

*Wednesday,
18th March, 1903*

ABSTRACT OF THE PROCEEDINGS

OF THE

Council of the Governor General of India,

LAWS AND REGULATIONS

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ABSTRACT OF THE PROCEEDINGS
OF
THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA:
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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., c. 67, and 55 & 56 Vict., c. 14.)

The Council met at Government House, Calcutta, on Wednesday, the 18th March, 1903.

PRESENT :

- His Excellency Baron Curzon, P.C., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.
 His Honour Mr. J. A. Bourdillon, 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 Mr. T. Raleigh, C.S.I.
 The Hon'ble Sir E. F.G. Law, K.C.M.G., C.S.I.
 The Hon'ble Major-General Sir E. R. Elles, K.C.B.
 The Hon'ble Mr. A. T. Arundel, C.S.I.
 The Hon'ble Sir Denzil Ibbetson, K.C.S.I.
 The Hon'ble Mr. Gopal Krishna Gokhale.
 The Hon'ble M. R. Ry. Panappakkam Ananda Charlu, Vidia Vinodha Avargal, Rai Bahadur, C.I.E.
 The Hon'ble Mr. L. P. Pugh.
 The Hon'ble Sayyid Husain Bilgrami.
 The Hon'ble Rai Bahadur B. K. Bose, C.I.E.
 The Hon'ble Sir M. C. Turner, Kt.
 The Hon'ble Mr. G. C. Whitworth.
 The Hon'ble Mr. R. F. Rampini.
 The Hon'ble Mr. G. F. T. Power.
 The Hon'ble Rai Sri Ram Bahadur.
 The Hon'ble Mr. A. W. Cruickshank, C.S.I.
 His Highness Raja Sir Surindar Bikram Prakash Bahadur, K.C.S.I., of Sirmur.
 His Highness Agha Sir Sultan Muhammad Shah, Agha Khan, G.C.I.E.
 The Hon'ble Mr. C. W. Bolton, C.S.I.

FINANCIAL STATEMENT FOR 1903-1904.

The Hon'ble SIR EDWARD LAW introduced and explained the Financial Statement for 1903-1904. He said:—

“1. With Your Excellency's permission I will now lay before the Legislative Council the actual financial results of the year 1901-1902; our Revised

Estimate for 1902-1903; and our Budget Estimates for the coming financial year 1903-1904.

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

| | | 1901-1902 (Accounts). |
|---|----------------|-------------------------------------|
| | | £ |
| Revenue | | 76,344,525 |
| Expenditure (charged against Revenue) | | 71,394,282 |
| | Surplus | 4,950,243 |
| | | 1902-1903 (Revised Estimate). |
| | | £ |
| Revenue | | 76,892,500 |
| Expenditure (charged against Revenue) | | 74,154,000 |
| | Surplus | 2,738,500 |
| | | 1903-1904 (Budget Estimate). |
| | | £ |
| Revenue | | 76,355,400 |
| Expenditure (charged against Revenue) | | 75,406,700 |
| | Surplus | 948,700 |

"Accounts, 1901-1902.

"3. The final accounts of the financial year 1901-1902 show a surplus of £4,950,243, being an increase of £4,259,343 over the original Estimate which showed a surplus of £690,900.

"4. On the Expenditure side the accounts show a decrease of £106,718 as compared with the original Estimate, and of £479,518 as compared with our Revised Estimate.

"5. The more important figures contributing to this latter result are an increase of £134,225 under Other Public Works, and decreases of £365,369 under Army Services, of £43,088 under Famine Relief and Insurance, and of £35,318 under Miscellaneous Civil Charges, and of £144,690 under Provincial Surplus added to the Provincial balances and charged as expenditure. These items account for the greater portion of the total difference noted, although there are many minor differences under various heads which on balance more or less compensate one another. The increased expendi-

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ture under Other Public Works is due to unexpectedly heavy expenditure in the last two months of the financial year. The decrease under Army Services of £365,369 is mainly due to smaller payment of capitation rates to War Office, owing to absence of troops in South Africa, and refunds from the War Office on account of over-payments in previous years, and the decrease under Famine Relief of £43,088 to an underestimate of the interest charge for the Bengal-Nagpore Railway, which is met from the "Famine Insurance Grant," whilst the saving in "Miscellaneous Civil Charges" is owing mainly to an over-estimate in England, more especially under the head of Superannuation Allowances and Pensions.

"6. On the Revenue side the heads under which the chief differences are observable between Accounts and the Revised Estimate are Land Revenue, a decrease of £181,882; Salt, a decrease of £57,390; Stamps, a decrease of £48,294; and Other Heads, a decrease of £54,991. Against these rather considerable decreases we have important increases under Receipts by Military Department, £72,389, and under Railways, £47,868. The result of these and other minor changes is an actual decrease of £202,175 of revenue as compared with the Revised Estimate of the year, and allowing for a decrease in expenditure of £479,518, the final result is an increase to the surplus of £277,343.

"7. The important decrease of £181,882 under Land Revenue is accounted for by suspensions and smaller recoveries of arrears in the Punjab, where the winter rains failed to some extent; also to the season having proved more unfavourable than was anticipated, in North Arcot, and in parts of the Ceded Districts in Madras; and to over-estimates of collections in Sind, and to a relatively small extent in the United Provinces.

"8. The decrease of £57,390 from Salt is mainly due to a decline in the trade at Sambhar at the end of the year, which is attributed to the spread of rumours of a possible reduction of duty.

"9. The falling-off of £48,294 in Stamps Revenue was mainly in the United Provinces and in Bengal. In the former plague appeared in March, and the passing of the Tenancy Bill in January appears to have diminished litigation. There were minor deficiencies in the Punjab, in Bombay, and in Madras, and it is possible that these may to some extent be attributed to the fact that the Easter holidays fell at the end of March.

"10. The decrease of £54,991 noted under Other Heads was chiefly in the Forest revenue, which fell short by £34,545. There was an extraordinary decline last year in the returns from Burma Forests; the floating season was bad, and there was a fall in the price of teak.

" 11. The increase of £72,389 under "Army Receipts" was in great part due to larger credits for Europe stores despatched to South Africa and China, and to greater sales of malt liquor than anticipated.

" 12. The increase in Railway revenues, amounting to £47,868 nett, was earned chiefly by the Great Indian Peninsula Railway by the carriage of favourable crops of cotton and oil-seeds.

" Revised Estimate, 1902-1903.

" 13. The Revised Estimate shows an anticipated increase over the Original Estimate of £2,522,100 under Revenue, and allowing for an increase (including Provincial surpluses and deficits) of £621,300 in expenditure, results in a total anticipated surplus of £2,738,500 as compared with the Budget Estimate which showed a surplus of £837,700.

" 14. This very large surplus is due to an increase of revenue in greater or less proportion under every principal head except Stamps, which shows a slight decrease of £6,200. The following are the principal differences between the Revised and Budget Estimates, giving, after allowing for some minor items, the total increase of revenue of £2,522,100:—

| | £ |
|---|------------------|
| Land Revenue | 698,400 |
| Opium | 274,300 |
| Salt | 66,700 |
| Excise | 257,300 |
| Customs | 286,700 |
| Assessed Taxes | 47,000 |
| Interest | 108,000 |
| Post Office | 57,900 |
| Telegraph | 51,500 |
| Mint | 351,900 |
| Receipts, Civil Departments | 49,400 |
| Miscellaneous | 42,400 |
| Railways | 77,000 |
| Irrigation | 138,300 |
| Receipts, Military Department | 31,400 |
| TOTAL | <u>2,538,200</u> |

" 15. The increase under Land Revenue which accounts for more than one-fourth of the total, is due to a favourable monsoon season and to the inclusion for the first time

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of the Berar revenues amounting to £480,000. The other principal increases making up the large total were—

| | £ |
|------------------|---------|
| Burma | 46,100 |
| Madras | 73,800 |
| Bombay | 141,400 |

The total amount anticipated to be realised during the closing financial year, excluding Berar, is higher than the average of the past six preceding years by a sum of more than three-fifths of a million sterling, and this notwithstanding remissions in districts specially affected by the recent famine amounting to the important sum of £504,300. This very satisfactory increase is indicative of general progress, and of the great strides towards recovery made by the impoverished peasantry of recently afflicted areas. It may be noted that the proportion of Land Revenue from irrigated lands, or due to irrigation, is estimated at £821,900, the increase over the figure of the preceding year being £8,503. Increases under this head are specially satisfactory as showing the value of our irrigation system. But, as I have before now pointed out, such increases are not directly indicative of the condition of the people, since, apart from increased returns from newly irrigated tracts, the greater the defect of rainfall, the greater the revenue from irrigation in those districts whose topographical situation has enabled us to provide them with water.

“ 16. The important increase under Opium is due to the obtaining of a higher price than estimated from sales, and to larger exports of Malwa Opium. In view of the rapidly falling market prices during the latter half of the last financial year, we assumed in our calculations for this year's sales a price of ₹1,150 per chest for Bengal Opium. In the early part of the year a continued decline in the market justified our anticipations, but in the later months there has been a fortunate recovery leading to the result now stated. The following figures illustrate the course of the market throughout the year :—

Average sale-price of Opium per chest during the financial year 1902-1903.

| | ₹ | a. | p. | | ₹ | a. | p. |
|---------------------|-------|----|----|--------------------|-------|----|----|
| April | 1,178 | 2 | 10 | October | 1,135 | 13 | 1 |
| May | 1,074 | 13 | 7 | November | 1,169 | 5 | 7 |
| June | 1,108 | 2 | 1 | December | 1,128 | 9 | 1 |
| July | 1,100 | 11 | 6 | January | 1,149 | 12 | 2 |
| August | 1,140 | 4 | 1 | February | 1,154 | 11 | 7 |
| September | 1,132 | 1 | 0 | March | 1,262 | 5 | 1 |

“ 17. Beyond certain improved facilities of distribution favouring consumption, the increased returns from Salt can only be attributed to an improvement in the material

condition of consumers. The increase of £100,690, over the actuals of 1901-1902, is decidedly satisfactory, and it would have been larger but that we consider it necessary to allow for a loss of about £40,000 during the closing weeks of the year on account of the reduction in duty which comes into force immediately.

" 18. Excise, which has been yielding a slow but steady increase of revenue during the past few years, has suddenly taken a great leap forward, the revenue for the closing year being estimated at more than £300,000 in excess of that for 1901-1902. This remarkable increase of over 7 per cent in a single year is undoubtedly due in part to better administration and more efficient preventive measures, but it is also due, and to a probably greater extent, to the improved condition of the people.

" 19. Our Customs Revenue shows an increase under most of the important heads, the only serious exceptions being sugar and cotton goods. There has been some check in the importations of foreign petroleum, but there is no great cause for dissatisfaction at this, since such check is compensated by increased production of oil in Burma and Assam. The importation into Calcutta of petroleum from Burma increased by approximately $3\frac{1}{2}$ million gallons, or by some 25 per cent, during the eleven months terminating on March 1, 1903, as compared with the importation during the corresponding period in the previous year.

" 20. The general importation of sugar shows a very considerable decline, but I much doubt whether this decline has been accompanied by any similar decline in consumption. The sugar market has been greatly perturbed by anticipations regarding the result of the Brussels Conference, and prices have varied considerably since last year. The prices quoted for refined beet sugar, last month, per cwt. in Bombay, were ₹10-13 as compared with ₹9-5 in March 1902, and the fluctuations in the interval have been considerable. Such uncertainties and fluctuations in prices must necessarily have affected the operations of importers, and although I am without precise information on the subject, I feel pretty sure that stocks of sugar in India must now be much lower than they were twelve months ago.

" Our returns from the countervailing duties on sugar have not only been received on a less volume of importations, but have also been affected by the changes introduced in our system of levying that duty under the Act passed in June 1902. The total received under countervailing duties for the first eleven months of the current financial year has amounted to only ₹17,05,000 as compared with ₹33,83,000 in the preceding year. In this connection I may recall that in the discussion on the Budget last March, one of the Hon'ble Members of this Council questioned the advisability of our taking so low a figure as 24 lakhs for returns from countervailing duties. The prudence of that estimate has, however, been more than justified by the event.

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" 21. The duties on cotton manufactures, including all kinds, have also shown a falling-off, the receipts during the first eleven months of the current year amounting to R85,00,223 as compared with R96,65,320 in the immediately preceding corresponding period. It is only in the secondary category of white piece goods that a serious decline of importations has occurred, and in the much more important class of grey goods there has been an actual increase from R46,66,879 to R47,36,512. As regards the question of purchasing power for a staple article of consumption among the people, the relative falling-off in importations is compensated by an important increase in the output of local manufactures, as evidenced by the following figures showing the returns of excise dues levied in British India:—

Net total receipts of cotton excise dues.

| | R |
|---------------------|---|
| 1897-98 | 11,38,950 |
| 1898-99 | 13,53,120 |
| 1899-1900 | 13,09,514 |
| 1900-1901 | 11,62,947 |
| 1901-1902 | 17,16,836 |
| 1902-1903 | 17,42,000 (estimate for last two months); |

" Various important articles of importation have shown satisfactory increases. Liquors give an increase of R4,54,382, copper of R3,03,623, and hardware and cutlery, of R1,04,341.

" 22. Deducting silver, the increased importation of which has been due to special circumstances to which I shall again allude, and sugar, the importation of which has, as I have shown, been influenced by exceptional circumstances, it will be found that there is scarcely any difference between the total revenues which we estimate will be derived from Customs importations in the current year and in the year 1901-1902. In this connection I may observe that, whilst I hope that increasing general prosperity may continue to swell our Customs returns from certain articles which we shall necessarily continue to import from abroad, I am inclined to anticipate that the development of Indian resources and industries, particularly as regards supplying such important articles of common consumption as cotton goods, petroleum and sugar, will tend to check the recent somewhat rapid growth of Customs Revenue from imports.

" 23. Under "Interest" the increase in receipts occurs mostly in England, and is due to the temporary investment of larger sums and to higher rates being obtained for them than was anticipated last March.

" 24. In Assessed Taxes, consisting almost entirely of income-tax, the important increase of £47,000 must be considered satisfactory. It is, I fear, only by their

contributions as income-tax that a considerable section of the wealthier classes of the community make any adequate contribution towards the expenses of the administration of the State. It may be hoped that, with improved collection and control, income-tax will become a fair and important head of revenue.

"25. Both letter postage and money order receipts increased beyond the Budget Estimate, and together they contributed £47,300 out of the total increase of £57,900 under "Post Office," and this notwithstanding a loss of approximately £11,400 entailed by the reduction of the commission on money orders for sums not exceeding five rupees.

"26. The increase of £51,500 in Telegraph receipts is mainly due to the Budget Estimate providing for too large a reduction under foreign message revenue in view of the reduction of the tariff, whilst the cessation of hostilities in China has caused a smaller falling-off in receipts than was anticipated. "Receipts, Civil Departments" were swollen by the inclusion of Berar accounts from October 1st to the extent of £8,500 and by £26,100 from the employment of Royal Indian Marine vessels on Imperial service. Of the increase of £42,400 under "Miscellaneous," £6,100 is due to increase of receipts in England, and £10,900 to the inclusion of Berar revenues from October 1st. There is also an improvement of £36,900 in Exchange transactions with Guaranteed Railways. With regard to Railways, I explained in my last Financial Statement that we could not count for the continuance in the current year of the abnormal receipts of 1901-1902, and I regret to say that my anticipations have been realised, as our Revised Estimate is £199,568 below the actuals of 1901-1902. The net increase of the Revised over the Budget Estimate, *vis.*, £77,000, is relatively a small difference, considering the magnitude of the transactions involved, amounting to only 4 per cent. The increase of £138,300 under "Irrigation" occurred chiefly in the Punjab, United Provinces and Bengal, and is due to the irrigation of a larger area than was anticipated. The increase of £31,400 under Army Receipts is chiefly due to credits for the supply of stores to troops serving abroad.

"27. On the whole, we have every reason to congratulate ourselves on the important increase of revenue noted, and which is, in the main, due to a favourable agricultural season and to the steady recuperation of those provinces which have been so severely tried in the last few years.

"28. I now pass to the Expenditure side of the account, and it is satisfactory to be able to state that the total expenditure according to our Revised Estimate will be £802,900 less than the Original Estimate.

"29. In Army Services there has been a decrease of £509,200, but out of this large sum we must attribute some £479,500 to prolongation of the absence of troops in South

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Africa and China, and there were lapses of certain sanctioned grants which it was not found possible economically to employ in full, before the close of the financial year.

"30. The other heads under which important economies have been effected are Direct Demands on the Revenue £259,100, Interest £75,600, and Salaries and Expenses of Civil Departments £488,900. "Direct Demands on the Revenue" were reduced by £129,200 owing to the opium crop proving to be below the estimate which allowed for a full crop, and there was also a considerable decrease in charges connected with Land Revenue. Under "Interest" there was a large saving owing chiefly to a reduction in the sum estimated for discount and interest on the loan of 150 lakhs raised in India last summer. The decrease under "Salaries and Expenses of Civil Establishments" was largely due to the impossibility to profitably utilize during the financial year the special grants made for "Education," "Medical," "Police," and "Justice."

"31. On the other hand, we have a large apparent increase of expenditure under Mint, amounting to £299,600, due chiefly to a payment of £263,400 to the Gold Reserve Fund (being net profits on coinage) and to the recoinage of withdrawn rupees, and also to the coinage of dollars on private account, though on the latter we secure a small profit. Under "Miscellaneous Civil Charges" there is an increase of £258,500, of which £126,500 is due to the inclusion of Berar transactions from October 1st, whilst £66,300 is due to the remission of takavi advances in the Bombay Presidency, and £4,100 is for interest charges on guaranteed loans raised by Native States. The increase of £211,300 under "Railway Revenue Account" is due partly to the expense of increased traffic, but more largely to special expenditure on maintenance and renewals of permanent-way and bridges and on rolling-stock.

"32. Before considering the Estimates for the coming year, I think that I should say something with regard to the large surpluses over and above our Estimates during the last few years. It may be thought that our Estimates should have approximated more closely to results than has been the case, but as regards our Revised Estimate for the past year, it must be remembered that it includes the Berar accounts which were not included in our Original Estimate. I myself think that we should try to arrive at closer figures, and a serious endeavour has been made in this direction in the preparation of the Estimates for 1903-1904. I must, however, point out that an Indian Budget presents very special difficulties as regards accurate estimation. These difficulties arise from the dependence of our revenue on the good or bad fortune of the agricultural industry; this good or bad fortune is entirely dependent on the seasonableness and amount of rain during the year, and there is no possibility of foretelling how the elements may favour us. Land Revenue, which constitutes nearly one-fourth of our total resources, is naturally directly dependent upon the course of the season, and indirectly the same factor affects returns from Salt,

Excise, and Customs. That Excise returns are directly influenced by the fortunes of the agriculturist, may be clearly seen by noting the following figures showing the variations of Excise revenue in the Bombay Presidency during the last few years, and the manner in which the returns correspond with the better or worse fortune of the people, and were affected by the great recovery in 1901-1902 :—

| 1895-99. | 1899-1900. | 1900-1901. | 1901-1902. | 1902-1903, Revised Estimates. |
|--|--------------|--------------|--------------|----------------------------------|
| £ 762,684 | £ 709,365 | £ 675,566 | £ 702,496 | £ 715,000 |
| <i>Percentage of increase over preceding year.</i> | | | | |
| 4.5 | -7.0 | -4.8 | 4.0 | 1.8 |

Customs revenues too, depending so largely on the importation of cotton goods imported chiefly for the use of the peasantry, are affected by the conditions which make or mar their prosperity.

“33. Further, apart from climatic influences, the Customs returns have, for some years past, been affected by the variations in the countervailing duties on sugar, which there was no possibility of estimating beforehand. In addition to fluctuations under the above-mentioned important heads, our Opium revenue is, as is well known, a very uncertain factor in our revenue, and, further, during the last three years we have had unexpected windfalls through the movements of troops on the Indian Establishment, for foreign service, and through payments by the British War Office for stores and material supplied with those troops.

“34. I trust that the figures which I am now about to present will approximate more closely to results than has been the case with those of the year now drawing to an end, although, as I have shown, our Indian conditions do not admit of a really close estimation. We are bound to be prudent in our forecasts. If the elements are favourable, a greater or less expansion of revenue exceeding those prudent forecasts will certainly result, whilst, should the season unfortunately prove seriously unfavourable, a shrinkage will result which would completely change the situation, if the estimates were less cautiously framed.

“Remission of Taxation.

“35. The results of the last four financial years have shown the following surpluses estimated and realised :—

| | £ |
|--------------------------------------|-----------|
| 1899-1900 (Accounts) | 2,774,623 |
| 1900-01 Do. | 1,670,204 |
| 1901-02 Do. | 4,950,243 |
| 1902-03 (Revised Estimate) | 2,738,500 |

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And these surpluses have been obtained notwithstanding the fact that the period under review commenced with a terrible famine, which unfortunately followed previous, though less severe catastrophes of the same nature. They afford the strongest evidence of the recuperative power of the country, and of the efficiency of the measures which have been taken by the Government in years past for its development.

“36. Last year at this season, when dealing with this question of surpluses, I stated that although confident of the future, we considered it prudent to see the results of yet another twelve months, before deciding as to the advisability and prudence of the remission of taxation on a large scale. The results of the closing financial year have been such as to confirm our confidence in the future, and it is now our special good fortune to be able to announce that after mature consideration, we feel ourselves justified for the first time since 1882 in deciding on important measures in the direction of remission of taxation.

“It is most gratifying to be able to make this announcement, both from the point of view of relief to the tax-payer, and from that of the accumulated evidence of the material welfare of the mass of the people.

“In view of the present satisfactory situation, it is the opinion of the Government of India that it is neither desirable, nor good financial policy to continue levying taxation at present rates, yielding such large recurring surpluses as have been realised during the last four years. It is true that our expenditure is necessarily increasing with the increasing development of the country, and some of our present sources of revenue do not show much sign of elasticity, but, for the present, our receipts are in excess of our needs, and even should it be necessary some years hence to seek the means of increasing revenue, we hold that we are not justified in continuing taxation at its present level during an interval which we trust may be prolonged.

“37. The question of the direction in which remissions of taxation might be made so as to afford the most direct relief in the most suitable manner, to the population at large, has occupied our most anxious attention, and we have finally decided to reduce the Salt Tax in India, exclusive of Burma, from ₹2-8 per maund to ₹2, and to exempt from Income Tax all incomes below one thousand rupees per annum.

“38. As regards the Salt Tax, in our opinion based on the most exhaustive inquiries, it does not, at its present rate, press hardly on the mass of the people, the actual impost per head being trifling. It is, however, paid in the main by those who can least afford to contribute anything, and we hope that the remission of even a trifling burden may prove a boon to the poorest class of tax-payers. Further, we hope that a reduction in

the salt duty combined with the progressive cheapening of the carriage of salt, by the development of communications, will lead to such greater consumption as will not only benefit the health of the people, but will also permit of the greater use of salt with profitable results, for cattle and in various processes of manufacture.

" Finally, from the financial point of view, a reduction of the Salt Tax has a very special recommendation, in that it will provide a reserve which can be immediately and rapidly made use of by once more increasing the rate, should such exceptional misfortunes as war or disastrous famine suddenly create an abnormal strain on our resources. At present we have no such reserve as is provided by the conditions of the Income Tax in England, and from the financial point of view, it is of the highest importance that in such exceptional circumstances as I have indicated, and as might possibly arise, we should be in a position, without delay or complications, to add, say, at least one million sterling to our annual revenue.

" 39. As regards the raising of the limit of exemption from Income Tax, we believe that the tax on incomes under a thousand rupees, is in the main paid by petty traders, by clerks in Commercial and Government offices, and by pensioners, who, small as is the present impost, feel it to be a severe burden. We are very glad to relieve a generally highly deserving class of the community of this burden, which weighs particularly heavily on widows and orphans in receipt of small pensions barely sufficing for the necessaries of life. Moreover, we have reason to fear that it is in the lower categories of incomes that hardship is perhaps felt in the matter of inquisitorial proceedings on the part of assessors, who, possibly, sometimes fix assessments at unjustifiably high rates, and we hope by raising the limit of taxation to greatly reduce and simplify the work of assessment. I may add that a specially gratifying feature of the situation is, that although we feel ourselves justified in reducing our revenue returns by a sum approximating £1,393,000, as a result of the remissions of taxation on which we have decided, we are nevertheless able to estimate for receipts from revenue in the coming year, falling short by only £537,100 of the returns, according to our Revised Estimate, for the closing year.

" Budget Estimates, 1903-1904.

" 40. Our estimates of Receipts and Expenditure for the forthcoming financial year result in an anticipated surplus amounting to £948,700, as regards total Imperial revenue and expenditure; but, it will be observed that to meet Provincial expenditure, Provincial balances will be drawn on to the extent of £1,383,500. I should mention, however, that provision has been made in the Budget for reconstituting such Provincial balances as will require assistance, so that the full minimum may be in hand at the close of the coming financial year. Such assistance will be given to the Central Provinces, Punjab, and Bombay. The remaining Provinces will hold balances showing an aggregate excess over minimum fixtures, amounting to £438,600.

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"REVENUE.

"41. The principal items of estimated increase in revenue as compared with the Revised Estimate of 1902-1903 are as follows:—

| | £ |
|---|---------|
| Land Revenue | 621,200 |
| Stamps | 75,000 |
| Excise | 127,500 |
| Railways | 306,900 |
| Receipts, Military Department | 119,000 |

"42. The above with minor increases result in a total anticipated increase of revenue amounting to £1,291,700.

"43. The increase in Land Revenue is principally in Bombay, where £378,200 is due to a return to more normal conditions, whilst it is estimated that an enhancement of £100,400 will occur in Burma, owing mainly to the revision of settlements in Upper Burma. £61,000 is the increase due to Berar.

"44. £28,000 of the increase in Stamps is due to the inclusion of Berar accounts and it is estimated that the returns in Madras will exceed by £18,700 those in the current year.

"45. We estimate that a further improvement over the high Excise returns realised in the current year will yield an additional £46,700 in Bengal and the United Provinces and £33,300 in Burma, whilst £43,300 of the total anticipated increase is due to the inclusion of Berar accounts.

"46. The increase of £306,900 in Railway Revenue is mainly attributable to anticipated considerable improvement in coal traffic on the Bengal-Nagpore Railway, and moderate increases are allowed for on the East Indian, the Rajputana-Malwa, and the Burma Railways.

"47. The net increase of £119,000 in Army Receipts is the difference between an enhancement of £184,600 expected in the Home estimates, and a reduction of £65,600 in receipts in India.

"48. On the other hand, we anticipate the following important decreases:—

| | £ |
|--|-----------|
| Opium | 121,500 |
| Salt | 1,086,700 |
| Customs | 273,400 |
| Other heads (including Assessed Taxes) | 113,300 |
| Interest | 141,600 |
| Mint | 51,400 |
| Irrigation | 39,700 |

"The above differences, together with the decrease of £1,200 under "Other Public Works," amount to a total decrease of £1,828,800.

"49. The net decrease resulting from increases under some heads and decreases under others, as above noted, is estimated at £537,100.

"50. As regards Opium, we have not felt justified in assuming that the relatively high prices obtained during the latter months of the closing financial year will be maintained and we have for the purpose of our present estimate assumed an average price for the coming year of R1,150 per chest.

"51. As regards the heavy falling-off in the anticipated receipts from Salt, we have taken £1,113,300 as the diminution to be anticipated from the remission of duty, and we have added £26,600 which, we hope, may be realised by increased consumption, in part as a result of the lower duty.

"52. In our Customs Revenue we allow for a considerable falling-off, a large proportion of which, about £90,000, is due to the anticipation of very small receipts from countervailing duties on sugar. We estimate for a decrease of £50,000 in the duty on silver, as the imports in the current year appear to have been abnormal, and we also anticipate a reduction of about £163,300 in the export duty on rice, as the Burma trade in the current year has been unprecedentedly large.

"53. The principal reduction under "Other Heads" is in Income Tax receipts. The raising of the taxable limit will, it is estimated, result in a loss of £240,000, while it is expected that there will be an increase of £15,300 owing to the normal growth of the Revenue, thus reducing the net deficiency to £224,700. This decrease is, however, to a considerable extent compensated by increases in other minor categories of receipts falling under this general head.

"54. The decrease under "Interest" receipts is chiefly due to an estimated reduction of £120,700 in the amount to be received in England. The sums available for investment by the Secretary of State will be somewhat smaller than during the closing year, and the rates of interest obtainable are likely to be lower.

"55. Under "Mint" receipts we anticipate a decrease in dollar coinage and copper coinage, and consequently in the receipts therefrom.

"56. The decrease in Irrigation occurs in the United Provinces and the Punjab, where it is anticipated that collections to be made in the coming kharif season, on account of irrigation, will be smaller than in previous seasons.

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“EXPENDITURE.

“57. Under Expenditure, for the forthcoming year, we anticipate, as compared with the Revised Estimate for 1902-1903, increases of importance under the following heads:—

| | £ |
|--|---------|
| Direct Demands on the Revenue | 647,700 |
| Post Office | 90,800 |
| Telegraph | 94,400 |
| Salaries and Expenses of Civil Departments | 607,000 |
| Railway Revenue Account | 426,600 |
| Irrigation | 149,400 |
| Other Public Works | 394,200 |
| Army Services | 536,400 |
| Special Defences, 1902 | 120,000 |

These increases bring up the total increase of Expenditure to £3,066,500.

“58. The heavy increase under Direct Demands on the Revenue is in great part due to the inclusion of Berar expenditure, to the amount of £261,600, and £94,700 is due to increase of Opium expenditure, on the assumption of an average instead of the short crop of last season. The balance is chiefly under Land Revenue, Excise, and Forests. A larger programme for Survey and Settlement is included in Land Revenue expenditure.

“59. The increase in Post Office expenditure is in part due to a payment of £20,000 under a new contract for a fast Mail Service in the Persian Gulf, and a sum of £19,300 has been provided for the improvement of the pay of Postmasters.

“60. Under the Telegraph Department there is an addition to expenditure on account of a sum estimated at £38,000 for the guarantee payable by Government under the agreement for the reduction of charges on foreign messages. The remainder of the increase is mainly due to increased provision for stores and new telegraph lines.

“61. Under ‘Salaries and Expenses of Civil Departments,’ an increase of £78,500 is due to the inclusion of Berar accounts. Other increases are chiefly under Courts, Police, Education and Medical, and whilst, in the closing year, there were considerable lapses under these heads, the present Budget makes full provision for all anticipated expenditure.

“62. The heavy addition of £426,600 under the Railway Revenue Account is due to increased interest charges on additional capital and to larger working traffic charges on increased mileage. But it must be remembered that there is considerable compensation for this increased expenditure in increased general traffic.

"63. The increase of £149,400 under "Irrigation" is accounted for by interest charges, £27,000, on additional capital expenditure, and to new Minor Works, for which £129,500 has been estimated. Further, of the special grant of 25 lakhs made in 1902-1903, £60,000 remained unexpended at the end of the year, whilst an allotment for the full sum has been repeated for the coming year.

"64. Of the £394,200 noted as increase under Other Public Works, £266,600 are due to the special grants now being made to Local Governments, and £34,800 are estimated for expenditure under Berar accounts.

"65. Army Services expenditure shows an increase of £536,400, of which £123,700 is due to the transfer of the Hyderabad Contingent expenses to this account. The balance is chiefly due to the non-repetition of savings secured during the closing year on account of the employment of troops on Imperial services.

"66. As a set-off against the above increases of expenditure, we estimate for decreased payments under the head of "Interest" of £132,900, and £246,400 under Miscellaneous Civil Charges; these, together with an estimated decrease of £6,700 under Mint, give a total decrease of £386,000.

"67. The net result as regards expenditure is an estimated total increase of £2,692,300.

Summary of Budget Results.

"68. We may now consider the results of the Budget I have presented, as regards capital accounts, and requirements during the coming year.

"69. Our estimate of Revenue, and Expenditure chargeable against revenue, closes with a surplus of £948,700. This surplus we carry forward to the second part of our statement dealing with Capital and Debt transactions, and including Deposits, Remittances and Advances. Our total estimate for Capital expenditure (not chargeable to revenue) on Railways and Irrigation amounts to £8,101,900, of which sum, £5,334,700 is for State Railways, £2,100,500 for the account of Railway Companies, and £666,700 for Irrigation Major Works. In addition to the above, we have to find £690,000 for discharging Permanent Debt, and £1,500,000 for discharging Temporary Debt. Thus the gross total of our Capital requirements amounts to £10,291,900.

"70. To meet these requirements we have in addition to the surplus of £948,700, and the net receipt of £192,600 under Deposits, Advances, and Remittances, a sum of £3,133,000 to be raised by Railway Companies. We further propose to increase our Permanent Debt by £3,333,300 including a loan of 2 crores to be raised in India, and we shall also procure £595,400 by addition to the Unfunded Debt.

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"These sums amount in the aggregate to £8,203,000 and the balance required to meet the total Capital Expenditure of £10,291,900 will be found by a reduction of our closing balances in India and in England by £2,088,900.

"The final result will be a closing balance on March 31st, 1904, in India, of £11,496,301, and in England £3,934,637.

"71. As regards the proposed rupee loan, I should say that it is possible that we may not require to raise the full amount noted, but the estimates of receipts have been calculated rather more liberally than has latterly been usual, and, in making an announcement, we consider that it is well to be on the safe side.

"72. The present intention of the Secretary of State is to draw bills amounting to £17,000,000. This figure is omitted from both sides of the account above summarised.

"General Financial Position on the basis of commercial value of Assets and Liabilities.

"73. The credit of a country largely depends on the outstanding amount of its public debt. The public debt of India on March 31, 1902, including temporary and unfunded debt, liabilities on account of Post Office Savings Banks, Provident Funds and minor items, was £222 474,000.

"74. This is relatively a small sum, being only the equivalent of about three years' revenues, but the figure in itself may seem somewhat large to those who have not realised the great value of the assets held, against this debt, by the Government of India. It seems to me that it would be well to explain the nature and value of these assets, and to submit a statement of our financial position from the purely commercial point of view.

"75. From the purely accounts point of view, a statement of our position is annually included in the accounts published by the Secretary of State, and this statement whilst showing correctly, as regards book-accounting, the total amount expended on productive public works, such as railways and canals, does not allow credit for their actual market-value. As a purely commercial calculation, I have arbitrarily, but I think fairly, capitalised the value of State railways and canals at 25 years' purchase of net annual average revenue, for the three years ending March 31, 1902, and such capitalised value amounts to £264,055,000. In addition to this asset, we held, at that date, cash balances in England and India, and balances in mints, small coin depôts, etc., amounting to £20,723,000, as also £3,454,000 in the Gold Reserve Fund, whilst a sum of £12,754,000 was due to Government on account of advances to Native States, Corporations, and other public bodies, including £2,266,000 due by

cultivators for takavi loans. These sums brought up the total commercial value of our assets on March 31, 1902, to £300,996,000.

“76. Against these commercial assets we must set off the amount of the Public Debt, already noted as £222,474,000, and the capitalised amount of our liabilities on account of the railways, and some minor obligations. The former, including the capital value of terminable annuities created for the purchase of the four old Guaranteed Companies, the capital raised through Companies working purchased railways, and the capitalised amount at 25 years' purchase of guaranteed interest payable to the new Guaranteed Companies, amounted to £94,787,000, whilst minor obligations amounted to £5,547,000, thus bringing up our total commercial indebtedness to £322,808,000.

“77. According to this calculation the balance of our commercial indebtedness on March 31, 1902, amounted to £21,812,000.

“78. We should, I think, however, take into account our assets and liabilities in connection with the two remaining old Guaranteed Companies' railways, the Bombay-Baroda, and the Madras. The capital value of these assets at 25 years' purchase of net annual average share of revenue payable to Government for the three years ending March 31, 1902, was £20,842,000. The liability in connection with the same cannot be stated definitely, since it will, in the end, depend on the price at which the railways may eventually be purchased by Government; for the purpose of my commercial calculation, I have, however, assumed the liability as equivalent to 25 years' purchase of the average annual payments of interest during the three years ending March 31, 1902, and this amounts to £24,824,000.

“79. Taking, then, the two remaining old Guaranteed Companies' railways into account, on the basis I have assumed, I must add £3,982,000 to our liabilities, and admitting this calculation, we still only show a total liability, for excess of commercial liabilities over assets, of £25,794,000.

“80. I think it may be fairly held that the position is even better than I have shown by the calculation of commercial values, on an arbitrary basis, and it must be remembered that in our railways and canals we have a steadily improving property.

“81. There are few States in Europe, or elsewhere, which can boast of such a thoroughly sound financial position.

Coinage, Currency and Exchange.

“82. During the past year our coinage operations, as regards rupees, have been limited to recoining rupees of the 1840 issue, and coining on account of Native States.

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The amount thus coined on Government account up to the end of February was ₹7,09,44,122, and for Native States ₹2,98,86,000. It must be remembered that the coinage undertaken on Government account added nothing to our circulating currency.

"83. Since the beginning of the current calendar year there have been very heavy demands for money, in great part in connection with the disposal of the bumper rice crop in Burma and the large cotton crop in Bombay and Central India. These demands have been largely met by the increased sale of Council Drafts, which will reach, according to our Revised Estimate, the total of £18,261,000, comparing as follows with those of preceding years:—

| YEAR. | Amount. |
|---------------------|------------|
| | £ |
| 1901-1902 | 18,539,071 |
| 1900-1901 | 13,300,277 |
| 1899-1900 | 19,067,022 |
| 1898-99 | 18,692,377 |
| 1897-98 | 9,506,077 |

But this large sale of Council Bills has by no means sufficed to meet the demand on foreign account for rupees in India, and very considerable sums in gold, amounting to approximately $4\frac{1}{2}$ millions sterling, have been shipped to India, chiefly from Australia, up to the end of February, besides a total nett importation of silver bullion, up to the same date, approximating 4 millions sterling. Of the silver importation, however, a large amount was for dollar coinage and for consumption in the country, but a certain proportion was apparently imported by speculators for a rise in silver, as a profitable method of remittance.

"84. Our currency balances have naturally been strongly affected by the bullion importations and demands for rupees, and our reserve of silver coin fell from ₹15,55,66,000 on November 30 to ₹9,01,73,000 on February 22, whilst the amount of gold held increased during the same period from £5,801,389 to £8,464,599. The stocks of both silver and gold have, however, since increased, the former to ₹9,90,90,000 and the latter to £9,073,853 on 7th March. In view of the large importations of gold bullion and the decreasing stock of silver coin, we decided at the end of February to purchase £300,000 of silver in London, so as to be fully prepared for the coinage of rupees should circumstances require it and our then existing stock of silver prove insufficient. At the time that we made the purchase, besides our stock of rupees in the Currency Reserve, we held in the two mints approximately ₹1,15,00,000 in withdrawn 1840 rupees, and silver bullion and bars obtained from the melting of such withdrawals. Our purchase was, therefore, simply a precautionary measure, and I allude to the fact to show that we are not unmindful of our responsibilities in the matter of providing currency.

"85. During the year, our Gold Reserve Fund has increased from £3,454,246 to £3,810,730, and substantially the whole of the latter amount is now invested in Consols. The Fund is increasing slowly but satisfactorily.

"86. Our exchange operations, as indicated, by the rates obtained for Council Drafts, have been very favourable during the closing year. The average rate, to date, for the rupee, has been 16'002*d.* as compared with the rates noted below, for the four preceding years:—

| 1898-1899. | 1899-1900. | 1900-1901. | 1901-1902. |
|------------|------------|------------|------------|
| <i>d.</i> | <i>d.</i> | <i>d.</i> | <i>d.</i> |
| 15'978 | 16'067 | 15'973 | 15'987 |

"87. I may point out that our position, as regards currency and exchange, is now somewhat as follows:

"We have virtually relegated our rupee currency to the position of a token currency, and we are now practically in the position of bankers who have issued a certain amount of fiduciary currency (whether paper or metal is immaterial), and to maintain the value of this fiduciary currency, we are bound to be in a position to exchange it for gold when presented for conversion to meet legitimate trade requirements. As I have already mentioned, we hold in the Gold Reserve Fund a sum of £3,810,730, and in the Currency Reserve we have about £9,073,853 also in gold. The gold in the Currency Reserve flows freely in and out according to circumstances and monetary conditions, but the demand for the metal is generally small. Gold coins, though demanded by bankers, seemingly chiefly for remittance purposes, are apparently but rarely used in local circulation, and private demands for export are limited by the action of Government in curtailing the sale of Council Bills whenever exchange approaches export point, gold being remitted, when necessary, to the Secretary of State in substitution for sales of Council Bills. The position of gold in the Indian Currency Reserve may, I think, be compared with that of gold in the Bank of England, which is held at the free disposition of the public, the difference being that the demands in India are comparatively small for the reasons I have given. The gold in the Gold Reserve Fund is held under conditions more nearly resembling those under which gold is held by the Bank of France. It will only be when the temporary curtailment of Council Bills is found insufficient to check a fall in exchange, and when the gold in the Currency Reserve is exhausted, *i.e.*, when the balance of indebtedness is seriously adverse to India to an extent, that we need hardly anticipate, that any serious demand can arise on the Gold Reserve Fund.

"There are both advantages and disadvantages in having a silver instead of a paper fiduciary currency. The silver always has an intrinsic value of high proportion to the nominal value of the circulating medium, but that value is fluctuating and has an

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unfortunate present tendency to depreciate. A note has no intrinsic value, and there can therefore be no question of fluctuation in its value.

Circulation of Currency Notes.

“88. During the past year the circulation of currency notes has considerably increased. I submit the two following statements, (1) showing the gross circulation of paper currency notes in recent years, and (2) the circulation excluding the amounts held at the Government Reserve Treasuries and by the Presidency Banks at their Head Offices:—

(In lakhs of rupees)

| | 1899-1900. | 1900-1901. | 1901-1902. | 1902-1903 (11 months only). |
|----------------------|------------|------------|------------|--------------------------------|
| STATEMENT I. | | | | |
| Average | 27,96 | 28,88 | 30,03 | 33,56 |
| Maximum | 29,27 | 30,78 | 31,86 | 35,58 |
| Minimum | 26,26 | 27,90 | 27,68 | 31,25 |
| STATEMENT II. | | | | |
| Average | 23,09 | 23,86 | 23,16 | 25,62 |
| Maximum | 24,41 | 25,02 | 24,40 | 27,35 |
| Minimum | 21,94 | 22,85 | 22,39 | 23,93 |

“It will be observed that the average circulation in statement (2) is considerably above that of the preceding year.

89. Last year I mentioned that we had under consideration the finding of means to popularise the circulation of notes. After a very careful consideration of the question, and consultation with some of the best authorities in India, we decided to make an experiment in the direction of creating a universal five-rupee note, payable at all Treasuries throughout India except Burma. The measures in connection with this decision have been legalised by an Act passed on March 13th of this year, but it will be some time before notes are issued to the public, as we are still engaged in considering the best form of note as regards the class of paper to be used to secure durability. We shall take special measures with the object of securing that these universal five-rupee notes be cashed without difficulty at all local Treasuries, and we hope in course of time to render them as popular throughout India as the present five-rupee notes already are in the Bombay Presidency. Should our experiment in the matter of a universal five-rupee note succeed, we shall in due time consider the advisability of issuing also a universal ten-rupee note. I must point out that the great difficulty in connection with the creation of

such universally payable notes lies in the danger that they may be used for remittance purposes, but against this we shall take certain precautions."

Presidency Banks.

"90. At the beginning of the winter season we held an informal conference which was attended by the Managers of the three Presidency Banks and some of our best official experts, and as a result of the discussions we are now about to make proposals to the Secretary of State for some important modifications in existing arrangements with the Presidency Banks. I regret being unable to announce the decisions to-day, but I feel confident that they will be such as will meet with general approval, and I trust that in the end they will prove advantageous to the Presidency Banks, although on some points we have appealed to their well-known public spirit to make some possibly temporary sacrifices in the interests of the general commercial community.

"91. I submit the following statement of Government balances held by the Presidency Banks:—

Government Balances with the Presidency Banks.

(In thousands of rupees.)

| MONTH. | 1898. | 1899. | 1900. | 1901. | 1902. | 1903. |
|--------------------|---------|---------|---------|---------|---------|---------|
| January | 2,78,41 | 2,73,84 | 2,48,75 | 2,64,54 | 2,85,89 | 3,07,63 |
| February | 2,74,04 | 2,72,31 | 2,56,23 | 2,86,73 | 2,97,16 | 3,32,02 |
| March | 3,19,63 | 3,38,07 | 2,79,18 | 3,15,79 | 3,11,24 | ... |
| December | 2,68,65 | 2,38,75 | 2,48,90 | 2,82,02 | 3,05,84 | ... |

"I would ask those who may be inclined to consider that the Banks might receive further assistance from Government in this direction, to remember that according to our arrangements with the Banks the amounts which Government are under obligation to hold on deposit with them are, respectively—

| | Lakhs. |
|--------------------|--------|
| Calcutta | 35 |
| Bombay | 20 |
| Madras | 18 |
| TOTAL | 73 |

"It will be observed that these obligatory sums have been very largely exceeded. Further, we have continued to show our readiness to assist the Banks in meeting demands for money in the busy season, and we are glad to note that, notwithstanding the recent great demand for money, the Presidency Banks' rate has not exceeded 8 per cent.

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[*Sir Edward Law.*]**Foreign Tariffs.**

“92. Although our own Customs tariff is, with the exception of the countervailing sugar duties, on a simple basis, we do not escape a good deal of trouble and much correspondence in connection with changes in the tariffs of foreign countries likely to affect Indian trade. It is self-evident that, our own tariff being very low, we can have little to offer to any foreign State to induce them to treat us with special favour in the matter of tariffs, and this position will continue unless we should be forced to accept a serious change of policy and to adopt an undesirably complicated tariff, raising and varying our duty rates to meet the kaleidoscopic changes in the tariffs of others.

“93. Our chief troubles during the past year have been due to changes in the French and Persian tariffs, and to changes in the system of bounties in beet sugar-producing countries, whilst now we are inquiring about the reported change in the Japanese tariff, affecting indigo, and into the possible effect on our trade of the new arrangements in China.

“94. As regards the French tariff, after prolonged negotiations in Europe an arrangement has been made, under which India still continues to enjoy the minimum tariff, to the great advantage of our coffee planters. With Persia we unfortunately had no proper commercial treaty, and we were consequently in a difficult position to negotiate. The tariff recently introduced is still very high as regards our interests, but both the Government of India and the British Foreign Office have been giving unceasing attention to the question. Some important modifications on the original proposals were secured, and further steps are being taken for the protection of our trade interests.

Countervailing Duties on Sugar.

“95. It was agreed at the Brussels Conference to restrict by international agreement the protective duties that may be imposed in the sugar-producing countries, and to abolish all kinds of bounties on the production or export of sugar. A convention was drawn up giving effect to this decision, and requiring the contracting Powers either to impose countervailing duties on the sugar imported from countries which continue to grant bounties, directly or indirectly, or to prohibit altogether the importation of sugar from such countries.

“96. The Government of India were represented at the Conference, but did not become a party to the Convention, preferring to retain for the present complete liberty of action.

“97. At the Conference it was decided that the bounty system should be allowed to continue unchecked until the 1st of September 1903, and this decision made it necessary

for us to devise intermediate measures to protect the Indian producer from the competition of bounty-fed cheap beet sugar, the price of which has been artificially lowered by the continental trade combinations. An Act was accordingly passed on the 6th of June 1902 empowering the Governor General in Council to impose a special duty on the sugar imported from any country in which the rate of taxation on foreign sugar exceeds the Excise-duty on home-grown sugar by more than a fixed maximum of 6 francs per 100 kilos of refined sugar, and 5½ francs per 100 kilos of raw sugar. The parties to the Brussels Conference considered that a protective duty of this amount would not allow a sufficient margin for the operations of cartels or combinations of sugar refiners, and they held that, when the protective duty exceeded the above rates, a special duty of half such excess would be sufficient to neutralise the depression in prices that might be created by the cartels. This formula appeared to be suitable to the conditions prevailing in Germany and Austria-Hungary, where the cartel system has been elaborated, and the rate of duty, worked out on the above principle, corresponded roughly with the difference, as calculated by experts, between the export price of sugar and the average cost of production in those countries. The Government of India therefore adopted this formula as a provisional measure, and on the 6th of June 1902, special duties were imposed under the new Act, on sugar imported from Germany and Austria-Hungary. The provisions of the Act were subsequently extended to sugar imported from France, Denmark, Russia, and the Argentine Republic. Measures have also been taken to ascertain the countries of origin of all sugar imported into India, in order to prevent the evasion of the countervailing duties by importation by indirect routes.

“98. The practical effect of the new duties has been to close, temporarily, the Indian market to the direct importation of German and Austro-Hungarian sugar, and to encourage imports from such beet-growing countries as Holland and Belgium, which do not maintain high protective duties. The imports of cane sugar from Hongkong, Java, and the Straits Settlements have also been largely increased.

“99. It has been announced in the public telegrams that all the Powers who joined the Brussels Convention have now formally ratified their acceptances, and it may be presumed that the provisions of the Convention will be put into force on the 1st of September 1903. On that date, the parties to the Convention are bound to abolish all sugar bounties, and, should they be completely abolished, the position might become such as to justify the abolition of all countervailing duties in India. On the same date, the Act passed in June last will, unless specially extended, cease to be in force. It appears, however, probable that in September next large stocks of bounty-fed sugar will be in hand in the beet-growing countries, and it may possibly prove necessary to consider the necessity of further temporary special measures, until these stocks have been exhausted and normal conditions restored.

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" 100. No decision has yet been arrived at with regard to the adherence of India to the Brussels Convention, but we are at liberty under the terms of the Agreement to accept it, should it hereafter appear desirable.

101. I append a statement of the imports of sea-borne sugar, and also of the sums realised from the countervailing duties.

Imports of Sea-borne Sugar from other Countries into British India.

| COUNTRY. | 1898-99. | 1899-1900. | 1900-1901. | 1901-1902. | 1902-1903. April 1902 to January 1903 (ten months). |
|-------------------------------|-----------|------------|------------|------------|---|
| REFINED. | Cwt. | Cwt. | Cwt. | Cwt. | Cwt. |
| United Kingdom | 35,565 | 65,424 | 119,272 | 188,300 | 265,128 |
| Austria-Hungary | 1,063,737 | 777,821 | 1,321,310 | 2,257,928 | 878,763 |
| Germany | 413,971 | 60,526 | 401,980 | 577,139 | 145,641 |
| Mauritius | 1,793,607 | 1,417,115 | 2,085,156 | 1,759,203 | 1,518,899 |
| China—Hongkong | 185,682 | 316,975 | 487,439 | 182,564 | 440,707 |
| Java | 162,500 | 190,553 | 225,247 | 310,592 | 493,806 |
| Straits Settlements | 75,656 | 79,999 | 144,166 | 62,486 | 203,566 |
| Belgium | 30,350 | 766 | 1,467 | 2,055 | 182,516 |
| Holland | 1 | 311 | 400 | 500 | 73,647 |
| Other Countries | 3,841* | 26,502* | 55,199* | 87,336* | 90,437* |
| TOTAL | 3,764,910 | 2,935,992 | 4,841,636 | 5,428,103 | 4,293,110 |

* Includes figures for Egypt and Ceylon.

Net Receipts from the countervailing duties.

| 1899-1900. | 1900-1901. | 1901-1902. | 1902-1903. |
|------------|------------|------------|------------|
| £ . | £ | £ | £ |
| 56,783 | 140,465 | 244,398 | 70,381 |

Customs Administration.

" 102. The Government of India have received representations from commercial bodies on the questions of the desirability of the care of commercial interests being made a particular function of some Government Department, and also on that of reform in our Customs administration, particularly with regard to the simplification of procedure and continuity of service in the Customs Department. These are questions on which, in principle, we fully sympathise with the ideas of the commercial community, and that such is the case is evidenced by the fact that Government had already moved in both matters before there was any special indication of public interest therein. It is some two years since the question was mooted of the desirability of having a section specially charged with the consideration of commercial interests in the Finance and Commerce Department. During that period, opinions on the question have been received and various suggestions considered; finally, a definite scheme has been formulated which is now under the consideration of the Secretary of State. Until we learn what the decision may be, it would not be proper for me to enter into the details of our proposals, but I may say that there is not the least fear of the proposed commercial section becoming a bureau of dry statistical information with the addition of lists of the addresses of traders. Our idea is to create an active living institution in which all questions relating to trade and industry will be considered and primarily dealt with, whilst information will be collected which we trust will prove equally useful to Government and to business men. Our present Statistical Department will be included in the new section, with a distinct head, subordinate to the Director General of the section, which will include two distinct divisions, Commercial and Statistical.

" 103. With regard to Customs administration, I may say that this matter has occupied my attention for a long time, and it is more than a year since Government referred to a departmental committee certain questions connected with our Custom House system, and we subsequently requested another committee, on which we had the valuable assistance of commercial representatives, to formulate proposals for the improvement and simplification of Customs procedure. Something has already been done in this direction, and I believe that the commercial community are fully sensible of the beneficial results. The larger reforms which have been suggested will also receive the most careful consideration, but it must be remembered that the Customs administration being under the Local Governments we cannot move as quickly as might possibly otherwise be expected.

Army Services.

" 104. We are still continuing the work of providing for increased efficiency of the army, and more particularly by expenditure in the various Departments connected with

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Supply, Transport, Armament and Mobilisation. The following figures show the net Military expenditure during the last five years :—

| | £ |
|--|------------|
| 1899-1900 | 14,165,743 |
| 1900-1901 | 14,265,525 |
| 1901-1902 | 14,786,342 |
| 1902-1903 (Revised Estimate) | 16,234,900 |
| 1903-1904 (Budget Estimate) | 16,652,300 |

“Included in the sums placed at the disposal of the Military Department are large amounts for Ordnance Factories. We have so far sanctioned the following amounts on this account and the subjoined statement shows the sums allotted and spent, to date, on different establishments :—

Statement showing the probable expenditure to end of 1902-1903 on the various Government manufacturing establishments, and the grants allotted for 1903-1904.

| NAME OF FACTORY. | Total amount of estimate (Military and Military Works). | Total probable expenditure to 31st March 1903 (Military and Military Works). | Total grants allotted for 1903-1904 (Military and Military Works). |
|--|---|--|--|
| | £ | £ | £ |
| Cordite Factory, Wellington | 196,298 | 180,694 | 10,000 |
| Rifle Factory, Ishapore | 250,333 | 60,977 | 142,000 |
| Gun Carriage Factory, Jubbulpore | 177,938 | 74,619 | 54,250 |
| Ishapur Rolling Mills | 167,829 | 2,000 | 84,035 |
| Gun Factory, Cossipore | 10,680 | Nil. | 7,000 |
| TOTAL | 803,078 | 318,290 | 297,285 |

“These are large grants, but I would again emphasise the fact that not only will the expenditure have valuable results from a military point of view, but it will prove of direct benefit to the people of India by lessening the cost of war material; providing well-paid employment for labourers and artisans; assisting the education of the people in mechanical trades; and reducing the drain on our resources for payment abroad.

“105. We anticipate that manufacturing will commence in the Cordite Factory about the end of 1903; in the Ishapur Rifle Factory about the end of 1904, and in the Gun Carriage Factory, Jubbulpore, the Rolling Mills, Ishapur, and the Gun Factory at Cossipore in the spring of 1905.

Public Works.

" 106. The following figures show the comparative Capital expenditure on Railways for five years :—

| | £ |
|--|-----------|
| 1899-1900 | 5,978,520 |
| 1900-1901 | 5,317,768 |
| 1901-1902 | 5,915,199 |
| 1902-1903 (Revised) | 6,897,200 |
| 1903-1904 (Estimate)— | |
| Capital expenditure on open lines | 3,350,700 |
| Capital expenditure on lines under construction | 2,271,600 |
| Capital expenditure on new lines recently commenced | 1,183,800 |
| Capital expenditure on new lines to be commenced next cold weather | 527,200 |
| | <hr/> |
| TOTAL FOR 1903-1904 | 7,333,300 |
| | <hr/> |

" 107. On April 1st, 1902, the total length of railways was 25,378 miles, classified as follows :—

| | |
|--|--------|
| 5' 6" gauge | 14,057 |
| Metre gauge | 10,553 |
| Special 2' 6" and 2' 0" gauges | 768 |
| | <hr/> |
| TOTAL | 25,378 |
| | <hr/> |

" To this mileage has been added during the current year—

| | Miles. |
|---------------------------------|--------|
| 5' 6" gauge | 272 |
| Metre gauge | 697 |
| Special narrow gauges | 127 |

bringing up the total addition to open lines to 1,096 miles, and we anticipate adding approximately another 654 miles during the coming financial year.

" These are important additions to our railway communications, and experience has shown their great value in mitigating the effects of famine, and in opening up new districts, and providing profitable markets for the agricultural population.

Provincial Settlements.

" 108. As regards the new settlements with Provincial Governments, I had expected to be able to make some definite announcement at this season, but the matter is one of such great importance and the questions involved are so complicated that it

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was only in the late autumn that we were prepared to formulate definite proposals to the Secretary of State, and these are still under his consideration.

Mutual Credit and Agricultural Banks.

" 109. Again, I must express my regret at being unable to announce any definite decision. The question is clearly one of the highest importance, and, anxious as we are to proceed, every care must be taken to avoid, as far as possible, mistakes at the outset. The opinions of Local Governments and authorities to whom the report of the Conference on this question was referred have been received, but they have not been sufficiently long before us to enable us to formulate our definite proposals to the Secretary of State.

Remission of Land Revenue and Special Grants-in-Aid.

" 110. I mentioned in my Statement last year that we had decided to remit £1,321,500 of arrears of land assessment in distressed districts. This has been done, and we continue the same policy of assistance to any sections of the agricultural population, which, as the result of famine, may be in need thereof, and we have again sanctioned a special grant of 25 lakhs for minor irrigation works. I may mention that during the closing financial year it was only found possible to profitably spend 16 lakhs out of the 25 lakhs sanctioned. I may here remind those who advise us to 'irrigate India' as a panacea for all troubles from drought and famine, that even in India water will not flow up hill, and that irrigation schemes require much time for careful preparation, and more time and the greatest care for profitable execution.

" 111. The special grants-in-aid made last year to Provincial Governments for expenditure on Education, Public Works, Medical requirements and provincial administrative purposes, were not fully expended. From one point of view it is a matter of regret that it was not found possible to expend the whole sum which was placed at the disposal of the Provinces, but, on the other hand, the fact that the money was not all spent is a satisfactory proof of the care exercised in its expenditure. This year we have decided to distribute among the various Provinces, excluding Burma, a special grant of 40 lakhs, to be devoted to Public Works, such as Jails, Police Quarters, Court Houses, Provincial Roads, etc., and we believe that the money can be spent with real advantage. We have not made any special grant to Burma on this head, as the Government of that Province has a very large balance, accumulated during the period of the last settlement, and which is still at its disposal for Public Works.

Famine.

" 112. We may congratulate ourselves upon the favourable results of last year's monsoon, a prolonged break in which at one time threatened disaster. But the rainfall was

resumed in time, and the result was to add to the happiness and prosperity of the people, and was immediately reflected in our revenue collections.

"The rice crop in the Central Provinces constituted an unfortunate exception. It very generally failed; and the failure, coming as it did upon the top of successive years of trial, has caused considerable distress. The distress is, fortunately, not very widespread; but already some 36,000 persons are in receipt of relief. In some districts of Upper Burma also, insufficient rainfall has resulted in a short yield of rice.

"The winter rains in the north-western portion of India have again been scanty, and the spring crops in irrigated areas, especially in the Punjab, have suffered in consequence. But it is not anticipated that anything in the shape of serious distress will result. With these exceptions, the agricultural character of the past year may be described as generally favourable.

"113. Our direct famine expenditure during the closing financial year is estimated at £313,500. In connection with famine questions I may mention that the total outstanding for loans granted to Native States, chiefly for famine purposes, is now about 211 lakhs; in addition to this sum, loans have been raised by Native States in Bombay, in the open market, under Government guarantee, to the amount of about 33 lakhs.

"As announced at the Durbar at Delhi, we have remitted three years' interest on the loans granted or guaranteed by Government, and we have since decided that to assist very small States who had raised petty loans in the open market, the outstanding balance of principal up to ₹2,000 shall be paid off by Government during the current year, and be replaced by Government loans at 4 per cent. Our estimate of the amount thus to be paid is ₹1,14,000. I trust that this latter arrangement will prove a substantial assistance to the very small States, by whom the burden of interest and repayment of principal on even the most petty loans, must be severely felt.

Economic Progress.

"114. I think it may be well that I should endeavour once more briefly to review the economic situation, and to deduce, from the consideration of the question, such conclusions as may be possible regarding the prosperity of the people taken as a whole. I say advisedly 'taken as a whole,' because those who have been inclined to criticise previous statements of opinion on this subject have founded their arguments as to the alleged impoverishment of the people, on facts and circumstances connected solely with that relatively small part of the total population which has been so severely tried by famine and plague in recent years.

"115. As a general indication of increasing wealth of the tax-payers, I think that a very fairly correct estimate of the position is to be obtained by noting the increase in

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revenue returns under heads the returns from which are manifestly dependent on their spending power. Such heads are Salt, Excise, Customs, Post Office, and in a lesser degree Stamps, and I give the following figures showing progress in revenue under those heads during the last three years:—

| | Accounts, 1899-1900. | Accounts, 1900-1901. | Accounts, 1901-1902. | Revised Estimate, 1902-1903. |
|--|-------------------------|-------------------------|-------------------------|------------------------------------|
| | £ | £ | £ | £ |
| Salt . . . | 5,850,463 | 5,967,034 | 5,939,310 | 6,040,000 |
| Stamps . . . | 3,265,476 | 3,342,948 | 3,446,406 | 3,471,900 |
| Excise . . . | 3,859,942 | 3,937,202 | 4,076,681 | 4,377,600 |
| Customs (excluding countervailing du- ties and silver) . . | 2,914,857 | 3,131,223 | 3,358,870 | 3,509,700 |
| Post Office . . . | 1,308,315 | 1,357,156 | 1,383,709 | 1,435,000 |
| TOTAL . . . | 17,199,053 | 17,735,563 | 18,204,976 | 18,834,200 |

" 116. I have purposely omitted Land Revenue from this table, since returns from this source are influenced in the direction of increase by revisions of settlement, and by the bringing under settlement of newly irrigated and cultivated lands, and in the direction of decrease by the large remissions which have been made to facilitate recuperation in specially afflicted areas. The returns from the Post Office have, it is true, been influenced by certain changes in rates charged, but as these have all been in the nature of concessions and reductions, we can as regards the question under consideration accept the results with confidence.

" 117. The inevitable deduction from the figures tabulated must be that the material prosperity of the people as a whole is making good progress.

" 118. In further confirmation of this I may cite the figures showing the growth of deposits in the Post Office Savings Banks—

| | Accounts, 1899-1900. | Accounts, 1900-1901. | Accounts, 1901-1902. | Revised Estimate, 1902-1903. |
|---|-------------------------|-------------------------|-------------------------|---------------------------------|
| | £ | £ | £ | £ |
| Post Office Savings Banks (net receipts) . . . | 145,628 | 264,540 | 425,911 | 430,400 |

" 119. As I have previously stated, the prosperity of the agricultural population must, from the financial as well as from other points of view, be the deepest concern of the Government of India, and there is no hesitation in providing funds for agricultural purposes wherever we see the likelihood of profitable employment. Matters of detail connected with this question are within the province of my Honourable Colleague in charge of the Revenue and Agricultural Department, but I think I may be allowed to mention that the activity and labours of the competent gentleman who was named Inspector General of

Agriculture, encourage great hopes of progress, and that in some parts of the country a very satisfactory beginning has been made towards instructing the raiyats in such questions as introduction of crops grown in one district to another in which they seem likely to succeed; improved methods of cultivation; advantage of chopping up fodder crops; ensilage; value of propagation of good qualities of seed; value of certain easily procured manures; use of implements of the simplest kinds; and the treatment of crop diseases.

“ In the Central Provinces, under the sympathetic supervision of the Commissioner of Settlements, special progress has been made, and 14 demonstration farms working on the lines indicated, of from 25 to 100 acres each, were taken up last year. Further, in these Provinces the publication of a monthly magazine has been undertaken, written in simple language, in the local vernacular, and dealing with local agricultural questions. There are already over a thousand subscribers to this magazine and free distribution is made to officials. The success which has attended this good beginning augurs favourably for the future.

“ 120. I am glad to say that there has been some recovery during the past year from the recent severe depression in the tea industry. Prices have improved somewhat, that for fair Souchong having risen from 4 annas 3 pies per lb at the end of February 1902 to 4 annas 9 pies per lb at the close of the calendar year, and from 4 annas for common Pekoe to 4 annas and 9 pies per lb . Progress has been made in pushing sales in Persia and Russia, and a new departure has taken place during the past year in the manufacture of green tea in India. The exports from Calcutta between April 1st and January 31st have increased from lb 163,339,300 in 1901-1902 to lb 164,161,000 in the corresponding period, 1902-1903.

“ 121. I cannot say that there are up till now as satisfactory signs of revival in the indigo industry, as I am able to note with regard to tea. Still there is distinct evidence that the views which I ventured to express on this question in my previous Financial Statements have not been without reasonable grounds. I know that very many of those keenly interested in the Indian indigo industry believed that I was unreasonably optimistic, and capitalist friends in Europe, interested in the manufacture of synthetic indigo, pitied my ignorance in saying that they had not yet heard the last of the natural product.

“ Now, what are the facts on which we may base an opinion? First, owing to a succession of unfavourable seasons, we have had a reduction in the outturn of indigo crops, from over 100,000 maunds to some 85,000 maunds, then to 45,000 maunds, and such a failure in crops would by itself have spelt ruin to any but an industry possessed of much natural vitality. And yet the indigo industry is by no means dead, and during the recently closed auction season, prices advanced by fully four pence per pound—a very

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considerable percentage,—whilst natural indigo continues, I am informed, to fetch in certain markets some 30 per cent more than the artificial product.

“But the most important point, to my mind, in connection with this question of competition between the natural and artificial products, is that the planters appear to have realised the necessity of a reform in agricultural methods, and are with good results adopting a system of rotation of crops, whereby indigo becomes something akin to those bye-products for which any price obtainable is a profit. I do not anticipate any return to the bye-gone days of extraordinary prosperity in indigo, but I do not believe that we need contemplate anything like a complete failure of the industry.

“122. In this connection we must feel keen interest in the present efforts to create a sugar industry on a scientific basis in Behar, since indigo ‘seeth’ is considered to be the cheapest and most reliable manure for sugarcane crops. It is reported that satisfactory progress is being made with the production of sugar, and I am glad to say that considerable attention is also being paid to the cultivation of rhea and tobacco, for the manuring of which crops the indigo ‘seeth’ is equally valuable.

“123. The rapidly increasing prosperity of the coal business has received a check, but I do not think that there is any reason for discouragement. We have recently had the opportunity of learning the opinion of two very competent experts on the value of our coal-fields, and they were emphatic in their appreciation of the wealth they represent. They gave, however, some words of warning as to the desirability of economical working of the coal seams, without due attention to which profitable working might in their opinion come to an end prematurely.

“The quality of the Bengal coal was highly praised by these experts, and I would venture to suggest to coal-owners that to maintain the reputation of the coal and command full prices, it is very important that only the best qualities should be shipped. Attention to this question is in the interests of all concerned in the trade, for should careless owners send out coal of inferior quality, there would be a risk of a general reduction in price which would seriously prejudice the business of those who continued to work their coal well, and shipped only the best quality.

“I give the following figures of exports of Bengal coal during the last three calendar years:—

| YEAR. | Foreign Ports. | Indian Coast Ports. | GRAND TOTAL. |
|------------|----------------|---------------------|--------------|
| | Tons. | Tons. | Tons. |
| 1900 . . . | 518,551 | 1,216,000 | 1,734,551 |
| 1901 . . . | 575,937 | 1,432,350 | 2,008,287 |
| 1902 . . . | 427,786 | 1,287,770 | 1,715,556 |

" Bunker. Coal was supplied to Steamers at Calcutta, in 1900, 615,504 tons; 1901, 661,840 tons; 1902, 697,007 tons.

" 124. As regards investment in industrial enterprises in India, I should mention that our statistical returns show an increase of investment of £875,000 for the calendar year 1902, and the total paid up capital at the end of that year as amounting to £25,992,000. These returns are, I fear, not fully complete, as we sometimes have considerable difficulty in obtaining the required information. It would be a great advantage if such information were more freely given.

" 125. I am glad to be able to note once more that the jute industry is in a flourishing condition, and I understand that good profits have been made by those engaged in that business. There are, however, reports that the quality of the jute fibre is deteriorating, and this appears to me to be a question requiring the close attention and advice of agricultural experts, assisted by agricultural chemists. I hope that this question may be taken up. Prices have ruled fairly firm, this season, and exports have been fairly large.

" 126. We have had an excellent cotton crop which is selling at fair prices, and we have further been favoured with a bumper rice crop in Burma, which, besides adding to the prosperity of that Province, has resulted in a material total increase of revenue, amounting, as compared with last year, to approximately ₹27,73,000 from the export-duty on rice.

" 127. In conclusion, I would draw attention to a very specially satisfactory feature in the general situation, namely, the steady growth of our Export trade. The following are the comparative values of exports (exclusive of treasure and Government stores) in the eleven months from April 1st to February 28th, in the last three years :—

| 1900-1901. | 1901-1902. | 1902-1903. |
|------------|------------|------------|
| £ | £ | £ |
| 64,865,050 | 75,051,924 | 75,969,551 |

" The corresponding figures for the Import trade are—

| 1900-1901. | 1901-1902. | 1902-1903. |
|------------|------------|------------|
| £ | £ | £ |
| 45,696,640 | 50,285,455 | 47,164,115 |

" The result, including Government stores, but excluding treasure, has been an excess of values of Exports over Imports for the three eleven-month periods, as follows :—

| 1900-1901. | 1901-1902. | 1902-1903. |
|------------|------------|------------|
| £ | £ | £ |
| 16,641,827 | 20,828,175 | 24,907,365 |

" I may add for information that the net imports of treasure during the corresponding three years amount to a total of £19,307,957, whilst Rupee Government Securities have been bought abroad and transferred to India for a total of £5,561,333."

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INCOME-TAX (AMENDMENT) BILL.

The Hon'ble SIR EDWARD LAW said:—"In consequence of the announcement which I have been authorized to make to-day regarding the remission of Income-tax on incomes below Rs. 1,000, it will be necessary to undertake legislation, and I ask Your Excellency's permission to move for leave to introduce a Bill further to amend the Indian Income-tax Act, 1886. Under the present law the limit below which incomes are not liable to Income-tax is now fixed at Rs. 500. It has been decided to raise this limit to Rs. 1,000 per annum, and the object of this Bill is to give effect to that decision."

His Excellency THE PRESIDENT said:—"Owing to the fact that the legislation to which the Hon'ble Member alludes is consequential upon the Budget Statement which has just been delivered, it has not been found possible to comply with the Rules as regards the notice which ought ordinarily to be given. Under one of the Rules for the conduct of business, however, I have the power to provide for the addition to the list, at any time, of business of a special nature, and it is under this power that I now accept the motion of the Hon'ble Member to introduce this Bill and put it to the Council."

The motion was put and agreed to.

The Hon'ble SIR EDWARD LAW introduced the Bill.

The Hon'ble SIR EDWARD LAW also moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in the Gazette of India and in the local official Gazettes in English.

The motion was put and agreed to.

The Council adjourned to Friday, the 20th March, 1903.

CALCUTTA ;
The 20th March, 1903.

J. M. MACPHERSON,
*Secretary to the Government of India,
Legislative Department.*