



Explanatory Memorandum

by the

Financial Secretary

on the

Budget of the Governor-General in Council

as laid before the Indian Legislature, 1935.

Explanatory Memorandum

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INTRODUCTORY.

(Unless otherwise stated, the amounts mentioned are in lakhs of rupees; and the expressions "last year", "current year" and "next year" stand for the financial years 1933-34, 1934-35 and 1935-36 respectively.)

REVENUE AND EXPENDITURE.

1. The following statement gives the revenue and expenditure of the Central Government since 1921-22. The sterling amounts are converted into rupees at the average of the daily rates for telegraphic transfers in Calcutta on London in each year. The rate of conversion has been assumed to be *ls. 6 1/32d.* in 1934-35 and as usual *ls. 6d.* in 1935-36.

Year.	(1) Revenue excluding transfer from Revenue Reserve Fund.	(2) Expenditure excluding transfer to Revenue Reserve Fund and provision for Reduction or Avoidance of Debt and items shown in (3)	(3) Transfer to Earthquake and other Funds and Special subventions to Provinces from jute export and match and sugar excise duties.	(4) Balance of (1) minus (2) minus (3).	(5) Provision for Reduction or Avoidance of Debt and Transfers to or from Revenue Reserve Fund.	(6) Final Surplus (+) Deficit (-)
1921-22	1,15,21	1,38,40	..	-23,19	4,46	-27,65
1922-23	1,21,41	1,31,88	..	-10,47	4,55	-15,02
1923-24	1,33,17	1,27,16	..	+6,01	3,62	+2,39
1924-25	1,38,04	1,28,58	..	+9,46	3,78	+5,68
1925-26	1,33,33	1,25,05	..	+8,28	4,97	+3,31
1926-27	1,31,70	1,23,77	..	+7,93	(a) 7,93	..
1927-28	1,25,04	1,22,22	..	+2,82	(b) 2,82	..
1928-29	1,28,24	1,23,88	..	+4,36	(c) 4,68	-32
1929-30	1,32,69	1,26,68	..	+6,01	5,74	+27
1930-31	1,24,60	1,30,04	..	-5,44	6,14	-11,58
1931-32	1,21,64	1,26,50	..	-4,86	6,89	-11,75
1932-33	1,26,40	1,18,01	..	+8,39	6,84	+1,55
1933-34	1,20,37	1,14,65	(d) 2,72	+3,00	3,00	..
1934-35 (Revised)	1,23,38	1,15,19	(e) 5,06	+3,13	3,00	+13
1935-36 (Budget)	1,21,00	1,15,91	(f) 2,03	+3,06	3,00	+6

(a) After adding 2,96 transferred to Revenue Reserve Fund.

(b) After deducting 2,22 transferred from Revenue Reserve Fund.

(c) After deducting 74 transferred from Revenue Reserve Fund.

(d) Amount transferred to the Earthquake Fund; 62 out of this was utilised for debt redemption.

(e) 1,69 transfer of Jute Export duty, 18 Match Excise duty for Burma, 5 for grants to provinces from Sugar Excise duty, and 3,14 for transfers mentioned in para. 5 below.

(f) 1,79 transfer of Jute duty, 18 Match Excise duty for Burma and 6 for grants to provinces from Sugar Excise duty.

2. In the figures above 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. The figures of gross revenue thus include the net receipts of railways and other commercial undertakings without any deduction on account of interest charges and also the total receipts under tax revenue without eliminating the cost of collection. Further, defence expenditure is shown gross, the defence receipts being included under revenue. To present a real picture of the revenue available for administrative purposes and the expenditure on such purposes, analytical tables of net revenue and expenditure of the Central Government are given below.

TABLE I.

Year.	Tax revenue less cost of collection (a).	Other revenue net excluding Defence receipts.	Total net revenue.	Interest on Debt.	Reduction or Avoidance of Debt.	Defence expenditure net.	Transfer to Earthquake and other Funds and Special subventions to Provinces.	Other expenditure charged to revenue but omitting cost of collection of tax revenue.	Total expenditure charged to revenue.	Surplus + Deficit—.
1921-22 . . .	60,78	17,65	78,43	13,70	4,46	69,81	..	18,11	1,06,08	—27,65
1922-23 . . .	64,41	21,33	85,74	13,87	4,55	65,27	..	17,07	1,00,76	—15,02
1923-24 . . .	66,86	30,45	97,11	15,97	3,62	56,23	..	18,90	94,72	+2,39
1924-25 . . .	67,54	28,84	96,38	14,90	3,78	55,63	..	16,39	90,70	+5,68
1925-26 . . .	68,10	25,29	93,39	13,37	4,97	56,00	..	15,74	90,08	+3,31
1926-27 . . .	67,96	25,32	93,28	11,77	4,97	55,97	..	20,57	93,28	.. (b)
1927-28 . . .	68,12	17,43	85,55	10,57	5,04	54,79	..	15,15	85,55	.. (c)
1928-29 . . .	71,63	15,62	87,25	10,20	5,42	55,10	..	16,85	87,57	—32(d)
1929-30 . . .	71,74	19,46	91,20	10,85	5,74	55,10	..	19,24	90,93	+27
1930-31 . . .	66,54	13,60	80,14	11,28	6,14	54,30	..	20,00	91,72	—11,58
1931-32 . . .	69,52	7,77	77,29	12,83	6,89	51,76	..	17,56	89,04	—11,75
1932-33 . . .	76,74	6,10	82,84	11,61	6,84	48,74	..	16,10	81,29	+1,55
1933-34 . . .	69,66	5,77	75,43	9,29	3,00	44,42	(e) 2,72	16,00	75,43	..
1934-35 . . .										
(Revised)	73,28	5,76	79,04	10,28	3,00	44,34	(f) 5,06	16,23	78,91	+13
1935-36 . . .										
(Budget)	73,07	4,21	77,28	10,39	3,00	44,98	(f) 2,03	16,82	77,22	+6

EXPLANATORY MEMORANDUM : GENERAL BUDGET.

(a) Excludes share of additional revenue from import and excise duties on motor spirit payable to Road Development Fund.

(b) A surplus of 2,06 was transferred to Revenue Reserve Fund.

(c) A deficit of 2,22 was met by transfer from Revenue Reserve Fund.

(d) A deficit of 1,06 was met to the extent of 74 by transfer from Revenue Reserve Fund

(e) Represents the amount transferred to the Earthquake Fund. 62 out of this was subsequently utilised for debt redemption.

(f) *Vide* notes (e) and (f) on the previous page.

3. The figures in the above table are further analysed in the five tables that follow :—

TABLE II.

Analysis of Revenue and Expenditure of the Central Government.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Year.	Tax Revenue.	Cost of collection.	Net Tax Revenue.	Net Revenue from Commercial Departments.	Opium (Receipts less expenditure).	Currency and Mint (Receipts less expenditure).	Interest Receipts.	Provincial Contributions.	Extraordinary Receipts.	Other Revenue.	Total Net Revenue.	Interest on Debt.	Reduction or Avoidance of Debt.	Transfer to Revenue Reserve Fund.	Extraordinary Payments.	Defence Expenditure (act).	Other Expenditure.	Net Capital Outlay of Commercial Departments (posts and Telegraphs and Irrigation) charged to revenue.	Total Net Expenditure.	Surplus +, Deficit -.
1921-22	63,78	3,00	60,78	-7,01	1,27	3,30	1,11	9,63	...	9,16	78,43	13,70	4,46	...	...	69,61	17,01	1,10	1,06,08	-27,65
1922-23	67,38	2,97	64,41	4,09	1,92	2,59	1,16	9,20	...	2,37	95,74	13,67	4,55	...	...	65,27	16,69	18	1,00,76	-15,02
1923-24	69,14	3,48	66,66	8,97	1,66	2,14	3,16	9,20	2,60	2,72	97,11	15,97	3,62	...	3,41	56,28	15,56	-37	94,72	+2,39
1924-25	70,24	2,70	67,54	7,11	1,44	3,28	3,41	9,20	2,54	1,66	96,38	14,90	3,78	...	1	55,63	(c)16,75	-37	90,70	+5,68
1925-26	71,06	3,06	68,10	5,78	2,04	3,94	4,22	6,20	63	2,48	93,39	13,37	4,97	...	26	56,00	(d)17,00	-1,52	90,06	+3,31
1926-27	70,63	2,87	67,66	6,09	3,33	3,39	4,09	5,17	60	2,65	93,28	11,77	4,97	2,96	4	55,97	(e)17,39	18	93,28	...
1927-28	71,13	3,01	68,12	5,92	3,07	1,90	3,62	...	14	2,78	85,55	10,57	5,04	-2,22	18	54,79	(f)16,09	20	65,55	...
1928-29	(a)74,77	3,14	71,63	4,52	2,72	2,17	2,60	...	30	3,11	87,25	10,20	5,42	-74	1	55,10	(g)17,42	16	87,57	-32
1929-30	(a)74,69	3,25	71,44	5,24	2,55	2,00	4,40	...	1,69	3,38	91,20	10,85	5,74	...	...	55,10	19,11	13	90,43	+27
1930-31	(a)74,76	3,23	71,53	4,03	1,79	2,7	3,39	...	99	3,13	80,14	11,28	6,14	...	16	54,30	19,69	15	91,73	-11,58
1931-32	(a)72,58	3,06	69,52	-1,00	1,28	1,02	2,41	...	21	3,65	77,29	12,63	6,69	...	3	51,76	18,03	-50	89,04	-11,75
1932-33	(a)79,91	3,17	76,74	-4,5	6	1,65	1,56	...	2	2,44	82,44	11,61	6,84	...	10	46,74	15,69	5	81,29	+1,55
1933-34	(a)72,97	3,31	69,66	-6	68	74	1,68	...	30	2,73	75,43	9,29	3,00	...	(A)2,62	44,42	15,65	5	75,43	...
1934-35 (Revised)	(a)70,78	3,50	67,28	8	38	55	2,12	...	...	2,65	79,64	10,26	3,00	...	(i)1,08	44,34	20,22	4	78,91	+18
1935-36 (Budget)	(a)76,73	3,66	73,07	-18	25	74	63	...	...	2,67	77,28	10,59	3,00	...	1	44,08	18,80	4	77,22	+6

(a) Excludes share of additional revenue from import and excise duties on motor spirit payable to Road Development Fund.

(b) Includes 5,50 freight tax.

(c) Includes bounties 62.

(d) " " 85.

(e) " " 80.

(f) " " 12.

(g) Includes bounties 4.

(h) Includes 2,72 transferred to the Earthquake fund, 62 of which was subsequently utilised for Debt Redemption.

(i) Includes 1,00 for Economic Development of rural areas.

TABLE III.

Analysis of Tax Revenue.

Year.	Revenue from Customs.	Cost of Collection.	Revenue from Taxes on Income.	Cost of Collection.	Revenue from Salt.	Cost of Collection.	Land Revenue.	Cost of Collection.	Revenue from Excise.	Cost of Collection.	Revenue from Stamps.	Cost of Collection.	Revenue from Registration.	Cost of Collection.	Total gross Tax Revenue.	Transfers to Road Development Fund.	Tax revenue retained by Central Government.	Total Cost of Collection.	Total net Tax Revenue.
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1921-22	34,41	66	21,89	22	6,34	1,56	33	15	54	3	25	37	2	1	63,78	..	63,78	3,00	60,78
1922-23	41,35	71	17,99	45	6,82	1,51	43	13	52	3	25	13	2	1	67,38	..	67,38	2,97	64,41
1923-24	39,70	71	18,23	63	10,01	1,36	43	11	48	2	28	35	1	..	69,14	..	69,14	2,48	66,66
1924-25	45,75	77	16,01	61	7,39	1,20	38	11	42	2	27	1	2	..	70,24	..	70,24	2,70	67,54
1925-26	47,78	82	15,86	59	6,33	1,25	38	12	42	11	27	7	2	..	71,06	..	71,06	2,96	68,10
1926-27	47,38	81	15,65	62	6,70	1,20	41	13	41	10	27	1	1	..	70,83	..	70,83	2,87	67,96
1927-28	48,22	85	15,06	66	6,63	1,27	41	11	52	12	27	..	2	..	71,13	..	71,13	3,01	68,12
1928-29	49,28	94	16,70	69	7,60	1,23	38	12	53	15	31	1	2	..	74,82	5	74,77	3,14	71,63
1929-30	51,28	97	16,71	72	6,76	1,27	38	11	55	17	27	1	2	..	75,97	98	74,99	3,25	71,74
1930-31	46,81	93	16,00	75	6,83	1,26	34	10	47	17	28	1	1	..	70,74	98	69,76	3,22	66,54
1931-32	46,44	90	17,49	74	8,58	1,16	34	9	51	16	23	1	1	..	73,60	1,02	72,58	3,06	69,52
1932-33	51,95	93	17,97	78	10,07	1,12	18	5	42	15	33	14	1	..	80,93	1,02	79,91	3,17	76,74
1933-34	47,16	99	17,13	82	8,86	1,15	18	6	40	15	31	14	1	..	74,05	1,08	72,97	3,31	69,66
1934-35 (Revised).	51,17	1,09	17,25	85	8,55	1,16	21	6	40	16	42	18	1	..	78,01	1,23	76,78	3,50	73,28
1935-36 (Budget).	51,84	1,15	16,40	92	8,73	1,18	21	6	40	16	45	19	1	..	78,04	1,31	76,73	3,66	73,07

TABLE IV.

Analysis showing how net Interest figure in Table II is arrived at.

Year.	Gross Interest on Ordinary Debt.	Amounts charged to						Net Interest on Ordinary Debt.	Interest on other obligations.										Total Interest on other obligations.	Total Interest payments (Net).
		Railways.	Irrigation.	Posts and Telegraphs.	Provincial Loans Fund.	Other heads.	Total deductions.		Bonus on Cash Certificates.	Post Office Savings Bank.	Provident Funds.	Service Funds.	Fixed Deposits of Provincial Governments.	Famine Relief Fund.	Railway Reserve Fund.	Railway Depreciation Fund.	P. & T. Depreciation Fund.	Other items.		
1921-22 . . .	30,00	15,64	12	57	2,58	..	18,91	11,09	14	62	1,56	11	..	..	..	..	..	18	2,61	13,70
1922-23 . . .	30,88	16,35	12	59	3,02	..	20,08	10,80	48	63	1,58	11	..	..	..	..	..	25	3,07	13,87
1923-24 . . .	35,03	17,57	12	64	3,75	..	22,08	12,95	28	67	1,67	11	..	..	..	..	..	20	3,02	15,97
1924-25 . . .	37,56	21,23	12	69	4,21	3	26,28	11,28	16	71	1,85	10	..	..	..	..	..	45	3,62	14,90
1925-26 . . .	38,12	23,14	12	51	5,21	8	29,04	9,08	16	74	2,05	10	..	..	..	..	..	46	3,62	14,90
1926-27 . . .	37,31	24,30	12	58	5,35	9	30,44	6,87	16	79	2,27	10	6	17	34	20	1	53	4,29	13,37
1927-28 . . .	37,46	25,75	12	62	5,46	14	32,09	5,37	23	87	2,21	10	21	18	37	27	2	53	4,90	11,77
1928-29 . . .	38,70	27,82	12	70	5,88	15	34,67	4,03	60	98	2,38	10	17	20	48	33	5	63	5,20	10,57
1929-30 . . .	40,34	29,09	12	73	6,20	18	36,32	4,02	73	1,03	2,54	12	23	16	74	53	7	68	6,17	10,20
1930-31 . . .	41,67	31,34	13	84	6,55	21	39,07	2,60	2,00	1,05	2,93	13	22	16	58	74	11	76	6,83	10,85
1931-32 . . .	44,57	31,76	13	79	7,25	24	40,17	4,40	2,06	1,08	3,10	12	7	15	58	79	13	79	8,68	11,28
1932-33 . . .	43,56	31,57	2	83	8,01	25	40,68	2,88	2,20	1,15	3,38	13	6	13	..	73	14	81	8,43	12,83
1933-34 . . .	40,17	31,29	3	86	8,07	26	40,51	— 34	2,60	1,29	3,77	13	12	10	..	57	15	90	8,73	11,61
1934-35 . . .																			9,63	9,29
(Revised)	39,19	30,61	3	85	7,97	8	39,54	— 35	3,30	1,50	3,89	13	8	7	..	53	16	9	10,63	10,28
1935-36 . . .	38,39	30,46	3	85	8,25	8	39,67	— 1,28	3,90	1,69	4,07	13	5	7	..	58	16	1,02	11,67	10,39
(Budget).																				

TABLE V.

Analysis of main heads of 'Other expenditure' Column 18 in Table II.

Year.	Forest Expenditure.	Total Civil Administration.	Miscellaneous.						Commutation of Pensions.	Civil Works.	Salt, Stamp and Forest Capital outlay charged to revenue.	Subventions to Provinces.	Total other Central expenditure.
			Famine.	Territorial, etc., Pensions.	Superannuation Allowances, etc.	Stationery and Printing.	Miscellaneous.	Total.					
1921-22	47	9,41	3	30	3,44	79	1,03	5,59	..	1,54	..	..	17,01
1922-23	39	9,94	1	29	3,61	62	68	5,21	..	1,35	..	..	16,89
1923-24	36	9,34	..	29	2,97	51	69	4,46	..	1,70	..	..	15,86
1924-25	31	10,13	..	31	2,86	35	93	4,35	..	1,78	18	..	16,75
1925-26	30	10,77	1	30	2,90	34	71	4,28	..	1,60	7	..	17,00
1926-27	32	11,14	1	31	2,62	31	71	3,96	..	1,90	7	..	17,39
1927-28	31	11,21	..	29	2,51	26	65	3,71	5	1,58	13	..	16,99
1928-29	33	11,44	..	28	2,45	56	73	4,02	4	1,55	4	..	17,42
1929-30	35	12,66	..	32	2,66	55	88	4,41	4	1,60	5	..	19,11
1930-31	36	13,34	..	32	2,56	55	81	4,24	6	1,65	4	..	19,69
1931-32	32	12,17	..	31	2,68	58	74	4,31	3	1,19	1	..	18,03
1932-33	23	9,69	..	31	2,74	35	72	4,12	11	75	3	96	15,89
1933-34	19	9,54	..	30	2,94	35	64	4,23	2	90	1	1,00	15,85
1934-35 (Revised)	19	(a)11,47	..	31	3,10	34	59	4,34	3	(b)1,23	1	2,95	20,22
1935-36 (Budget)	17	10,17	..	30	3,20	35	60	4,45	1	94	1	3,05	18,80

(a) Includes 25 for development of tribal areas, 20 for development of broadcasting, 93 for development of civil aviation and 36 for transfer of Agricultural Research Institute from Pusa.

(b) Includes 40 on account of special subvention to the Road Development Fund.

TABLE VI.

Analysis of the total expenditure on 'Civil Administration' in Table V.

Year.	General Administration.	Audit.	Administration of Justice.	Jails and Convict Settlements.	Police.	Ports and Pilots.	Lighthouses and Lightships.	Ecclesiastical.	Political.	Watch and Ward.	Scientific Departments.	Education.	Medical.	Public Health.	Agriculture.	Industries.	Civil Aviation.	Miscellaneous Departments.	Indian Stores Department.	Total.
1921-22 . . .	1,93	70	10	45	88	24	..	31	2,26	..	1,12	31	31	16	21	1	1	41	..	9,41
1922-23 . . .	2,04	75	11	41	89	23	..	30	3,04	..	91	31	32	16	21	..	..	26	..	9,94
1923-24 . . .	1,56	75	13	36	84	23	..	29	2,98	..	85	31	28	11	24	1	..	40	..	9,34
1924-25 . . .	1,54	78	12	36	94	25	..	31	3,16	..	76	32	26	17	31	61	..	24	..	10,13
1925-26 . . .	1,56	84	13	36	96	32	..	32	3,37	..	80	32	29	13	27	86	1	23	..	10,77
1926-27 . . .	1,66	85	15	37	93	35	..	32	3,32	..	85	38	30	17	27	82	13	11	16	11,14
1927-28 . . .	1,72	89	14	35	69	33	..	32	1,58	2,50	91	48	30	17	29	15	10	12	17	11,21
1928-29 . . .	1,88	97	15	35	74	29	..	32	1,58	2,54	93	45	31	19	30	7	5	13	19	11,44
1929-30 . . .	2,25	1,02	15	42	76	25	14	32	1,62	2,69	94	52	32	21	46	3	20	15	21	12,66
1930-31 . . .	2,13	1,03	15	48	93	26	12	32	1,96	2,78	93	62	32	19	48	3	23	29	9	13,34
1931-32 . . .	1,98	1,01	16	39	88	26	11	30	1,64	2,39	86	62	30	17	35	2	20	44	9	12,17
1932-33 . . .	1,53	94	9	25	55	22	10	29	1,45	2,18	67	35	22	13	30	2	10	20	10	9,69
1933-34 . . .	1,54	98	8	24	54	23	10	29	1,36	2,16	66	30	23	13	29	2	13	17	9	9,54
1934-35 (Revised)	1,61	1,01	7	23	52	23	10	29	1,63(a)	2,10	72	30	24	16	69(b)	4	1,07(c)	38(d)	8	11,47
1935-36 (Budget)	1,67	1,08	8	23	53	24	10	31	1,41	2,06	74	30	24	16	36	8	16	20	22	10,17

(a) Includes 25 for development of tribal areas on the North West Frontier.

(b) " 36 " transfer of the Agricultural Research Institute from Pusa to Delhi.

(c) " 93 " development of Civil Aviation.

(d) " 20 " " " Broadcasting.

EXPLANATORY MEMORANDUM : GENERAL BUDGET.

ACCOUNTS, 1933-34.

4. The revised estimate for 1933-34 anticipated a surplus of 1,29 which it was proposed to transfer to the fund for reconstruction of earthquake damage. The actual surplus, however, amounted to 2,72, the betterness of 1,43 being made up as follows :—

Customs receipts	+29
Salt receipts	+31
Currency and Mint receipts	+10
Miscellaneous receipts	+10
Direct demands on revenue	+6
Interest on ordinary debt	+35
Civil Administration	+5
Civil works—mainly appropriations to the Road Development Fund	+9
Other items	+8
	<hr/>
	+1,43
	<hr/>

5. The increase under customs receipts was anticipated late in the year, but it was set off against an anticipated drop under income-tax revenue especially owing to the earthquake. The anticipated drop under the latter head did not fortunately materialise.

Larger issues of salt in February in anticipation of an increase in the salt duty accounted for the betterness under salt receipts.

The betterness under interest on ordinary debt was due partly to the somewhat unusual number of holders of Government securities failing to draw their interest and partly to larger recoveries from commercial departments.

The whole of the surplus of 2,72 was transferred in the accounts of 1933-34 to the fund for reconstruction of earthquake damage. As explained in the Hon'ble the Finance Member's budget speech, it has now been decided to retain 2,10 in that fund and to utilise the balance of 62 for debt redemption.

REVISED ESTIMATE, 1934-35.

6. The revised estimate for the current year compares with the budget estimate as shown below :—

	Budget, 1934-35.	Revised, 1934-35.
Revenue	1,19,71	1,23,38
Expenditure	1,19,61	1,20,11
Surplus+	<u>+10</u>	<u>+3,27</u>

7. The important variations as compared with the budget estimate are as follows :—

	+Better —worse.	+ —
Customs	3,41	..
Salt . . . . .	..	18
Opium (net) . . . . .	..	17
Posts and Telegraphs (net)	28	..
Interest receipts	26	..
Miscellaneous receipts mainly gain from exchange	18	..
Subventions to jute growing Provinces from the jute export duty . . . . .	..	43
Other items . . . . .	..	18
	<u>4,13</u>	<u>96</u>
Net betterness	3,17	

8. As explained in the Hon'ble the Finance Member's budget speech, out of the surplus of 3,27 in the current year, a special contribution of 40 will be made to the Government of India's reserve in the Road Development Fund and 2,74 will be set aside under special deposit heads for expenditure on the following objects :—

(a) Grants to Provinces for economic development and improvement of rural areas	1,00
(b) Development in tribal areas on the North-West Frontier	25
(c) Development of Broadcasting	20
(d) Development of Civil Aviation	93
(e) Transfer of Agricultural Research Institute from Pusa to Delhi	36
Total	<u>2,74</u>

The remainder of the surplus amounting to 13 will go towards debt redemption.

EXPLANATORY MEMORANDUM : GENERAL BUDGET.

Budget Estimate, 1935-36.

9. The budget estimate for next year compares with the revised estimate for the current year as shown below :—

	Revised, 1934-35.	Budget, 1935-36.
Revenue	1,23,38	1,22,44
Expenditure	1,20,11	1,20,94
Surplus	<u>+3,27</u>	<u>+1,50</u>

10. The important variations are as follows :—

	+ Better — Worse.	+ —
Customs	75	..
Taxes on Income	51	..
Salt	18	..
Interest receipts . . . . .	..	1,29
Currency and Mint receipts . . . . .	..	22
Restoration of pay cut . . . . .	..	1,08
Civil Administration (expenditure) . . . . .	..	40
Other items . . . . .	..	22
Total	<u>1,44</u>	<u>3,21</u>
Net worseness		1,77

11. As explained in the Hon'ble the Finance Member's budget speech 1,44 out of the surplus will be utilised for reduction of taxation as shown below, leaving a nominal surplus of 6 :—

(a) Reduction of the rate of income-tax on incomes below Rs. 2,000 and reduction of the rate of surcharges	1,36
(b) Abolition of the export duty on raw skins	8
	<u>1,44</u>

12. The following tables show in detail the variations under the main heads of account and the position is further explained in the section-notes on certain heads of revenue and expenditure.

Revenue.

Heads of Account. <i>Revenue.</i>	1934-35.		1935-36.
	Budget.	Revised.	Budget.
Customs { Petrol tax for Road Fund	1,18	1,23	1,31
{ Other items	46,58	49,94	50,53
Taxes on Income	17,25	17,25	16,40
Salt	8,73	8,55	8,73
Opium	95	71	61
Other principal heads of revenue	1,82	1,90	1,91
Irrigation : Receipts less working expenses . . . . .	..	..	..
Interest	1,86	2,12	83
Civil Administration	78	81	93
Civil Works	24	24	23
Currency and Mint	1,27	1,29	1,07
Miscellaneous	57	74	56
Extraordinary Receipts . . . . .	..	..	..
Provincial contributions and miscellaneous adjustments between Central and Provincial Governments . . . . .	..	..	..
Posts and Telegraphs : Receipts less working expenses	70	98	71
Railways : Receipts less working expenses	32,58	32,38	32,25
Defence Services	5,20	5,24	4,93
TOTAL	1,19,71	1,23,38	1,21,09

Expenditure.

	1934-35.		1935-36.
	Budget.	Revised.	Budget.
Heads of Account.			
<i>Expenditure.</i>			
Customs	1,01	1,09	1,15
Taxes on Income	85	85	92
Salt	1,15	1,16	1,18
Opium	42	36	36
Other heads recording direct demands on the revenue	58	58	59
Irrigation : Interest and Miscellaneous charges	6	6	5
Civil Administration	9,59	11,47	10,17
Currency and Mint	68	74	32
Civil Works { Transfer to Road Fund	1,18	1,63	1,31
{ Other items	84	83	94
Superannuation Allowances and Pensions	3,08	3,10	3,20
Miscellaneous	1,25	1,24	1,25
Extraordinary payments	3	1,03	1
Posts and Telegraphs : Interest on Debt	84	84	84
Railways : Interest and Miscellaneous charges	32,58	32,38	32,25
Defence Services	49,58	49,58	49,91
Interest	10,34	10,28	10,39
Reduction or Avoidance of Debt	3,00	3,00	3,00
Miscellaneous adjustment, etc.	2,53	2,95	3,05
Capital expenditure financed from Revenue :			
Posts and Telegraphs	4	4	3
Other Works :	2	1	1
Commutation of Pensions	-2	3	1
TOTAL	1,19,61	1,23,25	1,20,94
Surplus	+10	+13	+6

NOTES ON CERTAIN HEADS OF REVENUE AND EXPENDITURE,

CUSTOMS.

	Revenue (Receipts <i>less</i> Refunds).	Expenditure.	Net revenue.
1931-32	46,43·67	90·50	45,53·17
1932-33	51,95·17	92·94	51,02·23
1933-34	47,16·41	98·56	46,17·85
1934-35 { Budget	47,76·00	1,00·58	46,75·42
{ Revised	51,17·00	1,09·10	50,07·90
1935-36 Budget	51,84·00	1,14·94	50,69·06

13. The details are as follows :—

	Accounts, 1931-32.	Accounts, 1932-33.	Accounts 1933-34.	1934-35.		Budget, 1935-36.
				Budget.	Revised.	
SEA CUSTOMS.						
IMPORTS.						
<i>I.—Revenue duties.</i>						
Ale, beer, porter, cider and other fermented liquors	31·55	35·41	34·21	36·12	34·50	35·50
Spirits and liqueurs	1,47·47	1,72·59	1,77·98	1,92·00	1,76·00	1,85·00
Wines	11·28	12·92	13·81	14·00	14·00	15·00
Spices	21·27	18·16	18·27	17·00	17·00	17·00
Tea	11·59	11·45	13·36	17·00	9·00	9·00
Tobacco	1,06·12	1,33·72	1,14·81	1,20·00	1,10·00	1,20·00
Kerosene oil	1,79·96	1,45·35	1,25·77	1,25·00	1,45·00	1,48·00
Motor Spirit	67·12	29·09	10·20	10·00	5·00	5·00
Oils, batching, fuel and lubricating.	31·26	34·30	39·59	38·00	42·00	45·00
Cotton, raw	23·10	55·92	30·33	45·00	32·00	35·00
Boots and shoes	11·53	27·81	24·23	33·00	18·00	19·00
Motor cars, cycles, scooters, omnibuses, chassis, vans, lorries, and parts thereof	63·20	68·10	95·03	1,00·00	1,35·00	1,40·00

	Accounts, 1931-32.	Accounts, 1932-33.	Accounts, 1933-34.	1934-35.		Budget, 1935-36.
				Budget.	Revised.	
SEA CUSTOMS—contd.						
IMPORTS—contd.						
<i>I.—Revenue duties—contd.</i>						
Electric lighting bulbs	7·41	18·06	15·92	16·00	16·00	16·00
Wireless reception instruments and apparatus	1·04	2·55	4·09	3·00	7·00	8·00
Dyes derived from coal-tar and coal-tar derivatives	11·05	17·24	23·64	24·00	32·00	35·00
Machinery	60·84	1,27·86	1,50·86	1,18·00	1,45·00	1,50·00
Iron and Steel	39·49	35·59	39·34	45·00	42·00	45·00
Silver bullion, coin, sheets, plates and other manufactures	95·46	8·93	2·13	7·00	17·00	5·00
Tin, block	6·40	7·25	6·15	6·00	7·00	8·00
Metals, other than Iron and Steel, silver and block tin	62·54	92·10	75·86	70·50	90·00	95·00
Railway plant and rolling stock	13·20	7·88	9·31	10·00	11·00	12·00
Artificial silk yarn and thread	11·47	17·14	15·70	15·00	30·00	31·00
Yarns and textile fabrics, others	83·97	96·51	1,00·11	85·00	1,65·00	1,65·00
Cinematograph films	7·63	9·48	12·81	12·00	14·00	15·00
Portland cement excluding white Portland cement	10·43	11·51	10·16	11·00	10·00	10·00
Pneumatic rubber tyres and tubes	34·12	37·57	32·52	34·00	35·00	45·00
Toys, games and sports goods	16·03	23·69	25·37	27·00	24·00	24·00
Betelnuts	59·40	57·54	56·54	58·00	45·00	45·00
All other articles	8,60·14	9,57·73	8,93·13	9,39·88	9,70·00	10,00·00
<i>II.—Protective duties.</i>						
Sugar	8,00·07	6,84·79	4,72·04	2,05·00	3,75·00	1,75·00
Heavy Chemicals	2·65	4·48	·18	·15	·20	·20
Iron and Steel	1,17·53	1,10·37	85·05	71·00	80·00	80·00
Silver wire, thread and other manufactures	6·25	8·33	5·72	5·00	5·00	5·00
Paper and Stationery	21·12	21·71	24·24	26·00	21·00	21·00
Raw Silk	15·92	28·15	17·90	20·00	30·00	30·00
Silk yarn and thread	11·42	21·55	12·03	22·00	20·00	20·00
Cotton yarn and thread	37·22	54·87	40·17	45·00	28·00	30·00
Cotton fabrics of British manufacture	1,80·16	3,00·48	2,10·42	2,10·00	2,75·00	2,80·00
Cotton fabrics not of British manufacture	1,90·72	3,52·16	2,50·44	2,50·00	2,40·00	2,45·00

	Accounts, 1931-32.	Accounts, 1932-33.	Accounts, 1933-34	1934-35.		Budget, 1935-36.
				Budget.	Revised.	
SEA CUSTOMS—contd.						
IMPORTS—contd.						
<i>II.—Protective duties—contd.</i>						
Silk fabrics	1,07'49	2,55'25	1,28'18	1,20'00	85'00	85'00
Cotton hosiery	12'47	17'95	20'87	40'00	30'00	30'00
Artificial silk fabrics . . . . .	...	...	68'28	70'00	1,06'00	1,06'00
Fabrics of artificial silk mixed with other materials	17'53	47'64	44'78	42'00	27'00	27'00
Other textile manufactures . . . . .	...	...	...	17'00	48'00	48'00
Matches, match splints and veneers	1'08	'41	'30	'25	'30	'30
Wood pulp	'19	8'80	11'49	12'00	11'00	11'00
TOTAL IMPORTS	36,07'89	41,90'39	35,68'36	33,48'90	37,79'00	36,76'00
SEA CUSTOMS—EXPORTS.						
Skins, raw	20'23	14'07	18'82	15'00	8'00	—
Jute—						
Raw	3,10'01	3,07'47	3,46'67	3,80'00	3,40'00	3,60'00
Manufactured						
Rice	95'28	75'75	69'86	75'00	55'00	55'00
TOTAL EXPORTS	4,25'52	3,97'29	4,34'85	4,70'00	4,03'00	4,15'00
Sea Customs—Miscellaneous	7'38	6'96	8'08	8'00	9'00	9'00
Land Customs	1,07'55	61'62	1,15'82	35'00	40'00	40'00
Excise Duty on Motor Spirit	3,47'61	3,98'69	4,42'79	4,70'00	5,00'00	5,33'00
Excise Duty on Kerosene	2,48'43	2,76'52	2,80'68	2,95'00	2,88'00	2,95'00
Excise Duty on Silver	22'93	'76	...	'08	...	...
Excise Duty on Sugar—						
Sugar other than Khandsari and Palmyra	}	}	}	1,47'00	1,05'00	1,35'00
Khandsari Sugar					10'00	15'00
Palmyra Sugar . . . . .					...	...
Excise Duty on Matches . . . . .	...	...	...	1,38'00	1,15'00	1,80'00
Excise Duty on Steel Ingots . . . . .	...	...	...	...	13'00	31'00

	Accounts, 1931-32.	Accounts, 1932-33.	Accounts, 1933-34.	1934-35.		Budget 1935-36.
				Budget.	Revised.	
SEA CUSTOMS—concl'd.						
Warehouse and wharf rents	4·46	4·39	4·62	3·97	5·00	5·00
Miscellaneous						
TOTAL GROSS REVENUE	47,71·77	53,31·62	48,55·15	49,15·90	52,67·00	53,34 00
<i>Deduct—Refunds</i>	1,28·10	1,36·45	1,38·74	1,39·90	1,50·00	1,50·00
NET TOTAL REVENUE	46,43·67	51,95·17	47,16·41	47,76·00	51,17·00	51,84·00
EXPENDITURE.						
India	88·10	91·31	97·13	98·95	1,07·51	1,13·34
England	2·39	1·64	1·44	1·63	1·60	1·60
Exchange	·01	—·01	—·01	...	—·01	...
Total	90·50	92·94	98·56	1,00·58	1,09·10	1,14·94

14. The revised estimate of net customs revenue (*i.e.*, gross revenue less refunds) is 3,41 more than the budget for the year. The betterness is the result of the following variations :—

	Revised better + worse — than original budget.
(1) Import duties—	
<i>Revenue duties—</i>	
Motor cars, cycles etc.	+35
Machinery	+27
Yarns and textile fabrics	+80
All other articles	+30
<i>Protective duties—</i>	
Sugar	+1,70
Cotton fabrics	+90
Silk fabrics	—35
Artificial Silk fabrics	+36
Other textile manufactures	+31
(2) Export duties—	
Jute	—40
Rice	—20
(3) Excise and import duties on motor spirit and kerosene	+38
(4) Excise duty on Sugar	—32
(5) Excise duty on Matches	—23
(6) Other items	—36
(7) Refunds of duties	—10
Total	+3,41

15. The budget estimate of revenue for next year exceeds the current year's revised by 67 which is made up as follows :—

	+ better. —worse.
(1) Import duties—	
<i>Revenue duties</i> —	
All other articles	+ 30
<i>Protective duties</i> —	
Sugar	—2,00
(2) Export duties—	
Jute	+ 20
Skins	— 8
(3) Excise and import duties on motor spirit and kerosene .	+ 43
(4) Excise duty on sugar	+ 35
(5) Excise duty on matches	+ 65
(6) Other items	+ 82
Total	+ 67

16. The increase in expenditure in the revised estimate for the current year and the budget estimate for next year is mainly due to :—

- (a) cost of collection of sugar and match excise duties,
- (b) cost of manufacture of banderols for matches,
- (c) additional establishments sanctioned to prevent loss of revenue, and
- (d) restoration of the pay cut.

TAXES ON INCOME.

	Revenue. (Receipts less re- funds and Pro- vincial Govern- ments' share of Income-tax revenue.)	Expenditure.	Net revenue.
1931-32	17,48·73	73·84	16,74·89
1932-33	17,97·40	77·59	17,19·81
1933-34	17,12·85	82·48	16,30·37
1934-35 { Budget	17,25·00	85·03	16,39·97
{ Revised	17,25·00	85·45	16,39·55
1935-36 Budget	16,40·00	91·57	15,48·43

17. The decrease of 85 in the estimate of revenue for next year as compared with the current year's revised is made up as follows :—

(a) Improvement due to better trade conditions this year than in 1933-34	+ 35
(b) Additional revenue due to the restoration of pay cut	+ 16
(c) Loss of revenue due to reduction in the rates of the tax on incomes below Rs. 2,000 and in the rate of surcharges	—1,36
Net	— 85

18. The increase in the budget estimate of expenditure for next year is mainly due to increments, restoration of the pay cut and additional establishments.

19. The following tables give the usual details :—

	Accounts, 1931-32.	Accounts, 1932-33.	Accounts, 1933-34.	1934-35.		Budget, 1935-36.
				Budget.	Revised.	
REVENUE.						
EXCESS PROFITS DUTY.						
1. Bengal	·01	·01	·01	·01	·01	01
SUPER-TAX.						
1. India	2·76	4·37	3·02	3·06	3·49	3·30
2. Baluchistan	·16	...	·08	·07	·09	·09
3. Madras	15·69	13·12	16·04	13·80	13·87	12·85
4. Bombay	91·03	88·59	80·51	86·00	86·00	83·00
5. Bengal	1,72·06	1,41·12	1,03·08	1,16·50	1,25·70	1,21·50
6. United Provinces	18·83	16·11	22·27	21·00	24·80	22·30
7. Punjab	4·99	5·23	6·30	4·32	6·40	6·30
8. Burma	49·14	40·10	15·88	32·00	30·27	28·04
9. Bihar and Orissa	13·31	11·96	9·53	12·00	12·00	11·00
10. Central Provinces	2·93	1·32	1·35	3·50	3·75	3·50
11. North-West Frontier Province	·63	·64	·64	·44	·41	·40
12. Assam	1·84	1·29	2·53	2·24	3·00	3·23
TOTAL	3,78·37	3,23·85	2,61·23	2,94·93	3,09·78	2,95·51
INCOME-TAX.						
1. India General—						
Civil	98·23	1,10·69	1,18·94	96·64	1,23·15	1,14·48
Non-Civil Departments	94·06	1,01·58	1,10·62	1,13·50	1,14·00	1,17·75
2. Baluchistan	2·14	2·01	2·41	2·33	2·60	2·60
3. Madras	1,63·23	1,79·44	1,84·94	1,75·23	1,78·51	1,70·61
4. Bombay	3,77·08	4,33·37	4,52·37	4,56·95	4,48·97	4,15·95
5. Bengal	3,42·45	3,42·78	3,16·01	3,15·00	3,15·17	3,14·74
6. United Provinces	94·45	1,06·21	1,06·15	1,03·75	1,07·75	1,00·75
7. Punjab	75·28	87·39	90·16	82·45	84·50	79·00
8. Burma	1,56·59	1,43·46	1,32·25	1,31·97	1,22·12	99·77
9. Bihar and Orissa	56·84	60·02	56·55	72·80	61·34	50·12
10. Central Provinces	45·66	41·66	37·99	43·50	40·70	37·18
11. North-West Frontier Province	11·42	11·81	11·51	12·10	11·67	11·57
12. Assam	20·19	20·63	22·16	23·21	24·10	23·78
13. Coorg	·29	·33	·33	·80	·29	·30
TOTAL	15,37·91	16,41·88	16,42·39	16,09·79	16,34·87	15,38·60

	Accounts, 1931-32.	Accounts, 1932-33.	Accounts, 1933-34.	1934-35.		Budget, 1935-36.
				Budget.	Revised.	
REVENUE—contd.						
MISCELLANEOUS.						
1. India	·01	..	..	..	..	..
2. Baluchistan . . . . .	..	..	..	..	..	..
3. Madras	·03	·03	·01	·03	·07	·07
4. Bombay	·07	·01	·01	·05	·03	·05
5. Bengal	·01	..	..	·02	·02	·02
6. United Provinces	·16	·21	·16	·25	·25	·25
7. Punjab	·09	·05	·02	·04	·04	·04
8. Burma	·25	·25	·11	·02	·13	·02
9. Bihar and Orissa	·03	·05	·04	·05	03	·03
10. Central Provinces	·04	·04	·01	·05	·05	·05
11. North-West Frontier Province .	..	..	..	·06	..	..
TOTAL	·68	·64	·36	·57	·62	·53
Total Receipts from Taxes on Income	19,11·97	19,65·88	19,03·99	19,05·30	19,45·28	18,34·65
Deduct—Refunds	1,55·02	1,65·57	1,33·10	1,77·00	2,13·74	1,89·30
Deduct—Shares of Provincial Govern- ments in Income-tax revenue under the Devolution Rules	3·22	2·91	3·04	2·39	6·54	4·85
Net Total Revenue of the Central Government	17,48·73	17,97·40	17,12·85	17,25·00	17,25·00	16,40·00
EXPENDITURE.						
India	72·66	76·91	81·06	84·25	84·40	90·22
England	·96	·63	1·42	·78	1·05	1·35
Exchange	·01	..	..	..	..	..
TOTAL	73·64	77·59	82·48	85·03	85·45	91·57
Distributed as follows :—						
Payments to Provincial Govern- ments	·25	·25	·24	·27	·23	·24
Direct expenditure of Central Government	73·59	77·34	82·24	84·76	85·22	91·33

20. Figures of Income-tax revenue payable to Provincial Governments are shown below :—

—	Accounts, 1931-32.	Accounts, 1932-33.	Accounts, 1933-34.	1934-35.		Budget, 1935-36.
				Budget.	Revised.	
Madras . . .	..	..	..	..	..	..
United Provinces	..	..	..	..	1.50	..
Punjab . . .	..	..	..	..	1.52	1.10
Burma . . .	3.59	..	..	..	..	..
Bihar and Orissa	2.13	1.22	1.32	1.25	1.32	1.25
Central Provinces	.08	..	..	..	..	..
Assam . . .	2.42	1.69	1.72	2.05	2.20	2.50
TOTAL . .	8.22	2.91	3.04	3.30	6.54	4.85

SALT.

		Revenue (Receipts <i>less</i> Refunds and Provin- cial Share).	Expenditure (including Capital Expenditure charged to Revenue).	Net Revenue.
1931-32		8,57.92	1,15.71	7,42.21
1932-33		10,07.36	1,13.43	8,93.93
1933-34		8,85.65	1,15.05	7,70.60
1934-35	{ Budget	8,73.00	1,16.27	7,56.73
	{ Revised	8,55.00	1,16.75	7,38.25
1935-36	Budget	8,73.00	1,18.21	7,54.79

21. The relevant details are given below :—

	Accounts, 1931-32.	Accounts, 1932-33.	Accounts, 1933-34.	1934-35.		Budget, 1935-36.
				Budget.	Revised.	
REVENUE.						
Northern India (a)	1,84·84	2,82·38	2,32·88	2,51·19	2,32·37	2,38·73
Madras (a)	1,81·85	2,04·19	1,88·55	1,75·48	1,76·05	1,75·65
Bombay (a)	2,08·56	2,14·08	1,89·14	1,80·02	1,88·07	1,92·57
Bengal (b)	2,61·51	2,92·71	2,52·90	2,45·05	2,38·00	2,42·51
Burma (b)	41·32	45·10	42·44	43·58	39·56	42·68
Bihar and Orissa . . . . .	..	..	·01	..	·01	...
TOTAL RECEIPTS	8,78·09	10,38·46	9,05·92	8,96·22	8,74·06	8,92·14
<i>Deduct—Refunds</i>	<i>6·17</i>	<i>16·18</i>	<i>14·63</i>	<i>14·32</i>	<i>14·79</i>	<i>14·74</i>
<i>Deduct—Provincial Share</i>	<i>13·99</i>	<i>14·92</i>	<i>5·64</i>	<i>8·90</i>	<i>4·27</i>	<i>4·40</i>
TOTAL REVENUE	8,57·92	10,07·36	8,85·65	8,73·00	8,55·00	8,73·00
EXPENDITURE.						
Cost of salt purchased by Govern- ment	7·85	7·18	6·75	6·52	6·18	6·46
Assignments and compensations	36·39	38·98	40·05	40·05	40·27	40·67
Interest	4·18	4·21	4·20	4·21	4·07	4·08
Depreciation	2·51	2·43	2·21	2·31	2·16	2·17
Other charges	63·66	58·08	60·64	61·52	62·37	64·15
Expenditure on retrenched personnel	·05	·07	·05	·01	·01	·01
Capital outlay on salt works	·03	1·91	·31	1·19	1·00	·33
Total India	1,14·87	1,12·86	1,14·21	1,15·81	1,16·06	1,17·87
England	1·03	·57	·84	·46	·69	·34
Exchange	·01	..	..	..	..	..
TOTAL	1,15·71	1,13·43	1,15·05	1,16·27	1,16·75	1,18·21

(a) Chiefly excise on local manufacture.

(b) Chiefly duty on imported salt.

22. The budget estimate for the current year assumed total issues of 5,20 lakhs of maunds of salt. The figures of actual issues till the end of December 1934 indicate that the total issues during the year are not likely to exceed 5,10 lakhs of maunds, the fall being mainly due to large issues in February 1934 in anticipation of an increase in duty. This accounts for the decrease in the revised estimate of revenue as compared with the budget.

The estimate for next year is based on a total issue of 5,20 lakhs of maunds of salt.

23. The figures of salt consumption are given below for the last five years.

	In lakhs of maunds.
1929-30	5,40
1930-31	5,23
1931-32	5,39
1932-33	5,15
1933-34	5,37
1934-35 (Estimate)	5,10
1935-36 (Estimate)	5,20

24. Figures of Provincial Governments' shares of Salt Revenue on account of additional duty on Foreign Salt under the Salt (Additional Import Duty) Acts, are given below :—

	Accounts, 1931-32.	Accounts, 1932-33.	Accounts, 1933-34.	1934-35.		Budget, 1935-36.
				Budget.	Revised.	
Madras . . . . .	..	..	..	..	..	..
Bombay	·17	·19	·07	·12	·05	·05
Bengal	5·37	6·04	2·12	3·60	1·59	1·63
United Provinces	·08	·10	·03	·06	·03	·03
Burma	4·89	4·66	2·05	2·78	1·56	1·62
Bihar and Orissa	2·83	3·19	1·12	1·90	·84	·87
Central Provinces	·01	·01	..	·01	..	..
Assam	·64	·73	·25	·43	·20	·20
Total	13·99	14·92	5·64	8·90	4·27	4·40

OPIUM.

	Provision and medical opium.	Excise opium and mis- cellaneous (less refunds).	Total revenue (Receipts less refunds).	Purchase of opium.	Other charges.	Total expendi- ture.	Net revenue.
1931-32	1,56·70	50·71	2,07·41	70·34	9·43	79·77	1,27·64
1932-33	43·02	46·84	89·86	76·86	7·01	83·87	5·99
1933-34	1,12·96	46·01	1,58·97	63·89	6·93	70·82	88·15
1934-35	Budget	44·95	95·07	35·57	6·71	42·28	52·79
	Revised	26·60	44·86	71·46	5·57	36·04	35·42
1935-36 Budget	10·36	50·80	61·16	29·73	6·08	35·81	25·35

25. The revenue from opium is derived mainly from exports of what is called provision opium to foreign countries. The rest is sold at roughly cost price to Provincial Governments as excise opium for internal consumption in India and is retailed by them to licensed vendors at rates fixed by them and varying from province to province. Opium is exported to foreign countries only after the prescribed import certificate from the Government of the importing country is produced. The entire quantity is now dealt with under the system of direct sales to Foreign and Colonial Governments, the old auction sales in Calcutta to traders for export to foreign countries having been stopped with effect from the 7th April 1926.

26. It was assumed in the budget for the current year that 1,251 chests of provision opium would be exported during 1934-35. It is now expected that 628 chests will be exported during the period April to December 1934 and 35 during January to March 1935. This decrease of 588 chests is responsible for a decline of 24 in the current years' revenue. It is anticipated that during the next year about 257 chests will be exported. This source of income will practically cease at the end of the calendar year 1935 in accordance with the policy of the Government of India. In future, the receipts will be confined to opium sold for consumption in India.

OTHER PRINCIPAL HEADS OF REVENUE AND DIRECT DEMANDS ON THE REVENUE.

	Revenue.	Expenditure (including capital expenditure).	Net revenue.
1931-32	2,19·24	58·42	1,60·82
1932-33	1,84·85	58·21	1,26·64
1933-34	1,80·45	55·53	1,24·92
1934-35 { Budget	1,81·81	58·09	1,23·72
{ Revised	1,90·16	58·70	1,31·46
1935-36 Budget	1,91·05	59·54	1,31·51

27. These heads comprise Land Revenue, Excise, Stamps, Forest, Registration and Payments from Indian States. The increase in revenue in the revised estimate for the current year and the budget estimate for next year occurs mainly under Security Printing Press due to the manufacture of banderols for matches and larger demand from the Posts and Telegraphs department for the products of the press.

IRRIGATION.

	Revenue (Receipts less Working expenses).	Expenditure (including Capital expenditure charged to Revenue).	Net expenditure.
1931-32	12·79	21·51	8·72
1932-33	1·64	5·40	3·76
1933-34	·07	4·06	3·99
1934-35 { Budget	·03	5·95	5·92
{ Revised	·15	5·92	5·77
1935-36 Budget	·14	5·57	5·43

28. The figures do not call for any comments.

POSTS AND TELEGRAPHS.

	Accounts, 1931-32.	Accounts, 1932-33.	Accounts, 1933-34.	1934-35.		Budget, 1935-36.
				Budget.	Revised.	
INDIAN POSTS AND TELE- GRAPHS DEPARTMENT.						
GROSS RECEIPTS	10,64·60	10,55·40	10,72·62	10,71·26	11,05·35	11,32·57
WORKING EXPENSES—						
India	10,71·41	10,04·46	10,31·68	9,92·80	9,99·32	10,54·00
England	9·49	11·78	8·51	8·68	8·35	8·05
Exchange	·04	—·03	—·01	..	—·01	...
TOTAL	10,80·94	10,16·21	10,40·18	10,01·48	10,07·66	10,62·05
NET RECEIPTS	—16·84	39·19	32·44	69·78	97·69	70·52
EXPENDITURE CHARGED TO REVE- NURE—						
Interest	77·61	81·03	84·38	84·25	83·88	83·53
NET REVENUE	—93·85	—41·89	—51·94	—14·47	13·81	—13·01
CAPITAL OUTLAY CHARGED TO RE- VENUE—						
India	10·82	4·56	4·73	4·07	3·57	2·93
England . . . . .	..	..	..	..	..	..
Exchange . . . . .	..	..	..	..	..	..
TOTAL	10·82	4·56	4·73	4·07	3·57	2·93
CAPITAL OUTLAY NOT CHARGED TO REVENUE—						
India	29·50	14·82	5·36	39·70	34·46	55·07
England	·45	..	·02	..	·04	...
Exchange . . . . .	..	..	...	..	...	...
TOTAL	29·95	14·82	5·38	39·70	34·50	55·07

29. The budget estimate for the current year anticipated a loss of 14 on the working of the Indian Posts and Telegraphs Department. It is now anticipated that there will be a gain of 14, i.e., an improvement of 28 over the original budget. This is mainly due to an improvement of 34 under revenue and a worseness of 6 under working expenses. It must, however, be remembered that this result has been achieved only by a raid of about 27 on the depreciation fund. It was explained at the time that this raid was only a temporary one, but that the whole question of the annual contribution to the fund was under review. The final results of this review are not yet available but it is anticipated that the amount to be provided for the depreciation fund will be about 10 less than under the old rules. The budget estimate for next year, therefore, provides for a contribution of 29 to the fund against only 10 in the current year, i.e., a worseness of 19. This worseness will, it is anticipated, be covered by an increase in revenue. The net result of the working of the department next year is anticipated to be a loss of 13 against a gain of 14 in the current year, i.e., a worseness of 27 which is due to the restoration of the pay cut.

30. The annual profit or loss in the working of the Department as shown in the accounts and estimates since it was commercialised is given below:—

	Current. Loss—	Progressive. Profit +.
1925-26	+37·03	+37·03
1926-27	+10·25	+47·28
1927-28	—26·15	+21·13
1928-29	—53·83	—32·70
1929-30	—62·45	—95·15
1930-31	—1,33·49	—2,28·64
1931-32	—93·85	—1,61·10
1932-33	—41·89	—2,02·99
1933-34	—51·94	—2,54·93
1934-35 (Revised)	+13·81	—2,41·12
1935-36 (Budget)	—13·01	—2,54·13

As a result of the acceptance by Government of certain recommendations of the Posts and Telegraphs Accounts Enquiry Committee, the total progressive loss, arising out of the commercial activities of the department, as shown in the accounts, up to the end of the year 1930-31, was reduced by 1,61·39. The figures of the progressive loss at end of 1931-32 and subsequent years have been corrected accordingly.

INTEREST RECEIPTS.

	Accounts, 1933-34.	Budget, 1934-35.	Revised, 1934-35.	Budget, 1935-36.	
India	{ Interest on loans and advances	1,02·25	1,09·05	36·83	32·79
	{ Other items	2·92	3·97	4·17	4·33
England	{ Interest on temporary investment of cash balances, etc.	13·17	13·23	17·15	45·16
	{ Excess over £40 millions in the Gold Standard Reserve	44·61	60·00	1,54·00	·28
Exchange	—·12	..	—·30	..	
TOTAL	1,62·83	1,86·25	2,11·85	82·56	

31. The large drop in India both in the revised estimate for the current year and the budget estimate for next year is mainly due to the elimination of a receipt of 67 on account of interest on the loan to the Bahawalpur Durbar, reference to which has been made in paragraph 5 of the Hon'ble the Finance

Member's Budget Speech. The increase in England in the revised estimate is due to larger sterling balances. The deterioration in the budget estimate for next year in England due to the transfer of the Gold Standard Reserve to the Reserve Bank with effect from the 1st April 1935 is partly counterbalanced by—

- (1) interest on the assets of the newly created silver redemption reserve *vide* paragraph 21 of the Hon'ble the Finance Member's Budget Speech, and
- (2) Interest on India sterling bonds maturing during the next two years purchased by the Secretary of State from his cash balances.

INTEREST PAYMENTS.

	Accounts, 1933-34.	Budget, 1934-35.	Revised, 1934-35.	Budget, 1935-36.
<i>Interest on Ordinary Debt—</i>				
<i>Gross payments—</i>				
India	20,50·00	20,13·00	20,15·80	19,53·83
England	19,68·30	19,63·47	19,07·03	18,85·62
Exchange	—1·58	..	—3·31	..
Total	<u>40,16·72</u>	<u>39,77·37</u>	<u>39,19·52</u>	<u>38,39·45</u>
<i>Deduct—Amounts charged to—</i>				
Railways	31,29·45	30,81·17	30,61·07	30,46·44
Irrigation	2·57	2·50	2·55	2·60
Posts and Telegraphs	85·64	85·74	85·35	85·00
Other heads	26·19	8·94	8·00	7·88
Provincial Loans Fund	8,07·55	8,00·00	7,97·00	8,25·00
Total deductions	<u>40,51·40</u>	<u>39,78·35</u>	<u>39,53·97</u>	<u>39,66·92</u>
Net	<u>—34·68</u>	<u>—98</u>	<u>—34·45</u>	<u>—1,27·47</u>
<i>Interest on other Obligations—</i>				
Bonus on Post Office Cash Certificates	2,60·00	3,10·00	3,30·00	3,90·00
Post Office Savings Bank Deposits	1,28·55	1,41·32	1,50·00	1,69·00
Provident Funds	3,76·79	3,86·32	3,89·20	4,06·94
Service Funds	13·36	13·74	13·42	13·21
Fixed Deposits of Provin- cial Governments	12·26	5·50	7·78	4·50
Famine Relief Fund	9·60	9·39	7·20	6·94
Railway Depreciation Fund	57·21	60·75	52·92	58·25
Posts and Telegraphs Depre- ciation Fund	15·54	16·61	15·76	15·88
Other items	89·94	90·90	96·60	1,01·88
Total	<u>9,63·25</u>	<u>10,34·53</u>	<u>10,62·88</u>	<u>1,66·60</u>
Total Interest payments	<u>9,28·57</u>	<u>10,33·55</u>	<u>10,28·43</u>	<u>10,39·13</u>

Interest on Ordinary Debt.

32. Details of payments of Interest on Ordinary Debt will be found in the volume of Demands for Grants. The payments are, as usual, affected by the nature and extent of the ways and means operations, and are broadly summarised below :—

	Budget, 1934-35.	Revised, 1934-35.	Budget, 1935-36.
(i) Service of new rupee loan . . . . .	..	51·54	50·00
(ii) Management of Debt	7·90	7·91	7·72
(iii) Discount on Treasury Bills—			
(a) Paper Currency Reserve	36·00	44·64	..
(b) Public	69·10	42·47	85·00
(iv) Discount and premium written off to revenue	89·06	89·37	66·04
(v) Interest on temporary loans . . . . .	..	10·00	..
(vi) Interest on all other loans	18,11·59	17,69·45	17,44·67
(vii) Other items	·25	·42	·40
	<u>20,13·90</u>	<u>20,15·80</u>	<u>19,53·83</u>

England.

(i) Interest on War Loan liability	57·72	..	..
(ii) Interest on loans contracted in England	15,40·32	15,40·40	15,39·24
(iii) Interest on Railway annuities	2,16·04	2,16·04	2,07·81
(iv) Interest on outstanding liabilities of railway companies taken over on purchase	1,31·43	1,34·43	1,23·93
(v) Management of Debt	13·00	14·04	12·68
(vi) Other items	1·96	2·12	1·96
	<u>19,63·47</u>	<u>19,07·03</u>	<u>18,85·62</u>

33. The Indian estimates assume the following figures for Treasury Bills outstanding :—

	1st April 1934.	31st March 1935.	31st March 1936.
Bills outstanding with the public	33,31	22,00	} 46,00
Bills in the Paper Currency Reserve	25,93	27,50	

With the transfer of the assets of the Paper Currency Reserve to the Reserve Bank on the 1st April 1935, the treasury bills issued to the Reserve will with effect from that date be treated as those issued to the public.

34. Neither the revised estimate for the current year nor the budget estimate for next year contains any provision against (i) in England for interest on the outstanding liability in respect of the British War loan, as His Majesty's Government have agreed to postpone this payment.

Interest on other Obligations.

35. The increase in the budget estimate for next year as compared with the revised is mainly due to larger provision required for bonus on post office cash certificates (60) and to smaller increases under other heads. Interest on provident fund balances is calculated at $5\frac{1}{4}$ per cent. per annum in revised and 5 per cent. in budget. Interest on depreciation and reserve fund balances is calculated at 5.20 per cent. in current year and 5.08 per cent. in next which are the rates assumed in the estimates for the calculation of interest chargeable to commercial departments on advances for capital outlay.

36. The total net interest charges have varied as follows since 1924-25:—

Actuals, 1924-25	14,90
„ 1925-26	13,37
„ 1926-27	11,77
„ 1927-28	10,57
„ 1928-29	10,20
„ 1929-30	10,85
„ 1930-31	11,28
„ 1931-32	12,83
„ 1932-33	11,61
„ 1933-34	9,29
Revised, 1934-35	10,28
Budget, 1935-36	10,39

The increase in the revised estimate for the current year over the actuals of last year is mainly due to larger provision for bonus on post office cash certificates and larger balances of post office savings bank deposits and provident funds.

37. The following table shows the provision made from year to year in respect of the liability for bonus on postal cash certificates:—

Year.	Balance held at close of the year on account of cash certificates.	Bonus provided for from revenue.
1924-25	13,12	16
1925-26	20,96	16
1926-27	26,68	16
1927-28	30,70	23
1928-29	32,30	60
1929-30	35,00	73
1930-31	38,43	2,06
1931-32	44,58	2,06
1932-33	55,64	2,20
1933-34	63,71	2,60
1934-35	66,49	3,30
1935-36	89,24	3,90

APPROPRIATION FOR REDUCTION OR AVOIDANCE OF DEBT.

38. As explained by the Hon'ble the Finance Member in his budget speech, 3,00 is being provided in the estimates for next year also for reduction or avoidance of debt.

39. The provision of 3,00 will cover the following specific items :—

	Revised, 1934-35.	Budget, 1935-36.
Sinking fund provision for 5 per cent. rupee loans	1,36.71	1,36.71
Railway sinking funds	26.62	26.67
Capital portion of liabilities assumed in respect of British 5 per cent. War Loan 1929-47 . . . . .	..	..
A part of the capital portion of Railway annuities	1,36.67	1,36.62
TOTAL	3,00.00	3,00.00

40. The sums provided from revenue on this account from year to year are indicated below :—

1923-24	3,62
1924-25	3,78
1925-26	4,97
1926-27	4,87
1927-28	5,04
1928-29	5,42
1929-30	5,74
1930-31	6,14
1931-32	6,89
1932-33	6,84
1933-34	3,00
1934-35	3,00
1935-36	3,00

CIVIL ADMINISTRATION.

	Revenue.	Expenditure.	Net expenditure.
1931-32	94.45	12,17.55	11,23.10
1932-33	86.68	9,68.79	8,82.11
1933-34	76.22	9,53.62	8,77.40
1934-35 { Budget	78.28	9,58.62	8,80.34
{ Revised	81.26	11,46.60	10,65.34
1935-36 Budget	92.75	10,17.13	9,24.38

41. *Revenue*.—The increase in the revised estimate as compared with the budget is mainly due to larger ports and pilotage receipts due to improvement in trade. The increase in the budget estimate for next year as compared with the current year's revised is entirely due to certain recoveries in the Indian Stores Department which were hitherto shown as deductions from expenditure being shown as receipts with effect from the 1st April 1935.

42. *Expenditure*.—The revised estimate for the current year includes the following special items :—

(a) Development in tribal areas in the North West Frontier	25
(b) Development of Broadcasting	20
(c) Development of Civil Aviation	93
(d) Transfer of the Agricultural Research Institute from Pusa to Delhi	36
Total	1,74

Excluding the above, the revised exceeds the current year's budget by 14 which is made up as follows :—

(1) Political—Expenditure incurred by the Punjab Government on account of the Ahrar prisoners, visit of His Highness the Maharaja of Nepal and other items	4
(2) Frontier Watch and Ward.—Owing to the unavoidable delay in effecting reductions in the Frontier Constabulary	3
(3) Agriculture.—Mainly due to grant to the Imperial Council of Agricultural Research for research purposes, marketing etc.	7
Total	14

43. The budget estimate for next year exceeds the current year's revised, excluding special items referred to in the above paragraph, by 58 which is made up as follows :—

(1) Restoration of the pay cut	18
(2) Indian Stores Department recoveries referred to in para. 41 above	11
(3) Marketing	5
(4) Central Dairy Institute	4
(5) Grants to handloom and sericultural industries	4
(6) Other miscellaneous items such as increments, etc.	16
Total	58

CURRENCY AND MINT.

	Revenue.	Expenditure.	Net revenue
1931-32	1,78·62	76·09	1,02·53
1932-33	2,30·63	65·67	1,64·96
1933-34	1,33·41	59·31	74·10
1934-35 { Budget	1,27·02	65·39	60·63
{ Revised	1,29·18	74·04	55·14
1935-36 Budget	1,07·01	32·56	74·45

44. *Revenue.*—The revised estimate is made up as follows :—

(1) Interest on rupee securities in the Paper Currency Reserve	15·54
(2) Interest on sterling securities in the Paper Currency Reserve	8·00
(3) Discount on treasury bills issued to the Paper Currency Reserve	44·64
(4) Profit on the circulation of nickel and bronze coin	26·13
(5) Other items, including the receipts of the Currency Note Press, miscellaneous mint receipts etc.	34·87
Total	<u>1,29·18</u>

As a result of the transfer of the assets of the Paper Currency Reserve to the Reserve Bank on the 1st April 1935 items (1) to (3) above will not appear in the estimates for next year, but in their stead we shall get the surplus profits of the Reserve Bank. The budget estimate of 1,07·01 for next year is made up of—

(1) Government share of the profits of the Reserve Bank	50·00
(2) Profits on circulation of bronze and nickel coin	27·80
(3) Other items	29·21
Total	<u>1,07·01</u>

45. *Expenditure.*—The decrease in the budget estimate for next year as compared with the current year's revised is mainly due to the transfer of the Currency offices to the Reserve Bank.

CIVIL WORKS.

46. The grant to the Road Development Fund which is included for budgetary purposes under Civil Works is shown separately.

Ordinary.

		Revenue.	Expenditure.	Net expenditure.
1931-32	.	24·52	1,18·77	94·25
1932-33	.	23·37	75·39	52·02
1933-34	.	26·93	89·72	62·79
1934-35	{ Budget	23·86	83·96	60·10
	{ Revised	23·88	83·18	59·30
1935-36	Budget	23·30	94·32	71·02

Appropriation to Road Fund.

1931-32	.		1,02·01
1932-33	.		1,01·77
1933-34	.		1,08·51
1934-35	{ Budget		1,18·00
	{ Revised		1,63·00
1935-36	Budget		1,31·00

47. The revised estimate of Appropriation to Road Fund includes the special contribution of 40 referred to in paragraph 30 of the Hon'ble the Finance Member's budget speech.

MISCELLANEOUS.

		Revenue.	Expenditure.	Net expenditure.
1931-32	.	1,56·91	4,34·15	2,77·24
1932-33	.	93·23	4,23·52	3,30·29
1933-34	.	78·95	4,21·26	3,42·31
1934-35	{ Budget	56·37	4,31·74	3,75·37
	{ Revised	74·16	4,36·99	3,62·83
1935-36	Budget	56·63	4,45·76	3,89·13

48. The larger revised estimate of revenue compared with the budget is due to gain by exchange. No similar credit on account of gain by exchange has been taken in the budget for next year as the estimate has, as usual, been framed on the basis of 1s. 6d. the rupee.

49. The increase in the revised estimate of expenditure, as compared with the budget of the current year, mainly represents larger payments of superannuation allowances and pensions. The next year's estimate provides for the normal growth of the pension list.

EXTRAORDINARY ITEMS.

	Accounts, 1933-34.	1934-35.		Budget, 1935-36.
		Budget.	Revised.	
Receipts—				
India	3-60	..	..	..
England	32-69	..	..-02	..
Exchange	—-05	..	..	..
TOTAL	35-64	..	..-02	..
Payments—				
India	(a)2,78-17	2-22	1,02-09	..-28
England	3-56	..88	1-18	1-08
Exchange . . . . .	..	..	..	..
TOTAL	2,81-73	3-10	1,03-27	1-36

(a) Includes 2,71-66 transferred to the Fund for reconstruction of earthquake damage.

50. The revised estimate includes 1,00 for grants to provinces for economic development and improvement of rural areas, referred to in paragraph 29 of the Hon'ble the Finance Members' budget speech.

MISCELLANEOUS ADJUSTMENTS BETWEEN CENTRAL AND PROVINCIAL GOVERNMENTS.

1933-34 Actuals		1,00-00
1934-35 { Budget		2,52-44
{ Revised		2,94-90
1935-36 Budget		3,04-94

51. The details of the estimates are as follows :—

	Budget, 1934-35.	Revised, 1934-35.	Budget, 1935-36.
(1) Subvention to North West Frontier Province	1,00-00	1,00-00	1,00-00
(2) Special subventions to Bengal, Bihar and Orissa and Assam on account of their share of net jute export duty	1,26-00	1,69-00	1,79-00
(3) Special subvention to Burma equivalent to the proceeds from their match tax	18-00	18-00	18-00
(4) Special subvention to Provinces out of the sugar excise duty	7-00	5-48	6-43
(5) Other items	1-44	2-42	1-51
Total	2,52-44	2,94-90	3,04-94

WAYS AND MEANS.

HOME TREASURY.

52. The following is a summary of the estimated transactions of the Home Treasury :—

(In millions of £.)

	Budget, 1934-35.	Revised, 1934-35.	Budget, 1935-36.
RECEIPTS.			
1. Discount on loans raised in previous years brought to account as debt incurred . . . . .	.35	.35	.38
2. Remittances between England and India—			
(a) Transfers through the Reserves . . . . .	..	—13.40	..
(b) Recoveries on account of drawings by Iraq administration on India . . . . .	.55	.65	.60
(c) Sale of silver . . . . .	..	2.90	3.00
(d) Other transactions	—03	.13	—05
3. Deposits and Advances . . . . .	.13	—7.87	5.77
Total Receipts, excluding direct remittances and loans	1.00	—17.24	9.70
DISBURSEMENTS.			
4. Excess of Expenditure of the Central Government over Revenue	24.58	23.21	24.18
5. Disbursements on behalf of Provincial Governments	2.37	2.48	2.46
6. Capital Expenditure not charged to Revenue—			
(a) Outlay on State Railways	1.29	1.43	1.50
(b) Other items . . . . .	.01	.01	..
7. Discharge of Permanent Debt	2.60	1.98	17.49
Total Disbursements	30.85	29.11	45.63
NET DISBURSEMENTS	29.8	46.35	5.93
Remittances from India (net)	26.70	39.00	26.02
New Loan (less discount)	2.85	2.33	..
Reduction (+) or increase (—) of cash balance	+ 30	+ 5.02	+ 9.91
Opening Balance	5.33	15.66	10.64
Closing Balance	5.03	10.64	.73

53. Item 2 (a) under revised represents the amount transferred to the Paper Currency Reserve from the Secretary of State's cash balances. £2.9 millions out of this is from the proceeds of the sale of silver.

54. The large debit under "deposits and advances" in revised is due to the purchase by the Secretary of State from his cash balances, of India Sterling Bonds maturing during the next 2 years. The large credit in the budget for next year represents the value of these Bonds maturing next year.

55. The provision in the revised under "discharge of permanent debt" represents mainly the provision for railway sinking funds and the capital portion of railway annuities. The former of these and a portion of the latter are met out of the provision for reduction or avoidance of debt, *vide* para. 39. The budget for next year includes, in addition to these items, the repayment of £11.95 millions of India Sterling 6 per cent. Bonds 1935-37 and £3.5 millions of East Indian Railway 4½ per cent. Debenture Stock 1935-55.

56. The remittance programme for the current year, as estimated, is as follows :—

(In millions of £)	
Purchase of sterling	39·00
Sterling taken over in London	·03
Sale proceeds of silver	2·90
Transfers through the Paper Currency Reserve	—13·40
Total	23·53

The sterling requirements of the Secretary of State for next year, as estimated at present, amount to £26 millions.

57. No sterling loan was issued in the year 1934-35 and the estimate for next year also assumes that no such loan will be issued. The programme however is only illustrative. The sum of £2·33 millions shown in the revised against the head 'New Loan' represents the instalments paid in the current year on account of the 3½ per cent. stock 1954-59 issued in the year 1933-34.

INDIA.

58. The following is a summary of the estimates of ways and means in India during 1934-35 and 1935-36 :—

(In crores of rupees.)

	Budget, 1934-35.	Revised, 1934-35.	Budget, 1935-36.
RECEIPTS.			
1. Excess of Revenue of the Central Government over Expenditure charged to Revenue	32·87	31·08	32·29
2. Unfunded Debt incurred—			
(a) Post Office Cash Certificates (net)	5·50	2·78	2·75
(b) Post Office Savings Bank deposits (net)	6·00	7·10	8·75
(c) Other Savings Bank deposits (net)	5·99	5·87	6·42
3. Appropriation for reduction or avoidance of debt	3·00	3·00	3·00
4. Railway Depreciation Fund	—·35	1·49	1·89
5. Posts and Telegraphs Depreciation Fund . . . . .	..	..	·19
6. Discount Sinking Fund	·89	·41	·68
7. Defence Reserve Fund	—·50	·35	—·57
8. Transfer of the Agricultural Research Institute from Pusa . . . . .	..	·31	—·28
9. Civil Aviation . . . . .	..	·90	—·44
10. Economic development and improvement of rural areas . . . . .	..	1·00	—·25
11. Broadcasting . . . . .	..	·20	—·05
12. Development in tribal areas on the North-West Frontier . . . . .	..	·25	—·10
13. Fund for reconstruction of Earthquake damage	—·75	—·83	—·89
14. Post Office Cash Certificate Bonus Fund	1·10	·74	—·25
15. Miscellaneous Deposits and Remittances (net)	2·03	1·02	16·45
TOTAL RECEIPTS	55·78	55·67	69·67

(In crores of rupees.)

	Budget, 1934-35.	Revised, 1934-35.	Budget, 1935-36.
DISBURSEMENTS.			
16. Capital Expenditure not charged to Revenue—			
(a) State Railways	2.96	..	3.50
(b) Posts and Telegraphs . . . . .	.40	.34	.55
(c) Other items	1.29	1.42	6.23
17. Permanent Debt discharged	13.24	32.95	27.61
18. Floating Debt discharged (net) . . . . .	..	9.74	3.50
19. Loss on revaluation, sale, transfer, etc., of assets of the Paper Currency Reserve (net) . . . . .	.05	5.88	7.00
20. Loans by the Central Government—			
(a) To Provincial Loans Fund	6.00	4.00	10.25
(b) Other Loans	1.49	..15	..01
21. Remittances between England and India—			
(a) Remittance from India for financing Home Treasury	35.60	52.04	34.69
(b) Transfers through the Gold Standard Reserve and the Paper Currency Reserve . . . . .	..	—17.87	..
(c) Sale of silver . . . . .	..	3.87	4.00
(d) Other transactions (net) . . . . .	.70	.99	.73
22. Balances of Provincial Governments	—2.91	—2.91	—2.71
TOTAL DISBURSEMENTS	58.82	90.30	95.34
NET DISBURSEMENTS	3.04	34.63	25.77
New Loan . . . . .	..	35.80	25.00
Reduction (+) or increase (—) of cash balance	+3.04	—1.17	+77
Opening Balance	13.44	11.39	13.06
Closing Balance	10.40	13.06	12.29

59. There were two rupee loans floated in the current year. The first was a re-issue of 3½ per cent loan 1947-50 at Rs. 98-8-0 per cent and the second was an issue of 3 per cent Bonds 1941 at Rs. 99 per cent. The results of these loans are given below :—

	(In lakhs of rupees).	
	3½ per cent. Bonds	
	1947-50.	1941.
Subscriptions in cash	5,24	8,61
Subscriptions in treasury Bills	98	..
Subscriptions in the form of 4½ Bonds 1934	4,72	2,06
Subscriptions in the form of 4 Loan 1934-37	14,19	..
Total	25,13	10,67

60. The figures shown against "Permanent Debt discharged" in the revised estimate for the current year and budget estimate for next year include the following :—

	Revised estimate, 1934-35.	Budget estimate, 1935-36.
4½ per cent. Bonds 1934 converted or discharged	12,94	..
4 per cent. loan 1934-37 converted or discharged	19,48	..
6½ per cent. Treasury Bonds 1935 . . . . .	..	16,00
5 per cent. Bonds 1935 . . . . .	..	11,36
	32,42	27,36

61. The following table gives a summary of the estimates of ways and means in India and England combined :—

(In lakhs of rupees.)

	Budget, 1934-35.			Revised, 1934-35.			Budget, 1935-36.		
	India.	England.	Total.	India.	England.	Total.	India.	England.	Total.
	1	2	3	4	5	6	7	8	9
Opening Balance	13,44	7,10	20,54	11,89	20,88	32,77	13,06	14,18	27,24
Excess of Revenue over Expenditure	32,96	-32,77	19	31,08	-30,95	13	32,29	-32,23	6
New Loan	...	3,80	3,80	35,80	3,11	38,91	25,00	...	25,00
Post Office Cash Certificates (Net)	5,50	...	5,50	2,78	...	2,78	2,75	...	2,75
Post Office Savings Bank Deposits (Net)	6,00	...	6,00	7,10	...	7,10	8,75	...	8,75
Other Unfunded Debt (Net)	5,89	17	6,16	5,87	16	6,03	6,42	16	6,58
Discount Sinking Fund	89	...	89	41	...	41	66	...	66
Reduction or Avoidance of Debt	3,00	...	3,00	3,00	...	3,00	3,00	...	3,00
Railway Depreciation Fund	-35	...	-35	1,49	...	1,49	...	...	1,89
Posts and Telegraphs Depreciation Fund	...	...	...	...	...	...	19	...	19
Defence Reserve Fund	-50	...	-50	35	...	35	-57	...	-57
Cash Balance Investment Account	...	...	...	-4,13	...	-4,13	5,37	...	5,37
Cash Certificate Bonus Fund	1,10	...	1,10	74	...	74	-25	...	-25
Transfer of Agricultural Institute from Pusa	...	...	...	31	...	31	-28	...	-28
Civil Aviation	...	...	...	90	...	90	-44	...	-44
Economic development and improvement of rural areas	...	...	...	1,00	...	1,00	-25	...	-25
Broadcasting	...	...	...	20	...	20	-5	...	-5
Development in tribal areas on N. W. F.	...	...	...	25	...	25	-10	...	-10
Other Deposits and Advances (Net)	2,06	-3	2,03	3,25	-10,53	-7,28	11,14	7,45	18,59
TOTAL	56,65	-28,83	27,82	90,40	-38,21	52,19	95,52	-24,62	70,90
GRAND TOTAL	70,09	-21,73	48,36	1,02,29	-17,33	84,96	1,08,58	-10,44	98,14
Capital Outlay—									
Railways	2,96	1,72	4,68	...	1,90	1,90	3,50	2,00	5,50
Posts and Telegraphs	40	...	40	34	...	34	55	...	55
Civil	83	1	84	88	1	89	5,83	...	5,83
Commutation of Pensions	49	...	49	55	...	55	44	...	44
Gratuities to retrenched personnel	-3	...	-3	-1	...	-1	-4	...	-4
Discharge of Permanent Debt	13,24	3,00	16,24	32,95	2,17	35,12	27,61	22,81	50,42
Discharge of Treasury Bills—									
Public (Net)	...	...	...	11,31	...	11,31	...	...	...
P. C. R. (Net)	...	...	...	-1,57	...	-1,57	3,50	...	3,50
Sinking Fund Investment Account	...	...	...	-1,77	...	-1,77	-1	...	-1
Gain or loss on sale, etc., of assets of the Paper Currency Reserve	5	...	5	5,88	...	5,88	7,00	...	7,00
Fund for reconstruction of Earthquake damage	75	...	75	83	...	83	89	...	89
Loans to public (Net)	1,49	...	1,49	-15	...	-15	-1	...	-1
Sale of silver. (Remittance Account)	...	...	...	3,87	-3,87	...	4,00	-4,00	...
Iraq drawing	73	-73	...	86	-86	...	80	-80	...
Home Remittances	35,60	-35,60	...	52,04	-52,04	...	34,69	-34,69	...
Transfers through the Gold Standard Reserve and the Paper Currency Reserve	...	...	...	-17,87	17,87	...	...	...	...
Provincial requirements	3,09	3,16	6,25	1,09	3,31	4,40	7,54	3,28	10,82
TOTAL	69,60	-28,44	31,16	89,23	-31,51	57,72	96,29	-11,40	84,89
Closing Balance	10,49	6,71	17,20	13,06	14,18	27,24	12,29	96	13,25
GRAND TOTAL	70,09	-21,73	48,36	1,02,29	-17,33	84,96	1,08,58	-10,44	98,14

62. The figures relating to India's debt have been given in Appendix II. The balance of total interest-bearing obligations not covered by interest yielding assets, cash and bullion on the 31st March 1935 shows a decrease of 1.76 crores as compared with the balance on the 31st March 1934.

P. C. TALLENTS.

The 28th February 1935.

APPENDIX I.

Memorandum on the Defence Services Estimates for 1935-36.

The Defence Estimates cover expenditure on the Army in India, the Royal Air Force in India and the Royal Indian Navy.

They have been prepared in the same form as those for 1934-35 and follow a cash system of estimate and accounts which, from 1927-28 onwards, has replaced the elaborate system of cost accounts previously in force.

2. A table showing the course of expenditure during the past five years and the estimated expenditure in the current and impending financial years is given below :—

	Crores of rupees.
1929-30	55·10
1930-31	54·30
1931-32	51·76
1932-33	46·74
1933-34	44·42
1934-35 (Budget estimate)	44·38
1934-35 (Revised estimate)	44·34
1935-36 (Budget estimate)	44·98

3. The Budget figure for 1935-36 is 60 lakhs more than that of the current year. The decision to restore the cut in pay involves an increase of expenditure of 53 lakhs under Defence Services.

During the current year the cuts in pay imposed by His Majesty's Government were partially restored and this accounts for an increase of 5 lakhs in the pay of British soldiers on the Indian establishment.

It will be noted, therefore, that apart from the restoration of these cuts the increase over the current year's estimate is only 2 lakhs.

4. Hon'ble Members have been warned from time to time that the budget allotments accepted by H. E. the Commander-in-Chief during recent years should not be regarded as marking a new permanent level of Defence expenditure, because to some extent the very large reduction made had been achieved by measures of a purely temporary nature. Apart from the fall in general price levels and the emergency cuts in pay, the most important amongst those temporary measures have been the curtailment of building and other programmes and the eating down of stocks rendered surplus by retrenchments. The curtailment of building programme has resulted in the accumulation of commitments which can no longer be postponed; in fact, the maintenance of certain old buildings, the reconstruction of which is overdue, has become uneconomical. It has, therefore, been found necessary during the coming financial year to increase the allotment for works by 25 lakhs.

The consumption of surplus stocks has now reached a point at which, as was to be expected, expenditure on the purchase and maintenance of stores must rise. Increased provision to the extent of 12½ lakhs has had to be made on this account.

5. Whilst the machines at present in use by the Royal Air Force in India are still serviceable they are no longer produced commercially having been superseded in manufacture by later types. The cost of their maintenance

will, therefore, become an increasing charge and it has been decided to start the re-equipment of Squadrons with up-to-date machines. In order to effect this re-equipment on an economical basis, it has been planned to take place over a period of eight years. By this means the cost will be evenly distributed instead of falling wholly on two or three Defence budgets. It will also permit of present stocks of spare parts and accessories being gradually eaten down, and so obviate the discard of large quantities of stores when the process of re-armament is complete. An instalment of 12 lakhs has been included in the R. A. F. estimates to meet re-equipment expenditure in 1935-36.

6. During the period of financial stringency the provision of miscellaneous articles of equipment and certain reorganisations necessary to secure the up-to-date efficiency of the Defence Services have been held in abeyance. Action on certain of these measures can now no longer be delayed and in order to meet them a sum of 17½ lakhs has been provided in the estimates. Some of the more important of them are described below. The list has been subjected to the most rigid scrutiny and no measure has been included which is not considered essential for the efficiency of the Forces. Included in this figure is a sum of Rs. 61,000 to meet the cost of that portion of the office of the Director General, Indian Medical Service, which administers Medical Store Depots in India and which has hitherto been a charge against Civil estimates. It has been held that as this part of the Director General's office is wholly employed on work connected with Defence Services the cost of it should be borne by Defence Estimates. This view has been accepted by the Military Accounts Committee and follows a ruling given by the Auditor General.

The supply of water at Quetta has at various periods in the past caused anxiety. In 1932 supplies fell so low that it was thought that troops might have to be moved from Quetta until heavy rains in July saved the situation. This year the shortage is again acute. Quetta depends mainly upon one source of supply which is uncertain, and a year of drought brings about a serious shortage. Manifestly this position cannot be allowed to continue and it has been decided to construct a reservoir to hold supplies sufficient to carry over two bad years. A sum of 3½ lakhs has been provided to meet expenditure on the scheme in 1935-36.

For reasons of economy establishments of Supply units have been reduced to a minimum, and it has now to be recognised that the establishment is insufficient to permit them to function on mobilisation. Some increase in both peace and reserve establishment is, therefore, essential and 3 lakhs has been provided for this purpose.

The shape of the landing ground at Peshawar does not give an adequate length of "run" for the landing of air craft. In fact the Royal Air Force authorities declare it to be unsafe for the landing of the new Audax machines without risk of damage. These machines, which are being acquired under the re-equipment scheme to which a reference has been made in paragraph 5, are valued at about Rs. 53,000 each. The alteration of the landing ground involves the acquisition of ground at present used as Rifle ranges, and new ranges will have to be constructed on alternative sites. The entire scheme involves an initial outlay of Rs. 1,70,000.

7. The new additions to expenditure which have been mentioned come to a total of 67 lakhs and it may be asked how the money has been found within estimates which show an increase of only 2 lakhs over those of the current year.

The continued low prices of grains and other foodstuffs have enabled the Defence authorities to reduce the provision on this account by 20 lakhs. Budget rates for these commodities have in recent years been fixed to allow for a moderate rise in prices. The anticipated rise has not so far materialised and substantial savings on the estimates have resulted in consequence. This means that money has been tied up unnecessarily. To avoid a repetition of this result it has been decided, by agreement with the Finance Department, to reduce the safety margin. The budget rates for 1935-36 have not been fixed at an unreasonably low level, but the reduction of the safety margin means a certain amount of risk that the Defence Estimates may not prove completely self-contained. The agreement with the Finance Department, therefore, includes a provision that, if the necessity should arise, the question will be considered of making a supplementary grant if a deficiency should result from the adoption of the lower figures.

The greater part of the balance has been made up by reductions under other heads, in pursuance of the undertaking given by H. E. the Commander-in-Chief that he would not relax his search for further economies. It is largely due to the success of the efforts which he and his officers have made in this direction that it has been found possible to provide for this unavoidable new expenditure without a substantial addition to the estimates.

Among the economies effected may be mentioned a re-organisation of the Mechanical Transport services which has produced savings of 3 lakhs; the exercise of stricter control over moves which has led to a reduction of 8 lakhs in expenditure on rail charges; and economies in the use of such articles as petrol, lubricants, kerosene oil, coal and firewood which have enabled expenditure on them to be reduced by about 4 lakhs.

8. The position of the re-equipment programme is as follows :—

	Crores of rupees.
Amount spent up to 31st March 1934	7.51
Amount allotted from the Defence Reserve Fund in 1934-35 . . . . .	.29
	7.80

The estimated cost of the whole programme has now been reduced from 10 crores to 9.75 crores. The balance to complete is, therefore, 1.95 crores. The balance available in the Defence Reserve Fund to meet this is 91 lakhs, but it has still been found necessary to earmark a portion of this balance to finance unavoidable measures which do not form part of the programme.

In 1935-36 a sum of 20 lakhs is being transferred from the Defence Reserve Fund for programme expenditure.

9. Detailed explanations of variations in the Defence estimates are given in the volume of budget estimates. If Hon'ble Members desire any further information they are invited to obtain it by personal request to the Financial Adviser, Military Finance.

NEW DELHI;
The 28th February 1935.

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A. MACLEOD,
Financial Adviser, Military Finance.

	Accounts, 1933-34.	Budget, 1934-35.	Revised, 1934-35.	Budget, 1935-36.
EXPENDITURE.				
<i>48.—Defence Services Effective.</i>				
1. Fighting Services . . .	16,95,39,893	17,12,57,000	17,02,63,000	17,18,14,000
2. Administrative Services .	6,53,39,601	6,63,50,000	6,64,16,000	6,98,87,000
3. Manufacturing Establishments (including stores)	2,28,93,372	2,39,70,000	2,36,03,000	2,47,07,000
4. Army Headquarters, Staff of Commands, etc. . .	1,90,08,870	1,95,07,000	1,91,02,000	2,01,93,000
5. Purchase and sale of stores, Equipment and Animals (other than those purchased direct by manufacturing establishments, M. E. S., R. A. F. and R. I. N.) . . .	3,23,47,236	4,03,67,000	3,39,64,000	3,56,60,000
6. Special Services . . .	4,44,121	..	2,10,000	..
7. Transportation, Conservancy, Hot Weather establishments and Miscellaneous . . .	2,60,73,030	2,80,08,000	2,68,25,000	2,70,14,000
8. Military Engineer Services (including stores).	3,81,58,825	3,25,75,000	3,39,81,000	3,61,80,000
9. Auxiliary and Territorial Forces . . .	66,58,458	68,72,000	66,21,000	66,12,000
10. Royal Air Force (including stores)	1,73,50,942	1,81,65,000	1,72,79,000	1,95,91,000
11. Royal Indian Navy (including stores) .	62,35,782	74,81,000	72,68,000	60,93,000
Total . . .	40,40,50,130	41,45,52,000	40,55,32,000	41,77,51,000
<i>49.—Defence Services—Non-Effective.</i>				
1. Army	8,51,42,670	8,49,27,000	8,53,84,000	8,55,84,000
2. Royal Air Force . . .	4,92,860	4,46,000	4,83,000	5,46,000
3. Royal Indian Navy . .	8,52,448	8,97,000	8,61,000	8,58,000
Total . . .	8,64,87,978	8,62,70,000	8,67,28,000	8,69,88,000
<i>50—Transfers to from Defence Reserve Fund .</i>	69,70,821	—49,75,000	34,98,000	—56,62,000
Total Expenditure . .	49,75,08,929	49,58,47,000	49,57,58,000	49,80,77,000

EXPLANATORY MEMORANDUM : GENERAL BUDGET.

43

	Accounts, 1933-34.	Budget, 1934-35.	Revised, 1934-35.	Budget, 1935-36.
RECEIPTS,				
XXXVI.—Defence Services —Effective	4,85,29,856	4,77,00,000	4,74,61,000	4,47,09,000
XXXVII.—Defence Services —Non-Effective	47,32,073	43,47,000	48,71,000	45,68,000
Total Receipts	5,32,61,929	5,20,47,000	5,23,32,000	4,92,77,000
Net Expenditure	44,42,47,000	44,38,00,000	44,34,26,000	44,98,00,000

Statement showing the interest-bearing obligations of the Government of

	31st March 1923.	31st March 1924.	31st March 1925.	31st March 1926.	31st March 1927.	31st March 1928.
INTEREST-BEARING OBLIGATIONS.						
						(In crores)
<i>India—</i>						
Loans (a)	339·83	358·81	370·38	368·29	374·44	372·25
Treasury Bills in the hands of the public	21·59	2·12	..	..	..	7·59
Treasury Bills in the Paper Currency Reserve	49·65	49·65	49·65	49·65	41·47	31·94
Ways and Means Advance . . . . .	..	..	..	..	..	..
Other Obligations—						
Post Office Savings Banks	23·20	24·79	25·64	27·23	29·51	32·67
Cash Certificates	3·13	8·42	13·12	20·96	26·68	30·70
Provident Funds, etc.	36·17	39·00	42·39	46·36	51·02	55·82
Depreciation and Reserve Funds . . . . .	..	..	9·08	15·45	20·10	25·48
Provincial Balances (b)	2·86	4·17	4·83	11·87	10·49	10·49
Total Loans, etc.	411·07	410·58	420·03	417·94	415·91	411·78
Total Other Obligations	65·36	76·38	95·06	121·87	137·80	155·15
Total in India	476·43	486·96	515·09	539·81	553·71	566·93
						(In millions)
<i>In England—</i>						
Loans (a)	222·92	244·53	(c) 263·39	(e) 266·35	265·09	272·32
War Contribution	19·71	19·27	18·81	18·32	17·81	17·28
Capital value of liabilities undergoing redemption by way of terminable railway annuities	61·31	60·10	58·84	57·53	56·19	54·79
India Bills . . . . .	..	..	..	..	..	..
Provident Funds, etc.	·04	·13	·16	·21	·27	·19
Total in England	303·98	324·03	341·20	342·41	339·36	344·58
						(In crores)
Equivalent at 1s. 6d. to the Rupee	405·31	432·04	454·93	456·55	452·48	459·44
Total Interest-bearing obligations	861·74	919·00	970·02	996·36	1,006·19	1,026·37
INTEREST-YIELDING ASSETS—						
Capital advanced to Railways	517·22	537·02	(d) 578·05	(f) 605·61	635·46	668·60
Capital advanced to other Commercial Departments	19·43	20·07	22·00	17·77	19·16	20·73
Capital advanced to Provinces	87·49	97·56	106·43	114·60	120·17	126·34
Capital advanced to Indian States and other interest-bearing loans	8·90	8·93	10·16	11·84	12·11	13·91
Total Interest-yielding assets	633·04	663·58	716·64	749·82	786·90	829·53
Cash, bullion and securities held on Treasury account	44·80	50·47	57·35	51·96	37·48	24·26
Balance of total interest-bearing obligations not covered by above assets	203·90	204·95	196·03	194·58	181·81	172·53

- (a) These figures represent the nominal amounts of loans outstanding and also
(b) The figures represent those portions of provincial balances which bear interest Relief Fund or because they have been placed with the Government of India
(c) Includes the liability assumed by the Secretary of State for East Indian Railway Railway on the 1st January 1925. It therefore does not represent any increase
(d) Includes 27·07 crores on account of the liability referred to in (c)
(e) Includes the liability assumed by the Secretary of State for the Great Indian contract with that Railway on the 1st July 1925. Vide also last sentence under
(f) Includes 4·88 crores on account of the liability referred to in (e)

DIX II.

India, outstanding at the close of each financial year.

	31st March 1929.	31st March 1930.	31st March 1931.	31st March 1932.	31st March 1933.	31st March 1934.	31st March 1935.
of rupees.)							
	390.73	405.11	417.24	422.69	446.89	435.43	438.28
	4.00	36.04	55.38	47.53	26.09	33.31	22.00
	39.15	29.22	5.89	49.67	35.48	25.93	27.50
	..	..	..	9.50	..	..	..
	34.49	37.13	37.03	38.20	43.40	52.23	59.33
	32.30	35.00	38.43	44.58	55.64	63.71	66.49
	60.52	65.41	70.33	73.04	76.74	82.49	88.36
	31.09	30.18	21.39	17.65	15.22	13.04	14.83
	10.43	10.21	6.09	4.32	7.02	6.17	5.59
	433.88	470.37	478.51	529.39	508.46	494.67	487.78
	168.83	177.93	173.27	177.79	198.02	217.64	234.60
	602.71	648.30	651.78	707.18	706.48	712.31	722.38
of £)							
	283.31	289.03	316.81	313.60	314.33	321.01	323.57
	16.72	16.72	16.72	16.72	16.72	16.72	16.72
	53.35	51.86	50.32	48.72	47.06	45.35	43.58
	..	6.00	4.05	..	..	..	..
	.43	2.54	.69	.80	.91	1.03	1.15
	353.81	366.15	388.59	379.84	379.02	384.11	385.02
of rupees.)							
	471.75	488.20	518.12	506.45	505.36	512.15	513.36
	1,074.46	1,136.50	1,169.90	1,213.63	1,211.84	1,224.46	1,235.74
	700.69	730.79	743.98	750.73	756.75	754.94	756.84
	21.81	22.70	23.65	24.25	21.89	23.23	23.71
	137.52	142.60	151.82	163.64	173.04	175.20	179.22
	15.49	17.65	19.45	20.29	20.92	21.11	21.26
	875.51	913.74	938.90	958.91	972.60	974.48	981.03
	28.34	45.36	34.03	41.42	35.69	45.03	51.52
	170.61	177.40	196.97	213.30	203.55	204.95	203.19

include comparatively small amounts of expired loans which do not bear interest, either because they form part of the old Famine Insurance Fund or the present Famine on fixed deposit.

Debenture Stock, aggregating £18½ millions, on the termination of the contract with that in the foreign indebtedness of the country as a whole.

above.

Peninsula Railway Debenture Stock, aggregating £3½ millions, on the termination of the (c) above,

above.

APPENDIX III.

Statement showing the distribution, as between voted and non-voted, of the gross expenditure of the Central Government as shown in the Budgets presented to the Legislature.

[In lakhs of rupees.]

	1934-35.				1935-36.			
	Voted.	Non-voted.	Total.	Per-centage of voted to total.	Voted.	Non-voted.	Total.	Per-centage of voted to total.
Expenditure charged to revenue.	94,07	1,08,99	2,03,06*	46	96,73	1,09,13	2,05,86*	47
Expenditure not charged to revenue	6,16	27	6,43	96	7,09	5,25	12,34	57
Total Expenditure both charged and not charged to revenue.	1,00,23	1,09,26	2,09,49	48	1,03,82	1,14,38	2,18,20	48

*These figures have been arrived at as follows :—

Expenditure as per Budget Statements	1,20,24	1,20,95
Add—Working expenses of—		
(a) Railway Department	69,24	70,61
(b) Posts and Telegraphs	10,01	10,62
(c) Irrigation	2	1
Add—Refunds	3,55	3,67
	<u>2,03,06</u>	<u>2,05,86</u>