

*Friday,  
19th March, 1897*

ABSTRACT OF THE PROCEEDINGS  
OF THE  
Council of the Governor General of India,  
  
**LAWS AND REGULATIONS**

**Vol. XXXVI**

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ABSTRACT OF THE PROCEEDINGS  
OF  
THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA  
ASSEMBLED FOR THE PURPOSE OF MAKING  
LAWS AND REGULATIONS

1897

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The Council met at Government House on Friday, the 19th March, 1897.

PRESENT :

His Excellency the Earl of Elgin, Viceroy and Governor General of India,  
P.C., G.M.S.I., G.M.I.E., LL.D., *presiding*.

His Honour Sir Alexander Mackenzie, K.C.S.I., Lieutenant-Governor of Bengal.

His Excellency Sir G. S. White, G.C.I.E., K.C.B., V.C., Commander-in-Chief in India.

The Hon'ble Sir J. Westland, K.C.S.I.

The Hon'ble Sir J. Woodburn, K.C.S.I.

The Hon'ble M. D. Chalmers.

The Hon'ble Major-General Sir E. H. H. Collen, K.C.I.E.

The Hon'ble A. C. Trevor, C.S.I.

The Hon'ble M. R. Ry. P. Ananda Charlu, Rai Bahadur.

The Hon'ble Sir G. H. P. Evans, K.C.I.E.

The Hon'ble Alan Cadell, C.S.I.

The Hon'ble J. D. Rees, C.I.E.

The Hon'ble G. P. Glendinning.

The Hon'ble Nawab Amir-ud-Din Ahmad Khan, C.I.E., Bahadur, Fakharruddoulah, Chief of Loharu.

The Hon'ble Sir Lakshmishwar Singh, K.C.I.E., Maharaja Bahadur of Durbhanga.

The Hon'ble Rao Sahib Balwant Rao Bhuskute.

The Hon'ble P. Playfair, C.I.E.

The Hon'ble Rahimtula Muhammad Sayani, M.A., LL.B.

The Hon'ble Pandit Bishambar Nath.

The Hon'ble Joy Gobind Law.

The Hon'ble C. C. Stevens, C.S.I.

The Hon'ble Sir H. T. Prinsep, K.T.

The Hon'ble H. E. M. James.

QUESTION AND ANSWER.

The Hon'ble RAO SAHIB BALWANT RAO BHUSKUTE asked :—

“Considering that the three Divisional, District and Sessions Judgeships constitute the Superior Judicial Service in the Central Provinces, have the

[*Rao Sahib Balwant Rao Bhuskute; Sir John Woodburn; [19TH MARCH, Sir James Westland.]*]

Government of India perceived the desirability of reserving at least one of them, as in the other Provinces, for a member of the Central Provinces Bar?"

The Hon'ble SIR JOHN WOODBURN replied :—

"The Secretary of State has recently sanctioned a fourth Judgeship in the Central Provinces and the Government of India have decided that it is advisable to 'list' one of the Judgeships among the appointments thrown open to the Provincial Service as has been done with a proportion of superior judicial appointments in other Provinces. The rules permit the direct appointment of a person not in the service of Government to such high offices in special cases, as well as the promotion of an officer of the Provincial Service. For the Judgeship about to be 'listed,' a member of the Bar, who is a statutory Native of India and is considered to be the best qualified person for the appointment at present available in the Province, has been selected."

#### FINANCIAL STATEMENT FOR 1897-98.

The Hon'ble SIR JAMES WESTLAND introduced and explained the Financial Statement for 1897-98. He said :—

"1. I have the honour to present to the Council the Financial Statement for the year 1897-98; including in it, as usual, the closed Accounts for 1895-96, the Revised Estimates for 1896-97, and the Budget Estimates for 1897-98.

#### "Accounts of 1895-96.

"2. The Revised Estimates for 1895-96 closed last year with a surplus of Rx. 951,400. In the accounts this result has been improved by Rx. 582,598, the actual surplus of the year being Rx. 1,533,998.

"The main differences were (1) that the principal heads of Revenue produced Rx. 240,641 more, (2) Railways produced a better net result by Rx. 163,432, (3) the Army net Expenditure was Rx. 213,054 less. The other differences are too small to require separate mention.

"3. It has not been customary in the Financial Statements to give any detailed explanations with regard to the closed accounts of the previous year, for the simple reason that they are usually published in the fullest detail in the Annual Volume of Finance and Revenue Accounts long before the date of the Statement. In the present year they were published earlier than usual, namely, on January 9th, and it is sufficient to lay a copy on the table, and to refer Honourable Members to the analysis of them published in the *Gazette of India* last Saturday, as the Comptroller General's Appropriation Report.

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**"Famine Charges.**

"4. Passing to the Revised Estimates for 1896-97 and the Budget Estimates for 1897-98, I call to remembrance what Sir E. Baring said in his Financial Statement for 1882-83, paragraph 92, when he referred to the Famine Insurance Policy: 'We do not profess to finance for a surplus in a year of famine. When a serious famine occurs, it is inevitable that the Expenditure of the year should be greater than the Revenue.' In commencing my Financial Statement of last year, I summed up the actual figures, up to date, of the Famine Insurance Account, but I little thought then that we were on the brink of the disaster for which, during so many years, we had been financially preparing, and that I would so soon have to announce the actual occurrence of the deficits, against which that account is the financial set-off.

"5. I may repeat here the figures of 15 years' Famine Insurance, substituting the actual figures of 1895-96 for those which were shewn in last year's Statement:—

	Rx.
1. Spent upon actual Famine Relief . . . . .	320,664
2. Spent upon construction of Protective Irrigation Works . . . . .	1,813,841
3. Spent upon construction of Protective Railways . . . . .	6,550,931
4. Spent in meeting interest upon the Indian Midland and Bengal-Nagpur Railways . . . . .	3,631,450
5. Charged as reduction and avoidance of debt, that is, as famine surplus . . . . .	5,327,299
	<hr/> 17,644,185 <hr/>

"6. The effect of the Expenditure under headings 2, 3 and 4 is that for the present and all future famines we are so much better equipped with the means of meeting the demands arising out of scarcity, that we may reasonably hope to pass through the period of distress with far less expenditure than otherwise would have fallen upon us. In the two years 1876-77 and 1877-78 of the last great famine the Government of India spent under the head of Famine Relief Rx. 7,493,151; it will be seen that our present estimate for two years of a calamity, which is at any rate much more widely spread, is Rx. 5,606,900: and this difference is due to our far more adequate organization, of which no small part is the better equipment in the form of Railways and Canals, with which, as the Honourable Sir J. Woodburn pointed out in his speech in Council on October 15 last, we start. The figures I give of course very far from exhaust, in either case, the cost of the famine to the State; for the loss of Revenue—both ordinary Revenue and Railway Revenue—is very large indeed, and in a hundred different and smaller ways do famine and scarcity cause increases of State expenditure in all Departments.

"7. The amount under head (5), Rx. 5,327,299, though charged in our past accounts as expenditure, has really been utilized either in purchase of our own

debt, or in reduction of new loans and in the construction of Productive Works. If State Book-keeping as affecting our Revenue Account, were a continuous operation like the carrying forward of a Profit and Loss Account, instead of one meant to shew the results of each twelve months' operations taken by themselves, we would have to write off the cost of the present famine against this past charge of Rx. 5,327,299 before taking any part of it as a charge against the Revenues of the current year. It is necessary to bear this in mind, because one consequence of this method of stating our accounts is that in any total of surpluses and deficits, taken over a series of years which include a famine year, the total surplus so stated is less than the actual facts by the amount of the charge for reduction and avoidance of debt.

"8. I shall have to deal separately with the effect of the famine and scarcity upon our ordinary Revenues and Expenditure; I state here only the totals of the estimated Expenditure upon direct famine relief. They amount to Rx. 1,965,700 in 1896-97 and Rx. 3,641,200 in 1897-98, total Rx. 5,606,900. The first of these figures is largely based on consideration of known actuals for part of the year, but in neither case can I put forward the figures as estimates in the sense in which we ordinarily use that term. Famine relief is administered upon certain definite principles, and on a system of test carefully laid down, and all I can say about the estimates of famine expenditure in the future, is that the figures are a summary of the best opinions which the Local Governments can give, as to the chances of the approaching spring crop, and of the crop due next autumn, and of the manner in which these crops, deficient, normal or abundant, will affect the multitudes, reckoned now by millions, who are at present compelled to seek relief at the hands of the State. In some parts of the distressed tracts the favourable prospects of the spring crop give ground for hope, that the necessities for famine relief will in a short while shew a marked diminution. In others, there is no hope of diminution till the autumn crop is harvested, and there may be any amount of increase. No past experience can serve as a guide in the solution of these difficulties of estimating. The figures must be taken for what they are worth; in some possible circumstances they may be found to be largely in excess of the actual expenditure; in other possible circumstances they may be found far short of it.

"9. Up to the end of January the actual expenditure was 66 lakhs, of which about 13 were spent upon the Bandelkhand famine in the earlier part of the year, a famine of very great intensity for its small area, and so quietly and effectively managed by the Local Government that hardly anything was heard of it outside official circles. It is forgotten now in the presence of the greater calamity with which that same Government, as well as others, have to deal.

"10. The amounts charged as famine relief are independent of very large advances under the Land Improvement and Agricultural Loans Acts. But they

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include advances of another kind which have also been largely made by Government, namely, advances to Landholders for works to be conducted by them on Famine Relief principles for the employment of their famine-stricken tenants, in respect of which they undertake to reimburse something approaching to the actual value of the work.

“The measure of the Land Improvement and Agricultural advances due to the famine may be judged from the following figures :—

Land Improvement and Agricultural advances.				
	1894-95.	1895-96.	1896-97, Revised.	1897-98, Budget.
	Rx.	Rx.	Rx.	Rx.
Central Provinces . . . .	81,100	36,800	103,000	110,000
Bengal . . . . .	9,300	9,700	55,000	50,000
North-Western Provinces . .	65,000	57,600	420,000	140,400
Punjab . . . . .	18,700	28,400	89,000	50,000
Madras . . . . .	28,000	20,400	50,000	25,000
Bombay . . . . .	88,700	99,300	351,800	117,700
<b>TOTAL . . . . .</b>	<b>290,800</b>	<b>252,200</b>	<b>1,068,800</b>	<b>493,100</b>

“11. The operations of the Opium Department, that is to say, its usual advances for wells and for cultivation, helped very largely towards the relief of the peasantry in the distressed tracts of the North-Western Provinces and of Bengal.

“12. While speaking of the finances of famine, it is necessary to note an arrangement in which the Government of India takes part for enabling the Native Bandelkhand States to undertake the necessary expenditure for famine relief of their subjects. They have been hard hit by not one but two or three successive bad seasons, and find themselves in some cases without adequate funds to meet the expenditure. The arrangement made in these cases is that His Highness the Maharaja Sindia has agreed to lend funds to the Native States in question, the Government of India becoming guarantee for the loan and taking measures to ensure its ultimate repayment.

#### “Revised Estimate of 1896-97.

“13. The Budget Estimates of 1896-97 worked out to a surplus of Rx. 463,100. The Revised Estimates work out to a deficit of Rx. 1,986,900, but

between these two figures there are so many differences of detail that it is better to set them out in a tabular form.

## Estimates of 1896-97.

	Budget.	Revised.	Revised Better.	Revised Worse.
<b>STERLING IN ENGLAND—</b>				
Revenue . . . . . £	174,100	319,400	145,300	...
Expenditure . . . . . £	15,909,400	15,880,600	28,800	...
NET EXCHANGE ON ABOVE. . . . . Rx.	11,729,900	10,270,400	1,459,500	...
	27,465,200	25,831,600	1,633,600	...
<b>REVENUES IN INDIA—</b>				
	Rx.	Rx.	Rx.	Rx.
Land Revenue . . . . .	26,093,300	23,699,200	...	2,394,100
Opium . . . . .	6,895,300	6,386,700	...	508,600
Salt . . . . .	8,700,000	8,438,200	...	261,800
Other Principal Heads of Revenue . . . . .	23,525,600	23,413,400	...	112,200
Departmental Receipts, including Interest and Civil Works . . . . .	6,782,900	7,078,400	295,500	...
Railways . . . . .	21,582,800	20,159,600	...	1,423,200
Irrigation . . . . .	2,883,300	3,200,700	317,400	...
Military Works . . . . .	50,000	61,100	11,100	...
Army . . . . .	803,600	836,300	32,700	...
	97,316,800	93,273,600	...	4,043,200
<b>EXPENDITURE IN INDIA—</b>				
Direct Demands on Revenues—				
Opium . . . . .	2,593,900	2,503,900	90,000	...
Other . . . . .	8,470,700	8,318,700	152,000	...
Interest . . . . .	—960,300	—911,300	...	49,000
Civil Departments . . . . .	19,096,100	19,089,500	6,600	...
Famine Relief . . . . .	75,000	1,951,200	...	1,876,200
Protective Works . . . . .	523,500	47,200	476,300	...
Railways . . . . .	13,781,500	13,357,400	424,100	...
Irrigation . . . . .	3,201,700	3,248,900	...	47,200
Military Works and Special Defences . . . . .	1,254,900	1,138,100	116,800	...
Civil Works . . . . .	4,757,800	4,708,100	49,700	...
Army . . . . .	17,480,100	17,205,700	274,400	...
	70,274,900	70,657,400	...	382,500
<b>PROVINCIAL ADJUSTMENT—</b>				
Deduction made for charges taken to Provincial and Local Balances . . . . .	—886,400	—1,228,500	342,100	...
Surplus (+) Deficit (—) . . . . .	+463,100	—1,986,900	...	2,450,000

" 14. Of the better receipts in the English account, £68,900 represent premium obtained on issue of India  $2\frac{1}{2}$  per cent stock, and £27,500, interest on investment of cash balance. In the account of expenditure in England there are no differences of sufficient importance to require special mention.

" 15. The large difference under Exchange is due to the fact that the Budget Estimates were taken at 13'75d., whereas the rate realized has been about 14'46d.

" 16. Under Land Revenue there is a very great falling-off, due to the fact that in the districts where the crops failed it was necessary to give large suspensions of revenue. The following figures shew in what provinces the falling-off has occurred, and in the first column of the statement I have shewn the figure which, upon the examination made for the purpose of the Provincial settlements, was



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established, in our opinion, as the existing standard of Land Revenue receipts, apart from circumstances of famine and distress:—

	Standard.* Rx.	Budget. Rx.	Revised. Rx.	Difference. Rx.
India . . . . .	150,000	150,000	151,800	+ 1,800
Central Provinces . . . . .	844,800	864,600	660,000	—204,600
Burma—Upper . . . . .	812,000	797,000	635,000	—162,000
„ Lower . . . . .	1,759,300	1,760,000	1,780,000	+ 20,000
Assam . . . . .	614,200	614,200	609,000	— 5,200
Bengal . . . . .	3,902,100	3,894,700	3,920,000	+ 25,300
North-Western Provinces . . . . .	6,110,900	6,113,900	4,914,200	—1,199,700
Punjab . . . . .	2,464,000	2,457,100	2,362,200	—94,900
Madras . . . . .	5,380,000	5,601,700	5,207,700	—394,000
Bombay . . . . .	4,801,400	4,770,000	4,351,200	—418,800
	26,838,700	27,023,200	24,591,100	—2,432,100
Deduct—Portion of Land Revenue due to Irrigation . . . . .	...	929,900	891,900	—38,000
	...	26,093,300	23,699,200	—2,394,100

\* These standard figures exclude "Local"; of which the only important figures are Rx. 220,000 in Madras and Rx. 15,000 in Bombay.

"The losses, it will be seen, occur in the Central Provinces, in Upper Burma, very largely in North-Western Provinces, to a small extent in Punjab, and a considerable amount in Madras and Bombay. The whole loss of Rx. 2,394,100 may be put down as caused by the scarcity.

"17. Opium shews in the above statement a falling-off of Rx. 508,600, both the Bengal prices and the export from Bombay being unfavourably affected by low prices in China. There is a slight saving on the Expenditure side in Opium, as the Budget Estimates provided for a better crop than was actually housed.

"18. The loss on Salt, Rx. 261,800, may for the most part be put down as one of the consequences of scarcity. It is chiefly during the second-half of the year that the falling-off has taken place; the receipts of the twelve months ending September 30th, 1896, were equal to the full Budget Estimate of Rx. 8,700,000.

"19. Under other Revenue heads we almost always have to report a considerable advance in the Revised Estimates over the Budget figure. They would have shewn the same progress this year were it not for the falling-off in the North-Western Provinces and in Bombay, where the following losses are recorded:—

	North-Western Provinces.	Bombay.
Stamps . . . . .	22,000	34,000
Excise . . . . .	125,000	60,000
Provincial Rates . . . . .	104,000	33,200
Forests . . . . .	16,700	34,700
TOTAL . . . . .	267,700	161,900
	Rx. 429,600	

"These losses again are due to the effects of famine, and in the case of the Stamp Revenue of Bombay, still more to the stoppage of trade in consequence of the plague. The Customs Revenue is on the whole slightly better than Budget.

"20. Of the improvement under Departmental Receipts, Rx. 124,700 represents the premium received on the last loan (against which, under the same head of "Interest," there was a loss of Rx. 40,000 due by the Calcutta Port Commissioners and remitted), and Rx. 102,000 represents the increased gain on copper coinage, due to the very large issues of that coin in connection with Famine Relief Works. The gain on this coin is brought to credit as the coin passes into circulation.

"21. The next great difference requiring explanation is in the Railway Receipts. Confining ourselves to consideration of the earnings of Railways only, we have the following figures:—

	Earnings.	Working Expenses.	Net.
	Rx.	Rx.	Rx.
State Railways—			
Accounts, 1895-96. . . .	18,558,294	9,040,836	9,517,458
Budget, 1896-97 . . . .	18,321,700	9,010,800	9,310,900
Revised, 1896-97 . . . .	17,524,700	8,825,000	8,699,700
Guaranteed Railways—			
Accounts, 1895-96 . . . .	6,255,131	2,979,893	3,275,238
Budget, 1896-97 . . . .	6,330,000	3,097,000	3,233,000
Revised, 1896-97 . . . .	5,670,000	3,060,000	2,610,000

"These figures give a falling-off of Rx. 611,200 on State Railways and Rx. 623,000 on Guaranteed, total Rx. 1,234,200, an amount which accounts for the differences shewn in the above statements of Rx. 1,423,200 worse on the Revenue side, and Rx. 424,100 better on the Expenditure side; net Rx. 999,100. The lower receipts have saved us Rx. 142,000 in the payment of surplus profits, and the other Railway charges have also been less than the Budget Estimate. The principal contributors to the above losses are—

	Rx.
North-Western . . . . .	140,000
Oudh and Rohilkhand . . . . .	117,500
Rajputana-Malwa . . . . .	252,500
Bombay, Baroda and Central India . . . . .	200,000
Great Indian Peninsula . . . . .	310,000

"22. The Eastern Bengal Railway, on the other hand, has gross receipts Rx. 180,000 better than Budget, owing largely to a favourable jute season.

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"23. Irrigation is the only head which in a year of drought shews an improvement. The net receipts are better than Budget by Rx. 269,500, the improvement being shared between the North-Western Provinces and the Punjab.

"24. Passing to the figures on the Expenditure side, the heads Direct Demands on Revenues (other than Opium) and Civil Departments represent mostly charges regulated by sanctioned scale, and they shew the usual savings as compared with Budget. The excess expenditure under Interest is mostly a question of the distribution of this charge between ordinary debt and Railway debt. The heavy excess expenditure on Famine Relief requires no further explanation beyond what is given above. The saving on Protective Works is not a real one,—it merely means that the East Coast, including the Bezwada-Madras Railway, which is both a productive and a protective line, and which is charged to the Famine Grant when that grant is not otherwise appropriated, has this year to be transferred to the Capital Account of Railway Construction.

"25. There is a considerable saving of Rx. 274,400 under Army Expenditure. The principal items included in this are—

	Rx.
Unspent out of the special grant of Rx. 494,900 for mobilization purposes, included in Budget . . . . .	120,000
Savings in Exchange Compensation Allowances in consequence of better exchange . . . . .	80,800
Savings in ordnance manufactures . . . . .	75,000
Other very numerous savings on the grants (net) . . . . .	240,600
<b>TOTAL</b> . . . . .	<b>516,400</b>

"Against this the rise in prices which set in in September has caused extra expenditure of Rx. 196,000, and excesses over established or estimated strength have caused excess charges of Rx. 46,000.

"26. The "Provincial adjustment" is better by Rx. 342,100 ; translated into non-technical language, this means that the Provincial balances bear a share of the loss of Revenue and of the Expenditure (chiefly Famine Expenditure) included in the General Account, which is larger by Rx. 342,100 than they estimated, a year ago, they would have to bear. The total Provincial and Local Balances of 31st March 1897 stand as follows :—

	Budget, 1896-97. Revised, 1896-97.	
	Rx.	Rx.
Provincial Balance . . . . .	1,437,022	1,222,549
Local Balance . . . . .	1,276,221	1,144,703
<b>TOTAL</b> . . . . .	<b>2,713,243</b>	<b>2,367,252</b>

"27. It may be well here to collect together the various items in these explanations which we have attributed to the effects of famine and scarcity—

	Rx.
Direct cost of Famine Relief . . . . .	1,876,200*
Rise in prices in Army Expenditure . . . . .	196,000
Loss of Revenue—	
Land Revenue . . . . .	2,394,100
Salt Revenue . . . . .	261,800
Other Revenues in North-Western Provinces and Bombay (excluding Stamp Revenue) . . . . .	373,600
Loss of Railway Revenue (net) . . . . .	1,234,200
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Gain under Irrigation Revenue . . . . .	269,500
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TOTAL	6,335,900
NET RESULT	6,066,400
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\* Besides Rx. 14,500 for English Expenditure and Exchange thereon.

Of the above amount, Rx. 574,700 falls upon Provincial and Local Balances, leaving Rx. 5,491,700 to be borne by Imperial.

### "Loan Operations in 1896-97.

"28. As announced in the last Financial Statement, a 3 per cent loan of four crores of rupees was offered for public tender upon June 22, and the tenders were received upon July 22. Money throughout the earlier part of the financial year was extremely cheap, the Bank rate in England being 2 per cent and in Calcutta 4 per cent from May 28 and 3 per cent from July 2. The price of paper ruled high, our  $3\frac{1}{2}$  per cent guaranteed loans being in April about  $\text{Rs } 108\text{-}7$ , in May about  $\text{Rs } 110\text{-}4$ , and June about  $\text{Rs } 110\text{-}2$ . The loan was very largely tendered for and was placed at an average of  $\text{Rs } 103\text{-}1\text{-}10\frac{1}{2}$ , the lowest accepted tender being  $\text{Rs } 102\text{-}7$ , and the allotments were practically all paid up by the end of August.

"29. It will be remembered that in our conversions of 1894 we offered to those holders of paper who accepted conversion, an equivalent amount of promissory notes on which  $3\frac{1}{2}$  per cent interest was guaranteed up till August 1904. Those who did not accept were afterwards offered, and most of them accepted, ordinary  $3\frac{1}{2}$  per cent paper without any guarantee. We considered ourselves therefore in a manner bound, if favourable opportunity offered, to convert the unguaranteed

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$3\frac{1}{2}$  per cent paper, as otherwise it would necessarily be quite as good as the guaranteed. The amount of this ordinary  $3\frac{1}{2}$  per cent paper was —

•	(1) Outstanding of 1853-54 . . . .	46,760
	(2)       "       1893-94 . . . .	3,500,000
	(3) Accepted in conversions of 1894-95 . . . .	2,138,190
		<hr/>
	TOTAL . . . .	5,684,950
		<hr/>

"30. Accordingly, after ascertaining that the operation of converting the outstanding unguaranteed  $3\frac{1}{2}$  per cent paper into the new loan would not be regarded by the holders of the new paper as in any way interfering with them, but would indeed rather help them by increasing the amount and the marketableness of the new loan, we notified this conversion upon September 4. The success of the new loan had established for the time a high price for securities of the Government of India, and the prospects of the conversion were favourable.

"31. Rates held up, both in England and India, just long enough to enable the operation to be successfully closed. The Bank of England rate, which had stood at 2 per cent, from February 1894 was increased to  $2\frac{1}{2}$  per cent on September 10, 1896, and to 3 per cent upon September 24, and the rise was the signal for a depression in the value of our securities. When the final day came of tendering for conversion the amount that had been tendered came to Rx. 4,887,160, and Rx. 797,790 was left outstanding for discharge. Of this amount, Rx. 296,600 has been presented for payment up to the beginning of March.

"32. Since money hardened in Calcutta in November, the price of the new 3 per cent paper has ruled below par, but this is partly due to the comparative absence of a market, as compared with the larger bulk of the  $3\frac{1}{2}$  per cent paper. Our present intention at least is to persevere with the 3 per cent rate, and by our future loans to increase its amount. We have now practically only two kinds of paper on the market, *viz.*, the  $3\frac{1}{2}$  per cent guaranteed till August 1, 1904, and the 3 per cent guaranteed until December 31, 1916. The amounts of these two kinds of debt are at present as follow:  $3\frac{1}{2}$  per cent Rx. 82,754,840, besides Rx. 8,159,500 held in the Currency Reserve; 3 per cent Rx. 8,887,160, besides Rx. 2,048,650 created during the year for issue to Currency as mentioned in the next section.

### “Rate of Exchange.

“ 33. Last year closed with a re-action from a somewhat sudden rise in the rate of exchange to  $14\frac{3}{4}d.$  During April and May the rate fell from  $14\frac{3}{8}d.$  to  $13\frac{1}{8}d.$  In June it recovered to  $14\frac{5}{8}d.$ , and from then till the middle of October the rate was very steady at about  $14\frac{1}{8}d.$  and  $14\frac{3}{8}d.$ , the Secretary of State being very successful in selling his Bills. By the middle of October we had realized that a famine was upon us, and that it would be necessary, as a first step in meeting it, to make large suspensions of revenue and large agricultural advances. We were obliged, therefore, at very short notice to ask the Secretary of State to greatly reduce his drawings. And the result was that the rate of exchange and the Bank rate of interest both very sharply rose. The second week's drawing of October was at  $14\frac{7}{8}d.$ ; the second week's drawing of November was at  $15\frac{3}{4}d.$

“ 34. This action on our part caused, I am afraid, grave inconvenience to mercantile circles in India; but it was not avoidable. It was only when the first ten days of October passed without bringing the desired rain, that famine was converted from a mere possibility into an almost certainty, and the area affected was so widespread that the case demanded the reservation of all our financial means. These we took the opportunity of strengthening by carrying out on December 17 a measure which had been under public discussion for over a year, *viz.*, the addition of two crores to our cash balances by the investment of part of the Currency Reserve. The exact figures of this operation were the issue of Rs. 2,04,86,500 stock of the 3 per cent Loan of 1896-97, at the rate of the day, Rs. 97-10 per cent, being Rs. 54-6 less than the full two crores. With this transaction the tenseness of the situation passed away; but the rate of exchange on the drawings never fell below 15 pence, as the Famine expenditure and prospects compelled the Secretary of State to reduce his drawings, and there came a heavy demand for remittance in connection with the Burma rice crop.

### “Budget Estimates, 1897-98.

“ 35. Following my previous practice of abstaining from any speculation in exchange, I have taken the rate for the Budget Estimate at the same figure which has been realized in the year 1896-97, namely, 14.46 pence. It is impossible to say how trade and exchange may be affected by the very peculiar circumstances of the coming year. Made up upon this basis, the estimates of Revenue and Expenditure work out to a deficit of Rs. 2,464,000. It will be most convenient in explaining the details to compare them with the Budget figures of 1896-97, rather than with the altogether peculiar figures of the Revised Estimates.

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"36. This comparison, made in the same form as adopted in paragraph 13 above, is as follows:—

## Budget Estimates of 1897-98 compared with those of 1896-97.

	Budget, 1896-97.	Budget, 1897-98.	1897-98 Better.	1897-98 Worse.
<b>STERLING IN ENGLAND—</b>				
Revenue . . . . . £	174,100	173,000	...	1,100
Expenditure . . . . . £	15,909,400	16,088,500	...	179,100
NET EXCHANGE ON ABOVE. . . . . Rx.	11,729,900	10,504,200	1,225,700	...
	27,465,200	26,419,700	1,045,500	...
<b>REVENUES IN INDIA—</b>				
	Rx.	Rx.	Rx.	Rx.
Land Revenue . . . . .	26,093,300	25,646,200	...	447,100
Opium . . . . .	6,895,300	5,816,200	...	1,079,100
Salt . . . . .	8,700,000	8,734,000	34,000	...
Other Principal Heads of Revenue . . . . .	23,525,600	23,578,200	52,600	...
Departmental Receipts, including Interest and Civil Works . . . . .	6,782,900	6,945,800	162,900	...
Railways . . . . .	21,582,800	20,682,100	...	900,700
Irrigation . . . . .	2,883,300	3,122,500	239,200	...
Military Works . . . . .	50,000	50,000	...	...
Army . . . . .	803,600	814,600	11,000	...
	97,316,800	95,389,600	...	1,927,200
<b>EXPENDITURE IN INDIA—</b>				
Direct Demands on Revenues—				
Opium . . . . .	2,593,900	2,654,000	...	60,100
Other . . . . .	8,470,700	8,520,400	...	49,700
Interest . . . . .	—960,300	—961,900	1,600	...
Civil Departments . . . . .	19,096,100	19,308,800	...	212,700
Famine Relief . . . . .	75,000	3,641,200	...	3,566,200
Protective Works . . . . .	523,500	25,000	498,500	...
Railways . . . . .	13,781,500	13,752,000	29,500	...
Irrigation . . . . .	3,201,700	3,110,000	91,700	...
Military Works and Special Defences . . . . .	1,254,900	1,207,300	47,600	...
Civil Works . . . . .	4,757,800	4,398,200	359,600	...
Army . . . . .	17,480,100	16,968,900	511,200	...
	70,274,900	72,623,900	...	2,349,000
<b>PROVINCIAL ADJUSTMENT . . . . .</b>				
	—886,400	—1,190,000	303,600	...
Surplus (+) Deficit (—) . . . . .	+463,100	—2,464,000	...	2,927,100

"37. The main increases of Expenditure in the English Account are—

- (1) Increasing Interest payments which account for differences of £61,400 under Interest, and £99,100 under Railways.
- (2) Increase of £37,700 under Superannuation Charges.
- (3) There is an increase of £65,600 under Army Non-Effective Charges ; but it is more than counterbalanced by a saving of £120,700 under Army Effective Charges, chiefly on account of Military Stores for India.

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" 38. The deficiency under Land Revenue is heavy, namely, Rx. 447,100; and may be explained by saying that in Upper Burma, in the Central and the North-West Provinces, and in the Punjab, we do not at present expect to receive, during the coming year, nearly the full measure of Land Revenue. The deficiency comes in the beginning of the year, and is due entirely to the failure of crops. If a prosperous harvest should ensue next October and November, we may reasonably hope for much better results than those shewn in our Estimates.

" 39. Under Opium we are now suffering from the re-action which two years ago I pointed out to be inevitable. Scanty crops, and the high prices that follow them for a time, give favourable financial results while they last, but the high prices kill the demand, and both the exports of Malwa opium fall off and smaller prices are realized upon the Bengal drug. The prospects of the coming season, looked at from the point of view of the Opium Department, are extremely favourable, but to our Budget Estimates they mean low prices realized upon the still scanty sales, and heavy outgoings in payment for the raw produce. The result is a falling-off which may be thus distributed:—

	Rx.
By lower prices realized on the Bengal sales . . . .	877,500
By smaller export and lower duty in Bombay . . . .	190,000.

and on the Expenditure side—

By heavier payment to cultivators . . . . .	60,100
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" 40. Under other Revenue heads there are on the whole better results, though the influence of the famine is still shewn in a falling-off, under Excise, of Rx. 65,600, and under Provincial Rates, of Rx. 48,100.

" 41. The Departmental Receipts are expected to be somewhat better on the whole than in the Estimates of 1896-97. Post Office shews an advance of Rx. 56,600, more than covered, however, by an increased expenditure, and Telegraph shews worse results on both sides, partly because the advance in revenue has been less than expected, and partly because the rents charged to Railways for the use of wires and instruments have been reduced and it is intended to introduce certain improvements in respect of delivery of deferred messages.

" 42. Railways shew a great falling-off, as the traffic on them will be greatly affected as long as the effects of the present scarcity last. The following figures may be taken as a continuation of those stated in paragraph 21 above (Indian Accounts only):—

Budget, 1897-98.	Earnings.	Working Expenses.	Net.
	Rx.	Rx.	Rx.
State Railways . . . .	18,023,400	9,027,300	8,996,100
Guaranteed Railways . .	5,740,000	3,110,000	2,630,000



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" 43. On the Expenditure side the figures which require special explanation, in addition to the above remarks, are the following :—

" Direct Demands on the Revenues.—Increase Rx. 49,700. The principal item is Rx. 36,900 under Forests, which is of the nature of commercial outlay intended to bring in a good return. The Forest Department are carrying out a scheme, long planned and elaborated, which involves considerable additions to the subordinate establishments engaged in conserving and working the Forests.

" 44. Civil Departments.—Increase Rx. 212,700. Of this, the principal items are Post Office Rx. 78,400 and Telegraph Rx. 44,700, due to normal expansion of the Departments; Jails Rx. 68,400, being the estimates which the Provincial Governments make of the consequence of increase of prices of food, and of the probable temporary increase of jail population in the distressed tracts; Police Rx. 70,500, due to continued pursuance of the plans for the reform of this Department, but also in some places the result of scarcity and distress; Superannuations, Rx. 28,200, an inevitable annual increase.

" 45. The heads of Famine and Railways have already been dealt with, and as explained in dealing with the Revised Estimates, the entry of Rx. 498,500, less expenditure on protective works, merely means that we shall not, in 1897-98, obtain from the Famine Grant the aid it usually gives towards expenditure on Capital Account. In view of the amounts provided for Famine Relief, it has not been considered necessary to make special provision for any expenditure which may be entailed on the Imperial Account by the plague.

" 46. Civil Works.—The less expenditure Rx. 359,600 is due to the restriction of programme by the various Local Governments enforced by the great reductions that Famine expenditure has made in their available balances.

" 47. Under Army, there is on the whole a less expenditure in India by Rx. 511,200. A fuller statement of the comparison between the Estimates of 1896-97 and 1897-98 would be the following :—

	1896-97.	1897-98.	1897-98 Better.
Mobilization Grant—			
England . . . . .	£ 51,200	<i>Nil.</i>	51,200
India . . . . .	Rx. 494,900	100,900	394,000
Ordinary Grant—			
England . . . . .	£ 4,357,300	4,353,400	3,900
India . . . . .	Rx. 16,985,200	16,868,000	117,200

" The Mobilization Grant was a special one for 1896-97, and a comparatively small amount of expenditure under this head is admitted into the Estimates of 1897-98.

"The principal features in the differences in the ordinary portion of the Estimates are : (1) the higher prices of food necessitate an increase of Rx. 399,300 in the Estimates of 1897-98 ; and (2) there will be a saving of Rx. 326,000 in consequence of the application of more favourable rates of exchange to the calculation of the allowances of officers and of British soldiers. There are further numerous savings and a few increases of charge for which I refer to Part II of the Statement.

### " Quinquennial Settlements of Provincial Finance.

"48. The usual quinquennial investigations and settlements of Provincial finance were made in the course of the year. Our proposals on the subject were made to the Provincial Governments at the beginning of October, before the appearance of famine ; and afterwards, when famine supervened, we considered that, as the arrangements depend, not upon the figures of any one year, but upon the general standard of Revenue and Expenditure, it would be sufficient to reserve the final settlement so far as it regarded Land Revenue and Excise and one or two other heads, in the Provinces severely affected by famine, but it was better to settle all other matters than to leave them in a condition of suspense. The settlement of these standards of existing Revenue and Expenditure is the necessary condition for the exercise by Local Governments of the financial authority entrusted to them, in the same sense as the settlement of the Budget Estimates determines the plan upon which our own financial administration is to be pursued for the next twelve months.

"49. The first process in these settlements is the enquiry what is to be accepted as the proper amount of expenditure for which an assignment of Revenue is to be made. The expenditure may be stated in general language as that incurred in each province upon Civil Administration ; the revenue and expenditure on account of Irrigation are also provincialized in Bengal, North-Western Provinces, and Madras, but this part of the arrangements need not be more specially referred to at present.

"50. In two tabular Statements A and B appended to this part of the Financial Statement, I set forth in detail the estimates accepted for the expenditure in 1897, and compare them with the estimates of the same kind upon which the similar settlement was made in 1892. I may mention that we have not, or we practically have not, rejected any of the existing expenditure of the Provincial Governments as requiring to be disallowed, as we find that the increases of scale

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of expenditure are sufficiently moderate. The details of the comparison are as follow:—

	Net Expenditure.		Increase per cent.
	1892. Rx.	1897. Rx.	
Central Provinces . . .	653,300	710,700	8·8
Lower Burma . . .	1,064,600	1,206,100	13·3
Assam . . .	467,600	564,900	20·8
Bengal . . .	2,816,700	3,125,500	10·9
North-Western Provinces .	2,215,400	2,428,700	9·6
Punjab . . .	1,384,600	1,537,300	11·0
Madras . . .	2,054,800	2,238,600	8·9
Bombay . . .	2,409,500	2,544,100	5·6
<b>TOTAL .</b>	<b>13,066,500</b>	<b>14,355,900</b>	<b>9·9</b>

"It is fair to the Local Governments to notice that part of the above increase of expenditure was that which was entailed upon them by the allowances given in compensation for fall of exchange.

" 51. An examination of the Revenue side of the account shewed the following results:

"The Central Provinces have been hard hit by two or three bad seasons, and they have been disappointed in the increase of revenue which they might reasonably have expected. We found it necessary to assign them a slightly higher amount than they would have got had the 1892 settlement continued in force. Their balance has been absorbed by their necessary expenditure somewhat exceeding their revenue, and their misfortunes of the current year have, quite apart from famine, entirely swept away their available resources. We reckon that we enhance their assignment by Rx. 29,200 a year; and we have also to make up a small deficit in their balance.

" 52. Assam shows a fairly progressive revenue, but it is, as Sir E. Baring said in 1882, "a poor province with many wants." We find that we might, upon the present revision, reduce its assignment of Revenue by a small amount, say Rx. 11,400. But we have adjudged it better to leave the Province this amount of surplus.

" 53. Burma (that is, in the present connection, Lower Burma only) is a young and rapidly progressive province. Its revenue (mainly its Land Revenue) increased during the past quinquennium by 13·9 per cent., and its expenditure has increased as above shown by 13·3 per cent. The above figures are independent

of its Railway revenue, the Burma Railways having been, with a slight reservation, Provincial up till now. The Railway part of the 1892 settlement has been very profitable to the Local Government, which has maintained very high, though decreasing, balances throughout the five years. It finishes the present contract with a balance of Rx. 294,300. We have thought it desirable for the present to deprovincialize the Railways as they have now been made over to a Company, and some questions remain to be settled regarding their future administration; but otherwise Burma is only a little worse off (say Rx. 9,000 a year) than if the 1892 settlement had continued in force.

"54. The Chief Commissioner—or in future, Lieutenant-Governor—takes over now provincial responsibility for Upper Burma in the same way as for Lower. The Estimate of Expenditure is shewn in the penultimate column of Table B, and sufficient Revenue has been assigned to meet it. I am afraid that the first effect of this will be to use up part of the high balance with which the Chief Commissioner starts under his new settlement, in paying for famine relief in his new province, and also possibly in meeting some temporary loss of Revenue in it.

"55. The Punjab is a politically important province, and it has shown during the last quinquennium only a moderate expansion of Revenue. The consequence is that its resources under the 1892 settlement have been found rather too narrow for the demands of its expenditure, and it has been obliged to reduce its Public Works grants somewhat below the needs of the province. Further, the failure of Revenue in the current year has reduced its balance below the authorized minimum. We find that we place it in a fair financial position if we concede to it, in addition to the Revenue assigned in 1892, an allowance about equal to the expenditure imposed on it by exchange compensation; and, when the famine account is closed, we shall have to make to it also, as to the Central Provinces, a grant in recoupment of its exhausted balances.

"56. In the provinces with which I have as yet been dealing, we did not expect and we did not wish, to make a profit to the general account by reducing the amount of Revenue assigned to the Local Governments. Our examination satisfied us that their expenditure was already on a sufficiently limited scale, and that the whole, or nearly the whole, of the revenues assigned to them could be properly left at their disposal.

"57. But we have also in the case of these provinces made another arrangement to their advantage. The revenues assigned for Provincial use are, as is well known, certain shares of the various heads of Revenue. These shares in the larger Provinces of Bengal, North-Western Provinces and Madras are about equal, on the whole, to their net expenditure; but in the smaller ones, where the expenditure naturally bears a larger proportion to the revenue, they require to be supplemented by a grant which under present arrangements is a fixed amount. While the

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revenues increase, this fixed amount does not, and it thus results that, whereas in the big provinces, if the revenue increases by five per cent, the Local Governments have the power (temporarily or permanently, as the case may be) of increasing their expenditure by five per cent, yet in the smaller provinces an increase of revenue by five per cent only permits an increase of expenditure by, say, three per cent. This is the reverse of what ought to be, for the irresistible demands in the new provinces are proportionally greater than in the old ones. We have therefore in the newer provinces enhanced the shares of some of the assigned revenues, by reducing *per contra* the fixed amounts granted in addition to the variable shares. In this way we have given the Punjab '4 and the Central Provinces '5, of its Land Revenue, instead of '25 only. In Burma, which, with Upper Burma now added, has a very large expenditure as compared with its revenue, and also probably considerable demands, and from which we have for the present withdrawn the Railway Revenue, we have found it necessary, in pursuance of this purpose, to raise the share of Land Revenue as high as two-thirds, and we have given it also half its Excise instead of one-quarter only.

"58. The state of Provincial finance in the North-Western Provinces had begun to give us anxiety, even before the outbreak of famine. Sir E. Baring in 1882 pronounced (Financial Statement of 1882, paragraph 58), as the result of an enquiry made under his orders, that nowhere in India is a reduction of taxation more required than in the North-Western Provinces and Oudh; and he took certain measures for that reduction which, for reasons fully explained in this Council at the time, were partly reversed in 1889. It is therefore perhaps not unnatural that the Revenue of these Provinces has shewn very little expansiveness. There is a certain advance in its Land Revenue as districts come under resettlement, but it is rather backward, or at any rate non-progressive, in respect of Excise and other Revenue. At all events its revenue from 1892 to 1897 has advanced only about 2 per cent;—much less than that of any other Province.

"59. Now, the settlement of 1892 left the North-Western Provinces with less of revenue than was necessary for its standard of expenditure. The reasons for this I need not mention, but it was intended that five lakhs of its admitted expenditure should be met by reduction of balance.

"60. There is also one feature peculiar to the North-Western Provinces Provincial account. It is dependent to the extent of 30 or 35 lakhs of rupees a year upon the net revenue of irrigation canals. Now, one year, very recently, there were unusually good cold weather rains, and the people did not want water from the canals; the result was that the Government of the North-Western Provinces lost 20 lakhs upon its Irrigation account, and I need not say that no Provincial account can stand a loss of that magnitude. True, in this last year,

of drought, the 20 lakhs have come back to it in the Irrigation account, but the losses under Land Revenue and other heads are so enormous as to swamp this particular gain, and the North-Western Provinces account finishes this year, without reckoning any famine charges, with a debtor balance of Rx. 200,800, which of course we have to make up by a grant out of Imperial. Grants like this, I may remark, are not shown on the face of our accounts: they are made by redistributing the Land Revenue between the Imperial and Provincial columns.

"61. We have carefully reviewed the requirements of the Province in the way of expenditure, and we have come to the conclusion that we must enhance its assignment by nearly as much again as the five lakhs by which the assignment of 1892 fell short of the admitted standard of expenditure.

"62. We have, in addition to this, made it a grant of four lakhs for the year 1897-98 to enable the Lieutenant-Governor to establish his District Funds on a financially independent basis; this step, which has been long ago accomplished in every other Province in India, not having yet been carried out in the North-Western Provinces.

"63. We come now to the important and wealthy maritime Provinces of Bengal, Madras and Bombay, towards which the commercial wealth and the industrial progress of India tend to accumulate. To them we naturally look for obtaining the means for that redistribution of resources which, to again quote Sir E. Baring's Financial Statement of 1882, is one of the objects of the quinquennial revisions. 'It is indeed obvious,' he said, 'that in view of the manifold demands on the Imperial treasury, and the necessity for affording relief to provinces whose means are straitened, the Government of India cannot forego all its claims on the increments of revenue which arise from the growing wealth and prosperity of the country.' The mention of the balances of the Provincial Account in these three great provinces, from 31st March 1892 onwards, will show that they may reasonably expect, with a slightly smaller assignment of revenue than at present, to continue their past career of financial prosperity. The Balances in Bengal were, in lakhs of rupees, 23½, 22½, 26, 43, 58; in Madras 42, 26, 29, 38½, 43; in Bombay 41, 38, 40, 30, 40; and since in each case the Local Government was at liberty to estimate for the expenditure of all excess over 20 lakhs, it may be taken that their present scale of expenditure is not the result of any specially enforced economy.

"64. We have carefully examined both the revenue and the expenditure of each of these Provinces, and we propose to allow in the present assignment for

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the actually existing scale of expenditure. The following figures compare the rate of growth of revenue with that of growth of expenditure :—

	Increase of Revenue from 1892 to 1897.	Increase of Expenditure now allowed.
Bengal . . . . .	9.6 per cent	10.9 per cent
Madras . . . . .	14.9 per cent	8.9 per cent
Bombay . . . . .	10.0 per cent	5.6 per cent

"In stating the increase of Revenue for Bengal, the Railway Revenue, alluded to below, is left out of account; and the figures for Madras and Bombay are based on the estimates made by the Government of India before the diminution caused by famine and plague.

"65. To a small extent in Madras, namely, in respect of its Land Revenue, the assignment of revenue is provisional and will be settled next cold weather. In the case of Bombay, we have had to postpone the final settlement also of Excise, Stamps, and Forests. But even with these heads remaining open for final determination next year, the settlement is sufficiently complete to be the basis of the exercise by the Local Governments of Provincial financial powers.

"66. As regards the effect on the Provincial accounts as compared with that of a continuation of the present assignments, the facts are—

- (1) In Bengal we resume a special grant which fluctuated with the earnings of the Eastern Bengal Railway (which is not under Provincial Administration), and we give Rx. 269,400 in lieu of it. The Railway grant was given in 1892 as the equivalent of Rx. 320,000, though, if renewed now on the same terms, it would be worth to the Lieutenant-Governor very much more.
- (2) In Madras the assignment is less than that of the 1892 settlement by Rx. 98,200 or Rx. 138,200, according as the Local Government's estimate of Land Revenue or that of the Government of India is ultimately adopted.
- (3) In Bombay it is quite impossible to say what the difference is. If the Revenue in the future is to be as seriously reduced as the Government of Bombay estimates, the new settlement is practically a continuation of the old one. But we hope, when present troubles are over, to find the standard of Revenue much higher than the Government of Bombay puts it.

"67. It is necessary to add a few words as to the manner in which the Provincial accounts are affected by the famine expenditure. The established policy in such cases is that Local Funds must first be called upon to bear all the expen-

diture they reasonably can bear, and to 'direct their whole resources, subject only to the maintenance of absolutely necessary works in non-affected tracts, to afford relief;' thereafter the Local Governments must meet the demands upon them out of their Provincial balances. At the point where these are reduced below the standard required as working balances for the Provincial financial administrations, the Imperial Government has to step in, and bear the rest of the burden which, in the case of a great famine, is necessarily by far the largest share of it.

" 68. In the Central and North-Western Provinces the Provincial balances, as already explained, are more than exhausted by reason of failure of revenue. In these cases not only will Imperial have to bear all the charges of famine, but it will have to make up, in addition, the deficit in the Provincial balance.

" 69. Bombay is nearly as bad—its Provincial account has been hard hit by loss of revenue. It can bear, in Provincial and in Local account, only a few lakhs out of its famine expenditure, and all the rest has to be borne by Imperial.

" 70. Madras is fortunately only slightly affected by famine, and its revenues have suffered very little. Between its Provincial and its Local balances it will be able to bear the whole, or nearly the whole, of its famine expenditure.

" 71. In Upper Burma the famine expenditure, which is only 6 or 7 lakhs in each year, will be charged to Imperial this year and to Provincial next.

" 72. In Bengal only a small area is affected, and the general condition of the Province, as reflected in its Revenue Account, is one of prosperity. Its high balance which, if it had no famine expenditure to bear, would, on 31st March 1897, stand at Rx. 595,700, will be largely dispersed during this and next year by heavy famine expenditure. This sounds a little harder upon Bengal than it really is, for, as a matter of fact, this high balance is the produce, not of any Provincial revenues in the ordinary sense, but of the Imperial grant out of Railway Revenues, not under Bengal administration, which three successive good jute seasons have so enhanced as to give the province a profit, in the three last years, of Rx. 353,500. But I am afraid that this consideration will afford little consolation to His Honour the Lieutenant-Governor for the financial misfortune which has overtaken both his finance and mine.

" 73. As the Estimates stand, after all the charges for famine are thus distributed, the Provincial balances are shewn upon 31st March 1898 as follows :—

	Rx.		Rx.
Central Provinces . . .	<i>Nil.</i>	North-Western Provinces	<i>Nil.</i>
Burma . . . . .	140,900	Punjab . . . . .	36,100
Assam . . . . .	85,800	Madras . . . . .	100,000
Bengal . . . . .	100,000	Bombay . . . . .	49,500

These will require some adjustment to the necessities of the several provinces; when we come to the end of the year; for the provinces cannot be left without a



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safe working balance at the very least. What this adjustment will be it is unnecessary now to discuss, for, as already explained, the estimates of famine outlay, though the best we can make, are very far from trustworthy, and the actual expenditure is determined by circumstances quite outside any control of ours. We therefore must wait until we can approximately close the account of the famine, and of the immediate disasters to Revenue which it brings in its train.

### "Railway Construction.

"74. In the last Financial Statement I mentioned that the question of Railway Extension was under the general consideration of the Government. A programme involving considerable outlay was explained to the Council by His Excellency the Viceroy on the Budget discussion on March 26th; and the question had been carefully considered in correspondence with the Secretary of State, how to raise the necessary money for the outlay, as the amount required went beyond the capacity of the Indian Money Market.

"75. At the beginning of the year the Secretary of State gave formal approval to a programme of Railway Construction, either direct by Government or by Companies acting under guarantee of the Government, which covered about Rx. 28,000,000 of Railway expenditure to be spread over three years, of which 1896-97 was the first. For this 28 crores of expenditure we were to raise in India as much money as we thought we could conveniently borrow, and the rest was to be raised in England, either directly by the Secretary of State or by Companies acting under agreements with him. But the amount of 28 crores thus arranged for does not include the transactions of certain Companies whose relations with Government do not involve a direct guarantee by the latter, and which work under special terms (like the Bengal and North-Western Railway) or under what are known as Branch Line terms. Nor does it include certain small transactions on Provincial account which are charged to Revenue.

"76. The operations thus fall into three categories, namely,—

- I.—State Railway Construction, for which money is found by Government aided by capital or debentures raised by two Companies,—the East Indian Railway Company and the Assam-Bengal Railway Company.
- II.—Construction by Companies, under contract with Government, out of funds raised by the Companies, but supplemented in two cases by funds advanced at interest by the Government.
- III.—Construction by Companies out of their own funds and outside the Government Accounts; and also construction by Branch Line Companies.

" There is a fourth category, *viz.*, the old Guaranteed Companies ; and though some negotiations are pending in respect of new capital construction by them, they are not further alluded to in these figures.

" 77. These three categories account respectively for the following expenditure :—

	Revised, 1896-97.	Budget, 1897-98.
	Rx.	Rx.
First Category . . . . .	5,767,700	6,700,000
Second Category . . . . .	2,990,600	3,430,000
Total on Government Account . . . . .	8,758,300	10,130,000
Third Category . . . . .	2,470,200	3,283,800
TOTAL . . . . .	11,228,500	13,413,800

" These figures, it should be remembered, include expenditure in England as well as expenditure in India.

"(a) First Category.

" 78. The estimated expenditure of the two years, falling under the first category, is as follows :—

	Revised, 1896-97.	Budget, 1897-98.
<i>Money available by—</i>	Rx.	Rx.
Grant under 48.—State Railway Construction . . . . .	3,819,900	5,838,600
East Indian Railway Company's Debentures . . . . .	1,437,000	662,100
Assam-Bengal Company's Capital and Debentures . . . . .	510,800	199,300
TOTAL . . . . .	5,767,700	6,700,000

" The East Indian and Assam-Bengal are State Railways in the hands of Companies who have power to raise debentures, and in the case of the Assam-Bengal Company share capital also, in sterling, for construction purposes. The capital and debentures raised by these Companies are of course appropriated to their particular lines ; but to the extent to which the raising of the money is in advance of its expenditure, the capital so raised diminishes for the time the total amount of construction for which money has to be charged direct on the Government Account of Capital Construction.

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" 79. The above money has been appropriated to the following construction, in which I have omitted separate specification of the smaller items :—

<i>State Agency—Open Lines—</i>					* Rx.	Rx.
North-Western	.	.	.	.	435,000	37,700
Eastern Bengal	.	.	.	.	448,900	322,500
Other Lines	.	.	.	.	76,000	73,200
<i>State Agency—Construction—</i>						
Burma	.	.	.	.	166,000	...
East Coast	.	.	.	.	292,800	65,000
Godaveri Bridge	.	.	.	.	...	185,000
Rae Bareli-Benares	.	.	.	.	257,100	432,500
Mari-Attock	.	.	.	.	373,700	300,000
Mushkaf-Bolan	.	.	.	.	210,200	...
Kotri-Rohri	.	.	.	.	420,100	211,000
Bezwada-Madras	.	.	.	.	841,800	800,000
Southern Punjab	.	.	.	.	...	222,300
Other Lines	.	.	.	.	92,500	220,100
<i>Companies' Agency—Open Lines—</i>						
East Indian	.	.	.	.	680,000	1,200,000
Tirhoot	.	.	.	.	24,100	110,000
Other Lines	.	.	.	.	59,400	135,500
<i>Companies' Agency—Construction—</i>						
Assam-Bengal	.	.	.	.	1,170,600	1,330,000
Tirhoot Extensions	.	.	.	.	220,000	600,000
Other Lines	.	.	.	.	—500	...
<i>Unappropriated</i>	.	.	.	.	...	455,200
TOTAL					5,767,700	6,700,000

" 80. The following is a statement of the principal items of expenditure included in this list :—

*Eastern Bengal.*—1896-97; Doubling of the line north of Ranaghat. 1897-98; Additional rolling-stock.

*Burma.*—This line was transferred to a Company, that is, to the second category, from September 1, 1896, and the further expenditure after that date is shewn there.

*East Coast.*—Is open for traffic from Bezwada to Cuttack, except the Godaveri Bridge.

*Godaveri Bridge.*—A commencement is being made of this work, which is to cost about 55 lakhs and will take two years to construct.

*Rae Bareli-Benares.*—The expenditure shewn will complete the line and open it for traffic.

*Mari-Attock.*—Will be approaching completion at end of 1897-98.

*Mushkaf-Bolan.*—Finished, including double line on the 1 in 25 gradients.

*Kotri-Rohri.*—1896-97; Open for traffic, excluding the Indus Bridge at Kotri. 1897-98; The Bridge will be completed.

*Beezwada-Madras.*—Will be approaching completion at the end of 1897-98.

*Southern Punjab.*—The expenditure is for the provision of rolling-stock, which falls upon the Government.

*East Indian.*—The expenditure is upon the Mogul-Sarai to Gya Branch, and for additional rolling-stock.

*Assam-Bengal.*—Open from Chittagong to Badarpore, and for 75 miles from Gauhati. The expenditure is chiefly on the hill section and on the northern section.

“(b) Second Category.

“81. The expenditure by Companies under contract with Government, other than the two above specified, are—

						Revised, 1896-97.	Budget, 1897-98.
<i>Companies' expenditure on the Government</i>							
<i>Accounts—</i>						Rx.	Rx.
Burma	.	.	.	.	.	535,400	771,000
Bengal-Nagpur	.	.	.	.	.	715,200	1,190,400
Ditto (a)	.	.	.	.	.	842,500	938,000
Indian Midland	.	.	.	.	.	438,500	21,600
Ditto (a)	.	.	.	.	.	239,900	236,500
Bengal Central	}	.	.	.	.	219,100	272,500
Lucknow-Bareilly							
Mysore							
Southern Mahratta							
TOTAL						2,990,600	3,430,000

(a) These are advances by the Government; the present arrangement in respect of the extensions of these two Railways being that the funds for expenditure in India are advanced by the Government.

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" 82. The following is a statement of the principal items :—

*Burma.*—The Mandalay-Kunlön extension, of which 80 miles will be nearly ready at end of 1897-98 : also additional rolling-stock.

*Bengal-Nagpur.*—Construction is proceeding on the three branches, Sini to Midnapur, Midnapur to Cuttack, and Midnapur to Howrah. The bridging is very heavy.

*Indian Midland.*—The Sagar-Katni branch, to be opened by end of 1897-98.

" (c) Third Category.

" 83. The expenditure under the third category is as follows :—

*Companies' expenditure outside the Government  
Accounts and Branch Line Companies—*

	Revised, 1896-97. Rx.	Budget, 1897-98. Rx.
Bengal and North-Western . . . . .	612,700	806,000
South Behar . . . . .	110,000	326,500
Southern Punjab . . . . .	1,295,200	724,600
Tapti Valley . . . . .	94,000	850,000
Smaller Branch Lines . . . . .	358,300	576,700
TOTAL . . . . .	2,470,200	3,283,800

" 84. The following are the principal items of expenditure :—

*Bengal and North-Western.*—The Ganges-Gogra Doab branch lines, and other minor extensions, of which 250 miles will be opened by end of 1897-98. The Gogra Bridge at Bahramghât, also to be opened by end of 1897-98. The Gogra Bridge at Tartipur only commenced.

*South Behar.*—Approaching completion by end of 1897-98.

*Southern Punjab.*—Expected to be opened about October or November 1897.

*Tapti Valley.*—Commenced.

" Remittance and Debt.

" 85. The following account shews in a shortened form the requirements of the Secretary of State ; the figures are drawn up so as to shew separately the.

## FINANCIAL STATEMENT.

[Sir James Westland.]

[19TH MARCH,

transactions on account of Government, and the transactions arising out of the operations of Railway Companies:—

	Revised, 1896-97. £	Budget, 1897-98. £
<i>Requirements on Government Account—</i>		
Excess of expenditure on Revenue Account . . . . .	15,561,200	15,915,500
Expenditure not charged to Revenue . . . . .	1,095,500	1,083,100
Net payments on Remittance Accounts, etc. . . . .	44,100	226,600
Total Requirements . . . . .	16,700,800	17,225,200
<i>Transactions of Railway Companies—</i>		
Net receipts on account of Capital . . . . .	3,877,200	2,455,500
Payments for Stores, etc. . . . .	2,136,700	3,273,700
Net Receipts . . . . .	1,740,500	...
Net Outgoings . . . . .	...	818,200
Net Funds required . . . . .	14,960,300	18,043,400

"86. The following figures shew the manner in which the above requirements have been or are to be financed:—

	Revised, 1896-97. £	Budget, 1897-98. £
By Council Bills . . . . .	15,300,000	13,000,000
By addition to Permanent Debt . . . . .	81,200	3,500,000
<i>Temporary Debt—</i>		
Reduction . . . . .	—1,000,000	...
Addition . . . . .	...	1,000,000
By reduction of Cash Balance . . . . .	579,100	543,400
	14,960,300	18,043,400

"87. It will be seen that Railway Companies took advantage of cheap money to raise a large amount of capital during 1896-97, and the amount provided for in the Budget was enhanced by a new arrangement made in the course of the year for the transfer of the Burma Railways to a Company: these receipts on Capital Account enabled the Secretary of State not only to meet with ease the reduction imposed on his drawings and alluded to in paragraph 33 above, but also to pay off a million of temporary debt without renewing it.

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"The transaction in permanent debt in 1896-97 was the raising of a new loan, India  $2\frac{1}{2}$  per cent stock £2,400,000, which was used to pay off debentures nearly equal in amount.

"88. For next year the requirements of the Secretary of State are considerably enhanced, as he has now to meet heavy charges of the Railway Companies against the capital accumulated in 1896-97. On the other hand, our means of meeting his drawings in India are greatly limited, both by reason of the adverse circumstances of the year in respect of famine expenditure and by reason of the heavy Railway programme of expenditure. This last, as already fully explained, includes not only an unusually large amount of Railway construction on Government account, but also heavy outlay of Railway Companies, partly against these same receipts of Capital in last year's account.

"89. We intend to supplement our resources in India by borrowing four crores of rupees; but as will be seen from the Ways and Means Account in India in Part II of this Statement, we estimate that we will not be able, even with this, to meet more than £13,000,000 of drawings during the year.

"90. The Secretary of State is therefore obliged to have recourse to borrowing, and his present intention is to raise £3,500,000 of permanent debt, besides restoring the £1,000,000 by which in the current year he has diminished the temporary debt.

"91. These announcements of the amounts of Council Bill drawings and of debt to be raised are made with the usual reservation of entire liberty to the Secretary of State to vary the amounts as he may find occasion.

"92. Before passing from this subject I note that the year 1896-97 is remarkable as being the first in which the Government of India have secured for themselves the full benefit of the general reduction in the rate of interest. For the first time India sterling stock has been raised in England at  $2\frac{1}{2}$  per cent, and Indian rupee debt has been raised at 3 per cent, a premium having been obtained in each case. Moreover, we have also, in the contract for the transfer of the Burma Railways to a Company, been able for the first time to make the arrangements on the basis of a  $2\frac{1}{2}$  per cent guarantee.

### "Conclusion.

"93. I concluded my statement last year with expressing the view that our financial prospects were 'now very much more hopeful;' although I 'refrained from any prophecies as to the future.' Our prospects are for the present marred by the occurrence of widespread famine, and of pestilence which is as yet confined within a narrow area. I can only now express the hope that a year hence these disasters will have passed away; and that as the deficits I am now obliged to declare are certainly much smaller than the losses due to famine and scarcity, we shall, when relieved from these misfortunes, resume that financial progress which they have interrupted."

162 LOCAL AUTHORITIES (EMERGENCY) LOANS; BHOPAL  
COINAGE; AMENDMENT OF INDIAN STAMP ACT, 1879.

[*Sir James Westland.*] [11TH MARCH, 1897.]

LOCAL AUTHORITIES (EMERGENCY) LOANS BILL.

The Hon'ble SIR JAMES WESTLAND presented the Report of the Select Committee on the Bill to enable local authorities to borrow money for temporary emergencies. He said:—"Hon'ble Members will see that this Bill has returned to the Council with an additional clause added to it. This clause makes quite clear the limits within which the Government from the first desired that the Bill should work. It is believed that the insertion of this clause will make the Bill acceptable to Hon'ble Members of Council."

BHOPAL COINAGE BILL.

The Hon'ble SIR JAMES WESTLAND moved that the Bill to facilitate the introduction as legal tender in Bhopal of current silver coin of the Government of India be taken into consideration.

The motion was put and agreed to.

The Hon'ble SIR JAMES WESTLAND moved that the Bill be passed.

The motion was put and agreed to.

INDIAN STAMP ACT, 1879, AMENDMENT BILL.

The Hon'ble SIR JAMES WESTLAND presented the Report of the Select Committee on the Bill to amend the Indian Stamp Act, 1879.

The Council adjourned to Friday, the 26th March, 1897.

J. M. MACPHERSON,

CALCUTTA;  
The 19th March, 1897. }

Secretary to the Government of India,  
Legislative Department.