M.R.O. 1—77,000—3-6-37.

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(3) Initials of the Referencer

MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No.	1673	Press / Mis.
117-118		117-118
Dated	17-8-	1875.

12/13

Not to be folded or roughly handled

Local Funds—Circles.

No. 117. Read the following Proceedings of the Board of Revenue, dated 29th June 1875, No. 1782 :—

Read the following papers :—

From A. MACGREGOR, Esq., President of the Local Fund Boards, Malabar District, to H. E. STOKES, Esq., Acting Secretary to the Board of Revenue, dated Calicut, 8th April 1875, No. 37.

I have the honor to bring the subject of amalgamating the two Circles in this district again before the Board.

2. Since I did so last, a considerable period has elapsed, during which the fatal error of splitting the district up has become daily more apparent.

3. The division greatly diminishes the elasticity of working which would be secured by the larger area. In one Circle under a particular head a deficit occurs, while in the other under the same head a short expenditure is incurred. Instead of the errors correcting each other, they stand out separately.

4. The causes which lead to such results are often unavoidable and cannot be foreseen. A sudden fall of rain may destroy a few lakhs of bricks moulded but not burned, and it may thus become impossible for bridge foundations to be got in before the rains. This in turn affects the whole superstructure.

An early setting in of fever may disperse a whole gang of laborers.

A sudden flood may destroy a bridge so situated that its immediate reconstruction is imperative, or increase of expenditure, the necessity of which is ascertained only when a work is under execution, may cause revised estimates in excess of the original.

Clearly whatever tends to curtail the area over which averages are spread directly operates to create difficulties of this description.

5. Then, as to obtaining sufficient attendance at meetings. The difficulty is enormously increased if the attendance of ex-officio members is distributed between two places fifty miles apart. The President, the District Engineer, the Wynaad Special Executive Engineer, the Deputy Collector of Wynaad, and the Inspector of Schools are Members of both Circles. Some of these officers find great difficulty in attending meetings at all owing to their work and the distance they have to travel. The result of dividing the district as regards them is that, even when they do attend a meeting, only the business relating to a portion of the district comes before it. Thus important matters hang on for want of a quorum or of the presence of those who are alone capable of explaining and advising.

6. There are independent European gentlemen and pensioned officers too whose knowledge extends over the district generally, but whose usefulness is now restricted.

7. If there were but one Circle in the district, the Sub-Collector could be Vice-President, and could attend in the absence of the President. The idea was that the Assistant was to be Vice-President. Now, in the first place, I have had no Assistant at head quarters for eighteen months ; in the second, it could rarely happen that an Assistant would have the necessary knowledge or experience to enable him to manage the Local Funds, and he could never have the standing to admit of his

presiding satisfactorily at meetings where he would necessarily be the junior both in years and in experience.

8. It may be supposed that the Sub-Collector can take the entire management of the Sub-Division Circle, but this is entirely a mistake. In the first place it includes part of Wynaad, which forms no part of his charge; in the second place the administration of the fund has become, under the rules in force, a matter dependent so intimately on accounts accessible only to the Treasury Officer that it cannot be carried on away from the Huzur Treasury.

9. The original idea of Local Funds was that they were to be at the disposal of the President or, in his absence, of the Vice-President, but practically they are vested jointly with the Accountant-General and Controller of Public Works Accounts, and any money required by the President for public works reaches him through them.

10. The Vice-President at Tellicherry, so far from being able to facilitate matters, is merely an additional functionary through whom correspondence and funds pass.

It is only found possible to give him one Local Fund Clerk, and he obtains no assistance from the Local Fund Department in the Huzur. He is necessarily in the dark as to financial matters, and cannot, therefore, manipulate the funds of the Circle.

11. It is needless to point out the enormous unnecessary labor entailed by two sets of totals, or the increased difficulty resulting from the necessity of every general question being twice discussed.

Take for instance the case of the loan. After great difficulty applications were sanctioned by the Madras Government for two loans, aggregating about Rupees 1,50,000, to the two Circles. The circumstances of the two Circles were precisely similar; but, whereas the Calicut Circle loan was long ago granted by the Supreme Government, we have positively no information about the Tellicherry loan, and the result is hopeless confusion.

12. The same thing occurs in innumerable instances of smaller importance, and the administration of the Circles is becoming almost an impossibility.

13. If asked what advantage accrues to counterbalance these disadvantages, I can only reply that I am unable to specify any whatever.

14. The Calicut Circle contains six and-a-half taluqs and the Tellicherry three and-a-half, and the division of the district into two Circles secures that the incomes respectively of those fractional areas are spent therein. I have never heard any argument by which it was attempted to show that there was any principle in the nature of things tending to establish the doctrine that the expenditure of the income of six and-a-half taluqs can be safely localized, but that that of ten taluqs cannot.

15. Supposing that two large and expensive bridges are required, one in each Circle, is it better to push on one first and finish it and then the other or to dribble on with both, leaving both rivers impassable throughout the entire period. This is what it comes to practically.

Proceedings of the Madras Government, Financial Department,
17*th August* 1875.

16. The mistake of multiplying Circles has, I believe, been pretty generally admitted and rectified throughout the Presidency, and I trust that the Board will relieve Malabar from the disadvantages now unnecessarily encountered.

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I HAVE the honor to forward copy of a resolution passed by the Local Fund Board, Calicut, on the subject of providing funds for education without special legislation.

The principle appears to me sound, and, if approved by Government, might be adopted in Tellicherry also.

2. The financial position as regards the whole district may be thus stated:—

The total deficit in the two Circles caused by the proposed reductions amounts to Rupees 37,920, and the total Ferry Funds of the two Circles is Rupees 45,600.

3. The law admits of grants being made from the General to the Road Fund, so that any surplus, after providing for education and sanitation, could be thus utilised.

4. The position of the whole district as regards loans and road fund assets is as follows:—

The existing debt, assuming the Tellicherry loans to have been granted, is Rupees 1,49,000, and the loans that would be required to supplement expenditure on new works for the next three years are for Calicut Rupees 90,000 and for Tellicherry say Rupees 50,000. Thus the entire debt would amount to Rs. 2,89,000, bearing an annual interest of four and-a-half per cent. and entailing an annual payment for interest and instalments, supposing it to be paid off in twenty years, of Rupees 27,455.

5. The aggregate revenue of the Road Fund in the whole district under the two main items of land-cess and tolls is Rupees 1,51,330, which, added to the Government grant of Rupees 1,90,560, gives a total income of Rupees 3,41,890.

6. The maintenance and establishment charges amount to Rupees 2,51,320; add to this interest and instalments Rupees 27,455, the annual income which may be regarded as anticipated is Rupees 2,78,775, leaving upwards of Rupees 63,115 free.

7. The only part in which this scheme of finance is assailable is as to the Government contribution, which, it may be objected, is withdrawable at pleasure, and should not be regarded as an asset. To this it can only be replied that, if the contribution is withdrawn, the Act must be altered so as to admit of a land-cess bearing a proportion to the income from land somewhat analogous to that which the Local Fund Act imposed everywhere else.

8. In all other respects the circumstances of the funds amply warrant the loan expenditure proposed, and nothing is more clear that while on the one hand there is abundant security, on the other the operations of the fund are threatened with obstruction simply because it is attempted to make permanent improvements out of income.

9. One most necessary preliminary to any attempt at setting the Local Funds of the district on a proper footing is the amalgamation of the Circles, and this question I have again brought forward in a separate communication.

Extract from the Proceedings of a Meeting of the Local Fund Board of Calicut Circle held on the 23rd March 1875.

PRESENT:

A. MacGregor, Esq., *President.*
H. M. Winterbotham, Esq., Acting Special Assistant Collector.
J. Ferguson, Esq.
M. R. R. O. Kannan, Deputy Collector.
,, P. Karmiakara Menon.

* * * *

14. Read G.O., 4th March 1875, No. 496, resolving to reduce the budget allotment under grant from Provincial Funds for education from Rupees 45,110 to Rupees 24,090.

The Board cannot but view with regret a proposal which practically involves the substitution of a retrograde policy in education for the policy of progress which has hitherto been regarded as the main object with which the Local Fund Act was passed.

There is but one proposition which can be made by which the necessary adjustment can be effected without legislation; the Ferry Fund, amounting to Rupees 29,600, might be transferred from Road Fund to General Fund. The fund is at the disposal of Government, and was by G.O., Public Works Department, dated 1st June 1855, No. 239, made over to Road Fund. That fund, however, has no special claim on it as it is an income, not arising from the expenditure of capital on roads, but simply from the profit at which the ferries are worked, and it is a fund to which the main contribution is made by the poorer classes in agricultural districts, who are also the chief gainers from the extension of the educational system.

The budget provides a sum of nearly Rupees 60,000 for new works, and of those a considerable proportion are works that might fairly be constructed from loan funds, and in fact ought to be so constructed rather than from income. An expenditure of say 30,000 Rupees a-year for the next three years from loan funds would go far to completing a system of roads sufficient for the requirements of the district. The Circle has incurred a debt of Rupees 89,000, which involves an annual charge of Rupees 8,000 for interest and instalments gradually decreasing as the debt, and therefore the interest becomes diminished. The further loan, doubling this liability, would have ample security in the shape of existing income which, among other items, includes tolls for roads and bridges yielding Rupees 35,000 a-year, and the two-thirds land-cess amounting at its present very low rate to Rupees 53,300.

The following abstract of the assets of the Circle Funds will show what a very small encumbrance this debt would prove :—

Income.	RS.	*Liability.*	RS.
Government grant	1,32,000	Maintenance of roads	1,17,000
Land-cess	53,000	Establishment	40,000
Tolls on ghats and bridges	35,000	Interest and instalment on 1,79,000.	16,000
	2,20,000		1,73,000
	1,73,000		
	47,000		

(True Extract.)

(Signed) A. MacGREGOR,
President.

THESE papers will be submitted to Government for orders.

2. The Local Fund Board of the Calicut Circle, on the receipt of the Government Order on the budget of 1875-76 disallowing the increase, which they had proposed, of Rupees 21,020 in the Provincial grant, passed a resolution viewing with regret this substitution of a retrograde policy in educational matters; and, in order to give the necessary elasticity to the General Fund, they propose to transfer the Ferry Rents to it and to supplement the resources of the Road Fund by further borrowing, say, 30,000 Rupees a-year for three years, to construct the required system of new roads. The President, in forwarding this resolution, proposes to extend this scheme of finance to both Circles in the district, in especial connection with his suggestion, in his letter of the 8th April, that the two Circles be amalgamated.

3. The President's figures purport to be taken from the current year's budget. But he omits some items of permanent income to the Road Funds, and seems to over-estimate the expenditure with the result of making out a better case as to the necessity of borrowing. He transfers all Special Fund receipts from the Road Fund.

4. The following seem to the Board to be more correct figures for the Road Funds, ferry rents being supposed transferred to General Funds :—

—	Calicut.	Tellicherry.	Both.	President's figures.
Receipts.	RS.	RS.	RS.	RS.
Provincial grant	1,32,220	58,340	1,90,560	190,560
Two-thirds Land-cess...	53,330	23,000	76,330	76,330
Tolls	35,000	40,000	75,000	75,000
Contributions, &c.	13,000	2,120	15,120	...
	2,33,550	1,23,460	3,57,010	341,890
Charges.				
Maintenance	1,17,310	63,890	1,81,200	251,320
Public Works Department at twenty-five per cent.	29,330	15,970	45,300	
Other ordinary charges	7,770	8,500	16,270	
Existing loans repayable in twenty-two years...	8,570	5,430	14,000	27,455†
Future loans	5,500*	3,050*	8,550*	
	1,68,480	96,840	2,65,320	278,775
Available for new works and establishment charge thereon	65,070	26,620	91,690	63,115

5. The President estimates the loans required for Calicut as Rupees 90,000 and for Tellicherry Rupees 50,000. Taking the estimates for new works entered in the budget for 1875-76, the Board find that the balances remaining as required for expenditure at the close of the year will be Rupees 1,81,260 for Calicut and Rupees 46,266 for Tellicherry. Other works could, no doubt, be mentioned the construction

* Equal instalment to repay Rupees 1,40,000 in thirty years and fulfil the prescribed conditions.
† First instalment to pay one twentieth of Rupees 2,89,000 and interest on that sum.

of which would be beneficial; but even after the transfer of the receipts from Special Funds to the purposes of the General Fund, it appears that the works in hand could be completed in from three to four years at most, there being a sum of upwards of a lakh of Rupees a-year available over and above existing charges other than new works if no new loans are contracted.

6. In these circumstances the Board do not think that a case is at present made out for indiscriminate borrowing. Loans should only be undertaken for specific works of magnitude the speedy construction of which is of urgent necessity, and the President's remark that the difficulty arises from the attempt to make permanent improvements out of income is devoid of force since the income in question consists of taxes raised for the purpose of effecting these improvements and for nothing else.

7. The President truly remarks that the weak point of the proposed system of finance is the assumption that the Provincial grant will be continued; and the Board are decidedly of opinion that, if it is necessary to add to the resources of the General Fund for educational purposes, the necessity should be met rather by a transfer of a portion of the Provincial grant than of the Special Fund income hitherto credited to the Road Funds. The proceeds from Ferries certainly fall more naturally to funds for the improvement of communications than to others.

8. The following figures exhibit the position of the General Funds of the two Circles:—

	1875-76, Estimate.	1874-75, Actuals.
Calicut.		
Balance	Rs.	Rs.
Receipts	18,250	28,102
	58,790	58,887
Charges	77,040	86,989
Balance	76,850	62,760
	190	24,229
Tellicherry.		
Balance	...	—1,471
Receipts	37,250	37,535
Charges	37,250	36,064
	37,240	32,185
Balance	10	3,879

9. These figures show—

(*a.*) That nothing is urgently required for 1875-76, provision having already been made for considerable expansion of the expenditure as compared with the actuals of 1874-75 and funds not anticipated being available for further outlay to the extent of Rupees 6,000 in Calicut and nearly Rupees 4,000 in Tellicherry;

(*b.*) That in Calicut alone is the General Fund insolvent, the charges exceeding the ordinary income; and

(*c.*) That the relief proposed by the transfer to the General Fund of Rupees 29,600 in Calicut and Rupees 16,000 in Tellicherry is beyond what is required.

10. On the whole, as to the finance of the two Circles, the Board recommend that there should be no more borrowing unless for specific works on special cause shown and that in 1876-77 if increase to the educational grants are found necessary, the money be provided by transfer of portion of the Provincial grant from Road to General Funds.

11. The Board observe that merely to enhance the rate of the cess, or to make it a cess on rent-value instead of on land-revenue, will add more to the assets of the Road Fund than of the General Fund, which is not the direction in which it is chiefly required, unless the enhancement is coupled with a modification of the clause of the Act which requires two-thirds of the proceeds of the cess to go to the Road Fund. And, if Government are prepared to continue assistance from Provincial Funds at the present amount, the Board doubt whether any immediate action is called for in the direction of increased taxation.

12. In his letter of the 8th April Mr. MacGregor renews the suggestion which was made at the date of the introduction of the Local Funds Act, *viz.*, that the district should be formed into a single Circle. The Board dealt with the suggestion in paragraphs 2 to 4 of their Proceedings, dated 28th April 1871, No. 1802, which are quoted in the margin; and they do not find anything in the Collector's letters to prove that the opinions then expressed were erroneous. They will notice the Collector's remarks now submitted *seriatim*.

Para. 2. Mr. MacGregor proposes that the whole district should be made one Circle because it can conveniently be managed from Calicut and because the chief expenditure has hitherto been in South Malabar.

Para. 3. The Board are decidedly of opinion that there should be two Circles corresponding to the two zillahs, one for North Malabar and the other for South Malabar. These divisions are as distinct in population, interests, and conditions as any two adjoining to districts in the Presidency. Centralization at Calicut has been injurious to North Malabar hitherto, and it is difficult to imagine that it will be beneficial in the future. Few of the natives of North Malabar would attend a Board sitting at Calicut, and the interests of South Malabar would be represented on it by an overwhelming majority. There is a large body of intelligent Europeans and Natives in North Malabar, and its Local Fund revenues will bear a fair proportion to its area and requirements.

Para. 4. Under the arrangements advocated by the Board, North Wynaad, which has Tellicherry for its most convenient post, would belong to North Malabar, and South Wynaad to South Malabar.

13. He urges—

(*a.*) That the division of the district diminishes the elasticity of working which would be secured by the larger area.

This is true to some extent, but it does not counterbalance the advantages of decentralization especially required in the interests of North Malabar; and to give the argument force it should have been shown, which cannot be done, that under the present arrangement the resources of the separate Circles have not been fully utilized.

(*b.*) That it is difficult to find attendance for two Boards, that the ex-officio members of both Boards cannot attend both, and that important matters hang on for want of their presence and advice.

With one Board at Calicut, the members in reach of that place would probably not attend in greater numbers than at present, and the outlying parts, especially

North Malabar and North Wynaad, would be entirely unrepresented. Arrangements could easily be made now for procuring in writing the opinions of the ex-officio members who cannot attend meetings on matters of importance connected with their departments.

(*c.*) That the Sub-Collector would be a better Vice-President of a single Board than the Assistant, and that he is at present useless as Vice-President of the Northern Board for want of information as to accounts and finance which is accessible only at the head quarters of the district.

The Board believe that the Sub-Collector at fifty miles distance would be quite useless as Vice-President of a joint Board; and, if he is now in ignorance as to the finance of his Circle, it must be owing to gross mismanagement. Current information as to finance is not available to the Treasury Officer until the accounts of each month are made up; and, immediately on their being completed, they ought to be sent to the Tellicherry Local Board's Office. Copies of important papers regarding the accounts of past months already closed ought to be, and might easily be, at once sent to the Vice-President, Tellicherry.

(*d.*) That unnecessary labor is entailed by two sets of totals, and that every general question has to be discussed twice.

The additional labor of separate posting of the accounts is very small, and the additional discussion of general questions is an advantage. The inconvenience instanced as having occurred as regards the Tellicherry loan would probably have happened just the same with two Circles, or separate applications for the loans must have been made in any case.

14. The President says that he is unable to specify any advantage whatever which accrues from the division, but immediately afterwards states that it secures that the incomes respectively of these fractional areas is spent within them. This is exactly the advantage of paramount importance, and to be secured in no other way, which the amalgamation would entirely destroy. The figures given above show, in the Board's opinion, that the financial pressure, or rather the inability to effect progress as rapid as is desired, is chiefly felt in the Calicut Circle; and, if the amalgamations took place, the Board fear that Tellicherry would get scant consideration. The Board are unable to understand the latter part of paragraph 14 of the President's letter.

15. Mr. MacGregor is in error in supposing that what he calls the mistake of multiplying Circles has been generally recognized and rectified. Only two Circles have been abolished, *viz.*, South Coimbatore and Narsapatam, and in both of these cases the Sub-Division Circles abolished were backward, destitute of the materials of a good Board, and scarcely able to stand alone. These reasons certainly do not apply to Tellicherry.

16. The Board find no proofs of the assertion that the administration of the two Circles is becoming impossible, and they observe that on none of the President's radical proposals have the Tellicherry Board been consulted.

(True Copies and Extract.)

(Signed) H. E. STOKES,
Acting Secretary.

No. 118. ORDER THEREON, 17th August 1875, No. 1673.

The Government have under consideration a measure with reference to the Malabar District which will probably render it unnecessary to entertain the financial proposals contained in these papers.

2. The Board's opinion on the question of the amalgamation of the two Circles is concurred in by the Government.

(True Extract.)

Officiating Chief Secretary.

To the Board of Revenue.

Exd. J. W. Fischer.

Govt. of [illegible] 1875 [illegible]

FINANCIAL.

To

The BOARD OF REVENUE

Dated August, 17th.

Issued

Read.

G.O., 17th August 1875, No. 1673.

AUGUST.
Nos. 117-118.

Local Funds—Circles.—The Calicut Board ordered to be informed, with reference to the proposals made by them consequent on the refusal to increase the Provincial grant for education, that measure in reference to the Malabar District under consideration which will render it unnecessary to entertain the proposals submitted.

PD on the second subject

11

No. 1,782.

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* * * *

14. Read G.O., 4th March 1875, No. 496, resolving to reduce the budget allotment under grant from Provincial Funds for education from Rupees 45,110 to Rupees 24,090.

The Board cannot but view with regret a proposal which practically involves the substitution of a retrograde policy in education for the policy of progress which has hitherto been regarded as the main object with which the Local Fund Act was passed.

There is but one proposition which can be made by which the necessary adjustment can be effected without legislation; the Ferry Fund, amounting to Rupees 29,600, might be transferred from Road Fund to General Fund. The fund is at the disposal of Government, and was by G.O., Public Works Department, dated 1st June 1855, No. 239, made over to Road Fund. That fund, however, has no special claim on it as it is an income, not arising from the expenditure of capital on roads, but simply from the profit at which the ferries are worked, and it is a fund to which the main contribution is made by the poorer classes in agricultural districts, who are also the chief gainers from the extension of the educational system.

The budget provides a sum of nearly Rupees 60,000 for new works, and of those a considerable proportion are works that might fairly be constructed from loan funds, and in fact ought to be so constructed rather than from income. An expenditure of say 30,000 Rupees a-year for the next three years from loan funds would go far to completing a system of roads sufficient for the requirements of the district. The Circle has incurred a debt of Rupees 89,000, which involves an annual charge of Rupees 8,000 for interest and instalments gradually decreasing as the debt, and therefore the interest becomes diminished. The further loan, doubling this liability, would have ample security in the shape of existing income which, among other items, includes tolls for roads and bridges yielding Rupees 35,000 a-year, and the two-thirds land-cess amounting at its present very low rate to Rupees 53,300.

The following abstract of the assets of the Circle Funds will show what a very small encumbrance this debt would prove :—

Income.	RS.	*Liability.*	RS.
Government grant	1,32,000	Maintenance of roads	1,17,000
Land-cess	53,000	Establishment	40,000
Tolls on ghauts and bridges	35,000	Interest and instalment on 1,79,000.	16,000
	2,20,000		1,73,000
	1,73,000		
	47,000		

(True Extract.)

(Signed) A. MacGREGOR,
President.

THESE papers will be submitted to Government for orders.

2. The Local Fund Board of the Calicut Circle, on the receipt of the Government Order on the budget of 1875-76 disallowing the increase, which they had proposed, of Rupees 21,020 in the Provincial grant, passed a resolution viewing with regret this substitution of a retrograde policy in educational matters; and in order to give the necessary elasticity to the General Fund, they propose to transfer the Ferry Rents to it and to supplement the resources of the Road Fund by further borrowing, say, 30,000 Rupees a-year for three years, to construct the required system of new roads. The President, in forwarding this resolution, proposes to extend this scheme of finance to both Circles in the district, in especial connection with his suggestion, in his letter of the 8th April, that the two Circles be amalgamated.

3. The President's figures purport to be taken from the current year's budget. But he omits some items of permanent income to the Road Funds, and seems to over-estimate the expenditure with the result of making out a better case as to the necessity of borrowing. He transfers all Special Fund receipts from the Road Fund.

4. The following seem to the Board to be more correct figures for the Road Funds, ferry rents being supposed transferred to General Funds :—

—	Calicut.	Tellicherry.	Both.	President's figures.
Receipts.	RS.	RS.	RS.	RS.
Provincial grant	1,32,220	58,340	1,90,560	190,560
Two-thirds Land-cess...	53,330	23,000	76,330	76,330
Tolls	35,000	40,000	75,000	75,000
Contributions, &c.	13,000	2,120	15,120	...
	2,33,550	1,23,460	3,57,010	341,890
Charges.				
Maintenance	1,17,310	63,890	1,81,200	251,320
Public Works Department at twenty-five per cent.	29,330	15,970	45,300	
	7,770	8,500	16,270	
Other ordinary charges	8,570	5,430	14,000	27,455†
Existing loans repayable in twenty-two years...	5,500*	3,050*	8,550*	
Future loans				
	1,68,480	96,840	2,65,320	278,775
Available for new works and establishment charge thereon	65,070	26,620	91,690	63,115

5. The President estimates the loans required for Calicut as Rupees 90,000 and for Tellicherry Rupees 50,000. Taking the estimates for new works entered in the budget for 1875-76, the Board find that the balances remaining as required for expenditure at the close of the year will be Rupees 1,81,260 for Calicut and Rupees 46,266 for Tellicherry. Other works could, no doubt, be mentioned the construction of which would be beneficial; but even after the transfer of the receipts from Special Funds to the purposes of the General Fund, it appears that the works in hand could be completed in from three to four years at most, there being a sum of upwards of a lakh of Rupees a-year available over and above existing charges other than new works if no new loans are contracted.

6. In these circumstances the Board do not think that a case is at present made out for indiscriminate borrowing. Loans should only be undertaken for specific works of magnitude the speedy construction of which is of urgent necessity, and the President's remark that the difficulty arises from the attempt to make permanent improvements out of income is devoid of force since the income in

* Equal instalment to repay Rupees 1,40,000 in thirty years and fulfil the prescribed conditions.

† First instalment to pay one twentieth of Rupees 2,89,000 and interest on that sum.

question consists of taxes raised for the purpose of effecting these improvements and for nothing else.

7. The President truly remarks that the weak point of the proposed system of finance is the assumption that the Provincial grant will be continued ; and the Board are decidedly of opinion that, if it is necessary to add to the resources of the General Fund for educational purposes, the necessity should be met rather by a transfer of a portion of the Provincial grant than of the Special Fund income hitherto credited to the Road Funds. The proceeds from Ferries certainly fall more naturally to funds for the improvement of communications than to others.

8. The following figures exhibit the position of the General Funds of the two Circles :—

—	1875-76, Estimate.	1874-75, Actuals.
Calicut.		
Balance	Rs.	Rs.
Receipts	18,250	28,102
	58,790	58,887
	77,040	86,989
Charges	76,850	62,760
Balance	190	24,229
Tellicherry.		
Balance	...	—1,471
Receipts	37,250	37,535
	37,250	36,064
Charges	37,240	32,185
Balance	10	3,879

9. These figures show—

(*a.*) That nothing is urgently required for 1875-76, provision having already been made for considerable expansion of the expenditure as compared with the actuals of 1874-75 and funds not anticipated being available for further outlay to the extent of Rupees 6,000 in Calicut and nearly Rupees 4,000 in Tellicherry ;

(*b.*) That in Calicut alone is the General Fund insolvent, the charges exceeding the ordinary income ; and

(*c.*) That the relief proposed by the transfer to the General Fund of Rupees 29,600 in Calicut and Rupees 16,000 in Tellicherry is beyond what is required.

10. On the whole, as to the finance of the two Circles, the Board recommend that there should be no more borrowing unless for specific works on special cause shown and that in 1876-77 if increase to the educational grants are found necessary, the money be provided by transfer of portion of the Provincial grant from Road to General Funds.

11. The Board observe that merely to enhance the rate of the cess, or to make it a cess on rent-value instead of on land revenue, will add more to the assets of the Road Fund than of the General Fund, which is not the direction in which it is chiefly required, unless the enhancement is coupled with a modification of the clause of the Act which requires two-thirds of the proceeds of the cess to go to the Road Fund. And, if Government are prepared to continue assistance from Provincial Funds at the present amount, the Board doubt whether any immediate action is called for in the direction of increased taxation.

12. In his letter of the 8th April Mr. MacGregor renews the suggestion which he made at the date of the introduction of the Local Funds Act, *viz*, that the district should be formed into a single Circle. The Board dealt with the suggestion in paragraphs 2 to 4 of their Proceedings, dated 28th April 1871, No. 1802, which are quoted in the margin; and they do not find anything in the Collector's letters to prove that the opinions then expressed were erroneous. They will notice the Collector's remarks now submitted *seriatim*.

Para. 2. Mr MacGregor proposes that the whole district should be made one Circle because it can conveniently be managed from Calicut and because the chief expenditure has hitherto been in South Malabar

Para. 3. The Board are decidedly of opinion thatthere should be two Circles corresponding to the two zillahs, one for North Malabar and the other for South Malabar. These divisions are as distinct in population, interests, and conditions as any two adjoining to districts in the Presidency. Centralization at Calicut has been injurious to North Malabar hitherto, and it is difficult to imagine that it will be beneficial in the future. Few of the natives of North Malabar would attend a Board sitting at Calicut, and the interests of South Malabar would be represented on it by an overwhelming majority. There is a large body of intelligent Europeans and Natives in North Malabar, and its Local Fund revenues will bear afair proportion to its area and requirements.

Para. 4. Under the arrangements advocated by the Board, North Wynaad, which has Tellicherry for its most convenient post, would belong to North Malabar, and South Wynaad to South Malabar.

13. He urges—

(*a.*) That the division of the district diminishes the elasticity of working which would be secured by the larger area.

This is true to some extent, but it does not counterbalance the advantages of decentralization especially required in the interests of North Malabar ; and to give the argument force it should have been shown, which cannot be done, that under the present arrangement the resources of the separate Circles have not been fully utilized.

(*b.*) That it is difficult to find attendance for two Boards, that the ex-officio members of both Boards cannot attend both, and that important matters hang on for want of their presence and advice.

With one Board at Calicut, the members in reach of that place would probably not attend in greater numbers than at present, and the outlying parts, especially North Malabar and North Wynaad, would be entirely unrepresented. Arrangements could easily be made now for procuring in writing the opinions of the ex-officio members who cannot attend meetings on matters of importance connected with their departments.

(*c.*) That the Sub-Collector would be a better Vice-President of a single Board than the Assistant, and that he is at present useless as Vice-President of the Northern Board for want of information as to accounts and finance which is accessible only at the head quarters of the district.

The Board believe that the Sub-Collector at fifty miles distance would be quite useless as Vice-President of a joint Board ; and, if he is now in ignorance as to the finance of his Circle, it must be owing to gross mismanagement. Current information as to finance is not available to the Treasury Officer until the accounts of each month are made up ; and, immediately on their being completed, they

ought to be sent to the Tellicherry Local Board's Office. Copies of important papers regarding the accounts of past months already closed ought to be, and might easily be, at once sent to the Vice-President, Tellicherry.

(*d.*) That unnecessary labor is entailed by two sets of totals, and that every general question has to be discussed twice.

The additional labor of separate posting of the accounts is very small, and the additional discussion of general questions is an advantage. The inconvenience instanced as having occurred as regards the Tellicherry loan would probably have happened just the same with two Circles, or separate applications for the loans must have been made in any case.

14. The President says that he is unable to specify any advantage whatever which accrues from the division, but immediately afterwards states that it secures that the incomes respectively of these fractional areas is spent within them. This is exactly the advantage of paramount importance, and to be secured in no other way, which the amalgamation would entirely destroy. The figures given above show, in the Board's opinion, that the financial pressure, or rather the inability to effect progress as rapid as is desired, is chiefly felt in the Calicut Circle; and, if the amalgamations took place, the Board fear that Tellicherry would get scant consideration. The Board are unable to understand the latter part of paragraph 14 of the President's letter.

15. Mr. MacGregor is in error in supposing that what he calls the mistake of multiplying Circles has been generally recognized and rectified. Only two Circles have been abolished, *viz.*, South Coimbatore and Narsapatam, and in both of these cases the Sub-Division Circles abolished were backward, destitute of the materials of a good Board, and scarcely able to stand alone. These reasons certainly do not apply to Tellicherry.

16. The Board find no proofs of the assertion that the administration of the two Circles is becoming impossible, and they observe that on none of the President's radical proposals have the Tellicherry Board been consulted.

(True Copies and Extract.)

H Stokes

Acting Secretary.

To the Officiating Chief Secretary to Government, Financial Department.
,, the President of the Local Fund Boards, Malabar District.

Exd. J. W. Fischer.

Financial Department. (Local Funds. Circle)

No 1673

BOARD OF REVENUE,
1875.
MADRAS.

PROCEEDINGS, 29TH JUNE 1875, No. 1,782.

Dup 8 July 75 Encl.

Received 2 J.C.

No 1673

JUNE.
No. 1,782.

Malabar Local Funds.—Letters from President, forwarding Calicut Circle Board's proposals to transfer the Ferry Rents to General Fund in consequence of Government having disallowed the increase of Rupees 21,020 in Provincial grant for education, and to supplement the resources of Road Fund by certain loans to construct the required system of new roads, and suggesting that the two Circles of the district should be amalgamated, submitted to Government with remarks.

Local Fund Circles

19

Financial Department.

PROCEEDINGS of the MADRAS GOVERNMENT.

READ the following ~~letter~~ Proc. to Bd. of Revenue dt 29 June 1875, No 1782.

Order thereon. Obtained 17th Augt 1875. No 1673.

The Government have under consideration a measure with reference to the Malabar Districts, which will probably render it unnecessary to entertain the ~~principal~~ financial proposals contained in these papers.

2. The Board's opinion on the question of the amalgamation of the two Circles is ~~endorsed~~ contained in by the Government.

To The Board of Revenue. 11/12/13-180 Dup 30 July 75

26-7-75

Govt. of {187-} Madras.

Financial

To

Dated 7 August 1875, No. 1673

Recd.

Nos. 117-18

Local Funds Cases. The Collector Board wished to be informed, with reference to the proposals made by them consequent on the refusal to increase the Provincial Grant for Education, that a measure in reference to the Coimbatore District is under consideration which will render it unnecessary to entertain the proposals submitted.