

*Wednesday,  
20th March, 1901*

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

**Vol. XL**

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

1901

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*Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).*

The Council met at Government House, Calcutta, on Wednesday, the 20th March, 1901.

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 John Woodburn, K.C.S.I., Lieutenant-Governor of Bengal.

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

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

The Hon'ble Sir C. M. Rivaz, K.C.S.I.

The Hon'ble Mr. T. Raleigh.

The Hon'ble Sir E. F. G. Law, K.C.M.G.

The Hon'ble M. R. Ry. Panappakkam Ananda Charlu Vedia Vinodha Avargal, Rai Bahadur, C.I.E.

The Hon'ble Kunwar Sir Harnam Singh, Ahluwalia, K.C.I.E., of Kapurthala.

The Hon'ble Mr. J. Buckingham, C.I.E.

The Hon'ble Mr. H. F. Evans, C.S.I.

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

The Hon'ble Sir Allan Arthur, Kt.

The Hon'ble Sir A. Wingate, K.C.I.E.

The Hon'ble Mr. D. M. Smeaton, C.S.I.

The Hon'ble Mr. C. W. Bolton, C.S.I.

The Hon'ble Rai Sri Ram Bahadur.

The Hon'ble Mr. R. P. Ashton.

The Hon'ble Mr. R. H. Henderson.

ADMINISTRATOR GENERAL'S ACT (AMENDMENT) BILL.

The Hon'ble SIR CHARLES RIVAZ presented the Report of the Select Committee on the Bill further to amend the Administrator General's Act, 1874. He said that he proposed, with His Excellency's permission, to ask the Council, at its next meeting, on Friday, the 22nd instant, to take the Report into consideration.

## FINANCIAL STATEMENT FOR 1901-1902.

The Hon'ble SIR EDWARD LAW introduced and explained the Financial Statement for 1901-1902. He said :—

"1. It is my duty to lay before the Legislative Council, statements showing the actual financial results of the year 1899-1900: the results according to Revised Estimates for the year 1900-1901; and the Budget Estimates for the coming financial year 1901-1902.

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

	1899-1900 (Accounts).
	£
Revenue . . . . .	68,637,164
Expenditure (charged against Revenue) . . . . .	65,862,541
Surplus . . . . .	2,774,623
	1900-1901 (Revised Estimate).
	£
Revenue . . . . .	75,166,000
Expenditure (charged against Revenue) . . . . .	73,525,600
Surplus . . . . .	1,640,400
	1901-1902 (Budget Estimate).
	£
Revenue . . . . .	72,191,900
Expenditure (charged against Revenue) . . . . .	71,501,000
Surplus . . . . .	690,900

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"3. Before proceeding to the detailed consideration of the figures composing the above totals, I think it would be well to explain a slight modification of system which we have decided to adopt in our Accounts.

"4. We have had under consideration the advisability of some simplification in the General Statement of Accounts and Estimates of Revenue and Expenditure, and Receipts and Disbursements.

Changes  
in the form  
of Accounts.

"5. It has appeared to us that by submitting this Statement under two heads, separating Ordinary Revenue and Expenditure, from Receipts and Expenditure on Capital Account and Debt and Remittance transactions, the general result will be made clearer to the public.

"6. We have therefore, with the consent of the Secretary of State, adopted a form showing, first, all purely Revenue Receipts, and Expenditure charged against the same, and indicating differences between the respective totals as 'surplus' or 'deficit' according to circumstances. We then show separately, Capital Receipts and Expenditure, the Debt and Remittance transactions, and the opening and closing cash balances, including in the proper columns, the surplus or deficit resulting from the difference between Ordinary Revenue and Expenditure.

"7. This change is not in itself of great importance, but I think that it offers the advantage of presenting the Accounts, in a more readily intelligible form, and, moreover, that it is technically correct.

"8. It would seem expedient to strike a balance at the end of the first section of the Statement, to show as Surplus or Deficit, in the body of the account, the difference between Ordinary Revenue, and Ordinary Expenditure charged against that Revenue, and to make a very marked distinction between the two main heads of the Statement, (1) Ordinary Revenue and Expenditure charged against Revenue and (2) Capital, Debt, and Remittance transactions. The final result of the second section of the Statement is the closing cash balance in hand at the end of the financial year.

"9. We have at the same time adopted certain minor changes which I will proceed to indicate.

"10. There seems no reason why the comparatively unimportant expenditure on 'Construction of Railways charged against Revenue, in addition to that under Famine Insurance,' should be shown separately in the General Statement, which is designed to exhibit only the leading and important figures. The expenditure under this head is now

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insignificant in amount and is either 'Provincial' or 'Local.' We have therefore combined it with that under Buildings and Roads, giving to the group the title of 'Other Public Works.'

" 11. In view of the importance of the heads Post Office, and Telegraph (the figures for which are specially watched by many observers interested in the general and economic progress of a country), we think there will be an advantage in giving a separate line to each of them, even in the General Statement, and, in view of the decision to treat the profits of coinage specially, we think it desirable also to show the Mint figures separately.

" 12. Further, with the object of bringing together all the entries connected with capital expenditure on Railways and Irrigation Works, we have adopted another change which will, in our opinion, be a distinct improvement. It is to group together under the heading 'Railway and Irrigation Capital not charged to Revenue,' the figures relating to the Capital of Railway Companies, which are at present shown under 'Debt, Deposits and Advances,' and those for the similar direct capital transactions of the Government, which are now shown under the heading 'Expenditure not charged to Revenue.' We shall thus have a perfectly distinct Capital account, with the advantage of showing in one place, the whole capital outlay on railways, whether by Government, or through Companies.

" 13. Being convinced of the value and improving position of the Government property in railways, we are anxious that the Railway Accounts should be readily understood by the investing public, and we consider the changes relating to railway accounting, now proposed, as a step in the direction of attaining desired simplicity, in a somewhat complicated technical question of accounting.

" 14. The closing of the Accounts of the financial year 1899-1900 shows an improvement in Actual Receipts of £712,164 over the Original Estimates and £104,764 over the Revised Estimate, as submitted by my predecessor last year.

" 15. The differences between the Original and Revised Estimates were explained by Mr. Dawkins last March, and the differences between the items of Revenue in the Revised Estimate and those of the final Accounts are insignificant and call for no special remarks. I need only mention that the final Accounts show an improvement of £123,545 in Railway Receipts, with the result that Railway Revenue Accounts brought out a net profit of £76,756.

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" 16. In Expenditure charged against Revenue the final Accounts show an increase of £559,341 as compared with the Original Estimate, and a decrease of £117,059 as compared with the Revised Estimate, the largest item in the latter being a decrease of £144,374 under 'Army.'

" 17. The difference between the original and the revised Estimate of Receipts is <sup>Revised Estimate, 1900-1901.</sup> very considerable, the increase amounting to £5,010,200; but, of this increase, a sum of approximately £2,900,000 comes under the head of Mint, and is balanced by a correspondingly large increase under the same head in Expenditure. These considerable differences are due to the large coinage of rupees, which could not be foreseen; but, deducting the sum due to this cause, we still have to account for an increase of Revenue exceeding £2,100,000.

" 18. It is certainly very gratifying to note that, in spite of all the troubles of the past year, every main head of Receipts except Land Revenue shows a more or less important increase.

" 19. The most notable augmentations are:—under Opium, about £572,000, due to the high price of opium; £106,000 in Salt, due to increasing consumption, although under this head we have cause to be dissatisfied with the Burma returns; £138,000 in Excise; £190,000 in Customs, a certain sign of consuming capacity and therefore of progressive well-being; £86,000 from Telegraphs, partly due to exceptional circumstances connected with Famine and partly to the increasing demand for news owing to the wars in South Africa and China, and the fatal illness of the late Queen-Empress; £955,000 in Railway Receipts, partly due to the large movement of food-stuffs for famine requirements and partly to increased mileage and general development; £208,000 under Irrigation; and finally an increase of £130,000 under Military Department Receipts, which is purely fortuitous, and represents the value of Military Stores sent abroad and debited to the Home Government. The totals of the items I have mentioned account for an increase in Receipts of about £2,395,000.

" 20. Against this satisfactory increase in the great majority of items of Revenue we have to record a heavy deficiency, as between the Revised and original Estimates of Land Revenue, amounting to £382,900. This is the only main heading of Revenue which shows a falling-off, and the unfortunate result tabulated is sufficiently accounted for by the severity and prolongation of famine in some of the western and central districts.

" 21. When we turn to Expenditure, we find that the total of the Revised Estimate exceeds that of the original Budget Estimate by about £3,530,000. But here again

we must make a reduction of about £2,900,000 under 'Mint,' the amount of the net profit on coinage to be credited to the Gold Reserve Fund, and consequently we have only to account for between £600,000 and £700,000 of increased Expenditure, above the original Estimate.

"22. The most important item of increase in Expenditure is under the group 'Famine Relief and Insurance,' which amounts to about £876,000. This unfortunately needs no explanation. The next in importance is an increase of £323,000 under 'Railway Revenue Account,' but this augmentation was due to, and more than compensated for, by increased traffic yielding the larger Revenue already indicated. The charge under 'Interest' also exceeds the Budget Estimate by about £200,000 and Miscellaneous Civil Charges by £74,500.

"23. On the other hand, 'Other Public Works' decreased by about £118,000, out of which about £42,000 is to be attributed to reduced expenditure on Military Works, and 'Army Services' cost less than anticipated by about £1,185,000, the saving being chiefly due to the absence of troops in China and South Africa. There was also a decrease of £124,000 under Salaries and Expenses of Civil Departments, and finally, the differences in the Accounts under Provincial Deficits and Surpluses increased the expenditure as shown in the Statement by £576,400.

"24. The grand result indicated by the Revised as compared with the Original Estimate for 1900-1901 is to increase the originally estimated surplus of £160,300 to a fairly assured surplus of £1,640,400.

Budget  
Estimate,  
1901-1902.

"25. We may now turn to the consideration of the Budget for the coming financial year.

"26. It will be observed that, if the abnormal receipt under 'Mint,' included in last year's Estimates, is omitted, the difference between the totals of Receipts, according to the Revised Estimates of the closing year, and the Estimates for 1901-1902, now presented, is very small, and amounts only to an anticipated increase of Revenue of £71,900 in the coming year.

"27. Under certain heads, however, the differences are considerable and demand attention.

"28. Land Revenue is estimated to produce £474,800 more than last year, and in view of improved prospects throughout the greater part of India, this Estimate is unlikely to prove too sanguine, although, until we are sure of a favourable monsoon, the most moderate Estimates may be suddenly and hopelessly falsified.



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" 29. The only other main heading of Revenue which is expected to yield an important increase is 'Railways,' where Receipts are expected to exceed those of last year by £331,400. The anticipated increase is chiefly due to the inclusion of gross instead of net Receipts from the Great Indian Peninsula Railway for 12 months in the coming year, as against 9 months only in the closing year, and also, to some extent, to increased mileage opened to traffic.

" 30. Besides the above-noted increases, variations in the items included under 'Other Heads' are estimated to produce, on balance, an additional £183,400, the more important improvements being £160,800 in Provincial Rates, and £62,600 in Tributes from Native States.

" 31. Other minor improvements make up the total increase of Revenue, as compared with the Revised Estimate for 1900-1901, to £1,086,500.

" 32. Against these improvements we have, however, (always excluding Mint) to note a considerable reduction under various important heads. Opium is estimated to yield £589,300 less than last year, since it would not be prudent to count on the continuation of the abnormally high prices which have lately prevailed. Customs are estimated at £136,100 less, the most important variation in detail being a lower Estimate for imports of Sugar, the duties on the extraordinarily large importation of which have abnormally swelled our Receipts during the past year. Irrigation Receipts necessarily fluctuate with the increase or decrease of the demands of agriculturists for water, and are higher in bad seasons; we therefore anticipate for next year a smaller return by £127,400.

" 33. The above are the more important heads of decrease, and other minor variations account for, approximately, a further £161,800, making up the total of items of decrease to £1,014,600.

" 34. I now turn to Expenditure, which as a total, and again excluding 'Mint,' shows an increase of £1,131,900 reduced to £923,500 by the differences under the Provincial Deficits and Surpluses.

" 35. The total increase under various heads is £4,446,900, of which £2,062,100 is for Army Services, £728,400 for 'Other Public Works,' and £652,400 for Railway Revenue Account. Concerning these three items I shall have some remarks to make when I deal specially with Military and Public Works Expenditure. Other heads including 'Direct Demands on Revenue,' £161,600, 'Salaries and Expenses of Civil Departments,' £493,200, and Miscellaneous Civil Charges, £123,900, make up the total figure of increase above indicated.

" 36. Expenditure in all directions has been so greatly and necessarily restricted during the period of financial distress that, now that we may fairly estimate for an improvement in Revenue and a very important diminution of Charges for Famine Relief, we have been glad to show some comparative liberality in meeting urgent administrative demands. The Famine Charges, including £250,100 for Reduction or Avoidance of Debt are taken at £3,245,000 less than for the past financial year.

" 37. We have examined the more important figures of the Budget. I will now endeavour to sum up the situation.

" 38. Our estimate of Revenue and Expenditure chargeable against Revenue closes with a surplus of £690,900. This surplus we carry forward to the second part of our Statement dealing with Capital Account and including Deposits, Remittances and Advances.

" 39. Our total Estimate for Capital Expenditure (not chargeable to Revenue) on Railways and Irrigation amounts to £5,395,600, of which sum £2,019,400 is for State Railways and £2,709,500 for the Account of Railway Companies, the balance being for Irrigation Works. In addition to the above, we have to find £301,900 for discharging Temporary Debt, and also to provide for other minor Capital Expenditure amounting to £944,500, including an over-payment in India of £330,200 on account of Secretary of State's Bills, and we finally arrive at a gross total of Capital requirements amounting to £6,642,000.

" 40. To meet this outlay, we have, in addition to our surplus of £690,900, a sum of £1,663,400 raised by Railway Companies. We further anticipate procuring £2,240,000 by addition to our Permanent Debt, of which sum we contemplate raising two crores of rupees in India, £502,500 from addition to the Unfunded Debt, and £111,200 from repayment of Loans and Advances.

" 41. These sums amount in the aggregate to £5,228,000, and the balance required to meet the total Capital Expenditure of £6,642,000 is found by a reduction of £1,434,000 in our Closing Balances in India and England.

" The final result will be a Closing Balance on March 31, 1902, of £10,500,327 in India and £2,605,943 in England.

" 42. The present intention of the Secretary of State is to draw bills amounting to £16,500,000 during the course of the coming year. I have omitted this figure from both sides of the account I have summarised.

" 43. There is a point in connection with our Treasury operations which is perhaps likely to be the object of remark, or question, and on which I think it may be well to

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give some explanation beforehand. I refer to the fact that, whilst our Estimates show a comparatively large cash balance in hand in India, at the end of the coming financial year, we nevertheless announce our intention of adding to our permanent indebtedness by raising a loan in India during the course of the year.

"44. The necessity obliging us to take this course arises from the fact that during the earlier part of the financial year our Revenue collections are very small, as compared with monthly expenditure, and our balances gradually diminish, until in November, they fall so low that we have to calculate our ways and means and assure our supplies with great care, so as to tide over the critical period till the last four months of the financial year, when Revenue Receipts begin to pour in.

"45. It will be understood then, that it is the anticipated condition of our resources in the month of November which necessarily fixes the amount of our borrowings without regard to the possibility of a relative plethora of cash in our Treasuries, three or four months later.

"46. The Government of India is at a great disadvantage in this respect, owing to the non-existence of any financial institution sufficiently strong to be able at all times to provide such funds, for short terms, as may be required to satisfy the temporary needs of the Treasury.

"47. It has, I believe, often been urged that the relatively high rates of discount prevailing in the busy winter season from December to the end of March are due to the low figures of Government balances with the Presidency Banks, during those months. Government  
Balances  
with the  
Presidency  
Banks.

"48. I give below the figures showing these balances during the last four years. They are as follows :—

	1897. R	1898. R	1899. R	1900. R	1901. R
January	2,84,69,815	3,10,74,779	3,22,88,586	2,83,49,266	3,31,13,363
February	3,00,23,776	3,22,51,227	3,30,81,480	3,01,62,613	3,09,44,761
March	3,77,40,338	3,27,96,275	3,16,44,816	2,64,87,648	
December	2,88,20,840	2,92,33,557	2,73,30,372	2,74,96,162	

"49. I think that, although special circumstances reduced these balances last year, the above quoted figures show that the Government of India is not unmindful of the advantage to the business community of placing comparatively large balances at their disposal, during the busy season.

" 50. In my general summary which includes under various main heads, the different items of Provincial Finance, I have not discussed any details of this branch of accounts, as I have nothing to add to, or to explain in, the very clear statement on this head, prepared by Mr. Finlay with his usual ability and industry and to which I would specially invite attention. This statement is to be found in Section VI, Part II \* of the Financial Statement.

Expenditure  
on the Army  
and Public  
Works.

" 51. In all countries in the world, the greatest drain on financial resources and in some respects the most difficult to justify, is that caused by the combined heavy demands for military requirements and for public works.

" 52. But our whole existence depends on proper provision for the defence of our frontiers, and without continual expenditure on public works, the development of communications so absolutely necessary for economic progress, could never be realised, whilst the large sums spent on irrigation are more than justified by the magnificent results obtained from this class of expenditure, yielding, as a rule, not only direct and immediate profit, but also providing for the sustenance of millions, who would otherwise be included among the sufferers from recurring droughts.

" 53. As regards military expenditure, although we have granted very large sums for the improvement of our military position as regards defence, every additional item which has been agreed to, has not only been most jealously scrutinised in the Finance Department, but has also been submitted to the close examination of the Governor General in Council.

" 54. The lessons derived from the war in South Africa could not be neglected. It was our responsible duty to take them to heart, and we have done our best under the guidance of the military advisers to Government to profit by them.

" 55. Fortunately, the savings realised in our general military expenditure owing to the temporary absence of our troops in South Africa and China have enabled us to provide for a portion of the urgent needs of the army without adding to our general burdens; for the rest, we have done what is for the moment in our power, but we cannot yet say that our task is completed.

" 56. The following figures show the Net Military Expenditure during the last few years :—

	£
1898-99, Accounts . . . . .	15,385,642
1899-1900 " . . . . .	14,165,743
1900-1901, Revised . . . . .	14,239,100
1901-1902, Budget . . . . .	16,345,500

\* *Vid. Gazette of India Extraordinary, 20th March, 1901, p. 53.*

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" 57. The increase in the estimates for the coming year is very considerable. Items classed as new expenditure amount to about 142 lakhs charged under Army in addition to about 18 lakhs connected therewith, charged to Military Works. Of this total, amounting to, approximately, 160 lakhs, about 127 lakhs are non-recurring, and 33 lakhs recurring. It includes, among other heads, provision for the expenditure of 94 lakhs on artillery, rifles, ammunition and ordnance stores; approximately 8½ lakhs for the establishment of the gun-carriage factory at Jubbulpore and the cordite factory in the Neilgherries; and 21½ lakhs for the establishment of an efficient transport service, including the purchase of animals.

" 58. The expenditure on factories for manufacturing munitions of war in India, will not only have the effect of increasing our military independence, but also the highly satisfactory result, from the economic point of view, of substituting expenditure in India for expenditure abroad, of increasing the productive power of the country, and of training a large body of mechanics and other skilled artisans.

" 59. As regards expenditure on public works, we have given our special attention to rendering existing railways more efficient, by the provision of additional rolling stock and other requirements for their satisfactory and profitable working. We have also set aside a large sum for expenditure on irrigation works as a protection from famine. The grant under this head for the coming year amounts to one crore and is the same as that sanctioned last year, whilst in considerable excess of the sums allotted in the immediately preceding years for the same purpose. But we are convinced that the money will be well spent.

" 60. The following figures show the comparative capital expenditure on public works, during the last few years, classed under the more important heads, and the programme for expenditure in 1901-1902 :—

		R
1898-99—		
Railways	. . . . .	8,84,21,189
Irrigation	, . . . .	65,35,482
		<u>9,49,56,671</u>
1899-1900—		
Railways	. . . . .	8,96,77,803
Irrigation	. . . . .	89,69,400
		<u>9,86,47,203</u>
1900-1901 (Revised Estimate)—		
Railways	. . . . .	8,30,75,000
Irrigation	. . . . .	90,08,000
		<u>9,20,83,000</u>

## Programme, 1901-1902—

Capital expenditure on open lines . . . . .	4,59,97,000
Ditto lines under construction . . . . .	4,59,47,000
Ditto new lines only recently commenced . . . . .	1,13,00,000
Ditto Irrigation . . . . .	1,00,00,000
<b>TOTAL</b>	<b>11,32,44,000</b>

*Classification.*

## Capital expenditure for Railway Construction—

To be raised by Government . . . . .	2,22,86,000
Ditto Companies . . . . .	8,09,58,000
<b>TOTAL</b>	<b>10,32,44,000</b>

"61. I think that after consideration of the above figures showing comparative capital expenditure, I should invite special attention to the comparative net results of the working of our railway system. The following figures give the net deficit or surplus since 1897-98:—

1897-98.	1898-99.	1899-1900.	1900-1901 (Revised Estimate).	1901-1902 (Budget Estimate).
£	£	£	£	£
—709,304	—620,165	+76,756	+156,200	—164,800

"62. In noting the relatively unsatisfactory estimate of net results for the coming year, it must be borne in mind that the traffic of last year, due to transport of famine supplies, was exceptionally large, and that we have now made specially large provision for repairs, renewals of rolling stock, and other improvements to be charged against next year's revenue.

"63. Further, I must point out that, if we take only the figures of traffic receipts, £18,427,600—and those of working expenses £8,655,300,—the results anticipated for the coming year, are somewhat better than those for the year 1900-1901, and show a net profit (thus calculated) of £9,772,300 as against £9,701,600 last year. The final estimated falling-off is due to an increase of expenditure under the heads of Interest and Annuities, in connection with new construction and the purchase of the Great Indian Peninsula Railway. These are temporary drawbacks, and the decrease in net revenue is temporary as the lines under construction will add to revenue when opened for traffic.

"64. It is unnecessary for me to enter into further details concerning expenditure under the two heads I have now been discussing, since it is the main principles guiding such expenditure, and the possibility of satisfying recognised requirements, which alone concern the Finance Department. Questions of detail lie outside the province of that Department and are the immediate concern of the Honourable Members of Council at the head of the Military and Public Works Departments.

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"65. During the past financial year this great Indian Empire has been suffering from an appalling calamity, quite unprecedented, I think, in the recent history of any country on the globe's surface. Not only have we been the victims of a famine of extraordinary severity, the inevitable outcome of the early cessation of the rains in the year 1899, but to the consternation of all men, responsible for, or interested in, the welfare of the millions of agricultural population, the coming of the periodical rains, required to refresh the thirsty soil and restore the fecundity of mother-earth, was so delayed last season, that the trials of the long suffering populations were prolonged in the most distressing and unexpected manner. But this was not all. In addition to the calamity of famine, the plague pestilence is still with us, and the terrible list of its victims is daily to be counted in the official returns from the plague-stricken districts. And this too weighs heavily on the resources of the country.

Results of  
the Famine.

"66. The Government of India has followed with the keenest anxiety the course and results of these awful afflictions, so entirely beyond its control, and it has recognised with profound admiration the splendid spirit with which millions of sufferers have faced the calamities from which they were powerless to escape.

"67. The suffering condition of our fellow-subjects has been brought home to us, in the most incisive manner, through the continued and heart-rending appeals for assistance which have reached the Government of India. It is however my duty, and a happy duty, to state that, under the instructions of the Secretary of State and the Government of India, all such appeals have been considered by the Departments concerned, in a most liberal spirit, and no single appeal examined in that spirit by the competent authorities, has remained unsatisfied. The national purse and national credit have been freely placed at the disposal of all whose genuine distress might, it was hoped, be relieved by the prompt expenditure of money.

"68. Such has been the spirit guiding our action, and it now falls to my duty to state the cost of our gigantic undertaking.

"69. To count it with any approximation to accuracy is impossible, for it is not the direct expenditure of money which alone is involved: there has been an expenditure of life, health and energy of the numerous Government servants, both European and Native, who have nobly done their duty in facing the storm: in addition to the direct cost, of gratuitous famine relief and relief works, of remissions of taxation, of agricultural loans, of loans to assist afflicted Native States, of provision of medical assistance, and of special payments to famine officers, there has also been the indirect cost of loss of revenue, both as regards land revenue and miscellaneous taxes, and the incalculable, but probably still greater future cost of checked economic development.

"70. We can fairly count the direct cost ; the indirect cost must necessarily escape accurate calculation.

The following are the principal items of direct loss and expenditure :—

	R
Famine relief . . . . .	6,33,76,000
Remissions and Suspensions of Land Revenue and Provincial Rates	1,47,16,000
Compensation for dearness of provisions and other charges .	66,03,000
<b>TOTAL</b>	<b>8,46,95,000</b>
 " In addition to the above, we have provided :—	
	R
Loans to Native States . . . . .	4,11,00,000
Special Agricultural Advances . . . . .	1,42,00,000
<b>TOTAL</b>	<b>5,53,00,000</b>

" This is an appalling total, but the calamity was also appalling. And the tale is not yet told. Expenditure will continue in the coming year. Already we have been called upon to provide approximately a crore for direct famine expenditure in the coming year, chiefly in Bombay, and we have been obliged to allot 164½ lakhs as grants-in-aid to Provincial Revenues, to restore financial equilibrium, thrown out of balance by famine and plague requirements.

" 71. It has been a serious and responsible task to meet all these heavy demands, but, thanks to the recuperative power of the country, directly due to the frugal habits and industry of the people, the task has been accomplished, and the Government of India can say with no inconsiderable satisfaction, that, with the aid of the ruled, the Rulers have done their duty, and the results have been such as to leave a memorable record in the history of mankind.

Countervailing Duties.

" 72. The countervailing duties on bounty-fed sugar came into practical effect in May 1899, and consequently we have not yet had two years' experience of their working. Two years is too short a period to permit of the formation of a definite opinion as to the effect of these duties, and considering also the abnormal conditions of plague and famine which have prevailed during the whole time, I think that it would be very premature to draw definite conclusions from the statistics of recent imports of sugar.

" 73. The general question of the sugar trade and industry is, however, one of such wide-spread interest, that it may be useful to invite attention to the figures showing the imports of sugar into India, during the last four years, classified according to the countries of origin.



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"74. I may call attention to the fact that the United Kingdom, and the interested British Colonies, the Straits Settlements, Hongkong and Mauritius, appear to have had their full proportionate share in the remarkable increase of importation into India, during the expiring financial year. It is also interesting to note that the greatest relative advance in the supply of sugar has been made by Germany, although that country is far from having recovered the predominant position which she occupied at the beginning of the period under review. Among foreign countries Austria-Hungary still keeps the lead, as an exporter of sugar to India, but does not come within measurable distance of Mauritius.

"75. I may mention that the net receipts from the countervailing duties amounted to R8,17,555 in the eleven months of the last financial year, during which the extra duties were in force, and to R15,29,552 during the first ten months of the current financial year. We may reasonably hope to encash 17 or 18 lakhs from this source before the close of this year, and it is perhaps not an unsatisfactory reflection that this addition to our Revenue has been realised at the expense of the European tax-payers, taxed by their respective Governments to provide the bounties which enable foreign sugar refiners to sell their sugar in India, at prices below prime cost.

"76. The fact is that the Government of India has added 17 lakhs to its resources by taking for Revenue purposes, the approximate difference between cost price, and the artificially maintained selling price of bounty-fed imported sugars, whilst the Indian consumer pays no more for his sugar than he would have to pay if the bounty system were abolished.

*"Imports of Sugar into British India by sea from other Countries.*

	1897-98.		1898-99.		1899-1900.		1900-1901. (Ten months.)	
	Cwt.	R	Cwt.	R	Cwt.	R	Cwt.	R
<i>Refined.</i>								
United Kingdom	46,384	8,64,618	135,565	7,42,288	65,424	11,45,888	97,090	15,82,124
Austria-Hungary	945,745	1,04,45,039	1,003,737	1,08,48,842	777,821	85,37,821	929,104	1,10,15,378
Germany	1,203,309	1,27,88,053	413,971	43,38,134	60,526	6,10,514	288,229	33,57,206
Mauritius	1,406,047	1,50,60,093	1,793,607	1,85,56,504	1,417,115	1,53,04,869	1,748,141	1,93,41,498
Egypt	44,274	4,66,630	1,201	12,908	6,977	84,743	34,691	4,03,423
Ceylon	48,965	5,54,082	2,117	23,626	16,813	1,91,203	8,281	97,809
China—Hongkong	291,175	33,48,381	185,682	20,98,496	316,975	36,55,145	454,384	53,61,030
Java	140,485	17,54,857	162,500	17,02,398	190,553	18,54,091	200,247	20,13,143
Straits Settlements	74,337	8,13,005	75,656	8,87,304	79,999	8,96,142	138,992	14,84,994
Other Countries	34,653	3,93,167	30,814	3,21,640	3,789	54,458	31,627	3,37,352
<b>TOTAL</b>	<b>4,235,394</b>	<b>4,70,87,930</b>	<b>3,764,910</b>	<b>3,95,32,320</b>	<b>2,933,992</b>	<b>3,23,34,904</b>	<b>3,930,786</b>	<b>4,49,93,957</b>
<i>Unrefined.</i>								
Mauritius*	371,969	7,50,277	310,504	6,24,539	356,211	7,18,466	357,666	7,31,444
Ceylon	650	2,688	510	2,154	289	1,253	119	394
Java	...	...	...	...	67,615	7,06,282	...	...
Straits Settlements	555	3,513	1,551	10,883	607	5,104	3,695	24,660
Other Countries	56	386	24	93	48	290	101	609
<b>TOTAL</b>	<b>373,236</b>	<b>7,56,864</b>	<b>312,589</b>	<b>6,37,669</b>	<b>424,870</b>	<b>14,31,395</b>	<b>361,581</b>	<b>7,56,917</b>

\* The imports from Mauritius classed under unrefined sugar are molasses.

Exchange  
and Coin-  
age.

" 77. The course of exchange throughout the financial year, ending on the 31st of this month, has been remarkably steady, and I may with satisfaction repeat the statement made by my predecessor, on this question, last March, namely, that the object of Government, the maintenance of a stable exchange, has been realised during the past year; and I may add that this stability has been maintained by following lines already laid down and without involving the necessity of any further special measures or serious effort on our part:—

The average rate for Council Drafts, throughout the twelve months now drawing to a close, has been 15.979*d*.

The maximum, reached in the month of December, was 16.037*d*.

The minimum, in the month of August, was 15.933*d*.

" 78. What has been done as regards the sale of Council Drafts and the coinage of rupees (and to the latter question I will return more particularly) has been done in accordance with a general policy of limiting, as far as possible, the action of Government, in exchange matters, to following and satisfying the demands of the market. I believe this to be the proper safe policy. It has been suggested that such a policy should be firmly established by legislative enactment, but I am not convinced that any enactment would give greater security than now exists for continuity of guiding principle. I fear that any possible form of enactment would bind our hands in an undesirable manner, in questions of detail, and on general grounds, it is desirable to avoid frequent recourse to legislation on exchange and currency questions.

" 79. During the past year there has been no hesitation to sell Council Drafts and Telegraphic Transfers to meet demands, although during the slack season of trade sales were shorter, whilst later on the Secretary of State found himself obliged to increase his offers of Bills so as to compete with the export of sovereigns which were being largely despatched to India, by parcel post, for conversion into rupees, at our mints and treasuries.

" 80. We have, without legislation, established a Gold Reserve Fund into which will be paid all profits of coinage accruing since the beginning of the closing financial year, and that Fund will serve as a guarantee for the conversion into gold, if required, of the rupee token coinage with which, to meet positive requirements, we have supplied the public so largely.

" 81. The great strain on our resources, due to disastrous famine, forced us to use for current requirements, the profits of coinage during the past calendar year, but since January 1, 1901, we have commenced paying our further profits directly into the

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Gold Reserve Fund, and the amount thus paid in, already amounts to £800,000, to which a further sum of £400,000 will almost immediately be added, on account of coinage profits in March.

82. As regards the profits from April 1 to December 31, 1900, amounting to about £1,730,000, these will be paid into the Gold Reserve Fund as our resources may permit, and it is our earnest desire to expedite such payments as much as possible. A special source will become available for these payments, by the reimbursement of the large advances to Native States and takavi loans provided by Government, in connection with famine necessities. The advances made to Native States alone amount to over four crores of rupees.

83. I may here state that it is the intention of Government to invest, from time to time, in British Consols or other Sterling Securities, the sums which may be accumulated in the Gold Reserve Fund.

84. With regard to the control of coinage operations, I think that a practical rule of conduct is to be found in maintaining as closely as possible, a sufficient sum in rupees in the Currency Reserve, to meet all demands which experience shows may reasonably be anticipated, and, for the present, we may hold in sovereigns, the balance of our Currency Reserve exclusive of the ten crores invested in Rupee Paper.

85. This is what we have resolved to do, and although we have not yet been able to accumulate in our Currency Reserve the full sum in rupees which it is in our opinion desirable to maintain, the failure to secure this accumulation is due solely to the limited capacity of our mints and to their inability to turn out rupees as quickly as they have been required to meet an extraordinary and unprecedented demand.

86. I submit a statement showing the results of our rupee coinage operations during the past financial year :—

*Amount of Rupees, coined 1900-1901.*

1900.									1901.		TOTAL FOR 12 MONTHS.
April.	May.	June.	July.	August.	September.	October.	November.	December.	January.	February.	
67,70,538	86,95,311	1,26,47,836	74,38,328	88,18,057	1,45,95,261	1,59,72,707	1,54,65,446	1,60,30,063	2,44,35,608	1,99,01,678	15,07,80,754

"Of the above total coinage exceeding 15 crores, 3 crores and 23 lakhs were coined for, and issued to, Native States.

"The monthly outturn for account of the Government of India varies considerably, but this variation must not be taken as an index of the opinion of Government as regards requirements, for the coinage of rupees for our own requirements has been hampered by the fact that our mints have been under obligations to coin, besides rupees for our own needs, both dollars for the Colonies, and rupees for Native States, and, as regards the latter operation, no one will dispute the great advantages from every point of view of having a uniform currency circulation throughout the Indian Empire. This desirable end we now appear to be in a fair way of attaining, and apart from the advantages of securing a uniform currency, we were bound, at no matter what inconvenience to ourselves, to fulfil our contracts to Native States. We have, however, taken such measures as were possible to increase the capacity of our mints, with the result of reaching an average monthly outturn exceeding two crores of rupees in the last two months for which we have the returns.

"The figures of the Table submitted, show a total coinage for 11 months (the figures for March are not yet available) exceeding 15 crores, and for the 12 months of the financial year we shall presumably reach approximately 17 crores, of which between 13 and 14 crores constitute an addition to the rupee currency of British India. This is an enormous and surprising addition, but we have not allowed ourselves to be tempted by the large possible profits of the operation. We have not gone beyond supplying possible demands, and we have taken adequate precautions to insure the realizable value of this extraordinary addition to our token currency. I believe that what we have done has been both necessary and safe.

"87. On this question I may point out that the figures of outturn show conclusively that there has been no hesitation on the part of Government to take every possible measure to provide all the necessary circulating medium which current demand has indicated as required for the business of the country.

"88. To sum up, I may say that we have endeavoured, and will endeavour, to regulate the sale of Council Drafts in accordance with trade demands; that we have endeavoured, and will endeavour, to maintain a stock of rupees in our Currency Reserve sufficient to satisfy all reasonably to-be-anticipated demands, and even if such demands continue beyond reasonable anticipation, we still hope to maintain and improve our position. Finally, we shall accumulate from coinage profits a substantial gold reserve, independent of the Currency Reserve, and we shall from time to time invest the gold accumulated in Sterling Securities.

"89. I venture to hold that this system which we have adopted in accordance with a deliberate policy, is as nearly automatic as any that could be devised, and I think that there are practical difficulties in the way of any attempt to stereotype such a system by legislative enactment.

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"90. First, I may observe that the effects of legislation are necessarily so restrictive that, though they may enforce automatic action under one set of conditions, they inevitably limit automatic action if those conditions are changed. Thus, under existing conditions, and with due regard to the present average circulation of notes, we may think that we ought to keep a certain amount of rupees in the Currency Reserve, and that we can afford to hold a certain number of sovereigns in the same fund. But the circulation of currency notes may increase or diminish (I hope and anticipate the former), and the general requirements for rupee currency may also increase or diminish; if such changes of condition occurred, what would be our position if the proportion of rupees to sovereigns in the Currency Reserve were fixed by law?

"91. We have fixed this proportion in our own minds, but, if the conditions on which our estimate is based should change, we are quite prepared to change the proportion which we have temporarily accepted as our guide. This, as we now stand, can be done immediately without recourse to legislative enactment, and without that undesirable disturbance of the public mind, which legislation on such delicate questions is liable to produce.

"92. In concluding my remarks on this subject, I think it will be of interest to state what is our position to-day as regards note circulation, rupees and silver bullion in the Currency Reserve, gold in the Currency Reserve, and gold in the Gold Reserve Fund.

The figures on March 7, were as follows:—

Notes in circulation . . . . .	R28,09,15,765
Rupees in the Currency Reserve . . . . .	R 5,87,12,865
Value of silver bullion in the Currency Reserve . . . . .	" 1,78,48,764
Gold in the Currency Reserve . . . . .	£ 6,956,946
Gold in the Gold Reserve Fund . . . . .	£ 800,000
Total silver . . . . .	R7,65,61,629
Total gold . . . . .	£ 7,756,946

"93. The Government of India some time ago addressed inquiries to the Local Governments, Presidency Banks, and Chambers of Commerce, soliciting their opinion as to the best method of increasing the circulation of currency notes. Circulation of Currency Notes.

"94. I think that this is a very important question, and that the entire banking and commercial community will admit that it is desirable, if possible, to increase the circulation of notes. But the problem how best to do so, without incurring undesirable risks and expenditure, bristles with difficulties.

"95. I cannot say that the numerous valuable communications, which we have received from the authorities whom we have consulted, have gone very far towards furnishing a definite solution of the problem, for the divergency of the opinions offered is remarkable. Difficulties, of which we were already aware, are emphasised, and the only general conclusion to be drawn is, that it is practically impossible to take any heroic measures; that we can only safely venture on some very limited experiment; and that it will take a very long time for important results to be achieved.

"96. With reference to this question, I may perhaps say a word regarding the criticisms on the circular of inquiry issued by the Government of India which have appeared freely in the press. It has been stated more than once that it is evident from the terms of the circular that the Government of India did not know its own mind on the question propounded. I am very willing to admit that, when making the inquiry, the Government of India had arrived at no definite decision as to how best to arrive at a desirable end. But I cannot admit that this is fair ground for hostile criticism.

"97. The business public undoubtedly desire that Government should take them into their confidence, and ask their opinions on such important questions. But it seems to me that it would be rather late in the day to ask opinions when we had definitely made up our own minds. I am not deprecating press criticism; on the contrary, if intelligently conducted, as it very frequently is, it is most valuable. But I think that it is not quite logical, both to blame Government for autocratic decisions, as is sometimes done, and also to accuse Government of indecision, when it is seeking the solution of a difficult problem, and asks the opinion of competent advisers.

"98. It is unnecessary to recapitulate all the difficulties of this particular question, for they are well known to all who have studied the subject. I will only say that Government recognize as the most serious difficulty to be met, the probable use of notes for large remittances, and the expense of maintaining at out-treasuries a sufficient stock of rupees to cash notes when suddenly presented for large sums. Even with the existing circulation, under existing conditions and limitations as regards encashment, we are not always able to supply rupees to those who present notes and ask for them. I am, however, strongly of opinion that if the use of currency notes became more general, and larger amounts were held in circulation, the percentage of rupees required to meet demands for encashment, would be considerably less than that which is required to-day, when, unfortunately, the circulation of notes is still hampered by the fact, that the holder of the note cannot be assured of converting it into rupees at the Treasury, and is therefore willing, and sometimes obliged, to dispose of his note in the bazar, at a discount. I hope, however, that considerable improvement may gradually be made in this respect, and that before long we may go even further and find ourselves able to adopt some limited measure in the direction of encouraging and increasing the circulation.

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"99. Before quitting this subject, it may be of interest if I quote some figures showing the tendency to increase in the circulation of notes during the last few years.

*I.—Statement showing the gross circulation of paper currency for all India.*

	1897-98.	1898-99.	1899-1900.	1900-1901. *
	R	R	R	R
Average . . . . .	24,24,00,000	25,63,00,000	27,96,00,000	28,79,00,000
Maximum . . . . .	24,76,00,000	28,20,00,000	29,27,00,000	30,78,00,000
Minimum . . . . .	22,86,00,000	23,25,00,000	26,26,00,000	27,90,00,000

\* Eleven months only.

*II.—Statement showing in lakhs the circulation of paper currency excluding amounts held by the Government Reserve Treasuries and by the Presidency Banks at their head offices.*

	1897-98.	1898-99.	1899-1900.	1900-1901. †
	R	R	R	R
Average . . . . .	20,35,00,000	20,79,00,000	23,09,00,000	23,84,00,000
Maximum . . . . .	21,20,00,000	22,49,00,000	24,41,00,000	25,02,00,000
Minimum . . . . .	19,44,00,000	19,43,00,000	21,94,00,000	22,85,00,000

† Eleven months only.

"100. The above tables show a decided and satisfactory increase in the average note circulation in the hands of the public during the last four years, and I think that the indication thus given by facts, is a sufficient encouragement to persevere in the policy of seeking to augment our note circulation.

Economic  
Progress  
Topic.

"101. We have reviewed the financial situation in its more important features. We may now turn to the consideration of the economic situation.

"102. In my opinion, the question of economic development is one in which those responsible for the financial situation must take the keenest interest. It has always appeared to me that it is comparatively easy for a Government, to take money out of the pockets of the public, provided that those pockets are sufficiently well-filled. Hence, I think that we are specially interested in doing all that is in our power to promote economic progress.

"103. I pass to the consideration of certain facts and figures indicative of the economic situation.

"104. In dealing with the great question of meeting famine requirements, I have already alluded to the recuperative power of India. The fact that we have been able to meet the extraordinary demands on our resources, due to famine and plague, and that we are to-day able to present a budget showing, notwithstanding the simultaneous serious depression in three such important industries as cotton, tea, and indigo, a distinct and satisfactory increase of revenue obtained without increase of taxation, is in itself the strongest evidence of that recuperative power. But I think that close examination of certain material facts will afford further proof that our belief in this recuperative power is not an idle assumption.

"105. We may first consider the more important indications of the figures of revenue returns during the last four years.

"106. It was natural and inevitable, that the land revenue in certain provinces should suffer and diminish through the direct influence of the calamities which have befallen us, but, whilst land revenue has necessarily fallen off in some afflicted provinces, in others, more favoured by Providence, the collections have increased with the prosperity of the people. Fortunately too we are not dependent on land revenue alone, and I observe, with some satisfaction, that on the whole, over a series of years, the proportion of land revenue to the total of our resources shows a diminishing tendency.

"107. In 1897-98 the proportion of land revenue to general revenue was 26.63 per cent, in 1898-99 27.08 per cent, in 1899-1900 25.07 per cent, in 1900-1901 it will be 23.54 per cent, and the estimates for 1901-1902 result in a proportion of 25.17 per cent.

"108. There are certain other sources of revenue, which I trust will, year by year, assume greater importance, and in the returns from which we may find indications of general economic progress. In particular I think that such indications may be noted in the increasing revenue derived from Salt, Customs, and Post Office. The following are the figures under these respective heads:—

	Accounts, 1897-98. R.	Accounts, 1898-99. R.	Accounts, 1899-1900. R.	Revised, 1900-1901. R.
Salt Revenue . . .	8,59,42,250	9,09,98,713	8,77,56,944	8,92,66,000
Customs Revenue—				
Import duties . . .	3,73,51,650	3,59,25,090	3,61,39,583	3,89,65,000
Excise duty on cotton goods . . .	11,61,880	13,72,910	13,36,623	10,88,000
Export duty . . .	72,48,190	1,01,12,130	87,63,905	90,09,000
Land Customs and Miscellaneous . . .	6,51,230	6,11,490	7,66,751	8,00,000
TOTAL . . .	4,64,12,950	4,80,21,620	4,79,06,862	4,98,62,000
Post Office Revenue . .	1,87,91,630	1,91,40,671	1,96,24,722	2,03,04,000



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"I think that the Salt revenue returns are particularly encouraging as indicating not only a steadily increasing tendency, but in particular, as showing that even in the past disastrous year of famine and pestilence, the general consuming power of the population, as a whole, not only suffered no diminution, but, on the contrary, showed an improvement over the preceding year.

"109. The same considerations apply to the figures of Customs Revenue, though even in a more remarkable manner, for whilst we find a diminution of about 2½ lakhs in the yield of Excise duty on cotton goods, a diminution due to an industrial crisis and having no connection with the general condition of the country, under all other heads, there was a marked increase, resulting in a total improvement, over the previous year, of nearly 29 lakhs, and producing the highest total figure of revenue recorded by the Customs Department, since the duties on cotton yarns were abolished in 1896.

"110. As regards Post Office revenue, the same absolute conclusions cannot be drawn from the fluctuations of revenue as may be fairly assumed in the case of Salt and Customs. Post Office profits are necessarily seriously affected by arbitrary reductions of postage rates, which, however necessary and profitable in the long run, must cause an immediate, though temporary, falling off in receipts.

"111. I think, however, that when, as in the case of the Indian Post Office returns, a steady progress of revenue is observable, we are entitled to consider such progress as strong evidence of satisfactory economic development, a development which has not only material, pecuniary results, but is important, as evidence of general moral progress.

"112. I have already alluded to the growth of Railway revenues, and, although the task of drawing conclusions from the figures of railway receipts is complicated by the difficulty of distinguishing increase due to increased mileage, from increase due to increased traffic, nevertheless, the actual increase of gross railway receipts affords positive proof of greater movement on the railways, and, in so far, of general development.

"113. The most important industry in India and the one directly interesting the innumerable larger proportion of the population is agriculture.

"114. The prosperity of the agricultural population, the deepest concern of the Government of India, has, in the last five years, received apparently crushing blows through the unprecedented recurrence of famine. The effect of repeated droughts is indeed far reaching, and the terrible loss of cattle is a most distressing incident of the late famine, which will long make itself felt in Gujarat and other similarly affected districts; but the figures of Land Revenue, which I have quoted, conclusively show that, whilst some unfortunate territories have suffered most severely, others have prospered,

with the general result that, as a whole, the agricultural population in the Indian Empire is somewhat better off to-day than it was a year ago.

" 115. *Prima facie*, this is certainly an astonishing conclusion, but if the whole situation be examined it is perfectly natural and logical. Bengal, the Punjab and Madras show by the land revenue returns that they have been doing well, Assam has held its own, and Burma, favoured with a magnificent rice crop, was able to export its staple produce, on the most profitable terms, to feed the famished peoples of Western and Central India, and is in a condition of remarkable prosperity. Further it may here be mentioned that the unprecedented transport of food-stuffs on the railways, swelled Railway Receipts, and contributed a useful addition of Revenue wherewith to meet the demands of famine sufferers.

" 116. Two special branches of agricultural industry, indigo and tea, are unfortunately now passing through a serious crisis. Indigo is being hard pushed by the competition of a foreign chemical product, and the easily made profits of former days have become a thing of the past. But, when the first stages of consideration and research have already revealed that there has been room for economy in administration, that superior crops can be raised by manuring, scientific rotation and selection of seed, and that the actual product of the vats can be increased up to 30 per cent by the use of the 'blower,' there would appear to be reasonable hope for a return to more prosperous days.

" 117. The history of the tea industry in India has been a very chequered one, alternating between periods of great prosperity and the deepest depression, and it may, therefore, be hoped that the present crisis, which seems to be generally attributed to over-production, may in its turn be succeeded by a renewed period of prosperity.

" 118. Manufacturing industries still hold but a very small proportionate place in the economy of India, but their importance is increasing and there is every reason to desire that it should increase. The cotton industry, the most important hitherto, is unfortunately passing through a period of considerable depression, and in some quarters it is held that the introduction of spinning high numbers will be necessary to secure a full revival.

" 119. Cotton is, however, the only manufacturing industry which appears to be in even temporary difficulties, and the rapid increase in the number of important factories and workshops during the last few years is really remarkable and most encouraging.

" 120. I may cite a few examples of industrial development.

" 121. In the year 1895 there were 350 cotton factories including spinning and weaving mills, and there were 586 such factories in 1899. The number of engineering

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workshops and foundries, including railway workshops, rose from 72 in 1895 to 82 in 1899, and jute mills and presses from 62 to 82. Rice mills numbered 63 in 1895 as against 84 in 1899, and sugar factories 9 in 1895 as against 14 in 1899.

" 122. The imports of machinery and mill-work and of iron and steel, also afford important indications of progress. These have, as might have been expected, been recently adversely affected by the serious depression in the cotton industry, by far the most important manufacturing interest in the country. Nevertheless, if we take into consideration the natural effects of this special depression during the last two years, it is most satisfactory to find that the average value of imports of machinery and mill-work during the last five years, has surpassed that of the previous quinquennial period, by, approximately, 75 lakhs, equivalent to an increase of nearly 30 per cent.

" 123. Perhaps, however, the most satisfactory statistics are those showing the production and export of coal during the last few years. The exports of coal, which only amounted to 222,380 tons in the year 1897, reached 490,490 tons in 1900, and there appears every reason to anticipate further progressive development in this direction.

" 124. As regards the total output of coal, in 1897 it was 4,063,127 tons, whilst in 1899 it reached 5,089,392 tons, showing an increase in two years of about 25 per cent, and the figures so far available for the subsequent period, show that progress is being well maintained.

" 125. Other interesting figures bearing on the question of economic welfare are to be found in the statistics of the Savings Banks and Provident Institutions.

" 126. Between 1895-96 and 1899-1900 the balance at the credit of depositors increased by Rs. 1,88,111 notwithstanding the two disastrous periods of famine with which the country was afflicted during this short term of years.

" 127. As regards the condition of trade, as apart from industry, it is rather difficult to fix on any special figures from which to generalise or draw sound conclusions. I give, however, below, a table showing the value of exports and imports, exclusive of treasure and Government stores, during the last four financial years, and for ten months of the current year. This table shows a slight falling off in exports during the year 1899-1900, amounting, however, to less than 4 per cent, but taking all the figures of both export and import together, the total value of trade is only about 1 per cent less than for 1898-99, and considerably in excess of the preceding years tabulated. Considering the numerous disadvantages under which the export trade has been labouring

since the recommencement of famine, I think that on the whole these figures indicate commercial strength, and a generally satisfactory situation.

	1896-97.	1897-98.	1898-99.	1899-1900.	1900-1901. Ten months, 1st April to 31st January.
	R	R	R	R	R
Total Imports . . .	71,79,38,293	69,26,66,625	68,38,03,412	70,71,18,634	62,06,92,778
„ Exports (including re-exports) . . .	1,03,91,42,972	97,53,72,730	1,12,72,14,730	1,08,97,61,873	86,98,70,628
Total Exports and Imports . . .	1,75,70,81,265	1,66,80,39,355	1,81,10,18,142	1,79,68,80,507	1,49,05,63,406
Excess Exports over Imports . . .	32,12,04,679	28,27,06,105	44,34,11,318	38,26,43,239	24,91,77,850

“ 128. Another point connected with the question of the general trade situation, and which affects traders very closely, is the bank rate for the use of money.

“ 129. The annexed Table shows the rate of the Bank of Bengal month by month, since January 1897, and it will be observed that since August 1898, a fairly uniform tendency has prevailed, and that a maximum rate of 8 per cent has rarely been reached and never passed. I think that an 8 per cent rate during the busiest season of the year is no serious hindrance to business in India, although, if we could reduce our normal maximum to 6 per cent, it would be an advantage. But we must remember that if the rate of interest in India were brought down to the low averages prevailing in Western Europe, there would no longer be any temptation to capital to seek investment so far afield.

“ 130. In connection with this question I may point out that, according to the figures tabulated, there is much less relation, in India, between the volume of trade and the rate of interest than would naturally be supposed.

“ 131. It will be observed from the subjoined Table that, whilst a 7 per cent rate existed concurrently with the comparatively small exports during October and November 1897, no higher rate was induced by the comparatively large exports in the first three months of 1899; and that, whilst a 10 per cent rate was maintained in April 1897, when the value of exports was below average, a 5 per cent rate sufficed for the large exports of October 1900.

“ 132. These figures would seem to indicate that the rate of discount, and therefore the demand for loanable capital, has been at times, more dependent on speculation and the nervous apprehensions of traders, than on the real requirements of trade.

“ 133. The consideration of these figures leads me to hope, that provided our money markets do not become the victims of speculators (and to avoid this we must rely on

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[Sir Edward Law.]

the prudence and good sense of the banking community), we are now reaching a more permanently stable monetary condition, than that which existed three or four years ago.

"134. A factor tending in this direction is, I think, to be found in the development of communications and increasing facilities of credit, which must tend to prolong the seasons for export of such staples as rice, jute, cotton and seeds, and thus facilitate the financing of the trade.

*Statement showing the value of Merchandise exported from India during the years 1897, 1898, 1899 and 1900 with the Bengal Bank's maximum published rate of interest and the rate of Council Bills for the same period.*

Months.	1897.			1898.			1899.			1900.			1901.		
	Value of exports.	Rate for Council Bills.	Rate of interest.	Value of exports.	Rate for Council Bills.	Rate of interest.	Value of exports.	Rate for Council Bills.	Rate of interest.	Value of exports.	Rate for Council Bills.	Rate of interest.	Value of exports.	Rate for Council Bills.	Rate of interest.
	Rs.	Pence per rupee.	Per cent.	Rs.	Pence per rupee.	Per cent.	Rs.	Pence per rupee.	Per cent.	Rs.	Pence per rupee.	Per cent.	Rs.	Pence per rupee.	Per cent.
January	8,73,04,851	15-100	10	8,36,52,781	16-002	11	10,21,81,221	16-087	7	10,32,02,217	16-100	8	10,62,47,200	16-031	7
February	9,22,61,183	15-261	10	8,70,88,853	15-220	12	10,07,62,555	16-077	7	9,78,83,363	16-088	8	10,35,00,000	15-264	8
March	10,25,06,183	15-088	10	9,36,36,566	15-074	12	11,14,06,060	16-019	7	9,01,30,086	16-041	8			
April	7,22,02,871	15-000	10	8,53,28,912	15-950	12	9,21,36,817	15-285	7	8,03,05,815	16-073	8			
May	8,08,18,605	15-435	10	10,85,85,325	15-951	11	9,20,64,068	15-979	6	9,17,66,214	15-987	8			
June	7,18,85,338	16-098	10	9,62,85,290	15-888	11	8,67,80,288	15-904	5	7,85,67,819	15-981	8			
July	7,08,08,383	15-931	7	8,62,28,911	15-801	8	9,73,36,326	15-984	5	7,68,06,216	15-941	6			
August	7,17,54,850	15-986	8	8,30,21,171	15-889	6	8,78,19,348	15-972	4	7,88,67,088	15-983	6			
September	6,57,94,638	15-814	8	8,08,64,385	15-986	5	8,11,85,027	16-079	6	7,14,77,571	15-961	5			
October	7,64,14,810	—(1)	7	8,38,88,148	15-987	5	8,77,18,005	16-125	8	10,30,06,082	15-983	8			
November	8,08,33,282	—(1)	7	8,06,72,885	15-954	5	8,18,00,112	16-118	7	8,00,21,218	15-983	6			
December	8,78,47,730	15-660	9	8,58,76,230	16-007	6	9,15,78,060	16-030	7	9,78,17,151	16-087	7			
Total	97,34,86,791	—	—	1,10,38,60,083	—	—	1,11,30,34,948	—	—	1,06,70,08,088	—	—			

(1) No bills were drawn in these months on account of the famine.

\* Average rate.

† Approximate.

"135. I may now endeavour to sum up the general situation.

Conclusions.

"136. It has been shown that our economic situation, on which our financial situation depends, is, notwithstanding checks in certain directions where it has been prejudicially affected by known causes, on the whole good: that, wherever not prejudiced by such special, and it may be anticipated, temporary difficulties, it is progressive, and that the evidences of general recuperative power are many and satisfactory.

"137. At the same time, in a country where the returns of Revenue depend so largely upon meteorological conditions impossible to foresee or to control, it behoves

us to frame our Estimates with great caution. This we have done, and still our Estimates of Revenue Receipts show an increase of over £2,000,000 above those framed by my predecessor for the closing financial year, and if we remove from the Account the purely fortuitous receipt of, approximately, £3,000,000 on account of Mint operations, they are slightly in excess of the realisations of 1900-1901.

" 138. It is indeed fortunate that we are able to present such satisfactory figures, for, as already stated, we are not yet free from the charges and consequences of famine.

" 139. It has been our first care to afford relief from the financial prostration affecting so many Provinces, where not only necessary Balances have been exhausted, but where also, stern need for the strictest economy has most unduly curtailed expenditure necessary to meet many primary needs of society, such as public works, education, medical requirements, and administrative improvements. We have been as liberal in this direction as prudence permitted, and have made grants-in-aid to Provincial Revenues amounting in the aggregate to 164½ lakhs.

" 140. In addition to this abnormal charge on our Revenues, we must devote one crore of rupees from the Famine Insurance Grant to direct famine expenditure in the still afflicted districts, and to this again, as a consequence of the lessons of the South African War, is added a large sum for Army Services, increasing the estimated charge on this account by £876,500 above the sum sanctioned for 1900-1901.

" 141. These large extraordinary charges, amounting together to over £2,600,000, are, however, more than balanced by an estimated reduction, as compared with last year, of £3,245,000 in general famine expenditure, and by the exercise of strict economy where permissible, we are finally able to show a surplus of £690,900 to be carried forward to Capital Account and to reduce by so much the amount which we shall be obliged to borrow for railway construction and irrigation works, on the prosecution of which we are so largely dependent both for general economic progress and for protection from the direct and indirect effects of recurring famine.

" 142. In conclusion I may say that the Estimates for 1901-1902 are of good promise, and that, unless our reasonable anticipations are falsified by an unprecedented recurrence of serious disasters, we are entitled to look forward with some confidence to the future, and to hope for the early dawn of a period of considerable prosperity."

The Council adjourned to Friday, the 22nd March, 1901.

CALCUTTA; The 22nd March, 1901.	}	J. M. MACPHERSON, <i>Secretary to the Government of India,</i> <i>Legislative Department.</i>
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