

*Wednesday,
23rd March, 1904*

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., Cap. 67, and 55 & 56 Vict., Cap. 14).

The Council met at Government House, Calcutta, on Wednesday, the 23rd March, 1904.

PRESENT :

His Excellency Baron Curzon, P.C., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.

His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.

His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M. G.C.M.G., Commander-in-Chief in India.

The Hon'ble 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., K.C.I.E.

The Hon'ble Sir A. T. Arundel, K.C.S.I.

The Hon'ble Sir Denzil Ibbetson, K.C.S.I.

The Hon'ble Rai Sri Ram Bahadur.

The Hon'ble Mr. A. W. Cruickshank, C.S.I.

His Highness Raja Sir Surindar Bikram Prakash Bahadur, K.C.S.I., of Sirmur.

His Highness Agha Sir Sultan Muhammad Shah, Agha Khan, G.C.I.E.

The Hon'ble Mr. Gopal Krishna Gokhale, C.I.E.

The Hon'ble Mr. E. Cable.

The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.

The Hon'ble Mr. H. Adamson, C.S.I.

The Hon'ble Mr. A. Pedler, C.I.E., F.R.S.

The Hon'ble Mr. T. Morison.

The Hon'ble Dr. Ramkrishna Gopal Bhandarkar.

The Hon'ble Mr. J. B. Bilderbeck.

The Hon'ble Mr. D. M. Hamilton.

The Hon'ble Rai Bahadur B. K. Bose, C.I.E.

The Hon'ble Dr. Asutosh Mukhopadhyaya, D.L., F.R.A.S. F.R.S.E.

[*Dr. Asutosh Mukhopadhyaya; Sir Denzil [23RD MARCH, 1904.] Ibbetson.*]

QUESTIONS AND ANSWERS.

The Hon'ble DR. ASUTOSH MUKHOPADHYAYA asked :—

"Will the Government be pleased to furnish a statement shewing, for each province of British India, the amount of land-tax paid or payable by the cultivators in normal years for the use of their lands,—

(a) to the Government in raiyatwari tracts ;

(b) to zamindars in zamindari tracts ?"

The Hon'ble SIR DENZIL IBBETSON replied :—

"Full information as to the amount of land-revenue annually paid to Government, with details distinguishing between zamindari and raiyatwari areas, will be found in Table No. 5 of the 'Agricultural Statistics' of India which are published each year by the Director General of Statistics. The figures must be taken subject to the 'explanatory notes' which are prefixed to the tables. The Government are unable to give figures for the rent annually paid by cultivators to zamindars in zamindari tracts."

The Hon'ble DR. ASUTOSH MUKHOPADHYAYA asked :—

"Will the Government be pleased to furnish a statement shewing the percentage of the total number of cultivators on the total population of British India ?"

The Hon'ble SIR DENZIL IBBETSON replied :—

"The percentages of agricultural to total population are given in the statement at page 242 of Vol. I, Part I, of the Census Report of India which has just been published. The detailed figures will be found in Table No. XV, Parts II and III, in Vol. I A of the Report, and are discussed in Chapter VI of the Report itself. No further separation of actual cultivators from agricultural population than will be found in these references is possible."

The Hon'ble DR. ASUTOSH MUKHOPADHYAYA asked :—

"Will the Government be pleased to state when and for what reasons the existing system of shewing the *expenditure* for the 'reduction or avoidance of debt' under the head 'Famine Relief and Insurance' came to be introduced ?

[*Dr. Asutosh Mukhopadhyaya ; Sir Edward* [23RD MARCH, 1904.]
Law.]

" Will the Government be pleased to state the grounds, if any, upon which this system may be considered consistent with sound principles of account ?

" Will the Government be pleased to state upon what grounds the money devoted to 'avoid' debt can properly be called expenditure—

(a) in a year in which there is a deficit ;

(b) in a year in which there is a surplus ?"

The Hon'ble SIR EDWARD LAW replied :—

" The system under which the sum set apart from the Famine Insurance Grant for the reduction of debt was shown as expenditure in the accounts, was introduced in the year 1831. The heading was changed to 'Reduction and Avoidance of Debt' in the year 1899-1900, and was explained by Sir Clinton Dawkins in his Budget Speech in 1900. Before 1881, that part of the grant which was not expended on the actual relief of famine or the construction of protective works, was merged in the ordinary surplus of the year, and it was difficult to trace the application of it. The change was made with the object of enabling the public readily to trace in the accounts the manner in which the $1\frac{1}{2}$ crores constituting the Famine Insurance Grant had actually been applied.

" The system is not wholly free from account objections, but it was considered that these were outweighed by the advantage just explained. It is very similar to the system under which the funds applied to the reduction of debt in the United Kingdom are shown in the accounts of the British Government.

" The amount is correctly shown as expenditure, because it represents an actual charge against the revenues of the year ; and it is correctly shown as applied to the reduction or avoidance of debt, because it is used to reduce or avoid borrowing for the construction of Railways or Irrigation Works, which are ordinarily carried out from borrowed funds. This consideration applies equally whether the ordinary transactions of the year result in a surplus or a deficit.

" The subject is one upon which, as was stated by the Viceroy in his Budget speech of 1903, the Government of India, who are not entirely satisfied with the present system, have been for a long time in correspondence with the Secretary of State. A final decision has not yet been arrived at ; but it is hoped that this will not be much longer delayed.

"A statement showing the manner in which the grant for Famine Relief and Insurance has been disposed of is given below:—

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

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

YEARS.	Revenue provided by Measures of 1877-78.	DISPOSAL OF THE REVENUE PROVIDED.						TOTAL EXPENDITURE.	BALANCE ON THE YEAR.		Balance at credit from the commencement of the scheme to the end of the year.
		EXPENDITURE ON FAMINE RELIEF.		EXPENDITURE ON PROTECTIVE WORKS, INCLUDING NET CHARGES FOR INDIAN MIDLAND AND BENGAL-NAGPUR RAILWAYS.		AMOUNT APPLIED IN REDUCTION OF DEBT.			Credit.	Debit.	
		In India at Rs = £1.	In England £.	In India at Rs = £1.	In England £.	In India at Rs = £1.	In England £.				
1878-79 .	1,000,000	208,549	807	...	...	...	...	209,146	790,854	...	790,854
1879-80 .	1,000,000	49,098	345	...	...	...	...	60,441	939,559	...	1,781,413
1880-81 .	1,000,000	21,739	1,831	...	...	...	...	23,590	976,410	...	2,697,823
1881-82 .	1,000,000	23,123	165	545,125	...	116,025	...	684,528	315,442	...	3,013,269
1882-83 .	1,000,000	14,735	...	86,876	...	385,094	...	486,705	513,295	...	3,526,560
1883-84 .	1,000,000	6,064	89	631,680	26	6,243	1,001,303†	1,635,441	...	635,441	2,891,119
1884-85 .	1,000,000	4,900	...	799,660	...	1,747	...	805,316	393,684	...	3,084,802
1885-86 .	1,000,000	37,190	...	517,305	22,363	100	...	566,698	433,308	...	3,518,106
1886-87 .	1,000,000	694	...	205,319	110,383	...	...	316,335	683,664	...	4,201,769
1887-88 .	1,000,000	268	...	60,671	200,815	...	...	261,734	738,266	...	4,940,035
1888-89 .	1,000,000	5,199	...	50,968	331,585	...	...	306,733	603,247	...	5,543,232
1889-90 .	1,000,000	45,515	...	—35,133*	408,745	...	...	415,135	584,865	...	6,128,127
1890-91 .	1,000,000	3,719	...	—41,633*	471,231	...	...	449,307	570,693	...	6,698,820
1891-92 .	1,000,000	15,615	...	31,264	500,245	...	...	567,244	432,856	...	7,131,676
1892-93 .	1,000,000	47,287	...	408,728	509,324	...	...	955,479	34,821	...	7,165,197
1893-94 .	1,000,000	331	...	425,677	515,531	...	...	941,539	58,461	...	7,224,653
1894-95 .	1,000,000	6,820	...	31,648	514,544	...	...	552,831	447,169	...	7,671,827
1895-96 .	1,000,000	12,301	...	66,051	506,670	...	...	578,228	421,078	...	8,093,005
1896-97 .	1,000,000	1,377,994	8,360	—245,432*	514,009	...	...	1,654,122	...	654,122	7,438,783
1897-98 .	1,000,000	3,548,391	1,740	—283,449*	523,717	...	...	3,788,601	...	2,788,601	4,650,179
1898-99 .	1,000,000	26,708	1	141,471	534,280	...	...	709,454	297,546	...	4,947,725
1899-1900 .	1,000,000	2,071,201	3,717	—195,213*	248,742	...	...	2,118,447	...	1,118,447	3,816,208
1900-1901 .	1,000,000	4,117,418	7,808	—277,007*	318,544	...	...	4,165,867	...	3,165,867	653,411
1901-1902 .	1,000,000	590,065	118	—47,122*	333,313	...	...	715,368	284,638	...	628,049
1902-1903 .	1,000,000	321,509	...	—225,860*	349,677	...	...	428,300	551,700	...	1,501,749
1903-1904 .	1,000,000	30,400	...	—243,800	636,500	...	...	413,600	586,400	...	2,089,149
1904-1905 .	1,000,000	...	...	—207,100	661,000	...	...	453,400	546,600	...	2,635,749
TOTAL OF 27 YEARS .	27,000,000	12,524,965	24,763	2,092,226	2,211,175	509,219	1,001,303	24,364,751	11,007,720	2,272,481	2,613,242

* In these years the net receipts on the Indian Midland and Bengal-Nagpur Railways exceeded the charges for other protective works in India.

† In 1882-83 a remittance of Rs. 12,77,330 was made in England, realising £,001,303 £, by means of which 993,584 £ of sterling debt was discharged in 1883-84.

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[Sir Edward Law.]

FINANCIAL STATEMENT FOR 1904-1905.

The Hon'ble SIR EDWARD LAW introduced and explained the Financial Statement for 1904-1905. He said:—

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

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

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

"Accounts, 1902-1903.

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

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

"5. On the Revenue side, the more important differences between Accounts and Revised Estimate are under receipts by Military Department—increase of £204,390;

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

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

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

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

"The increased expenditure under Army Services occurred under effective charges both in India and in England; in India, under Supply and Transport, Ordnance, and Miscellaneous Services; and in England, under "Stores," due to larger payments than anticipated, on account of indents. The increase under Other Public Works was due to unexpectedly heavy expenditure in the last two months of the financial year. Under Salaries and Expenses of Civil Departments, the increase occurred chiefly under Education, and was due to larger payments than were anticipated on account of grants-in-aid to certain schools. The increase under Railway Accounts was chiefly on

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account of working expenses on the North-Western and Great Indian Peninsula Railways, and was due to increased train mileage compensated by improved earnings. Savings under Assignments and Compensation, Land Revenue, and Forest, are the principal causes of the decrease under Direct Demands on Revenues. The decrease under Provincial Surplus is the result of larger expenditure than anticipated in Bengal, the United Provinces, and Madras.

" Revised Estimate, 1903-1904.

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

" REVENUE.

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

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

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

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

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

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

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

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

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

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

"It will be observed that annual requirements have varied from R21,11,378 to R13,40,73,058, with a similar variation in profits. It must be remembered, however,

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that whilst mint profits are necessarily tabulated in our revenue returns, they do not increase our available resources, as profits from rupee coinage are transferred to the Gold Reserve Fund.

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

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

"The other differences in excess of anticipated revenue, though important in themselves both as regards improvement of revenue and evidence of general prosperity, are relatively of minor significance. Taking them in order of importance, the increase in Excise returns, as compared with the results of 1902-1903, somewhat exceeds £498,800, and is equivalent to an augmentation of about 21 per cent in two years, following on smaller increases in the two previous years when the stress of famine was still making itself severely felt in some parts of the country. Increase of revenue is undoubtedly in great part due to improved administration and greater attention to preventive measures, but it is also due, and probably to a very large extent, to improvement in the condition of the people. Satisfactory as is from one point of view a growth of revenue, we could not regard with satisfaction any increase which might possibly be attributed to increased consumption of alcohol in excess of the legitimate requirements of those classes among the population to whom from long habit and custom, alcohol in moderation is a virtual necessity. There is no desire on the part of the Government of India to increase revenue by encouraging indulgence in alcohol. It is a matter in which we feel our full responsibility, which undoubtedly requires constant careful watching, and to which at the present moment we are devoting special attention in the interests of temperance and morality.

"Our Customs revenue, though falling short of the realizations in 1902-1903, has exceeded our expectations. Important increases are to be found under the heads of Manufactured Articles (8½ lakhs), Spirits and Liqueurs, Sugar (ordinary duties), White and Coloured Piece Goods, and Other Metals and Manufactures of Metals. The total increase under the heads above enumerated amounts to 26 lakhs, but it is more than

counterbalanced by a falling-off of approximately 9½ lakhs on Petroleum, nearly 7 lakhs under Grey Shirtings, and other minor differences. Any decrease in revenue returns is in a sense unfortunate, but we may console ourselves as regards any loss on petroleum and cotton cloths by the reflection that there is no falling-off in the consumption of those articles, and that where duty-paying foreign imports have diminished, they have been replaced by home production.

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

"As a matter of percentage, the increase in Land Revenue is trifling; I submit once more figures showing returns for a series of years, and it will be seen that the average annual increase since 1898-99, the last year before the ravages of famine, is approximately 1·17 per cent:—

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

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

"EXPENDITURE.

"9. Expenditure has exceeded the original estimate by £4,949,900; * of this considerable excess no less a sum than £4,797,600 falls under the heads of Mint, and Provincial Surpluses and Deficits. The increase of expenditure under Mint may be neglected, being fully compensated by increased receipts. The increase under Provincial Surpluses and Deficits includes grants to Provincial Governments amounting to £1,726,700, of which £1,000,000 is in connection with the new provincial settlements, Bengal receiving £333,300, the United Provinces £200,000, Madras £333,300, and Assam £133,400. The variations under other heads of expenditure are of relatively minor importance, fairly balancing one another and resulting in a total increase of £152,300; the more important items are: Direct Demands on Revenue—increase £240,300, attributable to heavy expenditure on opium cultivation and establishment, in

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consequence of an abnormally large crop; Railway Revenue Account—*increase, £292,400*, due to heavier working expenses for increased traffic and increased train-mileage, and more than compensated by increased receipts; Other Public Works—*increase, £97,400*, due to sanction of additional grants for civil works during the course of the year; Army Services—*increase, £164,400*, due to expenditure amounting to *£486,400*, for the Missions in Tibet, Aden, and Seistan, partly counterbalanced by savings arising from the absence of troops in Somaliland and China; and Miscellaneous Civil Charges,—*increase, £68,800*, due to the writing-off of agricultural advances granted during the late famine, and which have proved irrecoverable.

"The only head under which a really important decrease of expenditure is noted is Salaries and Expenses of Civil Departments *£368,100*; minor savings aggregating *£342,900* have been realised under the heads of Interest, Post Office, Telegraphs, Famine Relief and Insurance, Irrigation and Special Defences. The excess of estimates over expenditure under Salaries and Expenses of Civil Departments in 1901-1902 was *£312,001*, and in 1902-1903, *£439,557*, indicating apparently a regrettable tendency in some provinces to continually exaggerate requirements. Endeavours will be made to find a remedy.

"Budget Estimates, 1904-1905.

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

"REVENUE.

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

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

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

"The increase in Land Revenue is largest in Burma and Madras, but it is fairly general, and is important in Assam, the Central Provinces, Berar, and Bombay. The

chief cause of general increase is recovery after the recent famine; some re-settlements have however been made, and in the Punjab irrigation has been extended. Under Stamps and Excise, a normal increase has been allowed for. The increase estimated under Railway receipts is based on the anticipated improvement in traffic on certain lines, and increased working mileage.

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

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

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

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

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

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

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

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[*Sir Edward Law.*]

EXPENDITURE.

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

"The more important heads of increase are :—

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

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

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

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

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

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

Summary of Budget Results.

"15. We may now consider the situation as regards our estimates for items classified in the Accounts as non-chargeable to revenue. We carry forward to this second part of our statement, which includes Capital and Debt transactions, Deposits, Remittances, and Advances, a surplus of £918,700. Our total estimate for capital expenditure on Railways and Irrigation amounts to £8,940,900, of which sum £6,310,300 is for account of State Railways; £1,797,300 for the account of Railway Companies; and £833,300 for Major Irrigation Works. In addition to the above, we have to find £1,088,800 for discharging Permanent Debt, and £333,300 for discharging Temporary Debt. We have also to make a net payment of £1,407,500, under Deposits, Advances, and Remittances. Thus the total of our capital requirements amounts to £11,770,500.

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

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

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

"Coinage, Currency, and Exchange.

"19. During the year now drawing to a close our coinage operations have been on a very large scale, and the issues of new rupees, including recoinage of withdrawn issues, have amounted to no less than a sum of ₹13,94,91,408 in addition to which we

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coined for Native States rupees to the value of R12,15,682. I submit the figures of coinage during the last four years:—

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

"20. There have been very heavy demands for currency in connection with the disposal of the bumper rice crop in Burma, the large cotton crops in Bombay and Central India, and the generally good crops of cereals and seeds. The demands for currency began this year somewhat earlier than usual, and the strain on our resources was at its height towards the close of the first week of January, fully six to seven weeks before the usual period. A certain nervous anxiety prevailed for a time in financial circles, particularly in Calcutta, induced by the rapid and unusually early decrease in the stock of silver coin held in the currency reserve, which fell on the 7th of January to so low a figure as R7,50,76,000. Although the strain came, as I have pointed out, unusually early and surprised many, Government had taken measures in good time to meet possible difficulties, and within one week from the date of low-water mark, that is by January 15th, and notwithstanding the continuance of very heavy demands, we added approximately a crore to the amount of rupees in the Currency Reserve, and by the end of February we held in the Currency Reserve approximately 10½ crores, or about 3½ crores more than on January 7th. In this connection, I may mention that the withdrawals of rupees from the Currency Reserve during the single month of December amounted to no less than R4,05,23,000. The nearest approach hitherto to this extraordinary figure was in January 1903, when the withdrawals reached R3,77,17,000.

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

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

[In thousands of rupees.]

	1900-01.	1901-02.	1902-03.	1903-04.	Average.
	Gain + loss—.	Gain + loss—.	Gain + loss—.	Gain + loss—.	Gain + loss—.
April	—2,21,73	—1,77,62	—85,07	—2,14,76	—1,74,71
May	+10,37	+17,84	+45,50	—18,26	+13,87
June	+1,00,13	+2,59,98	+1,57,57	+91,55	+1,52,31
July	—68,40	+51,30	+91,34	+21,62	+23,07
August	—2,06,69	—80,48	—53,18	—1,15,00	—1,13,84
September	—1,94,51	—77,73	—1,09,34	—2,23,77	—1,51,84
October	—1,90,43	+76,55	—47,60	+12,30	—37,30
November	—1,03,08	+2,93	—88,25	—1,47,82	—96,56
December	—1,76,25	—1,95,18	—2,14,29	—4,05,23	—2,47,74
January	—2,04,44	—83,60	—3,77,17	—2,12,86	—2,19,52
February	—2,04,06	—1,10,69	—1,93,86	—2,02,10	—1,77,68
March	+1,62,93	+34,51	—3,14	...	+64,78
Total gain or loss	—12,96,11	—2,82,19	—8,77,49	—14,65,33	—9,80,53
Add on account of coinage of Native States in 1900-01, and withdrawals of old issues	+3,73,69	+1,16,58	+8,07,25	+4,52,10	+4,37,40
Net gain or loss	—9,22,42	—1,65,61	—70,24	—10,14,23	—5,43,13

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

" 23. In connection with the large coinage during the last few months, I think I should take this opportunity of expressing my warm appreciation of the manner in which the Mint Masters and all those responsible for the conduct of minting operations have

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worked to satisfy public requirements and to maintain the high reputation of the Mint staff. Work at the Mints is conducted under many difficulties owing to the fact that when coinage operations were resumed some four years ago, after a long period of comparative idleness, the machinery and appliances were found to be in many respects inadequate and unsuitable to meet the strain of very heavy work. Proposals have been under consideration for the establishment of a combined Mint with new machinery, and with all the latest improvements, but various objections have been raised to the scheme, and, meanwhile, the Mint staff are to be congratulated on their success in coping with the difficulties arising from the imperfections of existing arrangements.

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

"The Secretary of State by his drawings, and the Government of India by measures taken locally, have done all in their power to meet the demands of trade. The question of how this should best be done, has been and is likely still further to be, a matter for some discussion; here I would only say that I adhere to my opinion that it is impossible to admit the direct responsibility of Government to immediately, and in all circumstances meet abnormal demands. Government have every right to expect that those who make it their special business and derive a profit from financing the trade of the country, will consider beforehand what are likely to be their requirements and make due preparation to meet the wants of their customers. We on our side will do all we can, and it is our intention in view of a probably permanent increase in demands for rupees during the winter season, to increase the standard of the stock of silver coin which it has hitherto been considered sufficient to hold in the Currency Reserve at the beginning of October, and further, to take permanent measures to enable a rapid addition to be made to that stock without the risk of delay in importing silver bullion for coinage.

"As regards the events of the last few months I may point out that opinions in the most competent financial circles in India were by no means unanimous in anticipating the great demand for coin which arose. As late as December 15th none of the Presidency Banks had found it necessary to raise their rate above 4 per cent, and this rate is primarily dependent on the rates at which money is being offered in the open market; by January 5th all the Presidency Banks had, however, been obliged to raise rates to 6 per cent. This very rapid rise does not appear from the figures before us, to have been in any way due to low balances held by the Presidency Banks at the beginning of the period of pressure. It was caused by the extraordinary trade demands which the Presidency Banks alone appear to have been in a position to satisfy,

and I have not heard of any case in which accommodation was refused to regular customers when good security was forthcoming. Similarly, Government showed no hesitation throughout the crisis, in exchanging gold and notes for rupees when demanded. I must insist on the fact that the Currency Reserve is maintained for the purpose of securing the stability of the note circulation and exchanging sovereigns, and as long as all obligations in this respect are fulfilled the public have no claim to further assistance from its resources.

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

" 26. Our exchange operations, as indicated by the rates obtained for Council Bills, have naturally been very favourable during the closing year. The estimated average exchange rate for the rupee for 1903-04 is 16·053*d.* as compared with the rates noted below for the four preceding years:—

1899-1900.	1900-1901.	1901-1902.	1902-1903.	1903-1904 (Estimate).
16·067 <i>d.</i>	15·973 <i>d.</i>	15·987 <i>d.</i>	16·002 <i>d.</i>	16·053 <i>d.</i>

" Balance of Trade.

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

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

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

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

"Circulation of Currency Notes.

"28. I submit the usual figures showing (1) the gross circulation of currency notes

in recent years, and (2) the circulation excluding the amounts held at the Government Reserve Treasuries and by the Presidency Banks at their head offices.

[In lakhs of rupees.]

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

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

" 29. We have, I am sorry to say, not yet received the new forms for the universal 5-rupee note, but I hope that they may soon be issued; meanwhile the existing note has been made negotiable everywhere except in Burma. So far, it cannot be said that the increase in the circulation of five-rupee notes can with certainty be attributed to the new arrangement; it is perhaps somewhat early to expect great results, and the figures which I give below only show that the increase in the circulation of five-rupee notes has kept pace with the total increase in all denominations. Much might, I think, be done towards popularising small notes by those who pay monthly wages in small sums, and who would, I think, find it convenient to themselves to use five-rupee notes in making such payments :—

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

[In lakhs of rupees.]

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

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"Presidency Banks.

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

	Lakhs
Calcutta	35
Bombay	20
Madras	18
TOTAL	73

Government Balances with the Presidency Banks.

[In thousands of rupees.]

MONTH.	1899.	1900.	1901.	1902.	1903.	1904.
January	2,73,84	2,48,75	2,64,54	2,85,89	3,07,63	2,69,52
February	2,72,31	2,56,23	2,86,73	2,97,16	3,32,02	2,91,84
March	3,38,07	2,79,18	3,15,79	3,11,24	3,36,91	...
December	2,38,75	2,48,90	2,82,02	3,03,84	2,79,07	...

"Foreign Tariffs.

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

Russian Government on Indian teas of practically prohibitive duties on imports into Russia *via* the Black Sea ports. So far, the number of questions which arise in connection with foreign tariffs are relatively few, but I fear that as industries in this country develop the pressure of protective tariffs in foreign countries will make itself steadily and more severely felt.

"Countervailing duties on Sugar.

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

COUNTRY.	1899-1900.	1900-1901.	1901-1902.	1902-1903.	1903-1904 (10 months only).
REFINED.	Cwt.	Cwt.	Cwt.	Cwt.	Cwt.
United Kingdom	65,424	119,272	188,300	314,777	615,842
Austria-Hungary	777,821	1,321,310	2,257,928	888,018	45,262
Germany	60,526	401,980	577,139	145,666	4,596
Mauritius	1,417,115	2,085,156	1,759,203	1,915,664	1,954,138
China—Hongkong	316,975	487,439	182,564	568,452	335,950
Java	190,553	225,247	310,592	573,666	1,153,164
Straits Settlements	79,999	144,166	62,486	207,810	217,638
Belgium	766	1,467	2,053	186,543	99,047
Holland	311	400	500	79,127	82,139
Other Countries	26,502*	55,199*	87,336*	107,128*	368,087*
TOTAL	2,935,992	4,841,636	5,428,103	4,986,851	4,875,863

* Includes figures for Egypt and Ceylon.

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

"33. The decisions of the Brussels Conference are now in force, and their execution is entrusted to a permanent committee on which the United Kingdom is represented.

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

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

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

" Army Services.

"35. We still pursue our aim of increasing the efficiency of our defensive military forces, more especial attention being paid to questions connected with armament,

stores, supply, transport, and mobilisation. I give the figures of net expenditure during the last five years, including the estimate for the coming financial year :—

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

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

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

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

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

Above figures are exclusive of establishment charges.

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

"Public Works.

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

	1900-1901.	1901-1902.	1902-1903.	1903-1904 (Revised Estimate).	1904-1905 (Budget Estimate).
	£	£	£	£	£
Open lines including rolling stock .	3,521,489	2,350,510	3,211,634	2,658,733	4,057,800*
Lines under construction—					
(A) Started in previous year .	1,674,013	3,393,756	3,016,666	3,408,000	3,333,000
(B) Started in current year .	122,266	170,933	476,764	480,400	609,200
TOTAL	5,317,768	5,915,199	6,705,064	6,547,133	8,000,000

* Includes £400,000 for acquiring four railways.

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

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

" We have added to this during the current year :—

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

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

" We have every reason to be satisfied with the previous results of the development of railway communications, and we have therefore full confidence in the great

advantage of extending our railway mileage. If we could command the required capital for further construction, on reasonable terms, we should not hesitate to accelerate progress, and I trust that some solution may be found of the difficulties encountered in this respect.

"Provincial Settlements.

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

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

" The object of the arrangements now proposed is to give as great permanence as possible to settlements, so that Local Governments may be able to form plans involving expenditure, with greater certainty as to future means of providing for their execution, and at the same time have a more permanent interest in the growth of assigned revenues. It is evident that the Imperial Government cannot undertake any absolute obligation to maintain at all times a definite proportion between the share of increase of revenues, assigned to provincial administration, and that which it is necessary to retain to meet the growth of Imperial expenditure, and it must always reserve the right to make either special temporary, or more permanent reductions from provincial revenues, if the exigencies of the State should require such measures. It must also be borne in mind in apportioning shares of revenue to different provinces, that a larger proportionate assignment is required in the more backward provinces than in those which are older established and more highly developed. Subject to such considerations, every effort has now been made to treat Provincial Governments with reasonable liberality, and it is to

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be hoped that from this point of view they will find the new settlements equally satisfactory both at the outset and in future working. For the present the new system will be applied only to the provinces of Bengal, Madras, Assam, and the United Provinces. It is proposed to extend it in 1905-1906 to Bombay, the Punjab, and probably the Central Provinces, but it has been thought undesirable to enter into new arrangements with these until the lapse of another year, and the re-establishment of a normal financial situation which was entirely dislocated by recent famines.

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

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

"Remission of Taxation.

"40. Last year we were able to announce an important remission of taxation under the heads of Salt and Income Tax, which was estimated to result in a possible loss of £1,393,000 of annual revenue. I am happy to be able to state that the actual loss under the two heads has proved somewhat less than the maximum we anticipated. Under Salt we have lost £1,024,405, and under Assessed Taxes, which for practical purposes may be taken as representing Income Tax, we have lost £195,928, or a total under the two heads of approximately £172,667 less than we allowed for.

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

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

"It will be observed that the increase over quantities in the previous year is estimated at 429,218 maunds. This may be taken as roughly indicating a corresponding

increase in consumption, which would undoubtedly have been greater had not salt stocks in the Bombay Presidency been damaged so seriously by a cyclone in the month of May last, that a scarcity ensued, considerably raising prices in that part of India and thereby unduly checking consumption.

"It must be remembered, however, that the figures representing the number of maunds on which duty has been paid in any particular year, do not accurately represent the consumption, since, particularly in regard to salt imported from abroad, there is a certain element of chance, independent of actual consumption, in the number of maunds on which traders may decide to pay duty at any particular date or season; but, if we take a period of two or three years and compare it with another similar period, a comparison of the quantities on which duty has been paid will correctly indicate the position. We must therefore wait for at least another year, so as to be able to take two years together under the new conditions, and to say for certain what has been the precise effect of the reduction of the duty by 8 annas. Meanwhile, we have made enquiries from the Local Governments on the subject, and from the reports of the officers consulted, it seems quite clear that the reduction in the tax had an important and almost immediate effect in reducing the price of salt in those parts of the country where no abnormal circumstances intervened. The reports furnished are fairly unanimous in their conclusion that an immediate gain as regards the number of seers purchaseable for a rupee was secured by consumers who were in a position to buy salt by the seer, while it is generally held that a smaller, though direct, gain was also secured by all who were in a position to purchase salt by weight and as a commodity by itself. Unfortunately, however, it would not appear that the natural reduction in price has so far fully reached those consumers of the poorest classes who take their salt in doles from the bunniah along with other articles. It may be anticipated that in due course the influence of competition will make itself felt in favour of the last class also.

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

"43. I have observed with regret, though without surprise, that the concession already given has led to fresh suggestions that the tax should be abolished altogether. The total abolition of the Income Tax is, in my opinion, quite outside the range of practical politics. The Government of India is unlikely ever to be able to afford the great sacrifice of revenue which a total abolition of the tax would involve, unless compensation were found in some other direction, and if at a future date further

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remission of taxation should appear advisable, there are other classes of the community whose claims for consideration appear to be very much stronger than those of the wealthier section who are the principal contributors of Income Tax. Moreover, whilst this tax is paid exclusively by the class deriving, perhaps, the greatest benefits from the administration towards the cost of which it contributes, it is one which automatically adjusts itself to the means of the tax-payer. I have only heard one even *prima facie* plausible objection to the Income Tax, and that is that whilst the profits of business vary from year to year, the tax falls on lean or deficit years with the same severity as regards percentage, as on the profits of good years. But this objection falls to the ground if the provisions of the law regulating the incidence of the tax are considered, since under those provisions the tax-payer has the option of being taxed either on the profits of the actual year or on those of the preceding year, whichever may be less.

"Economic Progress.

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

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

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

	Accounts, 1900-1901.	Accounts, 1901-1902.	Accounts, 1902-1903.	Revised Estimate, 1903-1904.
	£	£	£	£
Salt . . .	5,967,034	5,939,310	6,184,405	5,160,000*
Stamps . . .	3,342,948	3,446,406	3,473,711	3,588,100
Excise . . .	3,937,202	4,076,681	4,426,642	4,925,500
Customs (excluding countervailing du- ties and silver) .	3,131,223	3,358,870	3,579,116	3,634,200
Post Office . .	1,357,156	1,383,709	1,429,935	1,480,800
TOTAL .	17,735,563	18,204,976	19,093,809	18,768,600

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

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

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

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

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

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

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

BANKS.	1899.	1900.	1901.	1902.	1903.
	£	£	£	£	£
Presidency Banks . .	7,470,166	8,504,217	9,815,765	11,798,852	12,113,125
Joint Stock Banks . .	4,894,959	5,306,364	5,898,656	6,846,845	7,262,957
Postal Savings Banks .	6,285,336	6,430,964	6,695,505	7,121,415	7,614,369
TOTAL .	18,650,461	20,241,545	22,409,926	25,767,112	26,990,451

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

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

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

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

"I am glad to know that more has been done by Government for the development of agriculture than appears to be generally recognised by the public. A few weeks ago a Government Resolution was published giving in outline the arrangements now being carried out for the establishment of a first class agricultural institution at Pusa, at very considerable cost. Personally, I cannot but welcome the heavy demands for expenditure on that institution, since I firmly believe that under the able guidance of such thoroughly practical and scientific men as Dr. Mollison, the Inspector General of Agriculture.

and Mr. Coventry who has been named Principal of the establishment, our expenditure will be returned some hundredfold; and it is a real happiness to think that whatever advantages may accrue to the fisc through their success, such advantages being dependent on, must necessarily be accompanied by, a corresponding amelioration in the condition of the agriculturist, that is of the great bulk of the population of this Empire.

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

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

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

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

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

52. The export of tea continues to increase and the shipments for the past season, up to the end of February, are estimated at 200 million pounds, as compared with 174

and 175 million pounds in the two preceding years. The growth of exports to the United Kingdom has not been as considerable as might have been anticipated in normal circumstances, and it is believed by those specially interested in the trade that it has been somewhat checked by the heavy additional duty imposed on imports into Great Britain. We have recently heard unofficially that the Colonial Government has decided to admit imports of Indian tea into New Zealand, free of duty, and we may hope that such a concession will materially encourage consumption. A very satisfactory feature in the export trade has been the increase from 8½ million pounds exported to America and 'other foreign markets' in 1901-1902, to 22½ million pounds exported in 1903-1904; the 'other markets' include Russia, to which country the quantities exported are rapidly increasing. It may be hoped that means will be found still further to develop this most important trade, but for the moment it has received a check through the blocking of the Siberian Railway, and the increase in the already enormous duty levied on tea imported *via* the Black Sea. This increase must always tell against Indian teas and in favour of the Chinese leaf. When the trade was conducted through the Black Sea ports, India had the advantage of the lower freight from Calcutta to Odessa, as compared with that from Shanghai to Odessa, whilst by the Siberian routes, a corresponding advantage is secured by the Chinese teas. In this connection, I may mention that the production in India and sale of green teas are rapidly increasing, affording a new branch of development in the general trade.

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

"Prices, I regret to say, have not been so remunerative as desirable during the last few years, but this circumstance has had a wholesome effect which will bear good fruit in the future, in checking undesirable extension of plantations on unsuitable lands. During the past season good prices were once more secured; the following figures show the fluctuations during the last six years:—

"*Calcutta Sales.*"

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

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

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

"(1) The transformation necessary to place indigo properties on a sound financial basis is proceeding, and in some instances at regrettably heavy cost to those who in the halcyon days of the industry had thoughtlessly allowed their financial position to become too involved to stand a crisis. The change has involved loss of fortune to individuals, but this is by no means synonymous with the failure of the industry. (2) The hard lessons of recent years have resulted in important economies in administration. (3) The attention of Mr. Coventry and other men of intelligence and energy interested in indigo, has for a long time past been turned to the cultivation in India of a plant which should produce a higher percentage of indigotine than that which a few years ago, in the absence of competition, sufficed to yield handsome profits. Agricultural experiments are necessarily slow in development, but the result of experiments has already shown that plants propagated from the Natal seed, acclimatised in Java, will yield some 50 per cent more leaf of excellent quality than is obtained from the plant known as 'Tinctoria', which has hitherto been generally cultivated in India. Again, it has been shown that the new plant can be grown as a perennial, and even if only left in the ground for two years, this will lead to material reduction in the cost of cultivation. Further, and not least, the new plant is immensely superior to the tinctoria in withstanding the effects of inundation, drought, and cold. (4) The introduction of a reasonable system of rotation of crops, which is becoming fairly general, has had the result that in spite of the low price of indigo, certain favourably situated land-holders have been able to realise 10 per cent profit on the cultivation of their lands, and it further leads to the hope that the value of the 'seeth' as manure for rotation crops, may pay, or nearly pay the cost of cultivation of the indigo. (5) As regards chemical improvements, experiments are still proceeding, and though it is impossible to say that any remarkable result has so far been achieved, it is incredible that nothing will be achieved by that persistence in research which is now being earnestly pursued.

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

"55. On one point I may perhaps venture to offer a word of warning to our planters. I am fully sensible of the difficulties of their position with which I sincerely sympathise, but I fear that many still fail to realise in a practical manner the situation which is created by the keen competition of their European manufacturing rivals, and that season after season they continue to expect high prices and by so doing they alienate buyers who would willingly take their products were prices more in accordance with those for

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which the artificial article is to be obtained. It is not business to continue to work at a loss, but it is an essential factor in business to keep your competitor out of the market by temporary acceptance of the lowest possible price, and thus to force him either to accept losses, or to retire from the competition.

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

"57. It is roughly estimated that only about one-seventh of the wheat grown in India is available for export, the remainder being retained for local consumption. The amount exported naturally depends both on harvest yields, and on the European market price. This winter the price abroad has been favourable for export, whilst in India harvests have been abundant, particularly in the Punjab, with the result that the value exported in the year 1903 exceeded 6½ millions sterling, and was more than double that in the preceding year.

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

"59. The last jute crop was estimated at the large figure of approximately 6½ million bales, but nevertheless prices have been well maintained throughout the season and have yielded large profits. The total arrivals of jute in Calcutta up to January 31st, 1904, are estimated to have exceeded those of the previous year by 20 per cent, whilst exports of jute and cuttings are said to have been upwards of 10 per cent greater than in the season 1902-1903, approximating, though not quite reaching, the record shipments in 1901-1902.

"60. The progress of the jute manufacturing industry has been even greater than that of the export trade in the raw material, and is indeed very remarkable. The number of looms at work has increased from something short of 10,000 in 1895 to nearly 20,000 to-day, and the development has been particularly rapid in the last two years, during

which the number of looms has been increased by upwards of 3,000. During the latter part of the past year there was a very good demand for gunnies and jessians, and the result of the year as a whole, has, I believe, been quite satisfactory to manufacturers.

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

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

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

" It will be seen that whilst there has been some small increase in imports, production in India, in spite of a temporary set-back due to the last famine, has increased by upwards of 25 per cent in the short space of five years, whilst total consumption has increased by approximately 15 per cent. This by itself should certainly indicate increasing profits to millowners, since the larger the outturn, the less is the cost of production. Nevertheless, I am afraid that while certain well-managed mills on a sound financial basis, have made, and are likely to continue to make steady profits, a large proportion have been doing more or less badly for some time past. Many mills have suffered from the fact that their working capital has been quite insufficient; their ordinary requirements for financial accommodation have cost too much to leave a profit on the turn-over in these days of close competition and generally cheap money, while in times of financial stress, they are liable to be entirely overwhelmed by the difficulties of their position. A good many mills have in such circumstances naturally changed hands during recent years, and it is to be hoped that with a fresh start on a proper financial basis, and

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with the more competent management for which I am inclined to think there is sometimes an indisposition to pay the necessary price, a fresh start may be made and profitable business developed. Latterly, special difficulties have beset those millowners who neglected to buy cotton ahead and who have consequently found the price of the raw article increasing out of all proportion to the price of yarns, which it must be noted has been prejudiced by the competition with Japan for the China trade. Weavers have fortunately fared better than those who are only spinners, as the former are not so dependent on the China trade, and demands for the home market have been sufficiently good and are likely to increase. I think that the future success of the Indian cotton industry lies in the development of weaving and the abandonment of a position of dependence on the sale of yarn in the China markets. I would venture to urge cultivation of the home markets.

"62. I notice the continuance of complaints against the cotton excise dues. On this question it is argued that as the cloths made in India are of different textures to those made in Lancashire, there is no direct competition between them, and therefore, that the abolition of the dues could not be considered as a protective measure. As far as the argument goes, there appears superficially to be something in it, but it seems to be omitted from consideration that the consumption in India in any given year, is more or less a fixed quantity as regards the number of yards required, and that if the cheaper price of the Indian textiles secures for them a good market in competition with the finer textiles from Lancashire, the latter must be displaced by the former. Further, I am led to believe that the Indian mills already enjoy considerable practical protection, since charges between Manchester and the Indian bazars (including packing, freight, interest, etc.), are said to amount to fully ten per cent on cost price in Manchester. Moreover, it must be remembered that a certain amount of revenue is a necessity to provide for the administration of the country, and the cotton excise dues now return upwards of 20½ lakhs, having increased from Rs 11,62,947 in 1900-1901. It is very easy to object to any and every class of taxation, but those who make objections should, I think, offer suggestions as to how revenue could be maintained if their objections were to be admitted. As I pointed out last year in the discussion on the budget, it is impossible to believe that the average enhanced cost to the individual consumer of cotton cloth on account of the excise exceeds 3½ annas per annum, and the steady increase in consumption, which is an undeniable fact, sufficiently proves that present rates have had no prejudicial effect on its development. I would particularly call attention to the fact that the receipts on account of customs duties on cotton goods, on sugar, and on petroleum, constitute upwards of 40 per cent of the revenues derived from customs on imports, but the proportion is diminishing, and as Indian industries develop and check imports, there must inevitably be a steady and serious diminution in the returns under these heads, for which some compensation must be found. In the case of cotton goods, it is ready to hand in the shape of a steady

growth in returns from excise dues on the local manufactures, and for this reason, if for no other, it appears to me impossible to seriously consider their abolition.

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

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

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

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

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

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

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

* Estimated figures for last two months.

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

"66. The export trade in hides is of very great importance, but it is particularly susceptible to influences causing wide fluctuations both in volume and in price. In times of famine, the difficulty and sometimes impossibility of providing fodder, leads to wholesale slaughter and low prices, whilst after a few prosperous years, the number of cattle increases and the number of hides for sale also increases. To-day an unsatisfactorily large proportion of our hides are exported in the raw state, and a large development of the tanning industry is much to be desired. Special attention is being paid to

this question in Madras where it is hoped that the chrome-tanning process may be introduced with success. Cawnpore is the most important centre of the leather industry, the successful development of which enabled us to supply large quantities of leatherware (boots and saddlery) for the army in South Africa. This industry is at present labouring under two difficulties—deficiency of tanning material and shortness of labour. The want of tanning material is attributed to a depletion of stocks of cutch during the recent years of famine, but we may hope that this will prove a temporary difficulty. Shortness of labour for industrial purposes is a cause of serious complaint in many parts of India, and I fear that it will not be easily remedied. In course of time, a sufficient industrial class will come into existence, but the people are conservative in their habits, and they prefer working in their homes to the restrictions of a mill, whilst any extensive employment of female labour is, for various reasons, almost impossible. High wages offer little attraction to the agriculturist who, in normal times, finds all his requirements supplied by the fruits of congenial labour in the fields.

"67. It is, I believe, often urged in quarters which appear to be strangely misinformed, that if we look back, say 20 years, it will be found that the raiyat has been impoverished by a steady fall in the price of his produce. I have examined this question as far as the information at our disposal permits, and I submit a table showing the average wholesale prices of certain articles of export from India in the years 1873, 1883, 1893, and 1903, at Calcutta, Bombay, Karachi, and Rangoon, respectively.

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

Ports and Articles.		Per	1873.	1883.	1893.	1903.
			R a. p.	R a. p.	R a. p.	R a. p.
<i>At Calcutta.</i>						
Jute . . .	Bale of 400 lbs.		23 13 6	22 4 9	36 10 10	35 5 4
Rice . . .	Bazar maund		2 7 8	2 8 2	4 1 8	3 9 7
Linseed . . .	" "		4 11 3	3 14 6	5 7 9	4 14 0
Rapeseed . . .	" "		4 8 9	4 11 6	4 11 1	4 2 0
Silk, raw . . .	Factory seer		21 7 8	16 4 11	19 6 4	15 13 6
Hides, cow . . .	20 lbs.		...	...	13 2 0	16 12 0
<i>At Bombay.</i>						
Cotton . . .	Candy of 784 lbs.		190 10 0	171 7 3	199 6 11	203 0 0
Linseed . . .	Cwt.		6 0 6	5 6 0	7 11 1	6 14 0†
Wool . . .	Candy of 588 lbs.		192 8 0	187 8 0	132 8 0	115 0 0
Wheat . . .	Cwt.		5 1 9	3 13 8	4 5 9	4 5 5
<i>At Karachi.</i>						
Wool . . .	Maund of 82 lbs.		35 8 0	25 14 10	27 3 3	21 4 10
<i>At Rangoon.</i>						
Rice . . .	Cwt.		2 7 8	3 8 6	3 11 7	4 3 1*

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

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

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

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

1873-1874.	1883-1884.	1893-1894.	1903-1904. (Estimate).
12'351d.	19'536d.	14'546d.	16'053d.

"68. Whilst the facts noted offer a complete answer to those who have of late years been talking of the impoverishment of the ryot, I must state that in my personal opinion we are likely during the next few years to witness some decline in the export price of agricultural produce. Such a decline, it seems to me, must inevitably result from the improvement of communications, and the bringing of new lands under cultivation in foreign countries, and particularly perhaps in Canada and in South America. The natural decline from such causes should however be at least compensated, if not more than counterbalanced, by improvements in our own communications in India, in agricultural methods, and I venture to hope also by reduction in our railway tariffs. The most important step which can be taken to meet the situation will, however, I apprehend, be found in the development of industries based directly on agriculture, that is in locally working up our raw products, extracting our own oils from seeds, producing our own textiles from silk, cotton, and wool, tanning our own hides, etc. For thoroughly satisfactory progress in this direction we must await the awakening of a keener spirit of enterprise among our Indian fellow subjects. At present, industrial undertakings are chiefly dependent on foreign capital, supplemented by the small savings of Anglo-Indians who naturally invest all they can spare in a country where prevalent rates of interest are much higher than in Western Europe. I trust, however, that it will

not be long before a great development is witnessed in industrial enterprise, although, I must point out that when it takes place, we shall find ourselves in a very different position from that of to-day, as regards the effect on our trade of protective tariffs in foreign countries.

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

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

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

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

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

	Gold.	Silver.	TOTAL.
	£	£	£
1835-36 to 1844-45 (10 years)	2,197,866	13,690,179	15,888,045
1845-46 to 1854-55 (ditto)	6,855,062	10,218,006	17,073,068
1855-56 to 1864-65 (ditto)	34,063,093	66,801,743	100,864,836
1865-66 to 1874-75 (ditto)	24,385,359	41,640,209	66,025,568
1875-76 to 1884-85 (ditto)	17,759,626	43,782,421	61,542,047
1885-86 to 1894-95 (ditto)	10,844,101	69,523,739	80,367,840
1895-96 to 1903-1904 (8 years and 11 months)	30,006,323	42,905,450	72,911,573
TOTAL 1835-36 TO 1903-1904	126,111,430	288,561,547	414,672,977

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Dr. Asutosh Mukhopadhyaya.

MADRAS COAST-LIGHTS BILL.

The Hon'ble SIR EDWARD LAW moved that the Report of the Select Committee on the Bill to authorise the levy of dues on vessels for the provision of lights on the Coast of the Province of Madras be taken into consideration.

The motion was put and agreed to.

The Hon'ble SIR EDWARD LAW moved that the Bill, as amended, be passed.

The motion was put and agreed to.

CO-OPERATIVE CREDIT SOCIETIES BILL.

The Hon'ble SIR DENZIL IBBETSON moved that the Report of the Select Committee on the Bill to provide for the constitution and control of Co-operative Credit Societies be taken into consideration.

The motion was put and agreed to.

The Hon'ble SIR DENZIL IBBETSON moved that the Bill, as amended, be passed. He said :—" I have already on two occasions addressed the Council at considerable length in connection with the provisions of this Bill—first, when I introduced it at Simla, and, secondly, when I presented the Report of the Select Committee; and I do not propose now to occupy their time further."

The Hon'ble DR. ASUTOSH MUKHOPADHYAYA said :—" My Lord, the chronic question of agricultural indebtedness has ever been a problem of great difficulty and perplexity to Indian administrators, and it has, from time to time, engaged the attention of the Government of India for the last quarter of a century. A gloomy picture of agricultural indebtedness was drawn by the Famine Commissioners of 1880, when they complained as follows :—

' We learn from evidence collected from all parts of India that about one-third of the landholding class are deeply and inextricably in debt, and that at least an equal proportion are in debt, though not beyond the power of recovering themselves. It is commonly observed that landholders are more indebted than tenants with occupancy-rights, and tenants with rights than tenants-at-will—a result obviously attributable to the fact that the classes which have the best security to offer are the most eligible customers of the moneylenders.'

" During the twenty years that had elapsed since the above observations were made by a competent and authoritative body of persons, matters do not appear to have improved, for the Famine Commissioners of 1901 give a still gloomier picture of the indebtedness of the Bombay raiyats. The Commissioners write —

' In his evidence before us, the Chief Secretary to the Bombay Government said that 28 per cent. of the land in Broach had passed into the possession of the moneylending

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classes; and from a report of the Collector of Ahmedabad, it appears that in his district expropriation of the old owners has also made considerable way. Taking all these statements into account, and comparing them with the evidence we have recorded, we think it probable that at least one-fourth of the cultivators in the Bombay Presidency have lost possession of their lands; that less than a fifth are free from debt; and that the remainder are indebted to a greater or less extent.'

"It is needless to recapitulate the measures which have been adopted by the Government to remedy this lamentable state of things in certain local areas; but, as stated by Sir Antony MacDonnell's Commission, 'the result has been disappointment.' Neither is it necessary, my Lord, to attempt to trace the causes of this state of things; but one thing is perhaps certain, namely, as admitted by the Famine Commission of 1880, it is attributable, in part at least, to the changes that have been introduced under the complex system of British administration defining the rights of property of the landed classes, combined with the more complete recognition of the force of contracts, and the obligation on the Courts of Justice to enforce them. I am glad to find, my Lord, that in the measure now before the Council resort to Courts of Law is as much deprecated as it has been encouraged in the past, and simplicity has taken the place of complexity. I am glad also that it has been silently recognised that the machinery of the Courts is an evil agency among the poor and the less progressive section of the population of India.

"My Lord, as to the provisions of the Bill in its amended form there are two or three points to which I may be permitted to make a passing reference. Assuming that the organisation of credit is the sole means of preserving and developing agricultural life in India, one of the most important questions which may arise in practice is the nature of the property which a member of a co-operative society may be permitted to pledge to secure advances. Upon this matter the Bill recognises a distinction between jewellery and land. That distinction, as explained by the Hon'ble Member in charge, is that in the case of jewellery an advance of money upon its security is only to be allowed in the case of societies which, in the opinion of the Registrar, may safely be entrusted with this power; whereas, in the case of land, loans upon mortgages are to be allowed as a rule, unless the Local Government think that they should be prohibited or restricted, either generally or in any particular case. This appears to me to be a thoroughly sound distinction; and I have little doubt that the usefulness of the Bill might have been considerably impaired if greater restriction had been placed upon mortgages. The second point to which I would wish to refer is the clause of the Bill which makes the provisions of the Indian Companies Act inapplicable to societies registered under this Act. This, my Lord, is an extremely salutary provision, and I may add a necessary element for the successful operation of this measure. The Indian Companies' Act, though

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highly creditable to the learned lawyers who took part in framing it and highly beneficial to my profession, is of such a complex nature as to be wholly inapplicable to the conditions and circumstances of the societies which will be formed under the present Act. The third point to which I wish to refer is the simplicity and the elasticity of the provisions of this Bill. Upon this point, my Lord, there has been, and will remain, some difference of opinion. I know the opinion has been maintained by eminent authorities that the provisions of the Bill might have been more specific and that less might have been left to rules to be framed by the Local Government. On the other hand, we cannot afford to overlook the fact that this measure is largely experimental, and substantially the first of its kind in this country, consequently, although we may speculate as to the lines upon which these societies will be developed in future, we have no tangible data to enable us to determine, with any approach to precision, the actual line of development. I venture to think that nothing would be a greater mistake than to force upon our communities, in different parts of the country and working under widely varying conditions, a complex stereotyped form of credit society, which might be adapted to one section, but wholly unsuitable for the requirements of another. I, therefore, welcome the provisions of the Bill as laying down the broad lines on which credit societies are to be developed and worked, although the provisions are necessarily somewhat indefinite in character and liable to criticism. My Lord, there was a time when the problem of agricultural indebtedness in this country was considered to be incapable of a solution; and I remember that about twenty years ago the institution of Agricultural Banks in India under State patronage and State control was given up as an impossible task. I trust, my Lord, I may be permitted to congratulate Your Excellency's Government upon this piece of legislation, which gives practical effect and legislative recognition to the most important recommendation of Sir Antony MacDonnell's Commission, and will rightly be regarded in future as the first serious effort at a successful solution of the problem of the amelioration of the economic condition of our vast agricultural population which had baffled the ingenuity and the statesmanship of Your Excellency's predecessors."

The Hon'ble MR. ADAMSON said :—" When a contentious Bill comes before this Council it is subjected to criticism both in the Council and in the Press, and the public have a full opportunity of judging of its merits and demerits. But when, as in the case of the Co-operative Credit Societies Bill, the measure is not contentious, when the principle and object are regarded as benevolent, when the measure affects only a class of the public that have little access to the

Press, it naturally enough attracts little attention, and there are few that take the trouble to make themselves sufficiently acquainted with the subject, to be able to judge of the success that it is likely to attain.

"And yet I think that this is a Bill that might well have attracted more attention in the English and the Vernacular Press. Our co-operative credit society is, I admit, but a frail barque launched upon a treacherous ocean, but if it can escape from being wrecked by the opposition of the moneylender, if it can avoid being stranded on the shoals of mutual distrust among its members, if it can carry safe to port but a portion of its cargo of self-help and co-operation, it may be that some day yet this Bill will rank among the most important measures that have been passed by the Government of India for the amelioration of the agricultural and industrial classes.

"But at present I fear that there are not many who have faith in it. The object of course is generally regarded as altogether praiseworthy, but there are few who believe that in India the seed of co-operation will fall upon a fertile soil. My purpose in making these remarks is to examine the question whether the scheme of the Bill is a practical one, and I hope to be able to show that it is, and that there is a reasonable prospect of its achieving a success.

"The object of the Bill is to encourage thrift, self-help and co-operation among the agricultural and industrial classes in this country. The first means of attaining this end is to give relief from the usurious rates of interest which the peasantry have to pay to the moneylender for the money which is necessary for their agricultural and other operations. The Bill creates societies or associations of neighbours who will be able in their corporate capacity to utilise their united credit in borrowing for the purpose of lending again to members on easier terms than such members could obtain if they borrowed each on his own individual credit. But it does not follow that the condition of the peasantry will be improved merely by enabling them to borrow at cheap rates. Experience in other countries shows that such a benefit alone must eventually aggravate their distress, because it will only lead them into further extravagance. What is wanted is cheap money accompanied by increased thrift. There is nothing more certain than that unless our societies can give effectual inducements towards thrift, they will be worse than useless, and I am therefore glad to hear from the Hon'ble Sir Denzil Ibbetson's remarks in introducing the Bill, that though Government is willing to give pecuniary assistance, and no doubt pecuniary assistance will be very welcome, yet it will in no case assist a society which has not made a genuine attempt to build a capital for itself.

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"The object of the Bill is to give the borrower cheap credit, and at the same time to place him under such conditions as will restrain him from abusing the boon. The Bill proposes to accomplish this end by permitting societies to be composed only of neighbours having common interests and an intimate knowledge of each other's circumstances. Every member will be a possible borrower, and therefore it will be the interest of all to see that loans are taken only for desirable objects, that they are expended only on the objects for which they were given, and that they are repaid in accordance with the conditions on which they were lent. The restraining influence on the members will proceed from the society itself. If a member, for instance, misapplies a loan, the fact will be apparent to all his co-members, and he will run the risk of offending his neighbours and being punished socially. Among orientals, there is no sanction stronger than that of village opinion, and I have no doubt that, if a society is imbued with a proper spirit, a member will hesitate before he submits himself to the odium of its disapproval. If a society can be established on these lines, it is hoped that it will not only give to its members cheap credit, but that it will educate them in thrift. It will incidentally give a further inducement to thrift, as it will provide for its members an opportunity which is now wanting in rural tracts and also generally in towns, of investing their petty savings in a remunerative concern, instead of spending them or converting them into trinkets or burying them in the ground.

"Such are briefly the object and aim of the Bill, and its success, as it appears to me, will depend on two factors:—

- (1) the faculty for co-operation of the classes whom it is intended to benefit ;
- (2) the measures undertaken for inaugurating the scheme.

"As regards the faculty for co-operation, I am afraid that there is a very general belief, perhaps not altogether unfounded, that the idea of co-operation for the general good does not appeal to the Indian peasant, and that there is among that class an absence of the mutual confidence that is essential to the success of such an undertaking. There is also a very general opinion that, even if mutual confidence and the desire for co-operation were present, there could be no opportunity for exercising them, because the mass of the peasantry of India are already bound hand and foot by the moneylender, and are unable by any possible internal co-operation to escape from his clutches. These are formidable difficulties, I admit, but to those who think them insuperable I would point to

the fact that similar and probably greater difficulties were experienced fifty years ago in parts of Europe where there are now co-operative credit societies receiving deposits and distributing loans by hundreds of millions sterling per annum. Sir Frederick Nicholson in his report on land and agricultural banks, which has been aptly described in this Council as a monument of research and a perfect store-house of information, and on which I have freely indented in preparing these remarks, has given a vivid description of the condition of the people of Europe, among whom these societies were originated. He says:—

‘The people to be dealt with in the matter of rural credit are the landholding artisan, small trading and labouring classes; not the urban folk, the merchants, professional men, manufacturers and other skilled industrials. Now the conditions of the rural classes, especially fifty years ago, when rural banking was first attempted for the masses, were not and even now are not of that advanced character which is associated with the European nations in their commercial, industrial, educational, literary and political aspects. The masses of French, German and Italian peasantry were, and to a great extent still are, ignorant, suspicious, conservative, isolated and poor; holding land in small and diffused patches; exploited by usurers; hide-bound by custom; incapable of associated effort, unable to comprehend and unwilling to adopt new methods, however useful, new improvements, however obvious; the testimony of the reporters on this point is unanimous. The description of the peasantry of the Rhine provinces, of Italy, of the interior of France, as given by their own as well as by foreign observers, shows that, as regards rural banking, the prospects of the masses in the countries named were little, if at all, better than in the Madras Presidency at the present day.’

‘And again, in describing the Wollemborg-Raiffeisen system of banking, he writes:—

‘Dr. Wollemborg’s family resided at Loreggia, a village of 2,795 inhabitants, nearly all agriculturists, scattered over its whole area. A man of observation and culture, he was struck by the miserable condition of the peasants, their poverty the frightful and shameless usury to which they were subject, the absenteeism of the landlords. He himself states, regarding usury in his village, that it was common for borrowers to pay one franc per month for every 20, or 60 per cent. per annum, to which is regularly added a dinner every Sunday, gratuitous labour, and other ‘*corvées*’. The peasants were at the mercy of the moneylenders, and had, moreover, to buy bad goods at ruinously high credit prices. But Dr. Wollemborg added to observation the result of much thought on social matters, and fortunately a knowledge of what had been done abroad, notably by Raiffeisen in Germany; and in 1883, when only 24 years of age, he attempted a similar foundation in Loreggia. It was a task of the utmost difficulty; in his own words ‘the novelty of the proposals, the nature of the locality, the class of persons to be persuaded, distrust, jealousy, factions of all sorts, were obstacles which had to be surmounted,’ and to these he adds the isolation of the peasants, their misery and apathy, their ignorance and their distrust of the landlords, for the peasants were mostly

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tenants and not proprietors. No situation less promising can well be imagined, but Dr. Wollemborg attacked the situation and conquered it absolutely without external aid. After many discussions and much persuasion, he got 32 persons to join, among whom were 12 very small peasant-proprietors. The example of course was little imitated at first; the nascent society had to prove its position, and only then would it be imitated. This has now been done; the societies are rapidly spreading, and in November, 1890 there were 44 in existence, all duly federated; the number in 1892 had risen to 66.

"I may add that at the present day these societies are numbered by hundreds. I need not exhaust the patience of the Council by making further quotations from this or other works. Sufficient has been said to show that the conditions of the peasantry of many parts of Europe, when co-operative credit societies were originated there, were quite as unfavourable as in India now. In some respects the conditions of India are more favourable. The right of association is not hampered by law, justice is accessible and prompt, the peasants are not isolated, and the villagers are accustomed to combined effort for many useful purposes. There appears to be no reason in the condition of Indian society why that which has been done successfully in Europe should not be done with equal success here. What India still wants is her Wollemborg, who will by his perseverance and enthusiasm evolve schemes of co-operation in actual practice.

"This leads me to the second of the factors on which, as I have said, the success of our societies will depend, *vis.*, the measures taken for the inauguration of the scheme. The Bill itself is admittedly and intentionally only a general outline, the details of which will have to be filled in by Local Governments, so as to suit the varying forms which the institutions may take in different parts of the country. The Hon'ble Member in charge of the Bill has informed us in the Select Committee that it is contemplated to choose provinces in which to try initial experiments, and to appoint a whole-time officer as Registrar for each of these provinces. I cordially welcome this arrangement. The rules which are to be framed by Local Governments, which will form the working machinery, will require to be built up by experience. The task of framing these rules will be far greater than the task which we have had to perform in merely building up the outlines of the Bill, and when I consider the difficulties that have been encountered in framing the Bill, and especially the conflict of opinion, well supported, both for and against almost every important provision in it, I cannot conceive that any Local Government will be able to start right off with a ready made series of rules. Wide powers are given to the Registrar under the Bill, and it must be chiefly on the Registrar's advice that the rules

will be built up. The Registrar's first duty will be to preach the gospel of co-operation in the province to which he is attached. He will at first find little initiative except his own. He will have to select the places for his experiments and he will have to induce by his personal influence and by his persuasive powers the people to interest themselves in his schemes. Fortunately the classes whom the Bill is intended to benefit, though they have little power of initiative of their own, are generally easily led by an officer of Government in whom they have confidence. It will be for the Registrar to inspire this confidence. The form which his institutions will take will vary from place to place, but at first he will probably be content to inaugurate the simplest forms of purely joint credit societies. Many of such are already in existence in one province of India, *vis.*, the Nidhis of Madras. They appear to be suited to the circumstances of the people there, and are simple in form, and for my part I would strongly recommend the Registrar to take them as a model for his earliest operations. As his knowledge of the circumstances of the people and their modes of thought, and their ideas of business, expands, he will gradually be able to mould his societies into forms that suit the genius of the classes with whom he is dealing. Meanwhile he will be discovering new difficulties and the way to surmount them, new facilities and the way to take advantage of them, and he will gradually be able to elaborate a series of ideas which will be the ground work on which the Local Government will build the rules. When he has made a few successes imitation will speedily follow. I must say that the fortunate officer whose ability recommends him to a Local Government for the appointment of Registrar will occupy an enviable position. I was inclined to think that the Bill left rather too much to the Registrar and the Local Government. But this very fact will be the Registrar's opportunity. The ordinary administration of civil affairs in this country generally resolves itself into a routine, in which any particular officer cannot do very much harm and rarely has an opportunity of doing anything startlingly good. But a Registrar of co-operative credit societies will have a field open to him that will give ample scope to his individual genius. The success of the scheme—and I have strong hopes that it can be made a success—will depend almost entirely on him, and if he does succeed in establishing societies, which may be hoped eventually, though it will take long years to achieve this end on a large scale, to rescue the peasantry of his province from the moneylender, and to lead them to increased thrift, by enabling them to finance themselves by means of co-operation, as has been done in some of the most backward parts of Europe, he will have achieved a fame that few civilians in this country can ever hope to aspire to.

[23RD MARCH, 1904.] [*Mr. Adamson ; Nawab Saiyid Muhammad.*]

"I have said enough to show that our Bill is not utopian, but that it is capable of practical execution. I have no desire to minimise its difficulties, which are great. My object is to attract intelligent public interest to it, and especially to interest Native gentlemen in a scheme that aims at the amelioration of their fellow countrymen. We have seen that an English member of this Council, the Hon'ble Mr. Hamilton, has offered to advance to societies a large sum of money, as an investment of which he is willing to take the risk, with the view of encouraging an object of great public utility. I do not ask Native gentlemen to follow his example at once. But I ask them to examine the scheme, to satisfy themselves that it is practical, to consider the history of co-operation in other countries where it has achieved a success, to assist its development in India with their advice and sympathy, and finally when they are satisfied that it can be established on safe commercial principles, to aid some genuine but struggling societies with loans, not as a charity but as an investment which will be profitable to themselves, and will at the same time improve the condition of the less fortunate members of their own race."

The Hon'ble NAWAB SAIYID MUHAMMAD said:—"My Lord, I have hardly anything to add to the remarks I had the honour of making in this Council on the 4th December last on the motion to refer this Bill to a Select Committee. I am glad that the Select Committee have been able to accept the suggestion that I then made of permitting the societies to grant loans on the security of moveable and immoveable property while giving the Registrar and the Local Government the discretion of exercising some restraint where it may be considered necessary. I entirely agree with the Hon'ble Sir Denzil Ibbetson in his suggestion that the Nidhis of Madras, if necessary, should be dealt with in the Madras Legislative Council, for I think the measure before us is mainly one of principles and not of details. In giving my cordial support to the Bill I beg to congratulate Your Excellency's Government upon affording the agricultural classes of this country some measure of relief from the exactions of the professional moneylender. At the same time, I consider the Bill as an experiment, a view to a certain extent justified by the able and lucid introductory speech of the Hon'ble Member in charge. Viewed later by the light of experience, this measure may prove insufficient as a means of relief, or not wide enough in application by reason of the limited support from the Government. Should this happen, I earnestly trust that the Government of India will then be found as ready to expand and improve the law as Your Lordship's Government is now in initiating it. I don't wish to take up the time of the Council by making any lengthy remarks, and I therefore support the motion before the Council."

[*Mr. Cable ; Mr. Gokhale.*] [23RD MARCH, 1904.]

The Hon'ble MR. CABLE said:—"I desire, my Lord, to say a few words of general approval of the measure now before Council.

"I am glad to notice that all the amendments made have been in the direction of giving more elasticity to the provisions of the Bill. In an experimental measure of this kind it is doubtless wise not to fetter the action of those who will be directly concerned to carry out its objects, though of course as more responsibility will be thrown upon individuals so also the risk will be greater that a wise discretion may not always be exercised. I fully realise that the success of these societies must ultimately depend upon the district officers, and probably as much damage may be caused by overzeal as by indifference; for the greatest care and tact must be employed so that the existing banking institutions of the people may not be unduly alienated or alarmed while the new system is on its trial; this danger was clearly present in the minds of Sir Edward Law's Commission, for they advised that moneylenders should under certain circumstances be entitled to privileges under this Act. There is no doubt much to be said against the present system under which the peasant obtains advances. In many respects, however, I have no doubt that, like other institutions of the East which we may not appreciate, it is perfectly suitable to the peculiar needs of the people, and therefore it would be unwise to attempt by local influence to force any change of methods. If the present proposals are found to fill a want, I make no doubt they will be generally availed of.

"It is satisfactory to note that publication of accounts is provided for; once a month would not be too often for this, and no better advertisement of the scheme than frequent publication of accounts could be devised.

"It is admitted, I think, by the Hon'ble Member in charge of the Bill that the ultimate results of this legislation are difficult to forecast, but, however that may be, its educating influence on the people must surely be good. It cannot fail to inculcate the advantage of saving on the one hand and a confidence in lending on the other hand: it will, in short, teach that money is productive, and the effect of these lessons upon the people at large may have enormously far-reaching effects in the future.

"It is upon these general grounds also that I desire to congratulate the Hon'ble Member upon having brought in a benevolent piece of legislation."

The Hon'ble MR. GOKHALE said:—"My Lord, after the continuous opposition which it has fallen to my lot to offer to two important measures of Government during this session, it is both a pleasure and a relief to me to find myself

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[*Mr Gokhale.*]

in a position to give my cordial and unequivocal support to the present Bill. The proposed legislation is no doubt only a modest measure, so far as its provisions go. But it authorizes a cautious and interesting experiment, which, if it attains any degree of success, cannot fail to exercise a wide and far-reaching influence, especially on the condition of the agricultural classes in India. My Lord, in the growing indebtedness of the Indian agriculturist and the steady deterioration of his general position, the Government of India is called upon to face one of the gravest problems that can confront a civilized administration. The difficulties of the situation are enormous and they can be overcome, if they are ever overcome at all, only by a long course of remedial action, wisely determined, sympathetically undertaken and steadily and patiently adhered to in spite of discouragement and even temporary failure. Such action must include a series of cautious measures, intended both to bring him help and relief from outside, and to evoke or strengthen in him those qualities of prudence, thrift, self-reliance and resourcefulness, without which outside help can do him no great or permanent good. The present Bill is a measure of the latter kind, and though no one can say how far it will prove successful, its operation will be watched by every one interested in the future of the country with deep interest and in a spirit of hope.

"My Lord, in a matter of this kind the function of the Legislature must be confined only to the removal of any special obstacles that may stand in the way. When that is done, the success of the experiment must depend almost entirely upon executive action and the spirit in which and the extent to which the classes concerned and those who are interested in their welfare come forward to co-operate with the Government. For this reason the present Bill cannot be considered apart from the line of practical action which it is proposed to take when the Bill becomes law. This line has been indicated with sufficient fulness in the two luminous speeches made by the Hon'ble Member in charge of the Bill since the introduction of this measure. And the few remarks which I propose now to offer have reference both to the provisions of the Bill, and to the executive measures outlined by the Hon'ble Member to give effect to those provisions.

"My Lord, the measure as amended in Select Committee is a considerable improvement on the original Bill, and will no doubt work better in practice. However, the general scheme formulated appears to me to be incomplete in important particulars. To these I beg leave to draw the attention of the Government, in the hope that the bounds of executive action will be so enlarged as to place the success of the proposed measure beyond reasonable doubt.

"My Lord, the first thing that strikes me on a consideration of the whole question is that there is no provision in the proposed scheme for a preliminary liquidation of the existing debts of those who wish to avail themselves of the opportunity, now offered, to improve their position. In making this observation and those which follow, I have in view the condition of the agricultural population only, and I look upon the Bill, though its provisions may be availed of by non-agriculturists, as one intended specially for the benefit of the agricultural community. It is true that the Bill aims merely at organizing on a co-operative basis the credit of these classes, but such organization, if it is to benefit any considerable proportion of the agriculturists, must be preceded by a liquidation of existing usurious debts, speaking with special reference to the Bombay Presidency. I may say that our agriculturists may be roughly divided into three classes:—(1) Those who are yet free from debt. These, I believe, form a small proportion of the total number. (2) Those who have already got into debt, but not to such an extent as to be hopelessly involved and who are making honest efforts to keep their heads above water. These, I believe, constitute a considerable proportion of the agricultural population. And (3) those who are so heavily indebted as to be hopelessly involved. These, I fear, are a very large class. Of these three classes, I don't expect that many members of the first class will, for the present at any rate, care to join the proposed societies as the principle of unlimited liability is sure to frighten them: while the third and last class is beyond the reach of such remedial action as this Bill contemplates. The men, therefore, who will principally form these societies, if the proposed measure attains any degree of success, are, those that belong to the second class, namely, those who have already got into debt but whose position has not yet become hopeless and who are moreover, making honest attempts to save themselves from prospective ruin. These men, however, have not much credit left free to be brought into the co-operative organization, and unless they are helped to effect a clearance of existing liabilities on reasonable terms, no new banking organization created for their benefit, whether it takes the form of agricultural banks or of co-operative credit societies, can prove of much help to them. The need of such preliminary liquidation was recognized by the Government of India in 1884 in the following terms:—'Improvidence of cultivators and uncertainty of seasons are elements which are liable to interfere with a bank's success, and these difficulties might be met by prudent management; yet the bank could not hope to succeed unless it could start in a field where the agricultural classes were unencumbered with debt or were enabled to liquidate their existing debts on reasonable terms.' Such a liquidation was carried out in Germany and elsewhere through the

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agency of special banks and the ground was cleared for the operations of the new banking organizations. The resources of the proposed societies will be extremely limited, and it is out of the question that they can by themselves find the funds necessary for such liquidation. The Government must come to their help in this matter, and if such help is not offered, the proposed experiment will have but small chance of proving successful.

"Section 7 lays down for rural societies the principle of unlimited liability except in special cases. Responsibility for *pro rata* contributions to the repayment of a society's debts would be a desirable limitation on the liability of members, as is allowed in the German Law of 1889. Unlimited liability no doubt strengthens the position of the societies greatly in the money-market; but it is a principle which our raiyats in many parts of rural India can scarcely be made to understand. Each member to be liable in all his property for his society's debts—this is to them an entirely foreign idea, and in most parts, it is to be feared, would deter people from joining such associations. Responsibility in equal shares on the common partnership principle may be better appreciated and would be enough for a start. In Germany, the principle of unlimited liability is an old time-honoured economic tradition, and works admirably. It is the keystone of Schulze and Raiffeisen societies. Elsewhere, in Italy and other countries, it has had to be acclimatized with immense toil. In India, where every such thing is new, I fear it will be a mistake to aim at too much at the start. Insistence on such a principle would keep away from the new societies those very classes whose help and co-operation would be indispensable.

"As regards funds, the societies are allowed to receive deposits from their members, and borrow from outsiders. No other financial resource is provided for. This to my mind is the weakest part of the scheme. Even in European countries, such popular banks (*e.g.*, the Schulze-Raiffeisen and Luzzatti-Wollemborg Societies) do not depend exclusively on deposits and loans. In India, as regards deposits, looking to the condition of economic exhaustion and material resourcelessness which at present prevails in the rural parts, such deposits from those who might join these societies cannot be expected to flow in either fast or in any large volume. The associations would be mainly and for years more or less borrowing associations. As to loans it is somewhat surprising to find that the Bill allows the credit societies to borrow from 'persons who are not members' though, of course, under restrictions. The moneylender thus comes in and there is no guarantee that he will not exact usurious interest. Besides, where protracted periods of misfortune intervene, like the past decade in the Dekkhan, there is present the risk

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of these societies getting into the clutches of the moneylender just as individual raiyats now do. The risk may be obviated and the financial position of the new societies improved in two distinct ways, as is done in European countries. First, these rural societies should not be left to shift for themselves as best they could, as isolated units, but might be allowed to be federated into unions for mutual support and help, and these unions linked to a Central Bank, which might serve as an intermediary between them and the money-market and also help to equalize funds by lending the surplus of some to meet the needs of others. Each District might have a Central Bank of this nature to which the rural unions would be affiliated on a joint stock basis and to serve as a focus of business. Further, these District Central Banks might be linked on to the Presidency Banks, one for each Presidency or Province. Some such scheme of filiation might materially help these societies and to a large extent remove the difficulty of financing them. However, I fear the realization of such a scheme must be the work of time and must be preceded by the proposed societies attaining in their own places a certain measure of success, however limited it may be. But there is another resource, which might be made available to these societies without any difficulty, and it is that these societies might be allowed to have each a savings bank attached to it, as is done in Germany and Italy. They would thereby be able to draw together small savings within their territorial limits and utilize them for productive use. At present no facilities practically exist in our villages for the deposit of savings. The total number of villages in British territory in India is over 5½ lakhs, while the savings banks (head and sub-banks) number only 7,075; and the total number of depositors is nearly a million, of whom only about fifteen thousand are agriculturists—not even 2 per cent. So it would be a great help to the rural classes and meet a *felt* want, if these societies were allowed under the new scheme to have each a savings-bank of its own—operating, of course, within its own territorial limits. These savings banks would thus serve a double purpose. (1) The rural classes will have facilities for the deposit of their little savings, where practically none exist at present. This would encourage thrift. (2) The credit societies will have a new source of financial aid placed within their reach on a commercial and safe basis. Indirectly, too, the better-to-do classes, who might not join the new associations, would, if they were to deposit their savings with these societies, help them most materially.

“The absence of some summary procedure to recover the debts due to the societies is also likely to interfere with the success of these societies. I admit the full force of the observations made by the Hon'ble Sir Denzil Ibbetson on

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this point. It seems to me, however, that on the whole the balance of considerations lies on the side of providing some such procedure, or at any rate some special machinery of arbitration. Section 26 provides for a summary recovery of debts due to Government. But the societies must go to the Courts and bear the expense and delays of such procedure. I think some summary procedure is necessary, and special Courts might be organized for the adjudication of such claims.

"In conclusion, I entirely approve the idea of trying the proposed experiment first in a very few selected localities only. So much depends upon the success of this experiment that every care must be taken to try it in the most favourable circumstances. The sympathy of local officers will of course be available to the full, but the Government will further have to offer very liberal financial assistance, at any rate in the earlier years of the experiment. Public confidence in the success or practicability of a new organization is unfortunately slow to grow in a country where the people have for long centuries been accustomed to look for everything to Government and private initiative seems to be almost paralysed. But when once such confidence springs up, it is not lightly shaken. Very great responsibility, therefore, will rest on those, who are entrusted with the task of supervising the first experiment, and I earnestly trust, my Lord, that no possible effort will be spared to make that experiment as complete a success as is, in existing circumstances, possible."

The Hon'ble RAI SRI RAM BAHADUR said:—"My Lord, the piece of legislation which the Council is going to place on the Indian Statute Book to-day may not have attracted that public attention or formed the subject of controversy, as the two sensational measures (the Official Secrets and the Universities Bills) passed lately, but the provisions of this Bill are full of so many potentialities for doing good, that if worked with success, are sure to affect the economic condition of the Indian agriculturist to a very appreciable extent; and, therefore, with Your Excellency's permission, I would like to say a few words on the scope and sphere of usefulness of this Bill.

"My Lord, I welcome the measure as the first effort—I hope it is not the only one, but one of a series—possessing the quality of universal applicability to all parts of India—which the Government, assisted with the co-operation of the people, is going to make towards the solution, though however partial, of the problem of agrarian indebtedness. Whatever may be the amount of success which this measure may ultimately gain, it will be of great value as an educative factor in teaching the Indian peasantry lessons of thrift, self-help, and co-operation.

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"My Lord, the question of the establishment of Banks for the people has been off and on before the Government of India for nearly the past half century. Though often thought of, no scheme did ever assume any definite shape, and it is to Your Excellency's Government that we owe the promulgation of a definite and practical scheme which, duly launched and properly worked, is bound to produce beneficial results.

"My Lord, the Hon'ble Sir Denzil Ibbetson, in the speech he delivered at Simla at the time of the introduction of this Bill—a speech remarkable for its sympathetic tone, and the true appreciation of the merits of the subject—was pleased to say that the two essential features of this Bill were simplicity in the principles and modes of working of the institutions, and elasticity of its provisions which lay down only the general outlines, the details to be filled in gradually.

"My Lord, it is a matter of satisfaction that the Bill has emerged out of the hands of the Select Committee not only with those two qualities in no way impaired, but with the scope of the institutions more enlarged by empowering them to advance loans on hypothecation of movables and immovables.

"My Lord, it cannot be denied that the Bill is a great step in advance towards the solution of the very difficult question of the indebtedness of the Indian peasantry. But it is yet to be seen whether India would prove to be a congenial soil for the exotic plant 'co-operative credit system.' Even among the educated peasantry of European countries like Germany and Italy, the system obtained its firm footing after life-long labours and patient toils of certain patriots and philanthropists. The Indian Schulze Delitzsch, Luzzatti, Raiffeisen or Wollemborg is yet to be born.

"My Lord, then there is the want of that one essential quality among our people, namely co-operation, which has been a prevailing defect of their character from a long time, and the cause of so many evils. But, my Lord, dismal forebodings like these should not deter us from taking in hand this good work. It is hoped that under the fostering care of the Government genuine and strenuous efforts will be made to ensure success to this measure. But for some time to come pecuniary help would have to be given unstintedly by the Government, by way of loans to start working capitals of the Rural Banks, and when these institutions will have attained the position of having an independent working capital the Government advances may be withdrawn.

"My Lord, so much for the institutions contemplated to be established under the provisions of this Bill. These institutions, even if successful, will be

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of no good to the majority of the Indian cultivators. Only a *member* will be able to borrow from them, and those people alone would be enlisted members who would contribute towards the formation of the capital of the society. It is only the better class of agriculturists—and their number in every part of the country is very small—who will be able to join as members. Impecuniosity of the great majority of the peasants will keep them back from becoming members of Rural Banks. The hold of the money-lender on this class of agriculturists will remain as strong as it is now, and the principal portion of the fruits of their labours will still go to the coffers of the village mahajans. My Lord, it is the duty of the Government to inaugurate some measure the effect of which will be to relieve these classes of cultivators. 'The idea,' says Sir Edward Buck, 'of Government being the moneylender to the agricultural classes is an indigenous one. Under those Native Governments which were well organized, and especially in Upper India, the system of distribution of 'takkavi' to the agriculturists was extensively recognized. The British Government, on taking half of the territories from Nawab Saadut Ali Khan of Oudh, gave a recognition to this system, and in Regulation XXVIII of the year 1823 a distinct provision was made in the following words:—

'To make the usual advances of takkavi at the proper periods for the purchase of seed, cattle and implements of husbandry, taking bonds for the same, bearing interest at the rate of 12 per cent. per annum.'

"Mark the word 'usual' and the rate of interest. At the present time a cultivator who borrows from the village moneylender in the United Provinces has to pay interest at the rate of 24 to 30 per cent. The Regulation above referred was repealed only by the Repealing Act of 1873, but the practice of making advances seems to have been discontinued long before.

"My Lord, in the course of debate on a Bill styled the Agricultural Loans Bill, introduced in October 1882 by the Hon'ble Mr. (now Sir Charles) Crosthwaite, Major the Hon'ble E. Baring (now Lord Cromer), who then held the portfolio of Finance, alluded to the subject of establishment of Agricultural Banks in India, and gave an outline of the main principles on which, he considered, those institutions should be constituted. But it appears that the subject was not further proceeded with, and the Bill, which when introduced bore the designation of Agricultural Loans Bill, was passed in 1883 intitled as Land Improvement Act. My Lord, in order to provide for the needs of those classes of the agriculturists who will not be able to derive any benefit from the Rural Banks established under the provisions of this Bill, either from their own disabilities or the

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non-existence of such Banks in their neighbourhood, Agricultural Banks should be established on the lines of the Egyptian system which had worked with so marked success in that country. Such Banks are doing good work in Egypt which is an Oriental country like India, and the peasantry of that country have much in common with those of this country. There is every reason to hope that institutions established on the model of the Egyptian system will work here as successfully as they do there.

"My Lord, the Indian peasant deserves special consideration at the hands of Government. There is very little apprehension of the loans advanced to him being lost, as such loans very seldom remain unpaid. Whatever other defects of character the Indian peasant may have—and in this respect he does not stand alone, the peasant of other civilized countries not being free from them—that of dishonesty and unwillingness to pay just debts is not one of them. He possesses the merits of an honest debtor, actuated by a religious desire to pay not only the debts incurred by himself, but also those which were contracted by his father or even remoter ancestors. He is not generally disposed to avail himself of the protection provided by the law of limitation—a law not improperly called the rogue's statute—in order to avoid the repayment of debts which he considers himself religiously and morally bound to pay. Thriftless or inconsiderate he may be often, but dishonest he is seldom.

"My Lord, the Bill has my cordial support, and I vote in favour of the motion."

The Hon'ble SIR EDWARD LAW said :—"I noticed in the remarks of one of my Hon'ble Colleagues that there appeared to be a disposition, which I heard with regret, as it is supposed to prevail generally throughout the country, to place too much reliance upon Government support to these banks. From the Departmental point of view, I am sure there is not likely to be any objection to financing these banks to a reasonable extent; but that they should be dependent, or that the idea should become prevalent that they should be dependent, upon Government, would be fatal to all the principles of self-help and co-operation upon which they are founded. Some Government assistance certainly will be necessary, but I trust that it will not be given in any way with a lavish hand, and since it has been said that the rural population in this country have hardly any money—cash savings—which they could contribute to form a capital, I must point out that this is exactly the objection which has been made in every other country, and I believe with equal truth. In those countries however where success has been attained, it has been attained in

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spite of the fact that the people had not the means to make large contributions to capital at the outset.

"One other point I would refer to, namely, the idea of my Hon'ble Colleague that some central institution might give financial help. I think that idea is already in a measure included in the anticipation of relations between the Co-operative Share Banks and the Rural Banks. I personally trust and hope, that the co-operative Share Banks will in course of time flourish and have sufficient funds at their disposal to be able to furnish capital to the Rural Banks, following the example which has been given with such great success by the Lombardy Savings Banks."

His Excellency THE PRESIDENT said :—"It is a pleasure to find to-day that we are all so unanimous, and that in the contemplation of this measure the lion has lain down with the lamb. The Hon'ble Dr. Mukhopadhyaya remarked that this Bill is our first serious effort to deal with the problem of agricultural indebtedness in India. That is not quite the case. In October, 1900, in a speech upon the introduction of the Punjab Land Alienation Bill at Simla, I made the remark that that Bill was the commencement of a series of ventures upon which I hoped that the Government would embark to deal with this very problem. I described it as a canker eating into the vitals of the national life, and as one of the questions which I hoped to do a little to press forward to solution during my time. A year later we passed that Bill into law amid the most dismal prophecies from the Punjab Native representative on the Legislative Council, as to the irreparable ruin that it was going to bring upon the peasantry of the Punjab. I am glad to say that those predictions have been entirely falsified by events; and only the other day I was called upon to sanction the extension to the greater part of the North-West Frontier Province of the provisions of the Act, which have, on the whole, proved so acceptable in the Punjab that an agitation for their application across the border had been growing ever since. Last year we took similar action in Bundelkhand, where not only has the power to alienate land been restricted in future, but an effort is being made to clear off the existing debt of the agricultural population. Similar measures were recommended for Bombay by the Famine Commission. These undertakings relate to one aspect of the problem of indebtedness. To-day we are giving the authority of the law to an attempt to deal with another. From one point of view it is the inverse aspect; for while such measures as the Punjab Land Alienation Act must necessarily, however successful they may be, involve some curtailment of credit—a drawback compensated twenty times over by the accompanying gains—the object of this Bill is not to curtail credit but to increase it, while

avoiding the evils which have sprung from the great expansion of credit caused by the conferment of the full right of transfer of land upon classes untrained to its exercise.

"The promotion of agricultural enterprise by an increase in the available capital may be described as a prime duty of any Government administering a large rural population. All producers, even the poorest, require capital, and the Indian raiyat by no means least. But the conditions under which alone he can procure it in this country are so onerous, he is so apt to dissipate it when acquired by a sort of traditional improvidence, and the consequences of his indebtedness are so disastrous and even appalling, that there seems to be a special obligation upon the Government of India to come to his assistance in such ways as we legitimately can.

"One of the methods that we adopt for this end in India is by *takavi* loans under the Land Improvement or Agriculturists Relief Acts. I doubt if the public is fully aware of the extent of the assistance that is thereby given, particularly in times of distress. In 1902-03, for instance, the total advances to cultivators amounted to three-quarters of a crore or half a million sterling, of which more than half was in Bombay. But it is difficult for this form of assistance to reach all who are in need, and there are practical drawbacks in the operation of the system which are now under the independent consideration of Government.

"Here we are initiating an independent but allied experiment, which is to make the cultivating classes themselves the borrowers, improving their credit, developing their thrift, and training them to utilise for their own benefit the great advantage which the experience of other countries has shown to lie in the principle of mutual co-operation. I used the word 'experiment.' But I am not sure that this is not rather too strong: for undoubtedly the reports of able officers, such as Sir Frederick Nicholson and Mr. Dupernex, and the practical working of a limited number of institutions in different parts of the country, some of them started by enthusiastic officers on their own account, have already provided us with some measure of guidance as to what we ought to aim at, and what to avoid.

"A year ago in my Budget speech I stated some of the fundamental differences of opinion that had emerged from the reference to Local Governments which we had just undertaken. There was really nothing surprising in this. Many of those whom we consulted had had no practical experience and were

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only able to give *a priori* replies. Moreover, the co-operative system is itself not at all widely understood: and the degree to which Government assistance should be given was as much in dispute as were the nature and the limitation of the objects for which loans should be allowed. During the year that has passed each of these disputed points has had to be examined by Government, and has since been further elucidated by the labours of the very competent Select Committee whom we were fortunate enough to assemble for the consideration of the Bill. The principles that have characterised the great majority, if not the whole, of the changes that have been introduced by them, have everywhere been the same—greater simplification and more freedom. Let the measure be hampered by as few restrictive provisions as possible; and let it be adaptable to the varying conditions of different parts of the country and sections of the people.

“There is one point on which there seems to have been some misconception, and which it is desirable to make clear. I have seen it complained—and at an earlier date I heard the complaint from the lips of an Hon'ble Member of this Council—that Government might have been a good deal more liberal in initiating so great an experiment, and that part of what we take from the people in land-revenue we might very appropriately give back to them in capital for these societies. These views, plausible as they may seem, rest upon a complete misconception both of the co-operative system, and of the policy of Government with regard to this particular scheme; and I desire to supplement what fell from the Finance Minister on this point.

“It is not primarily because the financial contribution that might have been required to assist every new institution would be great, or because we grudge the money, that so little is said about grants-in-aid by the State, but because the best advice and the teachings of experience are at one in the conclusion that unrestricted Government assistance is a dangerous and may be a fatal gift. ‘Prolonged or indiscriminating State aid,’ says Mr. Henry Wolff, who is an unrivalled authority on the matter, ‘is destructive of self-help. The State aid given in Germany, France, and Austria has been productive of much mischief—the creation of a great deal of bogus co-operation, which has resulted in loss and done no good to the people.’ For similar reasons no special powers of recovery of debt have been given to the societies. The object is to foster a spirit of responsibility and self-reliance; and it is because the societies must be dependent for their success on their own care and caution in the disbursement of their funds that it has been possible to dispense with restrictions on their powers in the Bill that would otherwise have been

necessary. Government aid will be forthcoming when necessary, and there is more danger to be apprehended from excessive liberality than from the withholding of assistance where there is a prospect of its proving advantageous. It will be necessary rather to restrict the extent to which Local Governments may give subventions than to urge them to generosity. If the societies fail in the absence of State aid, and from not having more arbitrary powers of recovering their debts, it will not be because those conditions are essential to the success of the movement, but because there is an organic weakness in the co-operative system as understood and applied in this country.

"I am hopeful, however, that this will not be the case. Like my Hon'ble Colleague Sir Denzil Ibbetson, who has evolved and conducted this measure with equal insight, ability, and sympathy, I refrain from any confident predictions. I think it quite likely that in some parts of the country the experiment will fail, and that societies will either not be started or after a short existence will disappear. Even where they succeed, I do not imagine for a moment that borrowing at high rates of interest will be done away with altogether, or that we shall replace destitution by relative affluence. But let us assume the most modest degree of success. Let us contemplate in districts or towns or villages here and there, a few of these institutions coming into existence, and gradually striking their roots into the soil. Each tree so rooted will ultimately cast its own shade, and will be the parent of others; and if in a few years time I were to hear that the experiment had never germinated at all in one province, while it was bearing humble but healthy fruit in another, I should yet think it justified.

"What I desire to point out, however, is this. Here is a sincere and patient effort to ameliorate the condition of the peasantry of what we are constantly being told is the poorest country in the world. Not a day passes in which hundreds of articles are not written in the Native Press to prove that the material interests of these poor people are neglected or ignored by an alien Government, and are only correctly understood by the leaders of the Native community. I am far from accepting this statement of the case. When I find a European Member of this Council, the Hon'ble Mr. Hamilton, spontaneously offering a loan of Rs. 20,000 to finance a number of small banks at the start, and when I hear of a distinguished Civil Servant, such as Sir Frederick Nicholson, coming back after his retirement from the service to reside in this country and to help a number of these societies on their way, it seems to me that European sympathy is capable of taking a very practical

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shape. As to Native sympathy, I cannot believe that for an object so beneficent, and in interests so unselfish, it will not equally be forthcoming. If these societies could be firmly established even in a hundred places in India, greater good, I venture to think, would be done to the people in those areas than by a decade of political agitation. More places on this or that Council for a few active or eloquent men will not benefit the raiyat. What he wants is the loosening of the bondage of debt which bows him down. Anything that will give him greater self-reliance, and teach him to look not only to Government or to its officers, but to himself, will be to the good. If the feeling that he should be helped is as strong and as sincere as I believe it to be among the Native community, they have, as pointed out by the Hon'ble Mr. Adamson, an unrivalled opportunity in this Bill of giving a practical and unostentatious demonstration of their sympathy with the most deserving and the most helpless class of their own countrymen. Will they take it? Government has played its part. I invite them to play theirs."

The motion was put and agreed to.

INDIAN TARIFF (AMENDMENT) BILL.

The Hon'ble SIR EDWARD LAW moved that the Bill to revive and continue section 8B of the Indian Tariff Act, 1894, be taken into consideration.

The motion was put and agreed to.

The Hon'ble SIR EDWARD LAW moved that the Bill be passed.

The Hon'ble MR. CABLE said:—"My Lord, this is a measure which merely maintains previous legislation on the subject—it will be welcomed by those interested in the sugar-industry of this country as tending to ensure fair play to that industry, and I beg therefore to support it most cordially."

The motion was put and agreed to.

ARTILLERY AND RIFLE RANGES BILL.

The Hon'ble MAJOR-GENERAL SIR EDMOND ELLES moved for leave to introduce a Bill to provide means for facilitating and regulating artillery and rifle practice, and for preventing danger to the public therefrom. He said:—"The object of this Bill is to provide means for facilitating and regulating

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artillery and rifle practice, and for preventing danger to the public therefrom. In order that the efficiency of the Army may be maintained, it is necessary that it should be able to practise under service conditions, and this cannot be done without clear ranges. Owing to the want of proper legislative authority, however, great difficulties have been experienced in keeping ranges clear so as to sufficiently protect the public during artillery and rifle practice. The Bill is based, as is indicated by the marginal references, on certain of the provisions of the Military Lands Acts, 1892 and 1900 (55 & 56 Vict., c. 43, and 63 & 64 Vict., c. 56)."

The motion was put and agreed to.

The Hon'ble MAJOR-GENERAL SIR EDMOND ELLES introduced the Bill.

The Hon'ble MAJOR-GENERAL SIR EDMOND ELLES moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in the Gazette of India in English, and in the local official Gazettes in English and in such other languages as the Local Governments think fit.

The motion was put and agreed to.

ADJOURNMENT OF COUNCIL.

His Excellency THE PRESIDENT said :—" I am not quite sure how long the discussion is likely to last on Wednesday next when we take up the Budget, but as I think it will be desirable for all of us that it should be concluded at a comparatively early hour in the afternoon, we had perhaps better adopt the good example of the other day and meet at 10 o'clock in the morning. I therefore adjourn the Council till 10 o'clock next Wednesday, the 30th instant."

CALCUTTA; The 31st March, 1904.	}	J. M. MACPHERSON, <i>Secretary to the Government of India,</i> <i>Legislative Department.</i>
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