

CHAPTER XLI.

Krishnaraja Wodeyar IV.

Retirement of Sir A. R. Banerji—Mr. Mirza Muhammad Ismail (afterwards Sir) appointed Dewan—His policy enunciated—Financial adjustments—Taxation Enquiry—Assets and liabilities of the State—Economic depression—Policy regarding public loans re-stated—Excise duty on matches and sugar.

In February and March 1925 Sir A. R. Banerji went on short leave and Mushir-ul-Mulk Mir Humza Hussain who was a Member of the State Council officiated for him. Sir A. R. Banerji retired on the 1st May 1926 from the Mysore Service and was succeeded in his office by Amin-ul-Mulk Mr. Mirza Muhammad Ismail (afterwards Sir), Private Secretary to the Maharaja. He was only 43 years of age at this time having been born in 1883. He was a school-mate of His Highness the Maharaja and was a grandson of Ali Asker who, as we have already known, rendered considerable help to Krishnaraja Wodeyar III in his attempts to obtain the restoration of his State into his hands from the British Government. Sir Mirza Ismail joined the Mysore Service as an Assistant Superintendent of Police in 1905 and in 1910 became Assistant Secretary to the Maharaja. Thereafter he continued attached to the Maharaja's staff and successively filled the places of Huzur Secretary and Private Secretary to His Highness till he became Dewan on 1st May 1926. At the time this appointment was made, there was much diffidence in the minds of the people as to the advisability of the appointment of a comparatively young man with very limited official experience, but subsequent events have proved that no mistake was made.

Sir Mirza Ismail's period of office has been a very eventful one, coincident as it has been with the period of political reforms in British India and the Round Table Conferences in England. At the very outset of his career he declared that his main task would be to make possible for every class of the Maharaja's subjects the

life of comfort and contentment as far as possible and that for that purpose he needed the co-operation of all. The Birthday Session of the Representative Assembly commenced on the 14th June 1926 and at this session the new Dewan in a speech of some length elaborated the main lines of his future policy. ".....While we accept all the objects and plans bequeathed to us by previous administrations and intend to do our best for them in the light of the conditions of our time, let me pause," said the new Dewan, "to lay some special stress on one or two points. The economic question stands first among all our questions and it will continue to receive our constant and careful attention. To take the simplest, the most obvious and yet the most neglected of matters—the production and use of the necessities of life within the State. Home production, manufacture and the proper use of the necessities of life are the triple root of material prosperity. The first step towards the larger attainment of such prosperity is the improvement of means and methods of agricultural production. To this the Government will give all possible help. I need not emphasise, since it is patent to us all, the desirability of the development of agricultural co-operation and of technical instruction..... The Government are fully aware also of the need that exists for increasing facilities for industrial enterprise and for the expansion of trade, both inland and foreign. Much was attempted in these fields in our State, as we all know, by way of study and experiment in the past, and I am anxious that efforts should be renewed in the same direction, on more fruitful lines, if possible. Government will be ready to respond to any well-considered and practical suggestion for the encouragement of local enterprise, either in the field of large scale manufacture or commerce, or in the field of indigenous arts and crafts. We have all felt the need for the extension of avenues of employment—particularly for the middle and the poorer classes. This is undoubtedly the most pressing and the most widely felt problem to-day. But there is no royal road to its solution. Greater prosperity for which all should work will cause a natural increase of employment. The State will do what it can in this respect in the various works that are in hand or are under consideration. Such works need not necessarily be utilitarian,

They may also be beautiful, for beauty and order are as necessary to the welfare of the nation as utility. Then, looking at the sanitary conditions of our towns and villages. They can command neither comfort nor good health. Improvement in this respect must depend very largely on more earning capacity, for improvement means expenditure which affects both the Government and the people. This is an other reason why special efforts should be made towards augmenting the natural production of the State. Where material increase flows through the life of a country, it carries better conditions over a wider area. I would, therefore, also urge that the development of handicrafts and village industries should be pushed on as vigorously as possible..... With economic and educational development goes also political development. Indeed, political advancement is at bottom a question of public education; and this means a process of patient study and careful preparation on the part of both the Government and the people..... In this respect, Mysore affords an unrivalled opportunity for developing a form of Government which may serve as a type for study, and perhaps adaptation, by other parts of India..... I would therefore appeal to you that you might spare all the time and thought that you possibly can to the task of promoting public work and popular organisation in your localities. We shall be eagerly looking for instances of non-official initiative and effort in reviving rural industries, in helping joint action in manufacture or trade, in building up co-operative societies and aided schools, and in making the institutions of local self-government more successful.....”

After his advent as Dewan, Sir Mirza Ismail found that far too large a sum of money was being set aside annually for the liquidation of the loans taken by the State. He rightly observed that it was inexpedient to make the present generation share all the burdens, leaving to the next generation only the enjoyment of the benefits accruing from the productive works on which capital had been spent. At the time the Assembly met, the Rupee Debt of the State stood at Rs. 354.42 lakhs against which had accumulated a sum of Rs. 116 lakhs forming the Sinking Fund. The net

Rupee Debt was therefore only Rs. 238 lakhs. The time also was favourable to convert the short term loans into long term ones at rates of interest favourable to the tax-payer, as this latter kind of loans had come to be viewed with favour by the investing public. Even taking interest at 6 per cent and the Sinking Fund at 4 per cent, the yearly contribution required from the general revenues to wipe off the remaining Rupee Debt in 30 years was only Rs. 18.5 lakhs, while at the time the amount set apart to meet the charges towards both interest and Sinking Fund was no less than Rs. 42.39 lakhs. It was therefore found possible to divert over Rs. 20 lakhs out of the accumulations towards making provision for new capital works, such as the High Level Canal from the Krishnarajasagara Reservoir and for some of the nation-building activities which had not been adequately provided for.

In the latter part of 1926 Mr. N. S. Subba Rao (now Director of Public Instruction) who was a specialist in economics was placed on special duty to prepare an accurate and up-to-date statement of the facts relating to each tax or group of taxes levied in Mysore, to see how far the recommendations of the Taxation Enquiry Committee of the Government of India were applicable to the conditions existing in Mysore, and to make his own suggestions. The object of the Government in so doing was to follow in the wake of the Government of India and the Governments of some of the other countries of the world who had come to feel the necessity for arranging for an equitable system of taxation that could be readily expanded whenever necessary. The special officer completed his report by the Dasara of 1927 and sent the same to Government.

By the middle of 1929 the Government emerged from a condition of financial stringency to one of fair prosperity and ease and the Dewan was able to assure the Representative Assembly that he could with sufficient optimism venture to translate into permanent conventions some of the arrangements for expansion which the Government had been carrying out in a more or less hand-to-mouth way in the past three years. The total of the material assets of the State at the end of June 1926 amounted to

Rs. 11½ crores, while at the end of 1930 the same more or less reached the neighbourhood of Rs. 14½ crores. In addition to these assets, there were cash and investments without diminution from 1926 amounting to about Rs. 6 crores in 1930. Against these two categories of assets, there were liabilities which amounted to Rs. 11.16 crores in 1926 and to about Rs. 13.94 crores at the end of June 1930. The result was that the assets and liabilities account showed an increase of material assets by three crores with no reduction under cash and investments.

Early in 1930 a world-wide depression of prices due to over-production began to prevail and over-production meant unemployment for workers and loss for the capitalists and no way could be readily discovered even by the wisest men of the world for overcoming this calamity. The Government of Mysore managed, however, to maintain the State activities as before without resorting to any additional taxation, but secured a margin of saving in the payment of interest by converting some of the older loans raised at higher rates of interest in the past into those bearing lower rates. Sir Mirza believed that in these days of new processes, of rationalisation and of world-wide combines, progress was essential to existence and that it was not possible to mark time, but that we had to set our faces forward and struggle ahead unless we wished to be swept back by the tide. At the Dasara Session of the Representative Assembly in 1930 Dewan Bahadur Mr. M. N. Krishna Rao (afterwards Sir), First Member of the State Council, in his capacity as acting Dewan on account of Sir Mirza Ismail's absence in England in connection with the Round Table Conference, re-stated the views of Government regarding the raising of public loans, remarking that it was neither possible nor desirable to undertake from current revenues public works which were more or less of permanent utility and which cost large sums of money. The progress of the country however demanded that such works were essential and the only means of financing them was to raise public loans. The policy of Government, according to Mr. Krishna Rao, was therefore to be to borrow the funds required for carrying out a continuous programme of capital works calculated to develop

the resources of the country and improve the economic condition of the people.

In October and December 1933 a 4 per cent loan free from income-tax repayable after twenty or thirty years at the option of the Government was issued in two instalments. The total subscriptions to the loan amounted to about Rs. 2½ crores and with this amount and the accumulations of the Sinking Fund at the usual rate of Rs. 17.78 lakhs per annum, the Government calculated that they would be able to pay off the unconverted securities maturing before 1941 amounting to Rs. 380 lakhs without resort to further public borrowing. In 1934 a windfall occurred to the Mysore revenues from the action of the Government of India in imposing an excise duty on matches and another on factory-produced sugar. The excise duty on matches was one of the measures of taxation contemplated for the purpose of balancing the budget under the new constitution to be later set up in India and these duties came to be levied in advance of the introduction of the new constitution. Mysore in common with other States agreed to recover a corresponding tax on matches manufactured in the State and to pay the proceeds into a common pool along with the proceeds of the British Indian tax for distribution between British India and the States on the basis of estimated consumption. The amount of the duty on matches manufactured in Mysore was estimated at Rs. 1½ lakhs per annum, while the share of the Mysore Government of the proceeds of the general taxation on the consumption basis was expected to amount to about Rs. 5 lakhs per annum. As regards sugar, in order not to give an amount of protection greater than was required by the industry, the Government of India imposed an excise duty Re. 1-5-0 per cwt. on factory-produced sugar from 1st April 1934. The Government of India invited the States which produced sugar in factories to impose an equal duty for their own benefit on production in their territories as otherwise sugar exported from these States would be made liable to import duty on entering British India. The Mysore Government accepted the proposal of the Government of India and agreed to levy the duty as suggested.