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GOVERNMENT OF INDIA.

FINANCE DEPARTMENT.

RESOLUTION.

New Delhi, the 26th March 1937.

No. D./1214-Ref.—The Government of India (Distribution of Revenues) Order, 1936, effects only such recommendations of Sir Otto Niemeyer as require to be prescribed by Order in Council. That part of his recommendations which involves the cancellation of debt remains to be effected. Further, in accepting the recommendations of Sir Otto Niemeyer, the Secretary of State, in paragraph 10 of his telegram No. 1589, dated the 20th of May 1936, to the Government of India, accepted, as an integral part of the whole plan of the initial financial arrangements between the provinces and the Government of India, the scheme for the decentralisation of balances and the cancellation and consolidation of debt referred to in paragraphs 19 to 21 and set out in Appendix III of the report of Sir Otto Niemeyer.

2. For the purpose of effecting these adjustments, the Governor General in Council, with the sanction of the Secretary of State in Council, has made

new Devolution Rule 35-A, which reads as follows :—

“(1) Notwithstanding anything contained in these Rules—

(a) With effect from a date to be prescribed by the Governor General in Council, Local Governments shall assume, and the Governor General in Council shall be relieved of, all rights and liabilities in respect of such balances held in the debt, deposit and remittance group of Government accounts as the Governor General in Council may prescribe.

(b) The Governor General in Council shall be liable to pay to each of the Local Governments a sum equal to the net liability which they respectively assume under the provisions of the preceding sub-paragraph. So much of this sum as the Governor General in Council may determine shall be credited

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to the Local Government in the public account of which the Governor General in Council is custodian and the balance of the sum shall be deemed to have been paid if the Governor General in Council relieves the Local Government of all liability in respect of an equivalent nominal amount of such outstanding loans and advances previously made or deemed to have been made to that Local Government by the Governor General in Council as he may specify.

(c) It shall be lawful (whether for the purposes of the preceding sub-paragraph or otherwise) for the Governor General in Council to relieve any Local Government of its liability in respect of any loans and advances previously made or deemed to have been made by him to that Government, and to vary the terms as to interest and repayment of any such loan or advance.

(2) The functions of the Governor General in Council under this Rule shall not be exercised except with the previous sanction of the Secretary of State in Council."

3. In exercise of the powers conferred by clause (a) of rule 35-A (1) of the Devolution Rules, the Governor General in Council, with the previous sanction of the Secretary of State in Council, accordingly directs that as from the closing of accounts on the 31st March 1937 all rights and liabilities which on that date were associated with the balances (of an intrinsically local nature or definitely associated with any function which after that date will be a function of provincial governments) of the accounts set out in Schedule I of this Resolution shall be assumed by the provincial governments concerned and the Government of India shall as from that date be relieved thereof.

4. In exercise of the powers conferred, and in partial liquidation of the liability imposed on him, by clause (b) of rule 35-A (1) of the Devolution Rules the Governor General in Council, with the previous sanction of the Secretary of State in Council, directs that with effect from the closing of accounts on the 31st March 1937 the following sums, or such lesser sums as may before the 15th February 1937 be intimated to the Government of India by any

province, shall be credited to the provinces, *viz.*:—

Madras	.	.	Rupees sixty-six lakhs.
Bombay	.	.	Rupees forty-seven lakhs.
Sind	.	.	Rupees nine lakhs.
Bengal	.	.	Rupees forty-nine lakhs.
United Provinces			Rupees fifty-five lakhs.
Punjab	.	.	Rupees forty-three lakhs.
Bihar	.	.	Rupees twenty-one lakhs.
Orissa.	.	.	Rupees nine lakhs.
Central Provinces			Rupees twenty-five lakhs.
Assam	.	.	Rupees eighteen lakhs.
North-West Frontier Province.			Rupees nine lakhs.

5. In exercise of the powers conferred by clause (c), and partly in further and final liquidation of the liability under clause (b), of rule 35-A (1) of the Devolution Rules the Governor General in Council, with the previous sanction of the Secretary of State in Council, relieves, as from the closing of accounts on the 31st March 1937, the provincial governments of Bengal, Bihar, Orissa, Assam and the North-West Frontier Province of all liabilities in respect of all sums due to the Government of India on 31st March 1937, through the Provincial Loans Fund, on account of loans and advances taken previous to the 1st April 1936.

6. In further exercise of the powers conferred by clause (c) of rule 35-A (1) of the Devolution Rules, the Governor General in Council, with the previous sanction of the Secretary of State in Council, in consideration for the cancellation of an interest bearing obligation of one crore carrying interest at a rate of $3\frac{1}{2}$ per cent. per annum of the Government of India to the Punjab Government, directs that the Punjab Government shall, as from the closing of accounts on the 31st March 1937, be relieved of all liability to the Government of India in respect of one crore of the debt which the Punjab Government assumed under Devolution Rule 24 (1).

7. In further exercise of the powers conferred by clause (c) of rule 35-A (1) of the Devolution Rules, the Governor General in Council, with the previous sanction of the Secretary of State in Council, directs that the Central Provinces Government shall as from the closing

of accounts on the 31st March 1937 be relieved of all liability to the Government of India for the following sums due on the 31st March 1937 to the Government of India, through the Provincial Loans Fund, on account of loans and advances taken previous to the 1st April 1936, *viz.*—

- (a) the balance of all sums borrowed for the specific purpose of meeting general deficits in the annual accounts of that province, and
- (b) such part of the debt assumed by that Government under Devolution Rule 24 (1) as, together with the net sum referred to in regard to that government in paragraph 8 of this resolution, will amount to the total debt assumed by that government under Devolution Rule 24 (1).

8. In exercise of the powers conferred by clause (c) and in further and final liquidation of the liability under clause (b) of rule 35-A (1) of the Devolution Rules, the Governor General in Council, with the previous sanction of the Secretary of State in Council, directs that as from the closing of accounts on the 31st March 1937 the total liabilities (other than the liabilities of the Government of Sind on account of the Lloyd Barrage) to the Government of India due through the Provincial Loans Fund on the 31st March 1937 on account of loans and advances taken previous to 1st April 1936 of the Governments of Madras, Bombay, Sind and the United Provinces shall be reduced by, and in the cases of the Governments of the Punjab and the Central Provinces further reduced by, the amounts of the net liabilities assumed by those Governments under paragraph 3, less the sums to be credited to those provinces under paragraph 4 of this Resolution.

9. In further exercise of the powers conferred by clause (c) of rule 35-A (1) of the Devolution Rules, the Governor General in Council, with the previous sanction of the Secretary of State in Council, directs that a sum of ten crores of rupees out of the total remaining debt for which, in accordance with the foregoing part of this Resolution, the Punjab Government will as at the closing of accounts on 31st March 1937 be liable to the Government of India, shall carry interest at $3\frac{1}{2}$ per cent. per annum, and shall be repayable only in the terms of paragraph 15 of this Resolution.

10. In further exercise of the powers conferred by clause (c) of rule 35-A (1) of the Devolution Rules, the Governor General in Council, with the previous sanction of the Secretary of State in Council, directs that all loans and advances due by the Government of Sind to the Government of India through the Provincial Loans Fund on account of the Lloyd Barrage and outstanding at the close of accounts on the 31st March 1937, shall up to the 31st March 1942 bear interest at the rates in force on the 31st March 1937 and thereafter at $4\frac{1}{2}$ per cent. per annum. This debt shall be repayable from the 1st April 1942 on the terms in force on the 31st March 1937. No option for accelerated repayments authorised in this Resolution shall have application to this debt and in all other respects this debt shall be ignored for the purposes of this Resolution.

11. In further exercise of the powers conferred by clause (c) of rule 35-A (1) of the Devolution Rules, the Governor General in Council, with the previous sanction of the Secretary of State in Council, excepts entirely from the operation of the other paragraphs of this Resolution the outstanding balances on the 31st March 1937 of certain liabilities of the Bombay Government (set out in Schedule II to this Resolution) representing sums corresponding to certain comparatively short term debts of the Bombay Municipal Corporation to the Bombay Government. The terms of repayment of these liabilities of the Bombay Government to the Government of India shall be fixed at, and continue to be, those in operation on the 31st March 1937 and no option for accelerated repayment authorised in this Resolution shall have application to these liabilities.

12. In further exercise of the powers conferred by clause (c) of rule 35-A (1) of the Devolution Rules, the Governor General in Council, with the previous sanction of the Secretary of State in Council, directs that the rate of interest on all debt (except that referred to in paragraphs 9, 10 and 11 of this Resolution) which, in the terms of this Resolution, will finally remain as the debt of certain provincial governments to the Government of India as from the closing of accounts on the 31st March 1937 shall be computed in the case of each provincial government as follows:—

- (a) a full year's interest at the relevant individual rates in force on

- the 31st March 1937 calculated on the gross total of the debt incurred prior to 1st April 1936 and outstanding on 31st March 1937 previous to any adjustments consequent on the terms of this Resolution shall first be evaluated ;
- (b) from this sum shall be deducted—
- (i) in the case of the Punjab Government a sum of rupees thirty-eight lakhs fifty thousands, representing interest at $3\frac{1}{2}$ per cent. per annum on the sums referred to in paragraphs 6 and 9 of this Resolution ;
- (ii) in the case of the Central Provinces Government a full year's interest at the relevant individual rates in force on the 31st March 1937 calculated on the sums referred to in paragraph 7 (a) of this Resolution, and also a full year's interest on the total debt assumed by that Government under Devolution Rule 24 (1) ;
- (iii) in the case of the Bombay Government a full year's interest at the relevant individual rates in force on the 31st March 1937 calculated on the balances of the sums referred to in paragraph 11 of this Resolution ;
- (c) and there shall further be deducted in the case of all provincial governments concerned, except the Central Provinces, an amount calculated by applying the average rate of interest payable by a province on the total debt assumed by it under Devolution Rule 24 (1) to the net capital sum deducted from the total liabilities of the provinces concerned under paragraph 8 of this Resolution ;
- (d) the net amount of interest arrived at in this manner shall in the case of each of the provinces concerned be expressed as a percentage rate of interest on the total net liability of each province to the Government of India which will remain after taking into account the adjustments consequent on the terms of this Resolution, but excluding the sums referred to in paragraphs 9, 10 and 11 of this Resolution ;
- (e) the rate of interest arrived at in this manner shall be rounded down to the next lower quarter per cent. rate of interest which rate (save in the cases of the sums referred to in paragraphs 9, 10 and 11 of this Resolution) shall then represent the rate of interest payable by each provincial government on the total of its debt liability to the Government of India as from the closing of the accounts on 31st March 1937 after the adjustments prescribed in this Resolution have been effected.
13. In further exercise of the powers conferred by clause (c) of rule 35-A (1) of the Devolution Rules, the Governor General in Council, with the previous sanction of the Secretary of State in Council, directs that (save in the case of the sums referred to in paragraphs 9, 10 and 11 of this Resolution) the total net debt of each province as from the closing of accounts on 31st March 1937 as arrived at in the terms of this Resolution, shall be repayable to the Government of India in the form of semi-annual equated payments of interest (at the rate determined in accordance with paragraph 12 of this Resolution) and principal over 45 years to be completed by the 31st March 1982, and payable on the following dates of each year :—
- Madras.*—15th September and 15th March.
- Bombay.*—31st July and 31st January.
- United Provinces.*—7th August and 7th February.
- Punjab.*—1st August and 1st February.
- Central Provinces.*—30th September and 31st March.
- Sind.*—1st July and 1st January.
14. In further exercise of the powers conferred by clause (c) of Rule 35-A (1) of the Devolution Rules, the Governor General in Council, with the previous sanction of the Secretary of State in Council, with reference to the maturing of the 5 per cent. 1945-55 public loan, authorises any province to give notice on

or before the 1st April 1945 of its intention to redeem, on a date not earlier than the 1st April 1945 and not later than the 15th October 1946 to be fixed by the Governor General in Council, and subject to any restrictions which may be imposed under section 163(3) of the Government of India Act, 1935, any part not exceeding one-half of the principal of such of its debt (other than debt of the Government of Sind on account of the Lloyd Barrage) outstanding on the 31st March 1945 to the Government of India as is covered by this Resolution. The Governor General in Council in like manner and with the like sanction, with reference to the maturing of the 4 per cent. 1960-70 public loan, further authorises any province to redeem at its option on a date not earlier than the 1st April 1960 and not later than the 15th September 1961 to be fixed by the Governor General in Council, and otherwise subject to similar conditions, the whole or any part of the remainder of the principal of such debt on giving notice to that effect on or before the 1st April 1960. Any unredeemed balance remaining after the exercise of either of these options shall be repayable at the original rate of interest determined in accordance with paragraph 12 of this Resolution over the balance of the 45 years referred to in paragraph 13 of this Resolution, and in the semi-annual form and on the dates specified in that paragraph, a fresh computation of the instalment being made for this purpose.

15. In further exercise of the powers conferred by clause (c) of rule 35-A(1) of the Devolution Rules, the Governor General in Council, with the previous sanction of the Secretary of State in Council, announces that with the concurrence of the Government of India the Punjab Government will be at liberty to repay (subject to any restrictions which may be imposed under section 163 (3) of the

Government of India Act, 1935) the whole or any part of the sum referred to in paragraph 9 of this Resolution on any date after 1st April 1937.

16. For the purpose of this resolution any amount or adjustment specified as "from the close of accounts on 31st March 1937" shall be deemed to be operative and to have effect at midnight on the 31st March 1937 notwithstanding that the actual figure may not become known in the ordinary course of the compilation of accounts until a later date.

17. Unless otherwise specifically stated nothing in this Resolution affects any debt contracted by a province with the Government of India between the 1st April 1936 and the 31st March 1937.

18. On the 1st April 1937 the Governor General in Council will place to the credit of provinces in account with the Reserve Bank of India the net balance (before the adjustments necessitated by this Resolution have been effected), as at the closing of accounts on the 31st March 1937, of all accounts set out in Schedule III of this Resolution; provided that, if the amount shown as the free balance in the case of any or all of the Governments of Bengal, Bihar, Orissa, Assam and the North-West Frontier Province is a negative sum, such balance, with the approval of the Secretary of State in Council, is to be assumed to be zero for the purpose of this paragraph.

19. On the 1st April 1937 the Governor General in Council will pay to the provinces either in the form of cash in their treasuries or in the form of a credit to their accounts with the Reserve Bank of India, as may be agreed upon, the sums specified in paragraph 4 of this Resolution.

ORDERED that the Resolution be published in the *Gazette of India Extraordinary*.

SCHEDULE I.

(Vide para. 3 of the Resolution.)

O.—Unfunded Debt.

Special Loans—

8 per cent. Perpetual Loans (Madras).

- (1) a bond dated 1st May 1796 for Rs. 10,500.
- (2) a bond dated 21st December 1802 for Rs. 70,000.
- (3) a bond dated 18th September 1804 for Rs. 17,500.
- (4) a bond dated 9th May 1807 for Rs. 35,000.

6 per cent. Perpetual Loans (Madras).

- (1) a bond dated 7th March 1795 for Rs. 7,000.
- (2) a bond dated April 1817 for Rs. 3,500.

Endowments for Charitable and Educational Institutions :—

Endowment by Raja Kalishankar Ghoshal for Benares Blind Asylum.

Kollah Singanna Chetty's Choultry Endowment (Madras).

Deposits of the Monegar Choultry Endowment (Madras).

Endowments for other Miscellaneous and Charitable purposes (Bombay).

Endowments by the Late King of Oudh Charity Fund.

Treasury Notes—

Treasury Notes on account of the Bhonsla and other Nagpur Temples.

Savings Bank Deposits—Bank Account—

General Provident Fund.

Indian Civil Service Provident Funds.

Contributory Provident Fund (Provincial).

Other Miscellaneous Provident Funds.

P.—Deposits and Advances.**PART II.—Deposits and Advances not bearing Interest.**

Deposits of Local Funds—

District Funds

Municipal Funds.

Other Funds :—

Town and Bazar Funds (excluding Imphal Town Fund).

Port and Marine Funds (excluding Major Port Funds and Hospital Port Dues Funds).

Education Funds.

Medical and Charitable Funds (excluding Ranchi European Mental Hospital Fund).

Public Works Funds.

Village Panchayat Fund.

Other Miscellaneous Funds, *e.g.*, Cotton Market Funds (C. P.).

P.—Deposits and Advances—contd.**PART II.—Deposits and Advances not bearing Interest—contd.****Departmental and Judicial Deposits.—****Civil Deposits—**

Revenue Deposits (excluding Customs, Opium, etc., Central Deposits).

Civil Courts' Deposits.

Criminal Courts' Deposits.

Personal Deposits.

Forest Deposits.

Public Works Deposits.

Trust Interest Funds.

Jute Cess Fund.

Central Cotton Committee Research Fund.

Deposits on account of Police Funds (including Police Remount Funds, C. P.)

Unclaimed Provident Fund Deposits (of various classes).

Deposits of Work done for Public Bodies or Individuals.

General Police Fund.

Municipal Taxes on Government Residential Buildings.

Deposits of Fees received by Government servants for work done for Private Bodies.

Official Receiver's Remuneration Fund (C. P.)

Deposits for Weights and Measures under the Bombay Weights and Measures Act, 1932.

Other Miscellaneous Funds and Deposits :—

For example :—

Deposits on account of cost price of Liquor.

Excise Deposits.

Deposits on account of Survey and Settlement expenses of Wards and Private Estates.

District Chowkidari Reward Fund.

Lloyd Barrage Scheme Deposits.

Special Deposits.

Advances—**Advances Repayable—**

Civil Advances.

Advances for Rest Camps.

Special Advances.

Forest Advances.

Revenue Advances.

Permanent Advances—

Permanent Advances, Civil.

Accounts with Foreign Governments and Indian States—

Accounts with Foreign Governments.

Suspense—**Suspense Accounts—**

Suspense Account.

English Stores Suspense Account.

Departmental Adjusting Account.

Departmental and similar Accounts—

Civil Departmental Balances (including Public Works, Forest, Lloyd Barrage, etc., Cash Balances).

Q.—Loans and Advances by the Central Government.

Loans to Indian States, Local Funds, etc.— Loans to Presidency Corporations including Port Trusts :—

Madras Corporation Loans (Madras).

Vehar Water Works Loan (Bombay).

Loans to Landholders and other Notabilities :—

Loans to Nawab of Dacca.

Loans to Government Servants :—

House Building Advances.

Advances for the purchase of Motor Cars.

Advances for the purchase of other Conveyances.

Passage Advances.

Other Advances.

NOTE.—In the case of Provident Funds and Advances to Government Servants the right or liability shall accrue to the Province on whose cadre an officer has a permanent lien, or in the case of so called joint cadres, to the ostensible parent province of the cadre.

SCHEDULE II.

(Vide para. 11 of the Resolution.)

Year in which the loan was obtained from the Government of India and re-lent to the local body.										Original amount of loan.	
										Rs.	
1921-22	.	.	.	.	.	.	.	.	.	25,00,000	} Loans direct to the Bombay Municipal Corporation.
1922-23	.	.	.	.	.	.	.	.	.	1,65,00,000	
1923-24	.	.	.	.	.	.	.	.	.	1,98,26,000	
1923-24	.	.	.	.	.	.	.	.	.	1,41,74,000	
1924-25	.	.	.	.	.	.	.	.	.	1,28,00,000	
1924-25	.	.	.	.	.	.	.	.	.	22,00,000	
1925-26	.	.	.	.	.	.	.	.	.	90,00,000	
1926-27	.	.	.	.	.	.	.	.	.	70,00,000	
1927-28	.	.	.	.	.	.	.	.	.	40,00,000	} Loans originally to the City of Bombay Improvement Trust.
1935-36	.	.	.	.	.	.	.	.	.	82,87,000	
1921-22	.	.	.	.	.	.	.	.	.	45,00,000	
1922-23	.	.	.	.	.	.	.	.	.	1,72,00,000	
1923-24	.	.	.	.	.	.	.	.	.	89,00,000	
1924-25	.	.	.	.	.	.	.	.	.	1,00,00,000	
1925-26	.	.	.	.	.	.	.	.	.	70,00,000	

SCHEDULE III.

(Vide para. 18 of the Resolution.)

1. Government Account—	Balance.
2. N. Public Debt-Permanent Debt—	Provincial Loans.
P. Deposits and Advances—	
3. Part I—Deposits and Advances bearing Interest.	Famine Relief Fund.
Part II—Deposits and Advances not bearing Interest.	4. Depreciation Reserve Fund—Government Presses. 5. Deposits of Depreciation and other Reserves of Government Commercial Concerns. 6. Transfers from Famine Relief Fund. 7. Sinking Fund Deposits for Loans granted to Local Bodies, etc.—Amount paid by the Lord Bishop of Nagpur for repayment of Loan. 8. Subventions from the Central Road Development Account. 9. Deposit Account of the Grant made by the Indian Central Cotton Committee. 10. Deposit Account of the Grant made by the Imperial Council of Agricultural Research. Deposit Account of the Receipts under the Bombay Public Conveyance Act. 12. Deposit Account of the Grant made by the Central Government for Development of Industries (including Sericultural and Handloom, etc. Industries). 13. Deposit Account of the Grant made by the Central Government from Sugar Excise Fund. 14. Deposit Account of Grants for Economic Development and improvement of Rural Areas (including co-operative training and education). 15. Deposit Account of the balance of the Fund for the restoration of the Earthquake damage. 16. Suspense Accounts. 17. Provincial Road Funds.
18. R. Loans and Advances by Provincial Governments.	
19. S. Advances from the Provincial Loans Fund and Government of India.	Advances from the Provincial Loans Fund.
Total net balance :—	
Namely—	
1. Earmarked balances, viz., items 3-17	
2. Free balances, viz., items 1, 2, 18 and 19.	

J. C. NIXON,

Secretary to the Government of India.

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