SECTION: FOUR

FINANCIAL POLICY
Chapter XIII

EXPENDITURE ON EDUCATION

We have studied in the previous section the different agencies which undertook the educational activities in India and the policy of the Government towards these. This section deals with the financial policy of the Government in aiding these agencies. The first chapter of this section deals with the expenditure of the Government in aiding educational activities in India, but the aid in the beginning was not based on any financial system but only on the individual need and merit of each case.

In the early years of the Company education was closely connected with religion and the schools which were attached to sacred places were supported by State grants in cash or land. The Company encouraged Missionary enterprise by granting
money occasionally. A regular annual allotment of 500 pagodas was assigned to the Madras Government in 1752 for the encouragement of Missionary activities which included education for the European and Anglo-Indian children who lived in the premises of the Company. Besides the occasional grants the East India Company’s expenditure on education was confined to bringing a Chaplain or Priest free of cost and carrying books from England free of freight. The Company also permitted raising of subscriptions among the Company’s servants to help a school or providing reading materials. Some money was paid out of Company’s fund for these expenses.

The first attempt to secure any permanent endowment from the Company for an educational institution in India was made by Lord Warren Hastings in 1781. The Governor General who had prosecuted the Calcutta Madrasa on his own means and with no very liberal supplies was constrained to recommend it to the Board, and through that channel to the Court of Directors for a more adequate and permanent endowment. He estimated that the building and the ground would come to Arcot rupees 57,745-2-11. The Governor General requested that this amount “may be placed to the Company’s accounts.” He also proposed that a parcel of
land might be assigned for the growing charge of the Madrasa. "The present expense is as follows:—" (1)

<table>
<thead>
<tr>
<th>Sicsa</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Preceptor per month</td>
<td>300</td>
</tr>
<tr>
<td>40 Scholars from 7 to 6 per month</td>
<td>222</td>
</tr>
<tr>
<td>A Sweeper</td>
<td>3</td>
</tr>
<tr>
<td>House Rent</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>625</strong></td>
</tr>
</tbody>
</table>

The Governor General recommended that "the rents of one or more houses or villages in the neighbourhood of the place be assigned for the monthly expense of the proposed Madrasa and that it be referred to the Committee of Revenue to provide and make the endowment and to regulate the mode of collection and payment in such a manner as to fix and ascertain the amount and periods of both and prevent any future abuses of one or misapplication of the other. For the present an assignment of half the estimated sum will be sufficient." (2)

The Court of Directors agreed to the proposals of Lord Warren Hastings. The expenditure was charged to the Company. The Bengal Government also assigned lands of the value of Rs.29,000 a year for the support of the institution. The lands assigned were called the Madrasa Mahal. The revenues of these lands, however, fell off, and in 1819

1. Minute by the Governor-General, Warren Hastings, dated the 17th April 1781.

2. Ibid.
a question arose as to the liability of Government - the Committee of the Madrassa claiming on behalf of the Institution the full amount of the rentals of the lands when granted, or Rupees (29,990) twenty-nine thousand per annum. The orders of the Governor General on this claim were as follows:— that "the expenses of the Institution having fallen below the funds appropriated for its support, — consequently, on a strict balancing of account between the Institution and Government, a considerable sum would be found due to the Institution. His Lordship does not, however, think it necessary to go into a minute examination of these details; but is pleased to resolve that the revenue of the Madrassa shall, for the future, be taken at Sicca Rupees 30,000 per annum (—Company Rupees 31,375)" (3)

In the same way Government also agreed to meet the expenses of the Hindu College at Benares. In his letter to the Resident at Benares in 1792, the Governor General approved the plan of the Hindu College and asked the Resident to "limit the expense of the establishment for the current year to Sicca Rupees 14,000 and in the event of the surplus collection not proving adequate to the payment

of the amount you have our sanction to issue the deficiency from your Treasury. If in consequence of the unfavourableness of the past season there should be no surplus collections you will charge the whole expense to the account of Government." (4)

The financial system of the Company's Government was utterly confused and anomalous in the beginning. The accounts of the administration and commercial enterprise were inextricably mixed up. More control was possible from the year 1773 onwards when the Government in Bengal became supreme. The Act of 1784 further strengthened the hands of the Supreme Government. A Finance Department was started in the year 1810 and the Civil Accounts Department of each Presidency was under the control of the Accountant General. Expenditure on education continued to be meagre because "neither its own traditions at home nor the examples of its predecessors in India encouraged the Company to go beyond the essential functions of the Government. Nor was it easy to find revenue for undertaking any benevolent ventures." (5)

A sum of at least one lakh of rupees (£ 7500), from the surplus revenue of the Company's Government, was provided

4. Letter, dated the 13th January 1792, from the Governor General in Council to the Resident at Benares, J. Duncan, Esq.
in 1813 to be devoted annually for the improvement of education. The first Educational Despatch issued by the Court of Directors on 3rd June, 1814 related to the disposal of this amount. The Despatch also referred to the internal policy followed at that time regarding endowments for education. The Despatch said: "We refer with particular satisfaction upon this internal policy which prevails in some parts of India, and by which the instruction of the people is provided for by a certain charge upon the produce of the soil and by other endowments in favour of the village teachers who are thereby rendered public servants of the community."(6)

The amount spent upon education under the authority of the Act of 1813 was small, rarely reaching £10,000 in any one of the year before 1824. The financial support to education had never been commensurate with the needs and demands of developing education in the country during the British Period. The Government, however, met the demands in a way consonant with Indian feeling by making personal grants to individual teachers who applied for such grants. Several such incidents are quoted by Adam in his report on the state of education in Bengal and in his letter to Lord William Bentinck. For instance,

6. Letter, in the Public Department, from the Court of Directors to the Governor-General in Council of Bengal, dated 3rd June 1814, paragraph 29- 19.
In June 1818, application was made to the Revenue Board through the Collector of Nuddea, on behalf of Sivanath Vidya-Vachaspati, for a pension or allowance or Rupees 90 per annum, which had been enjoyed by his father Sukra Tarkavagis, in consideration of his maintaining a seminary in Nuddea.

In November 1819, an application was made through the Collector of Nuddea to the Board of Revenue, on behalf of Srimam Siromani, for a pension or allowance of Rupees 36 per annum, in consideration of his keeping up a Champari or seminary at Nuddea, which had been founded and endowed by the rajah of Nattore.

A similar decision was passed in 1819 in favour of Ramjaya Tarkabanka, confirming to him an annual allowance of Rupees 62, in consideration of his continuing to maintain a seminary in Nuddea in which he educated five pupils." (7)

Approving these pensions to individuals who were in indigent circumstances, the Revenue Board said in 1818 that "on general principle we entertain the opinion that pensions granted for the maintenance of public institutions for education and instruction should not be resumed so long as they shall be appropriated bona fide for the purpose for which they are assigned, and we observe, the Government pleased has generously been pleased to continue pensions for similar purposes, the Board having previously ascertained the qualifications of the persons in whose favour they have been granted." (8)


The Government also granted financial aids to various educational institutions and societies which needed help. The Calcutta School Society received a monthly contribution of Rs. 500 from the Government in 1823. The Calcutta School-Book Society was granted equal support. The Benevolent Institution also received a large donation of Rs. 13,000 in 1826 on William Carey's good report of the school's proceedings. The work of the Baptists at Serampore benefited in its turn by subscriptions towards the publication of elementary school books. All these payments had the approval of the Court of Directors. (9) Fisher in his Memoir gives several instances of Government aid to individual institutions. The following are a few:

**Ajmer School** - The Company's grant up to 1823 amounted to 17,859. (10)

**The Bhagalpur School** - Government provided Rs. 1,500 for a school house, Rs. 200 per mess for the school and Rs. 100 per mesne for the Superintendent (Captain J. Graham), later augmented to Rs. 200 (11)

**Burdwan** - In 1818 a claim of a pension of Rs. 60 per annum for the support of "a religious institution and seminary" was allowed. In 1819 a similar claim in connexion with a madrasa in the district of Burdwan was made, but no decision is recorded. In 1823 an


11. Ibid, pp. 219 & 258.
endowment of £24 per annum "for a college at
Burdwan" was reported. (12)

Fisher also gives instances in which the East India Company
helped institutions in various other ways. They sanctioned
1) recurring grants for maintenance; 2) gave non-recurring
grants for buildings; 3) gave salaries of teachers and
allowed the Surgeon to attend on teachers on gratis; 4)
provided sites for construction of buildings; 5) accepted
the funds of the school at comparatively higher rate of
interest; 6) gave regimental fines or restitution money
to the school; and 7) allowed their officers to collect
funds and act as school accountant or office-bearers. But
all these concessions were most scattered and whoever was
fortunate got them. In other words there was no financial
policy as yet in granting these aid to institutions.

The Directors were not happy over the spending of large
sums of money on educational activities in India. They
were of the opinion that the great objects of education
would be more effectively accomplished by means of a small
sum judiciously applied than acting on the supposition that
the success must be in proportion to the sum expended. When
the report of the establishment of schools in the North-

Western Provinces reached the Court of Directors, they became anxious as to the expenses to which education was leading and they addressed a protest to the Governor General. They said, "in your revenue letter of the 30th July 1823 (paragraph 107) you announced your intention of appropriating to the object of public instruction a lakh of rupees per annum, in addition to such assignment as had been made by Government previously to the Act e 53rd of his late Majesty, forgetting apparently that the above mentioned sum was intended by the Act in question to be placed at the disposal not exclusively of one Government but all the three Governments of India; and forgetting also that it was to be so applicable only in the event of these being a surplus revenue after defraying all the expenses of the Government. From the statement below you will perceive that the sum expended is four times the amount of the sum conditionally allowed.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Rs. per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bengal</td>
<td>2,28,022</td>
</tr>
<tr>
<td>Fort St. George</td>
<td>53,820</td>
</tr>
<tr>
<td>Bombay</td>
<td>99,395</td>
</tr>
<tr>
<td>Prince of Wales Island, Singapore</td>
<td>11,803</td>
</tr>
<tr>
<td>etc.</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,93,045</strong></td>
</tr>
</tbody>
</table>

13. Letter from the Court of Directors, dated the 18th February 1829, to the Governor General.
It must be noted, however, that only in nine out of the eighteen years starting from 1813 the total went above the sanctioned sum of rupees one lakh. The total amount spent was least in the year 1813 and heaviest in 1925. The bulk of the expenditure was spent in Bengal rather than in other provinces. The following Table (14) shows the annual expenditure on education in the various Provinces incurred by the East India Company between the years 1813 and 1830.

<table>
<thead>
<tr>
<th>Year</th>
<th>Bengal</th>
<th>Madras</th>
<th>Bombay</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1813</td>
<td>4207</td>
<td>480</td>
<td>442</td>
<td>5,129</td>
</tr>
<tr>
<td>1814</td>
<td>11,606</td>
<td>480</td>
<td>499</td>
<td>12,585</td>
</tr>
<tr>
<td>1815</td>
<td>4,405</td>
<td>480</td>
<td>537</td>
<td>5,422</td>
</tr>
<tr>
<td>1816</td>
<td>5,146</td>
<td>480</td>
<td>578</td>
<td>6,204</td>
</tr>
<tr>
<td>1817</td>
<td>5,177</td>
<td>480</td>
<td>795</td>
<td>6,452</td>
</tr>
<tr>
<td>1818</td>
<td>5,211</td>
<td>480</td>
<td>630</td>
<td>6,841</td>
</tr>
<tr>
<td>1819</td>
<td>7,191</td>
<td>480</td>
<td>1,270</td>
<td>8,461</td>
</tr>
<tr>
<td>1820</td>
<td>7,007</td>
<td>480</td>
<td>1,401</td>
<td>7,698</td>
</tr>
<tr>
<td>1821</td>
<td>6,882</td>
<td>480</td>
<td>594</td>
<td>7,956</td>
</tr>
<tr>
<td>1822</td>
<td>9,031</td>
<td>480</td>
<td>594</td>
<td>10,155</td>
</tr>
<tr>
<td>1823</td>
<td>6,134</td>
<td>480</td>
<td>594</td>
<td>7,208</td>
</tr>
<tr>
<td>1824</td>
<td>19,970</td>
<td>480</td>
<td>1,434</td>
<td>21,404</td>
</tr>
<tr>
<td>1825</td>
<td>57,122</td>
<td>480</td>
<td>8,961</td>
<td>65,083</td>
</tr>
<tr>
<td>1826</td>
<td>21,623</td>
<td>480</td>
<td>5,309</td>
<td>27,412</td>
</tr>
<tr>
<td>1827</td>
<td>30,077</td>
<td>2,140</td>
<td>13,096</td>
<td>45,313</td>
</tr>
<tr>
<td>1828</td>
<td>22,797</td>
<td>2,980</td>
<td>10,064</td>
<td>35,841</td>
</tr>
<tr>
<td>1829</td>
<td>24,663</td>
<td>3,614</td>
<td>9,799</td>
<td>38,076</td>
</tr>
<tr>
<td>1830</td>
<td>28,748</td>
<td>2,946</td>
<td>12,636</td>
<td>44,330</td>
</tr>
</tbody>
</table>

N.B. At this time a pound was equal to ten rupees.

The General Committee of Public Instruction submitted to the Supreme Government eight propositions in 1835 which included proposals to reduce the expenditure on education. The financial estimates of the Committee for the year 1835 was as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Authorised appropriation (Rs.)</th>
<th>Charge in January, 1835 (Rs.)</th>
<th>Charge in coming year (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutions</td>
<td>1,74,954</td>
<td>1,65,657</td>
<td>1,46,138</td>
</tr>
<tr>
<td>Committee's office</td>
<td>12,000</td>
<td>12,000</td>
<td>14,500</td>
</tr>
<tr>
<td>Oriental publications</td>
<td>15,000</td>
<td>7,800</td>
<td>...</td>
</tr>
<tr>
<td>Subscriptions and purchase of books</td>
<td>8,000</td>
<td>11,422</td>
<td>15,000</td>
</tr>
<tr>
<td>Contingencies</td>
<td>...</td>
<td>1,300</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,09,954</strong></td>
<td><strong>1,98,179</strong></td>
<td><strong>1,77,138</strong></td>
</tr>
</tbody>
</table>

The Committee recommended to suspend the further progress of oriental works and hand over the unfinished copies to any societies or persons willing and competent to finish them. Further "as a measure of useful economy the Committee recommends the abolition of the Book Depository the necessity of which is superseded by the proposition to suspend the progress of the oriental works under impression, and the decision to abstain from printing others." The Committee was of opinion that a considerable saving might be effected by providing for the performance of the duties executed by the Secretaries to Benares and Calcutta Sanskrit Colleges on a more moderate scale and suggested, therefore, that "no appointment for those vacant
offices be at present made." (15) On the 3rd June 1834 Government approved all the above propositions of the Committee. These propositions of the Committee and the approval of these by Government clearly show that the policy of the Government was not that of increasing the expenditure on education but that of effecting economy in the funds already allotted. One reason for this was the pressing need for introducing Western education in the place of Oriental learning. Instead of granting fresh funds for the development of English education Government planned to divert the funds already allotted for Oriental education.

As a result of Government's policy to divert funds from Oriental to Western education, the little allowances paid to Oriental scholars in the different institutions were stopped. The students of the Government Sanskrit College of Calcutta submitted a petition to the Governor General in 1836 praying for the allowances which they had been receiving. They said:

"Your petitioners believing your Lordship to be a great patron to the civilization and reformation of the Hindus, pray that your Excellency will mercifully confer on them the little allowance they enjoyed, for that will enable them to prosecute their studies without any inconvenience and preserve the Hindu shastras from sinking into oblivion. The expense the

15. Letter No.7174, dated the 20th April 1836, from the General Committee of Public Instruction to the Government of India, paragraphs 1 to 5.
Government will incur for this purpose is at the utmost 600 rupees a month, a sum quite insufficient and trifling for the object for which it is to be defrayed. Further your petitioners believing that your Lordship will not forget the duties of a ruler who is the protector not only of persons and property, but also a promoter of knowledge and reformation, Your Lordship conferring this boon on Your Lordship's petitioners does not make only them happy but the Hindoo community in general, for the preservation of the sacred language." (16)

The Governor General was not in favour of granting the allowances prayed for in view of the new policy of the Government of diverting the available fund for Western education. The petition was, however, referred to the Court of Directors. (17)

Insufficiency of funds assigned by the Government for the purposes of public instruction had been the main causes of the violent disputes which took place upon the education question. The sum at command was limited. Parties wishing to promote the diffusion of knowledge in different forms contended eagerly, the one to retain, the other to gain, that sum for the schemes to which they were respectively favourable. Lord Auckland in his Minute pleaded for more funds to avoid such controversy over education. He said


17. Minute, dated 24th August 1836, by Lord Auckland, on the petitions for the restoration of stipends to the Muhammadan and Sanskrit Colleges.
that "the inference to which I would point from these facts
and observations is that a principle of wise liberality,
not stinting any object which can reasonably be recommended,
but granting a measured and discriminating encouragement
to all, is likely to command general acquiescence, and
to obliterate, it may be hoped, the recollection of the
acrimony which has been so prejudicial to the public weal
in the course of past proceedings." (18) In this connec-
tion Lord Auckland referred to the policy of the Govern-
ment in appropriating the funds at their disposal. The
Government of India stated in 1836 that "under existing
circumstances, the Government in India thinks it will
not be advisable to make the consolidation into one fund
of all grants, made heretofore by Government, for purposes
of education, as suggested by the Sub-Committee of Finance,
nor does his Lordship in Council imagine that the Committee
will be put to much inconvenience by drawing its funds
separately as heretofore and crediting them whether derived
from a Government monthly grant or from the interest of
stock previously accumulated, to the particular seminaries
to which they have been assigned leaving any excess available
in any institution to be appropriated as may appear most

18. Minute by the Right Hon'ble Lord Auckland, Governor
General, dated 24th November 1839, paragraph 4.
equitable with reference to the orders of the Government, 7th March 1835, and the pledges and assurances that may have been given to particular institutions." (19) The allotment for education continued to be meagre inspite of rapid expansion of education in India. The funds at the disposal of the General Committee in 1831 was rupees 2,75,047. The actual amount spent that year was rupees 2,63,994. There was a little increase in the expenditure on education in 1837, through the General Committee, according to Colvin's Note. The expenditure for that year stood at rupees 3,04,056. (20) Another feature to note is the lack of proper organisation except the General Committee for the disbursal of this amount. There was no system and the allotments were made on individual demands. The system of educational finance continued up to 1854 when the Despatch of the Court of Directors introduced the Grant-in-aid system.

19. Ibid, paragraph 5.

20. Note by J.R. Colvin, Private Secretary to the Governor General, referred to in Lord Auckland minute of November 24th 1839. (Report of the General Committee of Public Instruction, 1839-40, p. xliii f.)
Chapter XIV

GRANT-IN-AID

The policy of aiding educational institutions by a system of grant-in-aid was thought of in 1853 when the Parliament appointed a Select Committee of both the Houses to enquire into the affairs of the Company. Mr. J.C. Marshman, the son of a well-known Serampore Missionary, in his evidence on 21st July 1853 before the Select Committee pointed out the inadequacy of funds allotted for education in India and the need to appropriate the funds through a proper system of grant-in-aid.

Regarding the inadequacy of the funds allotted for education Marshman pointed out that the amount did not exceed £ 65,000 sterling a year. But in a series of papers published at the India House this was stated at between
£ 70,000 and £ 30,000. (1) Marshman pleaded that the sum was inadequate compared to the sum devoted for education in England. (2) Asked about the mode of dispensing this inadequate sum, Marshman suggested the system of grant-in-aid. By applying a proper system of granting aid "those funds might be made to go further and that this would be a more appropriate mode of expending any additional funds which might be voted, than by exclusively following the present mode." (3)

The Court of Directors favourably considered the suggestion and resolved to adopt in India the system of grant-in-aid. They said that "we, have, therefore, resolved to adopt in India the system of grant-in-aid, which has been carried out in this country with very great success; and we confidently anticipate, by thus drawing support from local resources, in addition to contributions from the state, a far more rapid progress of education than would follow a mere increase of expenditure by the Government." (4) Such aids should be given


2. The net revenue of England was £5,20,00,000 and the sum allotted for education was £2,50,000. The figures for India were £2,60,00,000 and £ 1,25,000 respectively.

3. Despatch of 1854, (n.21, p.149), paragraph 53.
to all schools imparting secular education. The system would be based on an entire abstinence from interference with the religious instruction conveyed in the schools assisted. Such schools, the Despatch said, should be subjected to Government inspection, and the Managers should "agree to any conditions which may be laid down for the regulation of such grants." It emphasised the need for careful considerations required in framing the rules for the administration of the grant. Among the objects of grant the Despatch included the general expenses of the school, the augmentation of the salaries of the head teachers, the supply of junior teachers, the foundation or assistance in the foundation of scholarships for candidates from lower schools and in some cases assistance towards erecting, or repairing a school, or the provision of an adequate supply of school books, but the appropriation of the grants in each particular instance, the Despatch said, "should be regulated by the peculiar circumstances of each school and district." Another condition laid for the receipt of grant was the levying of a fee, however small, on the pupils.

The Despatch advised the Provincial Governments to follow the model of the grant-in-aid system of England, to sanction grants for specific objects and to evolve a system of grants which would embrace all types of educa-
tional institutions within its sphere, from the colleges at the top to the indigenous elementary schools at the bottom. The amount and continuation of the assistance given "will depend upon the periodical reports of Inspectors, who will be selected with special reference to their possessing the confidence of the native communities." The duty of the Inspectors should be strictly "confined to ascertaining whether the secular knowledge conveyed is such as to entitle it to consideration in the distribution of the sum which will be applied to grants-in-aid." The Court of Directors concluded that "We look forward to the time when any general system of education entirely provided by Government may be discontinued, with the gradual advance of the system of grant-in-aid, and when many of the existing Government institutions, especially those of the higher order, may be safely closed, or transferred to the management of local bodies under the control of, and aided by, the State." (4)

The Provinces were given complete freedom in respect of granting aid to schools. Lord Dalhousie, the Governor General, expressed his opinion that the Local Governments ought not to be fettered by the necessity for referring to

4. Ibid, paragraph 62.
every individual proposal for a grant-in-aid to the Supreme Government. The Governor General in his Minute said that "it will be much better in every way that certain rules having been prepared by the local Government regarding grants-in-aid, and having received the confirmation of the Governor General in Council the local Government should be left entirely free in the distribution of the grant." (5) This freedom to devise their own grant-in-aid system led later on to different grant-in-aid systems being followed by different Provincial Governments.

It is interesting to note that the system of grants was helpful more to the private Indian schools than to schools run by foreign Missionaries. The following Abstract of Return sent up to Government of grant-in-aid schools in operation at the end of 1857-58 shows that Government gave more grants to Indian schools. (6)

<table>
<thead>
<tr>
<th>Grants under despatch of 1854.</th>
<th>Per mensem.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission Schools ... ... 19 receiving</td>
<td>Rs. 703 8 0</td>
</tr>
<tr>
<td>Native Schools ... ... 181 &quot;</td>
<td>Rs. 5,106 2 0</td>
</tr>
<tr>
<td>Calcutta Industrial School ... 1 &quot;</td>
<td>Rs. 600 0 0</td>
</tr>
<tr>
<td>Calcutta Girls' School ... 1 &quot;</td>
<td>Rs. 200 0 0</td>
</tr>
<tr>
<td>202 &quot;</td>
<td>Rs. 6,609 10 0</td>
</tr>
</tbody>
</table>

5. Minute by Lord Dalhousie, Governor General, dated 30th December 1854, paragraph 20.

6. Marginal note of the Director of Public Instruction in the letter, dated 25th April 1858, from Lord Ellenborough to the Chairmen and Deputy Chairman of the Court of Directors.
The Secretary of State, Lord Stanley, reviewed the working of the system of grant-in-aid. He said in 1859 that the injunctions of the Court of Directors as to the principles on which the grant-in-aid system was to be brought into operation were carefully attended to in drafting the rules in accordance with which the grants were to be made, and every endeavour was made to carry out in practice the principle of perfect religious neutrality on which the system was declared to be based. The system had been applied in somewhat differing ways in the several Presidencies and divisions of territory in India. In Bengal the system was brought into operation in connection with the Vernacular schools. In the North-Western Provinces, the assistance of Government was afforded to Vernacular education under special regulations. In Madras the grants under the rules were for the most part made to schools of a higher class. The amount of grant allotted to the various types of schools in Bengal was as under:

<table>
<thead>
<tr>
<th>Type of School</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>English Schools</td>
<td>Rs. 35,916</td>
</tr>
<tr>
<td>Anglo-Vernacular Schools</td>
<td>Rs. 19,850</td>
</tr>
<tr>
<td>Vernacular Schools</td>
<td>Rs. 23,616</td>
</tr>
</tbody>
</table>

Private institutions for education of a higher order generally made use of the grant-in-aid for the extension and improvement of the means of instruction. But the
institutions for imparting Vernacular education were not very particular of the grants. Lord Stanley said that "while the European managers of schools have freely accepted grants-in-aid from Government, and equal readiness have been shown by the native community to seek assistance in the formation of schools, where instruction in English may be afforded, no great alacrity appears to have been shown by the natives in making the necessary local efforts for securing the aid of Government, under the grant-in-aid rules, for the promotion of Vernacular Education." (7) The reason for this was that the poorest classes did not want schools at all because they were too poor to pay schooling fees, a condition for receiving grant-in-aid, and also because the labour of the children was required to enable them to live. The middle and upper classes made no sacrifice for the establishment of any but English schools.

The Secretary of State came to the conclusion that "the grant-in-aid system, as hitherto in force, is unsuited to the supply of Vernacular Education to the masses of the population; and it appears to them, so far as they have been able to form an opinion," that the means of elementary education should be provided by the direct instrumentality

7. Stanley's Despatch, paragraph 37, (n.14, p.99)
of the officers of Government, "according to some one of
the plans in operation in Bengal and the North-Western
Provinces, or by such modification of those schemes as
may commend itself to the several local Governments as
best suited to the circumstances of different localities." (8)

There were two distinct sets of Rules for Grants-
in-aid, namely:

1. "Ordinary Grant-in-aid Rules, i.e., the Rules under
which in each Presidency and Provinces Grants-in-
aid are ordinarily given to Private Schools. Of
these, there is a different set of Rules for each
Presidency or Province.

2. Special Grant-in-aid Rules for schools designed
for the instruction of Europeans and Eurasian
children. These are generally known as the Rules
containiaged in Lord Canning's Minute of October
1860; they were approved and confirmed by the
Secretary of State in Despatch No. 3, dated the
16th January 1861." (9)

The rules for European and Eurasian Schools as laid down
in Lord Canning's Minute were liberal than the ordinary
grant-in-aid rules. They offered: 1. an equivalent of the

8. Ibid, paragraph 50.

paragraph 359.
amount collected as a building fund and of the local annual contribution; 2) the site, if Government property; 3) a pension for the headmaster if a clergyman. This kind of special treatment for European and Eurasian schools was given throughout the British period.

The Rules for the grant of fixed allowances to aided Institutions were substantially the same in all the Provinces and subject to the general limitation of the amount of aid to an equivalent of the local income or half the total expenditure. In addition to the general grant the following Miscellaneous Grants were also allowed:

Payment of normal and certain other Scholarships

Provision of books of reference, maps, etc.; and in some cases of School books.

Establishment and maintenance of School Libraries and Public Libraries.

Erection, purchase, enlargement, or repair of School Buildings

Provision of School furniture

All the above grants were also made under special detailed conditions, but were subject to the general principle that the amounts should not exceed the sum contributed by the Manager.

While the general tenor of the Rules of grant-in-aid made in various provinces remained the same the detailed
system of grants varied from province to province depending upon the circumstances of each. The main feature of the Madras Rules was the "Teacher Certificate System"; but it was only a main feature as will be seen from the following brief analysis of the scheme:

1. Pupil Grant

"It is open to Managers of Schools, who desire to obtain on the results of periodical Examinations of the pupils, to submit their Schools to Examination according to the standards in Schedule A, and to obtain grants according to the rates in Schedule B, as follows:-

<table>
<thead>
<tr>
<th>European and Eurasian Schools</th>
<th>Hill Schools</th>
<th>Schools in the plains</th>
</tr>
</thead>
<tbody>
<tr>
<td>To each pupil</td>
<td>1st standard</td>
<td>4 per mensem</td>
</tr>
<tr>
<td>passed</td>
<td>2nd &quot;</td>
<td>8 &quot;</td>
</tr>
<tr>
<td>under</td>
<td>3rd &quot;</td>
<td>12 &quot;</td>
</tr>
</tbody>
</table>

Native Schools

<table>
<thead>
<tr>
<th>To each pupil</th>
<th>1st standard</th>
<th>2 per mensem</th>
</tr>
</thead>
<tbody>
<tr>
<td>passed</td>
<td>2nd &quot;</td>
<td>5 &quot;</td>
</tr>
<tr>
<td>under</td>
<td>3rd &quot;</td>
<td>10 &quot;</td>
</tr>
</tbody>
</table>

The above provisions are intended primarily for elementary Schools, to which the amount of grant obtainable practically limits their application." (10)

With regard to the Teacher Grant "a grant not exceeding one-half of the sum contributed by the Managers of the Schools will be given in aid of the salary of each School

Master or School Mistress in regard to whom the Managers may satisfy the Director of Public Instruction that the said Teacher is fairly qualified to perform the duties entrusted to him or her, provided that in such cases the amount of the grant to be given shall bear a due proportion to the amounts sanctioned for Teachers holding Certificates." (11)

A first grade teacher was entitled to such grant not exceeding the amount contributed by the Manager of the School as the Director of Public Instruction, with the sanction of Government, may determine. The amount given as grant to a second grade teacher was rupees seventy-five whereas a fifth grade teacher got a grant of rupees ten.

This "Teacher Certificate System" of grant-in-aid which was called as the "Salary-grant-system" later was applied to institutions managed by associations or persons of approved standing. The system ensured efficiency by inducing Managers to employ teachers who were successful at an examination and had acquired a certain amount of knowledge and some fitness for imparting it to others. The system gave the greatest freedom to Managers, as regards the choice of textbooks and all other points in the internal economy of schools, and so supplied a strong inducement to private educational effort. There was a minimum of Departmental interference and the schools had the fullest scope for development. The Inspector had to

11. Ibid., paragraph, 362.
see that the pupils were well taught, that they knew what they professed to know, that their general intelligence was cultivated, and that the discipline was good. The Inspector was not predisposed by any desire for economy to take an unfavourable view of the condition of the school, since the grant it would receive did not directly depend on the judgment that he passed. The system also provided in a natural and easy manner for the growth of institutions. If managers wished to open an additional class and the Department was convinced that it was really needed, a duly certified teacher was employed and an additional grant of the fixed proportion of his salary was bestowed. The salary-grant system gave stability to an institution since the grant depended upon the quality of the staff and not on the number of pupils or their success at examination, which even in the very best schools was apt to fluctuate considerably from year to year.

The system, however, had also its disadvantages. There was the danger of a school being content with mediocrity, since no pecuniary result depended upon excellence of any kind. It was, of course, possible that continued failure to produce satisfactory results would cause the grant to be withdrawn or reduced; but this was commonly too distant a
prospect to have much practical influence. There was the
danger too of teachers being employed nominally at high
salaries, and getting in reality little more than that
proportion of the nominal salary which was paid by the
State.

There were other systems of grant-in-aid too follow-
ed in different parts of India. The fixed grant system was
applied to all institutions in Bengal and to the colleges
and secondary schools in the North Western Provinces, the
Central Provinces and the Punjab and in a somewhat modified
form, to the primary schools in Assam. Under this system
grant-in-aid was fixed for a number of years, usually five.
While fixing the grant the strength of the staff, the finan-
cial resources and the requirements of the locality in which
the institution was situated, were taken into consideration.
Generally the grant given to the secondary schools was one-
third of the total expenditure, to a college one-fourth of
the total expenditure and to a primary school, one-half of
the total expenditure. In no case was this grant to exceed
the income of the school.

The advantage of this system of fixed grant were its
simplicity and elasticity. No elaborate Code was necessary
and managers had only to state their case fully to get grant.
It was possible to apportion the grant to the actual wants of the school with an ease and precision which were unattainable under a detailed code. Also it was possible to reduce the grant to a school that could thrive with lessened aid far more easily than under any more rigorously defined system. Besides this, this system, if fairly and steadily administered, secured stability as much as the system of salary grant, and like it, avoided the risk of placing Managers and Inspectors in antagonism. The defect of the system was that it was largely arbitrary in character. Under it, the power of Department in giving or refusing aid was scarcely subject to any practical limitation. Everything depended on the administration. If the administrators were fair and sympathetic towards private effort, all went well; otherwise it was extremely difficult for private Managers to obtain redress.

The only Provinces in which the system of "payment by results" (copied from English system) had been introduced were Bombay, where it formed the basis of the Grant-in-aid Rules; Madras, where it formed as it were an appendage of the Rules, and was intended primarily for application to elementary Schools; and the Central Provinces, where also it was solely introduced as an appendage to the general system, and was intended for application to indigenous
Schools. The system of payment by result enabled the Inspector to apply praise or blame with an amount of firmness and decision impossible under any other system. It paid much attention to the examination of individual pupils. It ensured that state aid was not wasted by being given where there were no educational results. It acted as a powerful stimulus to Managers and teachers. It enabled the Department to get rid of many troublesome questions about the character and trustworthiness of the management. It enabled the Department to readily compare the results obtained in different schools and districts.

The defect of the system was that the test of examination results was uncertain owing to the variation of standards applied by Inspectors, or by accidental absence of pupils, or accidental failure to show their real form under examination. The tendency was to give most aid to Managers who required it least and least to those who needed it most. It crushed out variety in courses and standards of instruction and it made examinations the main object of the thoughts, alike of the pupils and teachers. The Director of Public Instruction of Bombay, reported of the working of the system of payment by result as follows: "When the Rules for regulating these payments by results were drafted, I thought them sufficiently
liberal; but a revision will be necessary, as they are not so liberal as the Rules in other parts of India, which have for many years enjoyed greater educational advantages than the Central Provinces. I shall shortly submit a revised Code of Rules." Regarding the working of the system in Bombay the Director said that "it is a system which was popular with the Missionaries, as implying the minimum of interference, and it is also satisfactory to this Department, as implying the maximum of accuracy in the Reports of inspecting Officers. I am as yet only able to report on it by anticipation." (12)

The system of grant-in-aid on the whole had many advantages over the earlier system of granting money to institutions on application. It was economical as compared with the direct system of maintaining Government schools. It avoided all difficulties in connection with religious instruction. It also avoided the interference with the educational operations of the Christian Missionaries. It called forth local efforts and invested the population of the locality with a direct and practical concern in the instruction of the rising generation. It was specially suited to a country like India, where instruction had to

be provided for a teeming population scattered over extensive tracts, where the funds at the disposal of the Government were limited, and where the religion of the rulers differed from that professed by the great majority of the subjects.

The rules for European and Eurasian schools were more liberal than the ordinary grant-in-aid rules. They offered (1) an equivalent of the amount collected as a building and foundation fund and of the local annual contribution; (2) the site, if Government property; (3) a pension for the headmaster if a clergymen. The policy of the Government was to help the floating population of Indianized English in India. The schools aided under the above scheme were largely used by Government employees and others of the middle Anglo-Indian class and not by the "profitless unmanageable community, possibly dangerous to the State, a reproach to Government and a scandal to the Christian name." (13)

Such, briefly, was the policy of the Government in aiding education in India through a system of grant-in-aid. The motive behind this system was the desire of the Government of India to aid local effort in such a way that the aid should not increase or perpetuate the helplessness of
the people, but should encourage and foster any rudiment of individual exertion or public spirit. Upon this principle the Government of India founded their own educational institutions or aided private ones. And so far as this principle was concerned, there was no difference between Government and private institutions. In the one case the Government took the fee receipts as a set-off against their own outlay, in the other they accepted the private outlay; in both the cases the net cost to Government of the pupil’s education was smaller than the gross cost, and as a rule smaller in the aided than in the Government institutions.

But although Government were eager to promote education through the system of grant-in-aid the mass of the people in India did not have either the ability or the willingness to contribute their share which was one of the conditions for granting aid. Further the institutions run by the Government were competing with the private institutions, and the Government in maintaining both together were bidding against themselves and were checking with one hand what they promoted with the other. The great obstacle to the grant-in-aid institutions was the rivalry of the Government institutions which carried off the best pupils because of the prestige attached to the Government schools.

Some modifications in the system of grant-in-aid
were desired to make the system perfect. Mr. Howell suggested that the best system would be a compound between the Madras and Bombay systems, taking the good points in both. It might be worked thus: "(1) all existing grants might be commuted after due notice for results, the results being tested by examination in prescribed standards as in Bombay, and the payments calculated so as to approximate roughly and at first to the present system; (2) new grants to schools not yet existing should be offered on the Madras system, i.e., the master, if a certified man, should get a certain salary calculated according to his certificate, but not according to the local payment, if he has no certificate either from a University or from a normal school, he should only get half this sum; this grant would of course be conditional on satisfactory results of inspection as now; (3) after 5 years, such salary grants should be commuted to results on the system proposed for application to existing grants; (4) after 5 years on the results grants system, the Government payment might be reduced by 50 per cent; (5) lastly, after 5 years on the reduced scale, Government payment should cease altogether, as by that time, if the master is a competent man and there is a real demand for the kind of education given, the school ought to be self-supporting." (14)

The Indian Education Commission of 1882 also suggested some modification in the existing systems. The Commission recommended that payment by result system should not be applied to colleges. In schools aided on result system, variety in the course of instruction should be encouraged by grants for special subjects. The Commission wanted greater latitude to be given to the Managers of aided schools in fixing the course of instruction. Aid should not be refused to any school because of the proximity of a Government or of any other aided school. The Commission wanted to avoid all ambiguity in the rules regarding the amount and duration of the aid, the conditions of grants for buildings, apparatus, and furniture. They recommended that the "object of rendering assistance to schools in the form best suited to the circumstances of each Province and thus to call forth the largest amount of local co-operation," should be aimed and that the grant-in-aid rules should be revised "by the Local Governments in concert with the Managers of the School." Special attention should be paid to the complaints that had been made against the existing systems. As a general principle grant-in-aid should depend:

(a) "on locality, i.e., that larger proportionate grants be given to schools in backward Districts;"

(b) On the class of institutions, i.e., that greater proportionate aid be given to those in which a
a large amount of self-support cannot be expected, e.g.,
girls' schools and schools for lower castes and back-
ward races."

Regarding the amount of grant-in-aid except in cases in
which recommendations for special aid had been made the
following principles were to be adopted:

a) "That no grant be given to an institution which has
become self-supporting by means of fees, and which
needs no further development to meet the wants of
the locality.

b) That the amount of State aid (exclusive of scholar-
ships from public funds) do not exceed one-half of
the entire expenditure on an institution.

c) That, as a general rule, this maximum rate of aid be
given only to girls' schools, primary schools, and
Normal schools." (15)

Other recommendations on the subject included the consultation
of Managers of the non-Government institutions, prompt pay-
ment of grants when due and the publication of the revised
rules of grant-in-aid in the official Gazettes.

The recommendations of the Education Commission were
accepted by the Government of India. Each province evolved
a characteristic system of grant-in-aid, subject to the
general rule of the Government of India and with their
approval. All proposals in the rules of grants were submitted

1882 (Hunter Commission Report), Recommendations on the
External Relations of the Department.
to the Government of India for approval. The Government of Madras proposed in 1893 that results stipends paid in addition to pay to teachers might be taken into account in the calculation of average emoluments for pension or gratuity. (16). The Government of India approved this proposal of the Madras Government. Similar requests from different Governments were approved and by the end of the nineteenth century the grant-in-aid rules were different in different provinces. In Madras the High Schools were aided under the system of salary grants, middle schools on the permanent list were aided under the system of fixed grants and middle schools on the temporary list were aided on the system of payment by results. In Bombay schools the permanent character of which had been established were aided under a system of fixed quinquennial grants and all other schools were aided under the system of payment by results. In Bengal Secondary schools were aided under a system of fixed grants based upon the needs and means of the school concerned. The schools in Punjab received a fixed grant based on net expenditure and various other grants were given for specific purposes.

The pernicious system of payment by result was adopted

16. Letter No. 135, dated 18th February 1893 from the Government of Madras and the reply No. 111, dated 17th April 1893, sanctioning the proposal, from the Government of India.
in the case of primary schools and dominated the scene until a movement was started by Lord Curzon for its abandonment. In practice the standards prescribed for grants under the system of payment by result were found to be unduly high, and failure, even in a single subject, was held to disqualify for a grant, so that the Rules remained practically inoperative for some time.

The Government of India desired that the grant-in-aid rules should be made more elastic so as to enable each school, which was recognised as necessary and conformed to the prescribed standards of management and efficiency, to obtain the special assistance which it required in order to attain the fullest measure of utility. Government hoped that "as larger grants become available and as the pay and the personnel of the teaching staff are improved, it will be possible for the inspecting officer to concentrate his attention more and more upon the general quality of instruction. Full encouragement can then be given to improved and original methods of teaching and courses; and gradually the grant-earning capacity of an institution will come to be judged on grounds of general efficiency and desert rather than by rigid rules of calculation." (17)

Chapter XV

FINANCIAL POLICY

WAYS AND MEANS

We have studied in the previous chapter the system of grant-in-aid to schools. The next point to consider is the ways and means available for education in India. The sources were classified into Public and Private. The public sources included the imperial grant, provincial revenue, local cess, and Municipal Assignments. The private sources included the fees, subscriptions and donations, and endowments.

Imperial Grant

The local Governments in India received an annual assignment for education in the expenditure of which they were practically unfettered. Thus in 1824 the Committee of
Public Instruction in Bengal was vested with a discretion over the annual grant, and was only required to submit to Government regular accounts of expenditure. This did not apply, however, to new charges for fixed establishments or to contingent charges above $1000 for which special sanction was necessary. Again, in Madras in 1823, the local Government received permission to expend $50,000 annually on the taluk and collectorate schools. (1) The same principle prevailed in other provinces.

This system was changed by the strictly centralised budget system introduced by Mr. Wilson in 1860-61. From that date all expenditure required budget sanction and all new expenditure required special sanction to be admitted into the budget at all. That the budget was for sanctioned expenditure only was from that time the maxim of the Financial Department. The system prevailed for ten years and its working was described as the most demoralizing to the local Governments. Speaking on this Colonel R.E. Strachey said that "they have found by experience that the Government of India can hardly resist clamor, if it is loud enough and persistent enough. 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."

(1) Despatch of the Court of Directors, dated 16th April 1823.
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 the increase of the local means of improvement, the interest in developing the public revenues is also brought down to the lowest level. The Government of India has altogether lost what power it once had of supervising details, by reason of the enormous magnitude of the powers now to be performed by it, and the financial mechanism is seriously out of gear. " (2)

Strachey argued for more financial powers to the provinces, and said that the end to be aimed should be to divest themselves (Government of India) of all detailed concern with those items of expenditure which pertained to branches of administration, the details of which the Government of India could not in fact control. The Government of India were satisfied that it was desirable to enlarge the powers and responsibility of the Governments of Presidencies in respect to the public expenditure in some of the civil departments.

Under the existing system the local Governments had little liberty and but few motives for economy in their expenditure; it lay with the Government of India to control the growth of charges to meet. The local Governments were deeply

interested in the welfare of the people confided to their care, and, not knowing the requirements of the other parts of the country, they were liable, in their anxiety for administrative progress, to allow too little weight to fiscal considerations. On the other hand the Supreme Government, as responsible for the general financial safety, were obliged to reject many demands in themselves deserving of all encouragement, and were not always able to distribute satisfactorily the resources actually available. The Supreme and local Governments regarded from different points of view measures involving expenditure and there occurred conflicts of opinion. To avoid conflicts, it was expedient that, as far as possible, the obligation to find the funds necessary for administrative improvements should rest upon the authority whose immediate duty it was to devise such measures.

Accordingly in December 1870 the Government of India agreed to make over to the local Governments several departments of the administration, including education, with a fixed imperial assignment to support them. The transfer of power and responsibility was accompanied by certain financial restrictions common to all departments made over, and also by certain special restrictions peculiar to the subject, it being expressly stipulated that the existing educational code, as laid down in the various despatches from the Secretary of State, and
the existing grant-in-aid rules and other matters of general principle, were not affected by the resolution.

This special proviso for the maintenance of the educational code should not be lost sight of.

In pursuance of this policy each local Government received their imperial assignment for education, the exact amount being determined in each case by the grant for the preceding year, subject to a small rateable deduction spread all over the departments transferred. The Government of India in making these assignments expressed their confident belief that the measure would not only relieve the imperial finances of annually increasing and indefinite demands, but would afford opportunities for the development of self-government, for strengthening municipal institutions and for the association of Indians and Europeans to a great extent than heretofore in the administration of affairs.

The imperial grant issued from the Financial Department of the Government of India, was a fixed amount for education and was handed over to be administered with some limitations. The fixed grant was considerably below the sum of public money voted to education by the Government of India for 1870-71, and it was left to the local Government to effect an equilibrium between educational wants and means by retrench-
ment, re-appropriation, or an assignment from new provincial taxes. The provincial Governments applied all the three methods. In the Bombay Presidency the public grant for education in 1871-72 was less by Rs. 9,000 than the public grant made by the Government of India for 1870-71. But the grant though less than the full grant of 1870-71, was more than the fixed grant as reduced by the Government of India before transfer, and the Government of Bombay had therefore assigned most of the difference from the new provincial revenues. Important improvements had also been introduced by re-distribution, and the financial result of the new arrangements left no cause for dissatisfaction.

The effect of the change introduced by the Resolution of 1870 (3) is well brought out in the Bombay report. The Report said that "the difficulties which might have attended the financial effect of the order having been removed by the action of the local Government, I am glad to acknowledge the solidity of the administrative advantages foreseen by the Government of India. Only a small minority of educational salaries being over Rs. 250 per mensem, the distribution of the bulk of the grant has passed absolutely under the control of the Government of Bombay, and the facilities for using it economically

and efficiently are hereby greatly increased." (4)

**Provincial Revenue**

Another source of income for educational purpose was the provincial revenue which was the produce of the land revenue and of taxation. Part of this provincial revenue was paid under provincial settlements into the Imperial Exchequer and part was retained by local Governments. Thus the imperial grant was in one sense provincial income only though it was separately shown from local funds, as it obviously differed from all others that did not come into the Imperial Exchequer at all. The portion given to the Imperial Government was partly given back to the Local Government as imperial grants. The educational grants from provincial funds, amounting to about four times of the imperial grants, but varying in different provinces, was shown by each province in the provincial budget as "part of the provincial funds available for education."

Since the introduction of the Montagu-Chelmsford Reforms in 1919 certain items of revenues such as revenues from land, judicial stamps, excise and irrigation were handed over completely to provinces and certain items of revenues

such as those from post office, income-tax, opium, salt and railways were retained by the Imperial Government. Provinces were also given limited power of taxation and of borrowing. Among the transferred subjects handed over to provinces education was included. The income from provincial revenues for education rose from Rs.73,000,000 in 1882 to Rs. 9,02,000,000 in 1922, i.e., over twelve times as much.

Local Cess

The next item of income was the produce of the several local cesses or compulsory land-rates, which varied in different provinces in their excess over the regular land revenue demand and also varied in the appropriation of their proceeds to education. As far back as April 1859 the attention of the Government of India and of the several Local Governments had been drawn by the Earl of Derby, who was then Secretary of State, to the expediency of imposing a compulsory rate to defray the expenses of schools for the rural population. The measure did not at that time find favour with all the provinces. In Madras the Director of Public Instruction Mr. Arbuthnot suggested the levy of a special rate for meeting the expenditure needed for education. He said:

"I see no reason why the experiment of a special rate should not be tried in one or more districts in which there is no immediate prospect of its interfering with
the extension of the grant-in-aid system. If it be confined for a time to a limited tract of country it need not interfere with the development of the grant-in-aid system elsewhere, and the co-existence of the two systems will after a time furnish data for determining which of them it will be expedient to adopt definitely. " (5)

The suggestions for the levy of cess was accepted by the Local Governments and the various Provinces levied different rate of cess for education. The income from this sources formed the major part of the local receipts. In Punjab during the year 1861-62, for instance, out of the total local income of R.3,35,525 educational cess at the rate of one per cent was R.2,84,978. Some District officers interested in education had founded and maintained schools out of local funds. "In Hoshiarpur, Colonel Abbott had induced many of the zemindars to pay a certain percentage on their revenue for the support of schools, long before the 1 per cent cess was officially introduced." (6) Mr. Arnold in his report on the education in Punjab said that "it was clear that schools which were entirely supported out of the public fund - out of the common cess- and which accordingly would be to all intent and purposes Government schools, could be far more efficiently organized and managed than schools supported by individuals and only aided by Government." (7) The Government of India

5. Letter from the Director of Public Instruction, to the Government of Madras, dated the 24th September 1859.
7. Ibid., paragraph 55.
observed that the levy of cess was not altogether free from injustice as it fell entirely on the agricultural population, while the village schools, which were maintained from the funds so provided, were equally open to the commercial and other non-agricultural classes. Further they observed that in respect of the education cess that no more ought to be taken from the people than would suffice to meet the expenditure on village schools for that year. The demand of sums "in excess of what is required for the current expense of the schools, and the accumulation of a fund from this source, are open to serious objection, and His Excellency desires that for the future, such demand and accumulation may be avoided."(8)

In May 1863 the Government of India suggested, for earnest and immediate consideration of the provinces, the introduction of an education cess on the model of the one which had proved successful in Northern and Western India. The necessity of supplementing imperial revenues by local cess had been felt in the various provinces and the alarming state of finance in the various provinces rendered legislation towards this direction necessary.

In Madras the local Government had long had in contempla-
tion a measure of even larger scope than any previously introduced elsewhere, and the views of the Government of India only confirmed the action already originated; and the Madras Acts III and IV of 1871 were the result. This measure was far more comprehensive than the one suggested by the Government of India, for it superseded not only the Madras Act VI of 1863, but also the Madras District Road Cess Act of 1866 and the Madras Act II of 1868, which also related to roads and bridges. The funds raised under the new Act were to be applicable, among other things, to the diffusion of education and, with this object in view, the construction and repair of school-houses, the maintenance of schools either wholly or by means of grants-in-aid, the inspection of schools, and the training of teachers. The Act provided for a cess on lands, the rate not to exceed one anna in the rupee, as in Bombay, on the annual rent value, and it placed education in the category of roads and other works of local improvement; and going beyond the latter, it applied equally to townships, in which respect it had been made complete by the previous Act III of 1871, (the Town Improvement Act). The main feature in the Act was that it recognised the all-important principle of working through the people in small areas or districts and that it constituted in each a local funds board composed of official and non-official residents, similar in character
to those contemplated in the English Education Act of 1870 and with somewhat similar power and responsibilities.

The Bengal Government, however, declared and prolonged their opposition to the views of the Government of India. On the 30th April 1869 they protested most strongly and on various grounds against the expediency of any such measure for education at all and expressed an earnest hope that the views of the Government of India might be re-considered. While, however, declaring the impracticability of raising a cess for education, the local Government offered to raise a cess for the construction and maintenance of local roads. The Government of India accepted the offer of a cess for roads but adhering to their views on the main question, referred the whole correspondence to the Home Government, by which, notwithstanding a considerable amount of dissent in Council, it was finally decided (9) (a) that the levy of a land-rate for local purposes upon permanent or temporary tenures in Bengal was not barred by law and (b) that on many considerations the proposed measure, i.e., for extending mass education and for the construction of roads and other works of public utility was, if carefully carried out, both expedient and politic. The result of all this correspondence was the

enactment of the Bengal Road Cess Act. (B.C. No. X of 1871)

As regards the other provinces, "it will be observed that the cess being determined by the imperial land revenue demand will rise in proportion with that demand, so that the fund for mass education will grow with the growing prosperity of the country." (10) It may be mentioned that in the expenditure of this fund the Government of India had consistently maintained two principles - (1) that the fund should be restricted to the benefit of the agricultural population by which it was paid, and (2) that it should be restricted to the provision of elementary education, there being no warrant for a local compulsory and general rate for higher education.

Income from cess in the whole country in 1870 was Rs. 15,72,829. This rose a little over six times as much by 1922. The cess was collected throughout India at a rate approximately to 6 per cent of the annual value of the land. There was no fixed rule as to what portion of the cess collected should be spent for education, but it varied generally from one-fourth to one-sixth. The income from this source was insufficient to meet the expenditure on education, and to supplement this source, part of the provincial funds

was allotted to Local bodies.

The above discussion about the introduction of cess for education clearly reveals the intention of the Government of India. Time and again they urged the Bengal Government the introduction of a local cess. The Home Department argued that in no part of India could a cess upon the land be more fairly levied than in Bengal, because, since the permanent settlement, the area of cultivation and the prices of produce had enormously increased, while the imperial demand had remained stationary. In April 1865, the Home Department still more forcibly declared that the neglect of education for the masses in Bengal was "a reproach to Government that should be borne no longer; " that a cess on the model of the cesses in Northern and Western India must be introduced, and the Governor General in Council distinctly declared that "he would not consent even to discuss the subject any longer."(11) Thus the policy that education should be enforced mainly by local taxation was insisted on by the Government of India.

Municipal Assignments

Another source of income was the Municipal funds consisting partly of provincial contributions and partly of local cesses. The system of receiving the provincial grants and

11.Home (Edn.) Proceedings No.1 dated 1st January 1870.
that of collecting the cesses was more or less the same as in the case of local bodies described above. Large municipalities had the privilege of levying special cesses. Practically they received no aid from the Government. Howell observed that "looking to the proportion between the urban and agricultural population, to the urgency of elementary education for the former, both on its own account and as the only basis of technical education of which the country stands in such sore need, and looking to the larger facilities for establishing, maintaining and supervising elementary schools in towns than in villages, it is strange that no large measure corresponding with the cess can as yet show its action in any of the educational reports. On this point most of them are silent." (12) The Bombay Director, however, maintained with undeniable force that "the absence of a school-rate in towns is unfair to the rural cess-payer and that a school-rate levied and administered by the State under legal authority is a better means of support for primary schools in towns than a high rate of fee." (13)

The Bombay Municipality under special arrangement with the provincial Government had been relieved of all expenses.

12. A.P. Howell, (n. 6, p.3), section I.
13. Ibid.
on police since 1907, in return for which it was made responsible for the entire management of primary education, along with a couple of other things. Expenditure from this source rose from ₹4,60,000 in 1882 to ₹79,00,000 in 1922, i.e., a little more than 17 times. Analysing the expenditure for the year 1922 the municipal fund contributed about 7 per cent of the public or 4 per cent of the total expenditure on education.

Fees

Among the private sources the most important one was the fees. When the demand for education increased Government permitted the collection of fees from students. In 1826 the Madras Government forwarded to the Court of Directors several reports about the schools in Madras and they stated that "the schools are for the most supported by fees varying from one anna to four rupees per menses; ordinarily about 4 annas and seldom exceeding half a rupee."(14) This policy of permitting the collection of fees was contrary to the ancient tradition of India which forbade the charging of fees from students whose maintenance even was often provided for either by the teacher himself or by the local communities. The teachers too believed in simple living and high thinking and cherished therefore no mundane ambition for wealth. But with the introduction of Western education

the tradition had to be changed. H.T. Prinsep in his Note referred to the fact that "the English Master who is a Christian and who has been appointed by the Committee to the Madrasa acts on quite different principles and not only deems it no sin to take payment for the lessons he gives but makes a special demand of it from all who appear to him to have the means of paying." (15) Collection of fee was also mentioned by J.R. Colvin his Note that in the Hindu College at Calcutta "the number of scholars is now 436 of whom all except 100 pay for their tuition. The Hindu College was distinguished in the above point of payments made by the pupils from the other institutions under the Committee where a system of general alimentary allowances for the support of students had been long in force." (16) The Government of Bengal made the payment of fee compulsory by an order in 1844 which said, "It is the desire of the Governor that all boys who may come for instruction to these schools should be compelled to pay a monthly sum, however small for their tuition. The necessity for payment tends to induce more respectable classes to send their children to the Government schools which would otherwise be attended by those of the lowest order. It is obviously proper to begin with those who can not only contribute means for its further extension, but influence others by their example to follow the same course."

15. Note, dated 15th February 1835, by H.T. Prinsep
The Court of Directors favoured the collection of fees and said that it had been found by experience that not only "is an entirely gratuitous education valued far less by those who receive it than one for which some payment, however small, is made, but that the payment induces a more regular attendance, and greater exertion, on the part of the pupils;" (17) and, for this reason they wanted, as a general policy, that grants should be given to such schools only which levied some fees from the pupils.

The collection of fee supplemented the income of schools and in course of time income from fees formed a substantial part of the total funds for educational expenditure and stood next to expenditure from provincial funds. The expenditure from this source rose from Rs.44,00,000 in 1882 to Rs.3,80,00,000 in 1922, i.e., a little over nine times. There was some little discrepancy in the fees charged at the same kind of schools for the same kind of education in the different provinces. This was a point affected by so many local considerations that uniformity was not found desirable. The variation of fees in the same province was owing to the schools not being graded properly. The following Table shows the monthly average fee rate in Government and aided institutions

17. Despatch of 1854, (n.21, p.149), paragraph 54.
during 1870-71.(18)

<table>
<thead>
<tr>
<th>Provinces</th>
<th>Government Colleges</th>
<th>Schools</th>
<th>Aided Colleges</th>
<th>Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bengal</td>
<td>Rs.3 to Rs.12</td>
<td>...</td>
<td>Rs.5 to Rs.12</td>
<td>...</td>
</tr>
<tr>
<td>Madras</td>
<td>Rs.2 to Rs.4</td>
<td>As.4 to As.2</td>
<td>Rs.1 to Rs.5</td>
<td>As.1 to Rs.5</td>
</tr>
<tr>
<td>Bombay</td>
<td>Rs.3</td>
<td>Rs.1</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>North-Western</td>
<td>As.5 to Rs.10</td>
<td>...</td>
<td>As.1 to Rs.20</td>
<td>As.1 to Rs.5</td>
</tr>
<tr>
<td>Provinces</td>
<td>Punjab</td>
<td>As.5 to Rs.5</td>
<td>...</td>
<td>Rs.3 to Rs.10</td>
</tr>
</tbody>
</table>

Subscriptions and donations

These sources from the early days formed a major part of the funds for education. The Government had been encouraging voluntary contributions to education from Government officers, private individuals, institutions and even religious establishments. Though the income from subscriptions and donations was a purely a voluntary one the schools made maximum use of this source as they had to make up the required amount of private income to be eligible to receive the Government aid. Wealthy zamindars, whether called forth by a sincere desire to benefit their dependent countrymen, or by the prospect of those honours distinctions which the Government could bestow or by a combine--

tion of both motives placed considerable sums of money at the disposal of Government for the general purposes of public improvement or of public instruction without any more specific appropriation. Mr. A.M. Monteath in his Note referred to this source that

"It is seldom that a newly established school, especially if it be a Vernacular School, in a part of the country where education has not come to be appreciated, can produce, in the early part of its existence, much income from fees; and there must, of course, therefore at first be a correspondingly large share of subscriptions to make up the required amount of private income, but as the school gains footing among the people, the fee income will ordinarily increase, and in that case it does not seem to the Governor General in Council to be unreasonable expectation that the increase of fee receipt should be allowed to take the place of the subscriptions previously given; and such an expectation is certainly not less reasonable if the subscriptions form a part of a limited income, but the whole of which is sought to be expended on the advancement of education; and if the object in withdrawing assistance from one school which has attained a state in which it is, to a large extent, self-supporting, is to afford it to some new school which could not be established, or carried through the first period of its existence without such aid." (19)

Endowments

This source of income was not large and the accuracy of the figures taken from reports was doubtful. It was different from the above private sources in that it was a permanent gift for a definite purpose such as scholarships.

19. A. Monteath, (n.16, p.221), Section VI.
for poor students. Mr. Howell observed about this source of income that "looking at the actual ill-effects of misapplied endowments, it would be well if each report were to show regularly the endowments administered by the educational department in each province and how the trust is fulfilled."

The following table shows the income by these various sources during 1870-71. (20)

<table>
<thead>
<tr>
<th>Sources of Income</th>
<th>Bengal</th>
<th>Madras</th>
<th>Bombay</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Imperial grant</td>
<td>Rs. 18,65,985</td>
<td>Rs. 10,83,085</td>
<td>Rs. 9,48,038</td>
</tr>
<tr>
<td>2. Local Cess</td>
<td>Nil</td>
<td>Nil</td>
<td>7,20,326</td>
</tr>
<tr>
<td>3. Municipal Assignments</td>
<td>Nil</td>
<td>Nil</td>
<td>36,644</td>
</tr>
<tr>
<td>4. Fees in Government colleges and schools</td>
<td>3,83,644</td>
<td>96,704</td>
<td>2,28,615</td>
</tr>
<tr>
<td>5. Subscriptions and donations</td>
<td>12,231</td>
<td>1,103</td>
<td>43,097</td>
</tr>
<tr>
<td>6. Endowments</td>
<td>66,969</td>
<td>2,014</td>
<td>33,006</td>
</tr>
</tbody>
</table>

These figures show clearly that though the Government of India explored the various sources of income, the income from the imperial grant formed the major portion of the amount utilised for education in India.

20. A.P. Howell, (n.6, p.3), Section I.
EXPENDITURE BY OBJECT

Having discussed the various sources of income for educational expenditure we shall now analyse the expenditure by objects. Generally expenditure on education was on two headings namely Direct and Indirect. Direct expenses included all expenses of the management of schools and colleges, pay of teachers and other measures directly connected with the management of an institution. Indirect expenditure included all expenses on permanent buildings, apparatus, inspection, scholarships etc.

It was a general complaint in India that the cost of controlling the establishments bore more than a fair proportion to the expenditure of Government on direct measure for instruction. This was mainly due to the establishments of costly Educational Departments under the despatch of 1854 in supersession of the Boards and Councils of which some account was given under the chapter Controlling Agency. The minimum salary of a Director of Public Instruction in the various provinces was Rs.2,000 and that of a Third Grade Inspector of Schools Rs.750. The following Table shows the classified results of the proposed expenditure in 1862-63 in the three Divisions of the Bengal Presidency and the
Presidencies of Bombay and Madras:— (21)

<table>
<thead>
<tr>
<th></th>
<th>Bengal</th>
<th>Madras</th>
<th>Bombay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direction and its subsidi-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ary charges</td>
<td>44,660</td>
<td>49,996</td>
<td>41,948</td>
</tr>
<tr>
<td>Inspection and its subsidi-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ary charges</td>
<td>1,77,488</td>
<td>1,06,296</td>
<td>31,804</td>
</tr>
<tr>
<td>Instruction</td>
<td>10,98,924</td>
<td>5,38,863</td>
<td>4,02,900</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,21,072</strong></td>
<td><strong>6,95,155</strong></td>
<td><strong>5,26,652</strong></td>
</tr>
</tbody>
</table>

From the above the following comparative Table is deduced:—

<table>
<thead>
<tr>
<th></th>
<th>Bengal</th>
<th>Madras</th>
<th>Bombay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of cost of Direc-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>tion on cost of Instruction</td>
<td>4</td>
<td>9.2</td>
<td>7.9</td>
</tr>
<tr>
<td>Percentage of cost of Ins-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>pection on cost of Instruc-</td>
<td>16.1</td>
<td>19.7</td>
<td>15.5</td>
</tr>
</tbody>
</table>

The Table shows that the percentage of the cost of inspection on the cost of instruction was rather high. The Government of India tried to justify the high cost of the establishment in view of the varied task the educational departments had to perform.

Mass education was a neglected one in India and the money allotted for the development of elementary education was meagre. In making educational assignments as well as in spending the money the educational policy laid down by the Despatch of 1854 and the Commission of 1882 was not adhered to. A very small sum wholly disproportionate to the vast population of the country was spent on education in India to which the Government made very inadequate grants. In the distribution of the expenditure the colleges and secondary schools got the lion's share and primary education starved. There was neither adequate money nor fair distribution.

Mr. Bilgrami, a member of the Viceroy's Council, gave interesting figures of educational expenditure in other countries. He said that "taking the year 1896-97 one finds that while India was spending Rs. 9,522,000 on education both direct and indirect, England was spending on direct education alone Rs. 120,354,000, France Rs. 124,298,000, Russia Rs. 52,481,000, Germany Rs. 51,978,000 and U.S.A. Rs. 116,118,600.... so if we wish to overtake a backward country like Russia we shall still have to spend a little short of three times the amount (Rs. 352,000,00) we are spending now from all sources public and private... We can form some conception of the disparity of the position India occupies
in the civilized world. Even Russia where the subject population is kept in a state bordering on slavery spends nearly ten times as much as India." (22)

It had been the policy of the British Government in India to encourage education only if that could be done without any additional cost to the treasury. One of the reasons given for not undertaking the education of the masses in India was lack of funds. Government were unwilling to incur any additional expenditure other than what was squeezed out from their unwilling hands by the persistent agitation of the people. The policy adopted made education a legitimate object of expenditure but not an imperative charge on the resources of Government. The financial policy of the Government with regard to mass education was summarised by Mr. Fuller who said that "Indian Finance has never provided an amount that was adequate for the support of this organisation (primary education): the school accommodation has generally been squalid and cramped, and the teachers imperfectly trained and underpaid... The popularity of instruction has depended more upon the habits of the community than upon the expenditure of the State." (23)

On secondary education the total expenditure rose from Rs.48,00,000 in 1882 to Rs.4,37,00,000 in 1922 i.e., over ten times as much. Of the total expenditure, upto 1920 "slightly less than one-third is contributed from Public sources and the extent to which Secondary education is self-supporting is an additional proof of its popularity." (24) Indians were eager to educate their children though their economic condition could not permit them to do so and this was the reason for the proportionately high expenditure on education from private sources. Government's policy of financing secondary education was that of fully utilising private efforts and of encouraging private enterprise through certain incentives. Government were not prepared to spend a pie more than what they could spare after meeting all other items of expenditure.

The financial policy of the Government towards higher education had always been stingy and undemocratic. As compared to the expenditure spent on primary and secondary education the total spent on University education in 1882 was only Rs.16,00,000 or one third of the expenditure on secondary education. The expenditure was mostly "Indirect expenditure" as Indian Universities were mostly not teaching Universities. Government assistance was usually given in the form of block-

grants to be spent at the discretion of the University. The expenditure was mostly "Indirect expenditure" as Indian Universities were mostly administrative types. The expenditure on institutions directly maintained by the Government, or distributed as aid to private institutions, was defrayed by the authorities of the Educational Department though in some cases Universities also rendered financial assistance to their affiliated colleges from funds at their disposal. In general Universities in India had to depend on the Governments for their financial stability, as they had no large foundations of their own. The position was that nearly half the expenditure on University education in India, including all colleges maintained or aided by Government, was met from public revenue, collection of fees from students and income from all other sources covering only the remaining part. "It is perhaps difficult to expect, at least for some time to come increased assistance from the Governments, as the needs of elementary education and the fight against illiteracy are making great demand on their revenues, and the present expenditure on university education, in relation to the total provision for education in the budget of the provinces, cannot be said to be "unsatisfactory." (25) The proportion in 1935 was 14.95 per cent in Bengal, 15.77 per cent in

Bihar and Orissa, 11.92 per cent in the United Provinces, 10.9 per cent in Burma and 14.46 per cent in the minor administration of Delhi.

The financial position of education was strengthened generally with the decentralization of administration. The Education Department in each province looked for its annual grant to its own Government and except in times of financial disaster such as war or famine, this grant was independent of ordinary financial risks. It was secure because it was given by a Government which had unfettered discretion in spending their revenues and were in close touch with their own Education Department. There was a general financial prosperity which helped education much during the beginning of the twentieth century and moreover the decision of Lord Curzon that the centre should help education in the provinces placed huge sums at the disposal of education such as had never been available before. The local bodies and municipalities had their own share in finance and there was considerable increase in educational expenditure.

With the grant of the provincial autonomy, the Indian Ministers began to allot more funds for the expansion of primary education and the education of the backward classes. But the Second World War stood in the way and the progress was not as much as expected. The total expenditure in 1946–
47 on the collegiate education was Rs. 707 lakhs to which Government contributed 282 lakhs or nearly 39.9 per cent, that on secondary education was Rs. 1192 lakhs to which Government contribution was Rs. 325 lakhs or nearly 46 per cent, and that on primary education Rs. 1526 lakhs to which Government allocated Rs. 887 lakhs or 58.1 per cent. During the decennium, 1937-47, the increase in total expenditure on the three branches was 169.7 per cent, 56.5 per cent, 71.2 per cent respectively and Government expenditure was 120.3 percent, 5.1 percent and 39.8 per cent respectively. On the whole the expenditure in 1854 was only 9.99 lakhs rupees which became 65.71 lakh rupees in 1870-71, rose to 559 lakhs in 1907 and 18.38 crores in 1921, 27.9 crores in 1931-32, 30.86 crores in 1941-42 and rupees 57.66 in 1947. The increase was not in proportion to the increase of expenditure on other items. Imperial needs like railway and roads received priority over education and the allocation for the latter continued to be meagre as before.

"To sum up in one sentence the general financial policy of Great Britain in India towards education, we can say that education of Indians has been regarded, funds permitting, as a legitimate object of expenditure and not an imperative charge on the revenues of the country." (26)

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