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MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. 622 Press ~~Mis.~~

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Proceedings of the Madras Government, Financial Department,
20th December 1860.

No. 52. Read the following Proceedings of the Government of India, dated the 19th November 1860, No. 11,619.

No. 126.

FORT WILLIAM, FINANCIAL DEPARTMENT, THE 19TH NOVEMBER 1860.

RESOLUTION.

The Governor General in Council has lately had before him the Sketch Estimates for the current year 1860-61. These documents have generally been found in former years to represent a close approximation to the actual financial results of the year to which they relate. They have been prepared this season with unusual care, and they foreshadow a result somewhat less unfavorable than had been anticipated from returns and calculations which have been for some time before the public; but they show more clearly than ever the imperative necessity which exists, for the most active and sustained exertion to enforce economy in all branches of the administration, in order to bring the current expenditure of the State within its income.

2. The total income of the Government of India for the year 1860-61, from all sources, exclusive of Income Tax, is estimated, in round numbers, at... ... £ 38,140,000
Income Tax at... ... ... ,, 1,000,000

Giving a total income, from every source, of... ... ... £ 39,140,000
The Expenditure in India is estimated at... ... ... £ 38,430,000
That in England, according to the latest information received here, at ,, 6,983,000

Giving a total expenditure by the Indian Government, in India and in England, of £ 45,413,000

Thus leaving a deficit of income, as compared with expenditure of not less than... £ 6,273,000 which must be met, for the time, by drawing on the balances in the Government Treasuries.

3. This deficit is equal to more than 16 per cent. on the total expected income from all sources, including taxes only lately introduced, and the produce of which is, therefore, a matter of extreme uncertainty. As compared with the income from permanent sources (*i. e.*, exclusive of Income Tax, which is imposed for only a definite period), the deficit would be nearly 16½ per cent.

4. But the fact that the current expenditure of India is still 16 per cent. in excess of the largest safe estimate of current income, does not represent the full gravity of the present condition of our finances.

5. There is much of the estimated expenditure which admits of no possible reduction during the current season. Such, for instance, is the interest of the Public Debt, which now forms a total annual charge of £4,480,000, and on account of which £4,246,600 are estimated to be paid in 1860-61. There are other charges, which it is needless to specify, but which amount in the aggregate to a very large sum, and are not practically susceptible of any immediate reduction, and some, like the guaranteed interest on Railway Capital, must, for years to come, annually increase.

6. Again, the estimates for some services are, for the current year, not only lower than is desirable for efficient administration, but lower than it is possible to keep them permanently.

7. For example:—Not only are necessary and useful Public Works of all kinds deferred, but works calculated directly to improve the Revenue, and to the execution of which Government is more or less pledged, and on some of which large sums have been already expended, are suspended to such an extent that an outlay of not less than 8 millions Sterling would be required to complete them. The expenditure in the construction of Railways also has been curtailed to a very considerable amount, so as to avoid immediate pressure on the finances, owing to the temporary inability of some Companies to deposit such an amount of capital as would save the Government from the risk of having to take the works into its own hands and to complete them at the public expense.

8. No precautions have been neglected by the Government of India which could tend to enforce the most rigid economy in every branch of the administration. In addition to general measures of reduction, Commissions have been appointed to scrutinize charges in the principal branches of the Public Service, and their labors, especially those of the Military Finance Commission, have been attended with the best practical results.

9. No officer of Government can fail to be aware of the earnest efforts which have been made to reduce expenditure in every Department, and it is only due to the several Governments and Administrations of India, and to the whole body of Government servants who have so ably seconded the wishes of the Government of India, and by whose united exertions great reductions have been carried out; to draw attention to the result as shown in the diminution of expenditure which has been already effected since the restoration of peace to India. When it is considered that the struggle in 1857-58 was one quite without parallel in the history of our Empire; that the restoration of peace was not proclaimed till late in 1858, and that up to the latter part of 1859 the necessity for keeping troops on a field establishment had not passed away, the Governor General in Council feels strongly that the thanks of the Government of India are due to its officers and servants of every grade, alike for the rapid manner in which means were organized and augmented to meet and crush mutiny and rebellion, and for the vigor with which retrenchments were enforced, when the immediate necessity for unusual exertion had passed away.

Total expenditure in England and in India.

1856-57...	£33,974,000
1857-58.....	£40,251,000
1858-59...	£50,480,000
1859-60—*Estimate*...	£46,417,000

10. Nevertheless, the fact remains that we are still spending month by month 16 per cent. more than our current expected income.

11. It is also a fact, which daily becomes more clearly evident, that reductions of expenditure, comparatively easy at first, become more difficult as the process continues, and that each successive measure of economy becomes directly, as well as relatively, more arduous than its predecessor.

12. Moreover, the just expectations of Her Majesty's Government and of the people of India and of England, will not be fulfilled by a simple return to the state of things which existed previous to 1856-57. Late events have made it apparent that the finances of India were not then, and had not been for many years previous, in a really sound and healthy condition. The Government of India was not able to do its duty with regard to public works, public education, or even the administration of public justice. The income and expenditure were so nearly balanced, even in the time of the most profound peace, that no sufficient surplus of income was left to meet temporary increase of charges, without adding to the Public Debt, whilst some of the most productive sources of income were precarious, and liable to sudden and serious diminution.

13. To revert to a state of things so little satisfactory, will not be an adequate result after years of the strictest economy, and after the imposition of new taxes, which have brought the necessities of the Government home to the personal interests of every artizan and trader in every corner of British India.

14. The Government of India hopes, as the result of the efforts that are now being made, that the finances of India will be placed on a thoroughly sound footing; that they will be rendered adequate, not only to enable the Government of India to provide fully for the legitimate wants of every branch of the Public Service, but to be free from all serious elements of uncertainty. Provision must also be made for that increase of expenditure on the whole machinery of civilized administration, which must be foreseen by any Government desiring to do its duty to the Nations which Providence has entrusted to our rule in India.

15. But so large a financial result can never be expected from any action of the Supreme Government alone. The united efforts of the whole body of its servants in every branch of the administration are needed for it, and the Governor General in Council feels that he can confidently rely on the well-tried sense of duty and public spirit of the Indian services, and that he will receive the cordial co-operation he requires from all to whom the true financial condition of the Empire is known.

Financial Resolution, No. 27, dated 7th April 1860, relative to the preparation of a Budget of Imperial Income and Expenditure for India, (published in the *Calcutta Gazette*, page 648, dated 11th April 1860.)
Financial Resolution, No. 31, dated 23rd April 1860, regarding the enforcement of all practicable economy in the supply and accumulation of stores, (published in the *Calcutta Gazette*, page 848, dated 25th April 1860.)
Financial Resolution, No. 39, dated 11th May 1860, appointing Committee to consider how the details of the several measures involved in the new system of Estimate, Budget, Accounts, and Audit, may be practically carried out, and how the principles prevailing in England may be adapted to the existing circumstances of departments in India, (published in the *Calcutta Gazette*, page 1,030, dated 12th May 1860.)
Financial Department Notification, No. 58, dated 6th July, 1860, constituting a Civil Finance Commission, with a view to effect such reductions as may be practicable under each head in the Imperial Accounts of the Government of India, and in the Accounts of the several local Governments, (published in the *Calcutta Gazette*, page 1,476, dated 7th July 1860.)
Military Department Resolution, No. 710, dated 6th July 1860, regarding the functions to be entrusted to the Military Finance Commission at Calcutta, pending the organization of the Military Finance Department at Calcutta, under the provisions of paragraph 14 of the Financial Resolution of 7th April 1860, (published in the *Calcutta Gazette*, page 1,477, dated 7th July 1860.)
Financial Resolution, No. 7,371, dated 18th August 1860, sanctioning the arrangements proposed in paras. 80 to 86 of the first report of the Budget and Audit Committee, (published in the *Calcutta Gazette*, *Appendix*, page 1, dated 24th November 1860.)
Financial Resolution, No 9,070, dated 8th September 1860, ordering that the Bombay Naval Accounts should be dealt with in the same manner as the Military Accounts by the Military Finance Commission, (published in the *Calcutta Gazette*, *Appendix* page 12, dated 24th November 1860.)
Financial Department order, No. 10,693, dated 20th October 1860, approving of the plan proposed by the Budget and Audit Committee in respect to the system under which the audit of the accounts of the Marine, Post Office, and Electric Telegraph Departments can best be disposed of, (published in the *Calcutta Gazette*, *Appendix*, page 13, dated 24th November 1860.)
Resolution. Public Works Department, No. 278, dated 13th November 1860, organizing the establishment for dealing with the Accounts of the Public Works Department, (published in the *Calcutta Gazette*, page 2,474, dated 17th November 1860.)
Financial Resolution, No 11,300, dated 14th November 1860, approving generally of the Forms of Budget Estimate proposed by the Budget and Audit Committee in their report No. 6, dated 27th October 1860, (published in the *Calcutta Gazette*, *Appendix*, page 18, dated 24th November 1860.)
Financial Resolution, No. 11,322, dated 15th November 1860, passing orders on the report of the Budget and Audit Committee, No 7, dated 2nd November 1860, regarding the division of Heads of Branches of service which can best be adopted for the allotment and specific appropriation of expenditure, (published in the *Calcutta Gazette*, *Appendix*, page 21, dated 24th November 1860.)
Financial Resolution, No. 119, dated the 16th November 1860, organizing the new Board of Audit in the Military Finance Department, (published in the *Calcutta Gazette*, page 2,492, dated 21st November 1860.)

16. In accordance with the Resolutions of Government which have been already published, rules have been prepared, and forms prescribed for carrying out a regular system of Budget and Audit in every Government and Province, and throughout every department of the Government service.

17. The object of these measures is twofold:—1st, to ascertain beforehand the probable requirements of the Public Service, so as to enable the Government of India to review and provide for the wants made known to it, and to maintain an effectual check on the subsequent expenditure; 2ndly, to enable every branch of the Public Service periodically to review its own wants, and to submit the result of such review to the Government of India.

18. For this purpose, every office in every department will be required to prepare annually an estimate of its probable requirements during the coming year: this will be submitted, through the head of each department, to the local Government and ultimately to the Government of India, by which the estimate will be finally sanctioned, and laid down as the guide for expenditure during the coming year.

19. Every authority through whose hands the estimate passes on its way to the Government of India, will be required carefully to scrutinize the demand thus made on the Public Income, and, as long as the present financial pressure continues, it will be the imperative duty of every head of an office or department to reduce the estimate to the very lowest amount consistent with the absolute necessities of Public Service.

20. The facilities which will be given for effecting reductions will henceforward be greater than have ever before been afforded, for the Budget and Audit rules have been so framed as to leave to the head of each local Government, or of each branch of administration, a much greater discretionary power than has heretofore been allowed in re-arranging the details of expenditure.

21. The grand totals of each department will be fixed by the Government of India in the sanctioned estimates, and the responsibility of keeping within the limits so fixed will be strictly enforced. But, in re-arranging the details of the expenditure within each department, the discretion of the local administration will be fettered only by the necessity of immediate report to the Government of India, and by the observance of such rules relating to prospective expenditure, and to rates of salary and of pension, as are needed to secure uniformity of practice, and a due regard to the pledged faith of the Government of India.

22. The time, moreover, is peculiarly favorable for such a review of the requirements of the Public Service, as this duty demands. India is at peace, externally and internally; and while the presence of an army much stronger than has ever before been at the disposal of the Government of India, gives a feeling of general security, it has been the desire of the Government of India to give the fullest effect to the principles laid down in Her Majesty's Proclamation, to remove every cause of heart-burning, distrust and animosity, and to secure to Her Majesty's subjects of every rank, and of all races and creeds, the fullest and most undisturbed enjoyment of their respective rights and lawful usages. The renewed influx of European capital and enterprize, after a brief period of suspension, is one of the many facts which indicate the necessity for a revision and extension of many branches of our administrative machinery; but it is, at the same time, evidence of a return of that public confidence which alone can render such revision profitable, and such extension practicable.

23. It follows, however, that to bring the expenditure in each office down to the standard of any former year, will not be sufficient. The reasons of, and necessity for, every item must be closely scrutinized, and must be tried by the test of the present and prospective wants of the Public Service. Nothing but the clearest proof that the faith of Government is committed, can be allowed to excuse the continuance of any expenditure for which absolute necessity cannot be shown.

24. The fact that we are at present spending 16 per cent. in excess of our estimated income, has been already noticed. It is thereby evident that, after making allowance for those items, which, like the interest on the Public Debt, are beyond our immediate control, it will be necessary that that portion of our current expenditure which we can control, must be reduced by a much higher rate than 16 per cent., in order to bring the total outlay within the limits of an income equal to even that of the current year 1860-61, which, it must be remembered, is estimated at a higher rate than that of any previous year.

25. Unless, therefore, the aggregate estimates for 1861-62 show, exclusive of interest on the Public Debt, a total reduction exceeding 16 per cent. on our Estimates for 1860-61, we shall not attain the desired and absolutely indispensable result of equalizing our current income and our current expenditure in the coming year; and considerably more than this must be effected in the way of reduction of expenditure, or of increase of income, before the finances of India can be pronounced as resting on a sound and satisfactory footing.

26. The Governor General in Council trusts that every head of an office, whatever the class of that office may be, will bear this truth in mind in framing his estimates for the coming year. There is probably no office in which some immediate reduction is not practicable, and the smallest reduction in expenditure or increase in revenue will have its effect.

27. The higher the class of the office or department, the greater will be the responsibility of its head in this respect.

28. Many will have some control over income as well as expenditure, and will be able to promote the desired result by increasing the former, as well as by diminishing the latter. Projects for general taxes cannot be considered with a view to any immediate action; but there are many branches of existing income which are susceptible of material improvement, some by a modification, others by a stricter enforcement of the present rules; there are many more which must become more fruitful with the general prosperity of the country, and there are probably none which will not feel the effect of a wise and liberal general administration.

Proceedings of the Madras Government, Financial Department,
20th December 1860.

29. There is one great branch of the public expenditure over which few minor offices or departments have any direct control. The military expenditure is directly affected mainly by the action of the Governments of India, of Madras and of Bombay, and by the great officers and departments of Military administration. But it may be truly said that there is hardly an office or department in the Public Service in India whose action does not more or less affect the answer to that most important question—What is the amount of Military Force indispensably required in India? The great Political functionaries and officers at the head of the various separate administrations, have a direct voice in the amount of Military Force to be kept for local protection within their several jurisdictions. Every detachment saved, nay, every sentry dispensed with, is a practical and effectual step in reducing our Military expenditure. This power for reduction is shared by many district officers; and there is no officer of that class, with a range so limited, but that he can contribute so to rule the country that it shall be possible to reduce our standing army to the lowest reasonable limit. The more prosperous and the more contented we can make the people of each district, the nearer we shall be able to approach to that limit.

30. Over the Police expenditure and the cost of various semi-military bodies, all administrations and district officers have direct influence. The mode in which economy and efficiency in this branch of the Public Service may be best promoted has lately been prominently brought to the notice of all officers concerned, and the Governor General in Council would only further commend the subject to their serious attention, as affording, next to the Military charges, the readiest means of at once diminishing the burdens on the resources of Government.

31. The Governor General in Council trusts that the united efforts of the various offices and departments through which the estimates will have to pass, and of each Government and Administration by which they will be submitted to the Government of India, will effect such a reduction in their aggregate amount that it will not be necessary for the Government of India to enforce any further check beyond a strict observance of the limit of the sanctioned estimates. The work is one in which every officer of every grade in the service of Government can bear his part, and it is one which the Governor General in Council feels confident will not be neglected by any who have at heart the prosperity of the country, or who duly value the character and credit of the British Government in India.

Ordered, that a copy of the above Resolution be forwarded to the Departments,* Governments† and Officers‡ noted in the margin.

* Home, Foreign, Military, and Public Works Departments.
† Governments of Bengal, Madras, Bombay, North Western Provinces, and Punjab.
‡ Accountants General to the Governments of India, Madras, and Bombay.
Accountants, Bengal, North Western Provinces, and Punjab.
Civil Auditors, Bengal, Madras, Bombay, North Western Provinces, and Punjab.
The President of the Audit Board, Military Finance Department.

Ordered, also, that the Resolution be published in the *Calcutta Gazette*.

By order of the Governor General in Council,

(Signed) C. HUGH LUSHINGTON,
Secretary to the Government of India.

No. 53. ORDER THEREON, 20th December 1860, No. 622.

Ordered to be published in the Government Gazette for the information and guidance of all Officers concerned.

(Signed) T. PYCROFT,
Chief Secretary.

Exd. T. O'Connor.

Adjutant Genl's Office 20 December 1860. No 432.

Ordered to be published in the Gov'd Gazette for the information and guidance of all Officers concerned.

To the Supt of the Gov'd Press. despd 24th