Financial (1899) Department.

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[Despatch Abstract.]

Financial position of the Mad. Government.

Addressing the Govt. of India regard to the ___ :

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Government (1899) of Madras.
FINANCIAL.

Recd. } 1899. *Enclosures*
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G.O., No. 263, 18th February 1899.

FEBRUARY.

Financial Position of the Madras Government.

Addressing the Government of India in regard to the—.

GOVERNMENT OF MADRAS.

FINANCIAL DEPARTMENT.

Read—again the following paper :—

G.O., Nos. 229, 230, Financial, dated 5th March 1898.

Abstract.—Addressing the Government of India on the subject of the terms of the settlement of the Provincial contract for the quinquennial period 1897-98 to 1901-1902.

Read—also the following papers :—

From H. H. RISLEY, Esq., Officiating Secretary to the Government of India, Finance and Commerce Department (Accounts and Finance—Provincial Finance), to the Chief Secretary to the Government of Madras, dated Simla, 7th October 1898, No. 4385-A.

I am directed to acknowledge receipt of your letter No. 230, dated the 5th March 1898, in which you offer observations upon the position of Madras as compared with other provinces in respect of the amount of expenditure which is charged against the revenues of India.

2. The opening paragraphs of your letter raise more or less directly the intricate and far-reaching problem of the amount actually contributed by the several provinces towards the expenditure of the Empire and of the principle on which Provincial expenditure should be adjusted in relation to this assumed contribution. The question is one which the Government of India have for a long time past consistently declined to enter upon, except by way of passing reference as in the cases quoted in paragraph 3 of your letter, believing that, owing to the multifarious issues involved, no settlement is possible which would not give rise to interminable controversy as to its practical application. Nearly twenty years ago, when the system of Provincial Finance had been recently introduced, Sir John Strachey wrote as follows:—"The principle that the expenditure in each province ought to bear a certain proportion to the amount which that province contributes to the Imperial revenue is inadmissible. The fact appears to me to be that the questions raised are insoluble." The statement here made follows of necessity from the history of Provincial Finance as compared with the systems of Federal Finance which, at first sight, it appears to resemble. The various provinces of India, unlike the separate States of the American Republic and German Empire and the Cantons of Switzerland, have never had any independent financial existence They possessed no separate revenues, nor were they burdened by individual liabilities or external demands which must be met from their own resources. Up to the time of the introduction of the Provincial system their expenditure formed part of the general Imperial account and was determined by causes quite independent of the ability of the particular province to provide for it. There is, therefore, from the nature of the case, no means of determining on what principle the general revenues which are levied under the authority of the Government of India should be distributed among the various provinces, nor did the Provincial system, which was introduced for reasons of administrative convenience, contemplate that any such attempt should be made. Specific instances have been given in the correspondence to which you refer, illustrating the impossibility of making an allotment of the kind. It is, however, needless to dwell upon these, for the Government of India are confident that the Government of Madras will readily admit that the only ground upon which an intelligible distribution of the common revenues and expenditure could be based is that of financial independence in the past, and that, where that has not existed, there can be no means of determining what proportions of the revenue and expenditure properly belong to particular provinces. If the question in any way depended upon figures it might be possible to take it up; but the moment it is entered upon the number of collateral issues upon pure questions of opinion turns out to be unlimited, and no argument used by one Government in its own favour is at all likely to be accepted by another.

3. Your letter, for example, quotes from a speech by the Lieutenant-Governor of the North-Western Provinces a passage which shows that Sir Antony MacDonnell is convinced that the claims of the North-Western Provinces rank even before those of Madras. The Government of India could refer to communications from the Governments of Bombay and of Bengal, showing that these two Governments are equally positive that their claims for additional assignments are those which should have the first hearing at the hands of the Government of India. None of these Governments however appear to have taken into consideration the circumstance that even if it were possible to determine what proportion of the revenue collected in a Province could properly be said to belong to that Province, it would be necessary to go a step further and to fix the proportion of Imperial expenditure which is incurred on behalf of that Province and must be treated as a charge against its revenues. If such a process could be carried out, it would not improbably be found that the net effect on the balance available for Provincial purposes would not differ materially from that which has been produced by the gradual development of the existing system.

4. Having regard then to the extreme complexity of the general question of the theoretical rights and liabilities of the several Provinces in respect of financial matters, the Government of India can only say that placed as they are under the necessity of having to weigh against each other the requirements of the several Provinces, and to weigh against all these the imperious demands of military and political expenditure and of other expenditure that is not Provincial, they do their best to pronounce equal judgment, but are obliged to admit their inability to justify, to the satisfaction of each of the claimants, the awards they are obliged to make.

5. For the reasons stated above the Government of India do not propose to discuss the general question further; and I am to refer you to the similar conclusion set out in paragraph 9 of the letter from this department, No. 491 of 24th January 1882, which was written in reply to similar contentions on the part of the Government of Madras. They hope, however, by taking up one or two of the points brought forward in your letter, to lay before the Government of Madras some additional grounds for believing that such a discussion cannot be profitably entered upon.

6. In the first place I am to notice the suggestion in paragraph 3 (3) of your letter that so long ago as 1883 the Government of India admitted the general proposition as to inequality of treatment which the Government of Madras now seek to establish. As to this I am to observe that all that was said in 1883, was that perhaps full consideration had not been given to certain demands for administrative improvement in Madras. The Government of India then as now definitely refused to enter upon any investigation of the inequality as between Provinces, declaring such investigation to be impossible, but they made on general grounds, a grant to the Government of Madras to enable them to meet the demands referred to. That grant they expressly declared, closed the case so far as the claims of the Government of Madras, then under consideration, were concerned; the inequality of treatment, whatever it was, was made up for.

Similarly, in the passage from the Financial Statement for 1896-97, which is referred to in your letter, the Government of India, while mentioning, as a matter on which there might be difference of opinion, the question whether the surplus revenues of each Province represented a sufficient or an insufficient share of the burden of the expenditure shown as that of the general account, advisedly refrained from entering upon any discussion of that question. They explained that the figures given in paragraph 63 of the statement to illustrate the scale of provincial contributions were not built upon any theory of distribution, and the whole tenour of the section dealing with Provincial Finance was such as to exclude the supposition that it was possible to formulate a theory of the kind.

7. Next I am to draw attention to the figures given in your paragraph 11 as the figures of the revenue from rates on land, which are said to show that the raiyat population of Madras pays much more for local purposes than that of any other Province. The figures in question are taken from a resolution of the Government of India, Home Department, dated 20th August 1897, on the administration of Local Boards, and they refer merely to that portion of the aggregate amounts raised by local taxation which is administered and controlled directly by local bodies. They do not include the portion, especially large in Bengal and the North-Western Provinces, which though raised locally is administered provincially. A reference to account No. 18 of the Finance and Revenue Accounts, which gives the receipts under Provincial Rates, will show that the complete figures of local taxation in the several Provinces, do not bear out the conclusion drawn in your letter.

8. The Government of India pass over the remark made parenthetically in the next paragraph that the raiyat of Madras contributes a 'far higher amount to the salt revenue than the raiyat of other Provinces. The rate of salt-tax per maund is, as the Government of Madras are aware, no higher in Madras than elsewhere; although it is true that the Madras raiyat, being on the whole better off than the raiyat of Northern India, consumes on the average a slightly greater quantity of salt. The Government of India are not aware of the grounds on which the Government of Madras consider the agricultural population of Bengal to be wealthier than that of Madras; but they notice the observation, not by way of entering on an examination of the facts, but only of pointing out to how great an extent the general question of the relative claims of different Provinces, to which the Government of Madras address themselves in your letter, turns upon considerations as to which there may be radical differences of opinion.

9. I am next to refer to the figures put forward in paragraph 8 and Appendix A of your letter as indicating that the Provincial expenditure on Education, Medical and Roads is less in Madras than elsewhere. The Government of Madras complain that a greater proportion of this expenditure is met from local taxation in Madras than is the case in other Provinces, and they argue that, in consequence of this, Madras gets an unduly small assignment from general revenues, because a relatively smaller balance of expenditure on these objects remains to be met from that source. If however reference be made to Accounts Nos. 34-A., 34-B. and 36-B. of the Finance and Revenue Accounts, 1896–97, it will be seen that the following figures show in even thousands of Rx. the whole expenditure on Education and Medical, which is met out of Public Revenues, General and Local:—

	Net expenditure on Education.	Expenditure on Hospitals and Sanitation.
	RX.	RX.
Bengal	332,000	90,000
North-Western Provinces	182,000	64,000
Punjab	126,000	47,000
Madras	238,000	194,000
Bombay	291,000	108,000

As regards the expenditure under these heads the Government of India are unable to admit the existence of any serious inequality. In the matter of roads it is further necessary to explain that the system under which revenue and expenditure are distributed between provincial and local differs in every Province. It is however everywhere a mere administrative arrangement and no argument whatever, relevant to the present issue, can be drawn from the fact that as is stated in Appendix A to your letter the expenditure on roads in Madras is so distributed that out of a total of Rx. 321,200 only Rx. 34,300 is under the direct administration of the Local Government, while in Bengal Rx. 84,900 out of a total of Rx. 424,500 is so administered. This simply means that a large amount of local rate on lands is in Bengal credited to Provincial and spent under Provincial, whereas in Madras the whole local rate is credited to local and spent under local. Neither Government is either better off or worse off by reason of this variation of distribution. The distribution in the North-Western Provinces follows again a different principle from either of these. In short, the figures which the Government of Madras have taken to indicate different standards of

revenue and different capacities for expenditure really denote nothing more than different administrative arrangements for dealing with the same revenue and expenditure.

10. These remarks will perhaps suffice to show that the figures put forward in your letter do not really justify the conclusions which the Government of Madras have based upon them. The question in truth is a much more complicated and difficult one; a few of the factors of the problem will be found set out in Sir. J. Westland's speech in the Budget Debate of 26th March 1897, page 277 *et seq.* of the Proceedings of the Governor-General's Council; and the Government of India, as already said, admit their inability to draw up any statement of the case which will suffice to convince each of the Governments of Bengal, the North-Western Provinces, Madras, and Bombay that it is not, as compared with each of the others, placed at a disadvantage.

11. A large portion of your letter is addressed to the question of sanitary improvement. The Government of India have nothing to retract as regards the importance of this. But they never undertook, nor can they consistently with other demands upon general revenues undertake, to make grants to municipalities for water-supply and drainage works out of general revenues. No such grants have been at any time provided for in the assignment to any Province, nor has any other Provincial Government proposed to make such a provision. On the contrary, the policy laid down by Government (Resolution No. 13 of 1st January 1889) is that of assisting by loans and not by grants when the municipalities could not themselves raise the necessary money. If in special cases grants are found to be necessary, the requisite funds should be provided from the normal increase of Provincial revenues during the currency of the contract.

12. I am now to pass on to the questions relating to the estimate of Land Revenue and of Excise Revenue made for the purposes of the last settlement. The question of the Excise Revenue has settled itself; the Government of India took it for granted that the Government of Madras would, as they originally anticipated, find it to their advantage to make the choice announced in your paragraph 34, and they regulated the last estimates accordingly. As regards Land Revenue the question is practically that of the figure taken in the second line of the statement set out in Appendix D of your letter which gives as the ordinary assessment an estimate of 4,32,08, based on the following figures of the past:—

1892	4,00,09
1893	4,04,78
1894	4,20,97
1895	4,28,58
1896	4,26,35
1897	4,33,04

The amount of divisible revenue in addition to this is placed at 1,01,94 which gives 4,32,08 + 1,01,94 or 5,34,02, which the Government of Madras propose in lieu of the estimate of 5,38,00 made for the settlement. The acceptance of the figure proposed by the Government of Madras would add a lakh of rupees to the assignment.

13. With reference to this I am directed to say that the conclusion to be based on the figures appears to be that, as might not unreasonably be expected, the normal expansion of revenue has been somewhat retarded by the occurrence of famine; but experience shows that this retardation is a temporary effect, and the Land Revenue receipts of the current year already furnish evidence of recovery. The Government of India propose under this head to admit the claim of the Government of Madras, in respect of the two years, 1898–99 and 1899–1900, and Rs. 1,00,000 will accordingly be added to the assignment in these two years.

14. The question referred to in your paragraph 35, viz., that of the Provincial balance and the charge to Local Funds on account of famine relief, has been disposed of in my letter No. 3055-A, dated 12th July last.

Copy forwarded to the Comptroller and Auditor General and the Accountant-General, Madras.

Copy also forwarded to the Home Department.

From the Public Works Department, dated 14th November 1898, No. 5020 C.
" " " 23rd January 1899 " 462 C.
" " " 27th " " " 597 C.

ORDER—No. 263, Financial, dated 18th February 1899.

The Government of India will be addressed.

(True Extract.)

G. STOKES,
Chief Secretary.

Exd. P. Seetharam

Government {1899} of Madras.
FINANCIAL.

Recd. } 1899. *Enclosures*
Regd. *Spare copies*

Letter, No. 264, 18th February 1899.

FEBRUARY.

Financial Position of the Madras Government.

Addressing the Government of India in regard to the —.

FINANCIAL DEPARTMENT.

Letter—from

The CHIEF SECRETARY to the GOVERNMENT of
FORT ST. GEORGE,

To

The SECRETARY to the GOVERNMENT of INDIA,
Finance and Commerce Department.

Sir,

I am directed to refer to the correspondence ending with your letter No. 4385 A, dated the 7th October 1898, and to address you again in regard to the financial position of this Government.

2. In that letter it was pointed out that owing to the multifarious issues involved, no settlement of the far reaching problem of the amount actually contributed by the several provinces in India towards the expenditure of the empire and of the principle on which provincial expenditure should be adjusted in relation to this assumed contribution, is possible which would not give rise to interminable controversy as to its practical application; that from the nature of the case, there are no means of determining upon what principles the general revenues which are levied under the authority of the Government of India should be distributed among the various provinces; that the provincial system, which was introduced for reasons of administrative convenience, did not contemplate that any such attempt should be made; and that having regard to the extreme complexity of the general question of the theoretical rights and liabilities of the several provinces in respect of financial matters, the Government of India can only do its best to pronounce equal judgment, but is obliged to admit its inability to justify, to the satisfaction of each of the claimants, the awards it is obliged to make.

3. The Governor in Council, whilst unable to admit that the comparison which was instituted in my predecessor's letter, No. 230, Financial, dated the 5th March 1898, has been met in your letter under reply, considers it unnecessary to pursue this aspect of the question further, in view of the admitted impossibility of drawing up any statement of the case which would suffice to convince each of the local Governments that it is not, as compared with each of the others, placed at a disadvantage. He also desires it to be stated clearly that the contentions put forward by this Government have not been based upon any idea of the existence of partiality on the part of the Government of India in making the various provincial assignments. At the same time he can judge of the effect of the contract for this province by its results alone and it is, in fact, with this aspect of the question that he is concerned. These results have come prominently to notice in the settlement of the budget estimates submitted with my letter, No. 124, Financial, dated the 19th January 1899. In the opinion of this Government the fault lies in the inherent defects of the present contract system. This Government does not propose to enter into any comparison of Madras with other provinces in so far as the amounts of the provincial assignments are concerned, but in dealing with the subject of the revenues devoted to Provincial purposes it is impossible to set aside altogether the consideration of the question whether this Presidency has obtained the advantage that it might reasonably have expected from the revenues raised within it.

4. The objects of the provincial scheme were described in a minute by Sir J. Strachey quoted in his Financial Statement of 1877–78 (paragraph 3 of Finance and Commerce Department Resolution No. 4258-A, dated 6th October 1896) and some of the evils which the scheme was intended to abolish were described in the following words:—

> "The distribution of the public income degenerates into something like a scramble, in which the most violent has the advantage, with very little attention to reason: as local economy leads to no local advantage, the stimulus to avoid waste is reduced to a minimum: so, as no local growth of the income leads to an increase of the local means of improvement, the interest in developing the public revenues is also brought down to the lowest level."

In spite of all that has taken place since these words were penned, these evils appear to the Governor in Council to still exist. So far from inculcating economy, the practical effect of the present system is to induce Local Governments to raise the standard of expenditure during the closing years of a contract period by every possible means, as it is on this standard that the next contract is based. The results of the present system of quinquennial settlements and their demoralising effect on the administration cannot be better or more accurately described than in the words of His Excellency Sir Arthur Havelock when the budget was presented to the local Legislative Council in 1897:—

> "It appears to me that the contract system, so called, is bad in itself. It is demoralising to the Provincial and Supreme Governments. It is bad in that each revision that takes place has a terribly disturbing and dislocating effect on the local Administration, especially in the important Department of Public Works to which the pruning knife has to be suddenly and ruthlessly applied. It is demoralising to the Provincial Government, because it tends to impair the sympathetic co-operation between the Supreme and Provincial Governments which is so desirable and because it tempts the Provincial Government in its financial relations with the Supreme Government, which is the master of the situation, to have recourse to the tactics of the weak. When we are well off, we try to hide our money and spend it recklessly lest the Supreme Government should lay hands upon it. When we are poor, we try to give undue emphasis to our poverty. The system is demoralising to the Supreme Government because it relieves that Government from the consequence of extravagance. In my opinion the financial condition of the Presidency will not be satisfactory until a larger degree of financial independence and control is conceded to the Provincial Government, and until some arrangement more consistent, more permanent and less one-sided than the present contract system has been adopted."

5. The Governor in Council recognizes the necessity imposed on the Government of India to afford relief to provinces whose means are straitened, but at the same time he considers, that as contemplated by Sir J. Strachey, each province should have a larger share in the increases of revenues to which its own improved administration may lead. The settled policy of the present contract system is that any increases of expenditure over the figures settled as the contract assignments under the various heads should be met by increases of revenues *during the contract period*, and it is in this principle that the most serious defect of the present scheme, from the point of view of Local Governments, exists; for this principle overlooks the fact that before several of the principal heads of revenues can be increased—and it is to these heads that the Local Government must look for resources to meet the necessary increases of expenditure during a contract period—increased expenditure must be incurred, and this sometimes for years before enhanced revenues accrue. The necessary consequence is that the allotments for the head of Civil Administration are restricted and the development of the administration retarded in a degree which would not exist if the Local Government had definite sources of income which it could estimate and calculate on beforehand and if it had made over to it a definite share in the *normal* growth of income; in other words, if it were not the recognised prerogative of the Supreme Government to fix the shares of revenue as it pleases and to resume, at the end of each contract period, the *entire* amount represented by the excess of the Provincial revenues over the Provincial expenditure calculated at the standard attained at the time of the settlement of a new contract. Owing to the rigid enforcement of this principle, the resumptions from the Madras Government on the settlements of the last three contracts have been 17·44, 0·38 and 14·59 lakhs, respectively, and it is perhaps unnecessary to refer to the incalculable benefits that would have accrued had even a small portion of these amounts been devoted annually to the direct needs of this province.

6. This Government contends, in short, that it should possess a greater fixity of interest in the revenues and in the normal growth of the revenues of the province;

such a fixity as was contemplated by Sir David Barbour in his Financial Statement for 1892–93, when he regretted the necessity that had arisen to contract the resources of the Local Governments by the amount of the revenues resumed by the Government of India, and pointed out that although it was satisfactory that Local Governments should have been in a position to make a contribution to the resources of the empire at a period of pressure, and thus, possibly avoid the necessity of imposing further taxation, it would have been still more satisfactory if the Supreme Government had been in a position to allow them to retain the whole or the greater portion of this amount for expenditure on the improvement of the internal administration. That this fixity of interest does not exist is apparent from the figures to be found in the compilation issued by the Government of India entitled "Progress of Provincial Revenue and Expenditure," copies of which were received with Mr. Under Secretary Brunyate's letter No. 4241-A., dated the 22nd September 1897. It may be noted that in the preface to this compilation it is stated that the figures in the several columns of the statements showing the revenues administered by the Local Governments and the charges of Civil Administration, including Civil Works, can be taken as directly comparable with each other. It seems therefore fair to infer that the statements can be taken as comparable as between the various provinces. Although, as stated above, there is no intention at present to enter into any discussion on the relative merits of the assignments to the various provinces, the statements I, II and III appended to this letter, which have been obtained from the figures in the compilation above referred to, afford clear evidence of the varied and varying nature of the financial position of Local Governments.

7. Statement I shows, that, comparing the contract settlement for Madras for 1887 with that for 1882, whilst the net revenue account rose by 7·21 per cent., the expenditure on Civil Administration was allowed to increase by 4·01 per cent. only; and that in 1892, although there was a further increase of 11·68 per cent. in the net revenue account, the net expenditure on Civil Administration rose by 5·60 per cent. only. The similar percentages for the 1897 contract are 14·74 per cent. and 8·89 per cent. The regularity observed between the first set of percentages—the rise of th increase of the net revenues—and the varying nature of the second set—the increas in the net cost of Civil Administration—constitute in themselves a clear proof of the ill-defined financial position of the Local Governments, which has been really forced to take what it could get. The lack of proportion between these rates is opposed to the principle laid down in 1882 that in the settlement of the contracts no revision should be made which would be favourable to the Imperial at the expense of the Provincial revenues except in cases where this course can be adopted without embarrassing Provincial finance or checking the growth of the material prosperity of the province.

8. Statement II compares the contract settlement of 1882 with that of 1897. In this statement the amount remaining from the net revenues after deducting the net expenditure on Civil Administration—that is, the amount which has been devoted to purposes other than Provincial in each province—is compared with the total net revenues. This statement shows that, whilst under the settlement of 1897 as compared with that of 1882, the Presidency of Bengal received 48·29 lakhs per annum, and the Province of Punjab 7·42 lakhs, more for expenditure, the provinces of Madras and of Bombay and the North-Western Provinces and Oudh received, respectively, 33, 51 and 8 lakhs less.

Statement III exhibits the percentages of increase in the net revenue account and in the net expenditure on Civil Administration between the contract settlement of 1882 and that of 1897. From this it will be seen that whilst in Madras the forme increased by 37·38 per cent., the latter rose by 19·60 per cent. only. Against this is to be set the different state of affairs in Bengal, where the respective increases wer 21·28 per cent. and 43·46 per cent. and in the Punjab where they were 25·85 an 32·25 per cent. respectively.

9. Without entering into any discussion or pretending to any knowledge of th necessity of the increased rates of expenditure in Bengal and the Punjab, the Govern in Council can fairly contend that this increase should not have been permitted parti at the expense of the spending power of this Government, and he can fairly point t the tendency on the part of the revenues to flow to the north of India.

10. In order to remove the present cause of discontent—a discontent which, as the Government of India acknowledges, prevails amongst all Local Governments—this Government would suggest that the shares of local Governments in the revenues should be definitely and finally fixed; that the present system under which the Supreme Government resumes the whole normal excess of revenue over expenditure should cease; and that Provincial Governments should be given some share at least in this normal growth. As already stated, the Governor in Council recognises that, under present conditions, the more backward provinces must obtain relief to some extent at the expense of those the resources of which are developed in a greater degree. This relief, however, would still be feasible under the system now proposed; for under it the Supreme Government would share in certain fixed proportions with Local Governments the revenues as well as the normal growth in the revenues instead of, as at present, fixing the Provincial portion of the former as it pleases and appropriating the whole of the latter to Imperial needs and the interests of other provinces. It is by this means alone that the scheme initiated by Lord Mayo can attain the object with which it was originally started; that Local Governments can obtain that share and that interest in the development of the revenues of a province which were contemplated by the introduction of that scheme; and that the unseemly wrangling which at present occurs at and after each contract settlement can be obviated. If the Local Governments be given definite burdens which cannot be increased but by their own action; if a definite share of the revenue be assigned to them and if their balances be respected and not arbitrarily resumed or requisitioned, there will be brought into existence that certainty as to their available resources and as to the burdens to be thrown on them without which Provincial financial management is impracticable. They should, within a defined category of subjects, have an independent revenue and expenditure each of its own, which it could deal with after the methods and principles of a financially independent Government and which would be no longer in any way hypothecated to the demands of the central Government.

11. To turn to the present needs of this Presidency, I am to remind the Government of India that when the existing contract was settled, the Governor-General in Council expressed the opinion that he had no reason to doubt that the Madras Government would find itself, even apart from the additional grant of 1·50 lakhs then made, in a position to spend during the current quinquennial period considerably more than the 22 lakhs taken as the calculation of the assignment for Civil Works. In an earlier Resolution No. 4258-A., dated the 6th October 1896, the Governor-General in Council expressed his gratification that the financial prospects were such as to enable him to abstain from any severe restriction of the existing scales of Provincial expenditure. In Mr. Arundel's letter, No. 905, Financial, dated 29th December 1896, an adjusting assignment of 28·60, against that of 8·43 proposed, by the Government of India, was urged. This figure has ultimately been placed at 16·46 lakhs, the claims of this Government for higher assignments for Civil Works and for certain other heads having been refused. In finally fixing the adjusting assignment the Government of India included an additional grant of 1·50 lakhs "to provide for any increase of expenditure that might be considered important or urgent by the Government of Madras." Independently of the fact that this allotment must perforce, from the very nature of the case, fail in its professed object, it represents a mere fraction of the amount which has been appropriated otherwise. The Governor in Council is, however, concerned with facts as they stand, and the following figures prove, in his opinion, the general inadequacy of the assignments made for this Presidency.

12. During the years 1896–97 and 1897–98 the total outlay on famine and plague—direct and indirect—amounted to 24·14 lakhs, and in accordance with the decision of the Government of India, provincial funds stood on the 1st April 1898 with a *minus* balance of 10 lakhs. The decision of the Government of India to debit provincial funds with so much of the five lakhs expenditure on famine relief as could not be recovered from District Boards raised this *minus* balance to 14·49 lakhs. (*Vide* my letter No. 1221, Financial, dated 13th December 1898). The revised estimate for the current year includes an expenditure of ·66 lakh on famine (·51 as direct and ·15 as indirect expenditure) and of 2·75 lakhs on plague (2·15 lakhs as direct and

·60 as indirect expenditure). The total expenditure on famine and plague since 1896–97 thus amounts to 27·55 lakhs, and if to this is added the *minus* balance of 14·49 lakhs referred to above, it will be seen that this Presidency has suffered to the extent of 42·04 lakhs on account of these calamities. According to the revised estimates for the current year the balance on the 1st April 1899 will stand at 13·09, but the increase from 7·18 at the end of 1897–98 is, I am to point out, not entirely due to the returning prosperity of the province, but in a great measure to the strict instructions issued by this Government to restrict expenditure in all directions. In fact, for the past two years expenditure under all heads has been kept within th narrowest limits.

13. In my letter No. 262, Financial, of this day the Governor in Council has represented the facts as regards plague expenditure, and as contended there the present position under which the Local Government bears an arbitrary portion of famine expenditure and all plague expenditure is opposed to the principles which regulate the financial relations of the Supreme and Local Governments, as laid down by the Secretary of State and as accepted by the Government of India (*vide* Despatch from the Government of India, Finance and Commerce Department, No. 68, dated 3rd March 1898). I am again to point out that the Secretary of State held that "upon the Imperial Government rests the primary duty of maintaining order "internally and of protecting the frontiers; of the risk of war, famine, exchange, and "sudden emergencies; of the responsibility of maintaining not only national solvency, "but also the solvency of the Provincial Governments" and that "on the Provincial "Governments rests the duty of developing the resources of their respective provinces "and by so developing them to add to the general prosperity, comfort, and taxable "power of the community at large." It is abundantly clear from the experience of this Province and from the figures quoted in this letter that under present circumstances the solvency of this Government cannot be maintained; that it is seriously hampered in the development of its resources; and that it is beyond its powers to add to the general prosperity, comfort, and taxable power of the community at large.

14. When this Government urged that a small assignment should be made in the present contract under the head of FAMINE RELIEF, the Government of India declined to admit any sum in the settlement, and stated that when "famine "occurs local Governments are expected "to divert to relief the funds they would "otherwise have devoted to the construction of public works or to the introduction of reforms or improvements which are "capable of being postponed"; and that when "the expenditure is beyond the power "of Provincial revenues to meet, Imperial revenues must come to their aid altogether "apart from the Provincial settlements." It is true that the Government of India debited Imperial funds with a large portion of the famine expenditure in this Presidency; but I am to point out that the exact portion was arbitrarily fixed, and, even under the orders as originally issued, left the Local Government with practically a *minus* balance of 10 lakhs. I am again to urge that the finances of this province, as at present constituted, are unable to bear the burden of famine and plague expenditure and that these heads should be treated as Imperial or that special assignments should be made from Imperial to Provincial funds to cover the expenditure.

Paragraph 53 of the appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

Paragraph 5 of appendix A to Finance and Commerce Department letter No. 1245-A, dated 16 March 1897.

15. Statement IV appended to this letter compares the figures in the Provincial budget estimate for 1899–1900 submitted with my letter No. 124 of the 19th January last with those settled for the Provincial contract, plague expenditure being excluded. It will be seen that the excess of the budget over the contract figures on the revenue side is almost exactly counterbalanced by the excess on the expenditure side; but I am to draw special attention to the fact that this result has been effected by restricting the grants for 43. MINOR WORKS AND NAVIGATION and 45. CIVIL WORKS,—which in the case of Public Works have been fixed at 29·80 and 22·16 lakhs, respectively.

16. The expenditure under 45. CIVIL WORKS—PUBLIC WORKS OFFICERS, in 1896–97 amounted to 24·24 and in 1895–96 to 25·31. The year 1897–98 was a famine year and the outlay was therefore abnormally low. The present allotment

under this head is altogether inadequate. The total demands for 1899–1900 under 45. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, as modified in the Public Works Department up to the date of the compilation of the budget, amounted to 36·23 lakhs. In consequence of the limited assignment of 22·16 lakhs, it has been necessary to propose reductions in the demands under all heads, and in order to provide funds for urgent new works as far as possible, it has been necessary to reduce the allotments proposed for several works in progress, thereby postponing their completion and increasing the cost of the works. Even by thus curtailing the grants for works in progress, it has been possible to provide 2·58 lakhs only for urgent new works, leaving sanctioned new works to the extent of 1·11 lakhs unprovided for. Reduced grants have to be made for certain roads which have been taken over by the Public Works Department, and repairs to roads in the Mappilla tracts of Malabar will have to be postponed. The least sum that should be granted for 45. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, in 1899–1900 is 26·91 lakhs.

17. As regards the grant under 43. MINOR WORKS AND NAVIGATION, the total amount applied for by the Chief Engineer for Irrigation was 30·60 lakhs and the maintenance of the grant for 1899–1900 at its present figure will involve the reduction of allotments for original and agricultural works, several of which are urgently required.

18. It is true that the budget estimate for 1899–1900, as submitted to the Government of India, contains provisions for such schemes as the improvement of the position of taluk establishments, the railway police scheme and the establishment of four new Munsifs' Courts, but I am to point out that the latter two schemes have already been sanctioned, and that their introduction has been deferred in consequence of the state of Provincial finances—the railway police scheme at the instance of the Government of India and that for the appointment of additional Munsifs on the motion of this Government as it found itself without the necessary funds to introduce the measure when it was sanctioned. Both these schemes are urgently required and t ir necessity has been admitted by the supreme Government and by the Secretary tate. The improvement of the position of taluk establishments is necessary in the terests of Imperial as well as of Provincial funds. The re-organization of these establishments is obviously necessary before the revenue administration of the province can be considered to be on a satisfactory basis, since these establishments control the lower staff, which has itself of late years been enlarged, and the benefits to be derived from this increase of the lower staff can only be realised and the increase of revenue already obtained assured by proper supervision which will be the direct result of the reform proposed. It is therefore of the greatest importance that this very necessary scheme, which has been deferred from year to year, should be introduced without delay. This Government has various other schemes under consideration, all of which will probably involve extra cost, such as the re-organization of the clerical staff of the Forest department, the re-organization of the Land Records department, the amalgamation of the Customs with the Salt and Abkári department, the re-organization of the Registration department, and the re-organization of the Agricultural staff of the Presidency. The items which have been included in the budget for 1899–1900 are not a fraction of what the needs of this province demand.

19. This Government has not lost sight of the fact that the Government of India has laid down the principle that it is necessary to leave projects which involve increase of expenditure in the future to be provided for as increase of revenue comes in; but the share hitherto obtained by this Government in the increase of revenues is utterly inadequate to meet the legitimate calls upon the Provincial exchequer. The Governor-in-Council indeed fails to see how these schemes can be introduced, unless the Government of India is prepared to deal more liberally with this Presidency. There are now no accumulated balances to fall back upon, and the progress of this Presidency during the current quinquennial period is, so far as this Government can foresee, to be gauged by the celerity with which the prescribed minimum balance of 20 lakhs is worked up to. The Governor in Council is to maintain one object in view, viz., to show that this Presidency is capable of fulfilling the requirements of article 1361 of the Civil Account Code, Volume II, and to turn a persistently deaf ear to all schemes which would tend to the development of the province or the comfort

of its people. This is a striking commentary on the present contract system. An instructive example of the manner in which the system can be worked is to be found in the fact that whilst this Government has, in spite of its protest in 1896 regarding the assignments under SUPERANNUATIONS, been obliged to provide for an expenditure in the year 1899–1900 nearly one lakh in excess of the contract figure under that head, the Governor in Council has been unable to devote to the development of the province the amounts absolutely required for schemes of improvement such as those mentioned above, without reducing the Public Works grants beyond all reasonable limits.

Page 46, paragraph 51, of Appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

20. In conclusion, I am to say that the Governor in Council considers that apart from the merits of the questions discussed in the present letter, this representation is necessary in order to emphasize the fact that, while the superintendence and control of the Government of Fort St. George is vested by Statute in the Governor-General in Council, the executive administration of the Presidency is likewise vested by Statute in the Governor in Council—a fact which appears occasionally to have dropped out of view, and I am to urge that it is only by the due co-ordination of both powers that the right government of the Presidency can be achieved.

I have the honour to be,
Sir,
Your most obedient servant,

Fort St. George,
18th February 1899.

G. STOKES,
Chief Secretary.

[Appendix.

Exd. A. Raitt.

STATEMENT I.

Comparison of the Net Revenue Account and the Net Expenditure on Civil Administration in the Madras Presidency according to the Contract Settlements of 1882 to 1897.

—	Contract Estimate, 1882.	Contract Estimate, 1887.	Increase.	Percentage of increase.	Contract Estimate, 1892.	Increase over Contract Estimate, 1887.	Percentage of increase.	Contract Estimate, 1897.	Increase over Contract Estimate, 1892.	Percentage of increase.
1	2	3	4	5	6	7	8	9	10	11
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.		LAKHS.	LAKHS.	
Net Revenue Account ..	569·37	610·43	41·06	7·21	681·71	71·28	11·68	782·18	100·47	14·74
Net Expenditure on Civil Administration	187·08	194·58	7·50	4·01	205·48	10·90	5·60	223·74	18·26	8·89

STATEMENT II.

Statement showing the percentage of Net Revenue Account appropriated to other than Provincial purposes in the five larger Provinces of India in the Contract Settlements of 1882 and 1897.

—	Contract Estimate, 1882.				Contract Estimate, 1897.				Difference between column 9 and column 5.	Loss to the Province.	Gain to the Province.
	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 2—column 3.	Percentage of remainder (column 4) to Net Revenue—Total (column 2).	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 6—column 7.	Percentage of remainder (column 8) to Net Revenue—Total (column 6).			
1	2	3	4	5	6	7	8	9	10	11	12
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.			LAKHS.	LAKHS.
Punjab	265·61	116·32	149·29	56·20	334·28	153·83	180·45	53·98	— 2·22	..	7·42
North-Western Provinces and Oudh	699·29	222·86	476·43	68·13	786·41	242·87	543·54	69·12	+ ·99	7·79	..
Bengal	640·11	217·87	422·24	65·96	776·33	312·55	463·78	59·74	— 6·22	..	48·29
Central Provinces.	100·65	49·34	51·31	50·98	136·37	71·07	65·30	47·88	— 3·10	..	4·23
Bombay	409·93	217·19	192·74	47·02	576·38	254·41	321·97	55·86	+ 8·84	50·95	..
Madras	569·37	187·08	382·29	67·14	782·18	223·74	558·44	71·40	+ 4·26	33·32	..

STATEMENT III.

Statement comparing the percentage of increase in the net Revenue Account and the Net Expenditure on Civil Administration between the Contract Settlements of 1882 and 1897.

—	Net Revenue Account—Total.				Net Expenditure on Civil Administration			
	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 3—column 2.	Percentage of increase.	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 7—column 6.	Percentage of increase.
1	2	3	4	5	6	7	8	9
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.	
Punjab	265·61	334·28	68·67	25·85	116·32	153·83	37·51	32·25
North-Western Provinces and Oudh	699·29	786·41	87·12	12·46	222·86	242·87	20·01	8·98
Bengal	640·11	776·33	136·22	21·28	217·87	312·55	94·68	43·46
Central Provinces	100·65	136·37	35·72	35·49	49·34	71·07	21·73	44·04
Bombay	409·93	576·38	166·45	40·60	217·19	254·41	37·22	17·14
Madras	569·37	782·18	212·81	37·38	187·08	223·74	36·66	19·60

STATEMENT IV.

STATEMENT comparing the assignments under the contract of 1897 with the figures of the budget estimate for 1899–1900.

Revenue.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.
	LAKHS.	LAKHS.	LAKHS.
I. Land Revenue	151·04	(a) 155·09	+ 4·05
III. Salt	1·27	1·14	− ·13
IV. Stamps	59·75	63·00	+ 3·25
V. Excise	37·20	36·50	− ·70
VII. Customs	·73	·75	+ ·02
VIII. Assessed Taxes	12·00	13·00	+ 1·00
IX. Forest	10·25	12·15	+ 1·90
X. Registration	6·00	6·50	+ ·50
XII. Interest	1·48	2·51	+ 1·03
XVI-A. Courts of Law	7·40	8·04	+ ·64
XVI-B. Jails	4·26	4·55	+ ·29
XVII. Police	4·41	4·47	+ ·06
XIX. Education	1·93	2·92	+ ·99
XX. Medical	1·22	1·01	− ·21
XXI. Scientific, &c., Departments	2·13	2·55	+ ·42
XXII. Superannuation, &c.	·47	·62	+ ·15
XXIII. Stationery and Printing	1·38	1·04	− ·34
XXV. Miscellaneous	1·54	1·97	+ ·43
XXVI. State Railways	2·71	2·60	− ·11
XXX. Minor Works and Navigation	1·86	1·88	+ ·02
XXXII. Civil Works	1·58	1·87	+ ·29
Total	310·61	324·16	+ 13·55

Expenditure.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.
	LAKHS.	LAKHS.	LAKHS.
1. Refunds and Drawbacks	1·22	1·29	+ ·07
3. Land Revenue	48·40	51·30	+ 2·90
5. Salt	5·49	4·61	− ·88
6. Stamps	2·70	2·53	− ·17
7. Excise	1·57	2·68	+ 1·11
9. Customs	2·46	2·54	+ ·08
10. Assessed Taxes	·14	·15	+ ·01
11. Forest	7·75	8·75	+ 1·00
12. Registration	4·20	4·21	+ ·01
13. Interest	1·50	2·03	+ ·53
15. Post Office	1·02	1·07	+ ·05
18. General Administration	9·93	9·75	− ·18
19-A. Courts of Law	46·92	46·68	− ·24
19-B. Jails	10·51	11·58	+ 1·07
20. Police	46·04	47·43	+ 1·39
21. Marine	·40	·08	− ·32
22. Education	16·79	18·45	+ 1·66
24. Medical	13·07	12·71	− ·36
25. Political	·84	·75	− ·09
26. Scientific, &c., Departments	4·20	5·04	+ ·84
29. Superannuation, &c.	15·52	16·42	+ ·90
30. Stationery and Printing	9·00	10·46	+ 1·46
32. Miscellaneous	1·52	1·63	+ ·11
33. Famine Relief	..	(b) ·05	+ ·05
37. Construction of Railways	..	·07	+ ·07
38. State Railways—Working Expenses	1·68	1·68	..
41. Miscellaneous Railways	..	·10	+ ·10
43. Minor Works and Navigation	33·45	34.05	+ ·60
45. Civil Works	22·00	25·19	+ 3·19
Contribution between Provincial and Local (Net)	·79	·93	+ ·14
Lump addition	1·50	..	− 1·50
Total	310·61	(c) 324·21	+ 13·60

(a) Includes fixed assignment and excludes special transfers.

(b) For flood charges.

(c) Excludes plague charges.

F.
23
1,000—20-4-98.

Financial (1898) Department.

2879

CURRENT No. 33 U

From The Govt
Finance & Commerce Dept

Order

No. 4385-A

Dated 7th October

Received 17th "

Registered 18th "

Enclosures

Spare copies. 4.

SUBJECT

Replying to the letter of this Govt ~~[illegible]~~ regarding the position of Madras as compared with other Provinces in respect of the amount of expenditure which is charged against the revenues of India.

R.O. for papers.

19/10/98

Put up
2/10/98

BACK PAPERS.

G.O.	No.	Department.	Date.

FURTHER PAPERS.

G.O.	No.	Department.	Date.

R 18.x.98

Spare copy circulated for perusal.

The Hon. Mr. A. T. Arundel.

2

Returned to C.S. Our remonstrance has secured us two lakhs of rupees. Verbum sap. sat. ATA 18.10.98

No. 4385-A.

GOVERNMENT OF INDIA.

FINANCE AND COMMERCE DEPARTMENT.

ACCOUNTS AND FINANCE.
Provincial Finance.

TO

THE CHIEF SECRETARY TO THE GOVERNMENT OF MADRAS.

Where is the letter referred to in the last para.

19-10-98.

Simla, the 7th October 1898.

SIR,

C.S. It will be sub[illegible] as soon as the accompanying statement (now being checked) is ready. Material is being gathered for cl. 33

[illegible] 19.x.98

19/10/98.

R.

I am directed to acknowledge receipt of your letter No. 230, dated the 5th March 1898, in which you offer observations upon the position of Madras as compared with other Provinces, in respect of the amount of expenditure which is charged against the revenues of India.

2. The opening paragraphs of your letter raise more or less directly the intricate and far-reaching problem of the amount actually contributed by the several Provinces towards the expenditure of the Empire and of the principle on which Provincial expenditure should be adjusted in relation to this assumed contribution. The question is one which the Government of India have for a long time past consistently declined to enter upon, except by way of passing reference as in the cases quoted in paragraph 3 of your letter, believing that, owing to the multifarious issues involved, no settlement is possible which would not give rise to interminable controversy as to its practical application. Nearly twenty years ago, when the system of Provincial Finance had been recently introduced, Sir John Strachey wrote as follows :—"The principle that the expenditure in each province ought to bear a certain proportion to the amount which that province contributes to the Imperial revenue is inadmissible. The fact appears to me to be that the questions raised are insoluble." The statement here made follows of necessity from the history of Provincial Finance as compared with the systems of Federal Finance which, at first sight, it appears to resemble. The various provinces of India, unlike the separate States of the American Republic and German Empire and the Cantons of Switzerland, have never had any independent financial existence. They possessed no separate revenues, nor were they burdened by individual liabilities or external demands which must be met from their own resources. Up to the time of the introduction of the Provincial system their expenditure formed part of the general Imperial account, and was determined by causes quite independent of the ability of the particular Province to provide for it. There is, therefore, from the nature of the case, no means of determining on what principle the general revenues which are levied under the authority of the Government of India should be distributed among the various Provinces, nor did the Provincial system, which was introduced for reasons of administrative convenience, contemplate that any such attempt should be made. Specific instances have been given in the correspondence to which you refer, illustrating the impossibility of making an allotment of the kind. It is, however, needless to dwell upon these, for the Government of India are confident that the Government of Madras will readily admit that the only ground upon which an intelligible distribution of the common revenues and expenditure could be based is that of financial independence in the past, and that, where that has not existed, there can be no means of determining what proportions of the revenue and expenditure properly belong to particular Provinces. If the question in any way depended upon figures it might be possible to take it up; but the moment it is entered upon the number of collateral issues upon pure questions of opinion turns out to be unlimited, and no argument used by one Government in its own favour is at all likely to be accepted by another.

3. Your letter, for example, quotes from a speech by the Lieutenant-Governor of the North-Western Provinces a passage which shows that Sir Antony MacDonnell is convinced that the claims of the North-Western Provinces rank even before those of Madras. The Government of India could refer to communications from the Governments of Bombay and of Bengal, showing that these two Governments are equally positive that their claims for additional assignments are those which should have the first hearing at the hands of the Government of India. None of these Governments however appear to have taken into consideration the circumstance that even if it were possible to determine what proportion of the revenue collected in a Province could properly be said to belong to that Province, it would be necessary to go a step further and to fix the portion of Imperial expenditure which is incurred on behalf of that Province and must be treated as a charge against its revenues. If such a process could be carried out, it would not improbably be found that the net effect on the balance available for Provincial purposes would not differ materially from that which has been produced by the gradual development of the existing system.

4. Having regard then to the extreme complexity of the general question of the theoretical rights and liabilities of the several Provinces in respect of financial matters, the Government of India can only say that placed as they are under the necessity of having to weigh against each other the requirements of the several Provinces, and to weigh against all these the imperious demands of military and political expenditure and of other expenditure that is not Provincial, they do their best to pronounce equal judgment, but are obliged to admit their inability to justify, to the satisfaction of each of the claimants, the awards they are obliged to make.

5. For the reasons stated above the Government of India do not propose to discuss the general question further; and I am to refer you to the similar conclusion set out in paragraph 9 of the letter from this Department, No. 491 of 24th January 1882, which was written in reply to similar contentions on the part of the Government of Madras. They hope, however, by taking up one or two of the points brought forward in your letter, to lay before the Government of Madras some additional grounds for believing that such a discussion cannot be profitably entered upon.

6. In the first place I am to notice the suggestion in paragraph 3 (3) of your letter that so long ago as 1883 the Government of India admitted the general proposition as to inequality of treatment which the Government of Madras now seek to establish. As to this I am to observe that all that was said in 1883, was that perhaps full consideration had not been given to certain demands for administrative improvement in Madras. The Government of India then as now definitely refused to enter upon any investigation of the inequality as between Provinces, declaring such investigation to be impossible, but they made on general grounds, a grant to the Government of Madras to enable them to meet the demands referred to. That grant they expressly declared, closed the case so far as the claims of the Government of Madras, then under consideration, were concerned; the inequality of treatment, whatever it was, was made up for.

Similarly, in the passage from the Financial Statement for 1896-97, which is referred to in your letter, the Government of India, while mentioning, as a matter on which there might be difference of opinion, the question whether the surplus revenues of each province represented a sufficient or an insufficient share of the burden of the expenditure shewn as that of the general account, advisedly refrained from entering upon any discussion of that question. They explained that the figures given in paragraph 63 of the Statement to illustrate the scale of provincial contributions were not built upon any theory of distribution, and the whole tenour of the section dealing with Provincial Finance was such as to exclude the supposition that it was possible to formulate a theory of the kind.

7. Next I am to draw attention to the figures given in your paragraph 11 as the figures of the revenue from rates on land, which are said to show that the raiyat population of Madras pays much more for local purposes than that of any other Province. The figures in question are taken from a resolution of the Government of India, Home Department, dated 20th August 1897, on the administration of Local Boards, and they refer merely to that portion of the aggregate amounts raised by local taxation which is administered and controlled directly by Local Bodies. They do not include the portion, especially large in Bengal and the North-Western Provinces, which though raised locally is administered provincially. A reference to account No 18 of the Finance and Revenue Accounts, which gives the receipts under Provincial Rates, will show that the complete figures of local taxation in the several Provinces, do not bear out the conclusion drawn in your letter.

8. The Government of India pass over the remark made parenthetically in the next paragraph that the raiyat of Madras contributes a far higher amount to the salt revenue than the raiyat of other Provinces. The rate of salt-tax per maund is, as the Government of Madras are aware, no higher in Madras than elsewhere; although it is true that the Madras raiyat, being on the whole better off than the raiyat of Northern India, consumes on the average a slightly greater quantity of salt. The Government of India are not aware of the grounds on which the Government of Madras consider the agricultural population of Bengal to be wealthier than that of Madras; but they notice the observation, not by way of entering on an examination of the facts, but only of pointing out to how great an extent the general question of the relative claims of different Provinces, to which the Government of Madras address themselves in your letter, turns upon considerations as to which there may be radical differences of opinion.

9. I am next to refer to the figures put forward in paragraph 8 and Appendix A of your letter as indicating that the Provincial expenditure on Education, Medical and Roads is less in Madras than elsewhere. The Government of Madras complain that a greater proportion of this expenditure is met from local taxation in Madras than is the case in other Provinces, and they argue that, in consequence of this, Madras gets an unduly small assignment from general revenues, because a relatively smaller balance of expenditure on these objects remains to be met from that source. If however reference be made to Accounts Nos. 34-A., 34-B. and 36-B. of the Finance and Revenue Accounts, 1896-97, it will be seen that the following figures shew in even thousands of Rx. the whole expenditure on Education and Medical, which is met out of Public Revenues, General and Local:—

	Net expenditure on Education.	Expenditure on Hospitals and Sanitation.
	Rx.	Rx.
Bengal	332,000	90,000
North-Western Provinces	182,000	64,000
Punjab...	126,000	47,000
Madras	238,000	194,000
Bombay	291,000	108,000

As regards the expenditure under these heads the Government of India are unable to admit the existence of any serious inequality. In the matter of roads it is further necessary to explain that the system under which revenue and expenditure are distributed between provincial and local differs in every Province. It is however everywhere a mere administrative arrangement and no argument whatever, relevant to the present issue, can be drawn from the fact that as is stated in Appendix A to your letter the expenditure on roads in Madras is so distributed that out of a total of Rx. 321,200 only Rx. 34,300 is under the direct administration of the Local Government, while in Bengal Rx. 84,900 out of a total of Rx. 424,500 is so administered. This simply means that a large amount of local rate on lands is in Bengal credited to Provincial and spent under Provincial, whereas in Madras the whole local rate is credited to local and spent under local. Neither Government is either better off or worse off by reason of this variation of distribution. The distribution in the North-Western Provinces follows again a different principle from either of these. In short, the figures which the Government of Madras have taken to indicate different standards of revenue and different capacities for expenditure really denote nothing more than different administrative arrangements for dealing with the same revenue and expenditure.

10. These remarks will perhaps suffice to shew that the figures put forward in your letter do not really justify the conclusions which the Government of Madras have based upon them. The question in truth is a much more complicated and difficult one; a few of the factors of the problem will be found set out in Sir J. Westland's speech in the Budget Debate of 26th March 1897, page 277 *et seq.* of the Proceedings of the Governor General's Council; and the Government of India, as already said, admit their inability to draw up any statement of

the case which will suffice to convince each of the Governments of Bengal, the North-Western Provinces, Madras, and Bombay that it is not, as compared with each of the others, placed at a disadvantage.

11. A large portion of your letter is addressed to the question of sanitary improvement. The Government of India have nothing to retract as regards the importance of this. But they never undertook, nor can they consistently with other demands upon general revenues undertake, to make grants to Municipalities for water-supply and drainage works out of general revenues. No such grants have been at any time provided for in the assignment to any Province, nor has any other Provincial Government proposed to make such a provision. On the contrary, the policy laid down by Government (Resolution No. 13 of 1st January 1889) is that of assisting by loans and not by grants when the municipalities could not themselves raise the necessary money. If in special cases grants are found to be necessary, the requisite funds should be provided from the normal increase of Provincial revenues during the currency of the contract.

12. I am now to pass on to the questions relating to the estimate of Land Revenue and of Excise Revenue made for the purposes of the last settlement. The question of the Excise Revenue has settled itself; the Government of India took it for granted that the Government of Madras would, as they originally anticipated, find it to their advantage to make the choice announced in your paragraph 34, and they regulated the last estimates accordingly. As regards Land Revenue the question is practically that of the figure taken in the second line of the statement set out in Appendix D of your letter which gives as the ordinary assessment an estimate of 4,32,08, based on the following figures of the past :—

1892	...	...	... 4,00,09
1893	...	...	... 4,04,78
1894	...	...	... 4,20,97
1895	...	...	... 4,28,58
1896	...	...	... 4,26,35
1897	...	...	... 4,33,04

The amount of divisible revenue in addition to this is placed at 1,01,94 which gives 4,32,08 + 1,01,94 or 5,34,02, which the Government of Madras propose in lieu of the estimate of 5,38,00 made for the settlement. The acceptance of the figure proposed by the Government of Madras would add a lakh of rupees to the assignment.

13. With reference to this I am directed to say that the conclusion to be based on the figures appears to be that, as might not unreasonably be expected, the normal expansion of revenue has been somewhat retarded by the occurrence of famine; but experience shews that this retardation is a temporary effect, and the Land Revenue receipts of the current year already furnish evidence of recovery. The Government of India propose under this head to admit the claim of the Government of Madras, in respect of the two years, 1898-99 and 1899-1900, and Rs. 1,00,000 will accordingly be added to the assignment in these two years.

14. The question referred to in your paragraph 35, *viz.*, that of the Provincial balance and the charge to Local Funds on account of famine relief has been disposed of in my letter No. 3055-A., dated 12th July last.

Welcome
anything

I have the honour to be,
Sir,
Your most obedient Servant,
H. H. RISLEY,
Offg. Secretary to the Government of India.

Copy forwarded to the Comptroller and Auditor General and the Accountant General, Madras.

Copy also forwarded to the Home Department.

By order,
J. B. BRUNYATE,
Under Secretary.

7

GOVERNMENT OF INDIA.

FINANCE AND COMMERCE DEPARTMENT.

ACCOUNTS AND FINANCE.
Provincial Finance.

To

THE CHIEF SECRETARY TO THE GOVERNMENT OF MADRAS.

No. 4385-A.

Dated Simla, the 7th October 1898.

G. C. Press, Simla.—No. 1064 C. F.—7-10-98.—100.

8

Financial (1898) Department.

CURRENT No. 3324

CHIEF SECRETARY
16 NOV. 1898
GOVERNMENT OF MADRAS

BC
This with the file given you re Circular letter.
18/11/98

From
The Public Works Dep

No. 5020C.

Dated	14. 11. 98
Received / ***Registered***	16. 11. 98
Enclosures	3
Spare copies	

SUBJECT

Transferring note for Orde
on the subject of the paramou
necessity of spending certai
sums each year out of
Imperial funds on open-
ing new & improving exist-
ing roads in all districts.

P. W. 29.
1,000—5-9-98.

BACK PAPERS.

G.O.	No.	Department.	Date.
Rb32	2-6-98		

FURTHER PAPERS.

G.O.	No.	Department.	Date.

Public Works (1898) Department.

Railway Branch

called for 18/8/98

CURRENT No. 6993

Rd 20-8-98

pm.

Order No. 88. RW / O dated 19th Augt 1898

From The Secretary,
United Planters' Association of
Southern India

No.

Transferred for disposal to
Secretary. P.W. Dept.

R.
19/8/98

Dated the 15th August 1898.

Received 18th "
Registered 22-8-98
Enclosures /
Spare copies

SUBJECT.

Opening new, and improving existing roads

Forwarding copy of a resolution passed by the Association, pointing out the paramount necessity of spending certain sums each year out of Imperial funds on — in all district

08/88

11

BACK PAPERS.

No.	Date.
2432W	21-8-96. ✓
1838W	25-7-95. ✓
1934W	3-8-95. ✓
1581W	27-6-95. ✓
609 Rail.	22-3-80 ✓
3162W	10-12-79 ✓
3052W	1-12-79 ✓
136W	19-1-80. ✓
1697W	9-7-81. ✓
1729W	14-7-81 ✓
2428W	25-9-79. ✓

FURTHER PAPERS.

No.	Date.

1898
Rail Dept
Enclos. No. 2
To
C. No. 3324

UNITED PLANTERS' ASSOCIATION
OF SOUTHERN INDIA.

12

4/24

Madras, 15th August, 1898.

✓ 18

The Secretary to Government,
Railway Department,
Ootacamund.

Sir,

I have the honour to submit for your consideration the following copy of a resolution passed by this Association at its Annual Meeting on the 10th instant:-

> "That, considering that it is the fixed policy of the Government of India to spend a certain sum of money each year on railway extension, the Government of India be addressed through the Madras Government, pointing out the paramount necessity of spending certain sums each year out of Imperial funds on opening new, and improving existing, roads in all districts where a considerable extension of cultivation is possible."

If the Association gauges the position accurately, the Madras Government is in entire sympathy with it on this subject, and will be prepared to give the support that is solicited.

I have the honour to be, Sir,
Your most obedient Servant,
Harry Ormond
Secretary.

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Pro:
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In the budget for the present year, 1898-99, the following sums have been allotted for new

H Mul(1)&(2) 1-11-98 R 3-11-98

1898
Finl Dept.
Enclos. No. 3
To
C. No. 3324

Ow51
6553/5

Finl Dept.
Enclos. No. 2
To
C. No. 3324

13

[43/500]

P. W. DEPARTMENT.

Finl 263-4
18-2-99

C. No. 6993

(1) HIS EXCELLENCY THE GOVERNOR.
(2) THE HON'BLE SIR HENRY BLISS, K.C.I.E.
(3) THE HON'BLE MR. ~~GROSE, C.I.E.~~ A.T. Arundel.

SUBJECT.

Relative to the necessity of spending certain sums each year out of Imperial funds on opening new, & improving existing, roads in all districts

FOR ORDERS.

Lmd to W to at
AcK
4-11-98

CURRENT NO. 3324
No: 5020 C. d/ 14 Novr. 98

Transferred to the Financial Department

Secretary to Government

The United Planters' Association of Southern India suggests that this Govt. should address the Govt. of India pointing out the paramount necessity of spending certain sums each year out of Imperial funds on opening new, and improving existing roads in all districts where a considerable extension of cultivation is possible.

The sums allotted from Provincial funds for new works under "communications", during the five years ending 1897-98, are shown in the accompanying statement; In the budget for the present year, 1898-99, the following sums have been allotted for new

H. Hon'ble (1) & (2) 1-11-98 R 3-11-98

Statement of Expenditure on Communications, Original works, in the P.W.D. under Provincial and Incorporated Local and in the Local Fund Department for the 5 Years ending 1897-98.

Years	Expenditure on Communications, Original Works incurred in the			Total	Remarks.
	P. W. Department under Provincial	P. W. Department under Incorporated Local	Local Fund Department		
	Rs.	Rs.	Rs.	Rs.	
1893-94	1,05,701	4,700	4,83,554	5,93,955	
1894-95	63,965	1,262	4,97,870	5,63,097	
1895-96	77,474	3,591	5,39,646	6,20,711	
1896-97	62,848	1,827	5,18,953	5,83,628	
1897-98	1,33,656	6,667	4,55,760	5,96,083	

C.L.
7/10/98

14

2

vide flag N
GO Rev No 632 dated 2-6-98

new roads to benefit planters:-

Gercand Ghat	Rs 40,000
Anamalai Roads	" 50,000
Chinniar - ~~Falia~~ Talliar Road	" 20,000
Chundale - Mysore road (estimate - Rs 84,340)	" 17,000

There is also a proposal to give a grant-in-aid from the Provincial Reserve to the Malabar Dist: Bd. for the improvement of the Calicut - Gudalur Road, and money is being reserved for the Bodi - Kutagodi road in Madura district, for which an estimate is under preparation.

The sums spent by District Boards on new roads during the last 5 years are given in the accompanying statement. In Local Fund budgets, the Govt. has insisted, of late years, on District Boards setting aside a certain minimum percentage of their revenues for "communications".

Orders are requested whether Govt. is prepared to address the Govt. of India in the manner proposed. The undersigned has more than once recommended that the maintenance of the main lines of communications should be aided by grants from 'Provincial' & would like to see these still further aided by grants from 'Imperial.'
ACH 18-10-98.

A.

I am generally in accord with the views expressed at A in this Note, except that it would be useless, and I think also, undesirable that such expenditure should be supplemented from Imperial Funds. But we should make use of this application from the planting community, as forming an additional ground in support of our contention, now under disposal, that we are entitled to a larger proportion of our own Revenue, for Provincial, than we now get.

India need not be addressed, just now, in the manner proposed.

A.S.H. 29.10.98

I am in ~~[illegible]~~ accord with the views expressed so far as Provincial funds are concerned by Mr. Russell. I see no occasion for addressing the Govt. of India.

AAH 20.10.98

1/11/98

AH 2.11.98 generally

1898
Finl Dept.
Enclos. No 1
To
C.A. 3324

HL. 08. w. 98

G/118
2,000—16-11-97.

Financial Department.

C. No.

TELEPHONE MESSAGE.

ns

From

Chief Secretary

CHIEF SECRETARIAT,

To

Secy. P. W. D.

Dated 19. 1. 1899.

Urgent. Will you please furnish me with some general remarks on which to base a representation to India that the grant of 22.16 lakhs for 1899-1900 under 45 Civil Works is inadequate. How much of this will go towards Establishment & how much will be left for works. If similar facts can be brought out as regards the Irrigation grant the case will be made all the stronger

Please treat this as very urgent

19. 1.

Ans
19. 1. 99

Desp 1132
20/1/99.

Q
– Return to CA after despatch
Ans

17

Financial (1899) Department.

CURRENT No. 327

CHIEF SECRETARY
23 JAN. 1899
GOVERNMENT OF MADRAS

From The Public works Dept.

Order

No. 462C

Dated 23-1-99
Received — do —
Registered — do —
Enclosures
Spare copies

SUBJECT.

Furnishing information in connection with the inadequacy of the grant for Provincial Civil Works for 1899-1900.

BACK PAPERS.

G.O.	No.	Department.	Date.

FURTHER PAPERS.

G.O.	No.	Department.	Date.

P. W. 41.
1,000—1-11-98.

18

No. 462C.

Very urgent

Government of Madras,
Public Works DEPARTMENT.

CURRENT No. 327

MEMORANDUM.

Dated Madras, 23 January 1899.

The following information is furnished to the Chief Secretary, Financial Department, with reference to his telephone message dated 20th January 1899.

1 The total demands for 1899-1900 under 45 Provincial Civil Works, as modified up to date, amount to Rs 36,22,506 as shown below:-

(a) Lump sum grant for Minor Works		1,03,200
(b) Do for Repairs		3,38,146
(c) Establishment		7,00,000
(d) Tools and Plant		1,59,800
(e) Reserve for incomplete works of current year		2,00,000
Original Works in progress		
(f) Civil Buildings	Rs 3,92,306	7,88,606
Communications	- 3,96,300	
New Works		
(g) Civil Buildings	Rs 11,49,754	12,19,754
Communications	70,000	
		Rs 35,09,506
Repairs to the Malabar roads which the Govt. have decided should be taken over by the P.W.D		1,13,000
Total Rs		36,22,506

2. On account of the limited assignment of Rs 22,16,000 made for next year, it has been necessary to propose in the budget note, which is now in circulation, reductions in the demands under each head. Items (a), (b) and (e) have accordingly been reduced to Rs 70,000, Rs 2,54,000 and Rs 1,50,000 respectively and no further reductions therein are feasible. Items (c) and (d) are not susceptible of any reduction and should be fully provided. The demands for items (a) to (e) thus amount to Rs 13,33,800 leaving only Rs 8,82,200 available for distribution among Original Works, Major and Minor. Against the available sum of Rs 8,82,200, the demands for works in progress amount to Rs 7,88,606, and if these demands are fully complied with, there will be only Rs ~~93,454~~ 93,594 left for distribution among new works. In order to provide funds for urgent new works as far as possible, it has been necessary to reduce the allotments proposed for several works in progress thereby postponing their completion, which will result in increasing the cost of the works under "Petty Supervision". Even by thus curtailing the grant ~~thus~~ proposed for works in progress by Rs 1,64,100, it has been possible to provide only Rs 2,57,694 (Rs ~~93,454~~ 93,594 + Rs 1,64,100) for urgent new works. There are still several sanctioned new works to the extent of Rs 1,11,299 left unprovided for.

3. After the budget programme had been drawn up on the above lines, the Local and Municipal Department expressed its inability to provide from the Provincial grant at its disposal the sum of Rs 50,000 required for expenditure in improvements to the Chundale Mysore road which has been ordered to be taken over from the District Board. Against this demand, it is proposed to provide Rs 25,000 only by reducing the reserve of Rs 1,50,000 which is already inadequate.

4. Certain roads in the Moplah tracts which have hitherto been in charge of the Malabar District Board have since been ordered to be repaired by the Public Works Department. The repairs are estimated to cost about Rs 1,13,000 and this sum cannot be met from the limited grant of Rs 22,16,000. An additional allotment of at least 1 lakh will have to be placed at the disposal of this Department to meet the cost of repairs to these roads.

5. The sum that should be granted for expenditure during the ensuing year in addition to the allotment of Rs 22,16,000 already provided is Rs 4,75,000 as shown below:—

	Rs
Reserve (in order to raise it to Rs 2,00,000 which is the usual amount)	50,000
Works in progress (in order to allow the full grants applied for and thus not to postpone their completion)	1,64,100 ~~1,64,000~~
Sanctioned works which have been left unprovided for.	1,11,299
Improvements to the Chundale Mysore road	50,000
Repairs to roads in the Malabar Dt.	1,00,000
Total Rs	4,75,399

or Rs 4,75,000 in round figures.

6. The whole of the Public Works Establishment in this Presidency is treated as Provincial, the other funds for which this Establishment carries out works contributing 23 per cent on the actual outlay on Works and Repairs. The net charge to Provincial Civil Works calculated on this principle amounts to Rs 7,00,000 or 52 per cent on the "Works" grant and this sum is constant whether the grant for "Works" is large or small. If the grant for "Works" is increased, there will be a corresponding reduction in the percentage charge for "Establishment"

7. The Chief Engineer for Irrigation has been asked to furnish the requisite information in regard to the inadequacy of the grant for Irrigation Works.

Secretary to Government.

Exd
CMR

Fnl Dept

Public Works (1899) Department.

CURRENT No. ~~719~~ 395

CHIEF SECRETARY
28 JAN 1899
GOVERNMENT OF MADRAS

No: 597 C d/27 Jany/99

~~Order~~

Forwarded to the Financial Department with reference to para 7 of Memo: No: 462 C d/23 January 1899.

Secretary to Govt. P.W.D.

Mis

Recd 28
Regd 28/1/99

From The Chief Engineer, for Irrigation

No. 33

Dated 23 1- 99.

Received
Registered 25. 1. 99

Enclosures

Spare copies

SUBJECT.

Submitting certain general remarks in regard to the grant applied for for Irrigation works under 43.

BACK PAPERS.

No.	Date.
India Des No 68	& 3-3-98 to 5-1-8.
124 : 19-1-99 sc	
95 : 12-1-99 "	
1220-1 : 13-12-98 "	
R632 : 2 6-98	
229-30 : 5-3-98 sc	
115-6 : 8-2-98 "	
993 : 30-11-97 "	
19162 : 6-10-97 mis	
824 : 5-10-97 sc	
46-7 : 19-1-97 "	
43 : 18-1-97 "	
25-6 : 12-1-97 "	
904-5 : 29-12-96 "	
819-9A : 27-11-96 mis	
71-1A : 31-1-96 sc	
6 : 6-1-96 "	
667-7A : 6-9-95 "	
392 : 30-3-92 "	
391 : 30-3-92 "	
907 : 12-11-89 "	
8782 : 17-4-89 mis	
659 : 6-8-89 "	
24 : 18-1-89 Sc	
1913-42 : 17-10-88 Sc	
2264-52 : 21-11-87 "	
369 : 16-2-83 "	
251 : 9-2-83 "	
195A : 31-1-82 "	
36 : 9-1-82 "	
35 : 9-1-82 "	
1975 : 12-10-87 "	

FURTHER PAPERS.

No.	Date.

E. I. Form No. 22—2,000—8-8-96.

GOVT. OF MADRAS. } 1899. { P. W. DEPT.

CHIEF ENGINEER FOR IRRIGATION.

Madras, 23rd January 1899.

OFFICE NOTE No. 33.

48

Circulation Register.

To	From	Despatch Date.	Receipt Date.
W	E. I.		

KEEP-WITH.

No. , dated 189 .

With reference to the Chief Secretary's note the following general remarks are submitted in regard to the grant applied for for Irrigation works under 43.

The total amount applied for was Rs 30,60,000 the amount fixed as a limit by the Provincial Contract being Rs 29,45,000

First as regards systems for which accounts are kept charged to 43 - As the Sangam project has not as yet fulfilled the conditions of a productive public work a sum of 40,000 Rs for capital or Rs 1,75,000 in round figures.

expenditure has to be met from the Provincial Grant. As regards other original work under this head no reduction seems advisable. As regards maintenance under this head, an allowance of 6 as per acre of land irrigated amounts to Rs 2,00,930, but this allowance of 6 as has been found ~~fairly~~ barely sufficient and the grant for the current year was Rs 2,27,128. The demand made for 1899-1900 was Rs 2,21,624. It is not advisable [illegible] to make any reduction under this head.

Secondly as regards ordinary maintenance and repairs the demand made amounts to an average of a little over 5 as an acre of land actually irrigated last season, and it is notorious that there are numbers of works neglected for want of funds. The average of the actual expenditure of the 4 years 1894-95 to 1897-98 with grant for the current year comes to Rs 3,85,852 the demand made being 4,04,400 Rs.

If the demand of Rs 30,60,000 has to be reduced by Rs 1,15,000 it will have to be done by reducing the grants for original and Agricultural works.

24/1

for E.I.

E

B.E.

E

Please have a statement prepared showing from the last monthly Provl. accounts now with you showing the probable Provincial Revenues for the current year as compared with the B.E. Perhaps A.G.'s office may be able to supply you with inform. on this point. The Statement at best can be but approximate but it is required soon (at Madras)

12.x.98

Statement submitted.

19/10/98

27

5

Year	Budget Estimate	Actuals	Increase or decrease of Actuals over Budget Estimate	Percentage of increase or decrease
1893-94	126·41	132·20	+ 5·79	+ 4·58
1894-95	128·65	133·78	+ 5·13	+ 3·99
1895-96.	134·04	133·16	- ·88	- ·66
				Total + 7·91
1898-99	140·91	⊗ 144·63		Average + 2·64

⊗ This figure represents the budget estimate of 1898-99 increased by 2·64 per cent which is the average increase per year of the actuals over the budget estimate, calculated on the figures for the years (1893-94 to 1895-96).

27/10/98

KS 27-10-98

6P

Districts

Area

Population

Strength of Civil Service

Lack of ICS correspondence

Saving [in] Recruitment

Overall

Large Province

Total Provincial Revenues

Provl. Expenditure

A Draft to be prepared appealing to S. of S. agst the G. of I's refusal to treat this Presidency like the others: Eliminating all large items of expenditure [illegible] we [illegible] to Bengal [illegible] Bombay C.P. as large or more, which is [illegible]. All establishments out of all proportion. [illegible] they [illegible] down on them.

Report on Westland's scheme. also to be prepared.

7/11/68

Financial Dept

Note

Taluk Establishments

Last .54 G.O. 1108 Finl D 15' Decr 94

Printed file is put up

Provision on this account was first made in the budget for 1895-96 and was ~~repeated~~ continued in 1896-97, 1897-98 & 1898-99. It was allowed to stand only in 1896-97 and was struck out by India in all the other years.

.35 G.O. 30 Finl D 11 Jany 1896.
1.98 " 886 " D 16' Decr "
.75 " 1075 " D 21" " 1897
Page 35 of C.B.2. 96-97.

In 1895-96 it was struck out as the expenditure on this account ~~was~~ had not been duly sanctioned in 1897-98 as the scheme was not likely to be sanctioned by the Secretary of State in time for expenditure on it to be incurred in that year and in 1898-99 as it was not possible to provide for new expenditure of the kind owing to famine expenditure.

G.O. Nos. 271 & 311 Finl D 25 March & 10' april 95

G.O. 824 Finl D 5th octr 97.

G.O. 379A, 379B D 18' April 1898.

It was proposed to include the

G.O. No. 904 905 D 29' Decr 1896

Financial Department.

Note for the Revenue Department.

It is understood that the Govt. of India has at various times refused to sanction and put off schemes involving additions to the Forest establishment. As it is in contemplation to address that Govt. in connection with the Provincial budget it is requested that the papers on this subject, as well as, papers regarding any large schemes pending in the Revenue Department, with a note showing exactly the additional expenditure involved in each case may be furnished to this department at a very early date.

e.g. the revision of the Rangers & Sub Forest Establishments.

(Intld) C.M.S.

(Intld) G.S.
23-1-99

Revenue Department.

The Heads of all Sections will furnish the H.C. with short notes on the subject. The H.C. will submit a consolidated note giving the facts.

(Intld) N. Nb.

23-1-99

Keep for reference & send with me to Calcutta.

(Intld) G.S.

27-1-99

2. Revenue Department

To Under Secretary.

In November last the Govt. of India declined to sanction a scheme (a small one) for the amalgamation of a part of the clerical establishments of the Conservators of Forests with the executive staff of the Forest Department. In September, on the grounds that "similar proposals ~~of~~ for the revision of office establishments in all other provinces hav

G.O. 710 Rev. Flag A
24-11-98

This was a mere amalgamation scheme.
(Intld) G.S.F

G.I. letter in G.O. No. . 3800 / 28-9-98 B

also

Cut of in the Contract figure but the Govt of India did not accept it as the Scheme was not likely to be sanctioned in time for expenditure on it during 1897-98

G.O. No 824 Jud d 5' octbr 1897

Registration

Papers regarding the reorganization Scheme are put up. India's reasons for not approving it are marked in pencil in G.O. No. 1323 Judl d 15' Aug 1896.

Railway Police

Printed file is put up.

Superannuation } State Provincial }

Please see portions marked in G.O. No 824 Judl d 5' octbr 97. and (Flap) G.O. No 904.905 d 29' decr 96. (Flap)

Financial Department.

Note for the Revenue Department.

e.g. the revision of the Rangers & Sub Forest Establish-ments.

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(Intld) G.S.

27-1-99

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G.O.710 Rev. Flag A
24-11-98

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G.I. letter in G.O.No. . . 3800 / 28-9-98 B

also

also to be dealt with and the subject has necessarily to be dealt with as a Whole" and that the matter would consequently take some time to settle, the Govt. of India put off according sanction of a scheme for the reorganization of the clerical staff of the Madras Forest Department ~~and~~ involving an additional cost of Rs.26,200 per annum. Beyond these cases there does not appear to have been any during the past ten years wherein the Government of India expressly refused to sanction or put off sanctioning any scheme connected with the Forest Dept. of this Presidency.

C D
G.O.469-70
23-8-98

2. The proposals ~~of~~ for the reorganization of the subordinate staff had no doubt been under consideration of the supreme Govt. for a very long time i.e. from 1891 to 1897 but this Govt. had not made any special request for their early introduction except in June 1896 and the scheme was sanctioned in January 1897. It may however be mentioned here that in reviewing the budget estimates for 1895-96 the Govt. of India disallowed a provision made therein by this Govt. for the above scheme on the ground that it "has not yet been sanctioned, and should ~~should~~ not therefore be provided for"

G.Os.639 Rev.
14-7-91 & E

81 Revenue
9.2.97 F

The G. of I. have been most liberal on the whole about Forest establishments
(Intld) G. S.F.

Para 9 of the G.I. Rev.
in G.O.682/14-II-95 G

3. The schemes pending in the Revenue Department i.e. which are still under correspondence in that Dept. are

I - 3.A. Land Revenue - Improvement of the position of taluq Gumastahs involving a cost of about Rs.104,000 per annum.

II - 3. B+C Land Revenue Reduction of the Survey Staff and the reorganization

See notes on these items below

H
G.O.108
23-2-98 & I 637-38
28-10-98

J-K-L
413-415
27-7-98

---

of the Land Records Department, the net result of which cannot now be estimated.

III - 3 E. Land Revenue
Revision of village establishment in Tanjore involving a cost of about Rs.375,500 per annum

Papers with U.S. Local

IV - 7 Excise - Scheme for the better control of distilleries involving an additional cost of Rs.17,196 per annum

Papers not available

This is a comparatively small matter
(Intld) G.S.F.

V.5 Salt - Scheme for the amalgamation of the Customs with the Salt and Abkari Dept estimated cost about Rs.10,000 per annum.

M Since recd & put up
G.No.7428 of 98

This is an amalgamation scheme
(Intld) G.S.F.

VI.11 Forests

(a) Increase to the clerical staff of district forest office staff - estimated cost Rs.26,200 per annum

C G.O.469
23-8-98

(b Reorganization of the conservators office staff - no estimate; the increase in the expenditure should in any case be under Rs.1,500 per annum.

VII. 36 Scientific and other Minor Depts
Reorganization of the agricultural staff of the Presidency.

4. As regards Taluq establishments the Government of India recently promised ~~to~~ to submit the proposals to the Secy. of State on condition that funds could be provided for it in next year's estimate without showing a deficit upon that years accounts. This condition was agreed to. A provision of Rs.95,000 on this account has already been made in the next year's budget.

Why could you not have written this under I &c on p. 4 instead of breaking it up all over the place
(Intld) G.S.F.

N G.O.380 Rev./18-1-99

11/12 of the cost

O Para 1 (ii) of G.O.No. 1180 Finl/6-12-98.

5. Items II and VII viz those re:-

the

the reorganisations of the Survey and Land Records Staff and of the Agricultural Staff are now under reference to the Board of Revenue. There is no means by which even the approximate cost of these could be forecasted. It may however be mentioned here that it seems unlikely that final orders on the schemes when submitted would be passed before the end of the ensuing year.

Paras 3 & 6 of G.O.413 Rev./27-7-98
&
414 Rev/27-7-98 J K

6. Item III Tanjore Village establishments. Orders are being issued sanctioning the revision of the Tanjore Village establishments. In the meantime a provision of 2,25,000 has been made in the ensuing years budget estimate.

Papers with U. S.

Page 7 of G.O.1250 Finl 19-12-98 P

7. Item IV. Proposals for the better control of distilleries are now under the consideration of the Govt. of India. That Govt. had called for more information in connexion with them and the draft reply is now with the Secy. The necessary provision has been made in the ensuing year's budget.

It is a small matter financially & will not be objected to when explained.
(Intld) G.S.F.

G.O.No.1240 Finl/17-12-98 Q

8. Item V. Scheme for the amalgamation of the Customs with the Salt and Abkari establishments involving an additional cost of Rs.10,000 has been returned to the Board ~~of~~ for revision. The provision proposed to be made on this account in the budget however was struck out at the suggestions of the Financial Department.

This is an amalgamation scheme
(Intld) G.S.F.

Portion at bottom of page 2 of M.s of G.O.1240 Finl. 17-12-98

9. Item VI, re: forests, has already been referred to in para 1 above. As regards the clerical staff of D.F.O's the Government of India has since been asked to sanction pending orders on the general question a temporary establishment costing

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S page 48 of G.O.790 Rev/ 17-12-98

costing Rs.4920 per annum and the ~~cost~~ necessary provision on this latter account has been made in the ensuing year's budget.

The question whether the Conservators clerical staff should be reorganized so as to improve the prospects of Managers is now under reference to the Board. The scheme however is a small one and even if sanctioned is not likely to affect the budget one way or the other.

(Intld) E. N. M

27-1-99

No. It is a fad of the Board's.

(Intld) G.S.F.

Secy.

The above note may go to Finl.

(Intld) N. M

27-1-99

Yes

(Intld) G.S.F.
27-1-99

Fin. Dept. U.O.

~~29~~ 36

Statement showing the revenue and expenditure of the Central Provinces for 5 years ending 1887-88

Statement showing the Revenue and Expenditure of the several Provinces for the five years ending 1897-98:-

Provinces	Population in Lakhs	Imperial							Provincial							Local							Grand Total for the five years ending 1897-98	Per head of population
		1893-94	1894-95	1895-96	1896-97	† 1897-98	Total	Per head of population	1893-94	1894-95	1895-96	1896-97	† 1897-98	Total	Per head of population	1893-94	1894-95	1895-96	1896-97	† 1897-98	Total	Per head of population		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
	Lakhs	Lakhs	Lakhs	Lakhs	Lakhs	Lakhs	Lakhs	Rs.-a.-P.	Lakhs	Lakhs	Receipts Lakhs	Lakhs	Lakhs	Lakhs	Rs.-a.-P.	Lakhs	Lakhs	Lakhs	Lakhs	Lakhs	Lakhs	Rs.-a.-P.	Lakhs	Rs.-a.-P.
Central Provinces	107.84	148.89	149.48	145.07	128.57	109.56	681.57	6-5-1	78.00	71.09	82.31	77.99	89.66	399.05	3-11-3	11.10	10.49	11.94	11.32	10.22	55.07	0-8-2	1135.69	10-8-6
Burma	77.22	319.33	365.54	353.20	356.23	297.34	1691.64	21-14-6	193.90	174.80	220.75	213.20	308.51	1111.16	14-6-3	16.05	17.20	18.28	18.93	20.15	90.61	1-2-9	2893.41	37-7-6
Assam	54.77	48.80	52.17	53.57	57.75	52.62	264.91	4-13-5	62.62	61.70	66.94	65.25	72.17	328.68	6-0-0	8.59	8.83	9.18	9.26	9.12	44.98	0-13-2	638.57	11-10-7
Bengal	713.47	1412.36	1545.90	1607.89	1563.68	1492.24	7623.07	10-10-11	432.78	446.12	458.51	467.20	461.07	2265.68	3-2-10	57.08	59.92	60.62	64.83	64.09	306.54	0-6-11	10,195.29	14-4-8
N.W. Provinces & Oudh	469.05	706.10	737.39	716.93	607.27	692.22	3459.91	7-6-0	330.83	317.50	316.64	331.31	353.33	1649.61	3-8-3	83.36	82.53	85.46	77.95	87.22	417.12	0-14-3	5526.64	11-12-6
Punjab.	208.67	550.14	574.67	612.10	582.97	673.60	2893.48	14-5-6	174.95	173.05	177.88	178.92	190.44	895.24	4-4-8	42.97	43.48	44.05	22.37	45.96	218.83	1-0-9	4,107.55	19-10-11
Bombay including Scinde	188.57	895.91	1036.11	1080.24	985.31	986.43	4978.06	26-6-5	408.67	40[illegible]	[illegible]6	203.13	424.88	2066.63	10-15-4	26.85	45.20	49.45	45.76	44.63	231.89	1-3-8	7276.52	38-9-5
Madras	356.30	866.28	917.86	948.73	917.85	973.29	4624.01	12-15-8	308.84	3[illegible]	[illegible]8	320.06	314.92	1590.82	4-7-5	92.22	112.75	126.02	118.40	118.68	568.07	1-9-6	6782.90	19-0-7
Total	2175.89	4947.81	5373.12	5517.78	5199.63	5278.30	26316.59	12-1-6	1989.99	1964.19	2280.65	2057.06	2214.98	10306.87	4-11-9	358.22	380.40	405.00	388.82	400.67	1933.11	0-14-3	38,556.57	17-11-6
										Expenditure.														
Central Provinces	107.84	56.95	58.07	54.46	87.57	192.11	449.16	4-2-8	76.91	70.35	81.29	76.64	88.22	393.51	3-10-5	12.19	11.22	12.85	12.64	13.01	61.94	0-9-2	904.61	8-6-3
Burma.	77.22	194.95	178.98	182.74	190.10	85.67	832.44	10-12-6	193.90	175.57	221.63	214.78	300.23	1106.11	14-5-2	16.05	16.42	17.39	17.35	16.75	83.96	1-1-5	2022.51	26-3-1
Assam.	54.77	15.66	10.85	12.18	15.45	17.25	71.39	1-4-10	58.38	56.96	64.84	63.05	73.35	316.58	5-12-6	12.83	12.57	11.28	11.46	12.57	61.71	1-2-0	449.68	8-3-4
Bengal.	713.47	362.32	338.77	393.75	447.45	495.79	2038.08	2-13-9	419.22	433.73	45.86	451.67	484.22	2234.70	3-2-1	70.64	72.20	73.28	80.36	75.12	371.70	0-8-4	4644.48	6-8-2
N.W. Provinces & Oudh	469.05	110.91	123.63	122.93	218.91	231.22	807.60	1-11-7	305.84	2[illegible]	[illegible]4	305.47	332.80	1536.66	3-4-5	108.36	104.67	104.96	103.79	106.76	528.49	1-2-0	2872.75	6-2-0
Punjab.	208.67	264.36	265.01	271.69	266.20	276.71	1343.97	6-7-1	179.90	178.95	83.56	184.82	202.58	929.81	4-7-4	38.02	37.58	38.37	36.48	60.82	211.27	1-0-2	2485.05	11-14-7
Bombay including Scinde.	188.57	459.61	464.33	507.51	547.89	628.65	2607.99	13-13-3	401.56	396.02	20.53	396.00	437.22	2051.33	10-14-1	53.35	51.67	56.98	52.88	54.09	268.97	1-6-10	4928.29	26-2-2
Madras	356.30	604.81	553.38	564.74	516.47	591.52	2830.92	7-15-1	313.37	319.78	29.57	317.66	327.98	1608.36	4-8-3	87.70	110.41	126.02	120.80	127.63	572.56	1-9-9	5011.84	14-1-1
Total	2175.89	2069.57	1993.02	2110.00	2290.04	2278.92	10981.55	5-0-10	1949.08	1926.77	44.53	2010.09	2246.60	10177.06	4-10-10	399.14	417.79	441.13	435.79	466.75	2160.60	0-15-10	23,319.21	10-11-6

† Revised Estimate

mst 20-1-99

22/1/99

Actuals

P. W. D. under 45. Civil Works 6

		1893-94	1894-95	1895-96	1896-97	1897-98
		5	5	5	5	5
Civil Buildings	Original Works	10.75	11.82	14.40	12.28	5.43
	Repairs	2.14	1.93	2.51 ~~2.62~~	3.26	2.00
Communications	Original works	1.06	.64	.77	.63	1.34
	Repairs	1.55	1.18	1.56	1.15	.89
Miscellaneous Public Improvements	Original works	.05	.02	.08	.55	.57
	Repairs	.18	.16	.22 ~~.21~~	.17	.18
Establishment		5.71	5.15	5.59	4.98	5.17
Tools and Plant		.40	.44	.76	1.28	1.76
Stock and Suspense		1.08	-.44	-.58	-.06	.45
	Total	22.92	20.90	25.31	24.24	17.79

22.92
20.90
25.31
24.24
4 | 93.37
23.34

Checked
[illegible]
6-2-99

Prepared
[illegible]
21.1.99

[illegible]
21.1.99

Statement showing the proportion of Provincial Revenue to Total Revenues in the five provinces (omitting Opium, Salt, Customs, Tributes, Interest, Post Office, Mint, Railways, Military works & Army Receipts)

	Bengal	North western Provinces.	Punjab.	Madras	Bombay
	Lakhs	Lakhs	Lakhs	Lakhs	Lakhs
Total Revenues —					
+ 1893 - 94	920.26	971.33	458.06	923.42	803.73
+ 1894 - 95	935.08	956.75	458.98	953.93	792.92
+ 1895 - 96	947.51	957.86	478.64	975.59	847.24
+ 1896 - 97	970.38	869.16	508.67	942.98	776.96
× 1897 - 98	974.58	968.12	553.04	979.10	812.45
Average.	949.56	944.64	491.48	955.00	806.66
Amount allowed to Provincial —					
+ 1893 - 94	394.65	327.70	171.93	305.23	402.79
+ 1894 - 95	398.57	315.01	170.21	311.36	396.73
+ 1895 - 96	410.10	312.11	175.26	323.09	421.65
+ 1896 - 97	417.77	327.74	176.47	313.88	396.63
× 1897 - 98	457.20	348.79	187.80	308.73	418.02
Average.	415.66	326.27	176.33	312.46	407.16
Percentage	43.77	34.54	35.88	32.72	50.47

+ from the yellow books
× Revised Estimate

M.A.
24.1.99

G.S.D.
24.1.99

— Total — Cont abr

NR – NE
NR

188?
1891

Bo

nR
.2.99
2209
.2.99.

[G/75.]
2,000—24-8-97.

NOTE FOR THE UNDER SECRETARY.

14

	Contract Estimate 1882.				Contract Estimate 1897.			
	Net Revenue—Total.	Net expenditure on Civil administration	Remainder Col 2 — Col 3	Percentage of Remainder to net Revenue—Total	Net Revenue—Total	Net expenditure on civil administration.	Remainder Col 6 — Col 7.	Percentage of Remainder to net Revenue — Total.
1	2	3	4	5	6	7	8	9
	Lakhs	Lakhs	Lakhs		Lakhs	Lakhs	Lakhs	
Bengal	640·11	217·87	422·24	65·9 66	776·33	312·55	463·78	59·7 60
N. W. Provinces & Oudh.	699·29	222·86	476·43	68·1 69	786·41	242·87	543·54	69·1 69
Punjab.	265·61	116·32	149·29	56·3 56	334·28	153·83	180·45	54
adras	569·37	187·08	382·29	67·1 67	782·18	223·74	558·44	71·4 71
Bombay.	409·93	217·19	192·74	47	576·38	254·41	321·97	55·8 56

~~Inflated~~

Take the differences on the Total ~~Net~~ Rev

Difference between Cols 9 & 5

Amount of Total Net Revenue represented by percentage in Col 10

Two places of decimals

uk
.2.99
209
.2.99

[G/75.]
2,000—24-8-97.

NOTE FOR THE UNDER SECRETARY.

	Contract Estimate 1882.				Contract Estimate 1897.			
	Net Revenues – Total.	Net Expenditure on civil administration	Remainder Col 2 — Col 3	Percentage of Remainder to Net Revenue = Total	Net Revenues – Total	Net Expenditure on civil administration.	Remainder Col 6 — Col 7.	Percentage of Remainder to Net Revenue – Total.
1	2	3	4	5	6	7	8	9
	Lakhs	Lakhs	Lakhs		Lakhs	Lakhs	Lakhs	
Bengal	640.11	217.87	422.24	65.9 66	776.33	312.55	463.78	59.7 60
N. W. Provinces & Oudh.	699.29	222.86	476.43	68.1 69	786.41	242.87	543.54	65.1 69
Punjab.	265.61	116.32	149.29	56.3 56	334.28	153.83	180.45	54
adras	569.37	187.08	382.29	67.1 67	782.18	223.74	558.44	71.4 71
Bombay.	409.93	217.19	192.74	47	576.38	254.41	321.97	55.8 56

~~Inflated~~

Difference between Cols 9 & 5

Amount of Total Net Revenue representing percentage in Col 10

Take the difference on the Total ~~Net~~ Rev

Two places of decimals

uR
-2-99
209
2-99

	1896. 1897	1897-1898	1898-1899 (Revised)
	Lakhs	Lakhs	Lakhs
Opening balance.	43.01 ✓	22.96 ✓	7.18 ✓
Excluding Famine & Plague charges	43.01	27.73 ✓	31.~~28~~ 32 ✓
Receipts	322.77 ✓	319.15 ✓	328.56 ✓
Charges (normal excluding Famine and Plague charges)	338.~~05~~ 01	315.60 ✓	319.24 (a) ✓
Famine			
Direct	4.71 ✓	15.97 ✓	.51 ✓
Indirect	·11 ~~.07~~	2.95 ✓	.15 ✓
Total	4.~~78~~ 82 ✓	18.92 ✓	.66 ✓
Plague			
Direct	"	.24 ✓	1.79 ✓ (a)
Indirect	"	.16 ✓	.51 ✓ (a)
Total	"	.40 ✓	2.30 ✓ (a)
Surplus or Deficit	-20.06 ✓	-15.77 ✓	+6.36 ✓
Excluding Famine & Plague charges	-15.~~28~~ 24 ✓	+ 3.55 ✓	+ 9.32 ✓
Closing balance	22.95 ✓	7.18 ✓	12.54 ✓
Excluding Famine & plague charges.	27.73	31.29	40.69.
	7	32 ✓	4

(a) The A. G. has taken in the C. B. E for 1899-1900, 2.75 lakhs as the revised estimate for 1898-99 under Plague.

asdg
4.2.99.

√6

		1896-1897	1897-1898	1898-1899 (Revised).	
		Lakhs	Lakhs	Lakhs.	
Opening balance		43.01			
Excluding Famine & Plague Charges			27.7~~3~~ 7	~~31.28~~ 31.32	
~~Including " " "~~			22.95	7.18	
Receipts		322.77	319.15	328.56	
Charges (Normal excluding Famine & Plague Charges)		~~338.06~~ .01	315.60	~~319.69~~ .24	24 ⊙
Famine ~~Charges~~					
Direct		4.71	15.97	.51	
Indirect	.11	.07	2.95	.15	
Total	4.82	4.78	18.92	.66	
Plague ~~Charges~~ ..					
Direct		..	.24	~~1.79~~ 2.15	⊙
Indirect		..	.16	~~.51~~ .60	⊙
Total		..	.40	2.30 2.75	
Surplus or Deficit					
Excluding Famine & Plague Charges		-15.28 .24	+3.55	~~+8.87~~ 9.32	9.3
~~Including~~ . . .		-20.06	-15.77	+5.91 5.91	~~6.36~~
Closing balance					
Excluding Famine & Plague charges		27.73 77	~~31.28~~ 31.32	~~40.15~~ 64	~~64~~
Including " " .		22.95	7.18	~~13.09~~	~~13.54~~

328.56
319.24
9.32

27.77
40

⊙ The A. G. has taken in the C. B. E. for 1899-1900 2.75 lakhs under the R. E. for 1898-99 under

43·01

19
13
32
23

	1896-97 actuals	1897-98 actuals	1898-99 Revised estimate	
	Lakhs	Lakhs	Lakhs	
Opening balance	43·01	22·95	7·18	
excluding Famine & Plague charges		27·77	31·32	
Receipts	322·77	319·15	328·56	
Charges (Normal, excluding Famine & Plague Charges	338·01	315·60	(a) 319·24	
Famine				
Direct	4·71	15·97	·51	
Indirect	·11	2·95	·15	
Total 4	4·82	18·92	·66	24·40
Plague	23	·74 40 24·14		
Direct	"	·24	2·15 (a) ~~1·79~~	
Indirect	"	·16	·60 (a) ~~·51~~	
Total	"	·40	(a) ~~2·30~~ 2·75	3·15
Surplus or deficit	-20·06	-15·77	9·32 ~~+6·36~~	
Excluding Famine & Plague charges	-15·24	+3·55	+~~9·32~~ 5·91	
Closing balance	22·95	7·18	~~13·54~~ 13·09	
Excluding Famine & Plague charges	27·77	31·32	40·64	

43·01
6·46
49·47
13·54
63·01
13·54
56·65

(a) The A. G. has taken in the C. B. E for 1899-1900, 2·75 lakhs as the Revised estimate for 1898-99 under Plague

45

18

Province.	Percentage of the ~~differ~~ ~~between the total net~~ revenue ~~and the total~~ ~~net expenditure~~ ~~[illegible]~~ in the contract estimate — remainder to the total Revenue		Difference between Cols 3 and 2.	Loss to the Province	Gain to the Province
	1882	1897			
1	2	3	4	5	6
				Lakhs	Lakhs
Bengal	65·96	59·74	-6·22	..	48·29
N. W. Provinces & Oudh.	68·13	69·12	+ ·99	7·79	..
Punjab.	56·20	53·98	-2·22	..	7·42
Madras.	67·14	71·40	+4·26	33·32	..
mbay	47·02	55·86	+8·84	50·95	..

MS
4/2/99

a.D.
4/2/99

Financial Position

			Lakhs
	Closing Balance of 1898.99 according to the Budget Estimate ——		6·08
Add	Savings in Famine Allotment ——	7·50	
	" " Settlement Officers ——	·20	
	Unappropriated savings in Tenancy Bill Officer ——	·11	
	Savings in Minor Irrigation Works – Civil Officers ——	·35	
	India's bounty on the last Contract Letter ——	2·00	
	Railway Police Scheme ——	·23	10·89
			16·47
	Probable additional revenue ——		5·62
			22·09

Deduct Plague expenditure to be borne by Provincial –
Total expendre. according to present estimates in Provl. 2·86 – Local 3·90 Municipal 1·89 total 8·66 – of which Local will bear about 1·50 at the most, Municipal 1·00 leaving for Provincial – 6·15
~~Addl.~~ Doctors from England & Staff Corps Officers will mean an addn. of about 1·50 —— 7·15 ~~7·65~~
Deduct budget provision of ·50
~~Indian~~ Share of Local famine expendre. which will fall on Provl. ~~will be~~ under India's recent orders will be at least —— 3·00.
Excess under Jails —— 1·57
Survey —— ·41
To be repaid to India in 1898-99 on a/c of advance to Cinchona Plantation —— 1·02
~~Estt. other Depts. S.C. Chief Depts. ... of Commr. Offices~~ 13·85

C 10.2.99
R 17.2.99

7. 11 18 20

Note for the CS. Note

Please see alterations in pages 7. 11. 18 & 20. Pages 22 & 23 have been re-typed with the add^l. para

[illegible]

H. [illegible]

Note

This is a powerful letter. See query at para 12 wh. might be cleared up by a word or two. Also a suggested alteration at the end.

[illegible] 10.2.99.

H.S. 11-2-99.

Financial Department.

ORDER:-

P.S.

No 263 of 18.2.99

The Government of India will be addressed.

C.W.B. 7.2.99

[illegible] 9.2.99

LETTER:- No 264 of 18.2.99

To
The Secretary to the Government of India,
Finance and Commerce Dept

SIR,

[illegible] Despd. 18-2-99. Revised copy despd. with [illegible] 9-3-99

I am directed to refer to the correspondence ending with your letter No.4585 A, dated the 7th October 1898, and to address you again in regard to the financial position of this Govt.

2. In that letter it was pointed out that owing to the multifarious issues involved, no settlement of the far reaching problem of the amount actually contributed by the several provinces in India towards the expenditure of the empire and of the principle on which Provincial expenditure should be adjusted in relation to this assumed contribution, is possible which would not give rise to intermin-

controversy as to its practical application; that from the nature of the case, there are no means of determining upon what principles the general revenues which are levied under the authority of the Govt. of India should be distributed among the various provinces; that the Provl. system, which was introduced for reasons of administrative convenience, did not contemplate that any such attempt should be made; and that having regard to the extreme complexity of the general question of the theoretical rights and liabilities of the several provinces in respect of financial matters, the Govt. of India can only do its best to pronounce equal judgment, but is obliged to admit its inability to justify, to the satisfaction of each of the claimants, the awards it is obliged to make.

5. The Governor in Council, whilst unable to admit that the comparison which was instituted in my predecessor's letter No.250, Financial, dated the 5th March 1898, has been met in your letter under reply, considers it unnecessary to pursue this aspect of the question further, in view of the admitted impossibility of drawing up any statement of the case which would suffice to convince each of the local Govts. that it is not, as compared with each of the others, placed at a disadvantage.

disadvantage. He also desires it to be stated clearly that the contentions put forward by this Govt. have not been based upon an idea of the existence of partiality on the part of the Govt. of India in making the various Provincial assignments. ~~[illegible]~~ At the same time he can judge of the effect of the contract ~~[illegible]~~ for this province by its results ~~[illegible]~~ alone and it is, in fact, with this aspect of the question that he is concerned. These results have ~~[illegible]~~ come prominently to notice in the settlement of the budget estimates submitted with my letter No. 124, Finl., d/ the 19th January 1899. In the opinion of this Govt. the fault lies, ~~[illegible]~~ in the inherent defects of the present contract system. This Govt. does not propose to enter into any comparison of Madras with other provinces in so far as the amounts of the Provl. assignments are concerned, but in dealing with the subject of the revenues devoted to Provincial purposes it is impossible to set aside altogether the consideration of the question whether this ~~province~~ Presidency has obtained the advantage that it might reasonably have expected from the revenues raised within it .

4. The objects of the provincial scheme were described in a minute by

Sir

Note. Page 3 of G.O.No.904-5,Finl., dated 29th Decr.1896. K

Sir J.Strachey quoted in his Financial Statement of 1877-78 (para.3.of Fin. & Com. Dept. resolution No.4258-A,dated 6th October 1896) and some of the evils which the scheme was intended to abolish were described in the following words:-

> "The distribution of the public income degenerates into something like a "scramble, in which the most violent "has the advantage, with very little "attention to reason: as local economy "leads to no local advantage, the stimulus to avoid waste is reduced to a "minimum: so, as no local growth of the "income leads to an increase of the "local means of improvement, the interest in developing the public revenues "is also brought down to the lowest "level."

In spite of all that has taken place since these words were penned,these evils appear to the Governor in Council to still exist.So far from inculcating economy, the practical effect of the present system is to induce Local Govts to raise the standard of expenditure during the closing years of a contract period by every possible means, as it is on this standard that the next contract is based. The results of the present system of quinquennial settlements and their demoralizing effect on the administration cannot be better or more accurately described than in the words of His Excellency Sir Arthur Havelock when the budget was presented to the local Legislative Council in 1897:-

+ full stop and capital I.

A.G.H.

Note Page 111 of the financial statement for 1897-98.

> "It appears to me that the contract "system, so called, is bad in itself. "It is demoralising to the Provincial "and Supreme Governments. It is bad in "that each revision that takes place "has a terribly disturbing and dislocating effect on the local administration especially

"especially in the important department "of Public Works to which the pruning "knife has to be suddenly and ruthlessly applied. It is demoralising to "the Provincial Government, because "it tends to impair the sympathetic "co-operation between the Supreme and "Provincial Governments which is so "desirable and because it tempts the "Provincial Government in its financial relations with the Supreme "Government, which is the master of "the situation, to have recourse to "the tactics of the weak. When we are "well off, we try to hide our money "and spend it recklessly lest the "Supreme Government should lay hands "upon it. When we are poor, we try to "give undue emphasis to our poverty. "The system is demoralising to the "Supreme Government because it relieves "that Govt. from the consequence of "extravagance. In my opinion the "financial condition of the Presidency will not be satisfactory until a "larger degree of financial independence and control is conceded to the "Provincial Government, and until "some arrangement more consistent, more "permanent and less onesided than the "present contract system has been adopted."

Vide page 3 of
G.O. nos. 904, 905
Fin. d. 29 Dec. 96.
K

5. The Governor in Council recognizes the necessity imposed on the Govt. of India ~~and dwelt on by Sir E Baring in 1882~~ to afford relief to provinces whose means are straightened, but at the same time he considers, that, as contemplated by Sir J.Strachey, each province should have a larger share in the increases of revenues to which its own improved administration may lead. The settled policy of the present contract system is that any increases of expenditure over the figures settled as the contract assignments under the various heads should be met by increases of revenues during the contract period, and it is in this principle that the most serious defect of the present scheme

Vide page 6 of
G.O. no 824 Fin.
d. 5 Octbr 1897
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scheme, from the point of view of local Governments, exists; for this principle overlooks the fact that before several of the principal heads of revenues can ~~[illegible]~~, be increased-and it is to these heads that the local Govt~~s~~. must look for resources to meet the necessary increase~~s~~ of expenditure during a contract period-increased expenditure must be incurred, and this sometimes for years before enhanced revenues accrue. The necessary consequence is that the allotments for the head of Civil Administration are restricted and the development of the administration retarded in a degree which would

~~had definite sources of income on which it could estimate & calculate beforehand & if the Local Govt had made over to it a definite~~

would not exist if the Local Govt ~~[illegible]~~ had definite sources of income on which it could estimate and calculate beforehand & if it had made over to it a definite ~~[illegible]~~ share in the normal growth of income; in other words, if it were not the recognised ~~[illegible]~~ prerogative of the Supreme Govt to fix the shares of revenues as it pleases & to resume, at the end of each contract period, the entire amount represented by the excess of the Provincial revenues over the Provincial expenditure calculated at the standard attained at the time of the settlement of a new contract. Owing to the rigid enforcement of this principle, the resumptions from the Madras Govt. on the settlements of the last three contracts have been 17.44 10.38 and 14.59 lakhs, respectively, and it is perhaps unnecessary to refer to the incalculable benefits that would have accrued had ~~[illegible]~~ even a small portion of these amounts been devoted annually to the direct needs of this province.

6. This Govt. contends, in short, that it should possess a greater fixity of ~~in~~ interest in the revenues and in the normal growth of the revenues of the province; such a fixity as was contemplated by Sir David Barbour in his Financial Statement for 1892-93, when he regretted the necessity that had arisen to contract the resources of the local Govts. by the amount of the revenues resumed by the Govt. of India, and pointed out that although it was satisfactory that local Govts. should have been in a position to make a contribution to the resources of the empire at a period of pressure, and thus, possibly avoid the necessity of imposing

further

Note

Para 12 of India's resolution on page 6 of G.O.No.904/5, dated [illegible] December 1896. K

Note

Page 24 of G.O.No.824 Fink., d/5-10-97.

further taxation, it would have been still more satisfactory if the Supreme Govt. had been in a position to allow them to retain the whole or the greater portion of this amount for expenditure on the improvement of the internal administration. That this fixity of interest does not exist is apparent from the figures to be found in the compilation issued by the Govt. of India entitled "Progress of Provincial revenue "and expenditure", copies of which were received with Under Secretary Mr. Brunyate's letter No. 4241 A., dated the 22nd September 1897. It may be noted that in the preface to this compilation, it is stated that the figures in the several columns of the statements showing the revenue administered by the Local Govts. and the charges of Civil Administration, including Civil Works, can be taken as directly comparable with each other. It seems therefore fair to infer that the statements can be taken as comparable as between the various provinces. Although, as stated above, there is no intention at present to enter into any discussion on the relative merits of the assignments to the various provinces, the statements I, II and III appended to this letter, which have been obtained from the figures in that compilation, afford clear evidence of the varied and varying nature of the financial position of

Local

local Govts.

7. Statement I shows, that, comparing the contract settlement for Madras for 1887 with that for 1882, whilst the net revenue account rose by 7.21 per cent, the expenditure on Civil Administration was allowed to increase by 4.01 per cent only; and that in 1892, although there was a further increase of 11.68 per cent in the net revenue account, the net expenditure on Civil Administration rose by 5.60 per cent only. The similar percentages for the 1897 contract are 14.74 per cent and 8.80 per cent. The regularity observed between the first set of percentages – those of the increase of the net revenues, and the varying nature of the second set - the increase in the net cost of Civil Administration – constitute in themselves a clear proof of the ill-defined financial position of the Local Govt., which has been ~~naturally~~ really forced to take what it could get. The lack of proportion between these rates is ~~clearly~~ opposed to the principle laid down in 1882 ~~by Sir E Baring~~ that in the settlement of the contracts no revision should be made which would be favourable ~~the~~ to the Imperial at the expense of the Provincial revenues except in cases where this course can be adopted without embarrassing Provl. finance or checking the growth of the material prosperity of the province.

Note

Page 3 of G.O.No.904/5 Finl. d/29th Decr.1896.

8. Statement II compares the contract settlement of 1882 with that of 1897. In this statement the amount remaining from the net revenues after ~~the~~ deducting the net expenditure on Civil Administration - that is, the amount which has been devoted to purposes other than provincial in each province - is compared with the total net revenues. This statement shows that whilst under the settlement of 1897 as compared with that of 1882, the Presidency of Bengal received 48.39 lakhs per annum and the Province of Punjab 7.42 lakhs more for expenditure, the provinces of Madras and of Bombay and the N.W. Provinces and Oudh received respectively 33, 51 and 8 lakhs less.

Statement III exhibits the percentages of increase in the net revenue account ~~on Civil~~ and in the net expenditure on Civil Administration between the contract settlement of 1882 and that of 1897. From this it will be seen that whilst in Madras the former increased by 37.38 per cent, the latter rose by 19.60 per cent only. Against this is to be set the different state of affairs in Bengal, where the respective increases were 21.28 per cent and 43.46 per cent, and in the Punjab where they were 25.85 and 32.25 per cent respectively.

9. Without entering into any discussion or pretending to any knowledge of the necessity of the increased rates of expenditure in Bengal and the Punjab, the Governor in Council can fairly contend that this increase should not have been

been permitted partly at the expense of the spending power of this Govt.

10. In order to remove the present cause of discontent, a discontent which, as the Govt. of India acknowledges, prevails amongst all local Govts, this Govt. would suggest that the shares of local Govts in the revenues should be definitely and finally fixed; ~~and~~ that the present system under which the Supreme Govt. resumes the whole normal excess of revenue over expenditure should cease; and that Provl. Govts. should be given at least some share in this normal growth. As already stated, the Governor in Council recognises that, under present conditions, the more backward provinces must obtain relief to some extent at the expense of those ~~whose~~ the resources of which are developed in a greater degree. This relief, however, would still be feasible under the system now proposed; for under it the Supreme Govt. would share in certain fixed proportions with local Govts. the revenues as well ~~this~~ as the normal ~~excess~~ growth in the revenues, instead of, as at present, fixing the Provincial portion of the ~~latter~~ former as it pleases and appropriating the whole of the latter to Imperial needs and the interests of other provinces. It is by this means alone that the scheme initiated by Lord Mayo can attain the object with which it was originally started; that local Govts. can obtain that share and that interest in the development of the revenues of a province which were contemplated by the introduction of that scheme; and that the unseemly wrangling which at present ~~takes place~~ occurs can be obviated at and after each contract settlement.

If the Local Govts be given definite revenues which can not be increased but by their own action; ~~and~~ if a definite share of the revenue be assigned to them and if their balances be respected and not arbitrarily resumed or requisitioned there will be brought into existence that certainty as to their available resources and as to the burdens to be thrown on them without which Provincial Financial management is impracticable.

11. To turn to the present needs of this ~~Province~~ Presidency, I am to remind the Government of India that when the existing contract was settled, the Governor-General-in-Council expressed the opinion that he had no reason to doubt that the Madras Government would find itself, even apart from the additional grant of 1.50 lakhs then made, in a position to spend during the current quinquennial period considerably more than the 22 lakhs taken as the calculation of the assignment for Civil Works In an earlier resolution No.4258-A,d/ the 6th Octr.1896, the Goveernor General in Council expressed his gratification that the financial prospects were such as to enable him to abstain from any severe restriction of the existing scales of Provl. expenditure. In Mr. Arundel's letter No.905 Finl,d/ 29th Decr. 1896 an adjusting assignment of 28.60, against that of 8.45 proposed by the Govt. of India, was urged. This figure has ultimately been placed at 16.46 lakhs, the claims of this Govt. for higher assignments for Civil Works and for certain other heads having been refused. In finally fixing the adjusting assignment the Govt. of India included an additional grant of 1.50 lakhs "to provide for any increase of expenditure that might be considered important " or urgent by the Govt. of Madras". Independently of the fact that this

act

Note. Para 9 of Fin. & Com. Dept. letter No.1245 A,d/16-3-97.
Note. Page 5 of G.O.No.824 Finl, d/ 5-10-97.
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Note. Page 7 of G.O.No.904-5 Finl.d/ 29-12-96
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Note. Para 17 of Fin. & Com. Dept. letter ~~page~~ No.1245 A,d/16-3-97
Note Page 6 of G.O.No.824,Finl. d/ 5-10-97.
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act of generosity must perforce, from the very nature of the case, fail in its professed object, the additional grant is inexplicable; for if the present contract system is an equitable system and the settlement of 1897 was fair, this benevolence should have been unnecessary. It partakes ~~too much~~ of the nature of "conscience money" and, as is generally the case with "conscience money", ~~it~~ represents a mere fraction of the amount which, ~~but for the dictates of conscience~~ would have been appropriated otherwise ~~[illegible]~~. The Governor in Council is, however, concerned with facts as they stand, and the following figures prove, in his opinion, the generally ~~made~~ inadequacy of the assignments made for this Presidency.

Note Print

This is rather strong language, but perhaps the time has come when a little pungency is desirable!

A.H.

A.H.

Statement VI

12. The opening Provl. balance for the year 1896-97 which stood at 43.01 lakhs was reduced during that year ~~to 22.95~~ by ~~18.06~~ 20.06; this reduction being partly caused by an expenditure on famine of 4.82 lakhs (4.71 as direct and .11 as indirect expenditure). The present contract period therefore opened with a balance of 22.95 lakhs. During 1897-98, a sum of 18.92 lakhs was expended upon Famine (15.97 as direct, and 2.95 as indirect expenditure). The closing balance of the year, in consequence of the decision of the Govt. of India to debit Provl. funds with so much of the 5 lakhs expenditure on Famine Relief as could not be recovered from Dt. Boards, stood at 7.18 lakhs. According to the revised estimates

Note Print

How was it reduced by so large a sum? Famine took up less than 5 lakhs. Was 14.[illegible] lakhs resumed by India?

A.H.

G.O. Nos 1220-1 Finl. 9
13-12-98

estimates for the current year, this balance will be raised on the 1st April 1899 to 13.54 lakhs, after allowing for an expenditure of .66 lakh on Famine (51 ~~on~~ as direct and 15 ~~in~~ as indirect expenditure) and of 2.30 lakhs on Plague (1.79 lakhs on direct and .51 on indirect expenditure) The increase in the balance from 7.18 lakhs at the end of 1897-98 to 13.54 lakhs at the end of 1898-99 is, I am to point out, not entirely due to the returning prosperity of the provinces, but in a great measure to the strict instructions issued by this Government to restrict expenditure in all directions. In fact, for the past two years expenditure under all heads has been kept within the narrowest limits. The foregoing figures ~~show~~, however, that owing to famine and plague, this province will on the 1st April 1899 not only have lost its opening balance of 43.01 lakhs but will be 63 lakhs worse off than it was on the 1st April 1897; for it has now to make up the prescribed minimum balance of 20 lakhs before it can spend any of the balance of 13.54 lakhs. Compared with its position at the commencement of the ~~first~~ present contract period it is 42.95 lakhs poorer. To these figures should be added the sum of 1.67 lakhs which, in consequence of the order~~s~~ of the Govt. of India in regard to the five lakh contribution towards famine from Local Funds

in

in this Presy, has still to be recovered by Provl. funds from Dt. Boards (vide my letter No.1221 Finl,d/ 13th Decr. 1898).

15. In my letter No. d/ the Governor in Council has ~~represented~~ represented the facts as regards plague expenditure, and as contended there the present position under which the local Govt. bears an arbitrary ~~amount~~ portion of famine expenditure and all plague expendre. is opposed to the principles which regulate the financial relations of the Supreme and local Govts, as laid down by the Secy. of State and as accepted by the Govt. of India (vide despatch from the Govt. of India, Fin. & Com. Dept. No.68,d/3rd March 1898), I am again to point out that the Secy. of State held, ~~and the [illegible]~~ that "upon the Imperial Govt. rests the " primary duty of maintaining order "internally and of protecting the "frontiers; of the risk of war, famine "exchange, and sudden emergencies; of "the responsibility of maintaining "not only national solvency, but also "the solvency of the Provl. Govts" and that "on the provl. Govts. rests the "duty of developing the resources of "their respective provinces & by so developing them to add to the general prosperity, "comfort, and taxable power of ~~from~~ the community "at large". It is abundantly clear from the experience of this province and from the figures quoted in this letter that under present circumstances

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the solvency of this Govt. cannot be maintained; that it is seriously hampered in the development of its ~~resolution~~ resources; and that it is beyond its powers to add to the general prosperity, comfort, and taxable power of the ~~comm~~ community at large.

14. When this Govt., ~~in~~ para 53 of the appendix B to Mr. Arundel's letter No.905 Finl.,d/ 29th Decr. '96 urged that a small assignment should be made in the present ~~Central~~ contract under the head of FAMINE RELIEF, the Government of India declined ~~vide~~ para 5 of appendix A to Finance and Commerce Department letter No.1245-A, dated 16th March 1897 to admit any sum in the settlement, and stated

margin

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margin

Note.
Page 8 of G.O. No.842, Financial, dated 5th October 1897.

stated that when "famine occurs local "Govts. are expected to divert to "relief the funds they would other-"wise have devoted to the construction " of public works or to the introduc-"tion of reforms or improvements which "are capable of being postponed", and that when "the expenditure is beyond "the power of Provincial revenues to "meet, Imperial revenues must come to "their aid altogether apart from the "Provincial settlements." It is true that the Govt. of India debited ~~to~~ Imperial funds with a large portion of the famine expenditure in this Presidency, but I am to point out that the exact portion was arbitrarily fixed, and, even under the orders as originally issued, left the local Govt. with practically a minus balance of 10 lakhs. I am again to urge that the finances of this Province, as at present constituted, are unable to bear the burden of famine and plague expenditure and that these heads should be ~~made~~ treated as Imperial or that spe~~ail~~cial assignments should be ~~granted~~ made from Imperial to Provincial funds to cover the expenditure.

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15. Statement IV appended to this letter compares the figures in the Provincial budget estimates for 1899-1900 submitted with my letter No.184 of the 19th January last with those settled for the Provincial contract, plague expenditure being excluded. It

Vide G.O. No 95 Finl d 12 Jany 1899

Statement flagged

C. no. 327

It will be seen that the excess of the budget over the contract figures on the revenue side is almost exactly counterbalanced by the excess on the expenditure side; but I am to draw special attention to the fact that this result has been effected by restricting the grants for 45 MINOR WORKS AND NAVIGATION and 45 CIVIL WORKS,-which in the case of Public Works have been fixed at 29.80 and 22.16 lakhs respectively.

16. The expenditure under 45 CIVIL WORKS - P.W.Officers in 1896-97 amounted to 24.24 and in 1895-96 to 25.51. The year 1897-98 was a famine year and the ~~expenditure~~ outlay was therefore abnormally low. The present allotment under this head is altogether inadequate. The total demands for 1899-1900 under 45 CIVIL WORKS-P.W.D., as modified in the Public Works Dept. up to the date of the compilation of the budget, amounted to 56.23 lakhs. In consequence of the limited assignment of 22.16 lakhs, it has been necessary to propose reductions in the demands under all heads ~~and a sum of 8.82 lakhs is alone available for distribution among Original Works, Major and Minor. Against this sum, the demands for works in progress amount to 7.89 lakhs, and if these demands are to be fully complied with, there will be~~ ~~no~~ ~~.93 lakh left for distribution among new works~~ ~~in~~ and in order ~~therefore~~ to

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to provide funds for urgent new works as far as possible, it has been necessary to reduce the allotments proposed for several works in progress, thereby postponing their completion and increasing the cost of the works ~~[illegible]~~ Even by this curtailing the grants for works in progress, it has been possible to provide 2.58 lakhs only for urgent new works, ~~leaving sanctioned new works~~, leaving sanctioned new works to the extent of 1.11 lakhs unprovided for . Reduced grants have to be made for certain roads which have been taken over by the P.W.D., and repairs to roads in the Mappilla tracts of Malabar ~~which it was intended to carry out at~~ a ~~cost of 1.15 lakhs in 1899-1900~~ will have to be postponed. The least sum that should be granted for 45 CIVIL WORKS P.W.D. in 1899-1900 is 26.91 lakhs.

C no. 395

17. As regards the grant under 45 MINOR WORKS AND NAVIGATION, the total amount applied for by the Chief Engineer for Irrigation was 50.60 lakhs and the maintenance of the grant for 1899-1900 at its present figure will involve the reduction of allotments for original and agricultural works, several of which are urgently required.

18. It is true that the budget estimate for 1899-1900, as submitted to the Govt. of India, contains provisions for such schemes as the improvement of the position of taluk establishments, the

the railway police scheme and the establishment of four new Munsif's ~~Corute~~ courts', but I am to point out that the two latter schemes have already been sanctioned, and that their introduction has been deferred in consequence of the state of Provincial finances- the Railway Police scheme at the instance of the Govt. of India and that for the appointment of additional Munsifs on the motion of this Govt. as it found itself without the necessary funds to introduce the measure when it was sanctioned. Both these schemes are urgently required and their necessity has been admitted ~~both~~ by the supreme Govt. and by the Secretary of State. The improvement of the position of Taluk establishments is necessary in the interests of Imperial as well ~~of~~ as of Provincial funds. The reorganisation of these establishments is obviously necessary before the revenue administration of the province can be considered to be on a satisfactory basis; since these establishments control the lower staff, which has itself of late years been enlarged. It is therefore of the greatest importance that this ~~very~~ necessary scheme, which has been ~~put~~ deferred ~~off~~ from year to year, should be introduced without delay. This Govt. has various other schemes under consideration, all of which will probably involve extra cost, such as the reorganizations

and the benefits lots derived from this ~~[illegible]~~ increase of the lower staff ~~[illegible]~~ ~~[illegible]~~ + the increase of revenue already obtained continued can only be assured by proper supervision which will be the direct result of the reform proposed.

reorganizations of the clerical staff of the Forest department, the reorganization of the Land Records Dept., the amalgamation of the Customs with the Salt and Abkari Dept., the reorganization of the Registration Dept., and the reorganization of the Agricultural staff of the Presidency, ~~and~~ The items which have been included in the budget for 1899-1900 are not a fraction of what the needs of this province demand ~~require~~.

19. This Govt. has not lost sight of the fact stated above viz. that the Govt. of India has laid down the principle that increased expenditure of this description must be met [from] by the increasing revenues; but the share obtained by this Govt. ~~obtains~~ in the increase of revenues is utterly inadequate to meet the legitimate calls upon the Provincial exchequer. The Governor in Council ~~fa~~ indeed fails to see how these schemes can be introduced, unless the Govt. of India is prepared to deal ~~with~~ more liberally with this Presidency. There are now no accumulated balances to [fall back upon, and the progress of this Presidency during the current quinquennial period is, so far as this Govt. can foresee, to be gauged by the celerity with which the prescribed minimum balance of 20 lakhs is worked up to. All the efforts of the administration ~~of this Presidency~~ are to be centred on

on producing a financial result, which in the abstract is doubtless to be highly commended. ~~[illegible]~~ The Govr. in Council is to maintain one object in view -viz. to show that this Presy. is capable of fulfilling the requirements of article 1361 of the Civil Account Code, Vol. II - and to turn a persistently deaf ~~y~~ear to all schemes which would tend to the development of the province or the comfort~~s~~ of its people. This is a striking commentary on the present contract system. An instructive example of the manner in which the system can be worked is to be found in the fact that whilst this Govt. has, in spite of its protest in 1896 regarding the assignments under SUPERANNUATIONS, been obliged to provide for an expenditure in the year 1899-1900 nearly one lakh in excess of the contract figure under that head, the Governor in Council has been unable to devote to the development of the province the amounts absolutely required for schemes of improvement such as those mentioned above, without reducing the P.W. grants beyond all reasonable limits.

Note. Page 46

K Para 31 of appendix B to Mr. Arundel's letter No. 905, Finl., d/ 29-12-96.

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20. In conclusion, I am to say that the Governor in Council considers that apart from the merits of the questions discussed in the present letter, this representation is necessary in order to emphasize the fact that while the superintendence and control of the Govt. of Fort St. George is vested by Statute in the Governor-

General

General in Council, the executive administration of the Presy. is like = = wise vested by Statute in the Govr. in Council – a fact which ~~pending~~ judging from the ~~time~~ tone of the letters received from the Govt. of India in regard to the settlement of the Contract, appears to have occasionally dropped out of view. +

CWS
7.2.99

9.2.9

Note

In the whole tone of the G of India letter No 1245 A. of 16th March 97. recd in G.O. No 824 Finl. 5th Oct. 97. I think there is much too great a tendency in the Finl. Dept. of the Govt. of India to express a contempt for Local Govts and that an attempt sh.d be made to shew we have had enough of it.

9.2.9

+ This is too strong I think. I wd modify as follows:-

"a fact wh. appears occasionally to have dropped out of view, – and that it is only by the due coordination of both powers that the right government of the Presy – can be achieved.

AH 10.2.99

Print

H.S.
11-2-99

A.H.H.
18.2.99

Statement I

~~Stat~~ Comparison of the Net Revenue Account & the Net Expenditure in Civil Administration in the Madras Presidency according the Contract settlements of 1882 to 1898

1	Contract Estimate 1882	Contract Estimate 1887	Increase	Percentage of increase	Contract Estimate 1892.	Increase over Contract Estimate 1887.	Percentage of increase.	Contract Estimate 1897	Increase over Contract Estimate 1892.	Percentage of increase.
	2	3	4	5	6	7	8	9	10	11
	Lakhs	Lakhs	Lakhs		Lakhs	Lakhs		Lakhs	Lakhs	
Net Revenue Account Total	569.37	610.43	41.06	7.21	681.71	71.28	11.68	782.18	100.47	14.74
Net Expenditure on Civil administration	187.08	194.58	7.50	4.01	205.48	10.90	5.60	223.74	18.26	8.89

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Statement

Statement showing the percentage of Net Revenue Account appropriated to the Civil Provincial Purposes in the five large provinces of India in the Contract Settlements of 1882 & 1897.

	Contract Estimate 1882				Contract Estimate 1897						
	Net Revenue—Total	Net Expenditure on civil administration	Remainder col 2 — col 3	Percentage of Remainder (col 4) to net Revenue—Total (col 2)	Net Revenue—Total	Net Expenditure on civil administration	Remainder col 6 — col 7	Percentage of Remainder (col 8) to net Revenue—Total (col 6)	Difference between col 9 and col 5	Loss to the Province	Gain to the Province Loss — Gain +
1	2	3	4	~~5~~	6	7	8	~~9~~	~~10~~		
	Lakhs	Lakhs	Lakhs		Lakhs	Lakhs	Lakhs			Lakhs	Lakhs
Bengal.	640.11	217.87	422.24	65.96	776.33	312.55	463.78	59.74	— 6.22	..	48.29
N. W. Provinces & Oudh.	699.29	222.86	476.43	68.13	786.41	242.87	543.54	69.12	+ .99	7.79	..
Punjab.	265.61	116.32	149.29	56.20	334.28	153.83	180.45	53.98	— 2.22	..	7.42
Madras.	569.37	187.08	382.29	67.14	782.18	223.74	558.44	71.40	+ 4.26	33.32	..
Bombay.	409.93	217.19	192.74	47.02	576.38	254.41	321.97	55.86	+ 8.84	50.95	..

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72 Statement III Encl. 26

Statement comparing the percentage of increase in the Net Revenue Account & in the Net Expend. on Civil Administration between the Contract Settlements of 1882 and 1897 in the various Provinces of India.

	Net Revenue Account – Total.				Net Expenditure on Civil administration – Total.			
	Contract Estimate 1882	Contract Estimate 1897	Increase col 3 – col 2	Percentage of increase	Contract Estimate 1882	Contract Estimate 1897	Increase col 7 – col 6	Percentage of increase
1	2	3	4	5	6	7	8	9
	Lakhs	Lakhs	Lakhs		Lakhs	Lakhs	Lakhs	
Central Provinces	100.68	136.37	35.72	35.49	49.34	71.07	21.73	44.0
Lower Burma	150.63	247.04	96.41	64.00	(a) 77.07	120.61	43.54	56.49
Assam	63.84	101.42	37.58	58.86	(b) 36.96	56.49	19.53	52.8
Bengal	640.11	776.33	136.22	21.28	217.87	312.55	94.68	43.4
N.W. Provinces & Oudh	699.29	786.41	87.12	12.46	222.86	242.87	20.01	8.98
Punjab	265.61	334.28	68.67	25.85	116.32	153.83	37.51	32.28
Madras	569.37	782.18	212.81	37.38	187.08	223.74	36.66	19.60
Bombay	409.93	576.38	166.45	40.60	217.19	254.41	37.22	17.14

(a) Does not include 10.08 lakhs representing Imperial share of the expenditure under 3. Land Rev., Settlement & Survey

(b) Do 1.65 " "

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Statement Comparing

Revenue

the assignments under the co

	Contract figures	Budget estimate 1899-1900	Difference	
I Land Revenue	151.04 ×	(a) 155.09 ×	+ 4.05 ×	(a) Includes fixed assignment and excludes special transfers (1)
III Salt	1.27 ×	1.14 ×	- .13 ×	
IV Stamps	59.95 ×	Sd/- ~~63.00~~ ~~63.38~~ ×	Sd/- ~~+ 3.25~~ ~~3.43~~ ×	
V Excise	37.20 ×	36.50 ×	- .70 ×	
VII Customs	.73 ×	.75 ×	+ .02 ×	
VIII Assessed Taxes	12.00 ×	13.00 ×	+ 1.00 ×	
IX Forest	10.25 ×	12.15 ×	+ 1.90 ×	
X Registration	6.00 ×	6.50 ×	+ .50 ×	
XII. Interest	1.48 ×	2.51 ×	+ 1.03 ×	
XVI. A. Courts of Law	7.40 ×	8.04 ×	+ .64 ×	
XVI. B. Jails	4.26 ×	4.55 ×	+ .29 ×	
XVII. Police	4.41 ×	4.47 ×	+ .06 ×	
XIX Education	1.93 ×	2.92 ×	+ .99 ×	
XX Medical	1.22 ×	1.01 ×	- .21 ×	
XXI Scientific &c. Depts.	2.13 ×	2.55 ×	+ .42 ×	
XXII Superannuation &ca.	.47 ×	.62 ×	+ .15 ×	
XXIII Stationery and Printing	1.38 ×	1.04 ×	- .34 ×	
XXV Miscellaneous	1.54 ×	1.97 ×	+ .43 ×	
XXVI State Railways	2.71	2.60 ×	- .11 ×	
XXX Minor Works & Navigation	1.86 ×	1.88 ×	+ .02 ×	
XXXII. Civil Works.	1.58 ×	1.87 ×	+ .29 ×	
Total	310.61 ×	324.~~16~~ Sd/- .~~54~~	+ ~~13.55~~ ~~13.93~~ × Sd/-	

(1) ¼ share of Land Revenue excluded 138.63
fixed assignment 16.46
155.09

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Contract figures with B udget Estimate 1899-1900

Expend

tract of 1897 with the figures of the

	Contra figures	Budget estimate 1899-1900	Difference	
1. Refunds and Drawbacks	1.22	1.29	+ .07	
3. Land Revenue	48.40	51.30	+ 2.90	
5. Salt	5.49	4.61	- .88	
6. Stamps	2.70	2.53	- .17	
7. Excise	1.57	2.68	+ 1.11	
9. Customs	2.46	2.54	+ .08	
10. Assessed Taxes	.14	.15	+ .01	
11. Forest	7.75	~~8.75~~	+ ~~1.00~~ .85	see
12. Registration	4.20	~~4.21~~	+ ~~.01~~ .02	see
13. Interest	1.50	2.03	+ .53	
15. Post Office	1.02	1.07	+ .05	
18. General Administration	9.93	9.75	- .18	
19A. Courts of Law	46.92	46.68	- .24	
19B. Jails	10.51	11.58	+ 1.07	
20. Police	46.04	47.43	+ 1.39	
21. Marine	.40	.08	- .32	
22. Education	16.79	18.45	+ 1.66	
24. Medical	13.07	12.71	- .36	
25. Political	.84	.75	- .09	
26. Scientific Depts	4.20	5.04	+ .84	
29. Superannuation etc	15.52	16.42	+ .90	
30. Stationery & Printing	9.00	10.46	+ 1.46	
32. Miscellaneous	1.52	1.63	+ .11	
33. Famine Relief	"	(a) .05	+ .05	(a) for Flood Charges
37. Construction of Railways	-	.07	+ .07	
38. State Railways - working expenses	1.68	1.68	-	
41. Miscellaneous Railways	"	.10	+ .10	
43. Minor Works & Navigation	33.45	34.05	+ .60	
45. Civil Works	22.00	25.19	+ 3.19	
Contribution between Provincial & Local (net)	.79	.93	+ .14	
Lump addition . .	1.50	..	- 1.50	
Total.	310.61	(b) ~~324.21~~ ~~323.87~~	+ 13. ~~60~~ .26	(b) exclud charges

4.0 ~~300~~ 824 ~~Total~~

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No. , FINANCIAL, TH FEBRUARY 1899.

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FINANCIAL DEPARTMENT.

LETTER—from

THE CHIEF SECRETARY TO THE GOVERNMENT OF
FORT ST. GEORGE,

To

THE SECRETARY TO THE GOVERNMENT OF INDIA,
FINANCE AND COMMERCE DEPARTMENT.

SIR,

I am directed to refer to the correspondence ending with your letter No. 4385 A, dated the 7th October 1898, and to address you again in regard to the financial position of this Government.

2. In that letter it was pointed out that owing to the multifarious issues involved, no settlement of the far reaching problem of the amount actually contributed by the several provinces in India towards the expenditure of the empire and of the principle on which provincial expenditure should be adjusted in relation to this assumed contribution, is possible which would not give rise to interminable controversy as to its practical application; that from the nature of the case, there are no means of determining upon what principles the general revenues which are levied under the authority of the Government of India should be distributed among the various provinces; that the provincial system, which was introduced for reasons of administrative convenience, did not contemplate that any such attempt should be made; and that having regard to the extreme complexity of the general question of the theoretical rights and liabilities of the several provinces in respect of financial matters, the Government of India can only do its best to pronounce equal judgment, but is obliged to admit its inability to justify, to the satisfaction of each of the claimants, the awards it is obliged to make.

3. The Governor in Council, whilst unable to admit that the comparison which was instituted in my predecessor's letter, No. 230, Financial, dated the 5th March 1898, has been met in your letter under reply, considers it unnecessary to pursue this aspect of the question further, in view of the admitted impossibility of drawing up any statement of the case which would suffice to convince each of the local Governments that it is not, as compared with each of the others, placed at a disadvantage. He also desires it to be stated clearly that the contentions put forward by this Government have not been based upon any idea of the existence of partiality on the part of the Government of India in making the various Provincial assignments. At the same time he can judge of the effect of the contract for this province by its results alone and it is, in fact, with this aspect of the question that he is concerned. These results have come prominently to notice in the settlement of the budget estimates submitted with my letter, No. 124, Financial, dated the 19th January 1899. In the opinion of this Government the fault lies, in the inherent defects of the present contract system. This Government does not propose to enter into any comparison of Madras with other provinces in so far as the amounts of the Provincial assignments are concerned, but in dealing with the subject of the revenues devoted to Provincial purposes it is impossible to set aside altogether the consideration of the question whether this Presidency has obtained the advantage that it might reasonably have expected from the revenues raised within it.

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4. The objects of the provincial scheme were described in a minute by Sir J. Strachey quoted in his Financial Statement of 1877–78 (paragraph 3 of Financial and Commerce Department Resolution No. 4258-A, dated 6th October 1896) and some of the evils which the scheme was intended to abolish were described in the following words:—

> "The distribution of the public income degenerates into something like a scramble, in which the most violent has the advantage, with very little attention to reason: as local economy leads to no local advantage, the stimulus to avoid waste is reduced to a minimum: so, as no local growth of the income leads to an increase of the local means of improvement, the interest in developing the public revenues is also brought down to the lowest level."

In spite of all that has taken place since these words were penned, these evils appear to the Governor in Council to still exist. So far from inculcating economy, the practical effect of the present system is to induce Local Governments to raise the standard of expenditure during the closing years of a contract period by every possible means, as it is on this standard that the next contract is based. The results of the present system of quinquennial settlements and their demoralising effect on the Administration cannot be better or more accurately described than in the words of His Excellency Sir Arthur Havelock when the budget was presented to the local Legislative Council in 1897:—

> "It appears to me that the contract system, so called, is bad in itself. It is demoralising to the Provincial and Supreme Governments, it is bad in that each revision that takes place has a terribly disturbing and dislocating effect on the local Administration, especially in the important department of Public Works to which the pruning knife has be to suddenly and ruthlessly applied. It is demoralising to the Provincial Government, because it tends to impair the sympathetic co-operation between the Supreme and Provincial Governments which is so desirable and because it tempts the Provincial Government in its financial relations with the Supreme Government, which is the master of the situation, to have recourse to the tactics of the weak. When we are well off, we try to hide our money and spend it recklessly lest the Supreme Government should lay hands upon it. When we are poor, we try to give undue emphasis to our poverty. The system is demoralising to the Supreme Government because it relieves that Government from the consequence of extravagance. In my opinion the financial condition of the Presidency will not be satisfactory until a larger degree of financial independence and control is conceded to the Provincial Government, and until some arrangement more consistent, more permanent and less onesided than the present contract system has been adopted."

5. The Governor in Council recognizes the necessity imposed on the Government of India to afford relief to provinces whose means are straitened, but at the same time he considers, that, as contemplated by Sir J. Strachey, each province should have a larger share in the increases of revenues to which its own improved administration may lead. The settled policy of the present contract system is that any increases of expenditure over the figures settled as the contract assignments under the various heads should be met by increases of revenues *during the contract period*, and it is in this principle that the most serious defect of the present scheme, from the point of view of Local Governments, exists; for this principle overlooks the fact that before several of the principle heads of revenues can be increased—and it is to these heads that the Local Government must look for resources to meet the necessary increases of expenditure during contract period—increased expenditure must be incurred, and this sometimes for years before enhanced revenues accrue. The necessary consequence is that the allotments for the head of Civil Administration are restricted and the development of the Administration retarded in a degree which would not exist if the Local Government had definite sources of income on which it could estimate and calculate beforehand and if it had made over to it a definite share in the *normal* growth of income; in other words, if it were not the recognised prerogative of the Supreme Government to fix the shares of revenue as it pleases to resume, at the end of each contract period, the *entire* amount represented by the excess of the Provincial revenues over the Provincial expenditure calculated at the standard attained at the time of the settlement of a new contract. Owing to the rigid enforcement of this principle, the resumptions from the Madras Government on the settlements of the last three contracts have been 17·44, 10·38 and 14·59 lakhs respectively, and it is perhaps unnecessary to refer to the incalculable benefits that would have accrued had even a small portion of these amounts been devoted annually to the direct needs of this province.

6. This Government contends, in short, that it should possess a greater fixity of interest in the revenues and in the normal growth of the revenues of the province; such a fixity as was contemplated by Sir David Barbour in his Financial Statement for 1892–93, when he regretted the necessity that had arisen to contract the resources of the Local Governments by the amount of the revenues resumed by the Government of India, and pointed out that although it was satisfactory that Local Governments should have been in a position to make a contribution to the resources of the empire at a period of pressure, and thus, possibly avoid the necessity of imposing further taxation, it would have been still more satisfactory if the Supreme Government had been in a position to allow them to retain the whole or the greater portion of this amount for expenditure on the improvement of the internal administration. That this fixity of interest does not exist is apparent from the figures to be found in the compilation issued by the Government of India entitled "Progress of Provincial Revenue and Expenditure," copies of which were received with Mr. Under Secretary Brunyate's letter No. 4241-A., dated the 22nd September 1897. It may be noted that in the preface to this compilation it is stated that the figures in the several columns of the statements showing the revenue administered by the Local Governments and the charges of Civil Administration, including Civil Works, can be taken as directly comparable with each other. It seems therefore fair to infer that the statements can be taken as comparable as between the various provinces. Although, as stated above, there is no intention at present to enter into any discussion on the relative merits of the assignments to the various provinces, the statements I, II and III appended to this letter, which have been obtained from the figures in ~~that~~ the compilation, above referred to, afford clear evidence of the varied and varying nature of the financial position of Local Governments.

7. Statement I shows, that, comparing the contract settlement for Madras for 1887 with that for 1882, whilst the net revenue account rose by 7·21 per cent., the expenditure on Civil Administration was allowed to increase by 4·01 per cent. only; and that in 1892, although there was a further increase of 11·68 per cent. in the net revenue account, the net expenditure on Civil Administration rose by 5·60 per cent. only. The similar percentages for the 1897 contract are 14·74 per cent. and 8·89 per cent. The regularity observed between the first set of percentages—those of the increase of the net revenues—and the varying nature of the second set—the increase in the net cost of Civil Administration—constitute in themselves a clear proof of the ill-defined financial position of the Local Government, which has been really forced to take what it could get. The lack of proportion between these rates is opposed to the principle laid down in 1882 that in the settlement of the contracts no revision should be made which would be favourable to the Imperial at the expense of the Provincial revenues except in cases where this course can be adopted without embarrassing Provincial finance or checking the growth of the material prosperity of the province.

8. Statement II compares the contract settlement of 1882 with that of 1897. In this statement the amount remaining from the net revenues after deducting the net expenditure on Civil Administration—that is, the amount which has been devoted to purposes other than Provincial in each province—is compared with the total net revenues. This statement shows that, whilst under the settlement of 1897 as compared with that of 1882, the Presidency of Bengal received 48·29 lakhs per annum and the Province of Punjab 7·42 lakhs more for expenditure, the provinces of Madras and of Bombay and the North-Western Provinces and Oudh received, respectively, 33, 51 and 8 lakhs less.

Statement III exhibits the percentages of increase in the net revenue account and in the net expenditure on Civil Administration between the contract settlement of 1882 and that of 1897. From this it will be seen that whilst in Madras the former increased by 37·38 per cent. the latter rose by 19·60 per cent. only. Against this is to be set the different state of affairs in Bengal, where the respective increases were 21·28 per cent. and 43·46 per cent. and in the Punjab where they were 25·85 and 32·25 per cent. respectively.

9. Without entering into any discussion or pretending to any knowledge of the necessity of the increased rates of expenditure in Bengal and the Punjab, the Governor in Council can fairly contend that this increase should not have been permitted partly at the expense of the spending power of this Government.

10. In order to remove the present cause of discontent—a discontent which, as the Government of India acknowledges, prevails amongst all Local Governments—this Government would suggest that the shares of local Governments in the revenues should be definitely and finally fixed; that the present system under which the Supreme Government resumes the whole normal excess of revenue over expenditure should cease; and that Provincial Governments should be given some share at least in this normal growth. As already stated, the Governor in Council recognises that, under present conditions, the more backward provinces must obtain relief to some extent at the expense of those the resources of which are developed in a greater degree. This relief, however, would still be feasible under the system now proposed; for under it the Supreme Government would share in certain fixed proportions with local Governments the revenues as well as the normal growth in the revenues instead of, as at present, fixing the Provincial portion of the former as it pleases and appropriating the whole of the latter to Imperial needs and the interests of other provinces. It is by this means alone that the scheme initiated by Lord Mayo can attain the object with which it was originally started; that Local Governments can obtain that share and that interest in the development of the revenues of a province which were contemplated by the introduction of that scheme; and that the unseemly wrangling which at present occurs at and after each contract settlement can be obviated. If the Local Government be given definite burdens which cannot be increased but by their own action; if a definite share of the revenue be assigned to them and if their balances be respected and not arbitrarily resumed or requisitioned there will be brought into existence that certainty as to their available resources and as to the burdens to be thrown on them without which Provincial financial management is impracticable.

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11. To turn to the present needs of this Presidency, I am to remind the Government of India that when the existing contract was settled, the Governor-General in Council expressed the opinion that he had no reason to doubt that the Madras Government would find itself, even apart from the additional grant of 1·50 lakhs then made, in a position to spend during the current quinquennial period considerably more than the 22 lakhs taken as the calculation of the assignment for civil works. In an earlier Resolution No. 4258-A., dated the 6th October 1896, the Governor-General in Council expressed his gratification that the financial prospects were such as to enable him to abstain from any severe restriction of the existing scales of Provincial expenditure. In Mr. Arundel's letter, No. 905, Financial, dated 29th December 1896, an adjusting assignment of 28·60, against that of 8·43 proposed, by the Government of India, was urged. This figure has ultimately been placed at 16·46 lakhs, the claims of this Government for higher assignments for civil works and for certain other heads having been refused. In finally fixing the adjusting assignment the Government of India included an additional grant of 1·50 lakhs "to provide for any increase of expenditure that might be considered important or urgent by the Government of Madras." Independently of the fact that this act of generosity must perforce, from the very nature of the case, fail in its professed object, the additional grant is inexplicable; for if the present contract system is an equitable system and the settlement of 1897 was fair, this benevolence should have been unnecessary. It partakes of the nature of "conscience money" and, as is generally the case with "conscience money," represents a mere fraction of the amount which has been appropriated otherwise. The Governor in Council is, however, concerned with facts as they stand, and the following figures prove, in his opinion, the general inadequacy of the assignments made for this Presidency.

12. The opening Provincial balance for the year 1896–97, which stood at 43·01 lakhs, was reduced during that year by 20·06, this reduction being partly caused by an expenditure on famine of 4·82 lakhs (4·71 as *direct* and ·11 as indirect expenditure). The present contract period therefore opened with a balance of 22·95 lakhs. During 1897–98, a sum of 18·92 lakhs was expended upon famine (15·97 as direct and 2·95 as indirect expenditure). The closing balance of the year, in consequence of the decision of the Government of India to debit Provincial funds with so much of the five lakhs expenditure on famine relief as could not be recovered from District Boards, stood at 7·18 lakhs. According to the revised estimates for the current year this balance will be raised on the 1st April 1899 to 13·54 lakhs, after allowing for an

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expenditure of ·66 lakh on famine (51 as direct and 15 as indirect expenditure) and of ~~2·80~~ lakhs on plague (~~1·79~~ lakhs on direct and ~~·51~~ on indirect expenditure). The increase in the balance from 7·18 lakhs at the end of 1897–98 to 13·~~54~~ lakhs the end of 1898–99 is, I am to point out, not entirely due to the returning prosperity of the province, but in a great measure to the strict instructions issued by this Government to restrict expenditure in all directions. In fact, for the past two years expenditure under all heads has been kept within the narrowest limits. The foregoing figures show, however, that owing to famine and plague, this province will on the 1st April 1899 not only have lost its opening balance of 43·01 lakhs but will be 63 lakhs worse off than it was on the 1st April 1897; for it has now to make up the prescribed minimum balance of 20 lakhs before it can spend any of the balance of 13·~~54~~ lakhs. Compared with its position at the commencement of the present contract period it is 42·95 lakhs poorer. To these figures should be added the sum of ~~1·67~~ lakhs which, in consequence of the orders of the Government of India in regard to the five lakh contribution towards famine from local funds in this Presidency, has still to be recovered by Provincial Funds from District Boards (*vide* my letter No. 1221, Financial, dated 13th December 1898).

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13. In my letter No.   dated   , the Governor in Council has represented the facts as regards plague expenditure, and as contended there the present position under which the Local Government bears an arbitrary portion of famine expenditure and all plague expenditure is opposed to the principles which regulate the financial relations of the Supreme and Local Governments, as laid down by the Secretary of State and as accepted by the Government of India (*vide* despatch from the Government of India, Finance and Commerce Department, No. 68, dated 3rd March 1898). I am again to point out that the Secretary of State held that "upon the Imperial Government rests the primary duty of maintaining order internally and of protecting the frontiers; of the risk of war, famine, exchange, and sudden emergencies; of the responsibility of maintaining not only national solvency, but also the solvency of the Provincial Governments" and that "on the Provincial Governments rests the duty of developing the resources of their respective provinces and by so developing them to add to the general prosperity, comfort, and taxable power of the community at large." It is abundantly clear from the experience of this province and from the figures quoted in this letter that under present circumstances the solvency of this Government cannot be maintained; that it is seriously hampered in the development of its resources; and that it is beyond its powers to add to the general prosperity, comfort, and taxable power of the community at large.

Paragraph 53 of the appendix B to Mr. Arundel's letter No. 995, Financial, dated 29th December 1896.

Paragraph 5 of appendix A to Finance and Commerce Department letter No. 1245-A, dated 16 March 1897.

14. When this Government urged that a small assignment should be made in the present contract under the head of FAMINE RELIEF, the Government of India declined to admit any sum in the settlement, and stated that when "famine occurs local Governments are expected to divert to relief the funds they would otherwise have devoted to the construction of public works or to the introduction of reforms or improvements which are capable of being postponed"; and that when "the expenditure is beyond the power of Provincial revenues to meet, Imperial revenues must come to their aid altogether apart from the Provincial settlements." It is true that the Government of India debited Imperial funds with a large portion of the famine expenditure in this Presidency; but I am to point out that the exact portion was arbitrarily fixed, and, even under the orders as originally issued, left the Local Government with practically a *minus* balance of 10 lakhs. I am again to urge that the finances of this province, as at present constituted, are unable to bear the burden of famine and plague expenditure and that these heads should be treated as Imperial or that special assignments should be made from Imperial to Provincial funds to cover the expenditure.

15. Statement IV appended to this letter compares the figures in the Provincial budget estimate for 1899–1900 submitted with my letter No. 124 of the 19th January last with those settled for the Provincial contract, plague expenditure being excluded. It will be seen that the excess of the budget over the contract figures on the revenue side is almost exactly counterbalanced by the excess on the expenditure side; but I

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am to draw special attention to the fact that his result has been effected by restrict-
ing the grants for 43. MINOR WORKS AND N IGATION and 45. CIVIL WORKS,—which
in the case of Public Works have been fixed 21·10 and 22·16 lakhs, respectively.

16. The expenditure under 45. CIVI WORKS—PUBLIC WORKS OFFICERS in
1896–97 amounted to 24·24 and in 1895– to 25·31. The year 1897–98 was a
famine year and the outlay was therefore normally low. The present allotment
under this head is altogether inadequate. Th total demands for 1899–1900 under 45.
CIVIL WORKS—PUBLIC WORKS DEPARTMENT, modified in the Public Works Depart-
ment up to the date of the compilation of th budget, amounted to 36·23 lakhs. In
consequence of the limited assignment of 22· lakhs, it has been necessary to propose
reductions in the demands under all heads a d in order to provide funds for urgent
new works as far as possible, it has been nec ssary to reduce the allotments proposed
for several works in progress, thereby postpor ng their completion and increasing the
cost of the works. Even by this curtailing he grants for works in progress, it has
been possible to provide 2·58 lakhs only for u gent new works, leaving sanctioned new
works to the extent of 1·11 lakhs unprovide for. Reduced grants have to be made
for certain roads which have been taken over y the Public Works Department, and
repairs to roads in the Mappilla tracts of M labar will have to be postponed. The
least sum that should be granted for 45. Ci L WORKS—PUBLIC WORKS DEPARTMENT
in 1899–1900 is 26·91 lakhs.

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17. As regards the grant under 43. M INOR WORKS AND NAVIGATION, the total
amount applied for by the Chief Engineer or Irrigation was 30·60 lakhs and the
maintenance of the grant for 1899–1900 at s present figure will involve the reduc-
tion of allotments for original and agricultu al works, several of which are urgently
required.

18. It is true that the budget estimate r 1899–1900, as submitted to the Gov-
ernment of India, contains provisions for ich schemes as the improvement of the
position of taluk establishments, the railway police scheme and the establishment of
four new Munsifs' Courts, but I am to poi t out that the latter two schemes have
already been sanctioned, and that their intr uction has been deferred in consequence
of the state of Provincial finances—the Rail ay Police scheme at the instance of the
Government of India and that for the a pointment of additional Munsifs on the
motion of this Government as it found itse without the necessary funds to introduce
the measure when it was sanctioned. Both hese schemes are urgently required and
their necessity has been admitted by the su reme Government and by the Secretary
of State. The improvement of the position f taluk establishments is necessary in the
interests of Imperial as well as of Provi ial funds. The reorganization of these
establishments is obviously necessary before the revenue administration of the province
can be considered to be on a satisfactory ba s; since these establishments control the
lower staff, which has itself of late years be n enlarged, and the benefits to be derived
from this increase of the lower staff can only be ~~assured~~ and the increase of revenue
already obtained ~~continued~~ by proper super ision which will be the direct result of the
reform proposed. It is therefore of the reatest importance that this very neces-
sary scheme, which has been deferred rom year to year, should be introduced
without delay. This Government has va ious other schemes under consideration,
all of which will probably involve extr cost, such as the reorganization of the
clerical staff of the Forest department, the reorganization of the Land Records depart-
ment, the amalgamation of the Customs with the Salt and Abkári department, the
reorganization of the Registration departme t, and the reorganization of the Agricultural
staff of the Presidency. The items whi h have been included in the budget for
1899–1900 are not a fraction of what the eeds of this province demand.

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19. This Government has not lost si ght of the fact stated above, viz., that the
Government of India has laid down the p inciple that increased expenditure of this
description must be met by increasing th revenues; but the share obtained by this
Government in the increase of revenues is utterly inadequate to meet the legitimate
calls upon the Provincial exchequer. Th e Governor-in-Council indeed fails to see
how these schemes can be introduced, unl ss the Government of India is prepared to
deal more liberally with this Presidency. There are now no accumulated balances to

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fall back upon, and the progress of this P
period is, so far as this Government can f
which the prescribed minimum balance of
~~of the administration are to be centred on~~
~~abstract is doubtless to be highly commende~~
one object in view, viz, to show that th
requirements of article 1361 of the Civil
persistently deaf ear to all schemes which
province or the comfort of its people. Thi
contract system. An instructive example o
worked is to be found in the fact that wh

Note.—Page 46, paragraph 31, of Appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

the contract figure under that head, the G
devote to the development of the province th
of improvement such as those mentioned a
grants beyond all reasonable limits.

20. In conclusion, I am to say that the
from the merits of the questions discussed i
necessary in order to emphasize the fact th
of the Government of Fort St. George is v
in Council, the executive administration of t
in the Governor in Council—a fact which
I am to urge
of view, and that it is only by the due co-
government of the Presidency can be achiev

dency during the current quinquennial
see, to be gauged by the celerity with
lakhs is worked up to. ~~All the efforts~~
~~oducing a financial result, which in the~~
The Governor in Council is to maintain
Presidency is capable of fulfilling the
count Code, Volume II, and to turn a
would tend to the development of the
is a striking commentary on the present
the manner in which the system can be
lst this Government has, in spite of its
protest in 1896 regarding the assignments
under SUPERANNUATIONS, been obliged to
provide for an expenditure in the year
899–1900 nearly one lakh in excess of
vernor in Council has been unable to
amounts absolutely required for schemes
ove, without reducing the Public Works

Governor in Council considers that apart
the present letter, this representation is
t, while the superintendence and control
sted by Statute in the Governor-General
e Presidency is likewise vested by Statute
ppears occasionally to have dropped out
rdination of both powers that the right
d.

I have the honour to be,
Sir,
Your most obedient servant,

FORT ST. GEORGE,
February 1899.

~~G. STOKES~~,
Chief Secretary.

82

Press

Please arrange in this order.

STATEMENT

COMPARISON of the Net Revenue Account and the … Expenditure in Civil Administration in the Madras Presidency according to the C… act Settlements of 1882 to 1897.

—	Contract Estimate, 1882.	Contract Estimate, 1887.	Increase.	Percentage of increase.	1892.	Increase over Contract Estimate, 1887.	Percentage of increase.	Contract Estimate, 1897.	Increase over Contract Estimate, 1892.	Percentage of increase.
1	2	3	4	5		7	8	9	10	11
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.		LAKHS.	LAKHS.	
Net Revenue Account—Total	569·37	610·43	41·06	7·21	81·71	71·28	11·68	782·18	100·47	14·74
Net Expenditure on Civil Administration	187·08	194·58	7·50	4·01	05·48	10·90	5·60	223·74	18·26	8·89

STATEMENT II.

STATEMENT showing the percentage of Net Revenue …ccount appropriated to other than Provincial purposes in the five larger Provinces of …ndia in the Contract Settlements of 1882 and 1897.

	—	Contract Estimate, 1882.				Co…	…ract E.timate, 1897.					
		Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 2—column 3.	Percentage of remainder (column 4) to Net Revenue—Total (column 2).	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 6—column 7.	Percentage of remainder (column 8) to Net Revenue—Total (column 6).	Difference between column 9 and column 5.	Loss to the Province.	Gain to the Province. (Province) loses — (") gains +
	1	2	3	4	5	6	7	8	9	10	11	12
		LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.			LAKHS.	LAKHS.
3	Bengal	640·11	217·87	422·24	65·96	776·3	312·55	463·78	59 74	— 6·22	..	48·29
2	North-Western Provinces and Oudh	699·29	222·86	476·43	68·13	786·4	242·87	543·54	69·12	+ ·99	7·79	..
1	Punjab	265·61	116·32	149·29	56·20	334·2	153·83	180·45	53·98	— 2·22	..	7·42
6	Madras	569·37	187·08	382·29	67·14	782·1	223·74	558·44	71·40	+ 4·26	33·32	..
5	Bombay	409·93	217·19	192·74	47·02	576·3	254·41	321·97	55·86	+ 8·84	50·95	..
4	Central Provinces	100·65	49·34	51·31	50·98	136·	71·07	65·30	47·88	−3·10	..	4·23

STATEME… …T III.

STATEMENT comparing the percentage of increase … n the net Revenue Account and the Net Expenditure in Civil Administration between …e Contract Settlements of 1882 and 1897 in the various Provinces of India.

	—	Net Revenue Account—T…			…l.	Net Expenditure on Civil Administratio… ~~Total~~.			
		Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 3–2.	…ercentage of increase.	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase column 7–6.	Percentage of increase.
	1	2	3	4	5	6	7	8	9
		LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS	
4	Central Provinces	100·65	136·37	35·7	35·49	49·34	71·07	21·73	44·04
	~~Lower Burma .. ..~~	~~150·63~~	~~247·04~~	~~96·4~~	~~64·00~~	~~*77·07~~	~~120·61~~	~~43·54~~	~~56·49~~
	~~Assam .. .. ..~~	~~63·84~~	~~101·42~~	~~37·~~	~~58·86~~	~~†36·96~~	~~56·49~~	~~19·53~~	~~52·84~~
3	Bengal	640·11	776·33	136·2	21·28	217·87	312·55	94·68	43·46
2	North-Western Provinces and Oudh	699·29	786·41	87·1	12·46	222·86	242·87	20·01	8·98
1	Punjab	265·61	334·28	68·	25·85	116·32	153·83	37·51	32·25
6	Madras	569·37	782·18	212·	37·38	187·08	223·74	36·66	19·60
5	Bombay	409·93	576·38	166·	40·60	217·19	254·41	37·22	17·14

Please arrange in this order.

---

* Does not include 16·38 lakhs representing Imperial sha… …f the expenditure under 3. LAND REVENUE, SETTLEMENT AND SURVEY.

† Does not include 1·65 lakhs representing Imperial sha… …f the expenditure under 3. LAND REVENUE, SETTLEMENT AND SURVEY.

Checked
ac29
14.2.99.

Kissy

Put these statements in book form

Cud
23 12 18

?

18. General Administration

Kistry

Put these statements in book form

Civil 23/12/98

83

STATEMENT IV.

STATEMENT comparing the assignments under the contract of 1897 with the figures of the budget estimate for 1899–1900.

Lakhs

Revenue.				Expenditure.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.	—	Contract figures.	Budget estimate, 1899–1900.	Difference.
I. Land Revenue	151·04	(a) 155·09	+ 4·05	1. Refunds and Drawbacks	1·22	1·29	+ ·07
III. Salt	1·27	1·14	— ·13	3. Land Revenue	48·40	51·30	+ 2·90
IV. Stamps	59·75	63·00	+ 3·25	5. Salt	5·49	4·61	— ·88
V. Excise	37·20	36·50	— ·70	6. Stamps	2·70	2·53	— ·17
VII. Customs	·73	·75	+ ·02	7. Excise..	1·57	2·68	+ 1·11
VIII. Assessed Taxes	12·00	13·00	+ 1·00	9. Customs	2·46	2·54	+ ·08
IX. Forest	10·25	12·15	+ 1·90	10. Assessed Taxes	·14	·15	+ ·01
X. Registration	6·00	6·50	+ ·50	11. Forest..	7·75	8·75	+ 1·00
XII. Interest	1·48	2·51	+ 1·03	12. Registration	4·20	4·21	+ ·01
XVI-A. Courts of Law	7·40	8·04	+ ·64	13. Interest	1·50	2·03	+ ·53
XVI-B. Jails	4·26	4·55	+ ·29	15. Post Office	1·02	1·07	+ ·05
XVII. Police	4·41	4·47	+ ·06	18. *General Administration*	9·93	9·75	— ·18
XIX. Education	[illegible]	[illegible]	[illegible]	19-A. Courts of Law	[illegible]	[illegible]	[illegible]
XX. Medical	1·22	1·01	— ·21	19-B. Jails	[illegible]	[illegible]	[illegible]
XXI. Scientific, &c., Departments ..	2·13	2·55	+ ·42	20. Police	46·04	[illegible]	[illegible]
XXII. Superannuation, &c.	·47	·62	+ ·15	21. Marine	·40	·08	— ·32
XXIII. Stationery and Printing ..	1·38	1·04	— ·34	22. Education	16·79	18·45	+ 1·66
XXV. Miscellaneous	1·54	1·97	+ ·43	24. Medical	13·07	12·71	— ·36
XXVI. State Railways	2·71	2·60	— ·11	25. Political	·84	·75	— ·09
XXX. Minor Works and Navigation ..	1·86	1·88	+ ·02	26. Scientific, &c., Departments	4·20	5·04	+ ·84
XXXII. Civil Works	1·58	1·87	+ ·29	29. Superannuation, &c.	15·52	16·42	+ ·90
				30. Stationery and Printing	9·00	10·46	+ 1·46
				32. Miscellaneous..	1·52	1·63	+ ·11
				33. Famine Relief	..	(b) ·05	+ ·05
				37. Construction of Railways	..	·07	+ ·07
				38. State Railways—Working Expenses	1·68	1·68	..
				41. Miscellaneous Railways	..	·10	+ ·10
				43. Minor Works and Navigation	33·45	34.05	+ ·60
				45. Civil Works	22·00	25·19	+ 3·19
				Contribution between Provincial and Local (Net) ..	·79	·93	+ ·14
				Lump addition	1·50	..	— 1·50
Total ..	310·61	324·16	+ 13·55	Total ..	310·61	(c) 324·21	+ 13·60

(a) Includes fixed assignment and excludes special transfers.

(b) For flood charges.

(c) Excludes plague charges.

Checked
[illegible]
14.2.99

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83

STATEMENT IV.

[illegible]

Statement comparing the assignments under the contract of 1897 with the figures of the budget estimate for 1899–1900.

Lakhs

Revenue.				Expenditure.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.	—	Contract figures.	Budget estimate, 1899–1900.	Difference.
I. Land Revenue	151·04	(a) 155·09	+ 4·05	1. Refunds and Drawbacks	1·22	1·29	+ ·07
III. Salt	1·27	1·14	− ·13	3. Land Revenue	48·40	51·30	+ 2·90
IV. Stamps	59·75	63·00	+ 3·25	5. Salt	5·49	4·61	− ·88
V. Excise	37·20	36·50	− ·70	6. Stamps	2·70	2·53	− ·17
VII. Customs	·73	·75	+ ·02	7. Excise	1·57	2·68	+ 1·11
VIII. Assessed Taxes	12·00	13·00	+ 1·00	9. Customs	2·46	2·54	+ ·08
IX. Forest	10·25	12·15	+ 1·90	10. Assessed Taxes	·14	·15	+ ·01
X. Registration	6·00	6·50	+ ·50	11. Forest	7·75	8·75	+ 1·00
XII. Interest	1·48	2·51	+ 1·03	12. Registration	4·20	4·21	+ ·01
XVI-A. Courts of Law	7·40	8·04	+ ·64	13. Interest	1·50	2·03	+ ·53
XVI-B. Jails	4·26	4·55	+ ·29	15. Post Office	1·02	1·07	+ ·05
XVII. Police	4·41	4·47	+ ·06	18. *General Administration*	9·93	9·75	− ·18

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Punchapagssan Ayai

References of facts quoted in the letter are checked & figures quoted are found to tally with the Statements appended to the letter.
B. 14/2/99

To check the letter – i.e. see that all references of facts are quoted properly and that the figures in the letter tally with those in the Statements

A3 To check the Statements —— done
A.S.D.J
14-2-99

B.C To apply test checks to see that the checking work has been completely done

Cml
13.2.99

To

To

[78]
1,030—21-11-98.

NOTE FOR THE C.S.

A proof of the Financial letter to India is submitted. Another copy ~~It~~ is being read through & checked as to facts & figures

A.W.S.
13. 2.98

Please note the corrections &c. which I have made

H
14/2/98

Original of Letter
No. 264 Fml. d/ 18. 2. 99

Note The corrected G.O is printing

Cwl
22/2/99

XXIII. Stationery and Printing ..	1·38	1·04	− ·34
XXV. Miscellaneous	1·54	1·97	+ ·43
XXVI. State Railways	2·71	2·60	− ·11
XXX. Minor Works and Navigation ..	1·86	1·88	+ ·02
XXXII. Civil Works	1·58	1·87	+ ·29
Total ..	310·61	324·16	+ 13·55

22. Education	16·79	18·45	[illegible]
24. Medical	13·07	12·71	− ·36
25. Political	·84	·75	− ·09
26. Scientific, &c., Departments	4·20	5·04	+ ·84
29. Superannuation, &c.	15·52	16·42	+ ·90
30. Stationery and Printing	9·00	10·46	+ 1·46
32. Miscellaneous	1·52	1·63	+ ·11
33. Famine Relief	..	(b) ·05	+ ·05
37. Construction of Railways	..	·07	+ ·07
38. State Railways—Working Expenses	1·68	1·68	..
41. Miscellaneous Railways	..	·10	+ ·10
43. Minor Works and Navigation	33·45	34.05	+ ·60
45. Civil Works	22·00	25·19	+ 3·19
Contribution between Provincial and Local (Net) ..	·79	·93	+ ·14
Lump addition	1·50	..	− 1·50
Total ..	310·61	(c) 324·21	+ 13·60

(a) Includes fixed assignment and excludes special transfers.

(b) For flood charges.

(c) Excludes plague charges.

I.

Expenditure in Civil Administration ict Settlements of 1882 to 1897.

Con— 1892.	Increase over Contract Estimate, 1887.	Percentage of increase.	Contract Estimate, 1897.	Increase over Contract Estimate, 1892.	Percentage of increase.
6	7	8	9	10	11
LAKHS.	LAKHS.		LAKHS.	LAKHS.	
681·71	71·28	11·68	782·18	100·47	14·74
205·48	10·90	5·60	223·74	18·26	8·89

II.

ccount appropriated to other than Provin- ndia in the Contract Settlements of 1882

ract E.timate, 1897.					
Net Expenditure on Civil Administration.	Remainder, column 6—column 7.	Percentage of remainder (column 8) to Net Revenue—Total (column 6).	Difference between column 9 and column 5.	Loss to the Province.	Gain to the Province. (Province) loses — („) gains +
7	8	9	10	11	12
LAKHS.	LAKHS.			LAKHS.	LAKHS.
312·55	463·78	59·74	− 6·22	..	48·29
242·87	543·54	69·12	+ ·99	7·79	..
153·83	180·45	53·98	− 2·22	..	7·42
223·74	558·44	71·40	+ 4·26	33·32	..
254·41	321·97	55·86	+ 8·84	50·95	..
71·07	65·30	47·88	−3·10	..	4·23

T III.

n the net Revenue Account and the Net ie Contract Settlements of 1882 and 1897 in

al.	Net Expenditure on Civil Administration —Total.			
Percentage of increase.	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase column 7–6.	Percentage of increase.
5	6	7	8	9
	LAKHS.	LAKHS.	LAKHS	
35·49	49·34	71·07	21·73	44·04
64·00	*77·07	120·61	43·54	58·49
58·86	†36·96	56·49	19·53	52·84
21·28	217·87	312·55	91·68	43·46
12·46	222·86	242·87	20·01	8·98
25·85	116·32	153·83	37·51	32·25
37·38	187·08	223·74	36·66	19·60
40·60	217·19	254·41	37·22	17·14

f the expenditure under 3. LAND REVENUE, SETTLEMENT

f the expenditure under 3. LAND REVENUE, SETTLEMENT

ncy during the current quinquennial
e, to be gauged by the celerity with
khs is worked up to. ~~All the efforts~~
~~cing a financial result, which in the~~
The Governor in Council is to maintain
residency is capable of fulfilling the
unt Code, Volume II, and to turn a
ould tend to the development of the
a striking commentary on the present
he manner in which the system can be
this Government has, in spite of its
test in 1896 regarding the assignments
ler SUPERANNUATIONS, been obliged to
vide for an expenditure in the year
99–1900 nearly one lakh in excess of
rnor in Council has been unable to
mounts absolutely required for schemes
e, without reducing the Public Works

overnor in Council considers that apart
he present letter, this representation is
while the superintendence and control
d by Statute in the Governor-General
Presidency is likewise vested by Statute
ars occasionally to have dropped out
nation of both powers that the right

ave the honour to be,
Sir,
Your most obedient servant,

G. STOKES,
Chief Secretary.

result has been effected by restrict-
ATION and 45. CIVIL WORKS,—which
0 and 22·16 lakhs, respectively.

ORKS—PUBLIC WORKS OFFICERS in
o 25·31. The year 1897–98 was a
normally low. The present allotment
total demands for 1899–1900 under 45.
modified in the Public Works Depart-
udget, amounted to 36·23 lakhs. In
lakhs, it has been necessary to propose
in order to provide funds for urgent
sary to reduce the allotments proposed
g their completion and increasing the
grants for works in progress, it has
ent new works, leaving sanctioned new
for. Reduced grants have to be made
y the Public Works Department, and
abar will have to be postponed. The
WORKS—PUBLIC WORKS DEPARTMENT
h

NOR WORKS AND NAVIGATION, the total
r Irrigation was 30·60 lakhs and the
present figure will involve the reduc-
works, several of which are urgently

1899–1900, as submitted to the Gov-
h schemes as the improvement of the
olice scheme and the establishment of
out that the latter two schemes have
ction has been deferred in consequence
y Police scheme at the instance of the
intment of additional Munsifs on the
without the necessary funds to introduce
se schemes are urgently required and
me Government and by the Secretary
taluk establishments is necessary in the
funds. The reorganization of these
e revenue administration of the province
since these establishments control the
enlarged, and the benefits to be derived
be ~~a[illegible]d~~ and the increase of revenue realised.
on which will be the direct result of the
eatest importance that this very neces-
m year to year, should be introduced
us other schemes under consideration,
ost, such as the reorganization of the
organization of the Land Records depart-
h the Salt and Abkári department, the
nd the reorganization of the Agricultural
have been included in the budget for
ds of this province demand.

t of the fact stated above, viz., that the
ciple that increased expenditure of this hitherto
venues; but the share obtained by this
tterly inadequate to meet the legitimate
Governor-in-Council indeed fails to see
the Government of India is prepared to
here are now no accumulated balances to

d 15 as indirect expenditure) and of
·51 on indirect expenditure). The
d of 1897–98 to 13·54 lakhs the end
e to the returning prosperity of the
structions issued by this Government
act, for the past two years expenditure
rowest limits. The foregoing figures
ue, this province will on the 1st April
13·01 lakhs but will be 63 lakhs worse
has now to make up the prescribed
end any of the balance of 13·54 lakhs.
nt of the present contract period it is
added the sum of 1·67 lakhs which,
nt of India in regard to the five lakh
in this Presidency, has still to be
rds (*vide* my letter No. 1221, Financial,

, the Governor in
lague expenditure, and as contended
ocal Government bears an arbitrary
penditure is opposed to the principles
preme and Local Governments, as laid
ed by the Government of India (*vide*
e and Commerce Department, No. 68,
out that the Secretary of State held
e primary duty of maintaining order
he risk of war, famine exchange, and
aintaining not only national solvency,
ments" and that "on the Provincial
resources of their respective provinces
eral prosperity, comfort, and taxable
antly clear from the experience of this
tter that under present circumstances
tained; that it is seriously hampered
it is beyond its powers to add to the
of the community at large.

small assignment should be made in
present contract under the head of
INE RELIEF, the Government of India
ined to admit any sum in the settle-
t, and stated that when "famine
rs local Governments are expected to
rt to relief the funds they would
rwise have devoted to the construc-
reforms or improvements which are
the expenditure is beyond the power
es must come to their aid altogether
true that the Government of India
the famine expenditure in this Presi-
tion was arbitrarily fixed, and, even
l Government with practically a *minus*
the finances of this province, as at
n of famine and plague expenditure
al of that special assignments should
ver the expenditure.

ompares the figures in the Provincial
y letter No. 124 of the 19th January
t, plague expenditure being excluded.
r the contract figures on the revenue
rcess on the expenditure side; but I

f discontent—a discontent which, as the
ongst all Local Governments—this Gov-
l Governments in the revenues should be
ystem under which the Supreme Govern-
nne over expenditure should cease; and
some share at least in this normal growth.
ecognises that, under present conditions,
ef to some extent at the expense of those
ter degree, This relief, however, would
13d; lakhs under it the Supreme Government
ocal Governments the revenues as well as
of, as at present, fixing the Provincial
riating the whole of the latter to Imperial
t is by this means alone that the scheme
ct with which it was originally started;
and that interest in the development of
templated by the introduction of that
hich at present occurs at and after each
e Local Government he given definite
eir own action; if a definite share of the
alances be respected and not arbitrarily
t into existence that certainty as to their
s to be thrown on them without which
able.

They ~~[illegible]~~ sh.d within a defined category of subjects, have an independent revenue and expenditure of each ~~their~~ its own which it c.d deal with after the methods and principles of a financially independent Government & which will no longer be in any way subordinated to the demands of a Central Govt.

s Presidency, I am to remind the Gov-
act was settled, the Governor-General in
reason to doubt that the Madras Gov-
he additional grant of 1·50 lakhs then
rrent quinquennial period considerably
lation of the assignment for civil works.
d the 6th October 1896, the Governor-
n that the financial prospects were such
restriction of the existing scales of Pro-
etter, No. 905, Financial, dated 29th
28·60, against that of 8·43 proposed, by
s figure has ultimately been placed at
for higher assignments for civil works
efused. In finally fixing the adjusting
ed an additional grant of 1·50 lakhs "to
might be considered important or urgent
ntly of the fact that this act of generosity
ase, fail in its professed object, the addi-
it contract system is an equitable system
nevolence should have been unnecessary.
ey" and, as is generally the case with
action of the amount which has been
ouncil is, however, concerned with facts
e, in his opinion, the general inadequacy

the year 1896–97, which stood at 43·01
6; this reduction being partly caused by
as *direct* and ·11 as indirect expenditure).
with a balance of 22·95 lakhs. During
upon famine (15·97 as direct and 2·95 as
f the year, in consequence of the decision
vincial funds with so much of the five
l not be recovered from District Boards,
ised estimates for the current year this
99 to 13·54 lakhs, after allowing for an

hat it should possess a greater fixity of
owth of the revenues of the province;
d Barbour in his Financial Statement for
at had arisen to contract the resources
he revenues resumed by the Government
vas satisfactory that Local Governments
tribution to the resources of the empire
void the necessity of imposing further
actory if the Supreme Government had
he whole or the greater portion of this
f the internal administration. That this
m the figures to be found in the compila-
d "Progress of Provincial Revenue and
d with Mr. Under Secretary Brunyate's
er 1897. It may be noted that in the
e figures in the several columns of the
d by the Local Governments and the
Civil Works, can be taken as directly
re fair to infer that the statements can
s provinces. Although, as stated above,
ny discussion on the relative merits of
statements I, II and III appended to — the
figures in ~~that~~ compilation, above referred to. afford clear
the financial position of Local Govern-

he contract settlement for Madras for
nue account rose by 7·21 per cent., the
ed to increase by 4·01 per cent. only;
increase of 11·68 per cent. in the net
Administration rose by 5·30 per cent.
contract are 14·74 per cent. and 8·89 per
e first set of percentages—those of the
g nature of the second set—the increase
itute in themselves a clear proof of the
rnment, which has been really forced to
n between these rates is opposed to the
ment of the contracts no revision should
perial at the expense of the Provincial
can be adopted without embarrassing
he material prosperity of the province.

settlement of 1882 with that of 1897.
n the net revenues after deducting the
t is, the amount which has been devoted
ovince—is compared with the total net
nder the settlement of 1897 as compared
eceived 48·29 lakhs per annum and the
nditure, the provinces of Madras and of
nd Oudh received, respectively, 33, 51

of increase in the net revenue account
tration between the contract settlement
seen that whilst in Madras the former
y 19·60 per cent. only. Against this is
al, where the respective increases were
e Punjab where they were 25·85 and

or pretending to any knowledge of the
in Bengal and the Punjab, the Governor
e should not have been permitted partly
Government.

No. , Financial, th February 1899.

FINANCIAL DEPARTMENT.

Letter—from

The CHIEF SECRETARY to the GOVERNMENT of
FORT ST. GEORGE,

To

The SECRETARY to the GOVERNMENT of INDIA,
Finance and Commerce Department.

Sir,

I am directed to refer to the correspondence ending with your letter No. 4385 A, dated the 7th October 1898, and to address you again in regard to the financial position of this Government.

2. In that letter it was pointed out that owing to the multifarious issues involved, no settlement of the far reaching problem of the amount actually contributed by the several provinces in India towards the expenditure of the empire and of the principle on which provincial expenditure should be adjusted in relation to this assumed contribution, is possible which would not give rise to interminable controversy as to its practical application; that from the nature of the case, there are no means of determining upon what principles the general revenues which are levied under the authority of the Government of India should be distributed among the various provinces; that the provincial system, which was introduced for reasons of administrative convenience, did not contemplate that any such attempt should be made; and that having regard to the extreme complexity of the general question of the theoretical rights and liabilities of the several provinces in respect of financial matters, the Government of India can only do its best to pronounce equal judgment, but is obliged to admit its inability to justify, to the satisfaction of each of the claimants, the awards it is obliged to make.

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In spite of all that has taken place since these words were penned, these evils appear to the Governor in Council to still exist. So far from inculcating economy, the practical effect of the present system is to induce Local Governments to raise the standard of expenditure during the closing years of a contract period by every possible means, as it is on this standard that the next contract is based. The results of the present system of quinquennial settlements and their demoralising effect on the Administration cannot be better or more accurately described than in the words of His Excellency Sir Arthur Havelock when the budget was presented to the local Legislative Council in 1897:—

> "It appears to me that the contract system, so called, is bad in itself. It is demoralising to the Provincial and Supreme Governments; it is bad in that each revision that takes place has a terribly disturbing and dislocating effect on the local Administration, especially in the important department of Public Works to which the pruning knife has be to suddenly and ruthlessly applied. It is demoralising to the Provincial Government, because it tends to impair the sympathetic co-operation between the Supreme and Provincial Governments which is so desirable and because it tempts the Provincial Government in its financial relations with the Supreme Government, which is the master of the situation, to have recourse to the tactics of the weak. When we are well off, we try to hide our money and spend it recklessly lest the Supreme Government should lay hands upon it. When we are poor, we try to give undue emphasis to our poverty. The system is demoralising to the Supreme Government because it relieves that Government from the consequence of extravagance. In my opinion the financial condition of the Presidency will not be satisfactory until a larger degree of financial independence and control is conceded to the Provincial Government, and until some arrangement more consistent, more permanent and less onesided than the present contract system has been adopted."

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and to

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6. This Government contends, in short
interest in the revenues and in the normal
such a fixity as was contemplated by Sir Da
1892–93, when he regretted the necessity
of the Local Governments by the amount of
of India, and pointed out that although it
should have been in a position to make a co
at a period of pressure, and thus, possibly
taxation, it would have been still more sati
been in a position to allow them to retain
amount for expenditure on the improvement
fixity of interest does not exist is apparent fr
tion issued by the Government of India enti
Expenditure," copies of which were recei
letter No. 4241-A., dated the 22nd Septem
preface to this compilation it is stated that
statements showing the revenue administe
charges of Civil Administration, including
comparable with each other. It seems there
be taken as comparable as between the vario
there is no intention at present to enter into
the assignments to the various provinces, th
this letter, which have been obtained from th
evidence of the varied and varying nature o
ments.

7. Statement I shows, that, comparing
1887 with that for 1882, whilst the net rev
expenditure on Civil Administration was all
and that in 1892, although there was a furth
revenue account, the net expenditure on Ci
only. The similar percentages for the 1897
cent. The regularity observed between th
increase of the net revenues—and the varyin
in the net cost of Civil Administration—cons
ill-defined financial position of the Local Gov
take what it could get. The lack of proporti
principle laid down in 1882 that in the settle
be made which would be favourable to the I
revenues except in cases where this cours
Provincial finance or checking the growth of

8. Statement II compares the contrac
In this statement the amount remaining f
net expenditure on Civil Administration—th
to purposes other than Provincial in each p
revenues. This statement shows that, whilst
with that of 1882, the Presidency of Bengal
Province of Punjab 7·42 lakhs more for exp
Bombay and the North-Western Provinces
and 8 lakhs less.

Statement III exhibits the percentage
and in the net expenditure on Civil Admin
of 1882 and that of 1897. From this it will
increased by 37·38 per cent. the latter rose
to be set the different state of affairs in Ben
21·28 per cent. and 43·46 per cent. and in
32·25 per cent. respectively.

9. Without entering into any discussion
necessity of the increased rates of expenditure
in Council can fairly contend that this increa
at the expense of the spending power of this

10. In order to remove the present caus
Government of India acknowledges, prevail
ernment would suggest that the shares of lo
definitely and finally fixed; that the present
ment resumes the whole normal excess of re
that Provincial Governments should be given
As already stated, the Governor in Council
the more backward provinces must obtain re
the resources of which are developed in a gr
still be feasible under the system now propo
would share in certain fixed proportions with
the normal growth in the revenues instead
portion of the former as it pleases and appro
needs and the interests of other provinces.
initiated by Lord Mayo can attain the ob
that Local Governments can obtain that sha
the revenues of a province which were
scheme; and that the unseemly wrangling
contract settlement can be obviated. If
burdens which cannot be increased but by
revenue be assigned to them and if their
resumed or requisitioned there will be broug
available resources and as to the burden
Provincial financial management is impracti

11. To turn to the present needs of th
ernment of India that when the existing co
Council expressed the opinion that he had
ernment would find itself, even apart fro
made, in a position to spend during the c
more than the 22 lakhs taken as the calcu
In an earlier Resolution No. 4258-A., da
General in Council expressed his gratificat
as to enable him to abstain from any sever
vincial expenditure. In Mr. Arundel's
December 1896, an adjusting assignment
the Government of India, was urged. T
16·46 lakhs, the claims of this Governme
and for certain other heads having been
assignment the Government of India inclu
provide for any increase of expenditure tha
by the Government of Madras." Independ
must perforce, from the very nature of the
tional grant is inexplicable; for if the pres
and the settlement of 1897 was fair, this
It partakes of the nature of "conscience m
"conscience money," represents a mere
appropriated otherwise. The Governor in
as they stand, and the following figures pr
of the assignments made for this Presidenc

12. The opening Provincial balance f
lakhs, was reduced during that year by 20
an expenditure on famine of 4·82 lakhs (4·7
The present contract period therefore open
1897–98, a sum of 18·92 lakhs was expend
indirect expenditure). The closing balance
of the Government of India to debit Pr
lakhs expenditure on famine relief as cou
stood at 7·18 lakhs. According to the re
balance will be raised on the 1st April 1

expenditure of ·66 lakh on famine (51 as di
2·30 lakhs on plague (1·79 lakhs on direc
increase in the balance from 7·18 lakhs at
of 1898–99 is, I am to point out, not entire
province, but in a great measure to the stric
to restrict expenditure in all directions. I
under all heads has been kept within the
show, however, that owing to famine and p
1899 not only have lost its opening balance
off than it was on the 1st April 1897; for
minimum balance of 20 lakhs before it ca
Compared with its position at the commenc
42·95 lakhs poorer. To these figures shoul
in consequence of the orders of the Gover
contribution towards famine from local fu
recovered by Provincial Funds from District
dated 13th December 1898).

13. In my letter No. dated
Council has represented the facts as regard
there the present position under which the
portion of famine expenditure and all plague
which regulate the financial relations of the
down by the Secretary of State and as acc
despatch from the Government of India, Fin
dated 3rd March 1898). I am again to po
that "upon the Imperial Government rests
internally and of protecting the frontiers; o
sudden emergencies; of the responsibility of
but also the solvency of the Provincial Gov
Governments rests the duty of developing the
and by so developing them to add to the g
power of the community at large." It is abu
province and from the figures quoted in this
the solvency of this Government cannot be m
in the development of its resources; and tha
general prosperity, comfort, and taxable pow

14. When this Government urged that
th
F
d
m
oc
di
ot
tion of public works or to the introduction o
capable of being postponed"; and that when
of Provincial revenues to meet, Imperial reve
apart from the Provincial settlements." It i
debited Imperial funds with a large portion o
dency; but I am to point out that the exact
under the orders as originally issued, left the L
balance of 10 lakhs. I am again to urge th
present constituted, are unable to bear the bu
and that these heads should be treated as Imp
be made from Imperial to Provincial funds to

Paragraph 53 of the appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

Paragraph 5 of appendix A to Finance and Commerce Department letter No. 1245-A, dated 16 March 1897.

15. Statement IV appended to this letter
budget estimate for 1899–1900 submitted with
last with those settled for the Provincial contr
It will be seen that the excess of the budget o
side is almost exactly counterbalanced by the

am to draw special attention to the fact th
ing the grants for 43. MINOR WORKS AND
in the case of Public Works have been fix

16. The expenditure under 45. C
1896–97 amounted to 24·24 and in 189
famine year and the outlay was therefo
under this head is altogether inadequate.
CIVIL WORKS—PUBLIC WORKS DEPARTMEN
ment up to the date of the compilation of
consequence of the limited assignment of 2
reductions in the demands under all head
new works as far as possible, it has been
for several works in progress, thereby post
cost of the works. Even by this curtaili
been possible to provide 2·58 lakhs only fo
works to the extent of 1·11 lakhs unprovi
for certain roads which have been taken o
repairs to roads in the Mappilla tracts of
least sum that should be granted for 45.
in 1899–1900 is 26·91 lakhs.

17. As regards the grant under 43.
amount applied for by the Chief Engine
maintenance of the grant for 1899–1900
tion of allotments for original and agricu
required.

18. It is true that the budget estima
ernment of India, contains provisions fo
position of taluk establishments, the railw
four new Munsifs' Courts, but I am to p
already been sanctioned, and that their in
of the state of Provincial finances—the R
Government of India and that for the
motion of this Government as it found its
the measure when it was sanctioned. Bo
their necessity has been admitted by the
of State. The improvement of the positio
interests of Imperial as well as of Prov
establishments is obviously necessary befo
can be considered to be on a satisfactory b
lower staff, which has itself of late years
from this increase of the lower staff can o
already obtained ~~continued~~ assured. by proper supe
reform proposed. It is therefore of the
sary scheme, which has been deferred
without delay. This Government has
all of which will probably involve ext
clerical staff of the Forest department, th
ment, the amalgamation of the Customs
reorganization of the Registration departme
staff of the Presidency. The items wh
1899–1900 are not a fraction of what the

19. This Government has not lost
Government of India has laid down the
description must be met by increasing th
Government in the increase of revenues i
calls upon the Provincial exchequer. T
how these schemes can be introduced, un
deal more liberally with this Presidency.

fall back upon, and the progress of this Pre
period is, so far as this Government can fo
which the prescribed minimum balance of 2
of ~~the administration are to be centred on~~
abstract is doubtless ~~to be highly commended~~.
one object in view, viz, to show that this
requirements of article 1361 of the Civil A
persistently deaf ear to all schemes which
province or the comfort of its people. This
contract system. An instructive example of
worked is to be found in the fact that wh

Note.—Page 46, paragraph 31, of Appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

the contract figure under that head, the G
devote to the development of the province th
of improvement such as those mentioned ab
grants beyond all reasonable limits.

20. In conclusion, I am to say that the
from the merits of the questions discussed in
necessary in order to emphasize the fact th
of the Government of Fort St. George is ves
in Council, the executive administration of th
in the Governor in Council—a fact which a
of view, and that it is only by the due co-
government/of the Presidency can be achieve

I am to urge.

Fort St. George,
February 1899.

Press

Please arrange in this order.

STATE

Comparison of the Net Revenue Account an
in the Madras Presidency according to t

—	Contract Estimate, 1882.	Contract Estimate, 1887.	Increase.
1	2	3	4
	LAKHS.	LAKHS.	LAKHS.
Net Revenue Account—Total	569·37	610·43	41·06
Net Expenditure on Civil Administration	187·08	194·58	7·50

STATE

Statement showing the percentage of Net Rev
cial purposes in the five larger Provinc
and 1897.

C.P.

—	Contract Estimate, 1882.			
	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 2—column 3.	Percentage of remainder (column 4) to Net Revenue—Total (column 2).
1	2	3	4	5
	LAKHS.	LAKHS.	LAKHS.	
3 Bengal	640·11	217·87	422·24	65·96
2 North-Western Provinces and Oudh	699·29	222·86	476·43	68·13
1 Punjab	265·61	116·32	149·29	56·20
6 Madras	569·37	187·08	382·29	67·14
5 Bombay	409·93	217·19	192·74	47·02
4 Central Provinces	100·65	49·34	51·31	50·98

Press

Please arrange in this order

STAT

Statement comparing the percentage of inc
Expenditure in Civil Administration bet
the various Provinces of India.

—	Net Revenue Accou	
	Contract Estimate, 1882.	Contract Estimate, 1897.
1	2	3
	LAKHS.	LAKHS.
4 Central Provinces	100·65	136·37
~~Lower Burma~~	~~150·63~~	~~247·04~~
~~Assam~~	~~63·84~~	~~101·42~~
3 Bengal	640·11	776·33
2 North-Western Provinces and Oudh	699·29	786·41
1 Punjab	265·61	334·28
6 Madras	569·37	782·18
5 Bombay	409·93	576·38

~~* Does not include 10·08 lakhs representing Imperial~~
~~and Survey.~~

~~† Does not include 1·65 lakhs representing Imperial~~
~~and Survey.~~

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STATEMENT IV.

STATEMENT comparing the assignments under the contract of 1897 with the figures of the budget estimate for 1899–1900.

Lakhs

Revenue.				Expenditure.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.	—	Contract figures.	Budget estimate, 1899–1900.	Difference.
I. Land Revenue	151·04	(a) 155·09	+ 4·05	1. Refunds and Drawbacks	1·22	1·29	+ ·07
III. Salt	1·27	1·14	− ·13	3. Land Revenue	48·40	51·30	+ 2·90
IV. Stamps	59·75	63·00	+ 3·25	5. Salt	5·49	4·61	− ·88
V. Excise	37·20	36·50	− ·70	6. Stamps	2·70	2·53	− ·17
VII. Customs	·73	·75	+ ·02	7. Excise..	1·57	2·68	+ 1·11
VIII. Assessed Taxes	12·00	13·00	+ 1·00	9. Customs	2·46	2·54	+ ·08
IX. Forest	10·25	12·15	+ 1·90	10. Assessed, Taxes	·14	·15	+ ·01
X. Registration	6·00	6·50	+ ·50	11. Forest..	7·75	8·75	+ 1·00
XII. Interest	1·48	2·51	+ 1·03	12. Registration	4·20	4·21	+ ·01
XVI-A. Courts of Law	7·40	8·04	+ ·64	13. Interest	1·50	2·03	+ ·53
XVI-B. Jails	4·26	4·55	+ ·29	15. Post Office	1·02	1·07	+ ·05
XVII. Police	4·41	4·47	+ ·06	18. General Administration	9·93	9·75	− ·18
XIX. Education	1·93	2·92	+ ·99	19-A. Courts of Law	46·92	46·68	[illegible]
XX. Medical	1·22	1·01	[illegible]				

c. 17. 2. 99

H. E. The Ex^r.

This ought to reach Calcutta before we do. It is very urgent.

17. 2. 9

Read and approved. I should like to have spare copies of this and of our two other recent financial letters

A. H.
18. 2. 99.

Issue.
18/2/99

NOTE FOR THE C.S.

A clean proof of the letter to India re the financial position of this Govt. is subd. H.E. the Governor has not yet seen the papers. The Hon'ble Member pointed out that para: 12 might be made clearer. please see flag. XXIII – The drop in the balance in 1896-97 was due largely to the fact that this Govt. budgetted for a deficit of 15·26 lakhs (vide Govt: Statement for 1898-99) This deficit was increased by 4·80 owing to famine expenditure India did not resume any of the actual balances. To save any doubts, para 12 might perhaps run as corrected in pencil in the proof – leaving out any allusion to the opening balance of 1896-97 which was before the present contract period

C.M.B.
17. 2. 99.

A revised para 12 is subd. as .

C.M.B. 17. 2. 99

17. 2. 9.

A. H.
18. 2. 99. Issued

FINANCIAL DEPARTMENT.

LETTER—from

THE CHIEF SECRETARY TO THE GOVERNMENT OF
FORT ST. GEORGE,

To

THE SECRETARY TO THE GOVERNMENT OF INDIA,
FINANCE AND COMMERCE DEPARTMENT.

SIR,

Cn° 2889 C

I am directed to refer to the correspondence ending with your letter No. 4385 A, dated the 7th October 1898, and to address you again in regard to the financial position of this Government.

2. In that letter it was pointed out that owing to the multifarious issues involved, no settlement of the far reaching problem of the amount actually contributed by the several provinces in India towards the expenditure of the empire and of the principle on which provincial expenditure should be adjusted in relation to this assumed contribution, is possible which would not give rise to interminable controversy as to its practical application; that from the nature of the case, there are no means of determining upon what principles the general revenues which are levied under the authority of the Government of India should be distributed among the various provinces; that the provincial system, which was introduced for reasons of administrative convenience, did not contemplate that any such attempt should be made; and that having regard to the extreme complexity of the general question of the theoretical rights and liabilities of the several provinces in respect of financial matters, the Government of India can only do its best to pronounce equal judgment, but is obliged to admit its inability to justify, to the satisfaction of each of the claimants, the awards it is obliged to make.

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29-12-96. K

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page 111 of the
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d 29-12-96 K

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wd 824 Finl d 5-10-97
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6. This Government contends, in short, that it should possess a greater fixity of interest in the revenues and in the normal growth of the revenues of the province; such a fixity as was contemplated by Sir David Barbour in his Financial Statement for 1892–93, when he regretted the necessity that had arisen to contract the resources of the Local Governments by the amount of the revenues resumed by the Government of India, and pointed out that although it was satisfactory that Local Governments should have been in a position to make a contribution to the resources of the empire at a period of pressure, and thus, possibly avoid the necessity of imposing further taxation, it would have been still more satisfactory if the Supreme Government had been in a position to allow them to retain the whole or the greater portion of this amount for expenditure on the improvement of the internal administration. That this fixity of interest does not exist is apparent from the figures to be found in the compilation issued by the Government of India entitled "Progress of Provincial Revenue and Expenditure," copies of which were received with Mr. Under Secretary Brunyate's letter No. 4241-A., dated the 22nd September 1897. It may be noted that in the preface to this compilation it is stated that the figures in the several columns of the statements showing the revenue administered by the Local Governments and the charges of Civil Administration, including Civil Works, can be taken as directly comparable with each other. It seems therefore fair to infer that the statements can be taken as comparable as between the various provinces. Although, as stated above, there is no intention at present to enter into any discussion on the relative merits of the assignments to the various provinces, the statements I, II and III appended to this letter, which have been obtained from the figures in the compilation above referred to, afford clear evidence of the varied and varying nature of the financial position of Local Governments.

para 12 of India's resolution on page 6 of 80 904-5 Finl. of 29-12-96 K.

page 24 of 80 824, Finl. of 5-10-97 ⊥

7. Statement I shows, that, comparing the contract settlement for Madras for 1887 with that for 1882, whilst the net revenue account rose by 7·21 per cent., the expenditure on Civil Administration was allowed to increase by 4·01 per cent. only; and that in 1892, although there was a further increase of 11·68 per cent. in the net revenue account, the net expenditure on Civil Administration rose by 5·60 per cent. only. The similar percentages for the 1897 contract are 14·74 per cent. and 8·89 per cent. The regularity observed between the first set of percentages—those of the increase of the net revenues—and the varying nature of the second set—the increase in the net cost of Civil Administration—constitute in themselves a clear proof of the ill-defined financial position of the Local Government, which has been really forced to take what it could get. The lack of proportion between these rates is opposed to the principle laid down in 1882 that in the settlement of the contracts no revision should be made which would be favourable to the Imperial at the expense of the Provincial revenues except in cases where this course can be adopted without embarrassing Provincial finance or checking the growth of the material prosperity of the province.

page 3 of 80 No. 904-5, Finl. of 29th Decr 96. K

8. Statement II compares the contract settlement of 1882 with that of 1897. In this statement the amount remaining from the net revenues after deducting the net expenditure on Civil Administration—that is, the amount which has been devoted to purposes other than Provincial in each province—is compared with the total net revenues. This statement shows that, whilst under the settlement of 1897 as compared with that of 1882, the Presidency of Bengal received 48·29 lakhs per annum, and the Province of Punjab 7·42 lakhs more for expenditure, the provinces of Madras and of Bombay and the North-Western Provinces and Oudh received, respectively, 33, 51 and 8 lakhs less.

Statement III exhibits the percentages of increase in the net revenue account and in the net expenditure on Civil Administration between the contract settlement of 1882 and that of 1897. From this it will be seen that whilst in Madras the former increased by 37·38 per cent, the latter rose by 19·60 per cent. only. Against this is to be set the different state of affairs in Bengal, where the respective increases were 21·28 per cent. and 43·46 per cent. and in the Punjab where they were 25·85 and 32·25 per cent. respectively.

9. Without entering into any discussion or pretending to any knowledge of the necessity of the increased rates of expenditure in Bengal and the Punjab, the Governor in Council can fairly contend that this increase should not have been permitted partly at the expense of the spending power of this Government, and he can fairly point to the ~~tendency of~~ ~~tendency~~ ~~[illegible] the revenues~~ tendency on the part of the revenues to flow to the north of India

Note: This might be styled a "magnetic" influence

10. In order to remove the present cause of discontent—a discontent which, as the Government of India acknowledges, prevails amongst all Local Governments—this Government would suggest that the shares of local Governments in the revenues should be definitely and finally fixed; that the present system under which the Supreme Government resumes the whole normal excess of revenne over expenditure should cease; and that Provincial Governments should be given some share at least in this normal growth. As already stated, the Governor in Council recognises that, under present conditions, the more backward provinces must obtain relief to some extent at the expense of those the resources of which are developed in a greater degree. This relief, however, would still be feasible under the system now proposed; for under it the Supreme Government would share in certain fixed proportions with Local Governments the revenues as well as the normal growth in the revenues instead of, as at present, fixing the Provincial portion of the former as it pleases and appropriating the whole of the latter to Imperial needs and the interests of other provinces. It is by this means alone that the scheme initiated by Lord Mayo can attain the object with which it was originally started; that Local Governments can obtain that share and that interest in the development of the revenues of a province which were contemplated by the introduction of that scheme; and that the unseemly wrangling which at present occurs at and after each contract settlement can be obviated. If the Local Governments be given definite burdens which cannot be increased but by their own action; if a definite share of the revenue be assigned to them and if their balances be respected and not arbitrarily resumed or requisitioned, there will be brought into existence that certainty as to their available resources and as to the burdens to be thrown on them without which Provincial financial management is impracticable. They should, within a defined category of subjects, have an independent revenue and expenditure each of its own, which it could deal with after the methods and principles of a financially independent Government and which would be no longer in any way hypothecated to the demands of a central Government.

Each Provl. Govt.?

11. To turn to the present needs of this Presidency, I am to remind the Government of India that when the existing contract was settled, the Governor-General in Council expressed the opinion that he had no reason to doubt that the Madras Government would find itself, even apart from the additional grant of 1·50 lakhs then made, in a position to spend during the current quinquennial period considerably more than the 22 lakhs taken as the calculation of the assignment for civil works. In an earlier Resolution No. 4258-A., dated the 6th October 1896, the Governor-General in Council expressed his gratification that the financial prospects were such as to enable him to abstain from any severe restriction of the existing scales of Provincial expenditure. In Mr. Arundel's letter, No. 905, Financial, dated 29th December 1896, an adjusting assignment of 28·60, against that of 8·43 proposed, by the Government of India, was urged. This figure has ultimately been placed at 16·46 lakhs, the claims of this Government for higher assignments for civil works and for certain other heads having been refused. In finally fixing the adjusting assignment the Government of India included an additional grant of 1·50 lakhs "to provide for any increase of expenditure that might be considered important or urgent by the Government of Madras." Independently of the fact that this act of generosity must perforce, from the very nature of the case, fail in its professed object, the additional grant is inexplicable; for if the present contract system is an equitable system and the settlement of 1897 was fair, this benevolence should have been unnecessary. It partakes of the nature of "conscience money" and, as is generally the case with "conscience money," represents a mere fraction of the amount which has been appropriated otherwise. The Governor in Council is, however, concerned with facts as they stand, and the following figures prove, in his opinion, the general inadequacy of the assignments made for this Presidency.

Para 9 of Finl. Comm. Deptt letter No. 1245 of 16-3-97 (page 5 of 80 824 Finl. of 5-10-97) ⊥

page 7 of 80 904-5 Finl. of 29-12-96 K

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para 17 of Finl. Comm. Deptt letter No. 1245A of 16-3-97 (page 6 of 80 824 Finl. of 5-10-97) ⊥

12. The opening Provincial balance for the year 1896–97, which stood at 43·01 lakhs was reduced during that year by 20·06; this reduction being partly caused by an expenditure on famine of 4·82 lakhs (4·71 as *direct* and ·11 as indirect expenditure). The present contract period therefore opened with a balance of 22·95 lakhs. During 1897–98, a sum of 18·92 lakhs was expended upon famine (15·97 as direct and 2·95 as indirect expenditure). The closing balance of the year, in consequence of the decision of the Government of India to debit Provincial funds with so much of the five lakhs expenditure on famine relief as could not be recovered from District Boards,

Statt VI

80 1220-1 Finl. of 13-12-98 Q

[Please see reversed (type written) para 12.

stood at 7·18 lakhs. According to the revised estimates for the current year this balance will be raised on the 1st April 1899 to 13·~~54~~ lakhs, after allowing for an expenditure of ·66 lakh on famine (·51 as direct and ·15 as indirect expenditure) and of 2·75 lakhs on plague (2·15 lakhs on direct and ·60 on indirect expenditure). The increase in the balance from 7·18 lakhs at the end of 1897–98 to 13·09 lakhs at the end of 1898–99 is, I am to point out, not entirely due to the returning prosperity of the province, but in a great measure to the strict instructions issued by this Government to restrict expenditure in all directions. In fact, for the past two years expenditure under all heads has been kept within the narrowest limits. The foregoing figures show, however, that owing to famine and plague, this province will on the 1st April 1899 not only have lost its opening balance of 43·01 lakhs but will be 63 lakhs worse off than it was on the 1st April 1897; for it has now to make up the prescribed minimum balance of 20 lakhs before it can spend any of the balance of 13·09 lakhs. Compared with its position at the commencement of the present contract period it is 42·95 lakhs poorer. To these figures should be added the sum of ~~2·82~~ lakhs which, in consequence of the orders of the Government of India in regard to the five lakh contribution towards famine from local funds in this Presidency, has still to be recovered by Provincial Funds from District Boards (*vide* my letter No. 1221, Financial, dated 13th December 1898).

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13. In my letter No. dated , the Governor in Council has represented the facts as regards plague expenditure, and as contended there the present position under which the Local Government bears an arbitrary portion of famine expenditure and all plague expenditure is opposed to the principles which regulate the financial relations of the Supreme and Local Governments, as laid down by the Secretary of State and as accepted by the Government of India (*vide* Despatch from the Government of India, Finance and Commerce Department, No. 68, dated 3rd March 1898). I am again to point out that the Secretary of State held that "upon the Imperial Government rests the primary duty of maintaining order internally and of protecting the frontiers; of the risk of war, famine, exchange, and sudden emergencies; of the responsibility of maintaining not only national solvency but also the solvency of the Provincial Governments" and that "on the Provincial Governments rests the duty of developing the resources of their respective provinces and by so developing them to add to the general prosperity, comfort, and taxable power of the community at large." It is abundantly clear from the experience of this Province and from the figures quoted in this letter that under present circumstances the solvency of this Government cannot be maintained; that it is seriously hampered in the development of its resources; and that it is beyond its powers to add to the general prosperity, comfort, and taxable power of the community at large.

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14. When this Government urged that a small assignment should be made in the present contract under the head of FAMINE RELIEF, the Government of India declined to admit any sum in the settlement, and stated that when "famine occurs local Governments are expected to divert to relief the funds they would otherwise have devoted to the construction of public works or to the introduction of reforms or improvements which are capable of being postponed"; and that when "the expenditure is beyond the power of Provincial revenues to meet, Imperial revenues must come to their aid altogether apart from the Provincial settlements." It is true that the Government of India debited Imperial funds with a large portion of the famine expenditure in this Presidency; but I am to point out that the exact portion was arbitrarily fixed, and, even under the orders as originally issued, left the Local Government with practically a *minus* balance of 10 lakhs. I am again to urge that the finances of this province, as at present constituted, are unable to bear the burden of famine and plague expenditure and that these heads should be treated as Imperial or that special assignments should be made from Imperial to Provincial funds to cover the expenditure.

K Paragraph 53 of the appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

L Paragraph 5 of appendix A to Finance and Commerce Department letter No. 1245-A, dated 16 March 1897.

page 8 of 808 24 Finl
d 5-10-97.

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15. Statement IV appended to this letter compares the figures in the Provincial budget estimate for 1899–1900 submitted with my letter No. 124 of the 19th January last with those settled for the Provincial contract, plague expenditure being excluded. It will be seen that the excess of the budget over the contract figures on the revenue

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12. During the years 1896-97 and 1897-98 the total ou
lay on Famine and Plague - ~~in~~ direct and indirect amounte
to 24.14 lakhs, and in accordance with the decision of the
Govt. of India, Provincial funds stood on the 1st April 189
with a minus balance of 10 lakhs. The decision of the Govt
of India to debit Provl. funds with so much of the five la
expenditure on famine relief as could not be recovered fro
District Boards, raised this minus balance to 14.49 lakhs.
(vide my letter No. 1221 Finl dd 13. 12 98)
The revised estimate~~s~~ for the current year includes an ex-
penditure of .66 lakh on famine (.51 as direct and .15 as
indirect expenditure) and of 2.75 lakhs on plague (2.15
lakhs ~~on~~ as direct and .60 ~~on~~ as indirect expenditure). The total ex
penditure on famine and plague since 1896 -97 thus amounts
to 27.55 lakhs, and if to this is added the minus balance
14.49 lakhs referred to above, it will be seen that this
Presy. has suffered to the extent of 42.04 lakhs on ac
of these calamities. According to the revised estimat
the current year the balance~~s~~ on the 1st April 1899 w
stand at 13.09, but the increase from 7.18 at the end
1897-98 is, I am to point out, not entirely due to the retu
ing prosperity of the province, but in a great measure to
the strict instructions issued by this Govt. to restrict
penditure in all directions. In fact, for the past two
~~the~~ expenditure under all heads has been kept within the
narrowest limits.

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side is almost exactly counterbalanced by the excess on the expenditure side; but I am to draw special attention to the fact that this result has been effected by restricting the grants for 43. MINOR WORKS AND NAVIGATION and 45. CIVIL WORKS,—which in the case of Public Works have been fixed at 29·80 and 22·16 lakhs, respectively.

Vide GO 95 Fint of 12-1-99 P

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16. The expenditure under 45. CIVIL WORKS—PUBLIC WORKS OFFICERS, in 1896–97 amounted to 24·24 and in 1895–96 to 25·31. The year 1897–98 was a famine year and the outlay was therefore abnormally low. The present allotment under this head is altogether inadequate. The total demands for 1899–1900 under 45. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, as modified in the Public Works Department up to the date of the compilation of the budget, amounted to 36·23 lakhs. In consequence of the limited assignment of 22·16 lakhs, it has been necessary to propose reductions in the demands under all heads and in order to provide funds for urgent new works as far as possible, it has been necessary to reduce the allotments proposed for several works in progress, thereby postponing their completion and increasing the cost of the works. Even by thus curtailing the grants for works in progress, it has been possible to provide 2·58 lakhs only for urgent new works, leaving sanctioned new works to the extent of 1·11 lakhs unprovided for. Reduced grants have to be made for certain roads which have been taken over by the Public Works Department, and repairs to roads in the Mappilla tracts of Malabar will have to be postponed. The least sum that should be granted for 45. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, in 1899–1900 is 26·91 lakhs.

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17. As regards the grant under 43. MINOR WORKS AND NAVIGATION, the total amount applied for by the Chief Engineer for Irrigation was 30·60 lakhs and the maintenance of the grant for 1899–1900 at its present figure will involve the reduction of allotments for original and agricultural works, several of which are urgently required.

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18. It is true that the budget estimate for 1899–1900, as submitted to the Government of India, contains provisions for such schemes as the improvement of the position of taluk establishments, the railway police scheme and the establishment of four new Munsifs' Courts, but I am to point out that the latter two schemes have already been sanctioned, and that their introduction has been deferred in consequence of the state of Provincial finances—the railway police scheme at the instance of the Government of India and that for the appointment of additional Munsifs on the motion of this Government as it found itself without the necessary funds to introduce the measure when it was sanctioned. Both these schemes are urgently required and their necessity has been admitted by the supreme Government and by the Secretary of State. The improvement of the position of taluk establishments is necessary in the interests of Imperial as well as of Provincial funds. The re-organization of these establishments is obviously necessary before the revenue administration of the province can be considered to be on a satisfactory basis, since these establishments control the lower staff, which has itself of late years been enlarged, and the benefits to be derived from this increase of the lower staff can only be realised and the increase of revenue already obtained assured by proper supervision which will be the direct result of the reform proposed. It is therefore of the greatest importance that this very necessary scheme, which has been deferred from year to year, should be introduced without delay. This Government has various other schemes under consideration, all of which will probably involve extra cost, such as the re-organization of the clerical staff of the Forest department, the re-organization of the Land Records department, the amalgamation of the Customs with the Salt and Abkári department, the re-organization of the Registration department, and the re-organization of the Agricultural staff of the Presidency. The items which have been included in the budget for 1899–1900 are not a fraction of what the needs of this province demand.

19. This Government has not lost sight of the fact ~~stated above, viz.~~ that the Government of India has laid down the principle that ~~increased expenditure of this description must be met by increasing revenues~~; but the share hitherto obtained by this Government in the increase of revenues is utterly inadequate to meet the legitimate calls upon the Provincial exchequer. The Governor-in-Council indeed fails to see how these schemes can be introduced, unless the Government of India is prepared to deal more liberally with this Presidency. There are now no accumulated balances to

It is necessary to leave projects which involve increase of expenditure in the future till provided for as increase of revenue comes in

H.M. suggests "the" [illegible].

& refers to revenues ~~and~~ which increase without saying anything as to the agency by which they are increased. They are [illegible] [illegible] fall back upon, and the progress of this Presidency during the current quinquennial period is, so far as this Government can foresee, to be gauged by the celerity with which the prescribed minimum balance of 20 lakhs is worked up to. The Governor in Council is to maintain one object in view, viz, to show that this Presidency is capable of fulfilling the requirements of article 1361 of the Civil Account Code, Volume II, and to turn a persistently deaf ear to all schemes which would tend to the development of the province or the comfort of its people. This is a striking commentary on the present contract system. An instructive example of the manner in which the system can be worked is to be found in the fact that whilst this Government has, in spite of its protest in 1896 regarding the assignments under SUPERANNUATIONS, been obliged to provide for an expenditure in the year 1899–1900 nearly one lakh in excess of the contract figure under that head, the Governor in Council has been unable to devote to the development of the province the amounts absolutely required for schemes of improvement such as those mentioned above, without reducing the Public Works grants beyond all reasonable limits.

K *Note.*—Page 46, paragraph 51, of Appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

20. In conclusion, I am to say that the Governor in Council considers that apart from the merits of the questions discussed in the present letter, this representation is necessary in order to emphasize the fact that, while the superintendence and control of the Government of Fort St. George is vested by Statute in the Governor-General in Council, the executive administration of the Presidency is likewise vested by Statute in the Governor in Council—a fact which appears occasionally to have dropped out of view, and I am to urge that it is only by the due co-ordination of both powers that the right government of the Presidency can be achieved.

I have the honour to be,
Sir,
Your most obedient servant,

FORT ST. GEORGE,
February 1899.

Chief Secretary.

[Appendix.

STATEMENT I.

COMPARISON of the Net Revenue Account and the Net Expenditure on Civil Administration in the Madras Presidency according to the Contract Settlements of 1882 to 1897.

—	Contract Estimate, 1882.	Contract Estimate, 1887.	Increase.	Percentage of increase.	Contract Estimate, 1892.	Increase over Contract Estimate, 1887.	Percentage of increase.	Contract Estimate, 1897.	Increase over Contract Estimate, 1892.	Percentage of increase.
1	2	3	4	5	6	7	8	9	10	11
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.		LAKHS.	LAKHS.	
Net Revenue Account—~~Total~~	569·37	610·43	41·06	7·21	681·71	71·28	11·68	782·18	100·47	14·74
Net Expenditure on Civil Administration	187·08	194·58	7·50	4·01	205·48	10·90	5·60	223·74	18·26	8·89

STATEMENT II.

STATEME owing the percentage of Net Revenue Account appropriated to other than Provincial purposes in the five larger Provinces of India in the Contract Settlements of 1882 and 1897.

—	Contract Estimate, 1882.				Contract Estimate, 1897.				Difference between column 9 and column 5.	Loss to the Province.	Gain to the Province.
	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 2—column 3.	Percentage of remainder (column 4) to Net Revenue—Total (column 2).	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 6—column 7.	Percentage of remainder (column 8) to Net Revenue—Total (column 6).			
1	2	3	4	5	6	7	8	9	10	11	12
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.			LAKHS.	LAKHS.
Punjab	265·61	116·32	149·29	56·20	334·28	153·83	180·45	53·98	— 2·22	..	7·42
North-Western Provinces and Oudh	699·29	222·86	476·43	68·13	786·41	242·87	543·54	69·12	+ ·99	7·79	..
Bengal	640·11	217·87	422·24	65·96	776·33	312·55	463·78	59·74	— 6·22	..	48·29
Central Provinces.	100·65	49·34	51·31	50·98	136·37	71·07	65·30	47·88	— 3·10	..	4·23
Bombay	409·93	217·19	192·74	47·02	576·38	254·41	321·97	55·86	+ 8·84	50·95	..
Madras	569·37	187·08	382·29	67·14	782·18	223·74	558·44	71·40	+ 4·26	33·32	..

STATEMENT III.

STATEMENT comparing the percentage of increase in the net Revenue Account and the Net Expenditure on Civil Administration between the Contract Settlements of 1882 and 1897 ~~in the various Provinces of India.~~

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—	Net Revenue Account—Total.				Net Expenditure on Civil Administration			
	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 3-2.	Percentage of increase.	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 7-6.	Percentage of increase.
1	2	3	4	5	6	7	8	9
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.	
Punjab	265·61	334·28	68·67	25·85	116·32	153·83	37·51	32·25
North-Western Provinces and Oudh	699·29	786·41	87·12	12·46	222·86	242·87	20·01	8·98
Bengal	640·11	776·33	136·22	21·28	217·87	312·55	94·68	43·46
Central Provinces	100·65	136·37	35·72	35·49	49·34	71·07	21·73	44·04
Bombay	409·93	576·38	166·45	40·60	217·19	254·41	37·22	17·14
Madras	569·37	782·18	212·81	37·38	187·08	223·74	36·66	19·60

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STATEMENT IV.

STATEMENT comparing the assignments under the contract of 1897 with the figures of the budget estimate for 1899–1900.

Revenue.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.
	LAKHS.	LAKHS.	LAKHS.
I. Land Revenue	151·04	(a) 155·09	+ 4·05
III. Salt	1·27	1·14	− ·13
IV. Stamps	59·75	63·00	+ 3·25
V. Excise	37·20	36·50	− ·70
VII. Customs	·73	·75	+ ·02
VIII. Assessed Taxes	12·00	13·00	+ 1·00
IX. Forest	10·25	12·15	+ 1·90
X. Registration	6·00	6·50	+ ·50
XII. Interest	1·48	2·51	+ 1·03
XVI-A. Courts of Law	7·40	8·04	+ ·64
XVI-B. Jails	4·26	4·55	+ ·29
XVII. Police	4·41	4·47	+ ·06
XIX. Education	1·93	2·92	+ ·99
XX. Medical	1·22	1·01	− ·21
XXI. Scientific, &c., Departments ..	2·13	2·55	+ ·42
XXII. Superannuation, &c.	·47	·62	+ ·15
XXIII. Stationery and Printing ..	1·38	1·04	− ·34
XXV. Miscellaneous	1·54	1·97	+ ·43
XXVI. State Railways	2·71	2·60	− ·11
XXX. Minor Works and Navigation ..	1·86	1·88	+ ·02
XXXII. Civil Works	1·58	1·87	+ ·29
Total ..	310·61	324·16	+ 13·55

Expenditure.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.
	LAKHS.	LAKHS.	LAKHS.
1. Refunds and Drawbacks	1·22	1·29	+ ·07
3. Land Revenue	48·40	51·30	+ 2·90
5. Salt	5·49	4·61	− ·88
6. Stamps	2·70	2·53	− ·17
7. Excise..	1·57	2·68	+ 1·11
9. Customs	2·46	2·54	+ ·08
10. Assessed Taxes	·14	·15	+ ·01
11. Forest..	7·75	8·75	+ 1·00
12. Registration	4·20	4·21	+ ·01
13. Interest	1·50	2·03	+ ·53
15. Post Office	1·02	1·07	+ ·05
18. General Administration	9·93	9·75	− ·18
19-A. Courts of Law	46·92	46·68	− ·24
19-B. Jails	10·51	11·58	+ 1·07
20. Police	46·04	47·43	+ 1·39
21. Marine	·40	·08	− ·32
22. Education	16·79	18·45	+ 1·66
24. Medical	13·07	12·71	− ·36
25. Political	·84	·75	− ·09
26. Scientific, &c., Departments	4·20	5·04	+ ·84
29. Superannuation, &c.	15·52	16·42	+ ·90
30. Stationery and Printing	9·00	10·46	+ 1·46
32. Miscellaneous..	1·52	1·63	+ ·11
33. Famine Relief	..	(b) ·05	+ ·05
37. Construction of Railways	..	·07	+ ·07
38. State Railways—Working Expenses	1·68	1·68	..
41. Miscellaneous Railways	..	·10	+ ·10
43. Minor Works and Navigation	33·45	34.05	+ ·60
45. Civil Works	22·00	25·19	+ 3·19
Contribution between Provincial and Local (Net) ..	·79	·93	+ ·14
Lump addition	1·50	..	− 1·50
Total ..	310·61	(c) 324·21	+ 13·60

(a) Includes fixed assignment and excludes special transfers.

(b) For flood charges.

(c) Excludes plague charges.

Government (1899) of Madras.

FINANCIAL.

Very Urgent

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Enclosures

Spare copies

Letter, No. 264, 18th February 1899.

FEBRUARY.

Financial Position of the Madras Government

Addressing the Govt of India in regard to the ______

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FINANCIAL DEPARTMENT.

LETTER—from

THE CHIEF SECRETARY TO THE GOVERNMENT OF
FORT ST. GEORGE,

To

THE SECRETARY TO THE GOVERNMENT OF INDIA,
FINANCE AND COMMERCE DEPARTMENT.

SIR,

I am directed to refer to the correspondence ending with your letter No. 4385 A, dated the 7th October 1898, and to address you again in regard to the financial position of this Government.

2. In that letter it was pointed out that owing to the multifarious issues involved, no settlement of the far reaching problem of the amount actually contributed by the several provinces in India towards the expenditure of the empire and of the principle on which provincial expenditure should be adjusted in relation to this assumed contribution, is possible which would not give rise to interminable controversy as to its practical application; that from the nature of the case, there are no means of determining upon what principles the general revenues which are levied under the authority of the Government of India should be distributed among the various provinces; that the provincial system, which was introduced for reasons of administrative convenience, did not contemplate that any such attempt should be made; and that having regard to the extreme complexity of the general question of the theoretical rights and liabilities of the several provinces in respect of financial matters, the Government of India can only do its best to pronounce equal judgment, but is obliged to admit its inability to justify, to the satisfaction of each of the claimants, the awards it is obliged to make.

3. The Governor in Council, whilst unable to admit that the comparison which was instituted in my predecessor's letter, No. 230, Financial, dated the 5th March 1898, has been met in your letter under reply, considers it unnecessary to pursue this aspect of the question further, in view of the admitted impossibility of drawing up any statement of the case which would suffice to convince each of the local Governments that it is not, as compared with each of the others, placed at a disadvantage. He also desires it to be stated clearly that the contentions put forward by this Government have not been based upon any idea of the existence of partiality on the part of the Government of India in making the various provincial assignments. At the same time he can judge of the effect of the contract for this province by its results alone and it is, in fact, with this aspect of the question that he is concerned. These results have come prominently to notice in the settlement of the budget estimates submitted with my letter, No. 124, Financial, dated the 19th January 1899. In the opinion of this Government the fault lies in the inherent defects of the present contract system. This Government does not propose to enter into any comparison of Madras with other provinces in so far as the amounts of the provincial assignments are concerned, but in dealing with the subject of the revenues devoted to Provincial purposes it is impossible to set aside altogether the consideration of the question whether this Presidency has obtained the advantage that it might reasonably have expected from the revenues raised within it.

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4. The objects of the provincial scheme were described in a minute by Sir J. Strachey quoted in his Financial Statement of 1877–78 (paragraph 3 of Finance and Commerce Department Resolution No. 4258-A, dated 6th October 1896) and some of the evils which the scheme was intended to abolish were described in the following words:—

> "The distribution of the public income degenerates into something like a scramble, in which the most violent has the advantage, with very little attention to reason: as local economy leads to no local advantage, the stimulus to avoid waste is reduced to a minimum: so, as no local growth of the income leads to an increase of the local means of improvement, the interest in developing the public revenues is also brought down to the lowest level."

In spite of all that has taken place since these words were penned, these evils appear to the Governor in Council to still exist. So far from inculcating economy, the practical effect of the present system is to induce Local Governments to raise the standard of expenditure during the closing years of a contract period by every possible means, as it is on this standard that the next contract is based. The results of the present system of quinquennial settlements and their demoralising effect on the administration cannot be better or more accurately described than in the words of His Excellency Sir Arthur Havelock when the budget was presented to the local Legislative Council in 1897:—

> "It appears to me that the contract system, so called, is bad in itself. It is demoralising to the Provincial and Supreme Governments. It is bad in that each revision that takes place has a terribly disturbing and dislocating effect on the local Administration, especially in the important Department of Public Works to which the pruning knife has to be suddenly and ruthlessly applied. It is demoralising to the Provincial Government, because it tends to impair the sympathetic co-operation between the Supreme and Provincial Governments which is so desirable and because it tempts the Provincial Government in its financial relations with the Supreme Government, which is the master of the situation, to have recourse to the tactics of the weak. When we are well off, we try to hide our money and spend it recklessly lest the Supreme Government should lay hands upon it. When we are poor, we try to give undue emphasis to our poverty. The system is demoralising to the Supreme Government because it relieves that Government from the consequence of extravagance. In my opinion the financial condition of the Presidency will not be satisfactory until a larger degree of financial independence and control is conceded to the Provincial Government, and until some arrangement more consistent, more permanent and less onesided than the present contract system has been adopted."

5. The Governor in Council recognizes the necessity imposed on the Government of India to afford relief to provinces whose means are straitened, but at the same time he considers, that as contemplated by Sir J. Strachey, each province should have a larger share in the increases of revenues to which its own improved administration may lead. The settled policy of the present contract system is that any increases of expenditure over the figures settled as the contract assignments under the various heads should be met by increases of revenues *during the contract period*, and it is in this principle that the most serious defect of the present scheme, from the point of view of Local Governments, exists; for this principle overlooks the fact that before several of the principal heads of revenues can be increased—and it is to these heads that the Local Government must look for resources to meet the necessary increases of expenditure during contract period—increased expenditure must be incurred, and this sometimes for years before enhanced revenues accrue. The necessary consequence is that the allotments for the head of Civil Administration are restricted and the development of the administration retarded in a degree which would not exist if the Local Government had definite sources of income which it could estimate and calculate on beforehand and if it had made over to it a definite share in the *normal* growth of income; in other words, if it were not the recognised prerogative of the Supreme Government to fix the shares of revenue as it pleases and to resume, at the end of each contract period, the *entire* amount represented by the excess of the Provincial revenues over the Provincial expenditure calculated at the standard attained at the time of the settlement of a new contract. Owing to the rigid enforcement of this principle, the resumptions from the Madras Government on the settlements of the last three contracts have been 17·44, 10·38 and 14·59 lakhs, respectively, and it is perhaps unnecessary to refer to the incalculable benefits that would have accrued had even a small portion of these amounts been devoted annually to the direct needs of this province.

[illegible] that we can fairly
point to the tendency on the part of the revenues to flow
to the [illegible] of India.

Contd in

6. This Government contends, in short, that it should possess a greater fixity of interest in the revenues and in the normal growth of the revenues of the province; such a fixity as was contemplated by Sir David Barbour in his Financial Statement for 1892–93, when he regretted the necessity that had arisen to contract the resources of the Local Governments by the amount of the revenues resumed by the Government of India, and pointed out that although it was satisfactory that Local Governments should have been in a position to make a contribution to the resources of the empire at a period of pressure, and thus, possibly avoid the necessity of imposing further taxation, it would have been still more satisfactory if the Supreme Government had been in a position to allow them to retain the whole or the greater portion of this amount for expenditure on the improvement of the internal administration. That this fixity of interest does not exist is apparent from the figures to be found in the compilation issued by the Government of India entitled "Progress of Provincial Revenue and Expenditure," copies of which were received with Mr. Under Secretary Brunyate's letter No. 4241-A., dated the 22nd September 1897. It may be noted that in the preface to this compilation it is stated that the figures in the several columns of the statements showing the revenues administered by the Local Governments and the charges of Civil Administration, including Civil Works, can be taken as directly comparable with each other. It seems therefore fair to infer that the statements can be taken as comparable as between the various provinces. Although, as stated above, there is no intention at present to enter into any discussion on the relative merits of the assignments to the various provinces, the statements I, II and III appended to this letter, which have been obtained from the figures in the compilation, above referred to, afford clear evidence of the varied and varying nature of the financial position of Local Governments.

7. Statement I shows, that, comparing the contract settlement for Madras for 1887 with that for 1882, whilst the net revenue account rose by 7·21 per cent., the expenditure on Civil Administration was allowed to increase by 4·01 per cent. only; and that in 1892, although there was a further increase of 11·68 per cent. in the net revenue account, the net expenditure on Civil Administration rose by 5·60 per cent. only. The similar percentages for the 1897 contract are 14·74 per cent. and 8·89 per cent. The regularity observed between the first set of percentages—those of the increase of the net revenues—and the varying nature of the second set—the increase in the net cost of Civil Administration—constitute in themselves a clear proof of the ill-defined financial position of the Local Government, which has been really forced to take what it could get. The lack of proportion between these rates is opposed to the principle laid down in 1882 that in the settlement of the contracts no revision should be made which would be favourable to the Imperial at the expense of the Provincial revenues except in cases where this course can be adopted without embarrassing Provincial finance or checking the growth of the material prosperity of the province.

8. Statement II compares the contract settlement of 1882 with that of 1897. In this statement the amount remaining from the net revenues after deducting the net expenditure on Civil Administration—that is, the amount which has been devoted to purposes other than Provincial in each province—is compared with the total net revenues. This statement shows that, whilst under the settlement of 1897 as compared with that of 1882, the Presidency of Bengal received 48·29 lakhs per annum, and the Province of Punjab 7·42 lakhs more for expenditure, the provinces of Madras and of Bombay and the North-Western Provinces and Oudh received, respectively, 33, 51 and 8 lakhs less.

Statement III exhibits the percentages of increase in the net revenue account and in the net expenditure on Civil Administration between the contract settlement of 1882 and that of 1897. From this it will be seen that whilst in Madras the former increased by 37·38 per cent. the latter rose by 19·60 per cent. only. Against this is to be set the different state of affairs in Bengal, where the respective increases were 21·28 per cent. and 43·46 per cent. and in the Punjab where they were 25·85 and 32·25 per cent. respectively.

9. Without entering into any discussion or pretending to any knowledge of the necessity of the increased rates of expenditure in Bengal and the Punjab, the Governor in Council can fairly contend that this increase should not have been permitted partly at the expense of the spending power of this Government, and he can fairly point to the tendency on the part of the revenues to flow to the north of India.

10. In order to remove the present cause of discontent—a discontent which, as the Government of India acknowledges, prevails amongst all Local Governments—this Government would suggest that the shares of local Governments in the revenues should be definitely and finally fixed; that the present system under which the Supreme Government resumes the whole normal excess of revenne over expenditure should cease; and that Provincial Governments should be given some share at least in this normal growth. As already stated, the Governor in Council recognises that, under present conditions, the more backward provinces must obtain relief to some extent at the expense of those the resources of which are developed in a greater degree. This relief, however, would still be feasible under the system now proposed; for under it the Supreme Government would share in certain fixed proportions with Local Governments the revenues as well as the normal growth in the revenues instead of, as at present, fixing the Provincial portion of the former as it pleases and appropriating the whole of the latter to Imperial needs and the interests of other provinces. It is by this means alone that the scheme initiated by Lord Mayo can attain the object with which it was originally started; that Local Governments can obtain that share and that interest in the development of the revenues of a province which were contemplated by the introduction of that scheme; and that the unseemly wrangling which at present occurs at and after each contract settlement can be obviated. If the Local Governments be given definite burdens which cannot be increased but by their own action; if a definite share of the revenue be assigned to them and if their balances be respected and not arbitrarily resumed or requisitioned, there will be brought into existence that certainty as to their available resources and as to the burdens to be thrown on them without which Provincial financial management is impracticable. They should, within a defined category of subjects, have an independent revenue and expenditure each of its own, which it could deal with after the methods and principles of a financially independent Government and which would be no longer in any way hypothecated to the demands of a central Government.

11. To turn to the present needs of this Presidency, I am to remind the Government of India that when the existing contract was settled, the Governor-General in Council expressed the opinion that he had no reason to doubt that the Madras Government would find itself, even apart from the additional grant of 1·50 lakhs then made, in a position to spend during the current quinquennial period considerably more than the 22 lakhs taken as the calculation of the assignment for civil works. In an earlier Resolution No. 4258-A., dated the 6th October 1896, the Governor-General in Council expressed his gratification that the financial prospects were such as to enable him to abstain from any severe restriction of the existing scales of Provincial expenditure. In Mr. Arundel's letter, No. 905, Financial, dated 29th December 1896, an adjusting assignment of 28·60, against that of 8·43 proposed, by the Government of India, was urged. This figure has ultimately been placed at 16·46 lakhs, the claims of this Government for higher assignments for civil works and for certain other heads having been refused. In finally fixing the adjusting assignment the Government of India included an additional grant of 1·50 lakhs "to provide for any increase of expenditure that might be considered important or urgent by the Government of Madras." Independently of the fact that this act of generosity must perforce, from the very nature of the case, fail in its professed object, the additional grant is inexplicable; for if the present contract system is an equitable system and the settlement of 1897 was fair, this benevolence should have been unnecessary. It partakes of the nature of "conscience money" and, as is generally the case with "conscience money," represents a mere fraction of the amount which has been appropriated otherwise. The Governor in Council is, however, concerned with facts as they stand, and the following figures prove, in his opinion, the general inadequacy of the assignments made for this Presidency.

~~12. The opening Provincial balance for the year 1896–97, which stood at 43·01 lakhs, was reduced during that year by 20·06; this reduction being partly caused by an expenditure on famine of 4·82 lakhs (4·71 as *direct* and ·11 as indirect expenditure). The present contract period therefore opened with a balance of 22·95 lakhs. During 1897–98, a sum of 18·92 lakhs was expended upon famine (15·97 as direct and 2·95 as indirect expenditure). The closing balance of the year, in consequence of the decision of the Government of India to debit Provincial funds with so much of the five lakhs expenditure on famine relief as could not be recovered from District Boards,~~

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~~stood at 7·18 lakhs. According to the revised estimates for the current year this~~
~~balance will be raised on the 1st April 1899 to 13·54 lakhs, after allowing for an~~
~~expenditure of ·66 lakh on famine (·51 as direct and ·15 as indirect expenditure) and of~~
~~2·75 lakhs on plague (2·15 lakhs on direct and ·60 on indirect expenditure). The~~
~~increase in the balance from 7·18 lakhs at the end of 1897–98 to 18·09 lakhs at the end~~
~~of 1898–99 is, I am to point out, not entirely due to the returning prosperity of the~~
~~province, but in a great measure to the strict instructions issued by this Government~~
~~to restrict expenditure in all directions. In fact, for the past two years expenditure~~
~~under all heads has been kept within the narrowest limits. The foregoing figures~~
~~show, however, that owing to famine and plague, this province will on the 1st April~~
~~1899 not only have lost its opening balance of 43·01 lakhs but will be 63 lakhs worse~~
~~off than it was on the 1st April 1897; for it has now to make up the prescribed~~
~~minimum balance of 20 lakhs before it can spend any of the balance of 13·09 lakhs.~~
~~Compared with its position at the commencement of the present contract period it is~~
~~42·95 lakhs poorer. To these figures should be added the sum of 2·82 lakhs which,~~
~~in consequence of the orders of the Government of India in regard to the five lakh~~
~~contribution towards famine from local funds in this Presidency, has still to be~~
~~recovered by Provincial Funds from District Boards (*vide* my letter No. 1221, Financial,~~
~~dated 13th December 1898).~~

13. In my letter No. 2627 ~~dated~~ of this day ~~18th [illegible] 1897~~ the Governor in
Council has represented the facts as regards plague expenditure, and as contended
there the present position under which the Local Government bears an arbitrary
portion of famine expenditure and all plague expenditure is opposed to the principles
which regulate the financial relations of the Supreme and Local Governments, as laid
down by the Secretary of State and as accepted by the Government of India (*vide*
Despatch from the Government of India, Finance and Commerce Department, No. 68,
dated 3rd March 1898). I am again to point out that the Secretary of State held
that "upon the Imperial Government rests the primary duty of maintaining order
"internally and of protecting the frontiers; of the risk of war, famine, exchange, and
"sudden emergencies; of the responsibility of maintaining not only national solvency,
"but also the solvency of the Provincial Governments" and that "on the Provincial
"Governments rests the duty of developing the resources of their respective provinces
"and by so developing them to add to the general prosperity, comfort, and taxable
"power of the community at large." It is abundantly clear from the experience of this
Province and from the figures quoted in this letter that under present circumstances
the solvency of this Government cannot be maintained; that it is seriously hampered
in the development of its resources; and that it is beyond its powers to add to the
general prosperity, comfort, and taxable power of the community at large.

14. When this Government urged that a small assignment should be made in
the present contract under the head of
FAMINE RELIEF, the Government of India
declined to admit any sum in the settle-
ment, and stated that when "famine
"occurs local Governments are expected to
"divert to relief the funds they would
"otherwise have devoted to the construc-
"tion of public works or to the introduction of reforms or improvements which are
"capable of being postponed"; and that when "the expenditure is beyond the power
"of Provincial revenues to meet, Imperial revenues must come to their aid altogether
"apart from the Provincial settlements." It is true that the Government of India
debited Imperial funds with a large portion of the famine expenditure in this Presi-
dency; but I am to point out that the exact portion was arbitrarily fixed, and, even
under the orders as originally issued, left the Local Government with practically a *minus*
balance of 10 lakhs. I am again to urge that the finances of this province, as at
present constituted, are unable to bear the burden of famine and plague expenditure
and that these heads should be treated as Imperial or that special assignments should
be made from Imperial to Provincial funds to cover the expenditure.

Paragraph 53 of the appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

Paragraph 5 of appendix A to Finance and Commerce Department letter No. 1245-A, dated 16 March 1897.

15. Statement IV appended to this letter compares the figures in the Provincial
budget estimate for 1899–1900 submitted with my letter No. 124 of the 19th January
last with those settled for the Provincial contract, plague expenditure being excluded.
It will be seen that the excess of the budget over the contract figures on the revenue

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side is almost exactly counterbalanced by the excess on the expenditure side; but I am to draw special attention to the fact that this result has been effected by restricting the grants for 43. MINOR WORKS AND NAVIGATION and 45. CIVIL WORKS,—which in the case of Public Works have been fixed at 29·80 and 22·16 lakhs, respectively.

16. The expenditure under 45. CIVIL WORKS—PUBLIC WORKS OFFICERS, in 1896–97 amounted to 24·24 and in 1895–96 to 25·31. The year 1897–98 was a famine year and the outlay was therefore abnormally low. The present allotment under this head is altogether inadequate. The total demands for 1899–1900 under 45. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, as modified in the Public Works Department up to the date of the compilation of the budget, amounted to 36·23 lakhs. In consequence of the limited assignment of 22·16 lakhs, it has been necessary to propose reductions in the demands under all heads and in order to provide funds for urgent new works as far as possible, it has been necessary to reduce the allotments proposed for several works in progress, thereby postponing their completion and increasing the cost of the works. Even by thus curtailing the grants for works in progress, it has been possible to provide 2·58 lakhs only for urgent new works, leaving sanctioned new works to the extent of 1·11 lakhs unprovided for. Reduced grants have to be made for certain roads which have been taken over by the Public Works Department, and repairs to roads in the Mappilla tracts of Malabar will have to be postponed. The least sum that should be granted for 45. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, in 1899–1900 is 26·91 lakhs.

17. As regards the grant under 43. MINOR WORKS AND NAVIGATION, the total amount applied for by the Chief Engineer for Irrigation was 30·60 lakhs and the maintenance of the grant for 1899–1900 at its present figure will involve the reduction of allotments for original and agricultural works, several of which are urgently required.

18. It is true that the budget estimate for 1899–1900, as submitted to the Government of India, contains provisions for such schemes as the improvement of the position of taluk establishments, the railway police scheme and the establishment of four new Munsifs' Courts, but I am to point out that the latter two schemes have already been sanctioned, and that their introduction has been deferred in consequence of the state of Provincial finances—the railway police scheme at the instance of the Government of India and that for the appointment of additional Munsifs on the motion of this Government as it found itself without the necessary funds to introduce the measure when it was sanctioned. Both these schemes are urgently required and their necessity has been admitted by the supreme Government and by the Secretary of State. The improvement of the position of taluk establishments is necessary in the interests of Imperial as well as of Provincial funds. The re-organization of these establishments is obviously necessary before the revenue administration of the province can be considered to be on a satisfactory basis, since these establishments control the lower staff, which has itself of late years been enlarged, and the benefits to be derived from this increase of the lower staff can only be realised and the increase of revenue already obtained assured by proper supervision which will be the direct result of the reform proposed. It is therefore of the greatest importance that this very necessary scheme, which has been deferred from year to year, should be introduced without delay. This Government has various other schemes under consideration, all of which will probably involve extra cost, such as the re-organization of the clerical staff of the Forest department, the re-organization of the Land Records department, the amalgamation of the Customs with the Salt and Abkári department, the re-organization of the Registration department, and the re-organization of the Agricultural staff of the Presidency. The items which have been included in the budget for 1899–1900 are not a fraction of what the needs of this province demand.

19. This Government has not lost sight of the fact ~~stated above, viz.~~, that the Government of India has laid down the principle that ~~increased expenditure of this description must be met by increasing revenues~~; but the share hitherto obtained by this Government in the increase of revenues is utterly inadequate to meet the legitimate calls upon the Provincial exchequer. The Governor-in-Council indeed fails to see how these schemes can be introduced, unless the Government of India is prepared to deal more liberally with this Presidency. There are now no accumulated balances to

it is necessary to leave projects which involve increase of expenditure in the future to be provided for as increase of revenue comes in fall back upon, and the progress of this Presidency during the current quinquennial period is, so far as this Government can foresee, to be gauged by the celerity with which the prescribed minimum balance of 20 lakhs is worked up to. The Governor in Council is to maintain one object in view, viz., to show that this Presidency is capable of fulfilling the requirements of article 1361 of the Civil Account Code, Volume II, and to turn a persistently deaf ear to all schemes which would tend to the development of the province or the comfort of its people. This is a striking commentary on the present contract system. An instructive example of the manner in which the system can be worked is to be found in the fact that whilst this Government has, in spite of its protest in 1896 regarding the assignments under SUPERANNUATIONS, been obliged to provide for an expenditure in the year 1899–1900 nearly one lakh in excess of the contract figure under that head, the Governor in Council has been unable to devote to the development of the province the amounts absolutely required for schemes of improvement such as those mentioned above, without reducing the Public Works grants beyond all reasonable limits.

51 *Note.*—Page 46, paragraph [illegible] of Appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

20. In conclusion, I am to say that the Governor in Council considers that apart from the merits of the questions discussed in the present letter, this representation is necessary in order to emphasize the fact that, while the superintendence and control of the Government of Fort St. George is vested by Statute in the Governor-General in Council, the executive administration of the Presidency is likewise vested by Statute in the Governor in Council—a fact which appears occasionally to have dropped out of view, and I am to urge that it is only by the due co-ordination of both powers that the right government of the Presidency can be achieved.

I have the honour to be,
Sir,
Your most obedient servant,

FORT ST. GEORGE,
18th February 1899.

Chief Secretary.

[Appendix.

STATEMENT I.

COMPARISON of the Net Revenue Account and the Net Expenditure on Civil Administration in the Madras Presidency according to the Contract Settlements of 1882 to 1897.

—	Contract Estimate, 1882.	Contract Estimate, 1887.	Increase.	Percentage of increase.	Contract Estimate, 1892.	Increase over Contract Estimate, 1887.	Percentage of increase.	Contract Estimate, 1897.	Increase over Contract Estimate, 1892.	Percentage of increase.
1	2	3	4	5	6	7	8	9	10	11
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.		LAKHS.	LAKHS.	
et Revenue Account—~~Total~~	569·37	610·43	41·06	7·21	681·71	71·28	11·68	782·18	100·47	14·74
et Expenditure on Civil Administration	187·08	194·58	7·50	4·01	205·48	10·90	5·60	223·74	18·26	8·89

STATEMENT II.

STATEMENT showing the percentage of Net Revenue Account appropriated to other than Provincial purposes in the five larger Provinces of India in the Contract Settlements of 1882 and 1897.

—	Contract Estimate, 1882.				Contract Estimate, 1897.						
	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 2—column 3.	Percentage of remainder (column 4) to Net Revenue—Total (column 2).	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 6—column 7.	Percentage of remainder (column 8) to Net Revenue—Total (column 6).	Difference between column 9 and column 5.	Loss to the Province.	Gain to the Province.
1	2	3	4	5	6	7	8	9	10	11	12
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.			LAKHS.	LAKHS.
Punjab	265·61	116·32	149·29	56·20	334·28	153·83	180·45	53·98	— 2·22	..	7·42
North-Western Provinces and Oudh	699·29	222·86	476·43	68·13	786·41	242·87	543·54	69·12	+ ·99	7/79	..
Bengal	640·11	217·87	422·24	65·96	776·33	312·55	463·78	59·74	— 6·22	..	48·29
Central Provinces.	100·65	49·34	51·31	50·98	136·37	71/07	65·30	47·88	— 3·10	..	4·23
Bombay	409·93	217·19	192·74	47·02	576·38	254·41	321·97	55·86	+ 8·84	50·95	..
Madras	569·37	187·08	382·29	67·14	782·18	223·74	558·44	71·40	+ 4·26	33·32	..

STATEMENT III.

STATEMENT comparing the percentage of increase in the net Revenue Account and the Net Expenditure on Civil Administration between the Contract Settlements of 1882 and 1897 ~~in the various Provinces of India~~.

—	Net Revenue Account—Total.				Net Expenditure on Civil Administration			
	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 3 ^ 2.	Percentage of increase.	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 7 ^ 6.	Percentage of increase.
1	2	3	4	5	6	7	8	9
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.	
Punjab	265·61	334·28	68 67	25·85	116·32	153/83	37/51	32·25
North-Western Provinces and Oudh	699·29	786·41	87·12	12·46	222·86	242·87	20·01	8·98
Bengal	640·11	776·33	136·22	21·28	217·87	312·55	94·68	43·46
Central Provinces	100·65	136·37	35·72	35·49	49·34	71·07	21·73	44·04
Bombay	409·93	576·38	166·45	40·60	217·19	254·41	37·22	17·14
Madras	569·37	782·18	212·81	37·38	187·08	223·74	36·66	19·60

^ — column

STATEMENT IV.

STATEMENT comparing the assignments under the contract of 1897 with the figures of the budget estimate for 1899–1900.

Revenue.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.
	LAKHS.	LAKHS.	LAKHS.
I. Land Revenue	151·04	(a) 155·09	+ 4·05
III. Salt	1·27	1·14	— ·13
IV. Stamps	59·75	63·00	+ 3·25
V. Excise	37·20	36·50	— ·70
VII. Customs	·73	·75	+ ·02
VIII. Assessed Taxes	12·00	13·00	+ 1·00
IX. Forest	10·25	12·15	+ 1·90
X. Registration	6·00	6·50	+ ·50
XII. Interest	1·48	2·51	+ 1·03
XVI-A. Courts of Law	7·40	8·04	+ ·64
XVI-B. Jails	4·26	4·55	+ ·29
XVII. Police	4·41	4·47	+ ·06
XIX. Education	1·93	2·92	+ ·99
XX. Medical	1·22	1·01	— ·21
XXI. Scientific, &c., Departments ..	2·13	2·55	+ ·42
XXII. Superannuation, &c.	·47	·62	+ ·15
XXIII. Stationery and Printing ..	1·38	1·04	— ·34
XXV. Miscellaneous	1·54	1·97	+ ·43
XXVI. State Railways	2·71	2·60	— ·11
XXX. Minor Works and Navigation ..	1·86	1·88	+ ·02
XXXII. Civil Works	1·58	1·87	+ ·29
Total ..	310·61	324·16	+ 13·55

Expenditure.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.
	LAKHS.	LAKHS.	LAKHS.
1. Refunds and Drawbacks	1·22	1·29	+ ·07
3. Land Revenue	48·40	51·30	+ 2·90
5. Salt	5·49	4·61	— ·88
6. Stamps	2·70	2·53	— ·17
7. Excise	1·57	2·68	+ 1·11
9. Customs	2·46	2·54	+ ·08
10. Assessed Taxes	·14	·15	+ ·01
11. Forest	7·75	8·75	+ 1·00
12. Registration	4·20	4·21	+ ·01
13. Interest	1·50	2·03	+ ·53
15. Post Office	1·02	1·07	+ ·05
18. General Administration	9·93	9·75	— ·18
19-A. Courts of Law	46·92	46·68	— ·24
19-B. Jails	10·51	11·58	+ 1·07
20. Police	46·04	47·43	+ 1·39
21. Marine	·40	·08	— ·32
22. Education	16·79	18·45	+ 1·66
24. Medical	13·07	12·71	— ·36
25. Political	·84	·75	— ·09
26. Scientific, &c., Departments	4·20	5·04	+ ·84
29. Superannuation, &c.	15·52	16·42	+ ·90
30. Stationery and Printing	9·00	10·46	+ 1·46
32. Miscellaneous	1·52	1·63	+ ·11
33. Famine Relief	..	(b) ·05	+ ·05
37. Construction of Railways	..	·07	+ ·07
38. State Railways—Working Expenses	1·68	1·68	..
41. Miscellaneous Railways	..	·10	+ ·10
43. Minor Works and Navigation	33·45	34.05	+ ·60
45. Civil Works	22·00	25·19	+ 3·19
Contribution between Provincial and Local (Net) ..	·79	·93	+ ·14
Lump addition	1·50	..	— 1·50
Total ..	310·61	(c) 324·21	+ 13·60

(a) Includes fixed assignment and excludes special transfers.

(b) For flood charges.

(c) Excludes plague charges.

Government (1899) of Madras.

FINANCIAL.

Recd. } 1899. Enclosures

Regd. } 1899. Spare copies

Letter, No. 264, 18th February 1899.

FEBRUARY.

Financial Position of the Madras Government.

Addressing the Government of India in regard to the —.

FINANCIAL DEPARTMENT.

Letter—from

The CHIEF SECRETARY to the GOVERNMENT of
FORT ST. GEORGE,

To

The SECRETARY to the GOVERNMENT of INDIA,
Finance and Commerce Department.

Sir,

I am directed to refer to the correspondence ending with your letter No. 4385 A, dated the 7th October 1898, and to address you again in regard to the financial position of this Government.

2. In that letter it was pointed out that owing to the multifarious issues involved, no settlement of the far reaching problem of the amount actually contributed by the several provinces in India towards the expenditure of the empire and of the principle on which provincial expenditure should be adjusted in relation to this assumed contribution, is possible which would not give rise to interminable controversy its practical application; that from the nature of the case, there are no means of mining upon what principles the general revenues which are levied under the aut ity of the Government of India should be distributed among the various provin , that the provincial system, which was introduced for reasons of administrative convenience, did not contemplate that any such attempt should be made; and that having regard to the extreme complexity of the general question of the theoretical rights and liabilities of the several provinces in respect of financial matters, the Government of India can only do its best to pronounce equal judgment, but is obliged to admit its inability to justify, to the satisfaction of each of the claimants, the awards it is obliged to make.

3. The Governor in Council, whilst unable to admit that the comparison which was instituted in my predecessor's letter, No. 230, Financial, dated the 5th March 1898, has been met in your letter under reply, considers it unnecessary to pursue this aspect of the question further, in view of the admitted impossibility of drawing up any statement of the case which would suffice to convince each of the local Governments that it is not, as compared with each of the others, placed at a disadvantage. He also desires it to be stated clearly that the contentions put forward by this Government have not been based upon any idea of the existence of partiality on the part of the Government of India in making the various provincial assignments. At the same time he can judge of the effect of the contract for this province by its results alone and it is, in fact, with this aspect of the question that he is concerned. These results have come prominently to notice in the settlement of the budget estimates submitted with my letter, No. 124, Financial, dated the 19th January 1899. In the opinion of this Government the fault lies in the inherent defects of the present contract system. This Government does not propose to enter into any comparison of Madras with other provinces in so far as the amounts of the provincial assignments are concerned, but in dealing with the subject of the revenues devoted to Provincial purposes it is impossible to set aside altogether the consideration of the question whether this Presidency has obtained the advantage that it might reasonably have expected from the revenues raised within it.

4. The objects of the provincial scheme were described in a minute by Sir J. Strachey quoted in his Financial Statement of 1877–78 (paragraph 3 of Finance and Commerce Department Resolution No. 4258-A, dated 6th October 1896) and some of the evils which the scheme was intended to abolish were described in the following words:—

> "The distribution of the public income degenerates into something like a scramble, in which the most violent has the advantage, with very little attention to reason: as local economy leads to no local advantage, the stimulus to avoid waste is reduced to a minimum: so, as no local growth of the income leads to an increase of the local means of improvement, the interest in developing the public revenues is also brought down to the lowest level."

In spite of all that has taken place since these words were penned, these evils appear to the Governor in Council to still exist. So far from inculcating economy, the practical effect of the present system is to induce Local Governments to raise the standard of expenditure during the closing years of a contract period by every possible means, as it is on this standard that the next contract is based. The results of the present system of quinquennial settlements and their demoralising effect on the administration cannot be better or more accurately described than in the words of His Excellency Sir Arthur Havelock when the budget was presented to the local Legislative Council in 1897:—

> "It appears to me that the contract system, so called, is bad in itself. It is demoralising to the Provincial and Supreme Governments. It is bad in that each revision that takes place has a terribly disturbing and dislocating effect on the local Administration, especially in the important Department of Public Works to which the pruning knife has to be suddenly and ruthlessly applied. It is demoralising to the Provincial Government, because it tends to impair the sympathetic co-operation between the Supreme and Provincial Governments which is so desirable and because it tempts the Provincial Government in its financial relations with the Supreme Government, which is the master of the situation, to have recourse to the tactics of the weak. When we are well off, we try to hide our money and spend it recklessly lest the Supreme Government should lay hands upon it. When we are poor, we try to give undue emphasis to our poverty. The system is demoralising to the Supreme Government because it relieves that Government from the consequence of extravagance. In my opinion the financial condition of the Presidency will not be satisfactory until a larger degree of financial independence and control is conceded to the Provincial Government, and until some arrangement more consistent, more permanent and less one-sided than the present contract system has been adopted."

5. The Governor in Council recognizes the necessity imposed on the Government of India to afford relief to provinces whose means are straitened, but at the same time he considers, that as contemplated by Sir J. Strachey, each province should have a larger share in the increases of revenues to which its own improved administration may lead. The settled policy of the present contract system is that any increases of expenditure over the figures settled as the contract assignments under the various heads should be met by increases of revenues *during the contract period*, and it is in this principle that the most serious defect of the present scheme, from the point of view of Local Governments, exists; for this principle overlooks the fact that before several of the principal heads of revenues can be increased—and it is to these heads that the Local Government must look for resources to meet the necessary increases of expenditure during a contract period—increased expenditure must be incurred, and this sometimes for years before enhanced revenues accrue. The necessary consequence is that the allotments for the head of Civil Administration are restricted and the development of the administration retarded in a degree which would not exist if the Local Government had definite sources of income which it could estimate and calculate on beforehand and if it had made over to it a definite share in the *normal* growth of income; in other words, if it were not the recognised prerogative of the Supreme Government to fix the shares of revenue as it pleases and to resume, at the end of each contract period, the *entire* amount represented by the excess of the Provincial revenues over the Provincial expenditure calculated at the standard attained at the time of the settlement of a new contract. Owing to the rigid enforcement of this principle, the resumptions from the Madras Government on the settlements of the last three contracts have been 17·44, 10·38 and 14·59 lakhs, respectively, and it is perhaps unnecessary to refer to the incalculable benefits that would have accrued had even a small portion of these amounts been devoted annually to the direct needs of this province.

6. This Government contends, in short, that it should possess a greater fixity of interest in the revenues and in the normal growth of the revenues of the province;

such a fixity as was contemplated by Sir David Barbour in his Financial Statement for 1892–93, when he regretted the necessity that had arisen to contract the resources of the Local Governments by the amount of the revenues resumed by the Government of India, and pointed out that although it was satisfactory that Local Governments should have been in a position to make a contribution to the resources of the empire at a period of pressure, and thus, possibly avoid the necessity of imposing further taxation, it would have been still more satisfactory if the Supreme Government had been in a position to allow them to retain the whole or the greater portion of this amount for expenditure on the improvement of the internal administration. That this fixity of interest does not exist is apparent from the figures to be found in the compilation issued by the Government of India entitled "Progress of Provincial Revenue and Expenditure," copies of which were received with Mr. Under Secretary Brunyate's letter No. 4241-A., dated the 22nd September 1897. It may be noted that in the preface to this compilation it is stated that the figures in the several columns of the statements showing the revenues administered by the Local Governments and the charges of Civil Administration, including Civil Works, can be taken as directly comparable with each other. It seems therefore fair to infer that the statements can be taken as comparable as between the various provinces. Although, as stated above, there is no intention at present to enter into any discussion on the relative merits of the assignments to the various provinces, the statements I, II and III appended to this letter, which have been obtained from the figures in the compilation above referred to, afford clear evidence of the varied and varying nature of the financial position of Local Governments.

7. Statement I shows, that, comparing the contract settlement for Madras for 1887 with that for 1882, whilst the net revenue account rose by 7·21 per cent., the expenditure on Civil Administration was allowed to increase by 4·01 per cent. only; and that in 1892, although there was a further increase of 11·68 per cent. in the net revenue account, the net expenditure on Civil Administration rose by 5·60 per cent. only. The similar percentages for the 1897 contract are 14·74 per cent. and 8·89 per cent. The regularity observed between the first set of percentages—those of the increase of the net revenues—and the varying nature of the second set—the increase in the net cost of Civil Administration—constitute in themselves a clear proof of the ill-defined financial position of the Local Government, which has been really forced to take what it could get. The lack of proportion between these rates is opposed to the principle laid down in 1882 that in the settlement of the contracts no revision should be made which would be favourable to the Imperial at the expense of the Provincial revenues except in cases where this course can be adopted without embarrassing Provincial finance or checking the growth of the material prosperity of the province.

8. Statement II compares the contract settlement of 1882 with that of 1897. In this statement the amount remaining from the net revenues after deducting the net expenditure on Civil Administration—that is, the amount which has been devoted to purposes other than Provincial in each province—is compared with the total net revenues. This statement shows that, whilst under the settlement of 1897 as compared with that of 1882, the Presidency of Bengal received 48·29 lakhs per annum, and the Province of Punjab 7·42 lakhs, more for expenditure, the provinces of Madras and of Bombay and the North-Western Provinces and Oudh received, respectively, 33, 51 and 8 lakhs less.

Statement III exhibits the percentages of increase in the net revenue account and in the net expenditure on Civil Administration between the contract settlement of 1882 and that of 1897. From this it will be seen that whilst in Madras the former increased by 37·38 per cent., the latter rose by 19·60 per cent. only. Against this is to be set the different state of affairs in Bengal, where the respective increases were 21·28 per cent. and 43·46 per cent. and in the Punjab where they were 25·85 and 32·25 per cent. respectively.

9. Without entering into any discussion or pretending to any knowledge of the necessity of the increased rates of expenditure in Bengal and the Punjab, the Governor in Council can fairly contend that this increase should not have been permitted partly at the expense of the spending power of this Government, and he can fairly point to the tendency on the part of the revenues to flow to the north of India.

10. In order to remove the present cause of discontent—a discontent which, as the Government of India acknowledges, prevails amongst all Local Governments—this Government would suggest that the shares of local Governments in the revenues should be definitely and finally fixed; that the present system under which the Supreme Government resumes the whole normal excess of revenue over expenditure should cease; and that Provincial Governments should be given some share at least in this normal growth. As already stated, the Governor in Council recognises that, under present conditions, the more backward provinces must obtain relief to some extent at the expense of those the resources of which are developed in a greater degree. This relief, however, would still be feasible under the system now proposed; for under it the Supreme Government would share in certain fixed proportions with Local Governments the revenues as well as the normal growth in the revenues instead of, as at present, fixing the Provincial portion of the former as it pleases and appropriating the whole of the latter to Imperial needs and the interests of other provinces. It is by this means alone that the scheme initiated by Lord Mayo can attain the object with which it was originally started; that Local Governments can obtain that share and that interest in the development of the revenues of a province which were contemplated by the introduction of that scheme; and that the unseemly wrangling which at present occurs at and after each contract settlement can be obviated. If the Local Governments be given definite burdens which cannot be increased but by their own action; if a definite share of the revenue be assigned to them and if their balances be respected and not arbitrarily resumed or requisitioned, there will be brought into existence that certainty as to their available resources and as to the burdens to be thrown on them without which Provincial financial management is impracticable. They should, within a defined category of subjects, have an independent revenue and expenditure each of its own, which it could deal with after the methods and principles of a financially independent Government and which would be no longer in any way hypothecated to the demands of a central Government.

11. To turn to the present needs of this Presidency, I am to remind the Government of India that when the existing contract was settled, the Governor-General in Council expressed the opinion that he had no reason to doubt that the Madras Government would find itself, even apart from the additional grant of 1·50 lakhs then made, in a position to spend during the current quinquennial period considerably more than the 22 lakhs taken as the calculation of the assignment for Civil Works. In an earlier Resolution No. 4258-A., dated the 6th October 1896, the Governor-General in Council expressed his gratification that the financial prospects were such as to enable him to abstain from any severe restriction of the existing scales of Provincial expenditure. In Mr. Arundel's letter, No. 905, Financial, dated 29th December 1896, an adjusting assignment of 28·60, against that of 8·43 proposed, by the Government of India, was urged. This figure has ultimately been placed at 16·46 lakhs, the claims of this Government for higher assignments for Civil Works and for certain other heads having been refused. In finally fixing the adjusting assignment the Government of India included an additional grant of 1·50 lakhs "to provide for any increase of expenditure that might be considered important or urgent by the Government of Madras." Independently of the fact that this act of generosity must perforce, from the very nature of the case, fail in its professed object, the additional grant is inexplicable; for if the present contract system is an equitable system and the settlement of 1897 was fair, this benevolence should have been unnecessary. It partakes of the nature of "conscience money" and, as is generally the case with "conscience money," represents a mere fraction of the amount which has been appropriated otherwise. The Governor in Council is, however, concerned with facts as they stand, and the following figures prove, in his opinion, the general inadequacy of the assignments made for this Presidency.

12. During the years 1896–97 and 1897–98 the total outlay on famine and plague—direct and indirect—amounted to 24·14 lakhs, and in accordance with the decision of the Government of India, provincial funds stood on the 1st April 1898 with a *minus* balance of 10 lakhs. The decision of the Government of India to debit provincial funds with so much of the five lakhs expenditure on famine relief as could not be recovered from District Boards raised this *minus* balance to 14·49 lakhs,

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(*Vide* my letter No. 1221, Financial, dated 13th December 1898). The revised estimate for the current year includes an expenditure of ·66 lakh on famine (·51 as direct and ·15 as indirect expenditure) and of 2·75 lakhs on plague (2·15 lakhs as direct and ·60 as indirect expenditure). The total expenditure on famine and plague since 1896–97 thus amounts to 27·55 lakhs, and if to this is added the *minus* balance of 14·49 lakhs referred to above, it will be seen that this Presidency has suffered to the extent of 42·04 lakhs on account of these calamities. According to the revised estimates for the current year the balance on the 1st April 1899 will stand at 13·09, but the increase from 7·18 at the end of 1897–98 is, I am to point out, not entirely due to the returning prosperity of the province, but in a great measure to the strict instructions issued by this Government to restrict expenditure in all directions. In fact, for the past two years expenditure under all heads has been kept within the narrowest limits.

13. In my letter No. 262, Financial, of this day the Governor in Council has represented the facts as regards plague expenditure, and as contended there the present position under which the Local Government bears an arbitrary portion of famine expenditure and all plague expenditure is opposed to the principles which regulate the financial relations of the Supreme and Local Governments, as laid down by the Secretary of State and as accepted by the Government of India (*vide* Despatch from the Government of India, Finance and Commerce Department, No. 68, dated 3rd March 1898). I am again to point out that the Secretary of State held that “upon the Imperial Government rests the primary duty of maintaining order “internally and of protecting the frontiers; of the risk of war, famine, exchange, and “sudden emergencies; of the responsibility of maintaining not only national solvency, “but also the solvency of the Provincial Governments” and that “on the Provincial “Governments rests the duty of developing the resources of their respective provinces “and by so developing them to add to the general prosperity, comfort, and taxable “power of the community at large.” It is abundantly clear from the experience of this Province and from the figures quoted in this letter that under present circumstances the solvency of this Government cannot be maintained; that it is seriously hampered in the development of its resources; and that it is beyond its powers to add to the general prosperity, comfort, and taxable power of the community at large.

14. When this Government urged that a small assignment should be made in the present contract under the head of FAMINE RELIEF, the Government of India declined to admit any sum in the settlement, and stated that when “famine “occurs local Governments are expected “to divert to relief the funds they would “otherwise have devoted to the construc“tion of public works or to the introduction of reforms or improvements which are “capable of being postponed”; and that when “the expenditure is beyond the power “of Provincial revenues to meet, Imperial revenues must come to their aid altogether “apart from the Provincial settlements.” It is true that the Government of India debited Imperial funds with a large portion of the famine expenditure in this Presidency; but I am to point out that the exact portion was arbitrarily fixed, and, even under the orders as originally issued, left the Local Government with practically a *minus* balance of 10 lakhs. I am again to urge that the finances of this province, as at present constituted, are unable to bear the burden of famine and plague expenditure and that these heads should be treated as Imperial or that special assignments should be made from Imperial to Provincial funds to cover the expenditure.

Paragraph 53 of the appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

Paragraph 5 of appendix A to Finance and Commerce Department letter No. 1245-A, dated 16 March 1897.

15. Statement IV appended to this letter compares the figures in the Provincial budget estimate for 1899–1900 submitted with my letter No. 124 of the 19th January last with those settled for the Provincial contract, plague expenditure being excluded. It will be seen that the excess of the budget over the contract figures on the revenue side is almost exactly counterbalanced by the excess on the expenditure side; but I am to draw special attention to the fact that this result has been effected by restricting the grants for 43. MINOR WORKS AND NAVIGATION and 45. CIVIL WORKS,—which in the case of Public Works have been fixed at 29·80 and 22·16 lakhs, respectively.

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16. The expenditure under 45. CIVIL WORKS—PUBLIC WORKS OFFICERS, in 1896–97 amounted to 24·24 and in 1895–96 to 25·31. The year 1897–98 was a famine year and the outlay was therefore abnormally low. The present allotment under this head is altogether inadequate. The total demands for 1899–1900 under 45. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, as modified in the Public Works Department up to the date of the compilation of the budget, amounted to 36·23 lakhs. In consequence of the limited assignment of 22·16 lakhs, it has been necessary to propose reductions in the demands under all heads, and in order to provide funds for urgent new works as far as possible, it has been necessary to reduce the allotments proposed for several works in progress, thereby postponing their completion and increasing the cost of the works. Even by thus curtailing the grants for works in progress, it has been possible to provide 2·58 lakhs only for urgent new works, leaving sanctioned new works to the extent of 1·11 lakhs unprovided for. Reduced grants have to be made for certain roads which have been taken over by the Public Works Department, and repairs to roads in the Mappilla tracts of Malabar will have to be postponed. The least sum that should be granted for 45. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, in 1899–1900 is 26·91 lakhs.

17. As regards the grant under 43. MINOR WORKS AND NAVIGATION, the total amount applied for by the Chief Engineer for Irrigation was 30·60 lakhs and the maintenance of the grant for 1899–1900 at its present figure will involve the reduction of allotments for original and agricultural works, several of which are urgently required.

18. It is true that the budget estimate for 1899–1900, as submitted to the Government of India, contains provisions for such schemes as the improvement of the position of taluk establishments, the railway police scheme and the establishment of four new Munsifs' Courts, but I am to point out that the latter two schemes have already been sanctioned, and that their introduction has been deferred in consequence of the state of Provincial finances—the railway police scheme at the instance of the Government of India and that for the appointment of additional Munsifs on the motion of this Government as it found itself without the necessary funds to introduce the measure when it was sanctioned. Both these schemes are urgently required and their necessity has been admitted by the supreme Government and by the Secretary of State. The improvement of the position of taluk establishments is necessary in the interests of Imperial as well as of Provincial funds. The re-organization of these establishments is obviously necessary before the revenue administration of the province can be considered to be on a satisfactory basis, since these establishments control the lower staff, which has itself of late years been enlarged, and the benefits to be derived from this increase of the lower staff can only be realised and the increase of revenue already obtained assured by proper supervision which will be the direct result of the reform proposed. It is therefore of the greatest importance that this very necessary scheme, which has been deferred from year to year, should be introduced without delay. This Government has various other schemes under consideration, all of which will probably involve extra cost, such as the re-organization of the clerical staff of the Forest department, the re-organization of the Land Records department, the amalgamation of the Customs with the Salt and Abkári department, the re-organization of the Registration department, and the re-organization of the Agricultural staff of the Presidency. The items which have been included in the budget for 1899–1900 are not a fraction of what the needs of this province demand.

19. This Government has not lost sight of the fact that the Government of India has laid down the principle that it is necessary to leave projects which involve increase of expenditure in the future to be provided for as increase of revenue comes in; but the share hitherto obtained by this Government in the increase of revenues is utterly inadequate to meet the legitimate calls upon the Provincial exchequer. The Governor-in-Council indeed fails to see how these schemes can be introduced, unless the Government of India is prepared to deal more liberally with this Presidency. There are now no accumulated balances to fall back upon, and the progress of this Presidency during the current quinquennial period is, so far as this Government can foresee, to be gauged by the celerity with which the prescribed minimum balance of 20 lakhs is worked up to. The Governor in Council is to maintain one object in

view, viz, to show that this Presidency is capable of fulfilling the requirements of article 1361 of the Civil Account Code, Volume II, and to turn a persistently deaf ear to all schemes which would tend to the development of the province or the comfort of its people. This is a striking commentary on the present contract system. An instructive example of the manner in which the system can be worked is to be found in the fact that whilst this Government has, in spite of its protest in 1896 regarding the assignments under Superannuations, been obliged to provide for an expenditure in the year 1899-1900 nearly one lakh in excess of the contract figure under that head, the Governor in Council has been unable to devote to the development of the province the amounts absolutely required for schemes of improvement such as those mentioned above, without reducing the Public Works grants beyond all reasonable limits.

Page 46, paragraph 51, of Appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

20. In conclusion, I am to say that the Governor in Council considers that apart from the merits of the questions discussed in the present letter, this representation is necessary in order to emphasize the fact that, while the superintendence and control of the Government of Fort St. George is vested by Statute in the Governor-General in Council, the executive administration of the Presidency is likewise vested by Statute in the Governor in Council—a fact which appears occasionally to have dropped out of view, and I am to urge that it is only by the due co-ordination of both powers that the right government of the Presidency can be achieved.

I have the honour to be,
Sir,
Your most obedient servant,

Fort St. George,
18th February 1899.

G. STOKES,
Chief Secretary.

[Appendix.

STATEMENT I.

COMPARISON of the Net Revenue Account and the Net Expenditure on Civil Administration in the Madras Presidency according to the Contract Settlements of 1882 to 1897.

—	Contract Estimate, 1882.	Contract Estimate, 1887.	Increase.	Percentage of increase.	Contract Estimate, 1892.	Increase over Contract Estimate, 1887.	Percentage of increase.	Contract Estimate, 1897.	Increase over Contract Estimate, 1892.	Percentage of increase.
1	2	3	4	5	6	7	8	9	10	11
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.		LAKHS.	LAKHS.	
Net Revenue Account ..	569·37	610·43	41·06	7·21	681·71	71·28	11·68	782·18	100·47	14·74
Net Expenditure on Civil Administration	187·08	194·58	7·50	4·01	205·48	10·90	5·60	223·74	18·26	8·89

STATEMENT II.

STATEMENT showing the percentage of Net Revenue Account appropriated to other than Provincial purposes in the five larger Provinces of India in the Contract Settlements of 1882 and 1897.

—	Contract Estimate, 1882.				Contract Estimate, 1897.						
	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 2—column 3.	Percentage of remainder (column 4) to Net Revenue—Total (column 2).	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 6—column 7.	Percentage of remainder (column 8) to Net Revenue—Total (column 6).	Difference between column 9 and column 5.	Loss to the Province.	Gain to the Province.
1	2	3	4	5	6	7	8	9	10	11	12
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.			LAKHS.	LAKHS.
Punjab	265·61	116·32	149·29	56·20	334·28	153·83	180·45	53·98	— 2·22	..	7·42
North-Western Provinces and Oudh	699·29	222·86	476·43	68·13	786·41	242·87	543·54	69·12	+ ·99	7·79	..
Bengal	640·11	217·87	422·24	65·96	776·33	312·55	463·78	59·74	— 6·22	..	48·29
Central Provinces.	100·65	49·34	51·31	50·98	136·37	71·07	65·30	47·88	— 3·10	..	4·23
Bombay	409·93	217·19	192·74	47·02	576·38	254·41	321·97	55·86	+ 8·84	50·95	..
Madras	569·37	187·08	382·29	67·14	782·18	223·74	558·44	71·40	+ 4·26	33·32	..

STATEMENT III.

STATEMENT comparing the percentage of increase in the net Revenue Account and the Net Expenditure on Civil Administration between the Contract Settlements of 1882 and 1897.

—	Net Revenue Account—Total.				Net Expenditure on Civil Administration			
	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 3—column 2.	Percentage of increase.	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 7—column 6.	Percentage of increase.
1	2	3	4	5	6	7	8	9
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.	
Punjab	265·61	334·28	68·67	25·85	116·32	153·83	37·51	32·25
North-Western Provinces and Oudh	699·29	786·41	87·12	12·46	222·86	242·87	20·01	8·98
Bengal	640·11	776·33	136·22	21·28	217·87	312·55	94·68	43·46
Central Provinces	100·65	136·37	35·72	35·49	49·34	71·07	21·73	44·04
Bombay	409·93	576·38	166·45	40·60	217·19	254·41	37·22	17·14
Madras	569·37	782·18	212·81	37·38	187·08	223·74	36·66	19·60

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STATEMENT IV.

STATEMENT comparing the assignments under the contract of 1897 with the figures of the budget estimate for 1899–1900.

Revenue.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.
	LAKHS.	LAKHS.	LAKHS.
I. Land Revenue	151·04	(a) 155·09	+ 4·05
III. Salt	1·27	1·14	− ·13
IV. Stamps	59·75	63·00	+ 3·25
V. Excise	37·20	36·50	− ·70
VII. Customs	·73	·75	+ ·02
VIII. Assessed Taxes	12·00	13·00	+ 1·00
IX. Forest	10·25	12·15	+ 1·90
X. Registration	6·00	6·50	+ ·50
XII. Interest	1·48	2·51	+ 1·03
XVI-A. Courts of Law	7·40	8·04	+ ·64
XVI-B. Jails	4·26	4·55	+ ·29
XVII. Police	4·41	4·47	+ ·06
XIX. Education	1·93	2·92	+ ·99
XX. Medical	1·22	1·01	− ·21
XXI. Scientific, &c., Departments ..	2·13	2·55	+ ·42
XXII. Superannuation, &c.	·47	·62	+ ·15
XXIII. Stationery and Printing ..	1·38	1·04	− ·34
XXV. Miscellaneous	1·54	1·97	+ ·43
XXVI. State Railways	2·71	2·60	− ·11
XXX. Minor Works and Navigation ..	1·86	1·88	+ ·02
XXXII. Civil Works	1·58	1·87	+ ·29
Total ..	310·61	324·16	+ 13·55

Expenditure.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.
	LAKHS.	LAKHS.	LAKHS.
1. Refunds and Drawbacks	1·22	1·29	+ ·07
3. Land Revenue	48·40	51·30	+ 2·90
5. Salt	5·49	4·61	− ·88
6. Stamps	2·70	2·53	− ·17
7. Excise..	1·57	2·68	+ 1·11
9. Customs	2·46	2·54	+ ·08
10. Assessed Taxes	·14	·15	+ ·01
11. Forest	7·75	8·75	+ 1·00
12. Registration	4·20	4·21	+ ·01
13. Interest	1·50	2·03	+ ·53
15. Post Office	1·02	1·07	+ ·05
18. General Administration	9·93	9·75	− ·18
19-A. Courts of Law	46·92	46·68	− ·24
19-B. Jails	10·51	11·58	+ 1·07
20. Police	46·04	47·43	+ 1·39
21. Marine	·40	·08	− ·32
22. Education	16·79	18·45	+ 1·66
24. Medical	13·07	12·71	− ·36
25. Political	·84	·75	− ·09
26. Scientific, &c., Departments	4·20	5·04	+ ·84
29. Superannuation, &c.	15·52	16·42	+ ·90
30. Stationery and Printing	9·00	10·46	+ 1·46
32. Miscellaneous	1·52	1·63	+ ·11
33. Famine Relief	..	(b) ·05	+ ·05
37. Construction of Railways	..	·07	+ ·07
38. State Railways—Working Expenses	1·68	1·68	..
41. Miscellaneous Railways	..	·10	+ ·10
43. Minor Works and Navigation	33·45	34.05	+ ·60
45. Civil Works	22·00	25·19	+ 3·19
Contribution between Provincial and Local (Net) ..	·79	·93	+ ·14
Lump addition	1·50	..	− 1·50
Total ..	310·61	(c) 324·21	+ 13·60

(a) Includes fixed assignment and excludes special transfers.

(b) For flood charges.

(c) Excludes plague charges.

128

GOVERNMENT OF MADRAS

23rd Feby. '99.

the

My dear Forbes.

I return the copy of India's last letter on Finance, in which a further dole is grudgingly bestowed!

I suppose that letter

to write a do. to me about it. Yours sincerely

A T Arundel

C. 22.2.99
R 23.2.99

133

V u

vb.

H.E.

With reference to your do. of this morning, do you think ~~[illegible]~~ we shd telegraph to P.S. of S. suggesting excision of the two penultimate sentences of para. 11 of Finl. letter of 18/2/99: having regard, Receipt of their letter of 16th Feb., apart from any qn. as to the propriety of the language

If H.E. agrees a telegram might go to Govt. of India asking that these sentences be omitted: or Stokes might write over a request to this effect ~~from~~ there.

23/2/99

This marginal remark is at A.

I ~~[illegible]~~ opened this after sending my telephone message to ask India to return the letter.

The latter course is preferable as I must speak to H.E. about the alteration — Moreover I don't like asking India to excise the objectionable sentences.

M.A. 23.2.99.

Code Class.

INDIAN TELEGRAPHS.

Monthly Number.

To (Office) Telephonic			From (Office) Message		
Words.	Day. 23	Hour. 11	Minute. 50	Official Instructions.	

To (Person) Mr. Forbes

From (Person) Hon. Mr. [illegible]

Please wire to Indian to say that I [illegible] the book another will be substituted. I will arrange with his Excellency

64 Word Form.

F. C 2.

Recd. from I.N. At Hrs. Mts by

Sent to I.N. At Hrs. Mts by

Telegraph Master.

G S P—No. 12 6T16797—3600000

135 48

Finl. Dept

Despd 23/2/99

Telegram (urgent)

To the Secy to the G. of I.
~~Hom~~ Finance &
Commerce Dept—

93 x Please return
this Govt. letter
264 Financial eighteenth
instant. Another
will be substituted

Cr
23.2.99

23/2/9

Return to H.E.
after despatch

Done
23/2/99

duties may be ~~sent~~

C 24.2.99

57

136

Code Class. } R.S.

INDIAN TELEGRAPHS

Monthly Number.

To (Office) Madras Fort St George	From (Office) Calcutta
Words. 66/7 Dcp. 24 Hour. 15 Minute. 20	Official Instructions.
To (Person) Madras.	From (Person) Chief Secretary Madras.

To The Hon Mr Arundel with copy of the letter

J.R. 24/2/99

recall of letter no 264 of 18th instant not understood his Excellency had given copies of it to the Viceroy and Sir James Westland and discussed it with them he thinks that it would be better if necessary to send a correcting letter and would be glad to know the reasons which have necessitated its recall.

32 Word Form.

F.C.I.

Recd. from LN. At Hrs. Mts. by

Sent to LN. At Hrs. Mts. by Telegraph

MADRAS FORT 24-2-99

P.—No. 201 T.—179 97—200000

~~As the letter has been delivered as stated in the telegram, its recall or correction is impracticable.~~

~~In future I request that all letters in Financial to India which are not routine may be ~~sent~~ to me in draft.~~ AKA 25.2.99. P.T.O.

AKA 27.2

My remarks at the foot of the telegram were written under a misapprehension. I did not know the Hon. Mr. Tobco was wiring to the C.S. as well as to India about the Financial letter, & took it for granted the reply related to the other telegram I asked to have sent to the C.S. regarding the ~~acta~~ letter to India re the action of the Acct. Genl. in recommending changes in the budget estimate.

A.A. 27.2.99

Don't print

H.M.

What reply will I send to the Chief Secretary?

Tho' the letter has been delivered informally to Keeray & has been received in the Finl Dept, it is still open to replace it by a letter omitting the two sentences in question if that is the H.M.'s desire. The [illegible] letter wd not then be on formal record: but only the corrected one.

Shall I wire to the Chief Secretary that the two penultimate sentences of para. 11 are objected to & that it was proposed to substitute a letter omitting them?

Or will H.M. wire to H.E. the Governor?

25/7/9

There is no use in any further telegram to the C.S. It will only confuse matters. If India returns the letter in compliance with our telegram, it must be kept till H.E. returns, when I will speak to him on the matter.

I did not wire to H.E. – the matter was too mplicated to explain in telegram – vide my ote of the 23rd. in which I said I would "speak to H.E. about the alteration" – of course after H.E.'s re[illegible]n.

[illegible] the letter is re[illegible]ed from India [illegible]se put it up with [illegible]e & with spare copy [illegible]a's last letter on the financial question.

27.7.99

C28. 2. 99.

VP

Financial Dept

In the Secy

C. India has returned Letter No. 264 Finl: d/ 18.2.99. and the file is re: submitted

B together with a copy of India's last letter re the financial

No. 736 A d/ 16. 2.98 position

Cw.S.
28. 2.99

H.M.

Please see above.

S.H.
28/2/9

Financial Dept.

[illegible]

[illegible]

Letter No 264 dated 18-2-99.

[illegible]

[illegible]

Please see above.

140

Government {1899} of Madras.

FINANCIAL.

Returned as requested in Madras Govt. letter no. 93 of 20/2/99

[illegible] Under Secy.

Recd. } 1899. *Enclosures*

Regd. *Spare copies*

20/4/99

Letter, No. 264, 18th February 1899.

FEBRUARY.

Financial Position of the Madras Government.

Addressing the Government of India in regard to the —.

(1731)

FINANCIAL DEPARTMENT.

Letter—from

The CHIEF SECRETARY to the GOVERNMENT of
FORT ST. GEORGE,

To

The SECRETARY to the GOVERNMENT of INDIA,
Finance and Commerce Department.

Sir,

I am directed to refer to the correspondence ending with your letter No. 4385 A, dated the 7th October 1898, and to address you again in regard to the financial position of this Government.

2. In that letter it was pointed out that owing to the multifarious issues involved, no settlement of the far reaching problem of the amount actually contributed by the several provinces in India towards the expenditure of the empire and of the principle on which provincial expenditure should be adjusted in relation to this assumed contribution, is possible which would not give rise to interminable controversy as to its practical application; that from the nature of the case, there are no means of determining upon what principles the general revenues which are levied under the authority of the Government of India should be distributed among the various provinces; that the provincial system, which was introduced for reasons of administrative convenience, did not contemplate that any such attempt should be made; and that having regard to the extreme complexity of the general question of the theoretical rights and liabilities of the several provinces in respect of financial matters, the Government of India can only do its best to pronounce equal judgment, but is obliged to admit its inability to justify, to the satisfaction of each of the claimants, the awards it is obliged to make.

3. The Governor in Council, whilst unable to admit that the comparison which was instituted in my predecessor's letter, No. 230, Financial, dated the 5th March 1898, has been met in your letter under reply, considers it unnecessary to pursue this aspect of the question further, in view of the admitted impossibility of drawing up any statement of the case which would suffice to convince each of the local Governments that it is not, as compared with each of the others, placed at a disadvantage. He also desires it to be stated clearly that the contentions put forward by this Government have not been based upon any idea of the existence of partiality on the part of the Government of India in making the various provincial assignments. At the same time he can judge of the effect of the contract for this province by its results alone and it is, in fact, with this aspect of the question that he is concerned. These results have come prominently to notice in the settlement of the budget estimates submitted with my letter, No. 124, Financial, dated the 19th January 1899. In the opinion of this Government the fault lies in the inherent defects of the present contract system. This Government does not propose to enter into any comparison of Madras with other provinces in so far as the amounts of the provincial assignments are concerned, but in dealing with the subject of the revenues devoted to Provincial purposes it is impossible to set aside altogether the consideration of the question whether this Presidency has obtained the advantage that it might reasonably have expected from the revenues raised within it.

4. The objects of the provincial scheme were described in a minute by Sir J. Strachey quoted in his Financial Statement of 1877–78 (paragraph 3 of Finance and Commerce Department Resolution No. 4258-A, dated 6th October 1896) and some of the evils which the scheme was intended to abolish were described in the following words:—

> "The distribution of the public income degenerates into something like a scramble, in which the most violent has the advantage, with very little attention to reason: as local economy leads to no local advantage, the stimulus to avoid waste is reduced to a minimum: so, as no local growth of the income leads to an increase of the local means of improvement, the interest in developing the public revenues is also brought down to the lowest level."

In spite of all that has taken place since these words were penned, these evils appear to the Governor in Council to still exist. So far from inculcating economy, the practical effect of the present system is to induce Local Governments to raise the standard of expenditure during the closing years of a contract period by every possible means, as it is on this standard that the next contract is based. The results of the present system of quinquennial settlements and their demoralising effect on the administration cannot be better or more accurately described than in the words of His Excellency Sir Arthur Havelock when the budget was presented to the local Legislative Council in 1897:—

> "It appears to me that the contract system, so called, is bad in itself. It is demoralising to the Provincial and Supreme Governments. It is bad in that each revision that takes place has a terribly disturbing and dislocating effect on the local Administration, especially in the important Department of Public Works to which the pruning knife has to be suddenly and ruthlessly applied. It is demoralising to the Provincial Government, because it tends to impair the sympathetic co-operation between the Supreme and Provincial Governments which is so desirable and because it tempts the Provincial Government in its financial relations with the Supreme Government, which is the master of the situation, to have recourse to the tactics of the weak. When we are well off, we try to hide our money and spend it recklessly lest the Supreme Government should lay hands upon it. When we are poor, we try to give undue emphasis to our poverty. The system is demoralising to the Supreme Government because it relieves that Government from the consequence of extravagance. In my opinion the financial condition of the Presidency will not be satisfactory until a larger degree of financial independence and control is conceded to the Provincial Government, and until some arrangement more consistent, more permanent and less one-sided than the present contract system has been adopted."

5. The Governor in Council recognizes the necessity imposed on the Government of India to afford relief to provinces whose means are straitened, but at the same time he considers, that as contemplated by Sir J. Strachey, each province should have a larger share in the increases of revenues to which its own improved administration may lead. The settled policy of the present contract system is that any increases of expenditure over the figures settled as the contract assignments under the various heads should be met by increases of revenues *during the contract period*, and it is in this principle that the most serious defect of the present scheme, from the point of view of Local Governments, exists; for this principle overlooks the fact that before several of the principal heads of revenues can be increased—and it is to these heads that the Local Government must look for resources to meet the necessary increases of expenditure during a contract period—increased expenditure must be incurred, and this sometimes for years before enhanced revenues accrue. The necessary consequence is that the allotments for the head of Civil Administration are restricted and the development of the administration retarded in a degree which would not exist if the Local Government had definite sources of income which it could estimate and calculate on beforehand and if it had made over to it a definite share in the *normal* growth of income; in other words, if it were not the recognised prerogative of the Supreme Government to fix the shares of revenue as it pleases and to resume, at the end of each contract period, the *entire* amount represented by the excess of the Provincial revenues over the Provincial expenditure calculated at the standard attained at the time of the settlement of a new contract. Owing to the rigid enforcement of this principle, the resumptions from the Madras Government on the settlements of the last three contracts have been 17·44, 10·38 and 14·59 lakhs, respectively, and it is perhaps unnecessary to refer to the incalculable benefits that would have accrued had even a small portion of these amounts been devoted annually to the direct needs of this province.

6. This Government contends, in short, that it should possess a greater fixity of interest in the revenues and in the normal growth of the revenues of the province;

such a fixity as was contemplated by Sir David Barbour in his Financial Statement for 1892–93, when he regretted the necessity that had arisen to contract the resources of the Local Governments by the amount of the revenues resumed by the Government of India, and pointed out that although it was satisfactory that Local Governments should have been in a position to make a contribution to the resources of the empire at a period of pressure, and thus, possibly avoid the necessity of imposing further taxation, it would have been still more satisfactory if the Supreme Government had been in a position to allow them to retain the whole or the greater portion of this amount for expenditure on the improvement of the internal administration. That this fixity of interest does not exist is apparent from the figures to be found in the compilation issued by the Government of India entitled "Progress of Provincial Revenue and Expenditure," copies of which were received with Mr. Under Secretary Brunyate's letter No. 4241-A., dated the 22nd September 1897. It may be noted that in the preface to this compilation it is stated that the figures in the several columns of the statements showing the revenues administered by the Local Governments and the charges of Civil Administration, including Civil Works, can be taken as directly comparable with each other. It seems therefore fair to infer that the statements can be taken as comparable as between the various provinces. Although, as stated above, there is no intention at present to enter into any discussion on the relative merits of the assignments to the various provinces, the statements I, II and III appended to this letter, which have been obtained from the figures in the compilation above referred to, afford clear evidence of the varied and varying nature of the financial position of Local Governments.

7. Statement I shows, that, comparing the contract settlement for Madras for 1887 with that for 1882, whilst the net revenue account rose by 7·21 per cent., the expenditure on Civil Administration was allowed to increase by 4·01 per cent. only; and that in 1892, although there was a further increase of 11·68 per cent. in the net revenue account, the net expenditure on Civil Administration rose by 5·60 per cent. only. The similar percentages for the 1897 contract are 14·74 per cent. and 8·89 per cent. The regularity observed between the first set of percentages—those of the increase of the net revenues—and the varying nature of the second set—the increase in the net cost of Civil Administration—constitute in themselves a clear proof of the ill-defined financial position of the Local Government, which has been really forced to take what it could get. The lack of proportion between these rates is opposed to the principle laid down in 1882 that in the settlement of the contracts no revision should be made which would be favourable to the Imperial at the expense of the Provincial revenues except in cases where this course can be adopted without embarrassing Provincial finance or checking the growth of the material prosperity of the province.

8. Statement II compares the contract settlement of 1882 with that of 1897. In this statement the amount remaining from the net revenues after deducting the net expenditure on Civil Administration—that is, the amount which has been devoted to purposes other than Provincial in each province—is compared with the total net revenues. This statement shows that, whilst under the settlement of 1897 as compared with that of 1882, the Presidency of Bengal received 48·29 lakhs per annum, and the Province of Punjab 7·42 lakhs, more for expenditure, the provinces of Madras and of Bombay and the North-Western Provinces and Oudh received, respectively, 33, 51 and 8 lakhs less.

Statement III exhibits the percentages of increase in the net revenue account and in the net expenditure on Civil Administration between the contract settlement of 1882 and that of 1897. From this it will be seen that whilst in Madras the former increased by 37·38 per cent., the latter rose by 19·60 per cent. only. Against this is to be set the different state of affairs in Bengal, where the respective increases were 21·28 per cent. and 43·46 per cent. and in the Punjab where they were 25·85 and 32·25 per cent. respectively.

9. Without entering into any discussion or pretending to any knowledge of the necessity of the increased rates of expenditure in Bengal and the Punjab, the Governor in Council can fairly contend that this increase should not have been permitted partly at the expense of the spending power of this Government, and he can fairly point to the tendency on the part of the revenues to flow to the north of India.

10. In order to remove the present cause of discontent—a discontent which, as the Government of India acknowledges, prevails amongst all Local Governments—this Government would suggest that the shares of local Governments in the revenues should be definitely and finally fixed; that the present system under which the Supreme Government resumes the whole normal excess of revenne over expenditure should cease; and that Provincial Governments should be given some share at least in this normal growth. As already stated, the Governor in Council recognises that, under present conditions, the more backward provinces must obtain relief to some extent at the expense of those the resources of which are developed in a greater degree. This relief, however, would still be feasible under the system now proposed; for under it the Supreme Government would share in certain fixed proportions with Local Governments the revenues as well as the normal growth in the revenues instead of, as at present, fixing the Provincial portion of the former as it pleases and appropriating the whole of the latter to Imperial needs and the interests of other provinces. It is by this means alone that the scheme initiated by Lord Mayo can attain the object with which it was originally started; that Local Governments can obtain that share and that interest in the development of the revenues of a province which were contemplated by the introduction of that scheme; and that the unseemly wrangling which at present occurs at and after each contract settlement can be obviated. If the Local Governments be given definite burdens which cannot be increased but by their own action; if a definite share of the revenue be assigned to them and if their balances be respected and not arbitrarily resumed or requisitioned, there will be brought into existence that certainty as to their available resources and as to the burdens to be thrown on them without which Provincial financial management is impracticable. They should, within a defined category of subjects, have an independent revenue and expenditure each of its own, which it could deal with after the methods and principles of a financially independent Government and which would be no longer in any way hypothecated to the demands of a central Government.

11. To turn to the present needs of this Presidency, I am to remind the Government of India that when the existing contract was settled, the Governor-General in Council expressed the opinion that he had no reason to doubt that the Madras Government would find itself, even apart from the additional grant of 1·50 lakhs then made, in a position to spend during the current quinquennial period considerably more than the 22 lakhs taken as the calculation of the assignment for Civil Works. In an earlier Resolution No. 4258-A., dated the 6th October 1896, the Governor-General in Council expressed his gratification that the financial prospects were such as to enable him to abstain from any severe restriction of the existing scales of Provincial expenditure. In Mr. Arundel's letter, No. 905, Financial, dated 29th December 1896, an adjusting assignment of 28·60, against that of 8·43 proposed, by the Government of India, was urged. This figure has ultimately been placed at 16·46 lakhs, the claims of this Government for higher assignments for Civil Works and for certain other heads having been refused. In finally fixing the adjusting assignment the Government of India included an additional grant of 1·50 lakhs "to provide for any increase of expenditure that might be considered important or urgent by the Government of Madras." Independently of the fact that this act of generosity must perforce, from the very nature of the case, fail in its professed object, the additional grant is inexplicable; for if the present contract system is an equitable system and the settlement of 1897 was fair, this benevolence should have been unnecessary. It partakes of the nature of "conscience money" and, as is generally the case with "conscience money," represents a mere fraction of the amount which has been appropriated otherwise. The Governor in Council is, however, concerned with facts as they stand, and the following figures prove, in his opinion, the general inadequacy of the assignments made for this Presidency.

[illegible] in
[illegible]
in Council.
allotment
it
7/3/

12. During the years 1896–97 and 1897–98 the total outlay on famine and plague—direct and indirect—amounted to 24·14 lakhs, and in accordance with the decision of the Government of India, provincial funds stood on the 1st April 1898 with a *minus* balance of 10 lakhs. The decision of the Government of India to debit provincial funds with so much of the five lakhs expenditure on famine relief as could not be recovered from District Boards raised this *minus* balance to 14·49 lakhs.

(*Vide* my letter No. 1221, Financial, dated 13th December 1898). The revised estimate for the current year includes an expenditure of ·66 lakh on famine (·51 as direct and ·15 as indirect expenditure) and of 2·75 lakhs on plague (2·15 lakhs as direct and ·60 as indirect expenditure). The total expenditure on famine and plague since 1896–97 thus amounts to 27·55 lakhs, and if to this is added the *minus* balance of 14·49 lakhs referred to above, it will be seen that this Presidency has suffered to the extent of 42·04 lakhs on account of these calamities. According to the revised estimates for the current year the balance on the 1st April 1899 will stand at 13·09, but the increase from 7·18 at the end of 1897–98 is, I am to point out, not entirely due to the returning prosperity of the province, but in a great measure to the strict instructions issued by this Government to restrict expenditure in all directions. In fact, for the past two years expenditure under all heads has been kept within the narrowest limits.

13. In my letter No. 262, Financial, of this day the Governor in Council has represented the facts as regards plague expenditure, and as contended there the present position under which the Local Government bears an arbitrary portion of famine expenditure and all plague expenditure is opposed to the principles which regulate the financial relations of the Supreme and Local Governments, as laid down by the Secretary of State and as accepted by the Government of India (*vide* Despatch from the Government of India, Finance and Commerce Department, No. 68, dated 3rd March 1898). I am again to point out that the Secretary of State held that "upon the Imperial Government rests the primary duty of maintaining order "internally and of protecting the frontiers; of the risk of war, famine, exchange, and "sudden emergencies; of the responsibility of maintaining not only national solvency, "but also the solvency of the Provincial Governments" and that "on the Provincial "Governments rests the duty of developing the resources of their respective provinces "and by so developing them to add to the general prosperity, comfort, and taxable "power of the community at large." It is abundantly clear from the experience of this Province and from the figures quoted in this letter that under present circumstances the solvency of this Government cannot be maintained; that it is seriously hampered in the development of its resources; and that it is beyond its powers to add to the general prosperity, comfort, and taxable power of the community at large.

14. When this Government urged that a small assignment should be made in the present contract under the head of Famine Relief, the Government of India declined to admit any sum in the settlement, and stated that when "famine "occurs local Governments are expected "to divert to relief the funds they would "otherwise have devoted to the construction of public works or to the introduction of reforms or improvements which are "capable of being postponed"; and that when "the expenditure is beyond the power "of Provincial revenues to meet, Imperial revenues must come to their aid altogether "apart from the Provincial settlements." It is true that the Government of India debited Imperial funds with a large portion of the famine expenditure in this Presidency; but I am to point out that the exact portion was arbitrarily fixed, and, even under the orders as originally issued, left the Local Government with practically a *minus* balance of 10 lakhs. I am again to urge that the finances of this province, as at present constituted, are unable to bear the burden of famine and plague expenditure and that these heads should be treated as Imperial or that special assignments should be made from Imperial to Provincial funds to cover the expenditure.

Paragraph 53 of the appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

Paragraph 5 of appendix A to Finance and Commerce Department letter No. 1245-A, dated 16 March 1897.

15. Statement IV appended to this letter compares the figures in the Provincial budget estimate for 1899–1900 submitted with my letter No. 124 of the 19th January last with those settled for the Provincial contract, plague expenditure being excluded. It will be seen that the excess of the budget over the contract figures on the revenue side is almost exactly counterbalanced by the excess on the expenditure side; but I am to draw special attention to the fact that this result has been effected by restricting the grants for 43. Minor Works and Navigation and 45. Civil Works,—which in the case of Public Works have been fixed at 29·80 and 22·16 lakhs, respectively.

16. The expenditure under 45. Civil Works—Public Works Officers, in 1896–97 amounted to 24·24 and in 1895–96 to 25·31. The year 1897–98 was a famine year and the outlay was therefore abnormally low. The present allotment under this head is altogether inadequate. The total demands for 1899–1900 under 45. Civil Works—Public Works Department, as modified in the Public Works Department up to the date of the compilation of the budget, amounted to 36·23 lakhs. In consequence of the limited assignment of 22·16 lakhs, it has been necessary to propose reductions in the demands under all heads, and in order to provide funds for urgent new works as far as possible, it has been necessary to reduce the allotments proposed for several works in progress, thereby postponing their completion and increasing the cost of the works. Even by thus curtailing the grants for works in progress, it has been possible to provide 2·58 lakhs only for urgent new works, leaving sanctioned new works to the extent of 1·11 lakhs unprovided for. Reduced grants have to be made for certain roads which have been taken over by the Public Works Department, and repairs to roads in the Mappilla tracts of Malabar will have to be postponed. The least sum that should be granted for 45. Civil Works—Public Works Department, in 1899–1900 is 26·91 lakhs.

17. As regards the grant under 43. Minor Works and Navigation, the total amount applied for by the Chief Engineer for Irrigation was 30·60 lakhs and the maintenance of the grant for 1899–1900 at its present figure will involve the reduction of allotments for original and agricultural works, several of which are urgently required.

18. It is true that the budget estimate for 1899–1900, as submitted to the Government of India, contains provisions for such schemes as the improvement of the position of taluk establishments, the railway police scheme and the establishment of four new Munsifs' Courts, but I am to point out that the latter two schemes have already been sanctioned, and that their introduction has been deferred in consequence of the state of Provincial finances—the railway police scheme at the instance of the Government of India and that for the appointment of additional Munsifs on the motion of this Government as it found itself without the necessary funds to introduce the measure when it was sanctioned. Both these schemes are urgently required and their necessity has been admitted by the supreme Government and by the Secretary of State. The improvement of the position of taluk establishments is necessary in the interests of Imperial as well as of Provincial funds. The re-organization of these establishments is obviously necessary before the revenue administration of the province can be considered to be on a satisfactory basis, since these establishments control the lower staff, which has itself of late years been enlarged, and the benefits to be derived from this increase of the lower staff can only be realised and the increase of revenue already obtained assured by proper supervision which will be the direct result of the reform proposed. It is therefore of the greatest importance that this very necessary scheme, which has been deferred from year to year, should be introduced without delay. This Government has various other schemes under consideration, all of which will probably involve extra cost, such as the re-organization of the clerical staff of the Forest department, the re-organization of the Land Records department, the amalgamation of the Customs with the Salt and Abkári department, the re-organization of the Registration department, and the re-organization of the Agricultural staff of the Presidency. The items which have been included in the budget for 1899–1900 are not a fraction of what the needs of this province demand.

19. This Government has not lost sight of the fact that the Government of India has laid down the principle that it is necessary to leave projects which involve increase of expenditure in the future to be provided for as increase of revenue comes in; but the share hitherto obtained by this Government in the increase of revenues is utterly inadequate to meet the legitimate calls upon the Provincial exchequer. The Governor-in-Council indeed fails to see how these schemes can be introduced, unless the Government of India is prepared to deal more liberally with this Presidency. There are now no accumulated balances to fall back upon, and the progress of this Presidency during the current quinquennial period is, so far as this Government can foresee, to be gauged by the celerity with which the prescribed minimum balance of 20 lakhs is worked up to. The Governor in Council is to maintain one object in

view, viz , to show that this Presidency is capable of fulfilling the requirements of article 1361 of the Civil Account Code, Volume II, and to turn a persistently deaf ear to all schemes which would tend to the development of the province or the comfort of its people. This is a striking commentary on the present contract system. An instructive example of the manner in which the system can be worked is to be found in the fact that whilst this Government has, in spite of its protest in 1896 regarding the assignments under SUPERANNUATIONS, been obliged to provide for an expenditure in the year 1899-1900 nearly one lakh in excess of the contract figure under that head, the Governor in Council has been unable to devote to the development of the province the amounts absolutely required for schemes of improvement such as those mentioned above, without reducing the Public Works grants beyond all reasonable limits.

Page 46, paragraph 51, of Appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

20. In conclusion, I am to say that the Governor in Council considers that apart from the merits of the questions discussed in the present letter, this representation is necessary in order to emphasize the fact that, while the superintendence and control of the Government of Fort St. George is vested by Statute in the Governor-General in Council, the executive administration of the Presidency is likewise vested by Statute in the Governor in Council—a fact which appears occasionally to have dropped out of view, and I am to urge that it is only by the due co-ordination of both powers that the right government of the Presidency can be achieved.

I have the honour to be,
Sir,
Your most obedient servant,

Chief Secretary.

FORT ST. GEORGE,
18th February 1899.

[Appendix.

STATEMENT I.

COMPARISON of the Net Revenue Account and the Net Expenditure on Civil Administration in the Madras Presidency according to the Contract Settlements of 1882 to 1897.

—	Contract Estimate, 1882.	Contract Estimate, 1887.	Increase.	Percentage of increase.	Contract Estimate, 1892.	Increase over Contract Estimate, 1887.	Percentage of increase.	Contract Estimate, 1897.	Increase over Contract Estimate, 1892.	Percentage of increase.
1	2	3	4	5	6	7	8	9	10	11
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.		LAKHS.	LAKHS.	
Net Revenue Account ..	569·37	610·43	41·06	7·21	681·71	71·28	11·68	782·18	100·47	14·74
Net Expenditure on Civil Administration	187·08	194·58	7·50	4·01	205·48	10·90	5·60	223·74	18·26	8·89

STATEMENT II.

STATEMENT showing the percentage of Net Revenue Account appropriated to other than Provincial purposes in the five larger Provinces of India in the Contract Settlements of 1882 and 1897.

—	Contract Estimate, 1882.				Contract Estimate, 1897.				Difference between column 9 and column 5.	Loss to the Province.	Gain to the Province.
	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 2—column 3.	Percentage of remainder (column 4) to Net Revenue—Total (column 2).	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 6—column 7.	Percentage of remainder (column 8) to Net Revenue—Total (column 6).			
1	2	3	4	5	6	7	8	9	10	11	12
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.			LAKHS.	LAKHS.
Punjab	265·61	116·32	149·29	56·20	334·28	153·83	180·45	53·98	— 2·22	..	7·42
North-Western Provinces and Oudh	699·29	222·86	476·43	68·13	786·41	242·87	543·54	69·12	+ ·99	7·79	..
Bengal	640·11	217·87	422·24	65·96	776·33	312·55	463·78	59·74	— 6·22	..	48·29
Central Provinces.	100·65	49·34	51·31	50·98	136·37	71·07	65·30	47·88	— 3·10	..	4·23
Bombay	409·93	217·19	192·74	47·02	576·38	254·41	321·97	55·86	+ 8·84	50·95	..
Madras	569·37	187·08	382·29	67·14	782·18	223·74	558·44	71·40	+ 4·26	33·32	..

STATEMENT III.

STATEMENT comparing the percentage of increase in the net Revenue Account and the Net Expenditure on Civil Administration between the Contract Settlements of 1882 and 1897.

—	Net Revenue Account—Total.				Net Expenditure on Civil Administration			
	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 3—column 2.	Percentage of increase.	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 7—column 6.	Percentage of increase.
1	2	3	4	5	6	7	8	9
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.	
Punjab	265·61	334·28	68·67	25·85	116·32	153·83	37·51	32·25
North-Western Provinces and Oudh	699·29	786·41	87·12	12·46	222·86	242·87	20·01	8·98
Bengal	640·11	776·33	136·22	21·28	217·87	312·55	94·68	43·46
Central Provinces	100·65	136·37	35·72	35·49	49·34	71·07	21·73	44·04
Bombay	409·93	576·38	166·45	40·60	217·19	254·41	37·22	17·14
Madras	569·37	782·18	212·81	37·38	187·08	223·74	36·66	19·60

STATEMENT IV.

STATEMENT comparing the assignments under the contract of 1897 with the figures of the budget estimate for 1899–1900.

Revenue.				Expenditure.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.	—	Contract figures.	Budget estimate, 1899–1900.	Difference.
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.
I. Land Revenue	151·04	(a) 155·09	+ 4·05	1. Refunds and Drawbacks	1·22	1·29	+ ·07
III. Salt	1·27	1·14	− ·13	3. Land Revenue	48·40	51·30	+ 2·90
IV. Stamps	59·75	63·00	+ 3·25	5. Salt	5·49	4·61	− ·88
V. Excise	37·20	36·50	− ·70	6. Stamps	2·70	2·53	− ·17
VII. Customs	·73	·75	+ ·02	7. Excise	1·57	2·68	+ 1·11
VIII. Assessed Taxes	12·00	13·00	+ 1·00	9. Customs	2·46	2·54	+ ·08
IX. Forest	10·25	12·15	+ 1·90	10. Assessed Taxes	·14	·15	+ ·01
X. Registration	6·00	6·50	+ ·50	11. Forest	7·75	8·75	+ 1·00
XII. Interest	1·48	2·51	+ 1·03	12. Registration	4·20	4·21	+ ·01
XVI-A. Courts of Law	7·40	8·04	+ ·64	13. Interest	1·50	2·03	+ ·53
XVI-B. Jails	4·26	4·55	+ ·29	15. Post Office	1·02	1·07	+ ·05
XVII. Police	4·41	4·47	+ ·06	18. General Administration	9·93	9·75	− ·18
XIX. Education	1·93	2·92	+ ·99	19-A. Courts of Law	46·92	46·68	− ·24
XX. Medical	1·22	1·01	− ·21	19-B. Jails	10·51	11·58	+ 1·07
XXI. Scientific, &c., Departments	2·13	2·55	+ ·42	20. Police	46·04	47·43	+ 1·39
XXII. Superannuation, &c.	·47	·62	+ ·15	21. Marine	·40	·08	− ·32
XXIII. Stationery and Printing	1·38	1·04	− ·34	22. Education	16·79	18·45	+ 1·66
XXV. Miscellaneous	1·54	1·97	+ ·43	24. Medical	13·07	12·71	− ·36
XXVI. State Railways	2·71	2·60	− ·11	25. Political	·84	·75	− ·09
XXX. Minor Works and Navigation	1·86	1·88	+ ·02	26. Scientific, &c., Departments	4·20	5·04	+ ·84
XXXII. Civil Works	1·58	1·87	+ ·29	29. Superannuation, &c.	15·52	16·42	+ ·90
				30. Stationery and Printing	9·00	10·46	+ 1·46
				32. Miscellaneous	1·52	1·63	+ ·11
				33. Famine Relief	..	(b) ·05	+ ·05
				37. Construction of Railways	..	·07	+ ·07
				38. State Railways—Working Expenses	1·68	1·68	..
				41. Miscellaneous Railways	..	·10	+ ·10
				43. Minor Works and Navigation	33·45	34.05	+ ·60
				45. Civil Works	22·00	25·19	+ 3·19
				Contribution between Provincial and Local (Net)	·79	·93	+ ·14
				Lump addition	1·50	..	− 1·50
Total	310·61	324·16	+ 13·55	Total	310·61	(c) 324·21	+ 13·60

(a) Includes fixed assignment and excludes special transfers.

(b) For flood charges.

(c) Excludes plague charges.

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Government {1899} of Madras.

FINANCIAL.

Recd. } 1899. *Enclosures*

Regd. *Spare copies*

Letter, No. 264, 18th February 1899.

FEBRUARY.

Financial Position of the Madras Government.

Addressing the Government of India in regard to the —.

FINANCIAL DEPARTMENT.

LETTER—from

THE CHIEF SECRETARY TO THE GOVERNMENT OF
FORT ST. GEORGE,

To

THE SECRETARY TO THE GOVERNMENT OF INDIA,
FINANCE AND COMMERCE DEPARTMENT.

SIR,

I am directed to refer to the correspondence ending with your letter No. 4385 A, dated the 7th October 1898, and to address you again in regard to the financial position of this Government.

2. In that letter it was pointed out that owing to the multifarious issues involved, no settlement of the far reaching problem of the amount actually contributed by the several provinces in India towards the expenditure of the empire and of the principle on which provincial expenditure should be adjusted in relation to this assumed contribution, is possible which would not give rise to interminable controversy as to its practical application; that from the nature of the case, there are no means of determining upon what principles the general revenues which are levied under the authority of the Government of India should be distributed among the various provinces; that the provincial system, which was introduced for reasons of administrative convenience, did not contemplate that any such attempt should be made; and that having regard to the extreme complexity of the general question of the theoretical rights and liabilities of the several provinces in respect of financial matters, the Government of India can only do its best to pronounce equal judgment, but is obliged to admit its inability to justify, to the satisfaction of each of the claimants, the awards it is obliged to make.

3. The Governor in Council, whilst unable to admit that the comparison which was instituted in my predecessor's letter, No. 230, Financial, dated the 5th March 1898, has been met in your letter under reply, considers it unnecessary to pursue this aspect of the question further, in view of the admitted impossibility of drawing up any statement of the case which would suffice to convince each of the local Governments that it is not, as compared with each of the others, placed at a disadvantage. He also desires it to be stated clearly that the contentions put forward by this Government have not been based upon any idea of the existence of partiality on the part of the Government of India in making the various provincial assignments. At the same time he can judge of the effect of the contract for this province by its results alone and it is, in fact, with this aspect of the question that he is concerned. These results have come prominently to notice in the settlement of the budget estimates submitted with my letter, No. 124, Financial, dated the 19th January 1899. In the opinion of this Government the fault lies in the inherent defects of the present contract system. This Government does not propose to enter into any comparison of Madras with other provinces in so far as the amounts of the provincial assignments are concerned, but in dealing with the subject of the revenues devoted to Provincial purposes it is impossible to set aside altogether the consideration of the question whether this Presidency has obtained the advantage that it might reasonably have expected from the revenues raised within it.

4. The objects of the provincial scheme were described in a minute by Sir J. Strachey quoted in his Financial Statement of 1877–78 (paragraph 3 of Finance and Commerce Department Resolution No. 4258-A, dated 6th October 1896) and some of the evils which the scheme was intended to abolish were described in the following words:—

> "The distribution of the public income degenerates into something like a scramble, in which the most violent has the advantage, with very little attention to reason: as local economy leads to no local advantage, the stimulus to avoid waste is reduced to a minimum: so, as no local growth of the income leads to an increase of the local means of improvement, the interest in developing the public revenues is also brought down to the lowest level."

In spite of all that has taken place since these words were penned, these evils appear to the Governor in Council to still exist. So far from inculcating economy, the practical effect of the present system is to induce Local Governments to raise the standard of expenditure during the closing years of a contract period by every possible means, as it is on this standard that the next contract is based. The results of the present system of quinquennial settlements and their demoralising effect on the administration cannot be better or more accurately described than in the words of His Excellency Sir Arthur Havelock when the budget was presented to the local Legislative Council in 1897:—

> "It appears to me that the contract system, so called, is bad in itself. It is demoralising to the Provincial and Supreme Governments. It is bad in that each revision that takes place has a terribly disturbing and dislocating effect on the local Administration, especially in the important Department of Public Works to which the pruning knife has to be suddenly and ruthlessly applied. It is demoralising to the Provincial Government, because it tends to impair the sympathetic co-operation between the Supreme and Provincial Governments which is so desirable and because it tempts the Provincial Government in its financial relations with the Supreme Government, which is the master of the situation, to have recourse to the tactics of the weak. When we are well off, we try to hide our money and spend it recklessly lest the Supreme Government should lay hands upon it. When we are poor, we try to give undue emphasis to our poverty. The system is demoralising to the Supreme Government because it relieves that Government from the consequence of extravagance. In my opinion the financial condition of the Presidency will not be satisfactory until a larger degree of financial independence and control is conceded to the Provincial Government, and until some arrangement more consistent, more permanent and less one-sided than the present contract system has been adopted."

5. The Governor in Council recognizes the necessity imposed on the Government of India to afford relief to provinces whose means are straitened, but at the same time he considers, that as contemplated by Sir J. Strachey, each province should have a larger share in the increases of revenues to which its own improved administration may lead. The settled policy of the present contract system is that any increases of expenditure over the figures settled as the contract assignments under the various heads should be met by increases of revenues *during the contract period*, and it is in this principle that the most serious defect of the present scheme, from the point of view of Local Governments, exists; for this principle overlooks the fact that before several of the principal heads of revenues can be increased—and it is to these heads that the Local Government must look for resources to meet the necessary increases of expenditure during a contract period—increased expenditure must be incurred, and this sometimes for years before enhanced revenues accrue. The necessary consequence is that the allotments for the head of Civil Administration are restricted and the development of the administration retarded in a degree which would not exist if the Local Government had definite sources of income which it could estimate and calculate on beforehand and if it had made over to it a definite share in the *normal* growth of income; in other words, if it were not the recognised prerogative of the Supreme Government to fix the shares of revenue as it pleases and to resume, at the end of each contract period, the *entire* amount represented by the excess of the Provincial revenues over the Provincial expenditure calculated at the standard attained at the time of the settlement of a new contract. Owing to the rigid enforcement of this principle, the resumptions from the Madras Government on the settlements of the last three contracts have been 17·44, 10·38 and 14·59 lakhs, respectively, and it is perhaps unnecessary to refer to the incalculable benefits that would have accrued had even a small portion of these amounts been devoted annually to the direct needs of this province.

6. This Government contends, in short, that it should possess a greater fixity of interest in the revenues and in the normal growth of the revenues of the province;

such a fixity as was contemplated by Sir David Barbour in his Financial Statement for 1892–93, when he regretted the necessity that had arisen to contract the resources of the Local Governments by the amount of the revenues resumed by the Government of India, and pointed out that although it was satisfactory that Local Governments should have been in a position to make a contribution to the resources of the empire at a period of pressure, and thus, possibly avoid the necessity of imposing further taxation, it would have been still more satisfactory if the Supreme Government had been in a position to allow them to retain the whole or the greater portion of this amount for expenditure on the improvement of the internal administration. That this fixity of interest does not exist is apparent from the figures to be found in the compilation issued by the Government of India entitled "Progress of Provincial Revenue and Expenditure," copies of which were received with Mr. Under Secretary Brunyate's letter No. 4241-A., dated the 22nd September 1897. It may be noted that in the preface to this compilation it is stated that the figures in the several columns of the statements showing the revenues administered by the Local Governments and the charges of Civil Administration, including Civil Works, can be taken as directly comparable with each other. It seems therefore fair to infer that the statements can be taken as comparable as between the various provinces. Although, as stated above, there is no intention at present to enter into any discussion on the relative merits of the assignments to the various provinces, the statements I, II and III appended to this letter, which have been obtained from the figures in the compilation above referred to, afford clear evidence of the varied and varying nature of the financial position of Local Governments.

7. Statement I shows, that, comparing the contract settlement for Madras for 1887 with that for 1882, whilst the net revenue account rose by 7·21 per cent., the expenditure on Civil Administration was allowed to increase by 4·01 per cent. only; and that in 1892, although there was a further increase of 11·68 per cent. in the net revenue account, the net expenditure on Civil Administration rose by 5·60 per cent. only. The similar percentages for the 1897 contract are 14·74 per cent. and 8·89 per cent. The regularity observed between the first set of percentages—those of the increase of the net revenues—and the varying nature of the second set—the increase in the net cost of Civil Administration—constitute in themselves a clear proof of the ill-defined financial position of the Local Government, which has been really forced to take what it could get. The lack of proportion between these rates is opposed to the principle laid down in 1882 that in the settlement of the contracts no revision should be made which would be favourable to the Imperial at the expense of the Provincial revenues except in cases where this course can be adopted without embarrassing Provincial finance or checking the growth of the material prosperity of the province.

8. Statement II compares the contract settlement of 1882 with that of 1897. In this statement the amount remaining from the net revenues after deducting the net expenditure on Civil Administration—that is, the amount which has been devoted to purposes other than Provincial in each province—is compared with the total net revenues. This statement shows that, whilst under the settlement of 1897 as compared with that of 1882, the Presidency of Bengal received 48·29 lakhs per annum, and the Province of Punjab 7·42 lakhs, more for expenditure, the provinces of Madras and of Bombay and the North-Western Provinces and Oudh received, respectively, 33, 51 and 8 lakhs less.

Statement III exhibits the percentages of increase in the net revenue account and in the net expenditure on Civil Administration between the contract settlement of 1882 and that of 1897. From this it will be seen that whilst in Madras the former increased by 37·38 per cent., the latter rose by 19·60 per cent. only. Against this is to be set the different state of affairs in Bengal, where the respective increases were 21·28 per cent. and 43·46 per cent. and in the Punjab where they were 25·85 and 32·25 per cent. respectively.

9. Without entering into any discussion or pretending to any knowledge of the necessity of the increased rates of expenditure in Bengal and the Punjab, the Governor in Council can fairly contend that this increase should not have been permitted partly at the expense of the spending power of this Government, and he can fairly point to the tendency on the part of the revenues to flow to the north of India.

10. In order to remove the present cause of discontent—a discontent which, as the Government of India acknowledges, prevails amongst all Local Governments—this Government would suggest that the shares of local Governments in the revenues should be definitely and finally fixed; that the present system under which the Supreme Government resumes the whole normal excess of revenue over expenditure should cease; and that Provincial Governments should be given some share at least in this normal growth. As already stated, the Governor in Council recognises that, under present conditions, the more backward provinces must obtain relief to some extent at the expense of those the resources of which are developed in a greater degree. This relief, however, would still be feasible under the system now proposed; for under it the Supreme Government would share in certain fixed proportions with Local Governments the revenues as well as the normal growth in the revenues instead of, as at present, fixing the Provincial portion of the former as it pleases and appropriating the whole of the latter to Imperial needs and the interests of other provinces. It is by this means alone that the scheme initiated by Lord Mayo can attain the object with which it was originally started; that Local Governments can obtain that share and that interest in the development of the revenues of a province which were contemplated by the introduction of that scheme; and that the unseemly wrangling which at present occurs at and after each contract settlement can be obviated. If the Local Governments be given definite burdens which cannot be increased but by their own action; if a definite share of the revenue be assigned to them and if their balances be respected and not arbitrarily resumed or requisitioned, there will be brought into existence that certainty as to their available resources and as to the burdens to be thrown on them without which Provincial financial management is impracticable. They should, within a defined category of subjects, have an independent revenue and expenditure each of its own, which it could deal with after the methods and principles of a financially independent Government and which would be no longer in any way hypothecated to the demands of a central Government.

11. To turn to the present needs of this Presidency, I am to remind the Government of India that when the existing contract was settled, the Governor-General in Council expressed the opinion that he had no reason to doubt that the Madras Government would find itself, even apart from the additional grant of 1·50 lakhs then made, in a position to spend during the current quinquennial period considerably more than the 22 lakhs taken as the calculation of the assignment for Civil Works. In an earlier Resolution No. 4258-A., dated the 6th October 1896, the Governor-General in Council expressed his gratification that the financial prospects were such as to enable him to abstain from any severe restriction of the existing scales of Provincial expenditure. In Mr. Arundel's letter, No. 905, Financial, dated 29th December 1896, an adjusting assignment of 28·60, against that of 8·43 proposed, by the Government of India, was urged. This figure has ultimately been placed at 16·46 lakhs, the claims of this Government for higher assignments for Civil Works and for certain other heads having been refused. In finally fixing the adjusting assignment the Government of India included an additional grant of 1·50 lakhs "to provide for any increase of expenditure that might be considered important or urgent by the Government of Madras." Independently of the fact that this act of generosity must perforce, from the very nature of the case, fail in its professed object, the additional grant is inexplicable; for if the present contract system is an equitable system and the settlement of 1897 was fair, this benevolence should have been unnecessary. It partakes of the nature of "conscience money" and, as is generally the case with "conscience money," represents a mere fraction of the amount which has been appropriated otherwise. The Governor in Council is, however, concerned with facts as they stand, and the following figures prove, in his opinion, the general inadequacy of the assignments made for this Presidency.

12. During the years 1896–97 and 1897–98 the total outlay on famine and lague—direct and indirect—amounted to 24·14 lakhs, and in accordance with the ecision of the Government of India, provincial funds stood on the 1st April 1898 with a *minus* balance of 10 lakhs. The decision of the Government of India to debit provincial funds with so much of the five lakhs expenditure on famine relief as could not be recovered from District Boards raised this *minus* balance to 14·49 lakhs.

(*Vide* my letter No. 1221, Financial, dated 13th December 1898). The revised estimate for the current year includes an expenditure of ·66 lakh on famine (·51 as direct and ·15 as indirect expenditure) and of 2·75 lakhs on plague (2·15 lakhs as direct and ·60 as indirect expenditure). The total expenditure on famine and plague since 1896–97 thus amounts to 27·55 lakhs, and if to this is added the *minus* balance of 14·49 lakhs referred to above, it will be seen that this Presidency has suffered to the extent of 42·04 lakhs on account of these calamities. According to the revised estimates for the current year the balance on the 1st April 1899 will stand at 13·09, but the increase from 7·18 at the end of 1897–98 is, I am to point out, not entirely due to the returning prosperity of the province, but in a great measure to the strict instructions issued by this Government to restrict expenditure in all directions. In fact, for the past two years expenditure under all heads has been kept within the narrowest limits.

13. In my letter No. 262, Financial, of this day the Governor in Council has represented the facts as regards plague expenditure, and as contended there the present position under which the Local Government bears an arbitrary portion of famine expenditure and all plague expenditure is opposed to the principles which regulate the financial relations of the Supreme and Local Governments, as laid down by the Secretary of State and as accepted by the Government of India (*vide* Despatch from the Government of India, Finance and Commerce Department, No. 68, dated 3rd March 1898). I am again to point out that the Secretary of State held that "upon the Imperial Government rests the primary duty of maintaining order "internally and of protecting the frontiers; of the risk of war, famine, exchange, and "sudden emergencies; of the responsibility of maintaining not only national solvency, "but also the solvency of the Provincial Governments" and that "on the Provincial "Governments rests the duty of developing the resources of their respective provinces "and by so developing them to add to the general prosperity, comfort, and taxable "power of the community at large." It is abundantly clear from the experience of this Province and from the figures quoted in this letter that under present circumstances the solvency of this Government cannot be maintained; that it is seriously hampered in the development of its resources; and that it is beyond its powers to add to the general prosperity, comfort, and taxable power of the community at large.

14. When this Government urged that a small assignment should be made in the present contract under the head of FAMINE RELIEF, the Government of India declined to admit any sum in the settlement, and stated that when "famine "occurs local Governments are expected "to divert to relief the funds they would "otherwise have devoted to the construc-"tion of public works or to the introduction of reforms or improvements which are "capable of being postponed"; and that when "the expenditure is beyond the power "of Provincial revenues to meet, Imperial revenues must come to their aid altogether "apart from the Provincial settlements." It is true that the Government of India debited Imperial funds with a large portion of the famine expenditure in this Presidency; but I am to point out that the exact portion was arbitrarily fixed, and, even under the orders as originally issued, left the Local Government with practically a *minus* balance of 10 lakhs. I am again to urge that the finances of this province, as at present constituted, are unable to bear the burden of famine and plague expenditure and that these heads should be treated as Imperial or that special assignments should be made from Imperial to Provincial funds to cover the expenditure.

Paragraph 53 of the appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

Paragraph 5 of appendix A to Finance and Commerce Department letter No. 1245-A, dated 16 March 1897.

15. Statement IV appended to this letter compares the figures in the Provincial budget estimate for 1899–1900 submitted with my letter No. 124 of the 19th January last with those settled for the Provincial contract, plague expenditure being excluded. It will be seen that the excess of the budget over the contract figures on the revenue side is almost exactly counterbalanced by the excess on the expenditure side; but I am to draw special attention to the fact that this result has been effected by restricting the grants for 43. MINOR WORKS AND NAVIGATION and 45. CIVIL WORKS,—which in the case of Public Works have been fixed at 29·80 and 22·16 lakhs, respectively.

16. The expenditure under 45. CIVIL WORKS—PUBLIC WORKS OFFICERS, in 1896–97 amounted to 24·24 and in 1895–96 to 25·31. The year 1897–98 was a famine year and the outlay was therefore abnormally low. The present allotment under this head is altogether inadequate. The total demands for 1899–1900 under 45. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, as modified in the Public Works Department up to the date of the compilation of the budget, amounted to 36·23 lakhs. In consequence of the limited assignment of 22·16 lakhs, it has been necessary to propose reductions in the demands under all heads, and in order to provide funds for urgent new works as far as possible, it has been necessary to reduce the allotments proposed for several works in progress, thereby postponing their completion and increasing the cost of the works. Even by thus curtailing the grants for works in progress, it has been possible to provide 2·58 lakhs only for urgent new works, leaving sanctioned new works to the extent of 1·11 lakhs unprovided for. Reduced grants have to be made for certain roads which have been taken over by the Public Works Department, and repairs to roads in the Mappilla tracts of Malabar will have to be postponed. The least sum that should be granted for 45. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, in 1899–1900 is 26·91 lakhs.

17. As regards the grant under 43. MINOR WORKS AND NAVIGATION, the total amount applied for by the Chief Engineer for Irrigation was 30·60 lakhs and the maintenance of the grant for 1899–1900 at its present figure will involve the reduction of allotments for original and agricultural works, several of which are urgently required.

18. It is true that the budget estimate for 1899–1900, as submitted to the Government of India, contains provisions for such schemes as the improvement of the position of taluk establishments, the railway police scheme and the establishment of four new Munsifs' Courts, but I am to point out that the latter two schemes have already been sanctioned, and that their introduction has been deferred in consequence of the state of Provincial finances—the railway police scheme at the instance of the Government of India and that for the appointment of additional Munsifs on the motion of this Government as it found itself without the necessary funds to introduce the measure when it was sanctioned. Both these schemes are urgently required and their necessity has been admitted by the supreme Government and by the Secretary of State. The improvement of the position of taluk establishments is necessary in the interests of Imperial as well as of Provincial funds. The re-organization of these establishments is obviously necessary before the revenue administration of the province can be considered to be on a satisfactory basis, since these establishments control the lower staff, which has itself of late years been enlarged, and the benefits to be derived from this increase of the lower staff can only be realised and the increase of revenue already obtained assured by proper supervision which will be the direct result of the reform proposed. It is therefore of the greatest importance that this very necessary scheme, which has been deferred from year to year, should be introduced without delay. This Government has various other schemes under consideration, all of which will probably involve extra cost, such as the re-organization of the clerical staff of the Forest department, the re-organization of the Land Records department, the amalgamation of the Customs with the Salt and Abkári department, the re-organization of the Registration department, and the re-organization of the Agricultural staff of the Presidency. The items which have been included in the budget for 1899–1900 are not a fraction of what the needs of this province demand.

19. This Government has not lost sight of the fact that the Government of India has laid down the principle that it is necessary to leave projects which involve increase of expenditure in the future to be provided for as increase of revenue comes in; but the share hitherto obtained by this Government in the increase of revenues is utterly inadequate to meet the legitimate calls upon the Provincial exchequer. The Governor-in-Council indeed fails to see how these schemes can be introduced, unless the Government of India is prepared to deal more liberally with this Presidency. There are now no accumulated balances to fall back upon, and the progress of this Presidency during the current quinquennial period is, so far as this Government can foresee, to be gauged by the celerity with which the prescribed minimum balance of 20 lakhs is worked up to. The Governor in Council is to maintain one object in

view, viz., to show that this Presidency is capable of fulfilling the requirements of article 1361 of the Civil Account Code, Volume II, and to turn a persistently deaf ear to all schemes which would tend to the development of the province or the comfort of its people. This is a striking commentary on the present contract system. An instructive example of the manner in which the system can be worked is to be found in the fact that whilst this Government has, in spite of its protest in 1896 regarding the assignments under SUPERANNUATIONS, been obliged to provide for an expenditure in the year 1899–1900 nearly one lakh in excess of the contract figure under that head, the Governor in Council has been unable to devote to the development of the province the amounts absolutely required for schemes of improvement such as those mentioned above, without reducing the Public Works grants beyond all reasonable limits.

Page 46, paragraph 51, of Appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

20. In conclusion, I am to say that the Governor in Council considers that apart from the merits of the questions discussed in the present letter, this representation is necessary in order to emphasize the fact that, while the superintendence and control of the Government of Fort St. George is vested by Statute in the Governor-General in Council, the executive administration of the Presidency is likewise vested by Statute in the Governor in Council—a fact which appears occasionally to have dropped out of view, and I am to urge that it is only by the due co-ordination of both powers that the right government of the Presidency can be achieved.

I have the honour to be,
Sir,
Your most obedient servant,

FORT ST. GEORGE,
18th February 1899.

G. STOKES,
Chief Secretary.

[Appendix.

STATEMENT I.

COMPARISON of the Net Revenue Account and the Net Expenditure on Civil Administration in the Madras Presidency according to the Contract Settlements of 1882 to 1897.

—	Contract Estimate, 1882.	Contract Estimate, 1887.	Increase.	Percentage of increase.	Contract Estimate, 1892.	Increase over Contract Estimate, 1887.	Percentage of increase.	Contract Estimate, 1897.	Increase over Contract Estimate, 1892.	Percentage of increase.
1	2	3	4	5	6	7	8	9	10	11
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.		LAKHS.	LAKHS.	
Net Revenue Account ..	569·37	610·43	41·06	7·21	681·71	71·28	11·68	782·18	100·47	14·74
Net Expenditure on Civil Administration	187·08	194·58	7·50	4·01	205·48	10·90	5·60	223·74	18·26	8·89

STATEMENT II.

STATEMENT showing the percentage of Net Revenue Account appropriated to other than Provincial purposes in the five larger Provinces of India in the Contract Settlements of 1882 and 1897.

—	Contract Estimate, 1882.				Contract Estimate, 1897.				Difference between column 9 and column 5.	Loss to the Province.	Gain to the Province.
	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 2—column 3.	Percentage of remainder (column 4) to Net Revenue—Total (column 2).	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 6—column 7.	Percentage of remainder (column 8) to Net Revenue—Total (column 6).			
1	2	3	4	5	6	7	8	9	10	11	12
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.			LAKHS.	LAKHS.
Punjab	265·61	116·32	149·29	56·20	334·28	153·83	180·45	53·98	— 2·22	..	7·42
North-Western Provinces and Oudh	699·29	222·86	476·43	68·13	786·41	242·87	543·54	69·12	+ ·99	7·79	..
Bengal	640·11	217·87	422·24	65·96	776·33	312·55	463·78	59·74	— 6·22	..	48·29
Central Provinces.	100·65	49·34	51·31	50·98	136·37	71·07	65·30	47·88	— 3·10	..	4·23
Bombay	409·93	217·19	192·74	47·02	576·38	254·41	321·97	55·86	+ 8·84	50·95	..
Madras	569·37	187·08	382·29	67·14	782·18	223·74	558·44	71·40	+ 4·26	33·32	..

STATEMENT III.

STATEMENT comparing the percentage of increase in the net Revenue Account and the Net Expenditure on Civil Administration between the Contract Settlements of 1882 and 1897.

—	Net Revenue Account—Total.				Net Expenditure on Civil Administration			
	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 3—column 2.	Percentage of increase.	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 7—column 6.	Percentage of increase.
1	2	3	4	5	6	7	8	9
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.	
Punjab	265·61	334·28	68·67	25·85	116·32	153·83	37·51	32·25
North Western Provinces and Oudh	699·29	786·41	87·12	12·46	222·86	242·87	20·01	8·98
Bengal	640·11	776·33	136·22	21·28	217·87	312·55	94·68	43·46
Central Provinces	100·65	136·37	35·72	35·49	49·34	71·07	21·73	44·04
Bombay	409·93	576·38	166·45	40·60	217·19	254·41	37·22	17·14
Madras	569·37	782·18	212·81	37·38	187·08	223·74	36·66	19·60

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STATEMENT IV.

STATEMENT comparing the assignments under the contract of 1897 with the figures of the budget estimate for 1899–1900.

Revenue.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.
	LAKHS.	LAKHS.	LAKHS.
I. Land Revenue	151·04	(a) 155·09	+ 4·05
III. Salt	1·27	1·14	− ·13
IV. Stamps	59·75	63·00	+ 3·25
V. Excise	37·20	36·50	− ·70
VII. Customs	·73	·75	+ ·02
VIII. Assessed Taxes	12·00	13·00	+ 1·00
IX. Forest	10·25	12·15	+ 1·90
X. Registration	6·00	6·50	+ ·50
XII. Interest	1·48	2·51	+ 1·03
XVI-A. Courts of Law	7·40	8·04	+ ·64
XVI-B. Jails	4·26	4·55	+ ·29
XVII. Police	4·41	4·47	+ ·06
XIX. Education	1·93	2·92	+ ·99
XX. Medical	1·22	1·01	− ·21
XXI. Scientific, &c., Departments ..	2·13	2·55	+ ·42
XXII. Superannuation, &c.	·47	·62	+ ·15
XXIII. Stationery and Printing ..	1·38	1·04	− ·34
XXV. Miscellaneous	1·54	1·97	+ ·43
XXVI. State Railways	2·71	2·60	− ·11
XXX. Minor Works and Navigation ..	1·86	1·88	+ ·02
XXXII. Civil Works	1·58	1·87	+ ·29
Total ..	310·61	324·16	+ 13·55

Expenditure.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.
	LAKHS.	LAKHS.	LAKHS.
1. Refunds and Drawbacks	1·22	1·29	+ ·07
3. Land Revenue	48·40	51·30	+ 2·90
5. Salt	5·49	4·61	− ·88
6. Stamps	2·70	2·53	− ·17
7. Excise..	1·57	2·68	+ 1·11
9. Customs	2·46	2·54	+ ·08
10. Assessed Taxes	·14	·15	+ ·01
11. Forest	7·75	8·75	+ 1·00
12. Registration	4·20	4·21	+ ·01
13. Interest	1·50	2·03	+ ·53
15. Post Office	1·02	1·07	+ ·05
18. General Administration	9·93	9·75	− ·18
19-A. Courts of Law	46·92	46·68	− ·24
19-B. Jails	10·51	11·58	+ 1·07
20. Police	46·04	47·43	+ 1·39
21. Marine	·40	·08	− ·32
22. Education	16·79	18·45	+ 1·66
24. Medical	13·07	12·71	− ·36
25. Political	·84	·75	− ·09
26. Scientific, &c., Departments	4·20	5·04	+ ·84
29. Superannuation, &c.	15·52	16·42	+ ·90
30. Stationery and Printing	9·00	10·46	+ 1·46
32. Miscellaneous	1·52	1·63	+ ·11
33. Famine Relief	..	(b) ·05	+ ·05
37. Construction of Railways	..	·07	+ ·07
38. State Railways—Working Expenses	1·68	1·68	..
41. Miscellaneous Railways	..	·10	+ ·10
43. Minor Works and Navigation	33·45	34.05	+ ·60
45. Civil Works	22·00	25·19	+ 3·19
Contribution between Provincial and Local (Net) ..	·79	·93	+ ·14
Lump addition	1·50	..	− 1·50
Total ..	310·61	(c) 324·21	+ 13·60

(a) Includes fixed assignment and excludes special transfers.

(b) For flood charges.

(c) Excludes plague charges.

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Government (1899) of Madras.

FINANCIAL.

Recd.
Regd. } 1899.

Enclosures
Spare copies

Letter, No. 264, 18th February 1899.

FEBRUARY.

Financial Position of the Madras Government.

Addressing the Government of India in regard to the —.

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FINANCIAL DEPARTMENT.

Letter—from

The CHIEF SECRETARY to the GOVERNMENT of FORT ST. GEORGE,

To

The SECRETARY to the GOVERNMENT of INDIA,

Finance and Commerce Department.

Sir,

I am directed to refer to the correspondence ending with your letter No. 4385 A, dated the 7th October 1898, and to address you again in regard to the financial positi of this Government.

2. In that letter it was pointed out that owing to the multifarious issues involved, no settlement of the far reaching problem of the amount actually contribut by the several provinces in India towards the expenditure of the empire and of th principle on which provincial expenditure should be adjusted in relation to this assum contribution, is possible which would not give rise to interminable controversy as t its practical application; that from the nature of the case, there are no means of determining upon what principles the general revenues which are levied under the author ity of the Government of India should be distributed among the various province that the provincial system, which was introduced for reasons of administrative con venience, did not contemplate that any such attempt should be made; and that havi regard to the extreme complexity of the general question of the theoretical rig and liabilities of the several provinces in respect of financial matters, the Governm of India can only do its best to pronounce equal judgment, but is obliged to admit inability to justify, to the satisfaction of each of the claimants, the awards it is oblig to make.

3. The Governor in Council, whilst unable to admit that the comparison wh was instituted in my predecessor's letter, No. 230, Financial, dated the 5th Ma 1898, has been met in your letter under reply, considers it unnecessary to pursue th aspect of the question further, in view of the admitted impossibility of drawing up statement of the case which would suffice to convince each of the local Governm that it is not, as compared with each of the others, placed at a disadvantage. He desires it to be stated clearly that the contentions put forward by this Governm have not been based upon any idea of the existence of partiality on the part of Government of India in making the various provincial assignments. At the s time he can judge of the effect of the contract for this province by its results a and it is, in fact, with this aspect of the question that he is concerned. Th results have come prominently to notice in the settlement of the budget esti submitted with my letter, No. 124, Financial, dated the 19th January 1899. In opinion of this Government the fault lies in the inherent defects of the present co system. This Government does not propose to enter into any comparison of M with other provinces in so far as the amounts of the provincial assignments concerned, but in dealing with the subject of the revenues devoted to Prov purposes it is impossible to set aside altogether the consideration of the q whether this Presidency has obtained the advantage that it might reasonably expected from the revenues raised within it.

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4. The objects of the provincial scheme were described in a minute by Sir J. Strachey quoted in his Financial Statement of 1877–78 (paragraph 3 of Finance and Commerce Department Resolution No. 4258-A, dated 6th October 1896) and some of the evils which the scheme was intended to abolish were described in the following words:—

> "The distribution of the public income degenerates into something like a scramble, in which the most violent has the advantage, with very little attention to reason: as local economy leads to no local advantage, the stimulus to avoid waste is reduced to a minimum: so, as no local growth of the income leads to an increase of the local means of improvement, the interest in developing the public revenues is also brought down to the lowest level."

In spite of all that has taken place since these words were penned, these evils appear to the Governor in Council to still exist. So far from inculcating economy, the practical effect of the present system is to induce Local Governments to raise the standard of expenditure during the closing years of a contract period by every possible means, as it is on this standard that the next contract is based. The results of the present system of quinquennial settlements and their demoralising effect on the administration cannot be better or more accurately described than in the words of His Excellency Sir Arthur Havelock when the budget was presented to the local Legislative Council in 1897:—

> "It appears to me that the contract system, so called, is bad in itself. It is demoralising to the Provincial and Supreme Governments. It is bad in that each revision that takes place has a terribly disturbing and dislocating effect on the local Administration, especially in the important Department of Public Works to which the pruning knife has to be suddenly and ruthlessly applied. It is demoralising to the Provincial Government, because it tends to impair the sympathetic co-operation between the Supreme and Provincial Governments which is so desirable and because it tempts the Provincial Government in its financial relations with the Supreme Government, which is the master of the situation, to have recourse to the tactics of the weak. When we are well off, we try to hide our money and spend it recklessly lest the Supreme Government should lay hands upon it. When we are poor, we try to give undue emphasis to our poverty. The system is demoralising to the Supreme Government because it relieves that Government from the consequence of extravagance. In my opinion the financial condition of the Presidency will not be satisfactory until a larger degree of financial independence and control is conceded to the Provincial Government, and until some arrangement more consistent, more permanent and less one-sided than the present contract system has been adopted."

5. The Governor in Council recognizes the necessity imposed on the Government of India to afford relief to provinces whose means are straitened, but at the same time he considers, that as contemplated by Sir J. Strachey, each province should have a larger share in the increases of revenues to which its own improved administration may lead. The settled policy of the present contract system is that any increases of expenditure over the figures settled as the contract assignments under the various heads should be met by increases of revenues *during the contract period*, and it is in this principle that the most serious defect of the present scheme, from the point of view of Local Governments, exists; for this principle overlooks the fact that before several of the principal heads of revenues can be increased—and it is to these heads that the Local Government must look for resources to meet the necessary increases of expenditure during a contract period—increased expenditure must be incurred, and this sometimes for years before enhanced revenues accrue. The necessary consequence is that the allotments for the head of Civil Administration are restricted and the development of the administration retarded in a degree which would not exist if the Local Government had definite sources of income which it could estimate and calculate on beforehand and if it had made over to it a definite share in the *normal* growth of income; in other words, if it were not the recognised prerogative of the Supreme Government to fix the shares of revenue as it pleases and to resume, at the end of each contract period, the *entire* amount represented by the excess of the Provincial revenues over the Provincial expenditure calculated at the standard attained at the time of the settlement of a new contract. Owing to the rigid enforcement of this principle, the resumptions from the Madras Government on the settlements of the last three contracts have been 17·44, 10·38 and 14·59 lakhs, respectively, and it is perhaps unnecessary to refer to the incalculable benefits that would have accrued had even a small portion of these amounts been devoted annually to the direct needs of this province.

6. This Government contends, in short, that it should possess a greater fixity of interest in the revenues and in the normal growth of the revenues of the province;

such a fixity as was contemplated by Sir David Barbour in his Financial Statement for 1892–93, when he regretted the necessity that had arisen to contract the resources of the Local Governments by the amount of the revenues resumed by the Government of India, and pointed out that although it was satisfactory that Local Governments should have been in a position to make a contribution to the resources of the empire at a period of pressure, and thus, possibly avoid the necessity of imposing further taxation, it would have been still more satisfactory if the Supreme Government had been in a position to allow them to retain the whole or the greater portion of this amount for expenditure on the improvement of the internal administration. That this fixity of interest does not exist is apparent from the figures to be found in the compilation issued by the Government of India entitled "Progress of Provincial Revenue and Expenditure," copies of which were received with Mr. Under Secretary Brunyate's letter No. 4241-A., dated the 22nd September 1897. It may be noted that in the preface to this compilation it is stated that the figures in the several columns of the statements showing the revenues administered by the Local Governments and the charges of Civil Administration, including Civil Works, can be taken as directly comparable with each other. It seems therefore fair to infer that the statements can be taken as comparable as between the various provinces. Although, as stated above, there is no intention at present to enter into any discussion on the relative merits of the assignments to the various provinces, the statements I, II and III appended to this letter, which have been obtained from the figures in the compilation above referred to, afford clear evidence of the varied and varying nature of the financial position of Local Governments.

7. Statement I shows, that, comparing the contract settlement for Madras for 1887 with that for 1882, whilst the net revenue account rose by 7·21 per cent., the expenditure on Civil Administration was allowed to increase by 4·01 per cent. only; and that in 1892, although there was a further increase of 11·68 per cent. in the net revenue account, the net expenditure on Civil Administration rose by 5·60 per cent. only. The similar percentages for the 1897 contract are 14·74 per cent. and 8·89 per cent. The regularity observed between the first set of percentages—those of the increase of the net revenues—and the varying nature of the second set—the increase in the net cost of Civil Administration—constitute in themselves a clear proof of the ill-defined financial position of the Local Government, which has been really forced to take what it could get. The lack of proportion between these rates is opposed to the principle laid down in 1882 that in the settlement of the contracts no revision should be made which would be favourable to the Imperial at the expense of the Provincial revenues except in cases where this course can be adopted without embarrassing Provincial finance or checking the growth of the material prosperity of the province.

8. Statement II compares the contract settlement of 1882 with that of 1897. In this statement the amount remaining from the net revenues after deducting the net expenditure on Civil Administration—that is, the amount which has been devoted to purposes other than Provincial in each province—is compared with the total net revenues. This statement shows that, whilst under the settlement of 1897 as compared with that of 1882, the Presidency of Bengal received 48·29 lakhs per annum, and the Province of Punjab 7·42 lakhs, more for expenditure, the provinces of Madras and of Bombay and the North-Western Provinces and Oudh received, respectively, 33, 51 and 8 lakhs less.

Statement III exhibits the percentages of increase in the net revenue account and in the net expenditure on Civil Administration between the contract settlement of 1882 and that of 1897. From this it will be seen that whilst in Madras the former increased by 37·38 per cent., the latter rose by 19·60 per cent. only. Against this is to be set the different state of affairs in Bengal, where the respective increases were 21·28 per cent. and 43·46 per cent. and in the Punjab where they were 25·85 and 32·25 per cent. respectively.

9. Without entering into any discussion or pretending to any knowledge of the necessity of the increased rates of expenditure in Bengal and the Punjab, the Governor in Council can fairly contend that this increase should not have been permitted partly at the expense of the spending power of this Government, and he can fairly point to the tendency on the part of the revenues to flow to the north of India.

10. In order to remove the present cause of discontent—a discontent which, as the Government of India acknowledges, prevails amongst all Local Governments—this Government would suggest that the shares of local Governments in the revenues should be definitely and finally fixed; that the present system under which the Supreme Government resumes the whole normal excess of revenue over expenditure should cease; and that Provincial Governments should be given some share at least in this normal growth. As already stated, the Governor in Council recognises that, under present conditions, the more backward provinces must obtain relief to some extent at the expense of those the resources of which are developed in a greater degree. This relief, however, would still be feasible under the system now proposed; for under it the Supreme Government would share in certain fixed proportions with Local Governments the revenues as well as the normal growth in the revenues instead of, as at present, fixing the Provincial portion of the former as it pleases and appropriating the whole of the latter to Imperial needs and the interests of other provinces. It is by this means alone that the scheme initiated by Lord Mayo can attain the object with which it was originally started; that Local Governments can obtain that share and that interest in the development of the revenues of a province which were contemplated by the introduction of that scheme; and that the unseemly wrangling which at present occurs at and after each contract settlement can be obviated. If the Local Governments be given definite burdens which cannot be increased but by their own action; if a definite share of the revenue be assigned to them and if their balances be respected and not arbitrarily resumed or requisitioned, there will be brought into existence that certainty as to their available resources and as to the burdens to be thrown on them without which Provincial financial management is impracticable. They should, within a defined category of subjects, have an independent revenue and expenditure each of its own, which it could deal with after the methods and principles of a financially independent Government and which would be no longer in any way hypothecated to the demands of a central Government.

11. To turn to the present needs of this Presidency, I am to remind the Government of India that when the existing contract was settled, the Governor-General in Council expressed the opinion that he had no reason to doubt that the Madras Government would find itself, even apart from the additional grant of 1·50 lakhs then made, in a position to spend during the current quinquennial period considerably more than the 22 lakhs taken as the calculation of the assignment for Civil Works. In an earlier Resolution No. 4258-A., dated the 6th October 1896, the Governor-General in Council expressed his gratification that the financial prospects were such as to enable him to abstain from any severe restriction of the existing scales of Provincial expenditure. In Mr. Arundel's letter, No. 905, Financial, dated 29th December 1896, an adjusting assignment of 28·60, against that of 8·43 proposed, by the Government of India, was urged. This figure has ultimately been placed at 16·46 lakhs, the claims of this Government for higher assignments for Civil Works and for certain other heads having been refused. In finally fixing the adjusting assignment the Government of India included an additional grant of 1·50 lakhs "to provide for any increase of expenditure that might be considered important or urgent by the Government of Madras." Independently of the fact that this act of generosity must perforce, from the very nature of the case, fail in its professed object, the additional grant is inexplicable; for if the present contract system is an equitable system and the settlement of 1897 was fair, this benevolence should have been unnecessary. It partakes of the nature of "conscience money" and, as is generally the case with "conscience money," represents a mere fraction of the amount which has been appropriated otherwise. The Governor in Council is, however, concerned with facts as they stand, and the following figures prove, in his opinion, the general inadequacy of the assignments made for this Presidency.

12. During the years 1896–97 and 1897–98 the total outlay on famine and plague—direct and indirect—amounted to 24·14 lakhs, and in accordance with the decision of the Government of India, provincial funds stood on the 1st April 1898 with a *minus* balance of 10 lakhs. The decision of the Government of India to debit provincial funds with so much of the five lakhs expenditure on famine relief as could not be recovered from District Boards raised this *minus* balance to 14·49 lakhs.

(*Vide* my letter No. 1221, Financial, dated 13th December 1898). The revised estimate for the current year includes an expenditure of ·66 lakh on famine (·51 as direct and ·15 as indirect expenditure) and of 2·75 lakhs on plague (2·15 lakhs as direct and ·60 as indirect expenditure). The total expenditure on famine and plague since 1896–97 thus amounts to 27·55 lakhs, and if to this is added the *minus* balance of 14·49 lakhs referred to above, it will be seen that this Presidency has suffered to the extent of 42·04 lakhs on account of these calamities. According to the revised estimates for the current year the balance on the 1st April 1899 will stand at 13·09, but the increase from 7·18 at the end of 1897–98 is, I am to point out, not entirely due to the returning prosperity of the province, but in a great measure to the strict instructions issued by this Government to restrict expenditure in all directions. In fact, for the past two years expenditure under all heads has been kept within the narrowest limits.

13. In my letter No. 262, Financial, of this day the Governor in Council has represented the facts as regards plague expenditure, and as contended there the present position under which the Local Government bears an arbitrary portion of famine expenditure and all plague expenditure is opposed to the principles which regulate the financial relations of the Supreme and Local Governments, as laid down by the Secretary of State and as accepted by the Government of India (*vide* Despatch from the Government of India, Finance and Commerce Department, No. 68, dated 3rd March 1898). I am again to point out that the Secretary of State held that "upon the Imperial Government rests the primary duty of maintaining order "internally and of protecting the frontiers; of the risk of war, famine, exchange, and "sudden emergencies; of the responsibility of maintaining not only national solvency, "but also the solvency of the Provincial Governments" and that "on the Provincial "Governments rests the duty of developing the resources of their respective provinces "and by so developing them to add to the general prosperity, comfort, and taxable "power of the community at large." It is abundantly clear from the experience of this Province and from the figures quoted in this letter that under present circumstances the solvency of this Government cannot be maintained; that it is seriously hampered in the development of its resources; and that it is beyond its powers to add to the general prosperity, comfort, and taxable power of the community at large.

14. When this Government urged that a small assignment should be made in the present contract under the head of FAMINE RELIEF, the Government of India declined to admit any sum in the settlement, and stated that when "famine "occurs local Governments are expected "to divert to relief the funds they would "otherwise have devoted to the construction of public works or to the introduction of reforms or improvements which are "capable of being postponed"; and that when "the expenditure is beyond the power "of Provincial revenues to meet, Imperial revenues must come to their aid altogether "apart from the Provincial settlements." It is true that the Government of India debited Imperial funds with a large portion of the famine expenditure in this Presidency; but I am to point out that the exact portion was arbitrarily fixed, and, even under the orders as originally issued, left the Local Government with practically a *minus* balance of 10 lakhs. I am again to urge that the finances of this province, as at present constituted, are unable to bear the burden of famine and plague expenditure and that these heads should be treated as Imperial or that special assignments should be made from Imperial to Provincial funds to cover the expenditure.

Paragraph 53 of the appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

Paragraph 5 of appendix A to Finance and Commerce Department letter No. 1245-A, dated 16 March 1897.

15. Statement IV appended to this letter compares the figures in the Provincial budget estimate for 1899–1900 submitted with my letter No. 124 of the 19th January last with those settled for the Provincial contract, plague expenditure being excluded. It will be seen that the excess of the budget over the contract figures on the revenue side is almost exactly counterbalanced by the excess on the expenditure side; but I am to draw special attention to the fact that this result has been effected by restricting the grants for 43. MINOR WORKS AND NAVIGATION and 45. CIVIL WORKS,—which in the case of Public Works have been fixed at 29·80 and 22·16 lakhs, respectively.

16. The expenditure under 45. CIVIL WORKS—PUBLIC WORKS OFFICERS, in 1896–97 amounted to 24·24 and in 1895–96 to 25·31. The year 1897–98 was a famine year and the outlay was therefore abnormally low. The present allotment under this head is altogether inadequate. The total demands for 1899–1900 under 45. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, as modified in the Public Works Department up to the date of the compilation of the budget, amounted to 36·23 lakhs. In consequence of the limited assignment of 22·16 lakhs, it has been necessary to propose reductions in the demands under all heads, and in order to provide funds for urgent new works as far as possible, it has been necessary to reduce the allotments proposed for several works in progress, thereby postponing their completion and increasing the cost of the works. Even by thus curtailing the grants for works in progress, it has been possible to provide 2·58 lakhs only for urgent new works, leaving sanctioned new works to the extent of 1·11 lakhs unprovided for. Reduced grants have to be made for certain roads which have been taken over by the Public Works Department, and repairs to roads in the Mappilla tracts of Malabar will have to be postponed. The least sum that should be granted for 45. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, in 1899–1900 is 26·91 lakhs.

17. As regards the grant under 43. MINOR WORKS AND NAVIGATION, the total amount applied for by the Chief Engineer for Irrigation was 30·60 lakhs and the maintenance of the grant for 1899–1900 at its present figure will involve the reduction of allotments for original and agricultural works, several of which are urgently required.

18. It is true that the budget estimate for 1899–1900, as submitted to the Government of India, contains provisions for such schemes as the improvement of the position of taluk establishments, the railway police scheme and the establishment of four new Munsifs' Courts, but I am to point out that the latter two schemes have already been sanctioned, and that their introduction has been deferred in consequence of the state of Provincial finances—the railway police scheme at the instance of the Government of India and that for the appointment of additional Munsifs on the motion of this Government as it found itself without the necessary funds to introduce the measure when it was sanctioned. Both these schemes are urgently required and their necessity has been admitted by the supreme Government and by the Secretary of State. The improvement of the position of taluk establishments is necessary in the interests of Imperial as well as of Provincial funds. The re-organization of these establishments is obviously necessary before the revenue administration of the province can be considered to be on a satisfactory basis, since these establishments control the lower staff, which has itself of late years been enlarged, and the benefits to be derived from this increase of the lower staff can only be realised and the increase of revenue already obtained assured by proper supervision which will be the direct result of the reform proposed. It is therefore of the greatest importance that this very necessary scheme, which has been deferred from year to year, should be introduced without delay. This Government has various other schemes under consideration, all of which will probably involve extra cost, such as the re-organization of the clerical staff of the Forest department, the re-organization of the Land Records department, the amalgamation of the Customs with the Salt and Abkári department, the re-organization of the Registration department, and the re-organization of the Agricultural staff of the Presidency. The items which have been included in the budget for 1899–1900 are not a fraction of what the needs of this province demand.

19. This Government has not lost sight of the fact that the Government of India has laid down the principle that it is necessary to leave projects which involve increase of expenditure in the future to be provided for as increase of revenue comes in; but the share hitherto obtained by this Government in the increase of revenues is utterly inadequate to meet the legitimate calls upon the Provincial exchequer. The Governor-in-Council indeed fails to see how these schemes can be introduced, unless the Government of India is prepared to deal more liberally with this Presidency. There are now no accumulated balances to fall back upon, and the progress of this Presidency during the current quinquennial period is, so far as this Government can foresee, to be gauged by the celerity with which the prescribed minimum balance of 20 lakhs is worked up to. The Governor in Council is to maintain one object in

view, viz, to show that this Presidency is capable of fulfilling the requirements of article 1361 of the Civil Account Code, Volume II, and to turn a persistently deaf ear to all schemes which would tend to the development of the province or the comfort of its people. This is a striking commentary on the present contract system. An instructive example of the manner in which the system can be worked is to be found in the fact that whilst this Government has, in spite of its protest in 1896 regarding the assignments under SUPERANNUATIONS, been obliged to provide for an expenditure in the year 1899–1900 nearly one lakh in excess of the contract figure under that head, the Governor in Council has been unable to devote to the development of the province the amounts absolutely required for schemes of improvement such as those mentioned above, without reducing the Public Works grants beyond all reasonable limits.

Page 46, paragraph 51, of Appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

20. In conclusion, I am to say that the Governor in Council considers that apart from the merits of the questions discussed in the present letter, this representation is necessary in order to emphasize the fact that, while the superintendence and control of the Government of Fort St. George is vested by Statute in the Governor-General in Council, the executive administration of the Presidency is likewise vested by Statute in the Governor in Council—a fact which appears occasionally to have dropped out of view, and I am to urge that it is only by the due co-ordination of both powers that the right government of the Presidency can be achieved.

I have the honour to be,
Sir,
Your most obedient servant,

FORT ST. GEORGE,
18*th February* 1899.

G. STOKES,
Chief Secretary.

[Appendix.

STATEMENT I.

COMPARISON of the Net Revenue Account and the Net Expenditure on Civil Administration in the Madras Presidency according to the Contract Settlements of 1882 to 1897.

—	Contract Estimate, 1882.	Contract Estimate, 1887.	Increase.	Percentage of increase.	Contract Estimate, 1892.	Increase over Contract Estimate, 1887.	Percentage of increase.	Contract Estimate, 1897.	Increase over Contract Estimate, 1892.	Percentage of increase.
1	2	3	4	5	6	7	8	9	10	11
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.		LAKHS.	LAKHS.	
Net Revenue Account ..	569·37	610·43	41·06	7·21	681·71	71·28	11·68	782·18	100·47	14·74
Net Expenditure on Civil Administration	187·08	194·58	7·50	4·01	205·48	10·90	5·60	223·74	18·26	8·89

STATEMENT II.

STATEMENT showing the percentage of Net Revenue Account appropriated to other than Provincial purposes in the five larger Provinces of India in the Contract Settlements of 1882 and 1897.

—	Contract Estimate, 1882.				Contract Estimate, 1897.				Difference between column 9 and column 5.	Loss to the Province.	Gain to the Province.
	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 2—column 3.	Percentage of remainder (column 4) to Net Revenue—Total (column 2).	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 6—column 7.	Percentage of remainder (column 8) to Net Revenue—Total (column 6).			
1	2	3	4	5	6	7	8	9	10	11	12
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.			LAKHS.	LAKHS.
Punjab	265·61	116·32	149·29	56·20	334·28	153·83	180·45	53·98	— 2·22	..	7·42
North-Western Provinces and Oudh	699·29	222·86	476·43	68·13	786·41	242·87	543·54	69·12	+ ·99	7·79	..
Bengal	640·11	217·87	422·24	65·96	776·33	312·55	463·78	59·74	— 6·22	..	48·29
Central Provinces.	100·65	49·34	51·31	50·98	136·37	71·07	65·30	47·88	— 3·10	..	4·23
Bombay	409·93	217·19	192·74	47·02	576·38	254·41	321·97	55·86	+ 8·84	50·95	..
Madras	569·37	187·08	382·29	67·14	782·18	223·74	558·44	71·40	+ 4·26	33·32	..

STATEMENT III.

STATEMENT comparing the percentage of increase in the net Revenue Account and the Net Expenditure on Civil Administration between the Contract Settlements of 1882 and 1897.

—	Net Revenue Account—Total.				Net Expenditure on Civil Administration			
	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 3—column 2.	Percentage of increase.	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 7—column 6.	Percentage of increase.
1	2	3	4	5	6	7	8	9
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.	
Punjab	265·61	334·28	68·67	25·85	116·32	153·83	37·51	32·25
North-Western Provinces and Oudh	699·29	786·41	87·12	12·46	222·86	242·87	20·01	8·98
Bengal	640·11	776·33	136·22	21·28	217·87	312·55	94·68	43·46
Central Provinces	100·65	136·37	35·72	35·49	49·34	71·07	21·73	44·04
Bombay	409·93	576·38	166·45	40·60	217·19	254·41	37·22	17·14
Madras	569·37	782·18	212·81	37·38	187·08	223·74	36·66	19·60

STATEMENT IV.

STATEMENT comparing the assignments under the contract of 1897 with the figures of the budget estimate for 1899–1900.

Revenue.				Expenditure.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.	—	Contract figures.	Budget estimate, 1899–1900.	Difference.
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.
I. Land Revenue	151·04	(a) 155·09	+ 4·05	1. Refunds and Drawbacks	1·22	1·29	+ ·07
III. Salt	1·27	1·14	— ·13	3. Land Revenue	48·40	51·30	+ 2·90
IV. Stamps	59·75	63·00	+ 3·25	5. Salt	5·49	4·61	— ·88
V. Excise	37·20	36·50	— ·70	6. Stamps	2·70	2·53	— ·17
VII. Customs	·73	·75	+ ·02	7. Excise	1·57	2·68	+ 1·11
VIII. Assessed Taxes	12·00	13·00	+ 1·00	9. Customs	2·46	2·54	+ ·08
IX. Forest	10·25	12·15	+ 1·90	10. Assessed Taxes	·14	·15	+ ·01
X. Registration	6·00	6·50	+ ·50	11. Forest	7·75	8·75	+ 1·00
XII. Interest	1·48	2·51	+ 1·03	12. Registration	4·20	4·21	+ ·01
XVI-A. Courts of Law	7·40	8·04	+ ·64	13. Interest	1·50	2·03	+ ·53
XVI-B. Jails	4·26	4·55	+ ·29	15. Post Office	1·02	1·07	+ ·05
XVII. Police	4·41	4·47	+ ·06	18. General Administration	9·93	9·75	— ·18
XIX. Education	1·93	2·92	+ ·99	19-A. Courts of Law	46·92	46·68	— ·24
XX. Medical	1·22	1·01	— ·21	19-B. Jails	10·51	11·58	+ 1·07
XXI. Scientific, &c., Departments ..	2·13	2·55	+ ·42	20. Police	46·04	47·43	+ 1·39
XXII. Superannuation, &c.	·47	·62	+ ·15	21. Marine	·40	·08	— ·32
XXIII. Stationery and Printing ..	1·38	1·04	— ·34	22. Education	16·79	18·45	+ 1·66
XXV. Miscellaneous	1·54	1·97	+ ·43	24. Medical	13·07	12·71	— ·36
XXVI. State Railways	2·71	2·60	— ·11	25. Political	·84	·75	— ·09
XXX. Minor Works and Navigation ..	1·86	1·88	+ ·02	26. Scientific, &c., Departments	4·20	5·04	+ ·84
XXXII. Civil Works	1·58	1·87	+ ·29	29. Superannuation, &c.	15·52	16·42	+ ·90
				30. Stationery and Printing	9·00	10·46	+ 1·46
				32. Miscellaneous	1·52	1·63	+ ·11
				33. Famine Relief	..	(b) ·05	+ ·05
				37. Construction of Railways	..	·07	+ ·07
				38. State Railways—Working Expenses	1·68	1·68	..
				41. Miscellaneous Railways	..	·10	+ ·10
				43. Minor Works and Navigation	33·45	34.05	+ ·60
				45. Civil Works	22·00	25·19	+ 3·19
				Contribution between Provincial and Local (Net) ..	·79	·93	+ ·14
				Lump addition	1·50	..	— 1·50
Total ..	310·61	324·16	+ 13·55	Total ..	310·61	(c) 324·21	+ 13·60

(a) Includes fixed assignment and excludes special transfers.

(b) For flood charges.

(c) Excludes plague charges.

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Government (1899) of Madras.

FINANCIAL.

Recd. } 1899. *Enclosures*

Regd. *Spare copies*

Letter, No. 264, 18th February 1899.

FEBRUARY.

Financial Position of the Madras Government.

Addressing the Government of India in regard to the —.

FINANCIAL DEPARTMENT.

Letter—from

THE CHIEF SECRETARY to the GOVERNMENT of
FORT ST. GEORGE,

To

THE SECRETARY to the GOVERNMENT of INDIA,
Finance and Commerce Department.

Sir,

I am directed to refer to the correspondence ending with your letter No. 4385 A, dated the 7th October 1898, and to address you again in regard to the financial position of this Government.

2. In that letter it was pointed out that owing to the multifarious issues involved, no settlement of the far reaching problem of the amount actually contributed by the several provinces in India towards the expenditure of the empire and of the principle on which provincial expenditure should be adjusted in relation to this assumed contribution, is possible which would not give rise to interminable controversy as to its practical application; that from the nature of the case, there are no means of determining upon what principles the general revenues which are levied under the authority of the Government of India should be distributed among the various provinces; that the provincial system, which was introduced for reasons of administrative convenience, did not contemplate that any such attempt should be made; and that having regard to the extreme complexity of the general question of the theoretical rights and liabilities of the several provinces in respect of financial matters, the Government of India can only do its best to pronounce equal judgment, but is obliged to admit its inability to justify, to the satisfaction of each of the claimants, the awards it is obliged to make.

3. The Governor in Council, whilst unable to admit that the comparison which was instituted in my predecessor's letter, No. 230, Financial, dated the 5th March 1898, has been met in your letter under reply, considers it unnecessary to pursue this aspect of the question further, in view of the admitted impossibility of drawing up any statement of the case which would suffice to convince each of the local Governments that it is not, as compared with each of the others, placed at a disadvantage. He also desires it to be stated clearly that the contentions put forward by this Government have not been based upon any idea of the existence of partiality on the part of the Government of India in making the various provincial assignments. At the same time he can judge of the effect of the contract for this province by its results alone and it is, in fact, with this aspect of the question that he is concerned. These results have come prominently to notice in the settlement of the budget estimates submitted with my letter, No. 124, Financial, dated the 19th January 1899. In the opinion of this Government the fault lies in the inherent defects of the present contract system. This Government does not propose to enter into any comparison of Madras with other provinces in so far as the amounts of the provincial assignments are concerned, but in dealing with the subject of the revenues devoted to Provincial purposes it is impossible to set aside altogether the consideration of the question whether this Presidency has obtained the advantage that it might reasonably have expected from the revenues raised within it.

4. The objects of the provincial scheme were described in a minute by Sir J. Strachey quoted in his Financial Statement of 1877–78 (paragraph 3 of Finance and Commerce Department Resolution No. 4258-A, dated 6th October 1896) and some of the evils which the scheme was intended to abolish were described in the following words:—

> "The distribution of the public income degenerates into something like a scramble, in which the most violent has the advantage, with very little attention to reason: as local economy leads to no local advantage, the stimulus to avoid waste is reduced to a minimum: so, as no local growth of the income leads to an increase of the local means of improvement, the interest in developing the public revenues is also brought down to the lowest level."

In spite of all that has taken place since these words were penned, these evils appear to the Governor in Council to still exist. So far from inculcating economy, the practical effect of the present system is to induce Local Governments to raise the standard of expenditure during the closing years of a contract period by every possible means, as it is on this standard that the next contract is based. The results of the present system of quinquennial settlements and their demoralising effect on the administration cannot be better or more accurately described than in the words of His Excellency Sir Arthur Havelock when the budget was presented to the local Legislative Council in 1897:—

> "It appears to me that the contract system, so called, is bad in itself. It is demoralising to the Provincial and Supreme Governments. It is bad in that each revision that takes place has a terribly disturbing and dislocating effect on the local Administration, especially in the important Department of Public Works to which the pruning knife has to be suddenly and ruthlessly applied. It is demoralising to the Provincial Government, because it tends to impair the sympathetic co-operation between the Supreme and Provincial Governments which is so desirable and because it tempts the Provincial Government in its financial relations with the Supreme Government, which is the master of the situation, to have recourse to the tactics of the weak. When we are well off, we try to hide our money and spend it recklessly lest the Supreme Government should lay hands upon it. When we are poor, we try to give undue emphasis to our poverty. The system is demoralising to the Supreme Government because it relieves that Government from the consequence of extravagance. In my opinion the financial condition of the Presidency will not be satisfactory until a larger degree of financial independence and control is conceded to the Provincial Government, and until some arrangement more consistent, more permanent and less one-sided than the present contract system has been adopted."

5. The Governor in Council recognizes the necessity imposed on the Government of India to afford relief to provinces whose means are straitened, but at the same time he considers, that as contemplated by Sir J. Strachey, each province should have a larger share in the increases of revenues to which its own improved administration may lead. The settled policy of the present contract system is that any increases of expenditure over the figures settled as the contract assignments under the various heads should be met by increases of revenues *during the contract period*, and it is in this principle that the most serious defect of the present scheme, from the point of view of Local Governments, exists; for this principle overlooks the fact that before several of the principal heads of revenues can be increased—and it is to these heads that the Local Government must look for resources to meet the necessary increases of expenditure during a contract period—increased expenditure must be incurred, and this sometimes for years before enhanced revenues accrue. The necessary consequence is that the allotments for the head of Civil Administration are restricted and the development of the administration retarded in a degree which would not exist if the Local Government had definite sources of income which it could estimate and calculate on beforehand and if it had made over to it a definite share in the *normal* growth of income; in other words, if it were not the recognised prerogative of the Supreme Government to fix the shares of revenue as it pleases and to resume, at the end of each contract period, the *entire* amount represented by the excess of the Provincial revenues over the Provincial expenditure calculated at the standard attained at the time of the settlement of a new contract. Owing to the rigid enforcement of this principle, the resumptions from the Madras Government on the settlements of the last three contracts have been 17·44, 10·38 and 14·59 lakhs, respectively, and it is perhaps unnecessary to refer to the incalculable benefits that would have accrued had even a small portion of these amounts been devoted annually to the direct needs of this province.

6. This Government contends, in short, that it should possess a greater fixity of interest in the revenues and in the normal growth of the revenues of the province;

such a fixity as was contemplated by Sir David Barbour in his Financial Statement for 1892–93, when he regretted the necessity that had arisen to contract the resources of the Local Governments by the amount of the revenues resumed by the Government of India, and pointed out that although it was satisfactory that Local Governments should have been in a position to make a contribution to the resources of the empire at a period of pressure, and thus, possibly avoid the necessity of imposing further taxation, it would have been still more satisfactory if the Supreme Government had been in a position to allow them to retain the whole or the greater portion of this amount for expenditure on the improvement of the internal administration. That this fixity of interest does not exist is apparent from the figures to be found in the compilation issued by the Government of India entitled "Progress of Provincial Revenue and Expenditure," copies of which were received with Mr. Under Secretary Brunyate's letter No. 4241-A., dated the 22nd September 1897. It may be noted that in the preface to this compilation it is stated that the figures in the several columns of the statements showing the revenues administered by the Local Governments and the charges of Civil Administration, including Civil Works, can be taken as directly comparable with each other. It seems therefore fair to infer that the statements can be taken as comparable as between the various provinces. Although, as stated above, there is no intention at present to enter into any discussion on the relative merits of the assignments to the various provinces, the statements I, II and III appended to this letter, which have been obtained from the figures in the compilation above referred to, afford clear evidence of the varied and varying nature of the financial position of Local Governments.

7. Statement I shows, that, comparing the contract settlement for Madras for 1887 with that for 1882, whilst the net revenue account rose by 7·21 per cent., the expenditure on Civil Administration was allowed to increase by 4·01 per cent. only; and that in 1892, although there was a further increase of 11·68 per cent. in the net revenue account, the net expenditure on Civil Administration rose by 5·60 per cent. only. The similar percentages for the 1897 contract are 14·74 per cent. and 8·89 per cent. The regularity observed between the first set of percentages—those of the increase of the net revenues—and the varying nature of the second set—the increase in the net cost of Civil Administration—constitute in themselves a clear proof of the ill-defined financial position of the Local Government, which has been really forced to take what it could get. The lack of proportion between these rates is opposed to the principle laid down in 1882 that in the settlement of the contracts no revision should be made which would be favourable to the Imperial at the expense of the Provincial revenues except in cases where this course can be adopted without embarrassing Provincial finance or checking the growth of the material prosperity of the province.

8. Statement II compares the contract settlement of 1882 with that of 1897. In this statement the amount remaining from the net revenues after deducting the net expenditure on Civil Administration—that is, the amount which has been devoted to purposes other than Provincial in each province—is compared with the total net revenues. This statement shows that, whilst under the settlement of 1897 as compared with that of 1882, the Presidency of Bengal received 48·29 lakhs per annum, and the Province of Punjab 7·42 lakhs, more for expenditure, the provinces of Madras and of Bombay and the North-Western Provinces and Oudh received, respectively, 33, 51 and 8 lakhs less.

Statement III exhibits the percentages of increase in the net revenue account and in the net expenditure on Civil Administration between the contract settlement of 1882 and that of 1897. From this it will be seen that whilst in Madras the former increased by 37·38 per cent., the latter rose by 19·60 per cent. only. Against this is to be set the different state of affairs in Bengal, where the respective increases were 21·28 per cent. and 43·46 per cent. and in the Punjab where they were 25·85 and 32·25 per cent. respectively.

9. Without entering into any discussion or pretending to any knowledge of the necessity of the increased rates of expenditure in Bengal and the Punjab, the Governor in Council can fairly contend that this increase should not have been permitted partly at the expense of the spending power of this Government, and he can fairly point to the tendency on the part of the revenues to flow to the north of India.

10. In order to remove the present cause of discontent—a discontent which, as the Government of India acknowledges, prevails amongst all Local Governments—this Government would suggest that the shares of local Governments in the revenues should be definitely and finally fixed; that the present system under which the Supreme Government resumes the whole normal excess of revenue over expenditure should cease; and that Provincial Governments should be given some share at least in this normal growth. As already stated, the Governor in Council recognises that, under present conditions, the more backward provinces must obtain relief to some extent at the expense of those the resources of which are developed in a greater degree. This relief, however, would still be feasible under the system now proposed; for under it the Supreme Government would share in certain fixed proportions with Local Governments the revenues as well as the normal growth in the revenues instead of, as at present, fixing the Provincial portion of the former as it pleases and appropriating the whole of the latter to Imperial needs and the interests of other provinces. It is by this means alone that the scheme initiated by Lord Mayo can attain the object with which it was originally started; that Local Governments can obtain that share and that interest in the development of the revenues of a province which were contemplated by the introduction of that scheme; and that the unseemly wrangling which at present occurs at and after each contract settlement can be obviated. If the Local Governments be given definite burdens which cannot be increased but by their own action; if a definite share of the revenue be assigned to them and if their balances be respected and not arbitrarily resumed or requisitioned, there will be brought into existence that certainty as to their available resources and as to the burdens to be thrown on them without which Provincial financial management is impracticable. They should, within a defined category of subjects, have an independent revenue and expenditure each of its own, which it could deal with after the methods and principles of a financially independent Government and which would be no longer in any way hypothecated to the demands of a central Government.

11. To turn to the present needs of this Presidency, I am to remind the Government of India that when the existing contract was settled, the Governor-General in Council expressed the opinion that he had no reason to doubt that the Madras Government would find itself, even apart from the additional grant of 1·50 lakhs then made, in a position to spend during the current quinquennial period considerably more than the 22 lakhs taken as the calculation of the assignment for Civil Works. In an earlier Resolution No. 4258-A., dated the 6th October 1896, the Governor-General in Council expressed his gratification that the financial prospects were such as to enable him to abstain from any severe restriction of the existing scales of Provincial expenditure. In Mr. Arundel's letter, No. 905, Financial, dated 29th December 1896, an adjusting assignment of 28·60, against that of 8·43 proposed, by the Government of India, was urged. This figure has ultimately been placed at 16·46 lakhs, the claims of this Government for higher assignments for Civil Works and for certain other heads having been refused. In finally fixing the adjusting assignment the Government of India included an additional grant of 1·50 lakhs "to provide for any increase of expenditure that might be considered important or urgent by the Government of Madras." Independently of the fact that this act of generosity must perforce, from the very nature of the case, fail in its professed object, the additional grant is inexplicable; for if the present contract system is an equitable system and the settlement of 1897 was fair, this benevolence should have been unnecessary. It partakes of the nature of "conscience money" and, as is generally the case with "conscience money," represents a mere fraction of the amount which has been appropriated otherwise. The Governor in Council is, however, concerned with facts as they stand, and the following figures prove, in his opinion, the general inadequacy of the assignments made for this Presidency.

12. During the years 1896–97 and 1897–98 the total outlay on famine and plague—direct and indirect—amounted to 24·14 lakhs, and in accordance with the decision of the Government of India, provincial funds stood on the 1st April 1898 with a *minus* balance of 10 lakhs. The decision of the Government of India to debit provincial funds with so much of the five lakhs expenditure on famine relief as could not be recovered from District Boards raised this *minus* balance to 14·49 lakhs.

(*Vide* my letter No. 1221, Financial, dated 13th December 1898). The revised estimate for the current year includes an expenditure of ·66 lakh on famine (·51 as direct and ·15 as indirect expenditure) and of 2·75 lakhs on plague (2·15 lakhs as direct and ·60 as indirect expenditure). The total expenditure on famine and plague since 1896–97 thus amounts to 27·55 lakhs, and if to this is added the *minus* balance of 14·49 lakhs referred to above, it will be seen that this Presidency has suffered to the extent of 42·04 lakhs on account of these calamities. According to the revised estimates for the current year the balance on the 1st April 1899 will stand at 13·09, but the increase from 7·18 at the end of 1897–98 is, I am to point out, not entirely due to the returning prosperity of the province, but in a great measure to the strict instructions issued by this Government to restrict expenditure in all directions. In fact, for the past two years expenditure under all heads has been kept within the narrowest limits.

13. In my letter No. 262, Financial, of this day the Governor in Council has represented the facts as regards plague expenditure, and as contended there the present position under which the Local Government bears an arbitrary portion of famine expenditure and all plague expenditure is opposed to the principles which regulate the financial relations of the Supreme and Local Governments, as laid down by the Secretary of State and as accepted by the Government of India (*vide* Despatch from the Government of India, Finance and Commerce Department, No. 68, dated 3rd March 1898). I am again to point out that the Secretary of State held that "upon the Imperial Government rests the primary duty of maintaining order "internally and of protecting the frontiers; of the risk of war, famine, exchange, and "sudden emergencies; of the responsibility of maintaining not only national solvency, "but also the solvency of the Provincial Governments" and that "on the Provincial "Governments rests the duty of developing the resources of their respective provinces [illegible] general prosperity, comfort, and taxable "power of the community at large." It is abundantly clear from the experience of this Province and from the figures quoted in this letter that under present circumstances the solvency of this Government cannot be maintained; that it is seriously hampered in the development of its resources; and that it is beyond its powers to add to the general prosperity, comfort, and taxable power of the community at large.

14. When this Government urged that a small assignment should be made in the present contract under the head of FAMINE RELIEF, the Government of India declined to admit any sum in the settlement, and stated that when "famine "occurs local Governments are expected "to divert to relief the funds they would "otherwise have devoted to the construc"tion of public works or to the introduction of reforms or improvements which are "capable of being postponed"; and that when "the expenditure is beyond the power "of Provincial revenues to meet, Imperial revenues must come to their aid altogether "apart from the Provincial settlements." It is true that the Government of India debited Imperial funds with a large portion of the famine expenditure in this Presidency; but I am to point out that the exact portion was arbitrarily fixed, and, even under the orders as originally issued, left the Local Government with practically a *minus* balance of 10 lakhs. I am again to urge that the finances of this province, as at present constituted, are unable to bear the burden of famine and plague expenditure and that these heads should be treated as Imperial or that special assignments should be made from Imperial to Provincial funds to cover the expenditure.

Paragraph 53 of the appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

Paragraph 5 of appendix A to Finance and Commerce Department letter No. 1245-A, dated 16 March 1897.

15. Statement IV appended to this letter compares the figures in the Provincial budget estimate for 1899–1900 submitted with my letter No. 124 of the 19th January last with those settled for the Provincial contract, plague expenditure being excluded. It will be seen that the excess of the budget over the contract figures on the revenue side is almost exactly counterbalanced by the excess on the expenditure side; but I am to draw special attention to the fact that this result has been effected by restricting the grants for 43. MINOR WORKS AND NAVIGATION and 45. CIVIL WORKS,—which in the case of Public Works have been fixed at 29·80 and 22·16 lakhs, respectively.

16. The expenditure under 45. CIVIL WORKS—PUBLIC WORKS OFFICERS, in 1896–97 amounted to 24·24 and in 1895–96 to 25·31. The year 1897–98 was a famine year and the outlay was therefore abnormally low. The present allotment under this head is altogether inadequate. The total demands for 1899–1900 under 45. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, as modified in the Public Works Department up to the date of the compilation of the budget, amounted to 36·23 lakhs. In consequence of the limited assignment of 22·16 lakhs, it has been necessary to propose reductions in the demands under all heads, and in order to provide funds for urgent new works as far as possible, it has been necessary to reduce the allotments proposed for several works in progress, thereby postponing their completion and increasing the cost of the works. Even by thus curtailing the grants for works in progress, it has been possible to provide 2·58 lakhs only for urgent new works, leaving sanctioned new works to the extent of 1·11 lakhs unprovided for. Reduced grants have to be made for certain roads which have been taken over by the Public Works Department, and repairs to roads in the Mappilla tracts of Malabar will have to be postponed. The least sum that should be granted for 45. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, in 1899–1900 is 26·91 lakhs.

17. As regards the grant under 43. MINOR WORKS AND NAVIGATION, the total amount applied for by the Chief Engineer for Irrigation was 30·60 lakhs and the maintenance of the grant for 1899–1900 at its present figure will involve the reduction of allotments for original and agricultural works, several of which are urgently required.

18. It is true that the budget estimate for 1899–1900, as submitted to the Government of India, contains provisions for such schemes as the improvement of the position of taluk establishments, the railway police scheme and the establishment of four new Munsifs' Courts, but I am to point out that the latter two schemes have already been sanctioned, and that their introduction has been deferred in consequence of the state of Provincial finances—the railway police scheme at the instance of the Government of India and that for the appointment of additional Munsifs on the motion of this Government as it found itself without the necessary funds to introduce the measure when it was sanctioned. Both these schemes are urgently required and their necessity has been admitted by the supreme Government and by the Secretary of State. The improvement of the position of taluk establishments is necessary in the interests of Imperial as well as of Provincial funds. The re-organization of these establishments is obviously necessary before the revenue administration of the province can be considered to be on a satisfactory basis, since these establishments control the lower staff, which has itself of late years been enlarged, and the benefits to be derived from this increase of the lower staff can only be realised and the increase of revenue already obtained assured by proper supervision which will be the direct result of the reform proposed. It is therefore of the greatest importance that this very necessary scheme, which has been deferred from year to year, should be introduced without delay. This Government has various other schemes under consideration, all of which will probably involve extra cost, such as the re-organization of the clerical staff of the Forest department, the re-organization of the Land Records department, the amalgamation of the Customs with the Salt and Abkári department, the re-organization of the Registration department, and the re-organization of the Agricultural staff of the Presidency. The items which have been included in the budget for 1899–1900 are not a fraction of what the needs of this province demand.

19. This Government has not lost sight of the fact that the Government of India has laid down the principle that it is necessary to leave projects which involve increase of expenditure in the future to be provided for as increase of revenue comes i , but the share hitherto obtained by this Government in the increase of revenues is utterly inadequate to meet the legitimate calls upon the Provincial exchequer. The Governor-in-Council indeed fails to see how these schemes can be introduced, unless the Government of India is prepared to deal more liberally with this Presidency. There are now no accumulated balances to fall back upon, and the progress of this Presidency during the current quinquennial period is, so far as this Government can foresee, to be gauged by the celerity with which the prescribed minimum balance of 20 lakhs is worked up to. The Governor in Council is to maintain one object in

view, viz., to show that this Presidency is capable of fulfilling the requirements of article 1361 of the Civil Account Code, Volume II, and to turn a persistently deaf ear to all schemes which would tend to the development of the province or the comfort of its people. This is a striking commentary on the present contract system. An instructive example of the manner in which the system can be worked is to be found in the fact that whilst this Government has, in spite of its protest in 1896 regarding the assignments under SUPERANNUATIONS, been obliged to provide for an expenditure in the year 1899–1900 nearly one lakh in excess of the contract figure under that head, the Governor in Council has been unable to devote to the development of the province the amounts absolutely required for schemes of improvement such as those mentioned above, without reducing the Public Works grants beyond all reasonable limits.

Page 46, paragraph 51, of Appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

20. In conclusion, I am to say that the Governor in Council considers that apart from the merits of the questions discussed in the present letter, this representation is necessary in order to emphasize the fact that, while the superintendence and control of the Government of Fort St. George is vested by Statute in the Governor-General in Council, the executive administration of the Presidency is likewise vested by Statute in the Governor in Council—a fact which appears occasionally to have dropped out of view, and I am to urge that it is only by the due co-ordination of both powers that the right government of the Presidency can be achieved.

I have the honour to be,
Sir,
Your most obedient servant,

FORT ST. GEORGE,
18th February 1899.

G. STOKES,
Chief Secretary.

[Appendix.

STATEMENT I.

COMPARISON of the Net Revenue Account and the Net Expenditure on Civil Administration in the Madras Presidency according to the Contract Settlements of 1882 to 1897.

—	Contract Estimate, 1882.	Contract Estimate, 1887.	Increase.	Percentage of increase.	Contract Estimate, 1892.	Increase over Contract Estimate, 1887.	Percentage of increase.	Contract Estimate, 1897.	Increase over Contract Estimate, 1892.	Percentage of increase.
1	2	3	4	5	6	7	8	9	10	11
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.		LAKHS.	LAKHS.	
Net Revenue Account ..	569·37	610·43	41·06	7·21	681·71	71·28	11·68	782·18	100·47	14·74
Net Expenditure on Civil Administration	187·08	194·58	7·50	4·01	205·48	10·90	5·60	223·74	18·26	8·89

STATEMENT II.

STATEMENT showing the percentage of Net Revenue Account appropriated to other than Provincial purposes in the five larger Provinces of India in the Contract Settlements of 1882 and 1897.

—	Contract Estimate, 1882.				Contract Estimate, 1897.						
	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 2—column 3.	Percentage of remainder (column 4) to Net Revenue—Total (column 2).	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 6—column 7.	Percentage of remainder (column 8) to Net Revenue—Total (column 6).	Difference between column 9 and column 5.	Loss to the Province.	Gain to the Province.
1	2	3	4	5	6	7	8	9	10	11	12
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.			LAKHS.	LAKHS.
Punjab	265·61	116·32	149·29	56·20	334·28	153·83	180·45	53·98	− 2·22	..	7·42
North-Western Provinces and Oudh	699·29	222·86	476·43	68·13	786·41	242·87	543·54	69·12	+ ·99	7·79	..
Bengal	640·11	217·87	422·24	65·96	776·33	312·55	463·78	59·74	− 6·22	..	48·29
Central Provinces.	100·65	49·34	51·31	50·98	136·37	71·07	65·30	47·88	− 3·10	..	4·23
Bombay	409·93	217·19	192·74	47·02	576·38	254·41	321·97	55·86	+ 8·84	50·95	..
Madras	569·37	187·08	382·29	67·14	782·18	223·74	558·44	71·40	+ 4·26	33·32	..

STATEMENT III.

STATEMENT comparing the percentage of increase in the net Revenue Account and the Net Expenditure on Civil Administration between the Contract Settlements of 1882 and 1897.

—	Net Revenue Account—Total.				Net Expenditure on Civil Administration			
	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 3—column 2.	Percentage of increase.	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 7—column 6.	Percentage of increase.
1	2	3	4	5	6	7	8	9
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.	
Punjab	265·61	334·28	68·67	25·85	116·32	153·83	37·51	32·25
North-Western Provinces and Oudh	699·29	786·41	87·12	12·46	222·86	242·87	20·01	8·98
Bengal	640·11	776·33	136·22	21·28	217·87	312·55	94·68	43·46
Central Provinces	100·65	136·37	35·72	35·49	49·34	71·07	21·73	44·04
Bombay	409·93	576·38	166·45	40·60	217·19	254·41	37·22	17·14
Madras	569·37	782·18	212·81	37·38	187·08	223·74	36·66	19·60

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Letter, No. 264, 18th February 1899.

FEBRUARY.

Financial Position of the Madras Government.

Addressing the Government of India in regard to the —.

STATEMENT IV.

STATEMENT comparing the assignments under the contract of 1897 with the figures of the budget estimate for 1899–1900.

Revenue.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.
	LAKHS.	LAKHS.	LAKHS.
I. Land Revenue	151·04	(a) 155·09	+ 4·05
III. Salt	1·27	1·14	− ·13
IV. Stamps	59·75	63·00	+ 3·25
V. Excise	37·20	36·50	− ·70
VII. Customs	·73	·75	+ ·02
VIII. Assessed Taxes	12·00	13·00	+ 1·00
IX. Forest	10·25	12·15	+ 1·90
X. Registration	6·00	6·50	+ ·50
XII. Interest	1·48	2·51	+ 1·03
XVI-A. Courts of Law	7·40	8·04	+ ·64
XVI-B. Jails	4·26	4·55	+ ·29
XVII. Police	4·41	4·47	+ ·06
XIX. Education	1·93	2·92	+ ·99
XX. Medical	1·22	1·01	− ·21
XXI. Scientific, &c., Departments ..	2·13	2·55	+ ·42
XXII. Superannuation, &c.	·47	·62	+ ·15
XXIII. Stationery and Printing ..	1·38	1·04	− ·34
XXV. Miscellaneous	1·54	1·97	+ ·43
XXVI. State Railways	2·71	2·60	− ·11
XXX. Minor Works and Navigation ..	1·86	1·88	+ ·02
XXXII. Civil Works	1·58	1·87	+ ·29
Total ..	310·61	324·16	+ 13·55

Expenditure.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.
	LAKHS.	LAKHS.	LAKHS.
1. Refunds and Drawbacks	1·22	1·29	+ ·07
3. Land Revenue	48·40	51·30	+ 2·90
5. Salt	5·49	4·61	− ·88
6. Stamps	2·70	2·53	− ·17
7. Excise	1·57	2·68	+ 1·11
9. Customs	2·46	2·54	+ ·08
10. Assessed Taxes	·14	·15	+ ·01
11. Forest	7·75	8·75	+ 1·00
12. Registration	4·20	4·21	+ ·01
13. Interest	1·50	2·03	+ ·53
15. Post Office	1·02	1·07	+ ·05
18. General Administration	9·93	9·75	− ·18
19-A. Courts of Law	46·92	46·68	− ·24
19-B. Jails	10·51	11·58	+ 1·07
20. Police	46·04	47·43	+ 1·39
21. Marine	·40	·08	− ·32
22. Education	16·79	18·45	+ 1·66
24. Medical	13·07	12·71	− ·36
25. Political	·84	·75	− ·09
26. Scientific, &c., Departments	4·20	5·04	+ ·84
29. Superannuation, &c.	15·52	16·42	+ ·90
30. Stationery and Printing	9·00	10·46	+ 1·46
32. Miscellaneous	1·52	1·63	+ ·11
33. Famine Relief	..	(b) ·05	+ ·05
37. Construction of Railways	..	·07	+ ·07
38. State Railways—Working Expenses	1·68	1·68	..
41. Miscellaneous Railways	..	·10	+ ·10
43. Minor Works and Navigation	33·45	34.05	+ ·60
45. Civil Works	22·00	25·19	+ 3·19
Contribution between Provincial and Local (Net) ..	·79	·93	+ ·14
Lump addition	1·50	..	− 1·50
Total ..	310·61	(c) 324·21	+ 13·60

(a) Includes fixed assignment and excludes special transfers.

(b) For flood charges.

(c) Excludes plague charges.

FINANCIAL DEPARTMENT.

LETTER—from

THE CHIEF SECRETARY TO THE GOVERNMENT OF
FORT ST. GEORGE,

To

THE SECRETARY TO THE GOVERNMENT OF INDIA,
FINANCE AND COMMERCE DEPARTMENT.

SIR,

I am directed to refer to the correspondence ending with your letter No. 4385 A, dated the 7th October 1898, and to address you again in regard to the financial position of this Government.

2. In that letter it was pointed out that owing to the multifarious issues involved, no settlement of the far reaching problem of the amount actually contributed by the several provinces in India towards the expenditure of the empire and of the principle on which provincial expenditure should be adjusted in relation to this assumed contribution, is possible which would not give rise to interminable controversy as to its practical application; that from the nature of the case, there are no means of determining upon what principles the general revenues which are levied under the authority of the Government of India should be distributed among the various provinces; that the provincial system, which was introduced for reasons of administrative convenience, did not contemplate that any such attempt should be made; and that having regard to the extreme complexity of the general question of the theoretical rights and liabilities of the several provinces in respect of financial matters, the Government of India can only do its best to pronounce equal judgment, but is obliged to admit its inability to justify, to the satisfaction of each of the claimants, the awards it is obliged to make.

3. The Governor in Council, whilst unable to admit that the comparison which was instituted in my predecessor's letter, No. 230, Financial, dated the 5th March 1898, has been met in your letter under reply, considers it unnecessary to pursue this aspect of the question further, in view of the admitted impossibility of drawing up any statement of the case which would suffice to convince each of the local Governments that it is not, as compared with each of the others, placed at a disadvantage. He also desires it to be stated clearly that the contentions put forward by this Government have not been based upon any idea of the existence of partiality on the part of the Government of India in making the various provincial assignments. At the same time he can judge of the effect of the contract for this province by its results alone and it is, in fact, with this aspect of the question that he is concerned. These results have come prominently to notice in the settlement of the budget estimates submitted with my letter, No. 124, Financial, dated the 19th January 1899. In the opinion of this Government the fault lies in the inherent defects of the present contract system. This Government does not propose to enter into any comparison of Madras with other provinces in so far as the amounts of the provincial assignments are concerned, but in dealing with the subject of the revenues devoted to Provincial purposes it is impossible to set aside altogether the consideration of the question whether this Presidency has obtained the advantage that it might reasonably have expected from the revenues raised within it.

4. The objects of the provincial scheme were described in a minute by Sir J. Strachey quoted in his Financial Statement of 1877–78 (paragraph 3 of Finance and Commerce Department Resolution No. 4258-A, dated 6th October 1896) and some of the evils which the scheme was intended to abolish were described in the following words:—

> "The distribution of the public income degenerates into something like a scramble, in which the most violent has the advantage, with very little attention to reason: as local economy leads to no local advantage, the stimulus to avoid waste is reduced to a minimum: so, as no local growth of the income leads to an increase of the local means of improvement, the interest in developing the public revenues is also brought down to the lowest level."

In spite of all that has taken place since these words were penned, these evils appear to the Governor in Council to still exist. So far from inculcating economy, the practical effect of the present system is to induce Local Governments to raise the standard of expenditure during the closing years of a contract period by every possible means, as it is on this standard that the next contract is based. The results of the present system of quinquennial settlements and their demoralising effect on the administration cannot be better or more accurately described than in the words of His Excellency Sir Arthur Havelock when the budget was presented to the local Legislative Council in 1897:—

> "It appears to me that the contract system, so called, is bad in itself. It is demoralising to the Provincial and Supreme Governments. It is bad in that each revision that takes place has a terribly disturbing and dislocating effect on the local Administration, especially in the important Department of Public Works to which the pruning knife has to be suddenly and ruthlessly applied. It is demoralising to the Provincial Government, because it tends to impair the sympathetic co-operation between the Supreme and Provincial Governments which is so desirable and because it tempts the Provincial Government in its financial relations with the Supreme Government, which is the master of the situation, to have recourse to the tactics of the weak. When we are well off, we try to hide our money and spend it recklessly lest the Supreme Government should lay hands upon it. When we are poor, we try to give undue emphasis to our poverty. The system is demoralising to the Supreme Government because it relieves that Government from the consequence of extravagance. In my opinion the financial condition of the Presidency will not be satisfactory until a larger degree of financial independence and control is conceded to the Provincial Government, and until some arrangement more consistent, more permanent and less one-sided than the present contract system has been adopted."

5. The Governor in Council recognizes the necessity imposed on the Government of India to afford relief to provinces whose means are straitened, but at the same time he considers, that as contemplated by Sir J. Strachey, each province should have a larger share in the increases of revenues to which its own improved administration may lead. The settled policy of the present contract system is that any increases of expenditure over the figures settled as the contract assignments under the various heads should be met by increases of revenues *during the contract period*, and it is in this principle that the most serious defect of the present scheme, from the point of view of Local Governments, exists; for this principle overlooks the fact that before several of the principal heads of revenues can be increased—and it is to these heads that the Local Government must look for resources to meet the necessary increases of expenditure during a contract period—increased expenditure must be incurred, and this sometimes for years before enhanced revenues accrue. The necessary consequence is that the allotments for the head of Civil Administration are restricted and the development of the administration retarded in a degree which would not exist if the Local Government had definite sources of income which it could estimate and calculate on beforehand and if it had made over to it a definite share in the *normal* growth of income; in other words, if it were not the recognised prerogative of the Supreme Government to fix the shares of revenue as it pleases and to resume, at the end of each contract period, the *entire* amount represented by the excess of the Provincial revenues over the Provincial expenditure calculated at the standard attained at the time of the settlement of a new contract. Owing to the rigid enforcement of this principle, the resumptions from the Madras Government on the settlements of the last three contracts have been 17·44, 10·38 and 14·59 lakhs, respectively, and it is perhaps unnecessary to refer to the incalculable benefits that would have accrued had even a small portion of these amounts been devoted annually to the direct needs of this province.

6. This Government contends, in short, that it should possess a greater fixity of interest in the revenues and in the normal growth of the revenues of the province;

such a fixity as was contemplated by Sir David Barbour in his Financial Statement for 1892–93, when he regretted the necessity that had arisen to contract the resources of the Local Governments by the amount of the revenues resumed by the Government of India, and pointed out that although it was satisfactory that Local Governments should have been in a position to make a contribution to the resources of the empire at a period of pressure, and thus, possibly avoid the necessity of imposing further taxation, it would have been still more satisfactory if the Supreme Government had been in a position to allow them to retain the whole or the greater portion of this amount for expenditure on the improvement of the internal administration. That this fixity of interest does not exist is apparent from the figures to be found in the compilation issued by the Government of India entitled "Progress of Provincial Revenue and Expenditure," copies of which were received with Mr. Under Secretary Brunyate's letter No. 4241-A., dated the 22nd September 1897. It may be noted that in the preface to this compilation it is stated that the figures in the several columns of the statements showing the revenues administered by the Local Governments and the charges of Civil Administration, including Civil Works, can be taken as directly comparable with each other. It seems therefore fair to infer that the statements can be taken as comparable as between the various provinces. Although, as stated above, there is no intention at present to enter into any discussion on the relative merits of the assignments to the various provinces, the statements I, II and III appended to this letter, which have been obtained from the figures in the compilation above referred to, afford clear evidence of the varied and varying nature of the financial position of Local Governments.

7. Statement I shows, that, comparing the contract settlement for Madras for 1887 with that for 1882, whilst the net revenue account rose by 7·21 per cent., the expenditure on Civil Administration was allowed to increase by 4·01 per cent. only; and that in 1892, although there was a further increase of 11·68 per cent. in the net revenue account, the net expenditure on Civil Administration rose by 5·60 per cent. only. The similar percentages for the 1897 contract are 14·74 per cent. and 8·89 per cent. The regularity observed between the first set of percentages—those of the increase of the net revenues—and the varying nature of the second set—the increase in the net cost of Civil Administration—constitute in themselves a clear proof of the ill-defined financial position of the Local Government, which has been really forced to take what it could get. The lack of proportion between these rates is opposed to the principle laid down in 1882 that in the settlement of the contracts no revision should be made which would be favourable to the Imperial at the expense of the Provincial revenues except in cases where this course can be adopted without embarrassing Provincial finance or checking the growth of the material prosperity of the province.

8. Statement II compares the contract settlement of 1882 with that of 1897. In this statement the amount remaining from the net revenues after deducting the net expenditure on Civil Administration—that is, the amount which has been devoted to purposes other than Provincial in each province—is compared with the total net revenues. This statement shows that, whilst under the settlement of 1897 as compared with that of 1882, the Presidency of Bengal received 48·29 lakhs per annum, and the Province of Punjab 7·42 lakhs, more for expenditure, the provinces of Madras and of Bombay and the North-Western Provinces and Oudh received, respectively, 33, 51 and 8 lakhs less.

Statement III exhibits the percentages of increase in the net revenue account and in the net expenditure on Civil Administration between the contract settlement of 1882 and that of 1897. From this it will be seen that whilst in Madras the former increased by 37·38 per cent., the latter rose by 19·60 per cent. only. Against this is to be set the different state of affairs in Bengal, where the respective increases were 21·28 per cent. and 43·46 per cent. and in the Punjab where they were 25·85 and 32·25 per cent. respectively.

9. Without entering into any discussion or pretending to any knowledge of the necessity of the increased rates of expenditure in Bengal and the Punjab, the Governor in Council can fairly contend that this increase should not have been permitted partly at the expense of the spending power of this Government, and he can fairly point to the tendency on the part of the revenues to flow to the north of India.

10. In order to remove the present cause of discontent—a discontent which, as the Government of India acknowledges, prevails amongst all Local Governments—this Government would suggest that the shares of local Governments in the revenues should be definitely and finally fixed; that the present system under which the Supreme Government resumes the whole normal excess of revenue over expenditure should cease; and that Provincial Governments should be given some share at least in this normal growth. As already stated, the Governor in Council recognises that, under present conditions, the more backward provinces must obtain relief to some extent at the expense of those the resources of which are developed in a greater degree. This relief, however, would still be feasible under the system now proposed; for under it the Supreme Government would share in certain fixed proportions with Local Governments the revenues as well as the normal growth in the revenues instead of, as at present, fixing the Provincial portion of the former as it pleases and appropriating the whole of the latter to Imperial needs and the interests of other provinces. It is by this means alone that the scheme initiated by Lord Mayo can attain the object with which it was originally started; that Local Governments can obtain that share and that interest in the development of the revenues of a province which were contemplated by the introduction of that scheme; and that the unseemly wrangling which at present occurs at and after each contract settlement can be obviated. If the Local Governments be given definite burdens which cannot be increased but by their own action; if a definite share of the revenue be assigned to them and if their balances be respected and not arbitrarily resumed or requisitioned, there will be brought into existence that certainty as to their available resources and as to the burdens to be thrown on them without which Provincial financial management is impracticable. They should, within a defined category of subjects, have an independent revenue and expenditure each of its own, which it could deal with after the methods and principles of a financially independent Government and which would be no longer in any way hypothecated to the demands of a central Government.

11. To turn to the present needs of this Presidency, I am to remind the Government of India that when the existing contract was settled, the Governor-General in Council expressed the opinion that he had no reason to doubt that the Madras Government would find itself, even apart from the additional grant of 1·50 lakhs then made, in a position to spend during the current quinquennial period considerably more than the 22 lakhs taken as the calculation of the assignment for Civil Works. In an earlier Resolution No. 4258-A., dated the 6th October 1896, the Governor-General in Council expressed his gratification that the financial prospects were such as to enable him to abstain from any severe restriction of the existing scales of Provincial expenditure. In Mr. Arundel's letter, No. 905, Financial, dated 29th December 1896, an adjusting assignment of 28·60, against that of 8·43 proposed, by the Government of India, was urged. This figure has ultimately been placed at 16·46 lakhs, the claims of this Government for higher assignments for Civil Works and for certain other heads having been refused. In finally fixing the adjusting assignment the Government of India included an additional grant of 1·50 lakhs "to provide for any increase of expenditure that might be considered important or urgent by the Government of Madras." Independently of the fact that this ~~act of generosity~~ allotment must perforce, from the very nature of the case, fail in its professed object, ~~the additional grant is inexplicable; for if the present contract system is an equitable system and the settlement of 1897 was fair, this benevolence should have been unnecessary. It partakes of the nature of "conscience money" and, as is generally the case with "conscience money,"~~ it represents a mere fraction of the amount which has been appropriated otherwise. The Governor in Council is, however, concerned with facts as they stand, and the following figures prove, in his opinion, the general inadequacy of the assignments made for this Presidency.

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12. During the years 1896–97 and 1897–98 the total outlay on famine and plague—direct and indirect—amounted to 24·14 lakhs, and in accordance with the decision of the Government of India, provincial funds stood on the 1st April 1898 with a *minus* balance of 10 lakhs. The decision of the Government of India to debit provincial funds with so much of the five lakhs expenditure on famine relief as could not be recovered from District Boards raised this *minus* balance to 14·49 lakhs.

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(*Vide* my letter No. 1221, Financial, dated 13th December 1898). The revised estimate for the current year includes an expenditure of ·66 lakh on famine (·51 as direct and ·15 as indirect expenditure) and of 2·75 lakhs on plague (2·15 lakhs as direct and ·60 as indirect expenditure). The total expenditure on famine and plague since 1896–97 thus amounts to 27·55 lakhs, and if to this is added the *minus* balance of 14·49 lakhs referred to above, it will be seen that this Presidency has suffered to the extent of 42·04 lakhs on account of these calamities. According to the revised estimates for the current year the balance on the 1st April 1899 will stand at 13·09, but the increase from 7·18 at the end of 1897–98 is, I am to point out, not entirely due to the returning prosperity of the province, but in a great measure to the strict instructions issued by this Government to restrict expenditure in all directions. In fact, for the past two years expenditure under all heads has been kept within the narrowest limits.

13. In my letter No. 262, Financial, of this day the Governor in Council has represented the facts as regards plague expenditure, and as contended there the present position under which the Local Government bears an arbitrary portion of famine expenditure and all plague expenditure is opposed to the principles which regulate the financial relations of the Supreme and Local Governments, as laid down by the Secretary of State and as accepted by the Government of India (*vide* Despatch from the Government of India, Finance and Commerce Department, No. 68, dated 3rd March 1898). I am again to point out that the Secretary of State held that "upon the Imperial Government rests the primary duty of maintaining order "internally and of protecting the frontiers; of the risk of war, famine, exchange, and "sudden emergencies; of the responsibility of maintaining not only national solvency, "but also the solvency of the Provincial Governments" and that "on the Provincial "Governments rests the duty of developing the resources of their respective provinces "and by so developing them to add to the general prosperity, comfort, and taxable "power of the community at large." It is abundantly clear from the experience of this Province and from the figures quoted in this letter that under present circumstances the solvency of this Government cannot be maintained; that it is seriously hampered in the development of its resources; and that it is beyond its powers to add to the general prosperity, comfort, and taxable power of the community at large.

14. When this Government urged that a small assignment should be made in the present contract under the head of FAMINE RELIEF, the Government of India declined to admit any sum in the settlement, and stated that when "famine "occurs local Governments are expected "to divert to relief the funds they would "otherwise have devoted to the construction of public works or to the introduction of reforms or improvements which are "capable of being postponed"; and that when "the expenditure is beyond the power "of Provincial revenues to meet, Imperial revenues must come to their aid altogether "apart from the Provincial settlements." It is true that the Government of India debited Imperial funds with a large portion of the famine expenditure in this Presidency; but I am to point out that the exact portion was arbitrarily fixed, and, even under the orders as originally issued, left the Local Government with practically a *minus* balance of 10 lakhs. I am again to urge that the finances of this province, as at present constituted, are unable to bear the burden of famine and plague expenditure and that these heads should be treated as Imperial or that special assignments should be made from Imperial to Provincial funds to cover the expenditure.

Paragraph 53 of the appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

Paragraph 5 of appendix A to Finance and Commerce Department letter No. 1245-A, dated 16 March 1897.

15. Statement IV appended to this letter compares the figures in the Provincial budget estimate for 1899–1900 submitted with my letter No. 124 of the 19th January last with those settled for the Provincial contract, plague expenditure being excluded. It will be seen that the excess of the budget over the contract figures on the revenue side is almost exactly counterbalanced by the excess on the expenditure side; but I am to draw special attention to the fact that this result has been effected by restricting the grants for 43. MINOR WORKS AND NAVIGATION and 45. CIVIL WORKS,—which in the case of Public Works have been fixed at 29·80 and 22·16 lakhs, respectively.

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16. The expenditure under 45. CIVIL WORKS—PUBLIC WORKS OFFICERS, in 1896–97 amounted to 24·24 and in 1895–96 to 25·31. The year 1897–98 was a famine year and the outlay was therefore abnormally low. The present allotment under this head is altogether inadequate. The total demands for 1899–1900 under 45. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, as modified in the Public Works Department up to the date of the compilation of the budget, amounted to 36·23 lakhs. In consequence of the limited assignment of 22·16 lakhs, it has been necessary to propose reductions in the demands under all heads, and in order to provide funds for urgent new works as far as possible, it has been necessary to reduce the allotments proposed for several works in progress, thereby postponing their completion and increasing the cost of the works. Even by thus curtailing the grants for works in progress, it has been possible to provide 2·58 lakhs only for urgent new works, leaving sanctioned new works to the extent of 1·11 lakhs unprovided for. Reduced grants have to be made for certain roads which have been taken over by the Public Works Department, and repairs to roads in the Mappilla tracts of Malabar will have to be postponed. The least sum that should be granted for 45. CIVIL WORKS—PUBLIC WORKS DEPARTMENT, in 1899–1900 is 26·91 lakhs.

17. As regards the grant under 43. MINOR WORKS AND NAVIGATION, the total amount applied for by the Chief Engineer for Irrigation was 30·60 lakhs and the maintenance of the grant for 1899–1900 at its present figure will involve the reduction of allotments for original and agricultural works, several of which are urgently required.

18. It is true that the budget estimate for 1899–1900, as submitted to the Government of India, contains provisions for such schemes as the improvement of the position of taluk establishments, the railway police scheme and the establishment of four new Munsifs' Courts, but I am to point out that the latter two schemes have already been sanctioned, and that their introduction has been deferred in consequence of the state of Provincial finances—the railway police scheme at the instance of the Government of India and that for the appointment of additional Munsifs on the motion of this Government as it found itself without the necessary funds to introduce the measure when it was sanctioned. Both these schemes are urgently required and their necessity has been admitted by the supreme Government and by the Secretary of State. The improvement of the position of taluk establishments is necessary in the interests of Imperial as well as of Provincial funds. The re-organization of these establishments is obviously necessary before the revenue administration of the province can be considered to be on a satisfactory basis, since these establishments control the lower staff, which has itself of late years been enlarged, and the benefits to be derived from this increase of the lower staff can only be realised and the increase of revenue already obtained assured by proper supervision which will be the direct result of the reform proposed. It is therefore of the greatest importance that this very necessary scheme, which has been deferred from year to year, should be introduced without delay. This Government has various other schemes under consideration, all of which will probably involve extra cost, such as the re-organization of the clerical staff of the Forest department, the re-organization of the Land Records department, the amalgamation of the Customs with the Salt and Abkári department, the re-organization of the Registration department, and the re-organization of the Agricultural staff of the Presidency. The items which have been included in the budget for 1899–1900 are not a fraction of what the needs of this province demand.

19. This Government has not lost sight of the fact that the Government of India has laid down the principle that it is necessary to leave projects which involve increase of expenditure in the future to be provided for as increase of revenue comes in; but the share hitherto obtained by this Government in the increase of revenues is utterly inadequate to meet the legitimate calls upon the Provincial exchequer. The Governor-in-Council indeed fails to see how these schemes can be introduced, unless the Government of India is prepared to deal more liberally with this Presidency. There are now no accumulated balances to fall back upon, and the progress of this Presidency during the current quinquennial period is, so far as this Government can foresee, to be gauged by the celerity with which the prescribed minimum balance of 20 lakhs is worked up to. The Governor in Council is to maintain one object in

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view, viz., to show that this Presidency is capable of fulfilling the requirements of article 1361 of the Civil Account Code, Volume II, and to turn a persistently deaf ear to all schemes which would tend to the development of the province or the comfort of its people. This is a striking commentary on the present contract system. An instructive example of the manner in which the system can be worked is to be found in the fact that whilst this Government has, in spite of its protest in 1896 regarding the assignments under SUPERANNUATIONS, been obliged to provide for an expenditure in the year 1899-1900 nearly one lakh in excess of the contract figure under that head, the Governor in Council has been unable to devote to the development of the province the amounts absolutely required for schemes of improvement such as those mentioned above, without reducing the Public Works grants beyond all reasonable limits.

Page 46, paragraph 51, of Appendix B to Mr. Arundel's letter No. 905, Financial, dated 29th December 1896.

20. In conclusion, I am to say that the Governor in Council considers that apart from the merits of the questions discussed in the present letter, this representation is necessary in order to emphasize the fact that, while the superintendence and control of the Government of Fort St. George is vested by Statute in the Governor-General in Council, the executive administration of the Presidency is likewise vested by Statute in the Governor in Council—a fact which appears occasionally to have dropped out of view, and I am to urge that it is only by the due co-ordination of both powers that the right government of the Presidency can be achieved.

I have the honour to be,
Sir,
Your most obedient servant,

FORT ST. GEORGE,
18*th February* 1899.

G. STOKES,
Chief Secretar

[Appendix.

Exd. A. Raitt.

STATEMENT I.

COMPARISON of the Net Revenue Account and the Net Expenditure on Civil Administration in the Madras Presidency according to the Contract Settlements of 1882 to 1897.

—	Contract Estimate, 1882.	Contract Estimate, 1887.	Increase.	Percentage of increase.	Contract Estimate, 1892.	Increase over Contract Estimate, 1887.	Percentage of increase.	Contract Estimate, 1897.	Increase over Contract Estimate, 1892.	Percentage of increase.
1	2	3	4	5	6	7	8	9	10	11
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.		LAKHS.	LAKHS.	
Net Revenue Account ..	569·37	610·43	41·06	7·21	681·71	71·28	11·68	782·18	100·47	14·74
Net Expenditure on Civil Administration	187·08	194·58	7·50	4·01	205·48	10·90	5·60	223·74	18·26	8·89

STATEMENT II.

STATEMENT showing the percentage of Net Revenue Account appropriated to other than Provincial purposes in the five larger Provinces of India in the Contract Settlements of 1882 and 1897.

—	Contract Estimate, 1882.				Contract Estimate, 1897.				Difference between column 9 and column 5.	Loss to the Province.	Gain to the Province.
	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 2—column 3.	Percentage of remainder (column 4) to Net Revenue—Total (column 2).	Net Revenue—Total.	Net Expenditure on Civil Administration.	Remainder, column 6—column 7.	Percentage of remainder (column 8) to Net Revenue—Total (column 6).			
1	2	3	4	5	6	7	8	9	10	11	12
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.			LAKHS.	LAKHS.
Punjab	265·61	116·32	149·29	56·20	334·28	153·83	180·45	53·98	— 2·22	..	7·42
North-Western Provinces and Oudh	699·29	222·86	476·43	68·13	786·41	242·87	543·54	69·12	+ ·99	7·79	..
Bengal	640·11	217·87	422·24	65·96	776·33	312·55	463·78	59·74	— 6·22	..	48·29
Central Provinces.	100·65	49·34	51·31	50·98	136·37	71·07	65·30	47·88	— 3·10	..	4·23
Bombay	409·93	217·19	192·74	47·02	576·38	254·41	321·97	55·86	+ 8·84	50·95	..
Madras	569·37	187·08	382·29	67·14	782·18	223·74	558·44	71·40	+ 4·26	33·32	..

STATEMENT III.

STATEMENT comparing the percentage of increase in the net Revenue Account and the Net Expenditure on Civil Administration between the Contract Settlements of 1882 and 1897.

—	Net Revenue Account—Total.				Net Expenditure on Civil Administration			
	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 3—column 2.	Percentage of increase.	Contract Estimate, 1882.	Contract Estimate, 1897.	Increase, column 7—column 6.	Percentage of increase.
1	2	3	4	5	6	7	8	9
	LAKHS.	LAKHS.	LAKHS.		LAKHS.	LAKHS.	LAKHS.	
Punjab	265·61	334·28	68·67	25·85	116·32	153·83	37·51	32·25
North-Western Provinces and Oudh	699·29	786·41	87·12	12·46	222·86	242·87	20·01	8·98
Bengal	640·11	776·33	136·22	21·28	217·87	312·55	94·68	43·46
Central Provinces	100·65	136·37	35·72	35·49	49·34	71·07	21·73	44·04
Bombay	409·93	576·38	166·45	40·60	217·19	254·41	37·22	17·14
Madras	569·37	782·18	212·81	37·38	187·08	223·74	36·66	19·60

STATEMENT IV.

STATEMENT comparing the assignments under the contract of 1897 with the figures of the budget estimate for 1899–1900.

Revenue.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.
	LAKHS.	LAKHS.	LAKHS.
I. Land Revenue	151·04	(a) 155·09	+ 4·05
III. Salt	1·27	1·14	− ·13
IV. Stamps	59·75	63·00	+ 3·25
V. Excise	37·20	36·50	− ·70
VII. Customs	·73	·75	+ ·02
VIII. Assessed Taxes	12·00	13·00	+ 1·00
IX. Forest	10·25	12·15	+ 1·90
X. Registration	6·00	6·50	+ ·50
XII. Interest	1·48	2·51	+ 1·03
XVI-A. Courts of Law	7·40	8·04	+ ·64
XVI-B. Jails	4·26	4·55	+ ·29
XVII. Police	4·41	4·47	+ ·06
XIX. Education	1·93	2·92	+ ·99
XX. Medical	1·22	1·01	− ·21
XXI. Scientific, &c., Departments ..	2·13	2·55	+ ·42
XXII. Superannuation, &c.	·47	·62	+ ·15
XXIII. Stationery and Printing ..	1·38	1·04	− ·34
XXV. Miscellaneous	1·54	1·97	+ ·43
XXVI. State Railways	2·71	2·60	− ·11
XXX. Minor Works and Navigation ..	1·86	1·88	+ ·02
XXXII. Civil Works	1·58	1·87	+ ·29
Total ..	310·61	324·16	+ 13·55

Expenditure.			
—	Contract figures.	Budget estimate, 1899–1900.	Difference.
	LAKHS.	LAKHS.	LAKHS.
1. Refunds and Drawbacks	1·22	1·29	+ ·07
3. Land Revenue	48·40	51·30	+ 2·90
5. Salt	5·49	4·61	− ·88
6. Stamps	2·70	2·53	− ·17
7. Excise	1·57	2·68	+ 1·11
9. Customs	2·46	2·54	+ ·08
10. Assessed Taxes	·14	·15	+ ·01
11. Forest	7·75	8·75	+ 1·00
12. Registration	4·20	4·21	+ ·01
13. Interest	1·50	2·03	+ ·53
15. Post Office	1·02	1·07	+ ·05
18. General Administration	9·93	9·75	− ·18
19-A. Courts of Law	46·92	46·68	− ·24
19-B. Jails	10·51	11·58	+ 1·07
20. Police	46·04	47·43	+ 1·39
21. Marine	·40	·08	− ·32
22. Education	16·79	18·45	+ 1·66
24. Medical	13·07	12·71	− ·36
25. Political	·84	·75	− ·09
26. Scientific, &c., Departments	4·20	5·04	+ ·84
29. Superannuation, &c.	15·52	16·42	+ ·90
30. Stationery and Printing	9·00	10·46	+ 1·46
32. Miscellaneous	1·52	1·63	+ ·11
33. Famine Relief	..	(b) ·05	+ ·05
37. Construction of Railways	..	·07	+ ·07
38. State Railways—Working Expenses	1·68	1·68	..
41. Miscellaneous Railways	..	·10	+ ·10
43. Minor Works and Navigation	33·45	34.05	+ ·60
45. Civil Works	22·00	25·19	+ 3·19
Contribution between Provincial and Local (Net) ..	·79	·93	+ ·14
Lump addition	1·50	..	− 1·50
Total ..	310·61	(c) 324·21	+ 13·60

(a) Includes fixed assignment and excludes special transfers.

(b) For flood charges.

(c) Excludes plague charges.

Proof Submitted to the C. A for approval.

MK
12.10.03

NOTES CONNECTED WITH G.O., Nos. 263, 264, FINANCIAL, DATED 18TH FEBRUARY 1899.

[Subject.— Financial position of the Madras Government]

Budget Clerk—

Please have a statement prepared from the last monthly Provincial accounts now with you showing the probable *Provincial* revenues for *the current year* as compared with the budget estimate. Perhaps Accountant-General's office may be able to supply you with information on this point. The statement at best can be but approximate but it is required soon (at Madras).

C. M. SCHMIDT—12–10–98.

The following Statement is submitted.

F.A.D'C.—19–10–98.

Year.	Budget estimate.	Actuals.	Increase or decrease of actuals over budget estimate.	Percentage of increase or decrease.
	LAKHS.	LAKHS.	LAKHS.	LAKHS.
1893–94	126·41	132·20	+ 5·79	+ 4·58
1894–95	128·65	133·78	+ 5·13	+ 3·99
1895–96	134·04	133·16	− ·88	− ·66
1898–99	140·91	* 144·63	Total ..	+ 7·91
			Average ..	+ 2·64

* This figure represents the budget estimate of 1898–99 increased by 2·64 per cent. which is the average increase per year of the actuals over the budget estimate, calculated on the figures for the years (1893–94 to 1895–96).

From the Government of India, Finance and Commerce department No 4385 A d 7.10.98.

A draft to be prepared appealing to Secretary of State against the Government of India's refusal to treat this Presidency like the others. Eliminating all large items of expenditure, Bombay gets one hundred lakhs more and Bengal two. Bombay Civil Service as large as ours which is absurd. All establishments out of all proportion. Our estimates so small they break down on them.

Report on Westland's scheme also to be prepared.

G. STOKES—7-11-98.

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X (From the Secry to the United Planters' Association of Southern India. d 15. 8. 98.)

PUBLIC WORKS DEPARTMENT.

~~His Excellency the Governor~~—

~~The Hon'ble Sir Henry Bliss~~—

~~The Hon'ble Mr. A. T. Arundel~~—

The United Planters' Association of Southern India suggests that this Government should address the Government of India pointing out the paramount necessity of spending certain sums each year out of Imperial funds on opening new, and improving existing, roads in all districts where a considerable extension of cultivation is possible.

2 The sums alloted from Provincial funds for new works under "Communications" during the five years ending 1897–1898, are shown in the ~~accompanying~~ following statement.

V. P.

Statement of expenditure on Communications, Original Works, in the Public Works department under Provincial and Incorporated Local and in the Local Fund department for the five years ending 1897-98.

Years.	Expenditure on communications, original works, incurred in the			
	Public Works department under Provincial.	Public Works department under Incorporated Local.	Local Fund department.	Total.
	RS.	RS.	RS.	RS.
1893-94	1,05,701	4,700	4,83,554	5,93,955
1894-95	63,965	1,262	4,97,870	5,63,097
1895-96	77,474	3,591	5,39,646	6,20,711
1896-97	62,848	1,827	5,18,953	5,83,628
1897-98	1,33,656	6,667	4,55,760	5,96,083

In the budget for the present year, 1898-1899, the following sums have been allotted for new roads to benefit planters :—

	RS.
Yercaud ghât	40,000
Anamalai roads	50,000
Chinniar-Talliar road	20,000
Chundale-Mysore road (estimate Rs. 84,340)	17,000

3 There is also a proposal to give a grant-in-aid from the Provincial reserve to the Malabar District Board for the improvement of the Calicut-Gúdalúr road, and money is being reserved for the Bodi-Kutagodi road in Madura district, for which an estimate is under preparation.

The sums spent by district boards on new roads during the last five years are given in the ~~accompanying~~ above statement. In Local Fund budgets, the Government has insisted, of late years, on district boards setting aside a certain minimum percentage of their revenues for "Communications."

Orders are requested whether Government is prepared to address the Government of India in the manner proposed.

R. W. Loyns.

H. E the Governor and Coic

A | The undersigned has more than once recommended that the maintenance of the main lines of communication should be aided by grants from "Provincial" and would like to see them still further aided by grants from "Imperial."

A. C. Russell

18.10.98

I am generally in accord with the view expressed at **A** in this note, except that it would be useless, and I think also, undesirable the road expenditure should be supplemented from *Imperial* funds. But we should make use of this application from the planting community, as forming an additional ground in support of our contention, now under disposal, that we are entitled to a larger portion of our own revenue for *Provincial* than we now get.

India need not be addressed, just now in the manner proposed.

A. E. H[AVELOCK]—29-10-98.
H. W. B[LISS]—1-11-98.
A. T. A[RUNDEL]—2-11-98.

Endt. No 5020 C d/14.11.98.

Transferred to the Financial dept
W. B. de Winton 14.11.98

FINANCIAL DEPARTMENT.

Telephonic message from the Chief Secretary to Government, to the Secretary to Government, Public Works department, dated 19th January 1899.

Will you please furnish me with some general remarks on which to base a representation to India that the grant of 22·16 lakhs for 1899–1900 under 45. CIVIL WORKS is inadequate? How much of this will go towards establishment and how much will be left for works? If similar facts can be brought out as regards the *Irrigation* grants, the case will be made all the stronger. Please treat this as very urgent.

~~orders as are not printed G.O. No. 263 2.99~~

Press

Here print P.W.D. Memo No 462 C of 23.1.99 and Irrigation office note No 33 of 23.1.99 on pp. 18 to 21 and 24–26. of the G.O.

Financial dept.

Note.

Taluk Establishments.

G.O., 1108, Financial, 15th December 1894.
„ 30, „ 11th January 1896.
„ 886, „ 16th December 1896.
„ 1075, „ 21st December 1897.

Page 35 of C. B. E., 1896–97.

G.Os., 271 and 311, Financial, 25th March and 10th April 1895.
G.O., 824, Financial, 5th October 1897.

G.O., 379-A, 379-B, 18th April 1898.

Papers on the Subject are Submitted. ~~Printed file is put up~~. Provision on this account was first made in the budget for 1895–1896 and was continued in 1896–97, 1897–98 and 1898–99. It was allowed to stand only in 1896–97 and was struck out by India in all the other years. In 1895–96 it was struck out as the expenditure on this account had not been duly sanctioned, in 1897–98 as the scheme was not likely to be sanctioned by the Secretary of State in time for expenditure on it to be incurred in that year, and in 1898–99 as it was not possible to provide for new expenditure of the kind owing to famine expenditure.

G.O., 904, 905, 29th December 1896.

G.O., 824, Financial, 5th October 1897.

It was proposed to include the cost in the contract figure, but the Government of India did not accept it as the scheme was not likely to be sanctioned in time for expenditure on it during 1897–98.

Registration.

Papers regarding the reorganization scheme are ~~put up~~ Submitted. India's reasons for not approving it ~~are marked in pencil~~ will be found in in G.O., No. 1323, Judicial, dated 15th August 1896.

(their letter No 1137 d 6.7.96 records

Railway Police.

Printed file is ~~put up~~. submitted.

Superannuation, Stationery and Printing.

Please see ~~portions marked in~~ G.O., No. 824, Financial, dated 5th October 1897, and ~~G.O., Nos~~. 904, 905, dated 29th December 1896.

A.S.R.

~~Subordinate Note for the Revenue Department~~.

E.g., the revision of the Rangers and Sub Forest establishments.

It is understood that the Government of India has at various times refused to sanction and put off schemes involving additions to the Forest establishment. As it is in contemplation to address that Government in connection with the Provincial budget it is requested that the papers on this subject, as well as papers regarding any large schemes pending in the Revenue department, with a note showing exactly the additional expenditure involved in each case may be furnished to this department at a very early date.

C.M.S. 23.1.99

G.S.—23-1-99.

Revenue u. o

Revenue Department.

Keep for reference and send with me to Calcutta.

G.S.—27-1-99.

The heads of all sections will furnish the head clerk with short notes on the subject. The head clerk will submit a consolidated note giving the facts.

N. E. Majoribanks—23-1-99.

To Under Secretary—

G.O., 710, Revenue, 24th November 1898.

This was a mere amalgamation scheme.

G.S.F.

Government of India letter in G.O., 3800, 28th September 1898.

G.O., 469-70, 23rd August 1898.

In November last the Government of India declined to sanction a scheme (a small one) for the amalgamation of a part of the clerical establishments of the Conservators of Forests with the executive staff of the Forest department. In September, on the grounds that "similar proposals for the revision of office establishments in all other provinces have also to be dealt with and the subject has necessarily to be dealt with as a whole" and that the matter would consequently take some time to settle, the Government of India put off according sanction to a scheme for the reorganization of the clerical staff of the Madras Forest department involving an additional cost of Rs. 26,200 *per annum.* Beyond these cases there does not appear to have been any during the past ten years wherein the Government of India *expressly* refused to sanction or put off sanctioning any scheme connected with the Forest department of this Presidency.

125.6 / 18.12.99

G.O., 629, Revenue, 14th July 1891.
" " 81, " 9th February 1897.

The Government of India have been most liberal on the whole about Forest establishments. G.S.F.

2. The proposals for the reorganization of the subordinate staff had no doubt been under consideration of the Supreme Government for a very long time, *i.e.*, from 1891 to 1897, but this Government had not made any special request for their early introduction except in June 1896 and the scheme was sanctioned in January 1897. It may however be mentioned here that in reviewing the budget estimates for 1895–96 the Government of India disallowed a provision made therein by this Government for the above scheme on the ground that it "has not yet been sanctioned, and should not therefore be provided for."

Paragraph 9 of the Government of India Resolution in G.O., 682, 14th November 1895.

3. The schemes pending in the Revenue department, *i.e.*, which are still under correspondence in that department are—

(i) 3-A. LAND REVENUE.—Improvement of the position of taluk gumastahs involving a cost of about Rs. 1,04,000 *per annum*.

See notes on these items below.

(ii) 3-B & C. LAND REVENUE.—Reduction of the Survey staff and the reorganization of the Land Records department, the net result of which cannot now be estimated.

G.O., 413–415, 27th July 1898. G.O., 108, 23rd February 1898, and G.O., 627, 628, 28th October 1898.

(iii). 3E. LAND REVENUE.—Revision of village establishment in Tanjore involving a cost of about Rs. 2,75,500 *per annum*. 1.

~~Papers with Under Secretary.~~
* G.O 125-6 Rev 18th Feb 1899

(iv). 7. EXCISE.—Scheme for the better control of distilleries involving an additional cost of Rs. 17,196 *per annum*.

Papers not available.
This is a comparatively small matter. G.S.F.

(v). 5. SALT.—Scheme for the amalgamation of the Customs with the Salt and Abkári Department estimated cost about Rs 10,000 *per annum*.

G.O 763 Rev d 10.11.99.
Si~~nce received and put up, C No. 7428 of 1899~~.
This is an amalgamation scheme. G.S.F.

(vi). 11. FORESTS.—(*a*) Increase to the clerical staff of District Forest office staff—estimated cost Rs. 26,200 *per annum*.

G.O., 469, 23rd August 1898.

(*b*) Reorganization of the Conservators' offices staff—no estimate; the increase in the expenditure should in any case be under Rs. 1,500 *per annum*.

(vii). 26. SCIENTIFIC AND OTHER MINOR DEPARTMENTS.—Reorganization of the agricultural staff of the Presidency.

Why could you not have written this under (i), etc., above instead of breaking it up all over the place. G.S.F.

4. As regards *Taluk establishments* the Government of India recently promised to submit the proposals to the Secretary of State on condition that funds could be provided for it in next year's estimate without showing a deficit upon that year's accounts. This condition was agreed to. A provision of Rs. 95,000 on this account has already been made in the next year's budget.

G.O., 280, Revenue, 18th January 1899.
* 1/12 ths. of the cost.

Paragraph 1 (ii) of G.O., 1180, Financial, 6th December 1898.

5. Items II and VII, viz., those regarding the reorganisations *of the Survey and Land Records staff* and of the *Agricultural staff* are now under reference to the Board of Revenue. There is no means by which even the approximate cost of these could be forecasted. It may, however, be mentioned here that it seems unlikely that final orders on the schemes when submitted would be passed before the end of the ensuing year.

Paragraphs 3 and 6 of G.O., Nos. 413, 414, Revenue, dated 27th July 1898.

6. *Item III.—Tanjore village establishments.*—Orders are being issued sanctioning the revision of the Tanjore village establishments. In the meantime a provision of 2,25,000 has been made in the ensuing year's budget estimate.

~~Papers with U.S~~,
Page 7 of G.O., ~~No~~. 1250, Financial, ~~dated~~ 19th December 1898.

7. *Item IV.*—Proposals for the better control of distilleries are now under the consideration of the Government of India. That Government had called for some information in connexion with them and the draft reply is now with the Secretary. The necessary provision has been made in the ensuing year's budget.

It is a small matter financially and will not be objected to when explained.
G.S.F.

G.O., ~~No~~. 1240, Financial, ~~dated~~ 17th December 1898.

8. *Item V.*—Scheme for the amalgamation of the customs *with the Salt and Abkári* establishments involving an additional cost of Rs. 10.000 has been returned to the Board for revision. The provision proposed to be made on this account in the budget, however, was struck out at the suggestion of the Financial department.

This is an amalgamation scheme.
G.S.F.

~~Portion at bottom of page 2 of manscript of~~ G.O., ~~No~~. 1240, Financial, ~~dated~~ 17th December 1898.

9. *Item VI*, regarding forests, has already been referred to in paragraph 1 above. As regards the clerical staff of District Forest officers the Government of India has since been asked to sanction, pending orders on the general question, a temporary establishment costing Rs. 4,920 *per annum* and the necessary provision on this latter account has been made in the ensuing year's budget.

Page 48 of G.O., ~~No~~. 790, Revenue, ~~dated~~ 17th December 1898.

The question whether the Conservators' clerical staff should be recorganized so as to improve the prospects of managers is now under reference to the Board. The scheme, however, is a small one and even if sanctioned is not likely to affect the budget one way or the other.

No. It is a fad of the Board's.
G.S.F.

K.N.M.—27-1-99.

Secretary—

The above note may go to Financial.
N.E.M.—27-1-99.

Yes.
G.S.F.—27-1-99.

~~*Financial department u.o.*~~

[illegible]

STATEMENT showing the Revenue of the several Provinces for the five years ending 1897–98.

Provinces.	Population in lakhs.	Imperial.							Provincial.			
		1893–94.	1894–95.	1895–96.	1896–97.	* 1897–98.	Total.	Per head of population.	1893–94.	1894–95.	1895–96.	1896–97.
1	2	3	4	5	6	7	8	9	10	11	12	13
Receipts.	LAKHS.	LAKHS.	LAKHS.	LAKHS.	LAKHS.	LAKHS.	LAKHS.	RS. A. P.	LAKHS.	LAKHS.	LAKHS.	LAKHS.
Central Provinces	107·84	148·89	149·48	145·07	128·57	109·56	681·57	6 5 1	78·00	71 09	82·31	77·99
Burma	77·22	319·33	365·54	353·20	356·23	297·34	1,691·64	21 14 6	193·90	174·80	220·75	213·20
Assam	54·77	48·80	52·17	53·57	57·75	52·62	264·91	4 13 5	62·62	61·70	66·94	65·25
Bengal	713·47	1,412·36	1,545·90	1,607·89	1,563·68	1,493·24	7,623·07	10 10 11	432·78	446·12	458·51	467·20
North-West Provinces and Oudh ..	469·05	706·10	737·39	716·93	607 27	692·22	3,459·91	7 6 0	330·83	317·50	316·64	331·31
Punjab	208·67	550·14	574·67	612·10	582·97	673·60	2,993·48	14 5 6	174·95	173·05	177·88	178·92
Bombay including Sindh	188·57	895·91	1,030·11	1,080·24	985·31	986·43	4,978·00	26 6 5	408·07	402·49	428·06	403·13
Madras	356·30	866·28	917·86	948·73	917·85	973·29	4,624·01	12 15 8	308·84	317·44	329·56	320·06
Total ..	2,175·89	4,947·81	5,373·12	5,517·73	5,199·63	5,278·30	26,316·59	12 1 6	1,989·99	1,964·19	2,080·65	2,057·06

Provinces.	Provincial—*cont.*			Local.							Grand total for the five years ending 1897–98.	Per head of population.
	* 1897–98.	Total.	Per head of population.	1893–94.	1894–95.	1895–96.	1896–97.	* 1897–98.	Total.	Per head of population.		
	14	15	16	17	18	19	20	21	22	23	24	25
Receipts—cont.	LAKHS.	LAKHS.	RS. A. P.	LAKHS.	LAKHS.	LAKHS.	LAKHS.	LAKHS.	LAKHS.	RS. A. P.	LAKHS.	RS. A. P.
Central Provinces	89·66	399·05	3 11 3	11·10	10·49	11·94	11·32	10·22	55·07	0 8 2	1,135·69	10 8 6
Burma	308·51	1,111·16	14 6 3	16·05	17·20	18·28	18·93	20·15	90·61	1 2 9	2,893·41	37 7 6
Assam	72·17	328·68	6 0 0	8·59	8·83	9·18	9·26	9·12	44·98	0 13 2	638·57	11 10 7
Bengal	461·07	2,265·68	3 2 10	57·08	59·92	60·62	64·83	64 09	306·54	0 6 11	10,195·29	14 4 8
North-West Provinces and Oudh ..	353·33	1,649·61	3 8 3	83·36	82·53	85·46	77·95	87·82	417·12	0 14 3	5,526·64	11 12 6
Punjab	190·44	895·24	4 4 8	42·97	43·48	44·05	42·37	45·96	218 83	1 0 9	4,107·55	19 10 11
Bombay including Sindh	424·88	2,066·63	10 15 4	46·85	45·20	49·45	45·76	44·63	231·89	1 3 8	7,276·52	38 9 5
Madras	314·92	1,590·82	4 7 5	92·22	112·75	126·02	118·40	118·68	568·07	1 9 6	6,782·90	19 0 7
Total ..	2,214·98	10,306·87	4 11 9	358·22	380·40	405·00	388·82	400·67	1,933·11	0 14 3	38,556·57	17 11 6

* Revised estimate.

8

STATEMENT showing the Expenditure of the several Provinces for the five years ending 1897–98.

Provinces.	Population in lakhs.	Imperial.							Provincial.			
		1893–94.	1894–95.	1895–96.	1896–97.	* 1897–98.	Total.	Per head of population.	1893–94.	1894–95.	1895–96.	1896–97.
1	2	3	4	5	6	7	8	9	10	11	12	13
Expenditure.	LAKHS.	LAKHS.	LAKHS.	LAKHS.	LAKHS.	LAKHS.	LAKHS.	RS. A. P.	LAKHS.	LAKHS.	LAKHS.	LAKHS.
Central Provinces	107·84	56·95	58·07	54·46	87·57	192·11	449·16	4 2 8	76·91	70·35	81·39	76·64
Burma	77·22	194·95	178·98	182·74	190·10	85·67	832·44	10 12 6	193·90	175·57	221·63	214·78
Assam	54·77	15·66	10·85	12·18	15·45	17·25	71·39	1 4 10	58·38	56·96	64·84	63·05
Bengal	713·47	362·32	338·77	393·75	447·45	495·79	2,038·08	2 13 9	419·22	433·73	445·86	451·67
North-West Provinces and Oudh ..	469·05	110·91	123·63	122·93	218·91	231·22	807·60	1 11 7	305·84	295·41	297·14	305·47
Punjab	208·67	264·36	265·01	271·69	266·20	276·71	1,343·97	6 7 1	179·90	178·95	183·56	184·82
Bombay including Sindh	188·57	459·61	464·33	507·51	547·89	628·65	2,607·99	13 13 3	401·56	396·02	420·53	396·00
Madras	356·30	604·81	553·38	564·74	516·47	591·52	2,830·92	7 15 1	313·37	319·78	329·57	317·66
Total ..	2,175·89	2,069·57	1,993·02	2,110·00	2,290·04	2,518·92	10,981·55	5 0 10	1,949·08	1,926·77	2,044·52	2,010·09

Provinces.	Provincial—*cont.*			Local.							Grand total for the five years ending 1897–98.	Per head of population.
	* 1897–98.	Total.	Per head of population.	1893–94.	1894–95.	1895–96.	1896–97.	1897–98.	Total.	Per head of population.		
	14	15	16	17	18	19	20	21	22	23	24	25
Expenditure—cont.	LAKHS.	LAKHS.	RS. A. P.	LAKHS.	LAKHS.	LAKHS.	LAKHS.	LAKHS.	LAKHS.	RS. A. P.	LAKHS.	RS. A. P.
Central Provinces	88·22	393·51	3 10 5	12·19	11·22	12·85	12·67	13·01	61·94	0 9 2	904·61	8 6 3
Burma	300·23	1,106·11	14 5 2	16·05	16·42	17·39	17·35	16·75	83·96	1 1 5	2,022·51	26 3 1
Assam	73·35	316·58	5 12 6	12·83	13·57	11·28	11·46	12·57	61·71	1 2 0	449·68	8 3 4
Bengal	484·22	2,234·70	3 2 1	70·64	72·30	73·28	80·36	75·12	371·70	0 8 4	4,644·48	6 8 2
North-West Provinces and Oudh ..	332·80	1,536·66	3 4 5	108·36	104.62	104·96	103·79	106·76	528·49	1 2 0	2,872·75	6 2 0
Punjab	202·58	929·81	4 7 4	38·02	37·58	38·37	36·48	60·82	211·27	1 0 2	2,485·05	11 14 7
Bombay including Sindh	437·22	2,051·33	10 14 1	53·35	51·67	56·98	52·88	54·09	268·97	1 6 10	4,928·29	26 2 2
Madras	327·98	1,608·36	4 8 3	87·70	110·41	126·02	120·80	127·63	572·56	1 9 9	5,011·84	14 1 1
Total ..	2,246·60	10,177·06	4 10 10	399·14	417·79	441·13	435·79	466·75	2,160·60	0 15 10	23,319·21	10 11 6

* Revised estimate.

9 9 9

Statement showing the ACTUALS, of the Public Works Department, under "45. CIVIL *Works*." for the five years ending 1897-8

—		1893-94.	1894-95.	1895-96.	1896-97.	1897-98.
		LAKHS.	LAKHS.	LAKHS.	LAKHS.	LAKHS.
Civil buildings.	Original works	10·75	11·82	14·40	12·28	5·43
	Repairs	2·14	1·93	2·51	3·26	2·00
Communications.	Original works	1·06	·64	·77	·63	1·34
	Repairs	1·55	1·18	1·56	1·15	·89
Miscellaneous public improvements.	Original works	·05	·02	·08	·55	·57
	Repairs	·18	·16	·22	·17	·18
Establishment		5·71	5·15	5·59	4·98	5·17
Tools and plant		·40	·44	·76	1·28	1·76
Stock and suspense		1·08	—·44	—·58	·06	·45
	Total	22·92	20·90	25·31	24·24	17·79

STATEMENT showing the proportion of Provincial Revenue to Total Revenues in the five provinces (omitting Opium, Salt, Customs, Tributes, Interest, Post Office, Mint, Railways, Military Works and Army Receipts.)

9

—	Bengal.	North Western Provinces.	Punjab.	Madras.	Bombay.
	LAKHS.	LAKHS.	LAKHS.	LAKHS.	LAKHS.
Total Revenues.					
1893-94	920·26	971·33	458·06	923·42	808·73
1894-95	935·08	956·75	458·98	953·93	792·92
1895-96	947·51	957·86	478·64	975·59	847·24
1896-97	970·38	869·16	508·67	942·98	776·96
1897-98	974·58	968·12	553·04	979·10	812·45
Average	949·56	944·64	491·48	955·00	806·66
Amount allowed to Provincial.					
1893-94	394·65	327·70	171·93	305·23	402·79
1894-95	398·57	315·01	170·21	311·36	396·73
1395-96	410·10	312·11	175·26	323·09	421·65
1896-97	417·77	327·74	176·47	313·88	396·63
1897-98	457·20	348·79	187·80	308·73	418·02
Average	415·66	326·27	176·33	312·46	407·16
Percentage	43·77	34·54	35·88	32·72	50·47

Statement showing the Financial position of the Madras Government for the three years ending 1898-1899.

—	1896-97 (actuals).	1897-98 (actuals).	1898-99 (revised estimate).
	LAKHS.	LAKHS.	LAKHS.
Opening balance	43·01	22·95	7·18
Excluding famine and plague charges	..	27·77	31·32
Receipts	322·77	319·15	328·56
Charges (normal excluding famine and plague charges)	338·01	315·60	* 319·24
Famine— Direct	4·71	15·97	·51
Indirect	·11	2·95	·15
Total	4·82	18·92	·66
Plague— Direct	..	·24	* 2·15
Indirect	..	·16	* ·60
Total	..	·40	* 2·75
Surplus + or deficit —	— 20·06	— 15·77	+ 9·32
Excluding famine and plague charges	— 15·24	+ 3·55	+ 5·91
Closing balance	22·95	7·18	13·09
Excluding famine aad plague charges	27·77	31·32	40·64

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* The Accountant-General has taken in the Civil budget estimate for 1899-1900, 2·75 lakhs as the revised estimate for 1898-99 under *Plague*.

Financial Position.

			LAKHS.
Closing balance of 1898-99 according to the budget estimate ..			6·08
Add—Savings in famine allotment	7·50		
,, in Settlement-officer	·20		
Unappropriated savings in Tenancy Bill officer ..	·11		
Savings in Minor Irrigation Works—Civil officers ..	·35		
India's bounty on the last contract letter	2·00		
Railway Police scheme	·23		
			10·39
			16·47
Probable additional revenue			5·62
			22·09
Deduct—Plague expenditure to be borne by Provincial—			
Total expenditure according to present estimates is			
Provincial	2·86		
Local	3·90		
Municipal	1·89		
		8·65	
Local will bear at the most about	1·50		
Municipal	1·00		
		2·50	
Leaving for Provincial		6·15	
Doctors for England and Staff Corps officers will mean an addition of about		1·50	
Deduct budget provision of		·50	
			7·15
Share of local famine expenditure which will fall on Provincial under India's recent orders will be at least			3·00
Excess under Jails			1·57
,, ,, Survey			·11
To be repaid to India in 1898-99 on account of advance for cinchona plantation			1·02
			12·85

For the C. S.

A draft letter to India regarding the Financial position of this Government is submitted.

C. M. S. 7. 2. 99.

H. M. and circ.

See the whole tone of the Government of India's letter No 1245. A. of 16th March 1897 recorded in G. O No 824 Financial . . I think there is much too great a tendency in the Financial department of the Government of India to express a contempt for local Govts. and that an attempt

attempt should be made to show we have had enough of it.

G. S.
9. 2. 99.

[illegible]
was it (the opening
incial balance for the
1895-/ which stood at
lakhs) reduced by
[illegible] sum (as 20.06
during that year) ?
ise took up less than.
hs. Was 14.59 lakhs
red by India ?
A. T. A[rundel].

This is a powerful letter. See query at para 12. which might be cleared up by a word or two; ~~also a suggested alteration at the~~ end.

A. T. A[rundel] 10.2.99

H. M. W[interbotham] 11.2.99

For the C. S.

A clean proof of the letter to India is submitted. H. E the Governor has not yet seen the papers. The Hon'ble member pointed out that para. 12 might be made clearer. The drop in the balance in 1896-7 was due largely to the fact that this Govt. budgetted for a deficit of 15.26 lakhs (vide Financial Statement for 1898-9) This deficit was increased by 4.80 owing to famine expenditure. India did not resume any of the actual balances. To save any doubts para 12 might perhaps run as corrected in the proof - leaving out any allusion to the opening balance of 1896-7 which was before the present Contract period.

C. M. S. 16. 2. 99.

A revised para. 12 is submitted as directe

C. M. S. 17. 2. 99

H.E the Governor.

This ought to reach Calcutta before we go. It is very emergent.

G.S.
17.2.99

Read and approved. I should like to have spare copies of this and of our two other recent financial letters.

A.E. H[avelock] 18.2.99.

Issue.

G.S. 18.2.99.

[G.O Nos. 263-264 Financial dated 18.2.99]

For orders whether the G.O. and letters nos 128 to 139 are to be printed.

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11/3/99

Sent to [illegible] for [illegible]

[illegible]ceived 15/3/99

8/1/19

23-1-20 B III

1457/53/87.

Government House
Calcutta

Recall of letter No 264 of 18th instant not understood. His Excellency has given copies of it to the Viceroy and Sir James Westland and discussed it with them. He thinks that it w'd be better if ~~possible~~ necessary to send a correcting letter and w'd be glad to know the reasons which have necessitated its recall.

CONFIDENTIAL.

FINANCE AND COMMERCE DEPARTMENT.

Calcutta, the 24. 2. 1895.

My dear Stokes,

The letter recalled by the Madras Govt's telegram & returned to them accordingly, was

No. 264 Fin. dated 10 Feb. '95

Yours sincerely

W. S. Meyer

Mr

GOVERNMENT OF MADRAS

23rd Feby. '99.

My dear Forbes,

I return the copy of India's last letter on Finance, in in which a further dole is grudgingly bestowed!

I suppose that letter

to write and do. some about it. Yours sincerely

A T Arundel

GOVERNMENT OF MADRAS

23rd Feby. 99.

My dear Forbes,

I return the copy of India's last letter on Finance, in which a further dole is grudgingly bestowed!

I suppose that letter

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on receipt of our Budget to go with his figures & Budget notes to the Chief Secy. and discuss the items. What we all want is to get the most accurate figures we can & the Acct. Genl. can materially help us. If he will discuss details with the C.S. the result desired will be obtained and friction such as has recently been developed will be avoided. If a few items remain on wh. agreement cannot be secured, it cannot be helped. There will not be many. H.B. is going to write a d.o. to me about it.

Yours sincerely

A. T. Arundel

to India in Finance — in which India's dole of one lakh is referred to as resembling "Conscience money" paid to the Chancellor of the Exchequer, has already gone.

If not I wish you would strike out that

expression wh. I reluctantly left with a marginal note. I fear it will only irritate without convincing.

Hesketh Higgs was here this morning with reference to our protest to India against his proposing to India notifications of our Budget — for reasons not communicated to us.

The best solution will be in future for him