the 50 millions thus saved were sunk in developing the great resources of the country, we should at the end of that time have laid the foundations of a new India : and with our sinews of war thus strengthened we should thereafter be in a much better

[*The Maharaja of Darbhanga.*]

position to cope with Russia, should she have designs upon India in the future. On the other hand, if we sink our resources in militarism while Russia, which is sick of war, sinks hers in peaceful development, it may go very hard indeed with India should the shock of conflict ever come. Five million sterling a year represents a capital of one hundred and fifty million sterling. Just imagine for a moment what that would mean if applied for ten years to the development of the country.

"Among the resources of the country which require developing, the great industry of agriculture stands pre-eminent. I am aware that Government intends spending at least 20 lakhs every year in the improvement of our great industry; but unless the cultivators are placed in a position which will enable them to take advantage of the improvements which Government so generously offers, I am afraid that the money spent will be to a large extent wasted. As Mr. Moreland, Director of Agriculture for the United Provinces, remarked in his paper read at the Benares Industrial Conference :—

'Quite apart from the advance that is to be hoped for from the applications of agricultural science to this great industry, the fact stands out that capital is the great need; and so long as the cultivator cannot find money to realise his existing ideal, it is of little use to try and enlarge his ideal by the introduction of new elements that need still more money for their realisation. You are aware that the Government of India has decided to increase largely the expenditure on the Agricultural Department; but this policy can meet with full success only if the supply of capital is organised at the same time.

"Here then is a further need for cheap capital, for much of the labours of the Agricultural Department will necessarily be wasted if capital is not forthcoming to enable the people to realise their results. So that the supply of cheap capital stands out clearly as the central factor in the problem of agricultural improvement at the present time.

"It would be beyond the scope of this brief paper to discuss in detail the methods by which capital can be brought within the cultivators' reach, but a few governing conditions may be briefly stated.

"Firstly, the capital required by the individual cultivator is small; but, secondly, the aggregate amount required is very great; while, thirdly, the supply must be made promptly and on terms that the cultivator can accept. It follows that a very complex organization is required to control a large capital and distribute it in small sums among a great number of individuals with due regard to the character and competence of each. These conditions make it impossible for the need to be met by banks working on European lines; and to my mind, at least, they make it equally impossible to rely on the action of Government agency. In a word, the necessary organization must be built up among the people who are to share its benefits.

"As you are aware, an attempt is now being made to create the beginnings of such an organization in India. The economic side of the co-operative movement will no doubt be dealt with fully by other speakers at this Conference: it suffices for my present purpose to point out that either this or some other equally effective form of organization is a necessary preliminary to any considerable improvement in the agriculture of the country—nay, more, it is necessary to prevent the progressive degradation of our greatest industry.'

"These, my Lord, are weighty words.

"What I have to suggest, therefore, is that Government should tackle the great question of agricultural finance in a much bolder spirit than they have hitherto done. In the Co-operative Credit Societies Act an excellent measure was passed a couple of years ago, but I do not think that Government are backing it up as they ought to do. I am aware that a fair number of Societies have been started in various provinces; but altogether the money turned over by them, so far as I can learn, amounts to only a few thousand rupees, and at the present rate of progress I am afraid that the end will not be reached this side of the millennium. Cultivators themselves have not the capital required to develop their holdings, and moneyed men are naturally chary of new ventures. But while, as Mr. Moreland says, it might be difficult for Government itself to directly finance the cultivators, can it not do something to encourage the moneyed men of the districts to venture a little in the way of financing the villagers? I

[*The Maharaja of Darbhanga.*]

daresay, my Lord, some could be found who would be willing to risk their capital if they had some sort of Government guarantee behind them. With such help, small local banks might be formed which would finance the surrounding villages, or perhaps Government itself might deposit something experimentally in selected villages working under the Co-operative Act, without waiting for the people to first of all put down their money; or Government might deposit in the village society one rupee for every rupee deposited by non-members. I merely throw out these suggestions for what they are worth. All I want is to impress upon Government the absolute necessity of tackling fearlessly this great problem, which is in reality the pivot on which all other problems turn. If the Imperial Government would give a few lakhs every year out of its surpluses to the Local Governments, to deal with as they may think best in developing a sound system of rural finance, it would be indeed surprising if great good to our Indian Empire did not result.

"I now turn, my Lord, to the question of the separation of the Executive and Judicial functions. In my Budget Speech last year I ventured, my Lord, to touch upon this matter, which is regarded by a large and influential section in our community as a matter of the highest importance. What I said then I will, with Your Excellency's permission, repeat today. I ventured to remind Your Excellency's predecessor that the Government of India had since 1898 had before it a memorial signed by a number of distinguished Anglo-Indian officials, in which a prayer was made for the initiation of this reform and a number of weighty arguments advanced in its favour. So far as the public is aware, no reply has yet been given to that memorial. The reform is influentially advocated, and with it so acceptable to a large section of Indian public opinion that I trust I may be allowed to hope that Your Excellency may find the time to give the matter a favourable consideration. In the note of dissent which I appended to the report of the Indian Police Commission I took the liberty of indicating the methods in which, in my humble judgment, the reform can be carried out. It is proposed by no one that it shall be universally introduced throughout India, but we pray that its adoption may be sanctioned in certain carefully selected districts in more settled portions of Bengal, Madras and Bombay.

"Regarding the Calcutta Improvement Scheme, there is very little to be said this year. By next session we may look forward to have the matured proposals of Government before us, and I feel assured that the representatives of the various public bodies and associations will meet with every attention from Your Excellency.

"I have just one other matter to which I wish to refer.

"There was a question asked, my Lord, in the Bengal Council not long ago regarding the bunding of the open space of the Gorai River, which appears to me to open up a question of extreme public importance; and I should like to be allowed to dwell upon it for a moment. The extension of Railway enterprise in Bengal has undoubtedly been of great utility, and eloquent testimony of public appreciation is rendered by the large number of those who take advantage of the facilities afforded; but the fact remains that there is a strong body of opinion that an enormous silent mortality has been the result of rising enterprise in Bengal, beginning with the construction of the East Indian Railway to Burdwan in 1856. It is held that malaria has been intensified in almost every deltaic district traversed by railways by the restriction to drainage caused by the heavy embankments and the neglect from economical resources to provide sufficient waterways for flood water. When Your Excellency's illustrious grandfather was Governor General, Burdwan was a health resort for Calcutta folks. Why has it now gained an unenviable reputation in exactly the opposite direction? There was a time when roads were considered a superfluity in Bengal. It was upon one occasion placed upon record by the Hon'ble Court of Directors that the development of commerce in the province and the convenience of the people were amply provided for by the many waterways to be found in all directions through out the year. I do not ask Your Excellency to aid us to

[*The Maharaja of Darbhanga; Major General Scott.*]

revert to the primitive conditions of travel which that despatch reveals, nor am I asserting that there is nothing to be said by way of refutation of the popular views that the establishment of every railway in the deltaic districts means an increase of mortality from malaria. But there is no gainsaying the fact that that is the popular view: and I venture to suggest to Your Excellency the appointment of an expert to investigate the matter and to report if anything can be done. There has been a tendency, which I take leave to deprecate, to reduce expenditure on bridges by narrowing waterways to the utmost limits: and in some cases this had the effect of destroying their efficacy as means of transportation. There is plenty of room in Bengal for raisings and waterways to exist side by side, and there are many districts in Bengal where small rivers are still the best substitute for feeder roads.

"I now turn, my Lord, to a consideration of the Budget Statement which has been placed before us by my Hon'ble friend Mr. Baker. In certain quarters I observe that it has not received a welcome which might be described as altogether friendly. It has been pointed out that Bengal's share in the distribution of the surplus has not been as adequate as the amount of her contributions to the public revenue entitles her to expect. I am free to confess, my Lord, that I should have been glad if the sums allotted to Bengal under the heads of relief to the agricultural tax-payer and of technical education had been larger. But I shall not upon that account forget to be grateful for what we in Bengal have managed to get: and, upon the whole, I think it may be said that the distribution of the surplus is such as to give general satisfaction. Three of the directions in which the surplus has been applied commend themselves to my humble judgment. The remission of the Patwari and Zamindari Dāk cesses is very welcome: and I venture to hold that the disappearance of these imposts will be viewed without regret by the Government no less by the individuals upon whom the burden of payment has fallen. The amount realized has never been large, and the difficulties of realization have been considerable. Again, in the direction of agricultural improvement, I am especially glad to see that it has been found possible to increase last year's grant by four lakhs. Nothing could be better, if I may say so: but I hope I shall not be deemed to be difficult to please if I repeat the note of regret, which I sounded a moment ago, with respect to the disproportionate amount which has been allotted to Bengal, both as regards the grant for agricultural development and the grant for technical education. As regards the proposal to devote twenty-five lakhs for the purpose of police reform, I see that a Calcutta newspaper, whose comments are none the less valuable because of their independence of tone, remarks that Bengal asks for knowledge and is offered a policeman. And no doubt the people of the province would have been glad of a larger appropriation on account of education. But I am not myself sorry to see that the police are being given a turn. The reforms which have followed the report of the Police Commission do not run as fully upon the lines of the popular demand as I and others desired; but we are not insensible of the important advance which it is proposed to make, and I for one should strongly deprecate any attempt upon financial grounds to starve these much-needed reforms or to hinder them from attaining complete development.

"With these observations, my Lord, I shall ask leave to bring my remarks to a close. But I cannot conclude without offering my respectful congratulations to Your Excellency upon the handsome surplus with which Your Excellency's term of office is inaugurated. The circumstance is full of happy omen, and I venture to hope that every succeeding Budget will be as pleasing in its indications of prosperity and as gratifying in its disclosures as the present.

The Hon'ble MAJOR GENERAL SCOTT said:— "My Lord, in reference to the Hon'ble Rai Sri Ram Bahadur's remarks on the non-purchase of socks of local manufacture, I should like to explain that it is the consistent policy of Government in the Military Supply Department to encourage in every possible way the local manufacture and supply of military stores. As an illustration of this I would refer to the recent expansion of our Ordnance

[Major General Scott; Mr. Hewett.]

Factories, by which last year a saving to the country of about 27 lakhs was effected after defraying all the expenses in connection with their maintenance. As a matter of fact, Government in the Military Supply Department is the largest Swadeshi institution in the country, and rightly so.

"In regard to this question of socks, I wish to say that their local purchase was only discontinued in consequence of the serious complaints of their quality made by the troops who pay for the same out of their own pockets, and to the refusal of officers commanding regiments to take any more until the quality was improved. This resulted in a comparatively large stock being left on the hands of the Army Clothing Department which had to be disposed of at a loss. I can assure the Hon'ble Member that if Indian mills manufacture socks of a sufficiently good quality to satisfy the troops and at prices not higher than the imported article, the Army Clothing Department will place their orders with them.

"There is only one other point in the Hon'ble Member's speech I should like to refer to, and it is that portion in which he speaks of the disastrous condition into which the artisan and industrial classes have fallen. I can only say that one of the great difficulties our Government factories have to contend with, and which I understand is shared by private industries, is that of obtaining skilled labour in sufficient quantity. In spite of the high wages prevailing, men are not forthcoming. I understand, however, that Government has appointed a commission to enquire into and report on the matter."

The Hon'ble MR. HEWETT said:—"My Lord, the general results exhibited in the Financial Statement are very satisfactory from the point of view of the commerce of the country. The value of our trade for 1904-05 exceeded by more than 6 per cent. that of 1903-04, which was in turn 15 per cent. in excess of that of the previous year. In a period during which the seasons have been either bad or indifferent over wide tracts of country, it would not have been surprising had there been a serious decline in the aggregate value of our trade, which depends so much on their character and their effect on the agriculture of the country. It is satisfactory, then, to find that the returns of our trade for 1905-06 are higher than in any previous year except 1904-05. There has been a large falling-off in the imports of the precious and other metals, and a smaller decline in mineral oils, due, in the latter case, to the substitution of a local for an imported article; but in other articles, especially piece-goods, cotton yarn and machinery, there has been a substantial advance. Although our Customs revenue is £39,100 below the estimate, it is still £358,600 more than it was two years ago. The decline in the export of wheat and seeds has been very great, but there has been a large increase in the amount of raw cotton, hides and raw jute exported, while the increase on the exports of cotton yarn, jute bags and cloth, and, to a lesser extent, of cotton piece-goods is also remarkable. The net result is that the falling-off in the total value of our exports has been insignificant. The enhanced income of our railways, the activity now being shown in the improvement of the different ports, and the increasing outturn of minerals, alike testify to the advance which is being made in the development of the resources of the country. The most satisfactory feature of the trade returns for the year is that the exports of manufactured articles, *i.e.*, cotton yarn, cotton goods and jute goods, are higher than they have ever been. The trade of India consists at present mainly of the exchange of natural products for artificial products of European manufacture. The manufactured goods which India obtains are necessarily, in the main, paid for by unmanufactured raw materials; and the goods imported have often been worked up from the materials which she had exported in the raw state. These features represent a primitive stage in the system of international exchange which makes up the trade of the world. It is an assured fact that there is available in India the raw material requisite for almost every form of industry, and the idea that the country ought to be able to produce most of the manufactured articles which it requires is not one which its natural resources render utopian. People argue—and argue rightly—that these resources should be utilised for the benefit of India itself,

[*Mr. Hewett.*]

and not for that of other countries. But when they go further, and contend that restrictions should be placed on the export of food stuffs, they are advocating a policy which must have fatal results in a country that, whatever stage of development in industrial enterprise it may ultimately attain to, must ever remain essentially an agricultural one. The margin of profit on the export of produce such as wheat is close enough to make contraction of export certain whenever there is a serious rise in prices in India; and the fact that the exports fell in the famine year of 1900-01 to 50,000 tons, while they rose in 1904-05 to over 43 million tons, demonstrates both the extent of the fluctuations and the automatic character of the check on exports which the relative level of prices in India, as compared with that on the large wheat markets of the world, affords. In view of the operation of this compensatory and absolutely automatic adjustment, it is, I think, difficult for any one to contend that the payment of 1,760 lakhs of rupees for the wheat exported last year did not benefit the cultivator, the buyer, and the taxpayer in India alike.

“When the question of the manner in which our resources should be developed comes to be considered, opinion as to the lines on which we should proceed is not unanimous. Some argue that what is required for the industrial development of the country is the revival of the indigenous arts and manufactures of India, and reason that Indians have not the capital nor the requisite knowledge and experience to carry on successfully industries imported from Europe. There will be general sympathy with the advocates of the resuscitation of the ancient arts and industries of India, even though one may feel convinced that by this line of development alone India will never take the place in the commerce of the world to which her natural resources entitle her. But those who take the extreme view, to which I have just referred, seem to attribute to the people on whose behalf they speak a want of the qualities of self-help and self-reliance which I should be sorry to think had real existence. The decline of indigenous industries before the competition of the manufactures of Europe has been mainly due to the conditions under which they are carried on. They are on too small a scale to be commercially successful; little capital is employed, and the methods used are antiquated and unscientific. The revival of indigenous industries to the stage of prosperity which they reached, individually, in their palmiest days, would only aid in a very partial and incomplete manner the industrial development of a country the conditions of which have necessarily undergone a radical change since she was brought into intimate communication with the other nations of the world. The Government of India are, however, in full sympathy with those who are endeavouring to improve the state in which our indigenous industries are at present. Much information bearing on this subject has been collected in the Census Reports, and in Monographs which have been prepared on the different industries; but the material is scattered, there is no co-ordination of results, the subject is in general treated from the artistic point of view, rather than from a business standpoint, and the information is in many cases neither sufficiently detailed nor sufficiently exact to be of much practical use. The Madras Government have recently taken the lead in establishing what is practically a Government agency for the fostering and improving of Indian industries. The success which has been attained in developing the aluminium industry and the chrome leather industry by Mr. Chatterton is a good augury for further developments in the improvement of industries in the south of India. We hope that other Local Governments will now make a survey of the state of indigenous industries within the areas of their jurisdiction, with a view to ascertaining the exact state of the various industries and handicrafts, the amount of the earnings and the present condition of the artisans respectively employed in them, the precise manner in which the different industries have been affected by competition with imported articles, the practicability of creating new markets, or of developing markets which already exist, and the possibility of giving a new lease of life to these industries either by means of special instruction, or by the improvement of the appliances in use. It is not too much to hope that something tangible may be done to improve their efficiency and increase their scope by reorganizing them on modern lines. But while the Government of India sympathise with those who advocate the revival and improvement of

[*Mr. Hewett.*]

indigenous industries in the country, they feel assured that the welfare and prosperity of India in its present stage of development cannot be secured by this means alone, and that the main line of its industrial progress must be the promotion and development of its industries and manufactures in accordance with the scientific methods and experience of Europe. They find themselves in complete agreement with the view expressed by His Highness the Gaekwar of Baroda at the Industrial Exhibition held at Ahmedabad in 1902, that those who are anxious for the development of the country should devote their attention more to the establishment of the larger industries involving an extensive use of machinery, since it is upon this that the increase of the wealth of the country must mainly depend. Development on these lines is also a matter of the highest importance from the point of view of our increasing population. Although our railways find employment for some 400,000 Indians, our jute and cotton mills for about 330,000, the tea industry for 660,000 and the coal mines for 100,000, the aggregate number of those employed in the more modern forms of industrial enterprises is as yet but an insignificant fraction of the total population of the country. The Hon'ble Mr. Sri Ram has, however, in my judgment, very seriously overstated the case in describing the labouring classes as being in a chronic state of poverty hardly raised above the point of starvation. The information before the Government is that the demand for labour, and for well paid labour, is much in excess of the numbers ready to resort to it. I can corroborate what the Hon'ble Major General Scott has said about the difficulty of obtaining labour, for everywhere the cry is for more labourers: more are required on railways, irrigation works, docks, mineral enterprises, especially mining for coal and manganese, cotton mills, jute mills, and in fact for practically every form of enterprise in the country. The Hon'ble Member is perhaps aware that during the past year we have had to make special inquiries as to the shortness of labour for industrial concerns in the United Provinces and Bengal. The avenues of employment are not few, but the difficulty of inducing people to enter them is immense. It will appear remarkable that this should be the case when Oudh has a population of nearly 550 to the square mile, while many individual districts in the United Provinces and Bengal are still more seriously congested. The fact is that the Indian labourer is still essentially an agriculturist: his heart is in the village, not in the factory or the mine; and his reluctance to leave his home often proves too inveterate to allow him to go away to seek his fortune elsewhere. The diversion of a substantial proportion of the population from agricultural to industrial pursuits is still an ideal the realisation of which cannot be looked for in the near future; but it is in this process that the salvation of the country must lie. There is this much cause for congratulation, that, small though it be at present, the industrial population of the country has rapidly increased during the past decade, and with increased openings for employment, and a change in the attitude of the labouring population, it may be hoped that it will increase much more rapidly in the next.

"Some contend that the revival of Indian industries, and the establishment of industries worked on European methods but with Indian capital, must necessarily involve some displacement of British industry and British capital. There is no foundation for this contention. India is in need of as much capital as is likely to be furnished for her development, whether it comes from within her own boundaries or is introduced from other countries; but no one who has her welfare at heart can look round with feelings other than of regret and see that the Indian community have hitherto, speaking generally, not shown any alacrity to put their capital into manufacturing enterprises, even when their soundness and productiveness have been practically demonstrated. There is no lack of capital in the country for immediate requirements, and in this connection it may be mentioned, as a striking fact, that in the past five years India has absorbed no less than 50 million pounds worth of the precious metals. But the capital which exists is frequently not available; it is scattered and disorganized; and it is largely employed in traditional methods and for unproductive purposes. The first requirement necessary for the material advancement of the country is the development of a more liberal spirit among the people themselves, and the inauguration

[*Mr. Hewett.*]

of a system for the active utilisation of any idle capital they may have. The Government of India welcome the awakening of interest in this very important question which was evident in the discussions at the recent Industrial Conference at Benares.

" It is the fashion sometimes to place the blame for the present state of affairs on the Government for not having provided the necessary opportunities in the way of technical education. The difficulty, however, has been not so much that there has been no opportunity for obtaining education of a technical character, as that students were, in the absence of industries in which they could obtain employment, ready enough to attend technical institutions and to enjoy scholarships there, but preferred careers other than industrial ones so soon as their school days were over. It is to be hoped that this reproach will cease to be deserved. We now have students holding Government scholarships in mining, geology, agriculture and textile industries at institutions in Europe and elsewhere, and we are allotting 2½ lakhs in the coming and successive years to certain Local Governments for expenditure on technical education, in the manner described in the Financial Statement. There is, I venture to think, no question that the provision which the State has made for instruction of a practical character is at least equal to, if it is not in advance of, the demand that exists for it.

" With reference to what I have previously said upon the desirability of encouraging local industries on European methods, I may mention that the most important matter which the Commerce and Industry Department has recently had to consider is that of the establishment of an iron and steel industry on a scientific basis. The scheme owes its inception to the far-sighted views of the late Mr. J. N. Tata, who was undoubtedly the pioneer among Indians in the scientific organisation of industries, and whose name will be associated for all time with the establishment of the Tata Institute for research. The Government of India have taken the liveliest interest in the late Mr. Tata's project, and they have determined to encourage it by making certain concessions which were asked for by Messrs. Tata and Sons. It is proposed to locate the works at Sini on the Bengal-Nagpur Railway, and to bring the iron ore from a hill situated some fifty miles from the railway in the Mourbhanj State. The Government have agreed to construct a railway from the hill to the main line; they have arranged with the Bengal-Nagpur Railway that the freight on raw materials required for the works shall be reduced to one-fifteenth of a pie per maund, and that this rate shall also apply in the case of the manufactured products sent to Calcutta for export. They have also engaged to take, for a term of ten years, 20,000 tons of steel rails each year, provided that they are rolled to the required standard and supplied at a cost not exceeding that which would be incurred in importing rails of the same quality. The Government of India have every hope that this venture will result in success, and though they have limited their custom to a term of ten years in the first instance, this indicates no intention on their part of abandoning the purchase of rails at the conclusion of this period, provided that the conditions as regards quality and price are fulfilled. They have also no doubt that, if steel rails and other articles of good quality are rolled at the works, the demand for them will be great not only among the Departments of Government, but also among the railway companies and the public generally. The establishment of an iron and steel industry on a large scale will not only enable the Government and the public to purchase many steel articles of local manufacture which are now imported, but will also help to develop subsidiary industries, particularly those for the production of coal-tar and sulphate of ammonia, for both of which a ready market can be found in India. I think I may claim that the Government have, in the assistance they have promised to give to this very important project, given a practical proof of their desire to encourage local enterprise; and I may also point to the recent Resolution issued on the appointment of the Stores Committee as evidence of our wish to give every encouragement to products of local manufacture. We have expressed our recognition of the fact that local

[*Mr. Hewett.*]

industries must frequently lean, to some extent, in the first instance, on the support of Government, and it is our intention to insist that whenever an article required by Government can be produced in this country of the same quality and at the same price as the imported article can be laid down in India, the preference shall be given to the locally produced article.

"I have mentioned, my Lord, the activity now being shown in the development of our more important ports. The statistics showing the volume of traffic demonstrate, in a striking manner, the rapid expansion of the trade of the country. The value of the goods passing through the ports of Calcutta, Bombay, Rangoon, and Karachi has increased by 37, 17, 75, and 152 *per cent.* respectively during the past decade (1895-96—1904-05), while the tonnage of the vessels entered at these ports has increased, during this period, by 86, 40, 82, and 128 *per cent.* The Local Governments, and the port authorities, are fully aware of the importance of anticipating the probable requirements of trade; at Bombay a comprehensive scheme for the improvement of the port has been prepared, and is now being carried out; the Port Commissioners of Karachi have also taken up the question of the arrangements to be made in order to enable them to cope with the large and increasing traffic which the success of the Punjab Canal Colonies has brought to that port; and similar activity has been displayed at Rangoon, where various projects, forming part of a general scheme for the improvement of the port, have already been carried out. Complaints have recently been made as to the inadequacy of the present arrangements at Calcutta; and doubts have been expressed as to whether the Port Commissioners fully appreciate the necessity for providing facilities adequate to the demands which will certainly be made upon their resources in the near future. These doubts are not indeed shared by the Chamber of Commerce; and I have no reason to believe that they are in fact well founded. But, in view of the great importance of the subject, we have invited the attention of the Government of Bengal to the matter, and have suggested that the Commissioners should be called upon to prepare a scheme for the improvement of the port, calculated to provide adequately for the probable development of trade over a reasonably long period.

"Since the Department was constituted in March last, India has entered into, or adhered to, several important commercial Conventions. As a result of repeated representations, the Government of Japan has concluded a Convention with this country, securing reciprocal most-favoured-nation treatment. It was found that, under the general tariff, Indian indigo entering Japan was subject to a rate of duty which still further increased the differential advantage already enjoyed in that country by the synthetic dye; and it became clear that the Japanese market would soon be entirely lost to India unless some reduction in this excessive tariff rate could be obtained. This was secured under the Convention, but further efforts which were made to obtain for Indian indigo additional advantages, with the object of placing it in a stronger position to meet the ever-increasing competition of the artificial dye, have proved infructuous. In view of the widely varying duties leviable under the Japanese general and convention tariffs, the conclusion of the Convention will, it is anticipated, prove of considerable value in fostering trade between India and Japan. In the case of the Bulgarian treaty also, certain important concessions were obtained in the course of the negotiations. Jute sacks intended for the export of cereals will be admitted into Bulgaria free of duty, the duties on rice and jute fabrics have been reduced to approximately half the rates which were at first suggested, and the tariff for cotton yarns has been considerably reduced. The Treaty secures reciprocal most-favoured-nation treatment. India has adhered to the commercial treaty concluded between the United Kingdom and Switzerland, and in that case also substantial concessions were obtained during the course of the discussions. The rate of duty finally adopted for cleaned rice is half that originally proposed; and the tariff on indigo has also been reduced by half, although our request for a fiscal discrimination between the natural and the artificial dye was rejected.

"Last year, I explained the genesis of the proposal to create an Imperial Customs Service for India, which will be entrusted with the administration of the customs at all the more important ports. Owing to the necessity for a

[*Mr. Hewitt.*]

further reference to the Secretary of State regarding certain minor points, the inauguration of the new Service was considerably delayed; but all preliminaries have now been settled, and members of the new Service have already been appointed to the ports of Calcutta, Bombay and Rangoon. Save in the case of a limited number of appointments, the scheme can only be brought into operation as vacancies occur in the existing establishment; but the nucleus of the new Service has now been formed, and we are confident that it will do much to facilitate business, to introduce uniformity of practice at the various ports, and to place the administration of the customs upon a satisfactory and consistent basis.

"The concessions that have been made since the last Financial Statement was presented, with the object of improving facilities in postal and telegraphic business, have been appreciated by the public. The result of the various reductions made in postal charges has been that the normal annual increase of revenue has been swallowed up by the cost of the concessions made. As I stated last year, the increase of the weight to be carried for half-an-anna from $\frac{1}{2}$ to $\frac{3}{4}$ tola was regarded by the Government of India as a step towards the ultimate raising of the weight to be carried for half-an-anna to 1 tola, and of that to be carried for one anna from $1\frac{1}{2}$ to 2 tolas. I am able to say that, should the revenue from the Post Office increase during the coming year in the same ratio as it has in recent years, and should the financial position remain otherwise satisfactory, we hope to recommend to the Secretary of State that this reform, which will, it is estimated, cost between 13 and 14 lakhs of rupees, may be carried into effect in the financial year 1907-1908. It is not, I am afraid, possible to hold out any hope that the further reduction suggested by the Hon'ble Mr. Sri Ram can be carried out. The present half-anna rate of letter postage is one of the lowest in the world, and its existence has necessitated the adoption of a quarter-anna rate of postage for postcards, which is actually the lowest in the world. It may be necessary to consider whether in reviewing the net financial results in future we should not combine the results of both the Postal and Telegraph Departments, but this is a matter which has not been so far investigated. Sir Arthur Fanshawe, who has presided over the Postal Department for 17 years, is about to sever his connection with the post of Director-General. There is no branch of the Department on which he will not leave the impress of his zeal and ability, and I gladly take this opportunity of saying that his services are much appreciated by the Government of India, as they are also, the Government believe, by the public generally.

"The reductions in the cost of internal telegraphic messages have resulted in a large increase in the traffic. During the period from 1st July to 31st December the number of four-anna private telegrams increased by 65 per cent., while the percentage of telegrams of this class to the total number of deferred telegrams increased during the same period from 33 to 46 per cent. These figures afford eloquent testimony to the popularity of our cheap telegrams. The reduction effected from 1st August last in the cost of ordinary telegrams between India and Europe from 2s. 6d. to 2 shillings a word has not so far resulted in a material increase in the traffic; but traffic will doubtless respond in time to the reduction. The Press rate, in spite of the efforts of the Government of India to secure its reduction to eight pence, remains at a shilling a word, and I am afraid that no hopes can be held out that the companies will, for the present, grant any further reduction.

"The question whether the Postal and Telegraph Departments should be amalgamated has for some time been under the consideration of the Government of India. Amalgamation in some form or another has been carried out in a large number of the States of Europe. We have had the conditions under which these Departments are administered in the more important of these States examined by an officer deputed to Europe for the purpose. He has obtained much useful information, which has received our earnest attention. We are of opinion that amalgamation can only be justified if it can be shown that it will result in a financial saving without loss of efficiency or will secure increased efficiency with a similar standard of expenditure. The enquiries which have

[*Mr. Hewett.*]

been made tend to show that some economy must result if both Departments be brought under one Director General and if an arrangement be made under which the management of traffic would be entrusted to one set of officials, while the management of the scientific and technical work of the Department would be under the control of another set of officials, namely, the engineers. In determining whether the change would tend to increased efficiency there is more than one aspect of the question which requires the most careful consideration. At the present time the organization of the two Departments is entirely different, and it would be absolutely impossible to amalgamate them without a radical change in the Telegraph Department. Moreover, the conditions in this country differ from those in most countries in Europe in which amalgamation has been effected: the operations of both Departments are conducted over vast areas, a circumstance which in itself furnishes an argument against too great centralization of authority; while the work of the Director General of the Post Office in India is already of a most exhausting character, and tends year by year to increase. I have great doubts as to whether it would be possible to impose upon that officer the duty of supervising the Telegraph Department, even in a general way, in addition to the work of his own special Department. Another obstacle to amalgamation seems to be that, in a country where the rank and file of both the Postal and Telegraph Departments are imperfectly educated, and where the development of both Departments on independent lines has already proceeded for so many years, the dislocation which would at first result from a change would be far greater than that experienced in the majority of European countries. It seems then very doubtful whether the amalgamation of the two Departments would under the circumstances be a measure of practical reform. Since they have been placed under the same Department of the Government of India, considerable progress in the work of co-ordination between them has been effected. This process will, we hope, continue, and, so far as one is able to judge at the present stage, it will be in this direction, and by steadily enforcing the principle that post and telegraph offices should be combined wherever possible, that the development of the two services will proceed. Our enquiries have, however, led us to the opinion that an internal reorganization of the Telegraph Department may be desirable in order to relieve the Director General of the mass of details with which he is at present burdened, by entrusting greater responsibility to the intermediate officers. The former will, if such a scheme can be devised, be in a position to devote more time to the more serious problems of administration, while the devolution of authority will enable the latter to deal more efficiently and more promptly with the complaints and representations of the public.

"The memorandum by the Railway Board attached to the Financial Statement gives in a small compass the most important facts connected with our programme of railway administration for the coming year. Last year the allotment of 1,250 lakhs for the railway programme marked a material advance in the allotment of funds for the improvement and extension of our railway system. The sum allotted during the coming year amounts to 1,500 lakhs. Of this sum 891 lakhs are allotted to open lines, 539 lakhs to lines already under construction, and 70 lakhs to lines which are to be commenced during the year. The table on page 1 of the Railway Board's memorandum is instructive. Our annual expenditure on the Railway programme has risen in five years by over 66 per cent., and the expenditure which we propose on open lines in the coming year is more than the total expenditure on all lines in 1901-02, and about 150 per cent. higher than the expenditure on open lines in that year. With the remarkable development of the internal resources of the country that has taken place in the last few years, the claims of the open lines for improvement, and especially for the addition of rolling stock, have become more and more urgent. I trust that the Hon'ble Mr. Apcar will be satisfied that the Government has not ignored the need for increasing the rolling stock when I assure him that it has in the past five years devoted about 12 crores to this object. The Railway Board have noticed how the equipment of a railway company with rolling-stock adequate to meet all traffic demands at all times is inconsistent with its management on commercial principles. But there is no doubt, on the other hand,

[*Mr. Hewett.*]

that the Board are right in their opinion that the standard of rolling-stock on Indian railways generally is below what the trade of the country demands. The Railway Board and the Government of India will do all they can with the resources at their command to remedy this defect, but it has to be remembered that the amount of capital that can be provided for the improvement of our railway system is not unlimited, and that the process of increasing the rolling stock must necessarily be more gradual than we could wish.

"The public will read with interest the Railway Board's remarks regarding the conditions under which third class passengers travel. In the last twenty years the number of third class passengers travelling during the year has risen from about 70 millions to over 200 millions. This section of the travelling public is out of all proportion the most profitable to the railways. The Government of India, as stated during the discussion of the last Financial Statement, attach great importance to the improvement of the arrangements made for their comfort on the railways, and it is gratifying to learn that this matter is now receiving the earnest attention of the railway administrations. It must, however, be apparent to any traveller that the arrangements for the comfort and convenience of the third class passenger are still very often far from what they should be, and the need for further improvement will continue to be pressed by the Railway Board and the Government.

"I should like, my Lord, to say a few words on one or two matters connected with railway administration which are of special interest to the mercantile community. They are:—the uniform classification of goods and the simplification of railway tariffs; the question of minima rates; that of a more simple procedure than is provided by the Indian Railways Act for the settlement of disputes between the public and the administrations; and the terms of the risk note to be used on our railways.

"The existing system, under which each railway has its separate classification of goods, often of too elaborate a character, and a separate scale of rates on the portion of its journey for which a consignment has to proceed over its own line, leads to uncertainty on the part of the public and great waste of time, and tends to hamper trade. The Indian Railway Conference Association have appointed a Committee to consider the lines on which change should proceed, and it is to be hoped that they will be able to devise a workable scheme for the simplification of the goods tariff, a reform which is, in the opinion alike of the public and the Government, a crying need. The matter is one requiring a considerable examination of details, and will of necessity occupy some time before completion.

"Where powers have been reserved to the State under the contracts with the different Railway Companies, certain maxima and minima rates have been fixed, each railway being free to vary its rates within these limits. The imposition of minima rates was necessary to prevent guaranteed companies from arranging their freights without regard to the interests of the State which guarantees them interest, and which has the largest stake in the undertakings, and the abolition of a minimum would unquestionably lead to internecine competition such as led to disastrous results in America and caused serious complications in Great Britain. Permission has recently been sought by the East Indian Railway to reduce the rates in force on its system below the fixed minima on the ground that its natural advantages enable it to carry long distance traffic at rates which are below the minima and below those which would pay other companies. This representation has received the support of the Bengal Chamber of Commerce and other mercantile opinion in Calcutta. It has been urged in favour of the proposal that freight charges should bear some relation to the cost of working of each railway system. It has also been contended that the present system leads to the deflection to the Western ports of both import and export trade from the port of Calcutta, the natural advantages of which entitle it, it is urged, to cheap inland transport. It is stated that the maintenance or reduction of the present rates of freight on wheat and seeds might be the factor to determine whether India or some other country should supply the markets

[*Mr. Hewett.*]

in which she has to compete with foreign countries. On the other hand, the mercantile community of Western India contend that while the reduction of minima rates generally is a measure which should be supported, it would not be fair to allow one railway to have lower minima rates than another. It will be understood that the proposal before Government does not provide for any general lowering of rates on the East Indian system. Reductions are contemplated only at the competitive points, and with the avowed object of taking traffic away from other lines, and it cannot be presumed that the result of these operations would have any stimulating effect on the total production of the competitive zone inasmuch as no proof has been afforded that the diversion of trade to Calcutta would cheapen the total cost of transport to the markets of the world. The proposition that each railway system should be allowed to carry traffic at rates consistent with a fair return on its capital, and no more, is, at first sight, reasonable; but the principle on which it is based could not be carried out in practice. The receipts of individual railway systems vary much from year to year according to the character of the seasons and the briskness of particular branches of trade. It would therefore be quite impracticable to fix, except for the very shortest periods, rates of freight based on the principle that freights must be adjusted so as to secure an approximately even return on capital, and any attempt in this direction must result in an infraction of the generally accepted proposition that rates should be kept as steady as possible. Moreover, the State is responsible that the railway systems, in which the Indian taxpayer is either immediately or prospectively interested to the extent of some 250 million pounds, are worked so as to secure a reasonable return on the total capital invested in them. The reduction of the minima rates on the East Indian Railway alone would involve the transfer to that line, at the expense of other lines, of traffic which would be conveyed at a lower cost, and a consequent reduction of the general income of our railway systems without a demonstrable increase of the general volume of our internal trade. Nor can the argument, that the reduction of railway freights would lead to Indian produce being landed cheaper in markets in which India has to meet foreign countries in competition, be legitimately advanced in favour of the reduction of rates on the East Indian Railway alone in order to benefit only one of our ports. These reasons are, in the opinion of the Government of India, convincing against the proposal of the East Indian Railway Company that it should be allowed to reduce its minima rates below those to be enforced on other railway systems.

"It will be remembered that in September last the minima rates at which coal can be carried over distances beyond a certain length were reduced. The East Indian Railway has not as yet availed itself of the opportunity of reducing its rates for the carriage of coal to the minima rates then brought into force and is, it is understood, unwilling to do so until the grand chord line is opened; nor is its traffic generally carried at the lowest rates already permitted. One may fairly infer from these facts that that Company agrees with the Bengal Chamber of Commerce in holding that a general reduction of minima rates is undesirable, although a good deal of support might be found for this measure on the ground that it may be expected to lead to the expansion of trade and also to the reduction of the price of Indian produce in the markets of the world. This question is, however, a large one which cannot be determined without detailed enquiry as to the manner in which the present minima rates operate and the effect that a reduction would be likely to produce upon the returns from our railway systems. That inquiry the Government of India will now direct the Railway Board to undertake.

"Our present Railway Act contains provision for the determination of differences regarding through rates and traffic facilities generally by the appointment of Railway Commissions. Complaints have been made that the process prescribed by the Act is an expensive one, and that it does not give authority to all persons interested to make applications for the appointment of a Railway Commission. Support is given to these complaints by the fact that no such Commission has been appointed during the fifteen years for which the law has been in force. The matter has recently been under the

[*Mr. Hewett; Sir Denzil Ibbetson.*]

consideration of the Government of India, who now propose to recommend to the Secretary of State that the law should be amended so as to give to the Railway Board powers corresponding to those exercised by the Board of Trade under the Railway and Canal Traffic Acts in force in Great Britain, and to confer on individuals and public and commercial bodies the right to seek the assistance of the Railway Board and Railway Commissions in questions relating to traffic. The results of the proceedings of the Railway Board will be recorded for the information of the Government of India, but, like the Board of Trade, they will have power to act as a Board of Conciliation only. The only final and binding award will still be, as in England, that of a Railway Commission, to which, however, no one will be entitled to apply for a through rate until he has first made a complaint to the Board and the Board have disposed of it. The Government of India trust that the exercise of these powers of conciliation by the Railway Board will result in a great portion of the disputes as regards through rates and unfair treatment being amicably settled.

"In his Report on Indian Railways Mr. Robertson observed that the conditions hitherto attached to the risk notes in use on Indian railways are of a very onerous nature. In the first place, railways are exempted from all liability as regards loss or damage to the property while in transit which they could not have prevented with due care; and, in the second, they are not held responsible for the wilful acts of their servants. Now there can be no question that the present form of risk note is irksome, not only to the mercantile community, but also to all classes of the public; and the question of amending it has been for some time before the Railway Board and the Government. Under the Railway Act the risk note in use on a railway administration has to be in a form approved by the Government of India, but we are advised by our legal advisers that the law does not empower us to prescribe a form of risk note which the railway companies would be bound to accept. The Railway Board do not consider that it is possible to obtain acceptance by the railways of a form of risk note of a more liberal character than that adopted by the Railway Conference of 1904 which, though an improvement on the present form, still gives special protection to the railways, except for the loss of a complete consignment, or of one or more complete packages of a consignment, due to the wilful neglect of the railway administration. To my mind this is an unsatisfactory conclusion, but in the present state of the law it is impossible to arrive at any other. I can only hope that further consideration of the matter by the railway companies will lead to a proposal to assimilate their risk notes more closely to those in force in England. I am led to believe that this hope may not be vain by the facts that at the Railway Conference of 1904 there was a strong minority of representatives of the various Railway Companies in favour of a more liberal form of risk note, and that when a Resolution to this effect was proposed at the Conference of the Indian and Ceylon Chambers of Commerce held in Calcutta last year it was not opposed by the Agents of the three lines which centre in Calcutta, all of whom were present at the meeting.

"The Hon'ble Sir Denzil Ibbetson will, I believe, make some remarks upon inland navigation, to which the Hon'ble the Maharaja of Darbhanga has referred, and all that I need say upon this subject is that the Railway Board recognize no antagonism between railways and our splendid inland waterways, and that the Commerce and Industry Department, like the mercantile community, regards the improvement and development of the latter as of very material importance to the interests of commerce."

The Hon'ble SIR DENZIL IBBETSON said:—"My Lord, in placing the Financial Statement before the Council last Wednesday, my Hon'ble Colleague in charge of the Finance Department alluded very briefly to the climatic conditions which have led to a reduction of over 50 lakhs in the Land Revenue entries in the Budget of the current year, to an allowance for suspensions and remissions of land revenue during that and the coming year amounting, in two provinces alone, to nearly 2½ crores, and to the

[*Sir Denzil Ibbetson.*]

provision, during the same two years, of over a crore for expenditure upon famine relief. The distress from which parts of India are now suffering is, I am glad to say, not comparable, either in dimensions or in intensity, with that which prevailed in 1896-97 or in 1899-1900; and it has not been thought necessary, as on those occasions, to make a separate Famine Statement in Council; but I propose to preface my remarks today by a brief account of the position as it now stands, and of the prospects for the approaching season.

"The shortage of crops in certain parts of India has led to a general rise of prices which, even where the harvests have been fairly good, has caused some hardship to the poorer classes. But the areas in which serious distress exists are at present confined to two tracts; the first lying immediately to the south-west of a line drawn from Amballa to Allahabad, and embracing the south-eastern districts of the Punjab, the south-western districts of the United Provinces, and the northern States of Rajputana and Central India; and the second comprising the Deccan and Karnatak districts of Bombay.

"Although five of the Punjab districts have suffered from a failure of the rainfall of last monsoon and from the delay in the arrival of the usual cold weather rains, the ample rain that fell in February has so relieved the situation that famine relief is required in one district only, where an area of 930 square miles with a population of 320,000 is affected, and there are now some 10,000 persons on relief. It is not expected that relief works will be required in any other district of the Punjab, but in all the five south-eastern districts liberal suspensions of revenue amounting to 14 lakhs of rupees have already been granted, and it is anticipated that further suspensions of some 10 lakhs will be required. Arrangements are also being made to grant advances aggregating about 4 lakhs of rupees.

"The United Provinces had already suffered severely from the unprecedented frosts of last February, which destroyed the hopes of a bumper harvest throughout a great portion of the Province. This led to a serious rise in prices, but the distress was sufficiently met by very liberal remissions of the rabi land revenue, amounting to 37½ lakhs of rupees. The frost, however, was followed by a serious deficiency in the monsoon rainfall in Bundelkhand and parts of the Agra Division, where the kharif crop on unirrigated land was a virtual failure. In these areas the cold weather rains have also been unfavourable and the unirrigated rabi crop very poor. It has therefore become necessary to declare that famine conditions exist in the whole of four districts and in portions of three others, comprising in all an area of nearly 10,000 square miles with a population of over 3 millions. In the affected districts 10 lakhs of rupees of the kharif demand have been suspended or remitted, and advances to the amount of nearly 7 lakhs have been made. Relief operations have been started, and there are now 160,000 persons on relief in the United Provinces. Notwithstanding the favourable rains of February, which have materially relieved the situation throughout the greater part of the province and have already led to a fall in prices, it will be necessary to grant liberal suspensions of land revenue in the rabi instalment, and preparations are being made for large advances on the approach of the monsoon.

"In the northern and eastern states of Rajputana and the British districts of Ajmer-Merwara that lie within them, the drought has been more severe. The whole area of Ajmer-Merwara, with a population of nearly half a million, has been suffering from famine for some months past. The outturn of the kharif harvest was exceedingly poor, while the cold weather rainfall has been much less favourable than in the Punjab and the United Provinces. Preparations to meet the distress were made in good time. Liberal suspensions were granted of the demand of last rabi, which also was a poor harvest in these districts, and two-thirds of the land revenue demand for the kharif has been suspended or remitted. Takavi advances to the amount of nearly a lakh and a half have been made and relief works have been opened on a liberal scale. According to the latest returns there were 56,000 persons on relief of all kinds, amounting to about an eighth of the population. In ten of the neighbouring States of Rajputana, famine conditions prevail in greater or less intensity over an area aggregating

[*Sir Denzil Ibbetson.*]

34,000 square miles with a population of 5 millions; and although, in accordance with Rajputana custom large numbers of the people have temporarily left their homes, and taken their cattle to Sind and Malwa and other districts where water and fodder are to be found, it has been necessary to undertake relief measures in most of these States and there are now 48,000 persons on relief. Much assistance has been derived from the construction of the Nagda-Muttra Railway, which passes through several of the distressed states, and where necessary loans of money and the services of officers have been granted by the Government of India to the Durbars. In the northern States of Central India also famine conditions prevail, the area affected being estimated at 18,000 square miles with a population of 2½ millions. Here, too, the rainfall of the monsoon was very deficient and the winter rains have been poor, so that the loss in both the kharif and rabi harvests is very serious. The Chiefs of the affected States have granted liberal suspensions and remissions amounting to some 32 lakhs of rupees; where necessary famine works have been opened; and 80,000 persons are now on relief.

"The affected area in Bombay comprises, either in whole or in part, eight districts in the Deccan and Karnatak which aggregate 25,000 square miles with a population of 4 millions. In the tracts which are most affected the rainfall of last monsoon was very deficient and badly distributed, and the outturn both of the kharif and of the rabi crops much below the normal. Prices have therefore risen to double the ordinary rates; but fortunately the occurrence of fair harvests in parts of the territories of His Highness the Nizam, in the Berars, and in Khandesh where the cotton crop was particularly good, has afforded employment to large numbers who have left their homes in search of work, while the prosperity of the textile industry in Bombay has further provided an unusual amount of employment in the mills; and it is roughly estimated that from 150,000 to 200,000 people have left the distressed districts and found employment elsewhere, so that notwithstanding the failure of the crops and the rise in prices, there has been little demand for relief work at famine wages and only some 40,000 people are at present on relief. The Bombay Government have met the scarcity by very liberal suspensions and remissions of land revenue amounting to 65 lakhs of rupees, or half the total demand. They have also suspended about 30 lakhs of arrears of land revenue and 26 lakhs of takavi, and have made liberal advances amounting to over 20 lakhs of rupees to enable the people to deepen their existing wells, to dig new ones, to make other small improvements, and to purchase fodder for their cattle.

"A small area in the extreme west of the Kathiawar Peninsula belonging to the Baroda State with a population of 70,000 is also suffering, and here too liberal suspensions of land revenue and advances of takavi have been made and some 3,000 persons are on relief. Some portions of the Hyderabad State also are in a distressed condition and adequate measures have been taken, but the distress is not acute and the number of persons on relief is only 3,500.

"To sum up, 18 British districts and 35 Native States are more or less affected by famine, the distressed area aggregating for the whole of India nearly 100,000 square miles, with a population of 16 millions, of whom half are in British and half in Native territory; and the number at present on famine relief in all parts of India amounts to 400,000. One marked feature of the administration of the present famine is the liberality with which, both in British districts and Native States, land revenue has been suspended and remitted and advances made to help the people to meet the distress. The Famine Commission of 1900 laid great stress upon the importance of help of this description in the early stages of famine, as tending to put heart into the people; and the action thus taken has gone far to render the distress less acute and to postpone the appearance of famine conditions.

"In one respect we are better prepared to meet famine than on any previous occasion, in that the Famine Codes of all Provinces have recently been revised in accordance with the experience of the last two famines, and that the Native States have accepted the same general lines for their guidance. The

[*Sir Denzil Ibbetson.*]

revised Codes embody two new principles of great importance, namely, the abolition of the minimum wage, and selection for admission to village works; and, if famine was to come, it is fortunate that it should be possible to test the operation of these changes on a small scale, before they are acted on in presence of widespread calamity. Everywhere the arrangements made are adequate. Very little aimless wandering or emaciation is reported, the people even in the distressed tracts are physically in good condition, and there is nowhere any serious increase of mortality or crime. There is, however, in almost all parts of the affected area, a very serious dearth of fodder, and great difficulty is experienced in keeping the cattle alive. Such measures as are possible to save them have been undertaken. Reserved forests have been thrown open for grazing, arrangements have been made to supply grass and fodder on a large scale, and the chief railway administrations have reduced their charges for its transport by rail. It is to be feared, however, that there will still be considerable mortality among the cattle before the next rains replenish the local supply of fodder, and it will be necessary to make liberal advances to cultivators to enable them to replace their plough cattle.

"It is anticipated that when the rabi harvest has been reaped there will be a considerable increase in the number of persons seeking for relief, which will be maintained until the advent of the monsoon renders preparations for the autumn harvest possible, and arrangements have been made to meet the probable requirements of the situation.

"In January, 1900, when speaking upon the Famine Statement which I had just made to the Council, Lord Curzon said:—

'I should like to recognise the generosity with which Native States—and I am alluding more particularly to some of the States of Rajputana and Central India—have accepted from the Government of India an interpretation of their obligation in respect of scarcity and famine, more liberal and more exacting than has ever before, at any rate in those States, been applied. We have done our best to help them by the loan of officers, and by the offer of expert advice. But the Chiefs and Durbars have also helped themselves, and have worthily proved their right to the affection of their people.'

"These words, true as they were then, are even still more true on the present occasion; and I am sure, my Lord, that you will desire to associate yourself and the Government of India with me, when I cordially recognise the admirable spirit in which the Chiefs in whose territories distress is now present have realised their obligations, and have prepared to discharge them.

"The Hon'ble Mr. Gokhale has pressed upon us a liberal policy in the matter of Government loans for the relief of agricultural indebtedness. There are two distinct aspects of the question which must be considered separately; namely, the general relief of the indebtedness of agriculturists, great and small, throughout the country, and the relief of those special cases to meet which Encumbered Estates Acts are framed, where the object is to save from expropriation families of influence whom it is desirable on public grounds to maintain in the possession of the estates to which they owe that influence.

"I take the wider issue first. In the first place, the task is beyond our powers. It is true that the Hon'ble Member suggests an experiment only; and no doubt, if action were eventually to be taken on a large scale, it would be wise to begin experimentally. But the experiment would be made with the avowed intention of extending it, if successful, to the whole of India. Now, as the Hon'ble Member himself recognises, it would be out of the question to advance public money to satisfy the book claims of creditors without examination and equitable reduction of those claims; and such an examination of the agricultural indebtedness of India would be a stupendous work, for which we do not possess the necessary agency. Moreover, it would be of but small avail to relieve the agriculturist of his existing burdens, if we left him to accumulate new ones by a repetition of the old process; and the alternative is, either that we should forbid alienation—and I welcome my Hon'ble friend with open arms, as a distinguished, if tardy, convert to a course which I have advocated for so long, although I understand that he demands a price for his acquiescence, —or that we should undertake, to a very

[*Sir Denzil Ibbetson.*]

large extent, the financing of the agriculture of India—an operation to which any resources at our disposal, whether from revenue or from loans, would be wholly inadequate.

“ But if we cannot interfere with complete efficiency, then any interference on a considerable scale would do more harm than good. I find that the analogy which I am about to employ was used by Sir James Westland in the debate of 1896 to which the Hon'ble Mr. Gokhale referred us the other day ; but I may say that it occurred to me quite independently when thinking over his remarks. In times of famine, the Government of India have always steadfastly declined to attempt to supplement the food supplies of the country by Government importation of grain. It is true that Government could do more than any individual importer ; but it is equally true that it could do far less than the collective private enterprise of the country. And if Government were to step into the market as an importer on a large scale, its interference would paralyse individual, and thereby destroy collective, enterprise, the place of which it could never hope to supply efficiently. Exactly the same considerations hold good in the matter of agricultural finance ; and it was for this reason—it was out of consideration for the ultimate interests of the agriculturists, and not, as the Hon'ble Mr. Gokhale so incorrectly suggested the other day, out of 'tender solicitude for the interests of the money-lender'—that Sir James Westland refused to hold out hopes of Government intervention on a large scale.

“ But if the cure of existing evils is beyond the power of Government, it is doing its best to prevent their repetition or aggravation. By making takavi advances on a scale which, though insignificant by comparison with the total needs of agriculture, is considerable in itself, it steadies the money-market, and tends to keep the interest demanded by private lenders within reasonable limits ; and only last November a resolution was published which impressed upon Local Governments the importance of greater liberality, elasticity, and simplicity in their takavi systems, while I hope shortly to ask the Council to assent to legislation designed to give them a freer hand in the matter than they now possess. Just two years ago an Act was passed which provided very exceptional facilities for the establishment by the people of co-operative societies ; since then the larger provinces have appointed whole-time officers whose duty it is to encourage and assist them in availing themselves of these facilities ; and I shall presently show that the results already obtained are encouraging. Finally, we have under consideration at the present moment a scheme for the institution of an experimental agricultural bank, financed indeed by private capital, but based upon a Government guarantee, which, if it should prove successful, will doubtless find imitators in other parts of India ; and if Indians will, as the Hon'ble Maharaja of Durbhanga seems to think they will, consent to employ a portion of the crores of capital which at present lie idle in this country, in the promotion of such ventures, a great step will have been taken towards the solution of the problem of agricultural finance.

“ As for the case of estates which are of sufficient individual importance to render their preservation a matter of public interest, Government has never been backward, when special circumstances affecting whole classes of landholders have existed, in coming to their assistance ; and large sums have been advanced to the Oudh taluqdars under the Act of 1870, to the Sindh zamindars under the Act of 1881, and to the landholders of Bundelkhand under the Acts of 1882 and 1903, to mention only instances which occur to my memory. But in the particular case with which we were dealing the other day, no difficulty is experienced in raising loans at the moderate interest of 6 per cent. from private sources on the security of official management, and there was clearly no case for the intervention of Government. In individual cases the Government of India have not always been able to comply with the proposals of Local Governments for advances. But in the very nature of things, they are generally cases where the liabilities are so heavy in comparison with the assets that no private lender will look at the security, and it is our duty to be careful of public money. If in

[*Sir Denzil Ibbetson.*]

regard to any particular estate I should be able to make out a good case for assistance, I do not anticipate that I should find my Hon'ble Finance Colleague obdurate in the matter.

"I referred just now to the subject of Co-operative Societies which so largely occupied the Council's attention some two years ago. They may like to know what progress has been made since then in the matter. It has been much more rapid than the Hon'ble Maharaja of Darbhanga seems to think; and, in my opinion, quite as rapid as is either wise or safe in the initial stage of what is admittedly an experiment. Up to date 465 societies have been actually registered, of which 439 are rural and 26 urban; and the total capital already accumulated is about 3 lakhs of rupees, of which more than one-half has been subscribed or deposited by members themselves. Our latest reports show that over half a lakh of rupees had at that time been actually advanced by Government to these societies; while the revised estimates contemplate an expenditure, during the expiring year, of Rs. 1,28,000 under this head. It is satisfactory to find that the principle of unlimited liability for rural societies, of which the Hon'ble Mr. Gokhale is, I think, unnecessarily afraid, has been adopted everywhere except in one province, and that even in that province hopes are entertained that it will ultimately be accepted by the people. There is not much information in the reports regarding the purposes for which the societies already established have granted loans, nor are any general statistics available as to the average amount of each loan. But it appears that the people are on the whole in favour of loans for unproductive as well as for reproductive expenditure, and the information tends to show that the societies are fulfilling their purpose of providing small folk with small loans at cheap rates. The subject of grain banks has attracted some attention in Bengal and Bombay, but no societies working entirely on a grain basis have as yet been registered.

"Last year I sketched with some fulness the general lines which we proposed to follow in the expansion of our Agricultural and Veterinary Departments. It will now be sufficient to say that those lines have been generally accepted by Local Governments who have based detailed proposals upon them, and that the Secretary of State, for whose sanction the general scheme was submitted, has approved of it with certain reservations as to the desirability of caution in our advance, and as to the difficulty of obtaining at once the large number of experts for which we had indented. I may remark, in passing, that both the Secretary of State and the Government of India are entirely in accord with the Hon'ble Mr. Gokhale as to the desirability of training an indigenous agency, so far as this may be found possible. Meanwhile progress is being made with the purchase of land and the construction of the necessary buildings, and the expert staff is being gradually selected and appointed. Hon'ble Members will have seen that the recurring grant under this head which I announced last year, has this year been raised from 20 to 24 lakhs, and will, I hope, accept the fact as an assurance of our good intentions in a matter of such vital importance to the prosperity of the country. The demand for protective sera for the inoculation of animals has increased so greatly that we are proposing to establish a second laboratory for their preparation in Southern India. And those who are interested in such matters will have noticed the publication of the first Annual Report of our Agricultural Department, and the appearance of the first numbers of two new publications, *The Agricultural Journal of India* and *The Journal of Tropical Veterinary Science*, which will be edited by our scientific experts.

"At Pusa good progress has been made. The whole of the arable land has been brought under cultivation, and has now been prepared sufficiently to enable us to start tests preparatory to laying out permanent experimental plots. The pasture lands also have been permanently improved by eradicating poor grass and substituting good feeding grasses. The buildings are progressing rapidly, several being already completed, and it is hoped that the main Phipps' Laboratory will be ready early in 1907, when it will be possible to open the College. Meanwhile good temporary laboratories have been constructed, and Indian candidates are being trained in each special branch for employment under the

[*Sir Dengil Ibbetson.*]

Provincial Departments of Agriculture. The whole of the expert staff have been appointed, and all are now resident at Pusa except the Agri-Bacteriologist, whose services have been temporarily lent to the Government of Bengal for employment on Indigo Research Work.

"The preliminary survey of the varieties of Indian cotton, to which I alluded last year as the necessary ground-work for any improvement on scientific lines, has been completed by the publication of Professor Gammie's *Indian Cottons*. Some progress has already been made in the ascertainment of the varieties best suited to particular tracts; and irrigation has been found to render possible the cultivation in the Deccan of the finer herbaceous cottons of Guzerat and the early sowing of improved varieties in the United Provinces. The trial of exotics has given excellent preliminary results in Sindh, where Egyptian cotton seems to grow well, and the area under it will this year reach 6,000 acres. It has yet to be seen whether continuous cultivation in Sindh will result in deterioration of the staple, but there are already grounds for hope that this will not be the case. I am told that careful selection of seed from plant to plant on Government farms has already resulted in improvement, which should shortly give some practical results: meanwhile the rougher and more general method of selection which I described last year is being continued, and promising reports have been received, particularly from the Punjab, Bombay, and the Central Provinces. The raising of new varieties by hybridization has been retarded in most provinces by want of expert staff, but Bombay has advanced considerably, and some selected hybrids are now being tested in the field with good promise of success. The tree cotton experiments have not yet yielded any definite result. The Syndicate to whose operations I referred last year has been unfortunate in the seasons; and the question of supplementing the grant of Rs. 45,000 which we have already made for its experimental work is under consideration. The British Cotton Growing Association have placed the sum of £10,000 at our disposal, to be spent as we think best during the next five years upon the extension and improvement of cotton-growing in India; and the Secretary of State has sanctioned the employment of a cotton expert on the Imperial staff, while Provincial Departments have opened several new farms in cotton tracts.

"In connection with jute, interest has mainly centered upon two questions; the deterioration of the quality of the fibre, and the shortage of supply. All enquiry tends to show that the deterioration is mainly due to fraudulent watering, and the simplest and most effectual cure for both evils probably lies in the extension of cultivation. This is now being seriously taken up by the Department of Agriculture of Eastern Bengal and Assam, and in Behar, while experimental trial of the crop is in progress in Madras, the Central Provinces and Bombay. A jute specialist has recently been appointed; and the co-operation of the commercial community in his inquiries will be cordially welcomed.

"As this is the sixth and will be the last time that I shall have the privilege of addressing the Council in connection with the Financial Statements, I should like to say a word upon a subject to which I have not hitherto had occasion to refer, but which is very closely connected with the agricultural interests of the country—I mean the Forest Department of India, for which my Hon'ble friend Mr. Sim has pleaded so eloquently—and the occasion is the more appropriate, since it was exactly fifty years ago last January that Dietrich Brandis, the father of scientific forestry in India, entered the service of Government. I doubt whether the general public realise the enormous actual and potential value of our forest property, the degree in which it already contributes to our revenues, and the success with which it is managed by the admirable service which is in charge of it.

"Twenty years ago the surplus revenue contributed by our forests to the public purse was a little over half-a-crore. The revised estimates for the year which is just expiring put it at a crore and-a-quarter. And this, in spite of the fact that all those measures for the ascertainment, development, and protection of our forests, which really represent

[*Sir Denzil Ibbetson.*]

capital expenditure upon the property, and which are not yet by any means complete, have been and still are paid for from revenue. The selection of forests for reservation or protection, their demarcation, the settlement of private rights in them, their protection from fire, the improvement of communications upon which the profitable extraction of timber depends, and the provision of accommodation for the officers in charge—all these represent non-recurring expenditure which has been met from current revenue ever since we first seriously undertook the management and protection of Indian forests, and which still absorbs a considerable portion of the gross income; and when these processes are complete, we may look for a still more marked expansion of the net surplus.

“But the question of forestry in India has aspects far more momentous than the mere money value of the timber which is produced. Upon the maintenance of our mountain forests depends the steady flow of the rivers from which our great irrigation canals draw their supplies, while the protection of our hill forests is often (as lamentable experience has taught us) the only safeguard against the devastation of the cultivated plains below them. With the increase of population and the bringing of hitherto unoccupied areas under cultivation, the demand for fuel and small timber is daily increasing; while if the Indian cultivator is ever persuaded to restore to his fields in the shape of manure a fair portion of what he takes from them in the form of fodder, that demand must expand enormously. Our forests, moreover, annually afford grazing to great numbers of the cattle upon which agriculture is dependent, while in time of drought, such as the present, they constitute invaluable reserves of grass. During the year which is just over, the Secretary of State has sanctioned proposals for the expansion and improved remuneration of the higher grades of the Forest Service, and we have under consideration similar proposals in connection with the executive grades, and with the reorganisation of the Provincial Service, and of the school at which it is trained. We are also considering proposals for the establishment in connection with that school (which we propose to raise to the status of a college) of an Institute of Forest Research, which will place Forestry upon an equal footing, in respect of scientific enquiry and instruction, with Agriculture and Veterinary Science.

“During the year Indian standard time has been introduced on all Indian railways and telegraphs, thus bringing for the first time our local standards into simple and intelligible relationship with those of the rest of the civilised world. The new time has been accepted by the whole of India with the single exception of Calcutta; and I cannot believe that the capital of the empire will long continue to hold aloof from a reform of such obvious convenience.

“Before closing these remarks, I must mention two Resolutions which have been published within the last few months on the subjects of Remissions and Suspensions of Revenue in seasons of drought, and of takavi advances to agriculturists in need of loans. To the latter I have already alluded. The liberal principles laid down in the former have been readily accepted by Local Governments, who are revising their rules in order to give effect to them. We have recently addressed the Secretary of State on the subject of the exemption of improvements from assessment to land revenue, and as soon as his orders are received instructions will issue on the subject. These three Resolutions will complete the general review of our Land Revenue System which was undertaken during Lord Curzon's term of office, and I think that even the sternest critics of that system will admit that much has been done during the past few years to define and make public the principles upon which it is based, to ensure leniency and liberality in their application, and to introduce elasticity into their operation.

“Turning now to the Department of Public Works, the most important event of the year has been the acceptance by the Government of India and the Secretary of State of the rough programme which was formulated by the Irrigation Commission as an approximate forecast of operations, and as the basis of our financial arrangements. The papers have been published; and Hon'ble

[*Sir Denzil Ibbetson.*]

Members will be aware that an expenditure of some 44 crores, or nearly thirty millions sterling, is contemplated within a period of twenty years, of which four-ninths may roughly speaking be said to be allotted to protective works, and will be provided from the moiety of the Famine Grant which is available for works of this character. This decision has a two-fold importance and significance. In the first place the principle is now for the first time definitely formulated and accepted, that it is not only legitimate but also our duty to spend very considerable sums from the general revenues upon works which will in all probability never be remunerative either directly or indirectly, but which will protect local areas and their inhabitants from the horrors of famine. And in the second place we now have, for the first time since the first Famine Commission reported in 1880, a programme, provisional no doubt, and liable to alteration as the examination of individual projects proceeds—but still a programme, however rough, based upon an examination by competent persons of the irrigational needs and possibilities of India as a whole, and upon the relative necessities of the several provinces. In each of these respects a great advance has been made, and the policy of the Government of India in respect of protective irrigation has now been definitely laid down for a generation at any rate.

“Meanwhile, as papers which were recently published will have shown the Council, good progress has been made in the examination of individual projects. Already, since the report of the Commission appeared, forty-three projects commanding over seven million, and designed to irrigate over three million acres, have received final sanction. But this is only part of the work which has been done. In those provinces in which it was needed, a hydraulic reconnaissance or stock-taking of irrigational possibilities is in progress; while numerous projects of greater or less importance are in an advanced stage of preparation. Among them is a protective work—the Tungabhadra scheme—which is the most costly irrigation project that has yet been framed in India, being estimated to cost some 12 crores of rupees, to irrigate annually nearly a million acres, and to afford protection in years of drought to another million. To enable us to deal promptly and effectively with these schemes, we have recently appointed a whole-time Inspector-General of Irrigation whose duty it will be to advise us in carrying into effect the enlarged programme which we have adopted.

“But the duties of the new Inspector-General will not be confined strictly to irrigation matters. In January 1905 the Secretary of State and the Associated Chambers of Commerce of India almost simultaneously invited our attention to the potentialities of the natural waterways of the country, and especially of Bengal, and to the desirability of maintaining and improving this means of communication. Our attention was naturally first directed to the channels of the great Ganges-Brahmaputra delta, which traverse one of the richest portions of India, and which, while virtually forbidding transit by rail or road, afford unexampled facilities for transit by water. The subject had already been under the consideration of His Honour Sir Andrew Fraser, who is fully alive to its importance; it has been decided to examine it as a whole; and, especially since two separate Local Governments will now be intimately concerned in its development, the Inspector-General of Irrigation will advise us upon the general aspects of the matter. Three branches of it are at present receiving special attention. It is proposed to spend some 28 lakhs of rupees upon the improvement of the Madaripur Bhil route, upon which 11 lakhs had already been spent up to the end of 1903-04. And the Tolly's Nallah scheme and the improvement of the Bhagirathi route are now under detailed examination. These are large schemes, which naturally have the first claim upon our consideration. But I quite agree with the Hon'ble Maharaja of Darbhanga that the smaller channels also have their value as feeders; and I hope that they, in their turn, will receive the consideration that they deserve.

“The improvement of the port of Chittagong has also occupied our attention, and the Government of India have contributed ten lakhs to the cost, and have thus fulfilled the promise of help from Imperial revenues which was made

[*Sir Denzil Ibbetson ; Sir Arundel Arundel.*]

by Lord Curzon in February 1904. An expenditure of 8½ lakhs upon dredging plant and revetment has already been sanctioned, which will meet the more immediate requirements ; and a complete estimate of the cost of the whole work to be done is now under preparation.

“The Hon'ble Rai Bahadur Sri Ram will find the answer to his question about the admission of Indians to the Public Works Department as recruited in England, in the Supplement to the *Gazette of India* of the 15th July 1905. They are admissible up to a limit of ten per cent. of the total number recruited each year ; and as the recruitment for 1907 has been fixed at 39, this means a substantial advance upon existing rules.”

The Hon'ble SIR ARUNDEL ARUNDEL said:—“My Lord, there is one drawback to the liberal grants which the Hon'ble the Finance Member has fortunately been able to make to the different Local Governments for such special objects as police, agriculture, education, etc. It is that some Hon'ble Members are disposed to look reproachfully at the Government of India for not having given a great deal more to these and other objects, and to forget that it is to their own Local Government they should appeal which is in possession of large funds under the decentralized system of finance out of which all administrative expenditure should ordinarily be met. The Hon'ble Mr. Sri Ram frankly says that the subsidies in aid of the Government of India are ‘doled out,’ and laments that much more has not been given, though he cordially approves of the abolition of the patwari or village service cess which has absorbed so much of the available surplus, and which must obviously prevent the Finance Member from making further subsidies.

“The Hon'ble Mr. Porter strongly advocates grants from the Financial Department for the housing of police-officers. But from the outset of the discussions on the report of the Police Commission it has been recognised that the expenditure on police buildings is a purely provincial liability. I fully recognise that there is much to be done ; but most Local Governments have now a *quasi*-permanent financial settlement, and it rests with them to apply their growing revenues to purposes of this kind. In the era of reform inaugurated by the Police Commission the Government of India have taken upon themselves much heavy recurring expenditure that is involved, and the initial charges remain for the Provincial Governments.

“With regard to plague I think the Hon'ble Mr. Porter somewhat overstates his case. It is not all kinds of sanitary reforms that affect the spread of plague, and the connection between plague and large drainage schemes is, I venture to think, remote. What does help against plague is paving and making minor drains, etc., of masonry, because these improvements help to exclude rats and prevent the soil from becoming infected. Building improvements that let in light and air are also admittedly beneficial by tending to destroy the bacillus. But it cannot be admitted that the Government of India should finance large schemes of municipal drainage because plague exists and may continue to spread. I of course do not wish it to be supposed that there may not be other reasons which might justify the Local Government in seeking help when necessary from the Government of India for large schemes of municipal improvement.

“The Hon'ble Mr. Porter and the Hon'ble Mr. Sri Ram lament the absence of special grants for hostels or for other objects connected with secondary education. The desirability of hostels for the youth of schools and colleges now universally recognised has assumed prominence only within the last few years. It was, I think, due to Dr. Miller of Madras, who took time by the forelock and erected a hostel for his college out of his private purse. The advantages of hostels are so great that Local Governments are recognising an obligation to endeavour to provide them. But the obligation is essentially Provincial. The matter is also one in which private liberality may fairly be expected to aid. A District Board or Municipality numbering among its members most of the local magnates is exactly the sort of body that might be expected to stimulate local munificence, and to persuade well-to-do neigh-

[*Sir Arundel Arundel.*]

bours that the founders of educational institutions build for themselves the most enduring of all monuments.

"I cordially sympathize with the Hon'ble Nawab Bahadur Khwaja Salimulla of Dacca in his advocacy of improved educational facilities for the Mahomedan population of Eastern Bengal and Assam which he represents. I am confident that their needs will receive the fullest consideration from the Lieutenant-Governor, Sir Bamfylde Fuller.

"I understand the Hon'ble Mr. Gokhale to advocate universal free primary education throughout India. That would be a large order. The average monthly cost of a primary school is estimated to be Rs. 10. To increase this to Rs. 20 would cost over a crore of rupees even if not a single additional school were started.

"The first and greatest difficulty is money. The next is the reluctance of parents of the poorer classes to send their boys to a school and thus forego the value of their labour. In England it was found that the only way to surmount this difficulty was to make the education compulsory. In India we are many years distant from that consummation. But the hope and aspiration of the Hon'ble Member for universal free primary education is one that must meet with wide sympathy, and will be kept in view as the distant peak to be one day attained while the work of the present must be slow progress along the plain.

"I am glad to see that the Hon'ble Sri Ram, though he takes a gloomy view of the agricultural labourers' condition, does not repeat the pessimistic statement that India is steadily growing poorer—a statement that no budget, however prosperous, and no increase of trade however great, avails to abate. If the yield of the taxes increases, it is urged that money is needlessly wrung from the poor; if the yield falls off, it can only be due to increasing poverty. Such pessimists will doubtless remain pessimists to the end.

"This is the last occasion on which I shall have the honour of addressing this Council, and I will take this opportunity of saying that an Indian experience of over forty years has compelled me to realize the great improvement that has been brought about in the condition of the raiyat and the agricultural labourer in the course of that time. Roads and railways have benefited them no less and indeed more than the rest of the community, for food can now be brought to them if crops fail, while high prices are realized by the export of abundant harvests. Formerly a single failure of the monsoon meant widespread famine: now it is usually but local scarcity which can be successfully combated by the administrative officers. And here I must emphatically dissent from the Hon'ble Mr. Gokhale's statement that 'the exhaustion of the soil is fast proceeding, the cropping is becoming more and more inferior, &c.' My experience as a Settlement Officer and as a Collector in no way bears this out. I heard privately a few weeks ago on the best authority that the crops of the district which I left nearly fourteen years ago were never more splendid than they are this year.

"The Hon'ble Mr. Sri Ram says 'the labouring classes are in a chronic state of poverty hardly raised above the point of starvation.' If poverty means the absence of a credit balance with the village money-lender, the statement may be correct. But avoiding statistics and speaking from actual experience, I may say that I was for five years Collector and Magistrate of a district, Kistna, 8,000 miles in extent and yielding 60 lakhs of land-revenue per annum, which I knew well, and to allege that the labouring classes there were hardly raised above the point of starvation is entirely incorrect. Very many of the raiyats had saved the money and were money-lenders themselves to their poorer neighbours. The labourers had work and food sufficient for themselves and their families at all ordinary times. Signs of prosperity among the raiyats appeared in the widespread substitution of tiled roofs for thatched; in the importation of large quantities of gold coins—largely French—for use as ornaments; and not least in the number of graduate pleaders who settled in various towns of the district and drew comfortable incomes derived from litigants who were chiefly agricultural. One infallible test could always be applied, namely, that the little children in the poorer hamlets were ordinarily well fed and were neither pinched nor emaciated.

[*Sir Arundel Arundel; the Commander-in-Chief.*]

I do not recollect to have heard of any cases of death from actual starvation during my tenure of office in that district, though it is possible there may have been, and the poor-law guardians of many a large town in England, to say nothing of a whole county, would be glad if they could say the same."

His Excellency THE COMMANDER-IN-CHIEF said :—"My Lord, my Hon'ble Colleagues, the Maharaja of Darbhanga and Mr. Gokhale, have both raised the question of army expenditure, and the latter has reiterated many of the arguments and assertions which we have heard at each Budget debate during the three years I have had the honour of sitting at this table.

"The Maharaja of Darbhanga has asked :—"What is the use of alliances if we are not to take advantage of them?" But surely he must recognise that there are higher and more world-wide interests underlying our alliance with Japan than the mere pecuniary advantage to this country that he puts forward. It is, of course, evident that, owing to recent events, we have a breathing space in which to complete the precautionary measures which have been recognised to be indispensable. But that is no reason why we should abandon our efforts to remove obvious and acknowledged defects and deficiencies, or reduce our army below the standard that was considered necessary before any of these events occurred.

"I am glad, however, that this discussion has been raised; as it gives me an opportunity of trying to place the matter of army expenditure before my Colleagues in a light in which it may not have been put to them before.

"I think it will be allowed that military expenditure must be considered from three broad standpoints :—

firstly, efficiency and sound organisation;

secondly, economy in the expenditure of the funds voted for the army;

and

thirdly, the strength of our forces, and the remuneration our men receive for their services.

"The time at our disposal is limited and I have no desire to encroach on your patience unnecessarily. But I should like to make a few remarks under these main heads which I trust will show my Hon'ble Colleagues that I unite with them in their desire to secure efficiency and economy in all matters—particularly military—and that I consider it would, of course, be unjustifiable to maintain any forces which can be proved to be superfluous for the necessities of this country.

"The Hon'ble Mr. Gokhale would prefer to rely entirely on what he terms 'citizen-soldiership,' framed on Japanese lines. From my short experience of this country and its inhabitants, I am not convinced that the people of India would welcome, with all his enthusiasm, the introduction of conscription, with rates of pay that would necessarily be very much lower than the soldier receives at present; and, if Mr. Gokhale does not mean this, I cannot follow his argument that 'the present military burden will be largely reduced.' I cannot help thinking, also, that it is possible that the martial spirit which he wishes to develop might have drawbacks to the class he most closely represents which my Hon'ble Colleague has not fully contemplated.

"Although both of my Colleagues object generally to military expenditure, I hardly think either of them would be satisfied unless the army of this country were maintained in as efficient a manner as possible. I feel sure also that they will agree with me that in all great industries it is the unquestionable duty of employers of labour to do all in their power to remove any deficiency or defect in their arrangements which might be productive of needless risk or danger to their dependents. It is a simple, rudimentary obligation in the relations between master and servant, which I feel sure no member of the community would attempt to challenge, and I think those who represent the mercantile communities of this country will admit that it is only a wise policy to prevent their workpeople being hampered by antiquated machinery or insufficient materials.

[The Commander-in-Chief.]

" Now there is a class of public servant which I think should not be excluded from equal consideration in this respect. It is a class of men of whom we are justly proud, who have brought much credit to the Empire and on whom we have to rely for the maintenance of peace and security in this country. I refer to the Army in India. It must be remembered that these men are prepared to give their lives freely for the integrity and honour of this country and have proved the fact in innumerable instances. If, then, the owner of a mine only does his duty in securing his employés from the obvious risks which surround them in the exercise of their calling—if he would rightly be convicted of a grave dereliction of such duty if he were not to protect them from the dangers of fire-damp, or were to send them down into the shafts in worn-out cages—surely a Government only fulfils an equally essential obligation in endeavouring to protect its soldiers, who devote their lives to the State, from needless destruction, by giving them the means which are essential for the performance of their dangerous duties.

" There is also another aspect of the case which I think will appeal to my Hon'ble Colleague.

" We have recently had an example of how efficient organisation and preparation produce remarkable results in war. The Japanese prepared for possible eventualities, with the result that, when the time of trial came, they passed triumphantly through what everyone recognised was a critical turning point in their national history, instead of being crushed as some expected they would be in their recent struggle against a great Military Power. Do those who represent the best opinions in this country desire that it may be said that the Indian soldiers are inferior in fighting quality to our gallant allies, not because of any want of bravery or patriotism on the part of the men themselves, but because of their not being given the necessary organisation and equipments? I think not; and I feel sure that my Hon'ble Colleagues the Maharaja of Darbhanga and Mr. Gokhale would be the first to resent any disparaging remarks of this sort against their countrymen, and that they would wish to prevent the possibility of any such comments being even hinted at or suggested.

" In addition, therefore, to the paramount obligation of securing the peace and safety of the State, it seems to me to be incumbent on Government, both on the score of humanity and also for the honour and fair name of the people of this country, to see that our soldiers are not sent into the field imperfectly organised, with inferior weapons, and without the necessary ammunition and other essential warlike stores.

" That is what we are trying to do. We should, of course, prefer to have our measures even more highly perfected, so as to have a margin of safety which would give our troops the advantage over an enemy. But that is at present beyond us. We are merely trying to bring our equipments up to a standard equal to that of possible opponents, and remove defects which have too long remained unrectified. However we may desire to study economy, we are compelled to pay some measure of regard to the re-armaments and military progress in other countries, and are often forced against our wishes into expenditure which we should prefer to devote to other objects. It is also an unfortunate fact that, ever since the days of bows and arrows, the cost of lethal weapons and munitions of war has steadily increased. That, however, is a factor beyond our control. But we have been and are still doing the best we can to reduce the expenditure thus caused as much as possible. By the extension of Indian factories we hope to be able to turn out guns and other equipments more cheaply than we have hitherto been able to obtain them from England; and this course will have the further advantage to India that the money spent on labour will go to Indian workpeople.

" Under the arrangements which have recently been introduced, Army expenditure will, in future, be under the direct control of the Finance Department. I should, therefore, be trespassing on my Hon'ble friend Mr. Baker's preserves if I were to enlarge on the subject of economical expenditure of money. But I am conscious that he relies on my full and cordial co-operation, to prevent waste of all sorts, so that the funds voted for

[*The Commander-in-Chief.*]

the army may be expended with strict regard to economy and due regard to military efficiency.

“ At the last debate on the Budget, my Hon'ble Colleague, Mr. Gokhale, took exception to a remark that his knowledge of military matters was not extensive. I have not the temerity to repeat a proposition which he said was superfluous. But I do say that the correct appreciation of our military position necessitates long and careful examination, by the best experts we can get with full knowledge of the numerous factors which affect the problem. When such investigations have been completed and laid before the Government, it is for them to decide what means should be provided, that is, what the strength of the army should be. But I think everyone will agree with me that before even discussing any addition to our forces, it is our duty to try, by improvements in our arrangements, to make the best of those already at our disposal. This is what we are trying to do. This is mainly what the Reorganisation Scheme means, regarding which there seems to be considerable misapprehension. Some appear to have misgivings that a large increase to the forces is projected; others that the bulk of the expenditure is to be spent on buildings. Both assumptions are widely incorrect. As the result of a long and elaborate examination, it has been found that, by improved methods, we should be able, out of our existing forces, to place in the field an army of practically double the strength that was previously considered possible. The expenditure now being incurred, which is only a fraction of what would be required if we had to add an equal number of new units—is partly for the equipment of these additional troops. But it also includes the cost of new rifles; the introduction of quick-firing guns for the artillery, which, in turn, involves larger reserves of ammunition and ammunition columns; improvements to our transport, the coast defences, and many other measures which have long been recognised as indispensable. The bulk of the expenditure is for these services, and only a small proportion is being incurred on the necessary accommodation required for the better distribution and consequent better organisation and training of the army. As I have shown, we are spending money in reorganising our existing materials, and not on any material addition to the forces; though, as a consequence of the experiences in South Africa and Manchuria, we are also trying to reduce the large deficiency in officers, and are building up a larger reserve for the Native army which is a move in the direction which the Hon'ble Mr. Gokhale advocates. In taking these precautionary measures, we are spreading the cost over a considerable period, so as to reduce inconvenience as far as possible; and when they have been completed, we may hope that military expenditure will be largely reduced.

“ When we come to the question of the remuneration which men in the army receive, I feel sure that my Hon'ble Colleagues do not consider the sepoy overpaid. Indeed, having regard to the increased cost of living, I should be somewhat surprised if they did not think the converse to be more correct.

“ I trust that I may have been able—even if it only be in some slight degree—to reassure my Hon'ble Colleagues that we are not indulging in military extravagances; but on the contrary, are endeavouring, by overhauling our existing machinery, to obviate increases which might otherwise have been forced upon us. It must be remembered that if we are to secure peace and tranquility to this country, which are essential conditions of its material progress and advancement, we must be watchful; and, whilst resisting any tendency to be influenced by extreme views on either side, it is necessary that we should methodically and systematically organise the available means at our disposal. Capitalists will not place their money in India, or assist in the development of its resources, on which this country's prosperity so much depends, unless they are convinced that there is assured security. Therefore, if we desire to attract capital and act up to the motto 'Advance India,' we must be careful that no idea gets abroad that our position is insecure or that we are neglecting necessary precautions.

“ My Lord, in the gracious message which His Royal Highness the Prince of Wales sent to Your Excellency as he was leaving India, he referred

[*The Commander-in-Chief; the Lieutenant-Governor; Mr. Baker.*]

to the grand traditions of the army in this country, and to the keen spirit and general striving towards efficiency and preparedness for war which appeared to His Royal Highness to animate all ranks. I can assure Your Excellency that the Army of India deeply appreciates the high commendation thus bestowed upon them by our King Emperor's son. The loyalty, bravery and devotion of this army are all factors upon which confident reliance can be placed; but its preparedness to take the field must depend largely upon the action of Government, for even an army of heroes can only be sacrificed if it be not provided with the necessary organisation and equipments which are essential for success in modern war."

His Honour THE LIEUTENANT-GOVERNOR said:—"My Lord, I shall not detain the Council many minutes. I desire, in a word, to congratulate Your Excellency's Government on the Budget and my Hon'ble friend Mr. Baker on the manner in which it has been presented and the manner in which it has been received. It is not necessary for me to say anything in regard to the discussion that has taken place, except perhaps in regard to a remark or two which have fallen from my Hon'ble friend the Maharaja of Darbhanga. One matter which he discussed has been disposed of by my Hon'ble friend Sir Denzil Ibbetson, namely, the question of the waterways of Bengal. The other was the popular view—which I observe the Maharaja Bahadur did not venture himself to accept—of the connection between the development of railways and the development of malaria. I think he will find, when we come to discuss that question in another place, that the coincidence to which that view of the connection between railways and malaria owes its origin has not escaped the attention of the Government of Bengal, and I trust he will consider that we are dealing as adequately as we can with it.

"Only one word remains, namely, that I desire to express the gratitude of the Government of Bengal for the terms of our new contract. I shall not enter into details. They have been thoroughly threshed out between the Government of Bengal and the Government of India, and I am glad to find that my Hon'ble friend the Maharaja of Darbhanga has only a half-hearted wish to express that perhaps we might have got more. I need not say that I thoroughly re-echo that wish. We feel very much our want of money. It is a terrible thing to be surrounded by open mouths and claimant demands, and we have far too often to meet such requests for substantial help with the cold water of sympathetic words. At the same time we have received from the Government of India very generous treatment, and have now, I trust, some money with which to do some work, and we are not ungrateful to them."

The Hon'ble MR. BAKER said:—"My Lord, I think Your Excellency's Government has reason to be satisfied with the reception which the Budget has met with at the hands of Council. From the observations which have fallen from various speakers today, I gather that our specific proposals have met with general approval, especially those for the remission of the patwari cesses: but some disappointment seems to be felt that we have not made larger provision for expenditure on a variety of new objects. My Lord, I venture to think that that disappointment, if it is really felt, is not altogether reasonable. As Lord Curzon once said, we have been forcing the pace a good deal during the last few years, and we are already committed to very heavy recurring expenditure on police reform, the improvement of agriculture, primary education, and many other things. I am far from taking a pessimistic view of the situation, but having regard to the present unfavourable character of the seasons in several of the provinces, I really think it would have been rash for us to launch out upon any great new schemes at the present time. And there is another consideration of a more general character, which, I think, some gentlemen are apt to lose sight of, but which is really of great importance. The Hon'ble Home Member has already drawn attention to it in his speech today. It is this. Almost all the matters for which we are invited to provide additional grants are within the sphere of the Provincial Governments. We have conferred

[*Mr. Baker.*]

upon these Governments definite powers and responsibilities which extend to most branches of the civil administration and we have provided them with growing revenues, on what may fairly be described as a very liberal scale, to enable them to discharge their duties adequately in all branches. The Local Governments have not merely ample funds, but also full discretion in the expenditure of them. It would be wholly inconsistent with the first principles of the system of Provincial Settlements, if we were to dictate to any Local Government what it should spend on each individual head; and it is also an entire mistake to suppose that the money for improvement in the Provincialized branches of the administration ought to be or can only be provided in normal circumstances by special additional assignments from Imperial revenues. If any particular measure is outside the terms of the settlement, or is of such magnitude as to be beyond the powers of the Local Governments, then Imperial revenues may fairly contribute, as they have done on several occasions in the past. Police reform is a conspicuous instance of this. If we were to embark on a policy of making primary education free of charge to the public, as Mr. Gokhale suggests, that also would justify some special assistance from Imperial funds. But most of the objects for which we are pressed to find money are not of this class. Thus, the Hon'ble Mr. Sri Ram complains of the inadequate provision for technical education and for sanitation, and the Hon'ble Mr. Porter asks us to give additional grants to the United Provinces for police buildings, for hostels in secondary schools, and for subventions to Local Municipalities. He says that the United Provinces ask for no doles, but with all due deference it seems to me that is exactly what the Hon'ble Member does ask for. These are all ordinary items of Provincial expenditure, for which due allowance was made, though in general terms and not specifically, in the Provincial Settlement; and it is for the Local Government to provide the necessary funds. Any other course would make these particular items an Imperial charge, and would be destructive of Provincial responsibility.

"But I will admit that I have much sympathy with the Government of the United Provinces. The Hon'ble Mr. Sri Ram's detailed comparison of the Provincial Settlement with those of other provinces is inaccurate in certain respects; but it is quite true that, as a whole, though much more favourable than its predecessors, it is still distinctly less favourable than that of any other Local Government, conspicuously so as compared with those of Bombay, the Punjab, or the Central Provinces. Again it is undeniably true that the United Provinces have been very hard hit by the failure of the harvests and by the heavy expenditure they have had to incur on famine relief, by which its estimated balance at the end of 1906 will have been reduced to 5½ lakhs of rupees. If we are able to devise a more equitable method of allocating famine expenditure, I hope that we shall be able to apply it in such a way as to make up a part of the losses which the Local Government has already incurred. As regards the terms of the settlement, it is perhaps too soon to revise it altogether, but I shall be ready to bear the matter in mind when a suitable opportunity occurs. The same remarks apply in the case of the settlement with Madras to which Mr. Sim has referred, and the terms of which are generally similar to those of the United Provinces settlement.

"Next year, we shall undertake the revision of the Provincial Settlement of Burma, and I think I may promise that we shall bear in mind the appeal which Mr. Hall has made to us on behalf of this Province. I quite agree with him that liberal expenditure in Burma is likely to prove productive, and it shall be our object to accord it both just and generous treatment.

"Both the Nawab Bahadur of Dacca and the Maharaja of Darbhanga have commented on the small share which Bengal has received in the remission of taxation. The explanation of this may be summed up in the three words—'the permanent settlement.' In Bengal the land already pays far less in proportion than in any other part of India; and so far as strict justice is concerned, it has no claim even to the 4 lakhs a year which has fallen to its share. The justification for the remission of the zamindari dāk cess lies wholly in the

[Mr. Baker.]

fact that the district post is an administrative anachronism, and it could not be defended by any references to the equity of relieving the landed interest of that province.

"The Nawab Bahadur has expressed the hope that the balance may be redressed by a readjustment of the road cess in Bengal. I hope my Hon'ble friend does not ask for a reduction of the road cess—of which I can hold out no expectation. But it is true that in my judgment Bengal has a real grievance in regard to its local taxation. In Bengal, as in Madras and Bombay and most other provinces, the land pays one anna in the rupee of its annual value under the head of Provincial rates. But whereas in other provinces the whole of this cess belongs to the Local Boards for local purposes, in Bengal one-half of it has from the first been appropriated as an asset of general revenues. I am well aware of the historical reasons for this appropriation, and they have always appealed to me as being singularly devoid of force. I shall be very happy if within my term of office it should be in my power to redress this injustice to the province to which I have the honour to belong.

"The Hon'ble Mr. Logan has pointed out how seriously the finances of some of the Local Governments, and Bombay in particular, are affected by expenditure on famine relief, and he has urged that all such charges should be borne by Imperial Revenues instead of by the Provincial Governments. Mr. Sim has raised the same point in regard to the province which he represents. Mr. Logan is under a misapprehension in thinking that the grants in the present budget for relief works and remission of land revenue are Imperial grants. They are, of course, Provincial, in accordance with the terms of the Provincial Settlement. It is, however, unnecessary to dwell on this point.

"I do not regard the difficulties which undoubtedly attach to the present system in quite the same light as the Hon'ble Member, and I could not assent to the solution he has suggested. The management and conduct of 'wars, expeditions, and political missions' rest with the Imperial Government, and it is therefore right that the latter should pay for them. But the actual administration of famine relief must necessarily rest with the Local Government, and famine is the last matter in which financial responsibility should be divorced from administrative control. Even as it is, it is difficult enough to hold the scales evenly between the claims of economy on the one hand, and those of humane treatment of suffering people on the other. If there were a big famine in any province, and the Local Government were at liberty to pass on the entire bill to us, I shudder to think of the consequences to the finances of the Government of India.

"But having said this much, I will frankly admit that in my judgment the present system is really open to serious objection. No allowance is made for famine in the Provincial Settlements, and the established principle is that the entire resources of a Local Government must be exhausted before any assistance can be claimed from Imperial Revenues. The result is that the system is unfair as between one province and another. A province which is liable to relatively frequent famines, such as the United Provinces, Bombay, or the Central Provinces, is worse off than one which is comparatively immune, such as Burma or Eastern Bengal. Moreover, a province which is afflicted by famine shortly after it has obtained a *quasi*-permanent settlement, as has been the case with Bombay and the United Provinces, loses the advantage, to a greater or less extent, of the initial lump grants which were intended to give it a good start on its new career, for these are absorbed in meeting famine charges, instead of being available for Public Works, or improvements in the Civil Administration. The consequences are more serious under the present system of *quasi*-permanent settlements than they were formerly, for the quinquennial revision of the settlements no longer affords an opportunity of setting a crippled province on its legs again. Lastly, in the case of a small famine, one effect is actually to improve the financial position of the Imperial Government at the cost of the provinces: for expenditure is transferred from 'Reduction and Avoidance of Debt,' which is an Imperial head, to 'Famine Relief,' which is Provincial. This has actually occurred on the present occasion, and it is an undoubted anomaly.

[Mr. Baker.]

"The question is one of considerable difficulty, and various remedies have suggested themselves. I admit that a material change is required, and it is our intention, as soon as we get to Simla, to examine the matter thoroughly and endeavour to devise a sound solution. It will probably be necessary to consult the Local Governments, and the sanction of the Secretary of State will certainly be required if any radical alteration of principle is made. For the present, I will merely say that we are fully alive to the objections to the present system, and that it shall receive our prompt and careful attention.

"The Hon'ble Mr. Apar has urged us to 'think imperially' in fixing the amount of our contribution towards the cost of the improvement of Calcutta. I can assure him that the Government of India are now and have always been ready to take a generous view of the claims of the capital to assistance from the State in carrying out this long delayed and greatly needed measure. The amount of our contribution was fixed at 50 lakhs in consultation with and with the sanction of the Secretary of State, and it is not open to me to undertake to increase it. But if sufficient grounds can be shown for reconsidering the amount, we shall no doubt be ready to do so. On the other hand, it is only just that those who benefit most by the scheme should bear the brunt of the burden. Some of the comments which I have seen in the Press on this subject might lead one to fear that this principle is not always borne sufficiently in mind.

"I regret that I cannot assent to the Hon'ble Mr. Apar's suggestion that the continuance of the income tax is suspiciously like a breach of faith. This suggestion has been made before, in the Press and elsewhere; but, so far as I know, it has never been supported by any evidence whatsoever, and I can assure the Hon'ble Member that as a matter of plain historical fact it rests on no foundation. When the tax was imposed in 1886, Raja Piari Mohan Mukherji moved an amendment to limit the duration of it to one year. With reference to this, the Hon'ble Mr. Steel, representing the Bengal Chamber of Commerce, said that—

'The payers of income tax will now fairly claim that under the present Bill they will contribute at least their full share: and when any remission of taxation is possible, they will expect that their case shall be considered on its merits along with all other claims for relief which may be put forward.'

"Referring to these remarks of Mr. Steel, Sir Auckland Colvin, in opposing the amendment, said—

'With regard to the duration of the tax, the Hon'ble Mr. Steel has put the case in an extremely fair way, *vis.*, that if the Government finds itself in a position to make remissions of revenue hereafter, the question of the income tax should be put on the same footing and receive the same consideration as any other question of remission of revenue.'

"Again in 1890, in replying to a representation from the Bengal Chamber of Commerce, the Government of India wrote as follows:—

'It is unnecessary to remind the Chamber that no tax can be considered to be final either as regards form or rate, but I am to say that the Government of India has never given any sanction to the belief that the present income tax would be abolished or reduced in preference to any other tax which is now levied or which was levied in 1886.'

"Since the tax was imposed in 1886, the Government has never given any sort of pledge or promise, direct or indirect, to repeal the tax or treat it in any way differently from any other tax. Only two years ago, Sir Edward Law in this Council emphatically affirmed the absolute freedom which Government claimed to itself in this respect, and I can do no more than repeat what he then said. I can hold out no sort of expectation that the tax will be either repealed or reduced. It is almost the only contribution of importance which is made to the public revenues by the monied classes in this country whose incomes are derived from trade or other non-agricultural sources. These classes are universally admitted to derive great benefits from British rule; and in my judgment, they at present contribute not too much, but too little.

"Nor am I disposed to think that the limit of exemption should be raised. It seems to me that a man in this country with an income of ₹1,000 a year is better off and ranks higher in the social scale, than a person at

[Mr. Baker.]

home with an income of £160 a year. The latter figure represents only about four and-a-half times the average income of a resident of the United Kingdom, whereas ₹1,000 represents no less than thirty times the average income of a resident of India. As regards the suggestion for a rebate on, or deduction from, incomes below a certain amount, it is perhaps possible that a case might be made out, but *prima facie* it does not seem to be a matter of great or general importance.

"With reference to the point raised by the Hon'ble Mr. Sri Ram, I will have it enquired into; but *prima facie* I am not sure that the rate of increase in the yield of the tax has been in any way abnormal.

"The Hon'ble Mr. Gokhale has raised a number of more or less important questions, with which it would be quite impossible to deal adequately in the time at my disposal.

"In the first place, he has suggested that in our accounts the receipts from Railways and from Productive Irrigation Works should be shown *net*, instead of showing the gross receipts on one side and the various charges on the other. This suggestion has been before Government more than once. Personally, I think that there is a great deal to be said in favour of it, but the view that has hitherto prevailed is that it would be misleading to omit from our main accounts items aggregating 25 millions sterling; nor would such a change be justifiable in accounts which profess to state the total revenue and the total expenditure chargeable thereon. A further practical difficulty has arisen in connection with the allocation of the figures between England and India, as it would apparently be necessary to exhibit very large *minus* figures, which would not be readily intelligible. I will have the matter further enquired into, but no change of this description can be introduced without the sanction of the Secretary of State, and I can therefore give no undertaking in the matter one way or the other.

"The Hon'ble Member has also suggested that the figures which relate to 'local' revenue and expenditure should be excluded from our main accounts, which should be confined to those relating to Imperial and Provincial Finance. It so happens that a very similar proposal has been under our consideration during the past year, and I am myself of opinion that the balance of advantage is in favour of making the change, provided that steps are taken to exhibit the aggregate local transactions in a convenient and accessible form. Here also no change can be made without the approval of the Home authorities whose decision cannot be anticipated.

"Then the Hon'ble Member has put in a plea on behalf of the District Boards in Bombay. The principal source of income of these Boards is the local cess on land, which is a function of the land revenue: and when for any reason, such as famine, the land revenue is suspended or remitted, the Boards lose a large part of their revenue. In the Punjab, he says that in such circumstances the Local Government make up to the Boards the amount of the cesses which is lost.

"Mr. Gokhale was good enough to mention this matter to me a few days ago, and I have made such enquiries as were possible in the interval. I am informed, however, that the Hon'ble Member's information in regard to the practice in the Punjab is not correct. In that province the District Boards have to stand the loss when cesses are remitted, and the amount is not made up to them by the Local Government. If that is the case it cuts away the ground from under the Hon'ble Member's feet. We could not reasonably make a special rule for Bombay more favourable than that which obtains elsewhere. Apart from that, moreover, I do not think that the present practice is inequitable in itself. The fact that Bombay has not shared in the present remission of taxation is easily explained. Bombay has never—at least for so long as I am aware—had to pay the village officer's cess or the famine cess. It has all along enjoyed the very exemptions which we are only now extending to other parts of India. So far from Bombay having a grievance, it is rather the other provinces that have cause to complain that they have been left behind Bombay for so long.

[*Mr. Baker.*]

"Then, again, Mr. Gokhale has taken exception to the practice by which District Boards are required, in times of famine, to devote a great part of their resources to expenditure on relief works. I find that there are very numerous orders on this subject, some of them dating many years back; and it is not possible for me without much more time for consideration to make any complete or authoritative pronouncement on the subject. One order which I have found is to the effect that all municipal, local and district resources must be first exhausted before any call is made on Provincial or Imperial funds. I have no hesitation in saying that if that principle is to be interpreted literally, I entirely dissent from it. I doubt whether it has ever been really acted upon, and it is certainly not in accord with the policy which has governed the action of the Government of India in these matters for years past. Speaking with all due reserve, I think the utmost we can rightly require of a District Board in time of scarcity is that it shall economise in its ordinary expenditure in all reasonable ways; that it shall set apart as much of its funds as possible for expenditure on works; and that it shall adapt its programme of works as far as it can to subserve the purposes of famine relief. Beyond that I do not think any local body should be required to go. But I do not think we should go still further and relieve District Boards of all responsibility whatever in regard to famine. Apart altogether from legal obligations, the broad fact remains that District Boards form an integral part of the administrative machine, discharging functions in their own sphere which are comparable with those of Provincial Governments and the Government of India in their larger fields of duty. All three parts of the governmental machine should share the common responsibility, and should co-operate with each other in combating a famine not merely in the actual work, but also in the provision of funds, each in its own degree. In replying to Mr. Logan, I have already intimated that we are not satisfied that the Imperial Government at present bears its full share of the burden; but none of the three partners can fairly claim to be wholly exempted.

"Then the Hon'ble Member points out that the Gold Reserve Fund now exceeds the sum of 10 millions which was named by Lord Curzon two years ago as being sufficient for our purpose, and he asks me to say what we propose to do with the profits of coinage in future. I may remind the Hon'ble Member that last year Sir Edward Law expressed the opinion that we ought to have some 20 millions in the Gold Reserve Fund, and we are still a long way short of that figure. But personally I regard the matter in a somewhat different way. So long as India has a gold standard combined with a currency which consists mainly of rupees, I consider that we are bound to set apart the whole of the profit on additions to the coinage. Every penny of these profits is linked with an equivalent liability, which is none the less real because it may not have to be discharged for a long time to come. Sooner or later, gold will come into circulation in India, as it has done in nearly all countries in the world, and will tend to take the place of rupees. It may be many years before this comes about, and the process will probably be very gradual; but that it will come in the long run, I have no manner of doubt. When it does come, we shall have to reverse the process by which we have been adding to our silver currency in accordance with the requirements of trade; we shall have to dispose of the surplus stock of rupees, and replace them by gold. In this view, there can be no limit to the Gold Reserve Fund. Broadly speaking, every rupee that we coin from bullion may eventually have to be converted back into bullion, and the profit which we made from the first operation must be religiously reserved to meet the cost of the second. We must therefore resist all temptation to use these profits for ordinary current expenditure.

"But I agree that there is a limit beyond which it is not expedient in practice to store the accumulated profits in the form of ordinary sterling investments. My reason is that it will not be possible to throw more than a certain amount of such investments on to the market at once. If we hold more than can be readily liquidated, the investments will actually not be available when we require to draw upon them to meet the cost of conversion. We have certainly not reached such a limit yet, so that it is rather premature to discuss the

[*Mr. Baker.*]

question: but when it is reached, my view is that further accumulations should be applied to the reduction or avoidance of debt, preferably of sterling debt. The practical effect of employing them in this way would be that we should either expand our programme of productive railways and canals or that we should finance the latter with a smaller amount of borrowing.

"The question of military expenditure has been dealt with by His Excellency the Commander-in-Chief and all that I need say is that I resolutely adhere to the view which I expressed last year that it would not be sound or expedient to have recourse to borrowing for the purpose of carrying out the scheme of army reorganization unless we should find it impossible to finance it without undue difficulty out of revenue. Expenditure on public defence is not productive in the commercial sense, and is not a suitable object to be financed from borrowed funds. The only justification for such a course would be imperative and urgent necessity: and no such necessity has so far arisen.

"Mr. Gokhale returns to the charge once more in regard to the employment of our surpluses on the construction of productive public works, and urges the relative claims of sanitation, the provision of school houses, and mass education. Is not the Hon'ble Member rather forcing an open door? We are all entirely agreed with him that we ought not to maintain taxation on a higher level than we should otherwise require, merely in order that the revenue so collected may be spent on constructing railways. That would undoubtedly be wasteful, and unfair to the present generation of tax-payers. But when a surplus has actually accrued from any cause, such as a fortunate windfall, or from our revenues exceeding our expectations, or in any other way, then I remain of the opinion that we can ordinarily find no more beneficial way of utilizing the money than by investing it in productive works, whether Railways or Canals.

"I readily admit that there is nothing wrong in principle in using such money for other non-recurring expenditure, and as a fact we have often done so. Instances of recent date which occur to me are the 50 lakhs assigned for the improvement of Calcutta, the 20 lakhs for the extension of Simla, the various initial grants given from time to time to Local Governments in connection with their new Provincial settlements: and the 22 lakhs given two years ago by Lord Curzon's Government for what were called secondary requirements, such as museums, public parks and gardens, the Calcutta Zoo and the like.

"But the objection is that this practice does not make for economy. Once we begin to allot sums of money for expenditure on particular objects, not with any ordered design or because the latter are deliberately held to be necessary, but merely because money happens to be available at the moment, we set foot on an inclined plane which leads to the deepest morass of extravagance. Occasions may arise when such a course may be legitimate or expedient, but all such proposals must be most jealously scrutinized and kept under the closest restrictions. The Hon'ble Member expressly intimated that the objects on which the money should be spent must be non-recurring. Surely it was by an oversight that he included among them such essentially recurring charges as mass education and sanitary improvement!

"Most of the items included in Mr. Gokhale's somewhat overwhelming programme of economic and administrative reform do not fall within my province to deal with. But I must offer a few observations on his suggestions for financing his schemes. He suggests (1) that the funds set free by suspending Army re-organization or by carrying it out from borrowed money should be applied to the extension of Primary education; (2) that the profits on coinage should be reserved for the relief of rural indebtedness; (3) that the famine grant should be spent on industrial and technical education; (4) that co-operative credit societies should be allowed to make use of the deposits in the Post Office Savings Banks; and (5) that whatever surpluses accrue should be devoted to assisting Local Bodies in the construction of works of sanitary improvement.

"Now I have the keenest sympathy with every one of the objects on which the Hon'ble Member desires to see public money expended. In

[Mr. Baker.]

particular, I am greatly interested in his proposal for making primary education free, with the intention of ultimately making it compulsory. I hope and believe that some great scheme of this nature will eventually be carried into execution, though I am wholly unconvinced by the Hon'ble Member's figures that the cost of it will be anywhere in the neighbourhood of 30 lakhs of rupees. In the United Kingdom in 1904 over 13 millions sterling were spent on primary education from Parliamentary grants. We may make any allowances the Hon'ble Member likes to ask for an account of the different conditions of the two countries; but when every possible deduction has been made, is it conceivable that we can hope to give free primary education to a population six times as numerous, for $\frac{1}{20}$ th part of the cost? If we get off with $1\frac{1}{2}$ crores a year I shall be surprised: though I believe it would be money well spent.

"But the suggestions for financing the various projects are calculated to alienate my sympathies, and I cannot help thinking that if the Hon'ble Member had had more time for consideration, he would have omitted or modified them. The extension of primary education, and the making of it free, are objects worthy of a foremost place in our policy; but the funds ought emphatically not to be found by casting on to a future generation the present cost of national defence. The relief of rural indebtedness is a matter deserving of serious consideration: but, as I have already shown, the profits on coinage are not available for any such purpose. They must be reserved to meet the corresponding liability which attaches to them, and which will assuredly have to be discharged in the long run. So as regards the Famine Insurance Grant, we have often been told that it was an immoral act to absorb this grant in former years to defray the cost of the Afghan War. I express no opinion as to that; but I do affirm that it would be no less immoral to divert it for expenditure on technical or industrial education, with which it has nothing whatever to do. I will not go through the rest of the list. I will merely assure the Hon'ble Member that while we welcome his co-operation and advice, and while I for one shall be ready to do everything in my power to further the causes which he and the Government alike have at heart, it is not by devices such as these that a solution is to be found.

"Turning from these matters, I think it may be of some interest if I lay before the Council a brief retrospect of the changes that have been effected in our fiscal system during the last 24 years, by the reduction, modification or abolition of old taxes, and the imposition of new ones. I propose to take as my starting point the year 1882-83, for the reason that that was the year in which the Government of Lord Ripon carried into effect certain important measures of fiscal reform to which reference is often made in this connection. Such a review as I contemplate may, I think, enable the observer not merely to take a bird's eye view of the course of Indian taxation in the past, but also to form a fairly correct estimate of the net improvement—for there has been an improvement—that has been effected in our fiscal system up to the present time. I shall make it as brief and free from technicality as possible, avoiding all details of little general interest, and though I shall present a few figures, they shall be very few, partly to avoid wearying the Council, and also because the actual yield of taxation is obviously affected by other causes than abolition or imposition.

"Viewed from the standpoint which I have indicated, the period from 1882-83 to the present time divides itself naturally into four groups of years, each of which presents strongly marked fiscal characteristics of its own.

"The first group extends from 1882-83 to 1885-86. By the time this period began the country had recovered from the effects of the famine of 1876-78, and from the financial burden imposed by the Afghan War, while the fall in sterling exchange, though beginning to be felt, was not yet acute. It was characterized by three important measures in relief of taxation. These were:—

firstly, the abolition of the import duties on cotton goods, and of the general import duties, or so much of them as still survived. The cost of this measure in the first year of its introduction was $106\frac{1}{2}$ lakhs;

[Mr. Baker.]

secondly, the reduction of the salt duty from R2-8-0 per maund, (or R2-14-0 in Bengal and Assam) to R2. The cost of this, also in the first year of the change, was 119½ lakhs; and

thirdly, the abolition of the patwari cess in the United Provinces, at a cost of 24 lakhs. The aggregate cost of these three measures was rather over 230 lakhs of rupees per annum.

“The second group of years extends from 1886-87 to 1895-96. Its leading features were the increase of expenditure forced upon us by the approach of Russia towards our frontiers, and the annexation of Upper Burma; and the unprecedented depression of sterling exchange which severely augmented the burden of the home charges. These causes led to the rescission, one after the other, of the three measures of relief which had been carried out during the previous period, and to the imposition of three new taxes in addition. The measures actually adopted were as follows:—

Firstly, in 1886, the income-tax was substituted for the former license-tax: the gain in the first year of the change being 86½ lakhs.

Secondly, in 1888, the salt duty was raised again to R2-8-0 per maund, the increased yield being 101½ lakhs in the first year, with a further advance of 51 lakhs the year after.

Thirdly, in the same year, an import duty of half an anna per gallon was imposed on petroleum, yielding 11½ lakhs. This rate of duty was doubled in 1894, the increased yield being 5½ lakhs.

Fourthly, in 1889, the patwari cess in the United Provinces was reimposed, yielding 22½ lakhs.

Fifthly, between 1894 and 1896, the general import duties were reimposed on a 5 per cent basis. There were some intermediate alterations in regard to cotton piece goods and yarns, on which it is unnecessary to dwell; but the ultimate result was that, as an exception to the general rule, piece goods were taxed at 3½ per cent instead of at 5 per cent, while yarns were free. An excise duty of corresponding amount was simultaneously imposed on piece goods woven in Indian mills. The increase of revenue from the general import duties and from cotton piece goods including the excise duty was 154 lakhs and 103 lakhs respectively.

“The aggregate increase of taxation imposed during these ten years may be taken at about 536 lakhs of rupees per annum.

“I now come to the third group of years, which extends from 1897-98 to 1902-03. This was a period of stationary taxation, the gain due to the gradual establishment of a stable exchange being counterbalanced by two great famines, and the cost of military operations on the North-West Frontier. The only fiscal measure carried out during this period was the remission of the pandhri tax in the Central Provinces, but this had brought in only the trifling sum of R70,000 a year. During this period, there were large remissions of land revenue; and a good deal was done in the direction of improving the financial position of Local Governments; but these are not measures of the class now under consideration.

“The countervailing sugar duties of 1899 and 1902 belong to this group of years; but as these were not imposed for revenue purposes, and were very soon abolished, I do not refer to them further.

“The fourth and last group consists of the period from 1903-04 to the present time. Speaking broadly, this has been a time of plentiful harvests, steady exchange, expanding trade, of growing general prosperity, and of external peace.

“The expansion of the revenues has been such that we have been enabled not only to embark on many large schemes of administrative reform, but also to

[Mr. Baker.]

undertake the reduction of taxation on a scale surpassing that of twenty years previously—

In the *first* place the salt tax was reduced in 1903 to R2, and again in 1905 to R1-8-0, a maund, at a cost of 141 and 164 lakhs a year respectively;

secondly, incomes between R500 and R1,000 per annum were exempted from income-tax with effect from 1903-04, at a cost of over 29 lakhs a year;

thirdly, the famine cesses in Northern India were abolished last year at a cost of 22½ lakhs a year; and

fourthly, we have decided, with effect from the ensuing year, to abolish local taxation on the land to the amount of more than 82 lakhs per annum.

“The sum of these five measures which have been carried out within the space of three years, reaches the respectable total of 438 lakhs a year. This no doubt falls short of the aggregate new taxation imposed or re-imposed during the second group of years by about a crore of rupees; but with regard to this it may fairly be observed, (1) that it represents the progress achieved in a relatively short space of time; (2) that the remissions might easily have been greatly enhanced had not Government decided with, I believe, very general public approval, to apply a large part of its surplus resources to useful and productive expenditure on police, education, agriculture, and public works, to increasing the resources of the Provincial Governments, to improving the efficiency of the army, and to strengthening the finances of District Boards; and (3) that we are not necessarily at the end of our programme, and if our revenues continue to expand as they have latterly done, it may hereafter be within our power to take further steps for the relief of the tax-payer.

“A merely statistical comparison, however, is of little value. A more fruitful and instructive method is to compare the fiscal position as it stands now with that which obtained in 1882-83, the year which I took as the starting point of my review. Proceeding in this way, I think that the results so far obtained may fairly be summarised as follows:—

Firstly, we have reduced the salt tax from R2-8-0 or R2-14-0 per maund to R1-8-0 throughout India, except Burma, where it is R1. I do not wish to dwell on the effect of this measure in cheapening the cost of a necessary of life, because I have never believed that the tax pressed with undue severity even on the poor. But the importance of the reduction in creating a fiscal reserve is obvious and immense. If we allow for increase in consumption, not less than 3½ crores of rupees per annum could be obtained from this source by a stroke of the pen if necessity should arise, and this sum may be relied on to expand with the progressive increase of the population.

Secondly, we have broadened the basis of taxation by re-establishing the general customs duties on imports by sea. I freely admit that, in view of the chaotic condition to which the import tariff had been reduced in the late seventies, the Government of Lord Ripon had probably little option but to sweep the whole mass of anomalies away. But in my judgment, in the conditions prevailing in India, there are few more appropriate and less onerous forms of taxation than a light duty on imports from over sea. Our duties are pitched on so moderate a scale that, to the best of my belief, there is not a consumer who feels them, and not an indigenous industry which is injured by them. The revenue they yield, unfelt and unresented, has placed it in our power to effect the successive reductions of direct taxation to which I have already alluded; and although it fell to the lot of Sir Evelyn Baring in 1882 to abolish them in this country, it is significant to observe

[*Mr. Baker.*]

that Egypt, which has benefited so greatly from the wise and vigorous guidance of Lord Cromer for more than twenty years, now derives one-tenth of her entire gross revenue from this source, a proportion not far short of double that which obtains in India today.

Thirdly, we have effected a valuable reform in our system of direct taxation by substituting the income-tax for the old license-tax. It is unnecessary on the present occasion to enter upon the well-worn theme of the unpopularity of these taxes. Whatever views may be entertained on that point, all reasonable persons will agree that the income-tax is greatly superior to that which it superseded. The license-tax exempted the whole official and professional classes, and fell almost exclusively upon trade. Its incidence and the range of incomes included within its net varied widely in different Provinces: and in some places it extended to incomes so low as Rs200 a year. From all these defects, the present tax is free: and the raising of the limit of exemption to Rs1,000 releasing over 60 per cent of the assessee, has removed the chief remaining element that was vulnerable to criticism.

Fourthly, a high place in our list of results should be assigned to the reform and reduction of local taxation. It is not merely that we have relieved the landed interest and the agricultural tax-payer from a variety of supplements to his regular assessment, always irritating and often considerable in amount. That alone would have been an advance of no small value. But I attach much greater importance to the fact that we have for the greater part got rid, I trust for ever, of the practice of making appropriations from the proceeds of local taxation for the benefit of Provincial or Imperial revenues, and have gone a very long way towards establishing the principle that no local taxation shall be levied save that which is devoted exclusively to local, as distinguished from general, purposes, and, so far as possible, is administered by local bodies.

Lastly, there is one more feature in regard to which the fiscal system, as it now stands, is conspicuously stronger than in 1882-83, and it is worth while to refer to it, though it is not directly concerned with questions of taxation. I allude to the greatly diminished reliance which is now placed on the revenue from opium, as compared with twenty years ago. In 1882-83, the net receipts from opium were 721 lakhs of rupees, and formed 14.1 per cent of the total receipts classed as Principal Heads of Revenue. In 1905-06, they amounted only to 546 lakhs, or to 7.8 per cent of the aggregate of the Principal Heads of Revenue. When it is remembered how uncertain the opium revenue is, and how liable to violent fluctuations from causes over which we can exercise no control, the dwindling away of its relative importance in our fiscal system must be regarded as a matter for lively satisfaction.

"In the foregoing summary, I have made no allusion to the numerous changes introduced from time to time in the stamp and excise duties; I have not referred to the greater leniency of our assessment of the land revenue, or to the smaller proportion which it now bears to the sum total of our resources; nor would it have been relevant to refer to the signal change that has come over the position in regard to the net yield of our railways, our canals, and, to a lesser extent, the postal and telegraph services. Putting all these on one side, I venture to think that the results which I have now laid before the Council constitute an advance of which the Government of India have no cause to feel ashamed. Opinions may differ as to whether our predecessors and ourselves have accomplished as much as we might with the means at our disposal. I for one shall not quarrel with our critics if they urge us on to further developments on similar lines. There is no such thing as finality in finance. Though not a little has been done, it would be easy to compile a lengthy list of further

[*Mr. Baker ; the President.*]

reforms which still await the hour and the means. I shall resist the temptation to essay that fascinating but dangerous and not very profitable task ; and I shall be content to assure the Council that it will be our aim to persevere steadfastly with the task that lies before us, to remove every avoidable impediment to the development of trade, to improve communications, to facilitate the free movement of labour, to stimulate all indigenous industries, to encourage the profitable employment of capital, Indian capital first, and foreign capital afterwards, and while providing as generously as we can for the administrative needs of the country, in education, agriculture, public health, and public safety, to take as our watchword, first, and last, and all the time, Lord Cromer's well-known dictum, to keep taxation low."

His Excellency THE PRESIDENT said :—" I must in the first place congratulate my friend the Hon'ble Mr. Baker for the very lucid statement he has placed before us—a statement which I think we may all agree in accepting as distinctly satisfactory—all the more so that we are fairly entitled to recognise that the expenditure proposed for 1906-1907 represents no spasmodic effort on the part of the Government of India but that it is the continuation of a well-considered policy which the growing revenues of the country has enabled the Hon'ble Member to carry out. We appear to have no reason to imagine that we are under the influence of that intoxication known as a 'boom' in the New World, followed too often by the depressing effects of financial dissipation. The speeches which we have heard from Hon'ble Members today all hold out hopes of a solid and assured financial future, the chief problem of which will, I hope, be not as to how and when we are to secure our revenue, but as to how and when we can best spend it.

" I am very far from saying that we are free from trouble. We have famine and sickness with us still ; a partial failure of the monsoon and a further delay in the winter rainfall have told the inevitable tale in parts of Northern and Central India ; but still there has been no such misery as that of 1899 and 1900, and we may fairly hope that the money spent on irrigation in recent years and on the development of famine relief organisation may surely and steadily reduce our famine areas ; whilst, as the Hon'ble Sir Denzil Ibbetson has told us, the Government of India owe a debt of gratitude to the noble liberality with which the Chiefs have realised their obligations in their own afflicted territories. The plague, however, stares us gruesomely in the face and is ever reminding us of the efforts we are urgently called upon to make for the sanitary welfare of the people.

" Yet on every side there is indication of progress and of development, of which there is no better evidence than the increase in railway earnings, and the number of railways under construction, and with certain exceptions there is a general increase of revenue.

" The net result is a surplus of 253 lakhs of rupees, 122 lakhs of which we propose to devote to the remission of taxation, the relief of local bodies and the assistance of administrative improvement. In a country of great undeveloped resources it must often be a question whether a revenue surplus should be in the main devoted to the further development of the country or to the reduction of taxation of its population. For my own part I believe that the future prosperity of India depends so largely upon the welfare of its agricultural population that relief in the direction we propose will have a widespreading effect and will as a consequence further that development in other directions which we are so anxious to encourage. Sir Denzil Ibbetson has given us an insight into the valuable work of the Department he so ably administers, and if, after so short a residence in India, I may venture to give an opinion, I cannot say how fully I agree with him as to what I take to be his views in respect to agricultural indebtedness and agricultural expansion. We all know the cruel burden the former entails on the agricultural population ; but I doubt the possibility of the Government of India ever being able to pay off this debt,

[*The President.*]

and, like the Hon'ble Member, I doubt the policy of their doing so if they could. I believe that co-operative societies, agricultural banks and carefully arranged systems of Government loans, coupled with the encouragement given to individual energy, will do much more to spoil the money-lenders' market and do it in a much more healthy way than any entire acceptance by Government of the debts of the agricultural community could ever do. Expert instruction in agriculture, will too, as years go on, undoubtedly conduce to the same success as has attended the scientific care which has done so much to realise for India the wealth of revenue contained in her magnificent forests.

"But though I am inclined to recognise agriculture as the staple industry of the country, I am far from losing sight of the great commercial development and the rapid expansion of trade, of which the Hon'ble Mr. Hewett has spoken. The records of the Department of Commerce and Industry tell us not only of over-sea trade, the improvement of our harbours, and the establishment of commercial relations with other countries, but also of the interior industrial development of India, much of which is only as yet beginning and the possibilities of which are so enormous; and nothing in the speech of the Hon'ble Member is to my mind more important than that sentence in which he conveyed the assurance that the Government of India earnestly desire to encourage local enterprise and that they mean to insist that in the case of articles required by Government which can be produced in this country at the same price and of the same quality as imported articles, the preference shall be given to local productions.

"I am in thorough sympathy with all the Hon'ble Rai Sri Ram Bahadur has said in this direction. His contribution to the debate on education generally has been most valuable, but in an industrial sense the attention he has drawn to technical education deserves our most careful consideration. Technical instruction in other countries is growing apace, though it is not so very long since the necessity for it was so generally admitted as it is now. Competition has forced it upon us. We must not lag behind. The wealth, the welfare, the strength of a country that would hold its own in the world must depend largely upon the employment of its manhood in the development of its own resources. But now-a-days, in these days of rapid and easy sea transport, and in the face of our system of open markets, the home producer and home manufacturer must be prepared to face foreign competition or to fail. I am afraid he cannot expect his fellow-countrymen for the sake of patriotism to buy his goods if they are inferior and more expensive than goods from other lands, and I say to the supporters of Swadeshi,—that much abused word—that if 'Swadeshi' means an earnest endeavour to develop home industries in an open market for the employment and for the supply of the people of India, no one will be more heartily with them than myself. But if by Swadeshi is meant an inability to recognise the signs of the times, a mistaken desire to maintain industrial systems long out of date, to create false markets by prohibiting the people of India from the purchase of better and cheaper goods, it will have no sympathy from me.

"The ancient hand-loom cannot compete with modern machinery. There are indigenous arts in India which I hope may be for ever preserved—the ingenuity, the characteristic skill of a people, should always be dear to them; but the success of modern industries and the preservation of indigenous industries is becoming every day more and more dependent upon scientific and technical knowledge, and if the resources of India are to be developed by the people of India, such development must depend largely upon local enterprise, upon the investment of Indian money and upon a recognition of the absolute necessity of expert training. There is no lack of opportunity for such native enterprise, which will well merit the assistance and encouragement the Hon'ble Rai Sri Ram Bahadur has so justly claimed for it.

"I have ventured to deal only very superficially with the chief points raised in this Debate and with which the Heads of Departments have so ably dealt—points which chiefly concern the resources of India, its revenue, and the welfare of its population. But there is, on the other hand, the heavy expenditure we have to face in many branches of the administration, and

[The President.]

chiefly in respect to the Army, to which the Hon'ble Mr. Gokhale has taken such strong exception. I have listened to all he has said with the respect due to one who very eloquently represents the advanced views of a section of the Indian people—views which, though we may perhaps often disagree with, are the result of a study of the Indian political life of today and of a patriotic desire to share in the administration of public affairs—views which I shall always be ready to listen to and discuss. Recent events may at first sight appear to justify much of what the Hon'ble Mr. Gokhale has said. Russia's reverses in the Far East and our alliance with Japan undoubtedly at the present moment minimise the dangers of our Indian frontier, but I am afraid I cannot follow the Hon'ble Mr. Gokhale in his conclusion that these dangers have disappeared for ever. He has told us that the tide of European aggression in China has been rolled back for good, that the power of Russia has been broken and that her prestige in Asia has gone. I am afraid these are mere assumptions which I can hardly accept. I am afraid I feel much more impelled to consider, what effect Russian reverses may have on the pride of a high-spirited military race, and I wonder in how long or in how short a time she may feel confident of recovering her lost prestige.

"Mr. Gokhale advises us to hang up our military reorganisation till a more disquieting situation arises; that is to say, wait till the moment of danger arises before we put our house in order—and to trust to a military scramble towards efficiency. I hope that the danger of such military scrambles has at last impressed their risks upon us.

"He has also referred to the position of the people of India in respect to the military services. The position is a difficult one, and in some points it is not satisfactory; but I do assert this, and I know my colleagues will agree with me, that the position is in no way due to a want of appreciation of the loyal services of the magnificent officers and soldiers of the Indian Army.

"His Excellency the Commander-in-Chief has so clearly placed before us the view he takes of military requirements and military reorganisation that I need say very little. He has devoted a brilliant ability to the task of placing the Army of India on a footing of sound efficiency—an efficiency which can guarantee security, whilst he has reminded us that in the midst of a rising prosperity and increasing cost of living we cannot ignore the daily comfort of the Indian troops who serve us.

"Military expenditure is necessarily heavy in respect to the up-keep of all great armies. The criticism of such expenditure is often short-sighted. The price paid for an army is the premium paid for the insurance of the country. The huge armies of modern nations are not due either to any tendency to over-insure or to the promptings of mere military ambition. They exist in the first place for the maintenance of peace, because nations know that on their armed strength depends their immunity from attack. No nation can hope to be great and prosperous without being strong amongst its fellows. Its wealth, the welfare of its people, its commerce, its investments, its interior development, depend upon its security from hostile pressure—a security guaranteed only by the efficiency of its military forces—by the power of the strong arm. As long as the whole world continues armed to the teeth we must be prepared to pay for the safety of our existence. I hope we shall never be deceived into a false security.

"It is pleasant to remember that their Royal Highnesses the Prince and Princess of Wales, though they deeply realised the wants of the loyal population who so enthusiastically received them, visited India when its future seemed full of promise. I trust that promise may be fulfilled and that ever-increasing revenues will help to solve the administrative problems which surround us, and will ensure the progress and happiness of the people."

The Council adjourned *sine die*. A

J. M. MACPHERSON,
Secretary to the Government of India,
Legislative Department.

CALCUTTA;

The 30th March, 1906. }