



EAST INDIA  
ACCOUNTS AND ESTIMATES

1934-1935

EXPLANATORY MEMORANDUM

By the Secretary of State  
for India

*Presented by the Secretary of State for India to  
Parliament by Command of His Majesty  
September, 1934*

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# MEMORANDUM

BY THE

SECRETARY OF STATE FOR INDIA

RELATING TO THE

**ACCOUNTS of the GOVERNMENT OF INDIA (Central Government)  
for 1932-33 and the ESTIMATES for 1933-34 and 1934-35**

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## I.—INTRODUCTION

### SEPARATION OF CENTRAL AND PROVINCIAL FINANCES

The chief Provincial Governments in India have assigned to them specific revenues of their own, and are responsible for the discharge of those functions of Government, which have been classified as "provincial subjects."

The finances of the Central Government and of the several Provincial Governments are thus kept separate and distinct from each other.

The annual volumes of the "Finance and Revenue Accounts of the Government of India," commencing with that for 1921-22, exhibit separately the revenue and expenditure of the Central Government and of each of the Provincial Governments. The Central Government and each Provincial Government issues annually its own budget estimate for the forthcoming year and, in most cases, a revised estimate for the closing year. **This Memorandum, however, deals with the Accounts and Estimates of the Central Government only, except where otherwise stated.**

### SEPARATION OF RAILWAY FINANCE FROM GENERAL FINANCE

In accordance with a Resolution passed in the Legislative Assembly in September, 1924, Railway Finance has been separated from the general finances of Government with effect from the year 1924-25. Notes on the Railway Budget will be found on pages 12 to 14.

## RATES OF EXCHANGE

The sterling amounts under Revenue and Capital heads in the Annual Accounts are converted into rupees at the average of the daily rates for telegraphic transfers in Calcutta on London in each year; the rate applied in 1932-33 being Rs. 13·28904 per £. In the Budgets for 1933-34 and 1934-35, a conversion rate of 1s. 6d. per rupee is assumed, and in the Revised Estimate for 1933-34 a conversion rate of 1s. 6½d. per rupee is assumed.

The sterling amounts under Debt and Remittance heads are converted into rupees at Rs. 13½ per £ (1s. 6d. per rupee).

## II.—REVENUE, AND EXPENDITURE CHARGED TO REVENUE.

### GROSS REVENUE AND EXPENDITURE

The Gross Revenue and Expenditure of the Government of India for the three years to which this Memorandum refers are shown in Table A on pages 6 and 7.

All receipts on revenue account are included in the total of revenue and all outlay in the total of expenditure, with the main exceptions that the working expenses of railways, irrigation works and posts and telegraphs, and the surplus profits paid to certain railway companies, are treated not as expenditure but as a deduction from revenue.

### NET REVENUE AND EXPENDITURE

The figures of Gross Revenue given in Table A, although showing the net receipts of railways and other commercial undertakings, make no deduction on account of interest charges; the total receipts under tax revenue do not eliminate the cost of collection; and the receipts from opium sales take no account of the cost of cultivation and manufacture. Customs revenue includes the portion of the Customs and Excise duties on motor spirit payable to the Road Development Fund for expenditure by Provincial Governments, etc. On the expenditure side, Military expenditure is shown gross, the Military receipts being included under revenue, and the appropriation to the Road Development Fund is included under Civil Works.

To present a picture of the revenue available for administrative purposes and the expenditure on such purposes, an analytical table of the *Net Revenue and Expenditure of the Central Government* is given in Table B on pages 8 and 9. This Table has been prepared on somewhat different lines from that given last in year's issue; comparable figures for previous years will be found in the tables on pages 182 *et seq.* of the Indian Budget Volume (H.C. 103 of 1934).

## A.—GROSS REVENUE AND EXPENDITURE CHARGED

REVENUE	Accounts, 1933-33.	Budget Estimate, 1933-34.	Revised Estimate, 1933-34.	Budget Estimate, 1934-35.
	Rs.	Rs.	Rs.	Rs.
<b>Principal Heads of Revenue—</b>				
Customs .. .. .	51,95,17,460	51,24,60,000	46,87,00,000	47,76,00,000
Taxes on Income .. .. .	17,97,40,319	18,06,00,000	17,13,00,000	17,25,00,000
(Salt .. .. .)	10,07,35,768	8,75,00,000	8,55,00,900	8,73,00,000
Opium .. .. .	89,86,152	1,20,05,000	1,58,65,000	95,07,000
Other Heads .. .. .	1,84,84,834	1,89,93,000	1,86,07,000	1,81,81,000
<b>Total Principal Heads</b> .. .. .	<b>82,74,64,533</b>	<b>81,15,58,000</b>	<b>75,99,72,000</b>	<b>76,50,88,000</b>
Railways: Net Receipts .. .. .	33,37,17,406	33,39,45,000	32,86,96,000	32,58,27,000
Irrigation: Net Receipts .. .. .	1,64,175	— 14,000	— 12,000	3,000
Posts and Telegraphs: Net Receipts	39,19,117	30,41,000	31,63,000	69,78,000
Interest Receipts .. .. .	1,87,62,735	1,82,00,000	1,58,98,000	1,86,25,000
Civil Administration .. .. .	86,68,237	82,62,000	77,49,000	78,28,000
Currency and Mint.. .. .	2,30,63,292	1,74,68,000	1,23,35,000	1,27,02,000
Civil Works .. .. .	23,37,232	21,55,000	24,02,000	23,86,000
Miscellaneous .. .. .	93,22,564	57,34,000	68,54,000	56,37,000
Defence Receipts .. .. .	3,63,49,997	4,31,67,000	5,24,74,000	5,20,47,000
Provincial Contributions and Miscellaneous Adjustments between Central and Provincial Governments .. .. .	—	—	—	—
Extraordinary Items .. .. .	2,05,580	—	35,63,000	—
<b>Total Revenue</b> .. .. .	<b>1,26,39,74,868</b>	<b>1,24,35,16,000</b>	<b>1,19,30,94,000</b>	<b>1,19,71,21,000</b>

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TO REVENUE OF THE CENTRAL GOVERNMENT

EXPENDITURE.	Accounts, 1932-33.	Budget Estimate, 1933-34.	Revised Estimate, 1933-34.	Budget Estimate, 1934-35.
	Rs.	Rs.	Rs.	Rs.
Direct Demands on the Revenue ..	4,23,68,016	4,15,94,000	4,27,38,000	4,00,79,000
Forest and other Capital Outlay charged to Revenue .. ..	2,37,450	2,34,000	1,46,000	1,46,000
Railways : Interest and Miscellaneous Charges .. .. .	33,37,17,406	33,39,45,000	32,86,96,000	32,58,27,000
Irrigation .. .. .	5,40,440	4,74,000	3,85,000	5,95,000
Posts and Telegraphs .. .. .	85,64,719	91,22,000	87,06,000	88,32,000
Debt Services .. .. .	18,45,62,366	17,67,36,000	12,65,98,000	13,33,55,000
Civil Administration .. .. .	9,68,79,566	9,59,22,000	9,58,69,000	9,58,62,000
Currency and Mint .. .. .	65,67,161	64,19,000	60,89,000	60,39,000
Civil Works .. .. .	1,77,16,265	1,93,92,000	2,06,88,000	2,01,96,000
Miscellaneous .. .. .	4,23,51,872	4,11,76,000	4,25,38,000	4,31,74,000
Defence Services .. .. .	50,37,49,997	50,51,67,000	49,67,21,000	49,58,47,000
Miscellaneous adjustments between the Central and Provincial Gov- ernments .. .. .	96,05,073	1,00,00,000	1,00,00,000	2,52,44,000
Extraordinary Items .. .. .	15,95,345	8,74,000	1,39,20,000	3,10,000
<b>Total Expenditure Charged to Revenue</b>	<b>1,24,84,55,676</b>	<b>1,24,10,55,000</b>	<b>1,19,30,94,000</b>	<b>1,19,61,06,000</b>
Surplus .. .. .	1,55,19,192	24,61,000	—	10,15,000
<b>Total .. .. .</b>	<b>1,26,39,74,868</b>	<b>1,24,35,16,000</b>	<b>1,19,30,94,000</b>	<b>1,19,71,21,000</b>

**B.—NET REVENUE AND EXPENDITURE OF THE CENTRAL GOVERNMENT**  
*Net Revenue*

	Accounts, 1932-33.		Budget Estimate, 1933-34.		Revised Estimate, 1933-34.		Budget Estimate, 1934-35.	
	Rs.	lakhs.	Rs.	lakhs.	Rs.	lakhs.	Rs.	lakhs.
<b>I. Tax Revenue :—</b>								
Customs .. .. .	50,00	45	49,20	00	44,70	92	45,57	42
Taxes on Income .. .. .	17,19	81	17,21	17	16,30	08	16,39	97
Salt .. .. .	8,95	84	7,59	80	7,40	74	7,57	92
Other Heads .. .. .	58	47	60	13	54	60	57	12
		76,74		74,61		68,96		70,12
		5		62		87		52
<b>II. Opium .. .. .</b>		99		69		06		79
<b>III. Commercial Departments :—</b>								
Railways .. .. .	—		—		—		—	
Irrigation .. .. .	—	3	—	67	—	3	—	71
Posts and Telegraphs .. .. .	—	41	—	20	—	51	—	47
		45		87		55		18
<b>IV. Currency and Mint .. .. .</b>		1,64		1,10		62		63
<b>V. Interest Receipts .. .. .</b>		1,87		1,82		1,58		1,86
<b>VI. Extraordinary Receipts .. .. .</b>		2		—		35		—
<b>VII. Other Revenue :—</b>								
Civil Administration .. .. .	86	68	82	62	77	49	78	28
Payment from Indian States .. .. .	73	57	73	78	76	64	73	73
Other Heads .. .. .	1,34	63	95	79	1,08	73	95	27
		2,94		2,52		2,62		2,47
<b>Total Net Revenue .. .. .</b>		82,84		80,06		74,47		75,39
		84		60		87		20

*Net Expenditure*

—	Accounts, 1932-33.		Budget Estimate, 1933-34.		Revised Estimate, 1933-34.		Budget Estimate, 1934-35.	
	Rs. lakhs.		Rs. lakhs.		Rs. lakhs.		Rs. lakhs.	
<b>I. Debt Services :—</b>								
Interest .. .. .	11,61·38		10,78·79		9,65·98		10,33·55	
Reduction or Avoidance of Debt	6,84·24		6,88·57		3,00·00		3,00·00	
		18,45·62		17,67·36		12,65·98		13,33·55
<b>II. Defence Services :—</b>								
Effective .. .. .	38,70·35		38,79·69		36,16·98		36,68·52	
Non-effective .. .. .	7,88·88		8,01·71		8,17·00		8,19·23	
Transfers to or from Defence Reserve Fund .. .. .	14·77		-61·40		8·49		-49·75	
		46,74·00		46,20·00		44,42·47		44,38·00
<b>III. Net Capital Outlay on Commercial Departments charged to Revenue :—</b>								
Posts and Telegraphs and Irrigation .. .. .		4·97		3·82		3·94		4·28
<b>IV. Miscellaneous Adjustments between Central and Provincial Governments .. .. .</b>		96·05		1,00·00		1,00·00		2,52·44
<b>V. Extraordinary Payments .. .. .</b>		15·95		8·74		1,39·20		3·10
<b>VI. Other Expenditure :—</b>								
Civil Administration .. .. .	9,68·80		9,59·22		9,58·69		9,58·62	
Other Heads .. .. .	5,24·26		5,22·85		5,37·59		5,39·06	
		14,93·06		14,82·07		14,96·28		14,97·68
<b>Total Net Expenditure .. .. .</b>		81,29·65		79,81·99		74,47·87		75,29·05
<b>Surplus (+) or Deficit (-) .. .. .</b>		+1,55·19		+24·61		—		+10·15



## ACCOUNTS, 1932-33

The Accounts for 1932-33 show a surplus of Rs. 1,55 lakhs. The principal variations in the actuals from the Revised Estimate are noted in the Financial Secretary's memorandum in the Indian Budget Volume (H.C. 103 of 1934).

## REVISED ESTIMATE, 1933-34

The Revised Estimate compares with the Budget estimate for 1933-34 as follows:—

	Budget. <i>Rs. lakhs.</i>	Revised Estimate. <i>Rs. lakhs.</i>
Revenue .. .. .	124,35	119,31
Expenditure .. .. .	124,10	119,31
Surplus .. .. .	25	—

The Budget estimate anticipated a surplus of Rs. 25 lakhs after providing Rs. 6,88 lakhs for reduction of debt. The revenue, however, is now expected to be less by Rs. 5,04 lakhs (mainly under Customs and Taxes on Income); while, on the other hand, there is an estimated saving of Rs. 2,20 lakhs on expenditure, due mainly to two causes—first the receipt of Rs. 1,78 lakhs on account of the payments from His Majesty's Government towards the Defence Budget following the Capitation Tribunal Award and, secondly, the postponement of payment of Rs. 88 lakhs interest in respect of British War Loan. The revenue receipts include Rs. 33 lakhs, being the amount of outstanding debt repaid by the Persian Government.

It has been decided that, in present circumstances, it is not necessary to maintain the provision for Reduction or Avoidance of Debt at a level based on the scheme of 1924, and that it will be sufficient to charge against revenue on this account Rs. 3 crores in 1933-34 and in 1934-35. The Revised Estimate for 1933-34 would on this basis have resulted in a surplus of Rs. 1,29 lakhs. It is proposed, however, to transfer the actual surplus to a special fund to be used for assisting the provinces which have suffered from the earthquake of January, 1934. Thus the Revised Estimate provides for ultimate equilibrium of revenue and expenditure.

The principal variations from the Budget estimate are given on page 188 of the Indian Budget Volume (H.C. 103 of 1934).

## BUDGET, 1934-35

The Budget estimates for 1934-35 anticipate a nominal surplus of Rs. 10-15 lakhs. The estimates are based generally, and in particular with regard to Customs revenue, on the assumption that there will be a modest improvement in general conditions in 1934-35.

On the basis of existing taxation, but with the continuance for another year of the 5 per cent. cut in pay and with the provision for the Reduction or Avoidance of Debt reduced to Rs. 3 crores, the Central Government's revenue estimates for 1934-35 would have been Rs. 1,53 lakhs in deficit. In addition, the export duty on hides has been abolished with a view to stimulating the export trade, at the cost of an immediate loss of revenue of Rs. 5 lakhs. The revenue position has, however, been fortified by the following measures, as a result of which the small revenue surplus, mentioned above, is anticipated :—

(a) Imposition of an excise duty on sugar of Rs. 1 As. 5 per cwt., (of which it is proposed to set aside 1 anna per cwt. for distribution among provinces in which factory sugar is produced, in order to assist the organisation and operation of co-operative societies among cane growers or other action designed to secure a fair price for cane to them);

(b) Re-adjustment of the import duty on cigarettes and on unmanufactured tobacco, the new rates of duty being—

(i) on Cigarettes, 25 per cent. *ad valorem* and in addition either Rs. 8 As. 2 per 1,000 or Rs. 3 As. 4 per lb., whichever is higher; and

(ii) on Unmanufactured Tobacco, Rs. 3 As. 4 per lb. (the standard rate) and Rs. 2 As. 12 per lb. (the preferential rate for British Colonies); and

(c) Reduction of the customs and excise duties on silver from 7½ annas to 5 annas per ounce, with an anticipation of larger import thereby.

Some changes have also been made in Inland Postal and Telegraph rates as an experiment to stimulate the recovery of traffic. For letters not exceeding ½ tola in weight, the rate has been reduced from 1¼ annas to 1 anna; the extra 1 pie charged for embossed envelopes has been discontinued; the charge for book packets has been raised from 6 pies to 9 pies for the first 5 tolas weight or part thereof; and the minimum charges for ordinary and express telegrams have been altered to 9 annas and Rs. 1 As. 2, respectively, for telegrams of 8 words, each additional word costing 1 and 2 annas, respectively. It is estimated that these proposals will in the first year result in a net loss, which should not fall to any appreciable extent upon general revenues, since it will be met by a reduction in 1934-35 of the credit to the depreciation fund—which has a large balance—to about Rs. 8¼ lakhs, the amount actually required for renewal and reconstruction of assets.

No change has been made in the Salt Duty or in the rates of Income tax and Super tax, and the interest on the securities in the Paper Currency Reserve and the surplus in the Gold Standard Reserve over £40 millions will continue to be credited to Revenue.

The above measures suffice to balance the Central Budget, with the prospect of a small surplus. It has been recognised,

however, that in present circumstances the Government of India cannot entirely disinterest themselves in the financial position of Provincial Governments, and that, in particular, special help is required in the case of Bengal, which since 1930 has been incurring deficits at the rate of about Rs. 2 crores a year. With this object in view the Indian Legislature passed an Act levying an excise duty on matches, estimated to produce Rs. 1,38 lakhs in 1934-35. With the fortification provided by this additional revenue, the Government of India propose to transfer to the jute-producing provinces, Bengal, Bihar and Orissa and Assam, a share of the jute export duty (less cost of collection), viz., Rs. 1,26 lakhs. The distribution will be made, as between the Provinces concerned, on the basis of the average production over the past five years, Bengal's share being estimated at about Rs. 1,12 lakhs. This grant, it should be added, is contingent upon the Government of India being satisfied that the Bengal Government is taking every possible measure on its own account to restore financial equilibrium. Burma will receive Rs. 18 lakhs in compensation for the abolition, consequent upon the passing of the Matches (Excise Duty) Act, 1934, of the local consumption duty on matches.

The rates of excise duty on matches manufactured in British India are Rs. 1 per gross of boxes or booklets, of which the average content per box or booklet is 40 matches or less; Rs. 1½, where the average content is 41-60 matches; Rs. 2, in the case of higher average content; and on all other matches at such rate as may be prescribed. The great majority of the Indian States have signified their willingness to recover a corresponding excise duty on any matches manufactured in their territories, the proceeds of both the British-Indian and the States duties being pooled for division on an estimated consumption basis.

It has been made clear that the proposed agreement with the States, and the assistance to Bengal and other Provinces, are only intended to cover a provisional period, and in no way represent a permanent commitment, which could indeed not be undertaken pending the final decision of Parliament as to the financial arrangements under the proposed new constitutional plan.

All the demands for grants presented to the Legislative Assembly were passed in full.

A summary of the variations in revenue and expenditure in the Budget for 1934-35 from the Budget and Revised Estimate figures for 1933-34 are given in the Financial Secretary's memorandum in the Indian Budget Volume (H. C. 103 of 1934).

### III.—RAILWAYS

In accordance with the resolution passed by the Legislative Assembly in September, 1924, railway finance was separated from the general finances of the Government of India with effect from 1924-25. After deducting all working expenses, including interest charges of commercial lines, the railways have to make a contribution to general revenues equal to 1 per cent. on the capital at

charge of the commercial lines (excluding Capital contributed by Companies and Indian States) in the penultimate year *plus* one-fifth of surplus profits in such penultimate year and one-third of the amount remaining available for transfer to Railway reserves in excess of Rs. 3 crores, but from the amount of these contributions are deducted the interest on capital and loss in working of strategic lines.

The contribution to general revenues during the six years 1924-25 to 1929-30 totalled Rs. 36 crores. The contribution for 1930-31—some Rs. 6 crores—was found from the Railway reserves, but in consequence of the serious fall in Railway earnings due to the general economic depression, a contribution has not been found practicable since.

In comparing the figures of Railway Revenue and Expenditure for 1934-35 with those for previous years, account must be taken of a decision to include in the estimates and accounts, from that year onwards, the receipts and expenditure of lines belonging to private Companies or Indian States, but worked by the Main Line Administrations for a percentage of the gross earnings. The practice formerly followed was to deduct the receipts and expenditure of these lines from the total receipts and expenditure of the system by which they were administered. The Railway Revenue and Expenditure figures for 1932-33 to 1934-35 are given in the following table.

	Accounts, 1932-33.	Budget Estimate, 1933-34.	Revised Estimate, 1933-34.	Budget Estimate, 1934-35.
<b>REVENUE.</b>				
State Railways—	Rs.	Rs.	Rs.	Rs.
(1) Commercial Lines :—				
Gross Receipts .. .. .	84,34,86,910	86,92,00,000	86,47,00,000	94,20,00,000
Deduct—				
Working Expenses .. .. .	60,95,59,088	61,17,00,000	61,10,50,000	63,95,50,000
Surplus Profits paid to Indian States and Railway Com- panies .. .. .	65,20,731	54,00,000	56,50,000	56,00,000
Payments to worked lines .. .. .	—	—	—	2,77,90,000
Net Receipts .. .. .	22,74,07,091	25,21,00,000	24,80,00,000	26,90,60,000
(2) Strategic Lines :—				
Gross Receipts .. .. .	1,27,54,149	1,33,25,000	1,28,10,000	1,30,15,000
Deduct :—				
Working Expenses and Re- funds of Revenue .. .. .	1,90,17,334	1,93,25,000	1,93,60,000	1,94,65,000
Net Receipts .. .. .	-62,63,085	-60,00,000	-65,50,000	-64,50,000
Total Net Receipts—Commercial and Strategic Lines .. .. .	22,11,44,006	24,61,00,000	24,14,50,000	26,26,10,000
Subsidized Companies : Government Share of Surplus Profits .. .. .	21,47,782	21,58,000	21,00,000	21,50,000
Interest on Depreciation and Reserve Funds .. .. .	72,69,255	73,25,000	64,35,000	60,75,000
Other Receipts .. .. .	8,63,212	6,50,000	9,00,000	19,70,000
Transferred from Railway Reserve Fund Loan from Railway Depreciation Fund	10,22,93,151	7,77,12,000	7,73,11,000	5,30,22,000
Total Revenue .. .. .	33,37,17,406	33,39,45,000	32,86,96,000	32,58,27,000
<b>EXPENDITURE.</b>				
Interest Charges :—				
(1) Commercial Lines .. .. .	91,43,97,255	91,47,25,000	90,96,83,000	90,64,40,000
(2) Strategic Lines .. .. .	1,46,53,062	1,45,95,000	1,43,15,000	1,40,77,000
Total Interest Charges .. .. .	32,90,52,317	32,93,20,000	32,39,98,000	32,05,17,000
Other Expenditure .. .. .	46,65,089	46,25,000	46,98,000	53,10,000
Total Expenditure .. .. .	33,37,17,406	33,39,45,000	32,86,96,000	32,58,27,000

The losses on commercial lines are: 1932-33, Accounts, Rs. 8,21 lakhs; 1933-34, Revised Estimate, Rs. 5,77 lakhs; and 1934-35, Budget, Rs. 3,34 lakhs.

For 1932-33, 1933-34 and 1934-35, there being no free balance in the Reserve Fund, the Railway Accounts and Estimates are balanced by further loans from the Railway Depreciation Fund of Rs. 10,23 lakhs, Rs. 7,78 lakhs and Rs. 5,30 lakhs, respectively.

The losses on commercial lines were due chiefly to the difficult economic conditions during the period but partly also to road motor competition. Receipts from all goods traffic in 1933-34 showed a distinct improvement on those for the previous year and appear to afford some signs of a general revival in trade. Passenger receipts, however, are expected to show a decrease even on the poor figures of 1932-33. Steps are being taken on most lines to recover traffic by the introduction of revised fares and of extra train services and, on the North-Western Railway in particular, by an experimental reduction on a large scale in 3rd class fares.

The results anticipated for 1933-34 have to some extent not been realised owing to two disasters of outstanding magnitude, which occurred during the year: first, the damage caused to the Hardinge Bridge on the Eastern Bengal Railway by the floods of September, 1933; and second, the earthquake of 16th January last. A rough estimate assessed the damage caused by the earthquake at a figure between Rs. 75 lakhs and a crore of rupees. The cost of making good the damage to the Hardinge Bridge is estimated at between 1 and 1½ crores of rupees. Part of the special expenditure required under these two heads will, as representing additions to assets, be chargeable to capital; the balance (some 1 to 1½ crores of rupees) will have to be met from revenue. It has been thought undesirable to attempt to charge an amount of this order to revenue during the two or three years in which the expenditure will be incurred and it has been considered proper to spread the charge over a longer period. Accordingly it has been decided to meet the expenditure in the first instance from the depreciation fund, which will be reimbursed from Railway revenue at the rate of Rs. 15 lakhs a year until repayment is completed, some ten years hence.

The Budget Estimate assumes a continuance of the increase in Traffic Receipts, the beginning of which was seen in 1933-34. A small increase in working expenses is anticipated in 1934-35, counterbalanced by a further fall in interest charges.

The Railway Depreciation Fund is estimated to have a closing balance on 31st March, 1935, of Rs. 11.44 crores.

Particulars of the capital expenditure on Railways are given in chapter V (*vide* page 19).

## IV.—TAXATION PER HEAD IN BRITISH INDIA

Total Tax Revenue.	Accounts, 1932-33.	Budget Estimate, 1933-34.	Budget Estimate, 1934-35.
	Lakhs of Rs.	Lakhs of Rs.	Lakhs of Rs.
Customs .. .. .	51,67·47	50,95·96	47,45·36
Taxes on Income .. .. .	18,00·31	18,13·00	17,28·30
Salt .. .. .	9,83·29	8,52·41	8,41·85
Excise .. .. .	14,64·63	15,06·34	14,72·43
Stamps .. .. .	12,91·98	12,64·47	12,39·98
Registration .. .. .	1,13·49	1,13·58	1,14·83
Scheduled Taxes .. .. .	41·19	49·20	42·17
Total (excluding Land Revenue) ..	1,08,62·36	1,06,94·96	1,01,84·92
Land Revenue.. .. .	30,61·06	32,88·22	31,66·54
Total (including Land Revenue) ..	1,39,23·42	1,39,83·18	1,33,51·46
The <i>taxation per head</i> on the assumption that the whole is paid by the inhabitants of British India, is :—	Rs.	Rs.	Rs.
(i) exclusive of Land Revenue..	3·87	3·77	3·56
(ii) inclusive of Land Revenue..	4·96	4·93	4·66

The above figures include both Central and Provincial revenue. For the purpose of calculating the taxation per head, the population of British India has been estimated at 280,947,000 in 1933, 283,660,000 in 1934, and 286,402,000 in 1935.

## V.—PUBLIC DEBT AND CAPITAL EXPENDITURE

## DEBT TRANSACTIONS, 1933-34

Indian Treasury Bills in the form of 3 months' maturities were sold in India throughout the year. The amount outstanding with the public on 31st March, 1933, was Rs. 26·09 crores and on 31st March, 1934, Rs. 33·31 crores. In addition, Rs. 35·48 crores were held in the Paper Currency Reserve on 31st March, 1933, and Rs. 25·93 crores on 31st March, 1934.

The following new issues were made :

On 28th April, 1933, a 3½ per cent. Rupee Loan repayable at par in 1947-50 was issued. The loan was in two sections, each of which was limited to Rs. 15 crores. The Cash section was open to subscriptions in the form of 4 per cent. Conversion Loan of 1916-17, Cash, Treasury Bills maturing not later than 10th May, 1933, and securities of the 5 per cent. War Loan, 1929-47,

5 per cent. Bonds, 1933, and 6 per cent. Bonds, 1933-36. In the event of subscriptions exceeding Rs. 15 crores, partial allotment would be made; subscriptions in the form of Conversion Loan of 1916-17 would receive allotment in full, and firstly cash and secondly Treasury Bills would be given preference over other forms of subscription. The issue price for this section was Rs. 96 per cent. The Conversion Section was open to subscriptions in the form of 4½ per cent. Bonds, 1934, 5 per cent. Bonds, 1935, and 6½ per cent. Treasury Bonds, 1935. Both sections were fully subscribed, the Cash Section being closed about two hours after opening and the Conversion Section on 2nd May. The results were as follows:—

<i>Cash Section.</i>			<i>Conversion Section.</i>		
	<i>Rs. lakhs.</i>			<i>Rs. lakhs.</i>	
Conversion Loan of 1916-17	5,53		4½% Bonds, 1934 .. ..	12,98	
Cash .. .. .	10,07		5% Bonds, 1935 .. ..	1,40	
			6½% Treasury Bonds, 1935	84	
<b>Total .. ..</b>	<b>15,60</b>		<b>Total .. ..</b>	<b>15,22</b>	

On 9th May, 1933, £12,000,000 India 4 per cent. stock, repayable at par in 1948-53, was issued in London at £97 10s. per cent., to provide funds for the redemption of the outstanding balance of the issue of £7,000,000 6 per cent. Bonds, 1933-35, for capital expenditure on railways in India and for general purposes. The loan was over-subscribed.

On 9th November, 1933, £10,000,000 India 3½ per cent. stock, repayable at par in 1954-59, was issued in London at £97 per cent., to replace £10,000,000 6 per cent. Bonds, 1933-34, then under notice for repayment. The loan was over-subscribed.

The following loans were repaid:—

*In London:*

On 15th June, 1933, the balance of the £7,000,000 6 per cent. Bonds 1933-35.

On 15th December, 1933, the balance of the £10,000,000 6 per cent. Bonds, 1933-34.

*In India:*

On 15th May, 1933, 5 per cent. Indian War Loan, 1929-47.

On 1st July, 1933, 4 per cent. Conversion Loan, 1916-17.

On 15th August, 1933, 6 per cent. Bonds, 1933-36.

On 1st September, 1933, 5 per cent. Bonds, 1933.

The Permanent Debt in India was reduced in 1933-34 by approximately Rs. 11.72 crores, about Rs. 30.8 crores new debt having been raised and about Rs. 42.5 crores of debt having been discharged by repayment or conversion. The floating debt in India was reduced by Rs. 13.82 crores owing to a reduction of Rs. 17.7 crores in the holding of Treasury Bills in the Paper Currency Reserve partly set off by an increase of Rs. 3.9 crores in the amount of Treasury Bills held by the Public.

Unfunded debt in India was estimated to be increased by Rs. 22·30 crores, including Savings Bank deposits Rs. 14½ crores (net) and Post Office Cash Certificates, Rs. 7¾ crores (net).

Permanent Debt in England was increased by approximately £4·9 millions (net), resulting from the issue of £22 millions (nominal)\* of Sterling Stocks, and the discharge of £12·6 millions of short term 6 per cent. Bonds ; the repayment of £1·7 millions of the capital portion of the Railway Annuities; and the redemption of £200,025 of debt by the operation of the State Railways Sinking Fund.

#### DEBT TRANSACTIONS, 1934-1935

The Budget provides for expenditure charged to capital of Rs. 6·38 crores, including Rs. 4·68 crores on State Railways; Rs. 40 lakhs on Posts and Telegraphs; Rs. 68 lakhs on the new capital at Delhi; and Rs. 49½ lakhs for payment of commuted value of pensions; for the discharge in India of Rs. 13¼ crores of Permanent Debt; and in England of :—

- £1,770,150 for part capital redemption of the Railway annuities created in purchase of railways;
- £634,425 for the redemption of the liability assumed in respect of British War Loan; and
- £200,025 for the statutory sinking funds established in connection with the purchase of the East Indian, Eastern Bengal, and the Scinde Punjab and Delhi Railways.

Net receipts of Rs. 5½ crores from sales of Post Office Cash Certificates, and of Rs. 6 crores from Savings Bank deposits in 1934-35 are assumed.

The sale of 3 months' Indian Treasury Bills was continued with a temporary suspension from 5th June to 17th July. On the 1st July, 1934, the Bills outstanding with the Public amounted to Rs. 15·7 crores.

The ways and means estimates did not require to provide for fresh borrowing, but if loan conditions were favourable the Government of India might take advantage of them.

Notice has since been given to repay on 16th August, 1934, the 4 per cent. Loan 1934-37; also this loan and 4½ per cent. Bonds, 1934, were admissible as well as cash and Treasury Bills in subscription to a further issue of 3½ per cent. Rupee Loan, 1947-50, to which subscriptions were invited on 5th June, 1934. The price of issue was Rs. 98½ per cent., and the amount subject to a limit of Rs. 32 crores. The loan closed on 20th June. The subscriptions were approximately as follows :—Cash, including Treasury Bills, Rs. 6·21 crores; 4½ per cent. Bonds, 1934, Rs. 4·72 crores; and 4 per cent. Loan, 1934-37, Rs. 14·19 crores. Total Rs. 25·12 crores.

\* Of which £19,443,299 was taken into account in 1933-34, and the remainder in 1934-35.



## PUBLIC DEBT OUTSTANDING

The amount of the permanent and floating public debt of the Government of India (Central Government) outstanding is given in the following table. The figures include debt incurred on behalf of Provincial Governments, the debenture stocks of various railways taken over by the Secretary of State on the transfer of the lines, and the capital value of liabilities undergoing redemption by way of terminable railway annuities.

	In India ‡	In England*
	Rs.	£
31st March, 1933 .. .. .	5,08,46,25,678	378,115,943
31st March, 1934 .. .. .	4,94,67,60,873	383,084,743
31st March, 1935 (Estimate) .. .. .	4,81,43,88,873	383,036,844

‡ Excludes Post Office Cash Certificates.

\* Includes liability for British Government 5 per cent. War Loan, 1929-47, taken over by India.

A statement of the interest-bearing obligations (including the public debt) of the Government of India is given on page 21.

## PROVISION FOR REDUCTION OR AVOIDANCE OF DEBT

Prior to 1933-34 the provision for the reduction or avoidance of debt was made on the basis of a scheme settled in 1924, whereby the appropriation of revenue on this account was Rs. 4 crores *plus* a sum representing one-eightieth of the net amount of new debt contracted (up to the end of the previous year) since 31st March, 1923. The actual provision in 1924-25, the year before the scheme was applied, was Rs. 3.78 crores and in 1932-33 the amount had risen to Rs. 6.84 crores. Since 1924, however, the increase that has taken place in the total indebtedness of the Government of India has been more than counterbalanced by an increase in interest-yielding assets; and on 1st April, 1934, out of a total indebtedness of Rs. 1212 crores, the amount not represented by such assets was only Rs. 234 crores.

The automatic application of the 1924 formula would, if continued, prove particularly burdensome during the present abnormal depression, when the general revenues of Government are receiving no contribution, beyond the actual interest on the capital invested, from the principal productive asset, railways. It has, therefore, been decided that, although the question of the permanent basis of the future provision for the reduction or avoidance of debt cannot now be settled, in view of the strong position which has been built up by past efforts and the high percentage of the debt which is invested in potentially profitable undertakings, it is fully justifiable to reduce the provision to Rs. 3 crores in each of the years 1933-34 and 1934-35.

## RAILWAYS

The capital expenditure on railways shown in the Accounts for 1932-33 and in the Estimates for 1933-34 and 1934-35, is as follows:—

	Accounts, 1932-33.	Revised Estimate, 1933-34.	Budget, 1934-35.
	Rs.	Rs.	Rs.
Outlay on lines worked by the State and by guaranteed companies:—			
(1) From funds provided by the State ..	- 72,56,705	45,23,000	4,68,00,000
(2) From funds raised through companies or provided from other sources ..	1,03,94,137	—	—
	31,37,432*	45,23,000*	4,68,00,000

\* These figures have been arrived at after allowing for adjustment in respect of exchange.

In addition to the above figures, capital expenditure is incurred on branch lines from funds deposited by Branch line Companies or advanced by the Government.

The following table shows the capital outlay on all State lines up to the end of the year and the net return obtained:—

	Accounts, 1932-33.	Revised Estimate, 1933-34.	Budget, 1934-35.
	Rs.	Rs.	Rs.
Capital at charge at end of each year (Central Government) .. ..	7,97,11,71,568	7,97,36,71,568	8,02,04,71,568
Working profit from railways excluding interest charges .. ..	22,67,59,166	24,61,87,000	26,74,95,000
Percentage of same to capital at charge ..	2.84%	3.09%	3.34%
Final working loss after meeting interest charges .. ..	Rs. 10,22,93,151	Rs. 7,78,11,000	Rs. 5,30,22,000
Percentage of same to capital at charge ..	1.28%	0.98%	0.66%

## OTHER CAPITAL EXPENDITURE

Provision has also been made for the following items of expenditure of the Central Government charged outside the Revenue accounts :—

	Accounts, 1932-33.	Revised Estimate, 1933-34.	Budget, 1934-35.
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Capital outlay on—			
Security Printing Press ..	1,107	-1,11,000	-1,15,000
Posts and Telegraphs ..	14,81,501	15,69,000	39,70,000
Vizagapatam Port ..	52,42,202	49,80,000	18,46,000
Currency .. ..	-3,83,512	-4,14,000	-85,000
New Capital at Delhi ..	—	10,00,000	67,67,000
Payment of Commuted Value of Pensions .. ..	78,88,729	85,47,000	49,56,000
Payments to Retrenched Per- sonnel .. ..	12,63,541	2,90,000	-3,36,000
Total .. ..	1,54,93,568	1,58,61,000	1,70,03,000

The debits to the Capital head of account "Payments to retrenched personnel" are gratuity payments, and are to be written back to revenue by five equal annual instalments commencing in 1933-34.

## INTEREST-BEARING OBLIGATIONS AND INTEREST-YIELDING ASSETS

The following table exhibits the interest-bearing obligations of the Government of India and shows also the portion of Indian Debt incurred on behalf of Government Commercial undertakings and of the Provincial Governments.

*Statement showing the interest-bearing obligations and certain interest-yielding assets of the Government of India, at the close of each financial year*

	31st March, 1930.	31st March, 1931.	31st March, 1932.	31st March, 1933.	31st March, 1934. (Estimate.)
<i>In India:</i>	(In crores of rupees.)				
Loans (a) .. .. .	405.11	417.24	422.69	446.89	435.17
Treasury Bills in the hands of the public .. .. .	36.04	55.38	47.53	26.09	33.31
Treasury Bills in the Paper Currency Reserve .. .. .	29.22	5.89	49.67	35.48	25.93
Ways and Means Advance .. .. .	—	—	9.50	—	—
Other Obligations:—					
Post Office Savings Banks .. .. .	37.13	37.03	38.20	43.40	52.32
Cash Certificates .. .. .	35.00	38.43	55.64	55.64	63.72
Provident Funds, etc. .. .. .	65.41	70.33	76.74	76.74	82.14
Depreciation and Reserve Funds .. .. .	30.18	21.39	17.65	15.22	15.36
Provincial Balances (b) .. .. .	10.21	6.09	4.32	7.02	4.42
Total Loans, etc. .. .. .	470.37	478.51	529.39	508.46	494.41
Total Other Obligations .. .. .	177.93	173.27	177.79	198.02	217.96
Total in India .. .. .	648.30	651.78	707.18	706.48	712.37
<i>In England:</i>	(In millions of £.)				
Loans (a) .. .. .	289.03	316.81	313.60	314.33	320.61
War Contribution .. .. .	16.72	16.72	16.72	16.72	16.72
Capital value of liabilities undergoing redemption by way of terminable railway annuities .. .. .	51.86	50.32	48.72	47.06	45.35
India Bills .. .. .	6.00	4.05	—	—	—
Provident Funds, etc. .. .. .	2.54	.69	.80	.91	1.02
Total in England .. .. .	366.15	388.59	379.84	379.02	383.70
Equivalent at 1s. 6d. to the Rupee .. .. .	488.20	518.12	506.45	505.36	511.60
Total Interest-bearing obligations .. .. .	11,36.50	11,69.90	12,13.63	12,11.84	12,23.97
Interest-yielding assets:					
(i) Capital advanced to Railways .. .. .	730.79	743.98	750.73	756.75	757.20
(ii) Capital advanced to other Commercial Departments .. .. .	22.70	23.65	24.25	21.89	22.55
(iii) Capital advanced to Provinces .. .. .	142.60	151.82	163.64	173.04	176.72
(iv) Capital advanced to Indian States and other interest-bearing loans .. .. .	17.65	19.45	20.29	20.92	21.20
Total Interest-yielding assets .. .. .	913.74	938.90	958.91	972.60	977.67
Cash, bullion, and securities held on Treasury account .. .. .	45.36	34.03	41.42	35.69	44.79
Balance of total interest-bearing obligations not covered by above assets .. .. .	177.40	196.97	213.30	203.55	201.51

(a) These figures represent the nominal amounts of loans outstanding and also include comparatively small amounts of expired loans which do not bear interest.

(b) The figures represent those portions of provincial balances which bear interest.

In addition to the cash, bullion and securities held on Treasury account, the Central Government held on 31st March, 1934, £40,000,000 in the Gold Standard Reserve.

## VI.—GENERAL STATEMENT OF THE RECEIPTS AND DISBURSEMENTS AND BALANCES OF THE GOVERN- MENT OF INDIA, IN INDIA AND IN ENGLAND

The following table shows the opening balances, receipts, disbursements and closing balances, actual or estimated, of the Government of India in 1932-33, 1933-34, and 1934-35.

—	Accounts, 1932-33.	Budget Estimate, 1933-34.	Revised Estimate, 1933-34.	Budget Estimate, 1934-35.
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Opening Balance, India .. .. .	12,69,10,744	11,73,19,744	14,58,99,614	13,43,92,614
Opening Balance, England .. .. .	(a) 21,15,32,561	(a) 17,84,93,561	(b) 13,19,33,230	(b) 7,10,26,230
<b>Total Opening Balance .. .. .</b>	<b>33,84,43,305</b>	<b>29,58,13,305</b>	<b>27,78,32,844</b>	<b>20,54,18,844</b>
<b>RECEIPTS—</b>				
Revenue Surplus .. .. .	1,55,19,192	24,61,000	—	10,15,000
Capital Contributions by Railway Companies and Indian States towards construction of State Railways ..	1,03,94,137	—	—	—
Permanent Debt (net incurred) ..	22,71,74,158	—	—	—
Floating Debt (net incurred) .. ..	—	13,36,43,000	22,45,62,000	17,65,38,000
Unfunded Debt (net incurred) .. ..	20,09,74,359	13,36,43,000	22,45,62,000	17,65,38,000
Deposits and Advances (net) .. .. .	3,31,28,929	8,25,56,000	—	5,69,48,000
Railway Depreciations and Reserve Funds (net) .. .. .	—	2,88,000	—	—
Remittances (net) .. .. .	—	1,21,000	—	3,14,000
Balances of Provincial Governments (net) .. .. .	2,59,81,485	—	—	—
<b>Total Receipts .. .. .</b>	<b>51,91,72,260</b>	<b>21,90,69,000</b>	<b>22,45,62,000</b>	<b>23,48,15,000</b>
<b>Total .. .. .</b>	<b>85,16,15,565</b>	<b>51,48,82,305</b>	<b>50,23,94,844</b>	<b>44,02,33,844</b>
<b>DISBURSEMENTS—</b>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Revenue Deficit .. .. .	—	—	—	—
Capital Outlay on Security Printing Press Construction of State Railways ..	1,107	-1,11,000	-1,11,000	-1,15,000
Discharge of Railway Debentures ..	7,14,258	3,30,00,000	25,00,000	4,68,00,000
Discharge of Railway Debentures ..	24,23,173	—	20,23,000	—
Capital Outlay on Posts and Telegraphs Construction of Irrigation Works ..	14,81,501	15,80,000	15,69,000	39,70,000
Capital Outlay on Vizagapatam Port ..	52,42,202	49,80,000	49,80,000	18,46,000
Payment of Commuted Value of Pensions Initial Expenditure on new Capital at Delhi .. .. .	78,88,729	60,65,000	85,47,000	49,56,000
Currency Capital Outlay .. .. .	—	—	10,00,000	67,67,000
Payments to Retrenched Personnel ..	-3,83,512	-78,000	-4,14,000	-85,000
Permanent Debt (net discharged) ..	12,63,541	-1,27,000	2,90,000	-3,36,000
Floating Debt (net discharged) .. ..	—	17,09,55,000	5,87,56,000	12,44,30,000
Deposits and Advances (net) .. .. .	45,12,65,000	8,00,00,000	13,82,20,000	—
Railway Depreciation and Reserve Funds (net) .. .. .	—	—	3,40,21,000	—
Loans and Advances by Central Govern- ment (net advances) .. .. .	2,80,33,024	—	27,11,000	35,22,000
Remittances (net) .. .. .	6,91,63,252	3,71,72,000	3,96,65,000	7,48,95,000
Balances of Provincial Governments (net)	66,90,446	—	19,000	—
<b>Total Disbursements .. .. .</b>	<b>57,37,82,721</b>	<b>33,80,36,000</b>	<b>29,69,76,000</b>	<b>26,91,50,000</b>
<b>Closing Balance .. .. .</b>	<b>27,78,32,844</b>	<b>17,68,46,305</b>	<b>20,54,18,844</b>	<b>17,10,83,844</b>
<b>Total .. .. .</b>	<b>85,16,15,565</b>	<b>51,48,82,305</b>	<b>50,23,94,844</b>	<b>44,02,33,844</b>
<b>DISTRIBUTION OF CLOSING BALANCE—</b>				
Closing Balance, India .. .. .	14,58,99,614	11,12,30,744	13,43,92,614	10,39,61,614
Closing Balance, England .. .. .	(b) 13,19,33,230	(a) 6,56,15,561	(b) 7,10,26,230	(b) 6,71,22,230

(a) Of this amount, £29 represents the cash portion of the Gold Standard Reserve.

(b) Of this amount, £897 represents the cash portion of the Gold Standard Reserve.

## VII.—HOME CHARGES.

The following is an analysis of the Net Expenditure in England charged on the Revenue of the year :—

Net Expenditure.	Accounts, 1932-33.	Revised Estimate, 1932-34.	Budget, 1934-35.
	£	£	£
Direct demands on the Revenues :—			
Stores for India .. .. .	258	1,425	525
Leave Allowances and Miscellaneous .. .. .	33,205	44,025	36,750
Railway Revenue Account :—			
Interest and management of debt .. .. .	9,616,517	9,593,625	9,564,075
Government share of Surplus profits .. .. .	5,285	7,650	6,600
Leave Allowances and Miscellaneous .. .. .	464,296	434,850	415,350
Irrigation Revenue Account :—			
Leave Allowances .. .. .	1,157	975	1,350
Posts and Telegraphs :—			
Indian Postal and Telegraph Department : Leave Allowances and Miscellaneous .. .. .	88,338	65,025	65,100
Debt Services :—			
Interest on Ordinary Debt (less interest realised from invest- ment of Cash Balance)	5,691,603	5,583,600	5,443,425
Interest, Discount, etc., on Gold Standard Reserve credited to Revenue	477,736	291,000	450,000
Liability assumed in respect of British War Loan † Interest	418,025	—	432,900
Management of Debt	269,732	438,225	90,975
Interest on Other Obligations .. .. .	41,502	43,725	49,350
Civil Administration :—			
Home Administration :—			
India Office : Salaries and Contingencies .. .. .	210,374	212,850	219,750
High Commissioner's Office : Salaries and Contingencies ..	193,314	196,650	201,150
Audit Office : Salaries .. .. .	16,240	15,450	15,450
Contribution by His Majesty's Treasury in respect of the Ad- ministrative Expenses of India Office .. .. .	103,764	104,325	104,550
Payments on account of Departments in India :—			
Stores for India .. .. .	15,953	15,375	18,075
Leave Allowances and Miscellaneous .. .. .	347,366	333,525	347,850
Currency and Mint :—			
Stores for India .. .. .	2,288	2,625	4,575
Leave Allowances and Miscellaneous .. .. .	3,871	4,350	4,200
Interest on Paper Currency Reserve Investments .. .. .	—	—	119,700
Civil Works :—			
Leave Allowances and Miscellaneous .. .. .	10,307	11,250	8,550
Miscellaneous :—			
Territorial and Political Pensions .. .. .	7,972	8,025	8,025
Civil Superannuation Allowances and Pensions (including Home establishment Pensions)	1,336,394	1,329,375	1,313,175
Contribution to the Secretariat of the League of Nations .. ..	97,866	103,800	111,823
Other Miscellaneous Charges .. .. .	32,558	27,975	7,650
Stationery and Printing :—			
Stores for India .. .. .	18,564	13,350	16,275
Expenditure at the India Office and the High Commissioner's Office, Leave Allowances, etc. .. .. .	11,118	9,000	12,375
Defence Services (Army, Marine and Air Force) :—			
Home Charges of British Forces serving in India .. .. .	1,547,000	49,950	49,950
Sea Transport Charges (less receipt of £130,000 from the War Office) .. .. .	402,853	489,300	467,400
Unemployment Insurance .. .. .	75,888	98,325	137,100
National Health Insurance .. .. .	39,264	39,600	39,900
Aden Contribution .. .. .	109,959	117,000	150,000
Contributions under Contributory Pensions Act, 1925 .. .. .	117,793	118,725	119,550
Contribution to the expenses of His Majesty's Ships in Indian Seas .. .. .	100,946	100,800	100,800
Furlough Pay and Miscellaneous .. .. .	952,044	934,425	992,625
Stores .. .. .	683,738	636,900	877,500
Marriage Allowances and Allotments .. .. .	342,608	356,400	360,600
Retired Pay of British Forces for Service in India .. .. .	1,220,532	1,235,850	1,182,900
Retired Pay : Indian Services .. .. .	1,534,638	1,753,425	1,768,950
Family and Miscellaneous (including Military Funds) Pensions	743,268	722,025	715,200
Extraordinary Receipts and Payments .. .. .	31,046	218,700	6,600
<b>Total .. .. .</b>	<b>26,243,610</b>	<b>24,420,225</b>	<b>24,577,050</b>
Expenditure by Secretary of State .. .. .	23,068,023	21,319,950	21,245,325
"    "    High Commissioner .. .. .	3,175,587	3,100,275	3,331,725
<b>Total .. .. .</b>	<b>26,243,610</b>	<b>24,420,225</b>	<b>24,577,050</b>

Expenditure in England not charged on the Revenue of the year:—

Expenditure.	Accounts, 1933-34.	Revised Estimate, 1933-34.	Budget, 1934-35.
	£	£	£
Capital outlay on State Railways .. .. .	160,755	902,025	1,290,000
New Capital at Delhi .. .. .	—	75	—
Posts and Telegraphs .. .. .	—	150	—
Vizagapatam Port .. .. .	21,788	9,750	5,625
Lighthouses and Lightships .. .. .	8	150	75
Expenditure by Secretary of State .. .. .	96,447	831,150	1,220,850
„ „ High Commissioner .. .. .	88,102	81,000	74,850
<b>Total .. .. .</b>	<b>182,549</b>	<b>912,150</b>	<b>1,295,700</b>

### VIII.—GOLD STANDARD RESERVE

The Gold Standard Reserve has been built up out of the profit from the coinage of rupees. The principal objects for which it is maintained are (1) to provide funds from which the Secretary of State can finance his requirements at times when remittance of funds from India through the usual market channels cannot conveniently be arranged, and (2) to furnish resources against which sterling drafts may, if necessity arises, be sold by the Government of India to remitters in India.

The Reserve has been maintained at £40,000,000, any assets in excess of this amount, on the basis of current market prices or below, being appropriated to revenue, subject to credits to an Equalisation Fund (instituted with effect from 1929-30) which was designed to mitigate the effect on the budgetary position of fluctuations in the value of the securities in the Reserve. There has been no amount at the credit of the fund since 1931-32.

The earlier history of the Reserve is described in the Explanatory Memorandum for 1922-23 [Command Paper 1766 of 1922], and the operation of the Revenue Equalisation Fund is described in the issue for 1931-32 [Command Paper 3969 of 1931].

#### *Statistics regarding the Gold Standard Reserve*

The total receipts from profit on coinage, interest and discount, and profit by exchange up to 31st March, 1934, were as follows:—

Profits on Coinage from 1900-01 ..	£	28,573,606
Interest and discount .. .. .		32,031,646
Profit by exchange .. .. .		194,917
		<hr/>
		60,800,169
		<hr/>

Of the above sum, £1,123,655 has been used for capital expenditure on railways, £2,866,217 has been transferred to the Paper Currency Reserve in reduction of created Rupee securities, £14,961,210 has been transferred to Revenue, and the remainder has been credited to the Gold Standard Reserve. The following tables give a summary of the transactions to 31st March, 1934, and the composition of the Reserve on that date:—

*Summary of Transactions.*

Profits on Coinage paid to Gold Standard Reserve—	£	£
Total Profits realized since 1st April, 1900 ..	28,573,606	
Deduct amount used for Capital Expenditure on Railways .. .. .	1,123,655	
	<hr/>	27,449,951
Interest and discount received up to 31st March, 1934 .. .. .	32,031,646	
Profit by exchange .. .. .	194,917	
Profit through appreciation .. .. .	131,912	
	<hr/>	32,358,475
Profits and Interest paid to Reserve from 1st April, 1900, to 31st March, 1934 .. ..		59,808,426
<i>Deduct—</i>		
Loss on Sale, Redemption, and Conversion of Securities .. .. .	1,960,425	
Transferred to Paper Currency Reserve in reduction of created securities .. .. .	2,866,217	
Transferred to Revenue .. .. .	14,961,210	
Miscellaneous Charges .. .. .	20,574	
	<hr/>	19,808,426
Amount of Gold Standard Reserve on 31st March, 1934 .. .. .		<hr/> <u>£40,000,000</u>

*State of Reserve, 31st March, 1934.*

Sterling Securities held in England (value at, or below, minimum market price)—	£
Treasury Bills .. .. .	11,523,431
Other Securities (Treasury Bonds and Conversion Loans)	26,323,667
	<hr/>
	39,847,098
Gold held on deposit at Bank of England (valued at par) ..	2,152,334
Cash held in England .. .. .	568
	<hr/> <hr/> <u>£40,000,000</u>

## IX.—EXCHANGE AND REMITTANCE

The sales in London by the Secretary of State of Bills and Transfers on India, the purchases of sterling in India by the



Government of India and the sterling taken over in London during the last ten years, have been as follows :—

Year.	Sale of Bills and Transfers on India by the Secretary of State.	Purchases of Sterling by the Government of India.	Sterling taken over in London.	Total.	Average Rate of Exchange per Rupee.
1924-25 .. ..	£ 7,579,162	£ 33,191,000	£ 700,000	£ 41,470,162	s. d. 1 5-661
1925-26 .. ..	—	46,316,500	—	46,316,500	1 6-152
1926-27 .. ..	—	2,115,000	—	2,115,000	1 6-019
1927-28 .. ..	—	28,325,000	—	28,325,000	1 5-997
1928-29 .. ..	—	30,810,000	—	30,810,000	1 6-026
1929-30 .. ..	—	15,215,000	—	15,215,000	1 5-908
1930-31 .. ..	—	5,385,000	—	5,385,000	1 5-841
1931-32 .. ..	—	40,049,000	300,000	40,349,000	1 6-123
1932-33 .. ..	—	35,733,000	1,212,998	36,945,998	1 6-154
1933-34 .. ..	—	45,158,000	60,317	45,218,317	1 6-071

The sales by the Government of India of immediate telegraphic transfers on London during the last ten years have been as follows :—

1924-25 and 1925-26 ..	<i>Nil.</i>
1926-27 ..	£1,425,000 at the rate of 1s. 5½d.
1927-28 to 1929-30 ..	<i>Nil.</i>
1930-31 ..	£5,733,626 at the rate of 1s. 5¼d.
1931-32 ..	£14,047,804 at the rate of 1s. 5¼d.
1932-33 and 1933-34 ..	<i>Nil.</i>

#### X.—SEA-BORNE TRADE

The figures of Exports from, and Imports into, India of Merchandise and Treasure during 1931-32, 1932-33 and 1933-34 are summarised below. Further particulars are given in the published statements of the Sea-Borne Trade of British India.

##### Summary of Sea-borne Trade

	1931-32.	1932-33.	1933-34.
<i>On Private Account.</i>			
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Exports of Merchandise ..	1,60,54,72,334	1,35,62,50,683	1,49,73,48,562
Imports of Merchandise ..	1,26,37,14,115	1,32,58,43,175	1,15,38,26,026
Net Exports of Merchandise	34,17,58,239	3,04,07,508	34,35,22,536
Net Exports of Gold .. ..	57,98,29,791	65,52,27,956	57,05,35,961
Net Imports of Silver .. ..	2,59,30,299	72,84,602	1,36,593
Net Exports of Currency Notes	25,74,661	13,43,433	19,41,306
Net Exports of Treasure ..	55,64,74,153	64,92,86,787	57,23,40,674
Net Exports of Merchandise and Treasure on Private Account .. ..	89,82,32,392	67,96,94,295	91,58,63,210

*Summary of Sea-borne Trade—continued.*

—	1931-32.	1932-33.	1933-34.
<i>Government Transactions.</i>	Rs.	Rs.	Rs.
<i>Imports of Merchandise</i> ..	4,27,14,391	2,43,32,879	1,94,75,278
<i>Exports of Merchandise</i> ..	65,49,971	44,19,699	50,31,742
<i>Net Imports of Merchandise</i>	3,61,64,420	1,99,13,180	1,44,43,536
<i>Net Exports of Gold</i> ..	—	—	—
<i>Net Exports of Silver</i> ..	3,01,47,387	2,74,15,553	6,37,08,019
<i>Net Exports or Imports of Currency Notes</i> .. ..	17,100	—	—
<i>Net Exports of Treasure</i> ..	3,01,30,287	2,74,15,553	6,37,08,019

India Office,  
4th September, 1934.

SAMUEL HOARE.