



EAST INDIA
ACCOUNTS AND ESTIMATES
1936-1937

EXPLANATORY MEMORANDUM

By the Under Secretary of State
for India

*Presented by the Secretary of State for India to
Parliament by Command of His Majesty
September, 1936*

LONDON

PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE

To be purchased directly from H.M. STATIONERY OFFICE at the following addresses
Austral House, Kingsway, London, W.C.2 ; 120 George Street, Edinburgh 2 ;
26 York Street, Manchester 1 ; 1 St. Andrew's Crescent, Cardiff ;
80 Chichester Street, Belfast ;
or through any bookseller

Price 4d. net.

Cmd. 5283.

CONTENTS

	Page
I. INTRODUCTION:—	
Separation of Central and Provincial Finances.. ..	4
Separation of Railway Finance from General Finance ..	4
Rates of Exchange	5
II. REVENUE AND EXPENDITURE CHARGED TO REVENUE:—	
Gross and Net Revenue and Expenditure	5
Notes on Accounts, 1934-35	10
Notes on Revised Estimate, 1935-36	10
Notes on Budget, 1936-37.. .. .	10
III. RAILWAYS	11
IV. TAXATION PER HEAD IN BRITISH INDIA	14
V. PUBLIC DEBT AND CAPITAL EXPENDITURE:—	
Debt Transactions, 1935-36	15
Debt Transactions, 1936-37	16
Public Debt Outstanding	16
Provision for Reduction or Avoidance of Debt	17
Railway Capital Expenditure	17
Other Capital Expenditure	18
Interest-bearing Obligations and Interest-yielding Assets	19
VI. GENERAL STATEMENT OF THE RECEIPTS, DISBURSEMENTS AND BALANCES OF THE GOVERNMENT OF INDIA, IN INDIA AND IN ENGLAND	
	20
VII. HOME CHARGES	21
VIII. SEA-BORNE TRADE	22

MEMORANDUM

BY THE

UNDER SECRETARY OF STATE FOR INDIA

RELATING TO THE

**ACCOUNTS of the GOVERNMENT OF INDIA (Central Government)
for 1934-35 and the ESTIMATES for 1935-36 and 1936-37**

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.**

New Governors' Provinces of Sind and Orissa were constituted on 1st April, 1936, in accordance with the provisions of Section 289 of the Government of India Act, 1935.

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 and Capital Expenditure will be found on pages 11 to 14 and 17 and 18, respectively.

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 1934-35 being Rs. 13·29639 per £. In the Budgets for 1935-36 and 1936-37, a conversion rate of 1s. 6d. per rupee is assumed, and in the Revised Estimate for 1935-36 a rate of 1s. 6 $\frac{3}{4}$ d. per rupee.

The sterling amounts under Debt and Remittance heads are converted into rupees at Rs. 13 $\frac{1}{2}$ 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 Indian States and 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, Defence expenditure is shown gross, the Defence 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.

A.—GROSS REVENUE AND EXPENDITURE CHARGED

REVENUE.	Accounts, 1934-35.	Budget Estimate, 1935-36	Revised Estimate, 1935-36.	Budget Estimate, 1936-37.
	Rs.	Rs.	Rs.	Rs.
Principal Heads of Revenue--				
Customs	52,67,41,915	51,84,00,000	54,71,00,000	54,82,00,000
Taxes on Income	17,54,52,580	16,40,00,000	16,80,00,000	15,67,00,000
Salt	8,00,00,860	8,73,00,000	8,70,00,000	8,75,00,000
Opium	71,94,208	61,16,000	61,70,000	47,41,000
Other Heads	1,91,58,751	1,91,05,000	1,89,69,000	1,87,67,000
Total Principal Heads ..	80,85,48,314	79,49,21,000	82,72,39,000	81,59,08,000
Railways: Net Receipts	32,36,84,197	32,25,45,000	31,96,78,000	31,73,66,000
Irrigation: Net Receipts	74,570	14,000	24,000	19,000
Posts and Telegraphs: Net Receipts	1,21,99,599	70,52,000	85,77,000	81,55,000
Interest Receipts	2,01,01,836	82,56,000	70,19,000	62,33,000
Civil Administration	85,12,271	92,75,000	98,76,000	98,08,000
Currency and Mint.. .. .	1,48,09,980	1,07,01,000	1,22,04,000	1,26,13,000
Civil Works	27,05,419	23,30,000	25,72,000	26,80,000
Miscellaneous	73,77,488	56,63,000	58,94,000	55,40,000
Defence Receipts	5,30,01,980	4,92,77,000	5,08,34,000	4,93,19,000
Provincial Contributions and Miscellaneous Adjustments between Central and Provincial Governments	—	—	—	—
Extraordinary Items	2,514	—	3,000	—
Total Revenue	1,25,10,18,168	1,21,00,34,000	1,24,37,18,000	1,22,76,41,000

TO REVENUE OF THE CENTRAL GOVERNMENT

EXPENDITURE.	Accounts, 1934-35.	Budget Estimate, 1935-36.	Revised Estimate, 1935-36	Budget Estimate, 1936-37.
	Rs.	Rs.	Rs.	Rs.
Direct Demands on the Revenue ..	4,04,50,231	4,19,58,000	4,24,07,000	4,17,73,000
Forest and other Capital Outlay charged to Revenue	1,66,907	49,000	84,000	37,000
Railways : Interest and Miscellaneous Charges	32,36,84,197	32,25,45,000	31,96,76,000	31,73,86,000
Irrigation	5,99,155	5,57,000	5,56,000	5,60,000
Posts and Telegraphs	87,03,601	86,46,000	81,79,000	89,90,000
Debt Services	13,25,10,698	13,39,13,000	13,62,78,000	12,20,17,000
Civil Administration	11,10,43,716	10,17,13,000	10,46,04,000	11,10,12,000
Currency and Mint	73,54,615	32,56,000	43,11,000	34,01,000
Civil Works	2,42,33,246	2,25,32,000	2,28,54,000	2,56,14,000
Miscellaneous	4,39,76,567	4,45,76,000	4,43,95,000	4,17,32,000
Defence Services	49,64,27,980	49,90,77,000	50,06,34,000	50,38,19,000
Miscellaneous adjustments between the Central and Provincial Gov- ernments	2,97,77,896	3,04,94,000	3,13,51,000	4,66,57,000
Extraordinary Items	2,84,89,559	1,36,000	2,83,89,000	40,34,000
Total Expenditure Charged to Revenue	1,24,74,18,168	1,20,94,52,000	1,24,37,18,000	1,22,70,12,000
Surplus	36,00,000	5,82,000	—	6,29,000
Total	1,25,10,18,168	1,21,00,34,000	1,24,37,18,000	1,22,76,41,000

B.—NET REVENUE AND EXPENDITURE OF THE CENTRAL GOVERNMENT

Net Revenue

	Accounts, 1934-35.		Budget Estimate, 1935-36.		Revised Estimate, 1935-36.		Budget Estimate, 1936-37.	
I. Tax Revenue :—	Rs. lakhs.		Rs. lakhs.		Rs. lakhs.		Rs. lakhs.	
Customs	50,37.78		49,38.06		52,18.15		52,01.15	
Taxes on Income	16,69.40		15,48.43		15,88.22		14,80.26	
Salt	6,85.02		7,55.12		7,51.01		7,66.89	
Other Heads	65.42		64.70		60.19		58.32	
		74,57.62		73,06.31		76,17.57		75,06.62
II. Opium		37.06		25.35		26.09		18.55
III. Commercial Departments :—								
Railways	—		—		—		—	
Irrigation	-5.21		-5.24		-5.13		-4.65	
Posts and Telegraphs	37.95		-13.01		5.79		1.29	
		32.74		-18.25		.66		-3.36
IV. Currency and Mint		74.55		74.45		78.93		92.12
V. Interest Receipts		2,01.02		82.56		70.19		62.33
VI. Extraordinary Receipts02		—		.03		—
VII. Other Revenue :—								
Civil Administration	85.12		92.75		96.76		98.08	
Payments from Indian States	73.97		73.60		73.64		73.55	
Other Heads	1,13.24		90.68		1,00.66		96.57	
		2,72.33		2,57.03		2,71.06		2,68.20
Total Net Revenue		80,75.34		77,27.45		80,64.53		79,44.46

Net Expenditure

	Accounts, 1934-35.		Budget Estimate, 1935-36.		Revised Estimate, 1935-36.		Budget Estimate, 1936-37.	
	Rs. lakhs.		Rs. lakhs.		Rs. lakhs.		Rs. lakhs.	
I. Debt Services :—								
Interest	10,25·11		10,39·13		10,62·78		9,20·17	
Reduction or Avoidance of Debt	3,00·00		3,00·00		3,00·00		3,00·00	
		13,25·11		13,39·13		13,62·78		12,20·17
II. Defence Services :—								
Effective	35,47·04		37,30·42		36,97·72		38,26·70	
Non-effective	8,18·29		8,24·20		8,25·17		8,00·70	
Transfers to or from Defence Reserve Fund	68·93		—56·62		—24·89		—82·40	
		44,34·26		44,98·00		44,98·00		45,45·00
III. Net Capital Outlay on Commercial Departments charged to Revenue:—								
Posts and Telegraphs and Irrigation		3·02		3·12		2·00		10·40
IV. Miscellaneous Adjustments between Central and Provincial Governments		2,97·78		3,04·94		3,13·51		4,66·57
V. Extraordinary Payments		2,84·89		1·36		2,83·69		40·34
VI. Other Expenditure :—								
Civil Administration	11,10·44		10,17·13		10,46·04		11,10·12	
Other Heads	5,83·84		5,57·95		5,58·31		5,45·57	
		16,94·28		15,75·08		16,04·35		16,55·69
Total Net Expenditure		80,39·34		77,21·63		80,64·53		79,38·17
Surplus (+) or Deficit (—)		+36·00		+5·82		—		+6·29

ACCOUNTS, 1934-35

The Revenue Account for 1934-35 showed a net improvement of Rs. 169 lakhs over the Revised Estimate, mainly due to increased receipts of Rs. 151 lakhs under Customs. The unallocated surplus to be transferred to the Rural Development Fund is therefore increased from Rs. 113 lakhs to Rs. 282 lakhs.

REVISED ESTIMATE, 1935-36

As compared with the original estimated surplus of Rs. 6 lakhs in 1935-36, the Revised Estimate foreshadowed a surplus of Rs. 242 lakhs.

From this anticipated surplus of Rs. 242 lakhs, it was decided to allot Rs. 45 lakhs to a special fund for assisting the new provinces of Sind and Orissa in meeting their expenditure on buildings, Rs. 17½ lakhs being provided for Sind and Rs. 27½ lakhs for Orissa. The balance of the surplus, viz. Rs. 197 lakhs, will be transferred to a Revenue Reserve Fund available to help out the finances of the first year of Provincial Autonomy. The final Revised Estimate figures exhibited, therefore, both Revenue and Expenditure as Rs. 124,37 lakhs.

In the course of voting Supplementary Demands for Grants the Legislative Assembly made a reduction of Rs. 100 in the Demand in respect of Baluchistan.

BUDGET, 1936-37

In framing the estimates for 1936-37 a surplus of revenue over expenditure of Rs. 205 lakhs was envisaged and, in view of the pledges previously given to the Legislature in regard to the removal of emergency taxation, further reduction in Taxes on Income has been effected. With effect from 1st April, 1936, the remaining tax on incomes below Rs. 2,000 has been abolished and the surcharges on income-tax and super-tax on higher incomes have been reduced from one-sixth to one-twelfth. The net cost of these measures is estimated at Rs. 185 lakhs. In addition the weight of the one anna letter has been raised from half a tola to one tola, with corresponding alterations in the rates for heavier letters, and the weight of registered newspapers to be carried for a quarter of an anna has been raised from eight to ten tolas.

Expenditure includes the provision of (a) Rs. 108 lakhs and Rs. 50 lakhs, respectively, as subventions to the new Provinces of Sind and Orissa and (b) Rs. 60 lakhs under "Defence" and Rs. 40 lakhs under "Civil" towards reconstruction and other expenditure in connection with the earthquake at Quetta.

The final Budget Estimate shows a small surplus of Rs. 6½ lakhs.

The following reductions were made by the Legislative Assembly in the demands for grants for 1936-37 presented to them, viz. :—

<i>Railways.</i>	<i>Rs.</i>
Railway Board	300
Expenses of Traffic Department.. .. .	100
<i>Civil.</i>	
Executive Council	1,48,999
Foreign and Political Department	100
Home Department	100
Defence Department	4,24,999
Baluchistan	27,69,100

Of these reductions the Governor-General in Council has, under Section 67A (7) of the Government of India Act, restored the demands under "Executive Council," "Defence Department" and "Baluchistan" as being essential to the discharge of his responsibilities.

The reductions in taxation were effected by the Indian Finance Act, 1936. The Bill in recommended form was not passed by the Legislative Assembly, but after certification it was passed by the Council of State and was made an Act on the 31st March, 1936, by the Governor-General under the provisions of Section 67B of the Government of India Act (*vide* Parliamentary Paper H.C. 129 of 1936). The additional import duty on foreign salt was also continued for another two years subject to a reduction of the rate from 2½ to 1½ annas per maund, by an Act, which received the assent of the Governor-General on the 21st April, 1936.

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. At the end of 1936-37 the total contributions to general revenues remaining unpaid during the six years commencing with 1931-32 will amount to about Rs. 31 crores.

The Railway Revenue and Expenditure figures for the years from 1934-35 to 1936-37 are given in the following table.

	Accounts, 1934-35.	Budget Estimate, 1935-36.	Revised Estimate, 1935-36.	Budget Estimate, 1936-37.
REVENUE.				
State Railways—				
(1) Commercial Lines—				
Gross Receipts	85,11,82,629	98,57,10,000	85,09,00,000	96,16,00,000
<i>Deduct—</i>				
Working Expenses	64,75,52,780	65,12,00,000	64,87,25,000	65,14,30,000
Surplus Profits paid to Indian States and Railway Com- panies	61,12,492	56,00,000	51,50,000	30,00,000
Payments to worked lines	2,76,98,135	2,37,30,000	2,70,88,000	2,69,70,000
Net Receipts	26,98,18,222	30,01,80,000	27,19,37,000	28,02,00,000
(2) Strategic Lines—				
Gross Receipts	1,28,90,055	1,38,00,000	1,29,20,000	1,31,15,000
<i>Deduct—</i>				
Working Expenses and Re- funds of Revenue	1,89,98,868	2,06,10,000	2,06,95,000	2,08,85,000
Net Receipts	-63,08,813	-68,10,000	-77,75,000	-77,70,000
Total Net Receipts—Commercial and Strategic Lines	26,35,09,409	29,33,70,000	26,41,62,000	27,24,30,000
Subsidized Companies: Government Share of Surplus Profits	21,58,061	21,00,000	23,00,000	22,00,000
Interest on Depreciation and Reserve Funds	48,14,842	48,59,000	46,55,000	50,92,000
Other Receipts	25,76,659	32,66,000	32,00,000	32,00,000
Transferred from Railway Reserve Fund Loan from Railway Depreciation Fund	5,06,25,426	1,89,50,000	4,53,59,000	3,44,44,000
Total Revenue	32,36,84,197	32,25,45,000	31,96,76,000	31,73,66,000
EXPENDITURE.				
Interest Charges—				
(1) Commercial Lines	30,39,82,406	30,29,75,000	29,99,82,000	29,75,54,000
(2) Strategic Lines	1,40,23,364	1,38,85,000	1,37,44,000	1,35,82,000
Total Interest Charges	31,80,05,770	31,68,60,000	31,37,26,000	31,11,33,000
Other Expenditure	56,78,427	56,85,000	59,50,000	62,30,000
Total Expenditure	32,36,84,197	32,25,45,000	31,96,76,000	31,73,66,000

The losses on commercial lines—after making full provision for accrued depreciation—are: 1934-35, Accounts, Rs. 3,11 lakhs; 1935-36, Revised Estimate, Rs. 2,48 lakhs; and 1936-37, Budget Estimate, Rs. 1,40 lakhs.

Since 1932-33, there has been no free balance in the Reserve Fund, and the Railway Accounts and Estimates have been balanced by loans from the Railway Depreciation Reserve Fund, amounting for the five years 1931-32 to 1935-36 to Rs. 32,04 lakhs.

The Budget estimate for 1935-36 was based on the assumption that the improvement which had set in in the previous year would continue. Unfortunately this hope was not realised and instead of the deficit originally estimated at Rs. 190 lakhs a deficit of Rs. 454 lakhs is anticipated (of which Rs. 206 lakhs represents the loss on strategic lines) which is, however, an improvement of about Rs. 50 lakhs over 1934-35. Traffic receipts from State-owned lines are estimated at Rs. 90 crores or Rs. $3\frac{1}{2}$ crores less than the original estimate. Passenger earnings are expected to show an improvement of about Rs. $\frac{1}{2}$ crore. Goods traffic, on the other hand, suffered a serious setback. The reduction in the groundnut crop, as a result of smaller sowings following a very serious drop in prices in 1934-35, accounted for a fall of Rs. 60 lakhs in receipts from April to October and receipts from rice and cotton traffic were disappointing. The figures for rice were, however, exceptional in 1934-35 owing to the imports to the areas devastated by the Bihar earthquake. Working expenses show a slight reduction as compared with the Budget estimate and with the figure for the previous year though the restoration of the balance of the pay cuts involved an increase of Rs. 87 lakhs. Interest charges show a reduction of Rs. 43 lakhs as compared with 1934-35 due to a fall in rates charged consequent on Government's conversion operations.

If the estimate for 1936-37 proves correct the deficit for the year will be appreciably reduced. The Budget for the year anticipates an increase in gross earnings from State-owned lines of about $1\frac{1}{2}$ crores, of which about 50 lakhs may result from a gradual improvement in traffic and about 100 lakhs from the operation of certain alterations in rates and fares. A small increase of $\frac{1}{4}$ pie per mile in third class fares for distances between 51 and 300 miles on the North Western Railway is expected to bring in about Rs. 12 lakhs and a similar increase on the Burma Railways will yield Rs. 6 lakhs. Increases of upper class fares on the Great Indian Peninsula, Bombay, Baroda and Central India and South Indian Railways are likely to result in increased earnings of Rs. 5 lakhs. An increase in terminals on the North Western, Great Indian Peninsula and East Indian Railways is expected to yield Rs. 34 lakhs. The most important of the enhancements in goods freights are on petrol, liquid fuel and cement over the Bombay, Baroda and Central India, Great Indian Peninsula and East Indian Railways and on stone metal over the East Indian and North Western Railways. These and other similar enhancements in goods rates are expected to bring in increased earnings of about Rs. 50 lakhs during 1936-37. If the results are as anticipated, the deficit on the year will be Rs. 344 lakhs of which Rs. 140 lakhs will be in respect of commercial and Rs. 204 lakhs in respect of strategic lines.

An attempt is also to be made, it is hoped during the year, to cope with the problem of ticketless travel, which involves the

Railway Revenues in a loss of revenue estimated to be at least Rs. 50 lakhs a year, and an amendment to the Indian Railways Act is to be placed before the Legislature. As a result of discussions now proceeding steps may also be taken for the co-ordination of transport and the regulation of motor traffic. The removal of the uneconomical competition from which the railways now suffer, while it would be in the interests of all concerned, should benefit railway revenues.

The Railway Depreciation Fund is estimated to have a closing balance on 31st March, 1937, of Rs. 11·81 crores after allowing for some Rs. 35½ crores borrowed to make up the deficits since 1931-32.

Particulars of the capital expenditure on Railways are given in chapter V (*vide* page 17).

IV.—TAXATION PER HEAD IN BRITISH INDIA

Total Tax Revenue.	Accounts, 1934-35.	Budget Estimate, 1935-36.	Budget Estimate, 1936-37.
	<i>Lakhs of Rs.</i>	<i>Lakhs of Rs.</i>	<i>Lakhs of Rs.</i>
Customs	52,36·50	51,53·35	54,47·15
Taxes on Income	17,58·04	16,44·85	15,70·80
Salt	7,63·68	8,36·73	8,38·30
Excise	14,81·58	14,79·70	15,01·61
Stamps	12,02·48	12,33·80	11,94·73
Registration	1,17·14	1,19·24	1,19·78
Scheduled Taxes	44·74	42·42	46·87
Total (excluding Land Revenue) ..	1,06,04·16	1,05,10·09	1,07,19·24
Land Revenue.. .. .	32,04·68	30,52·09	31,19·47
Total (including Land Revenue) ..	1,38,08·84	1,35,62·18	1,38,38·71
The <i>taxation per head</i> , on the assumption that the whole is paid by the inhabitants of British India, is :—	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
(i) exclusive of Land Revenue..	3·76	3·69	3·73
(ii) inclusive of Land Revenue..	4·89	4·76	4·81

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 282,232,000 in 1935, 284,952,000 in 1936, and 287,698,000 in 1937.

V.—PUBLIC DEBT AND CAPITAL EXPENDITURE

DEBT TRANSACTIONS, 1935-36

Indian Treasury Bills of three months maturity were sold weekly, with temporary suspensions for short periods, from 16th April, 1935, to 31st March, 1936. The amount outstanding on 31st March, 1936, was Rs. 32·13 crores.

On 1st June, 1935, £3,500,000 East Indian Railway 4½ per cent. Debenture Stock, 1935-55, was repaid.

On 11th July, 1935, £10,000,000 India 3 per cent. stock, repayable at par in 1949-52, was issued in part replacement of the £12,000,000 6 per cent. Bonds, 1935-37, then under notice of repayment. The issue price was £98 per cent. and the loan was oversubscribed.

On 5th August, 1935, a 3 per cent. Rupee Loan, repayable in 1951-54, was opened to subscription in the form of cash, 5 per cent. Bonds, 1935, or 6½ per cent. Treasury Bonds, 1935. The issue price was 96½ per cent. and the loan was to be closed as soon as the total subscriptions amounted approximately to Rs. 15 crores, cash subscriptions receiving, if necessary, only partial allotment. The loan was closed on the opening day, allotments being as follows:—Cash, Rs. 2·11 crores; 5 per cent. Bonds, 1935, Rs. 8·38 crores; 6½ per cent. Treasury Bonds, 1935, Rs. 4·64 crores; total Rs. 15·13 crores.

On 15th October, 1935, the balance outstanding of the £12,000,000 India 6 per cent. Bonds, 1935-37, was repaid.

The Permanent Debt in India was reduced in 1935-36 by approximately Rs. 12·4 crores, about Rs. 15·1 crores new debt having been raised and about Rs. 27·5 crores of debt having been discharged by repayment or conversion. The floating debt in India was reduced by Rs. 20·2 crores owing to a reduction in the amount of Treasury Bills outstanding.

Unfunded Debt: Savings Bank deposits of Rs. 15½ crores (net) were anticipated. Receipts from and encashments of Post Office Cash Certificates were expected to be about equal. Unfunded debt in India was estimated to be increased by Rs. 15·69 crores.

Permanent Debt in England was reduced by £7·46 millions (net), resulting from the repayment of £11·95 millions of sterling stock, £3·5 millions of East Indian Railway Debenture Stock, £1·8 millions of the capital portion of the Railway Annuities, and the redemption of £174,150 of debt by the operation of the State Railways Sinking Fund; partly set off by the issue of £10 millions of sterling stock.

DEBT TRANSACTIONS, 1936-37

The Budget provided for the net discharge of Rs. 25.44 crores of Permanent Debt, including £16.86 million for the repayment of 5½ per cent. Sterling Stock, 1936-38, £1.9 million for part capital redemption of the Railway Annuities created in purchase of railways, and £0.17 million for the statutory sinking funds established in connection with the purchase of certain railways. Treasury Bill issues were expected to be increased by Rs. 11 crores, and Unfunded Debt by Rs. 14.7 crores. The latter figure includes increased Post Office Savings Bank deposits of Rs. 8½ crores and the net repayment of Rs. 50 lakhs of Post Office Cash Certificates.

The sale of 3 months' Indian Treasury Bills was continued weekly with a temporary suspension between 26th May and 30th June. The amount outstanding on 1st August, 1936, was Rs. 34.94 crores.

On 26th May, 1936, subscriptions in cash were invited to an issue of 2¼ per cent. Rupee Loan repayable at par in 1948-52. The loan was issued at par and it was provided that the loan would be closed as soon as the total subscriptions amounted to approximately Rs. 12 crores. The loan was closed shortly after opening, approximately Rs. 30 crores having been subscribed. The amount allotted was Rs. 12,01,28,000.

From 1st July, 1936, the rate of interest on cash deposits in the Indian Post Office Savings Bank was reduced to 2 per cent. per annum; and from the same date the issue price of Post Office Cash Certificates was raised so as to give a reduced yield of 2½ per cent. per annum compound interest on maturity in five years.

On 15th July, 1936, the outstanding balance of the £17,181,249 India 5½ per cent. Stock, 1936-38, was repaid.

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, 1935	4,92,65,07,554	383,687,618
31st March, 1936	4,58,34,20,737	376,232,820
31st March, 1937 (Estimate)	4,81,14,96,737	357,306,960

† 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 19.

PROVISION FOR REDUCTION OR AVOIDANCE OF DEBT

From the year 1933-34 inclusive, the amount provided from revenue for the reduction or avoidance of debt has been a uniform figure of Rs. 3 crores per annum. (For a description of the variable provision that was in force prior to 1933-34, and the reasons for the adoption of a provision on the lines now followed, see the Explanatory Memorandum for 1935-36 [Command Paper 5000 of 1935]).

In addition, the final realised revenue surplus shown for any year goes to the reduction or avoidance of debt.

RAILWAY CAPITAL EXPENDITURE

The capital expenditure on railways shown in the Accounts for 1934-35 and in the Estimates for 1935-36 and 1936-37, is as follows:—

	Accounts, 1934-35.	Revised Estimate, 1935-36.	Budget, 1936-37.
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Outlay on lines worked by the State and by guaranteed companies:—			
(1) From funds provided by the State ..	68,70,308	1,75,00,000	3,25,00,000
(2) From funds raised through companies or provided from other sources ..	- 39,86,158	—	—
	28,84,150	1,75,00,000	3,25,00,000

The minus entry of Rs. 39,86,158 in the table represents the amount provided by Government for the repayment of debentures issued by Railway Companies.

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, Commercial and Statagic, up to the end of the year and the net return obtained :—

	Accounts, 1934-35.	Revised Estimate, 1935-36.	Budget, 1936-37.
Capital at charge at end of each year (Central Government)	<i>Rs.</i> 7,95,29,54,596	<i>Rs.</i> 7,97,01,54,596	<i>Rs.</i> 8,00,26,54,596
Working profit from railways excluding interest charges.. ..	26,73,80,344	26,83,67,000	27,66,92,000
Percentage of same to capital at charge	3.36%	3.37%	3.46%
Final working loss after meeting interest charges	<i>Rs.</i> 5,06,25,426	<i>Rs.</i> 4,53,59,000	<i>Rs.</i> 3,44,44,000
Percentage of same to capital at charge	0.64%	0.57%	0.43%

OTHER CAPITAL EXPENDITURE

Other Capital Expenditure of the Central Government charged outside the Revenue accounts is as follows: Accounts, 1934-35, Rs. 175.4 lakhs; Revised Estimate, 1935-36, Rs. 666.7 lakhs; and Budget Estimate, 1936-37, Rs. 117.2 lakhs. The 1936-37 figure includes Rs. 42 lakhs for Posts and Telegraphs, Rs. 39.9 lakhs for Commuted Pensions and Rs. 23.6 lakhs for New Delhi.

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, 1932.	31st March, 1933.	31st March, 1934.	31st March, 1935.	31st March, 1936. (Estimate.)
In India:	(In crores of rupees.)				
Loans (a)	422.69	446.89	435.43	438.31	425.91
Treasury Bills in the hands of the public	47.53	26.09	33.31	18.27	} 34.09
Treasury Bills in the Paper Currency Reserve	49.67	35.48	25.93	36.07	
Ways and Means Advance	9.50	—	—	—	
Other Obligations:—					
Post Office Savings Banks	38.20	43.40	52.23	58.30	67.80
Cash Certificates	44.58	55.64	63.71	65.96	65.96
Provident Funds, etc.	73.04	76.74	83.77	89.81	95.99
Depreciation and Reserve Funds	17.65	13.22	13.04	13.05	12.74
Provincial Balances (b)	4.32	7.02	6.17	6.63	4.83
Total Loans, etc.	529.39	508.46	494.67	492.65	460.00
Total Other Obligations	177.79	198.02	218.92	233.77	247.42
Total in India	707.18	706.48	713.59	726.42	707.42
In England:	(In millions of £.)				
Loans (a)	313.60	314.33	321.01	323.33	317.75
War Contribution	16.72	16.72	16.72	16.72	16.72
Capital value of liabilities undergoing redemption by way of terminable railway annuities	48.72	47.06	45.35	43.58	41.75
Provident Funds, etc.	1.80	1.91	1.03	1.15	1.27
Total in England	379.84	379.02	384.11	384.83	377.49
Equivalent at 1s. 6d. to the Rupee	506.45	505.30	512.15	513.11	503.32
Total Interest-bearing obligations	12,13.63	12,11.84	12,25.74	12,39.53	12,10.74
Interest-yielding assets:					
(i) Capital advanced to Railways	750.73	756.75	754.94	755.63	757.33
(ii) Capital advanced to other Commercial Departments	24.25	21.89	23.23	23.78	24.30
(iii) Capital advanced to Provinces	163.64	173.04	175.18	178.15	186.82
(iv) Capital advanced to Indian States and other interest-bearing loans	20.29	20.92	21.11	20.32	23.82
Total Interest-yielding assets	958.91	972.60	974.46	977.86	989.43
Cash, bullion, and securities held on Treasury account	41.42	35.69	43.25	63.33	22.99
Balance of total interest-bearing obligations not covered by above assets	213.30	203.55	208.03	198.34	198.53

(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, 1936, £7,500,000 in the Silver Redemption Reserve.

VI.—GENERAL STATEMENT OF THE RECEIPTS, DISBURSEMENTS AND BALANCES OF THE GOVERNMENT 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 1934-35, 1935-36, and 1936-37.

	Accounts, 1934-35.	Budget Estimate, 1935-36.	Revised Estimate, 1936-36.	Budget Estimate, 1936-37.
	Rs.	Rs.	Rs.	Rs.
Opening Balance, India	11,88,97,891	13,10,06,891	16,18,31,185	12,50,68,185
Opening Balance, England	(a)20,87,50,507	(a)14,17,95,507	(b)21,02,06,386	73,29,386
Total Opening Balance	32,76,48,398	27,28,02,398	37,20,37,571	13,23,97,571
RECEIPTS—				
Revenue Surplus	36,00,000	5,82,000	—	6,29,000
Capital Contributions by Railway Companies and Indian States towards construction of State Railways	—	—	—	—
Permanent Debt (net incurred)	3,81,08,645	—	—	—
Floating Debt (net incurred)	—	18,08,56,000	15,85,30,000	11,00,00,000
Unfunded Debt (net incurred)	14,52,71,312	18,22,34,000	23,18,56,000	14,70,87,000
Deposits and Advances (net)	—	—	—	7,30,83,000
Railway Depreciation and Reserve Funds (net)	15,633	1,88,50,000	—	2,83,56,000
Remittances (net)	—	5,91,000	2,79,000	3,34,000
Balances of Provincial Governments (net)	1,54,88,797	—	—	—
Total Receipts	20,24,84,393	38,31,13,000	39,06,65,000	35,94,69,000
Total	53,01,32,791	65,59,15,398	76,27,02,571	49,18,66,571
DISBURSEMENTS—	Rs.	Rs.	Rs.	Rs.
Revenue Deficit	—	—	—	—
Capital Outlay on Security Printing Press	-1,11,908	-1,04,000	-96,000	-8,000
Construction of State Railways	25,12,752	5,50,00,000	1,75,00,000	3,25,00,000
Discharge of Railway Debentures	43,57,556	—	—	—
Capital Outlay on Posts and Telegraphs	32,82,494	55,07,000	47,44,000	42,02,000
Capital Outlay on Schemes of Agricultural Improvement and Research	78,422	—	27,71,000	7,22,000
Capital Outlay on Vizagapatam Port	14,71,364	12,50,000	7,70,000	9,95,000
Payment of Commuted Value of Pensions	59,37,791	43,93,000	48,17,000	39,90,000
Initial Expenditure on new Capital at Delhi	72,13,103	52,45,000	40,06,000	23,66,000
Currency Capital Outlay	-50,619	4,99,14,000	4,99,23,000	-99,000
Payments to Retrenched Personnel	-1,03,454	-4,00,000	-2,83,000	-4,44,000
Civil Works	-1,77,319	—	—	—
Outlay on Orissa and Sind	—	20,00,000	—	—
Permanent Debt (net discharged)	—	25,42,31,000	22,34,73,000	25,44,23,000
Floating Debt (net discharged)	4,89,45,000	3,50,00,000	20,24,50,000	—
Deposits and Advances (net)	6,27,91,628	—	—	—
Railway Depreciation and Reserve Funds (net)	—	—	52,59,000	—
Loans and Advances by Central Government (net advances)	2,10,09,116	10,23,68,000	9,24,11,000	4,47,63,000
Remittances (net)	9,39,289	—	—	—
Balances of Provincial Governments (net)	—	57,00,000	2,25,40,000	1,62,55,000
Total Disbursements	15,80,95,220	52,01,04,000	63,03,05,000	35,96,65,000
Closing Balance	37,20,37,571	13,58,11,398	13,23,97,571	13,22,01,571
Total	53,01,32,791	65,59,15,398	76,27,02,571	49,18,66,571
DISTRIBUTION OF CLOSING BALANCE—				
Closing Balance, India	16,18,31,185	12,61,34,891	12,50,68,185	12,48,69,185
Closing Balance, England	(b)21,02,06,386	96,76,507	73,29,386	73,32,386

(a) Of this amount, £568 represents the cash portion of the Gold Standard Reserve.

(b) Of this amount, £2,137 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, 1934-35.	Revised Estimate, 1935-36.	Budget, 1936-37.
Direct demands on the Revenues :—			
Stores for India	£ 431	£ 900	£ 1,500
Leave Allowances and Miscellaneous	36,143	44,550	40,930
Railway Revenue Account :—			
Interest and management of debt	9,365,007	9,278,925	9,078,975
Government share of Surplus profits	- 9,690	- 10,500	- 8,025
Leave Allowances and Miscellaneous	493,522	414,600	414,075
Irrigation Revenue Account :—			
Leave Allowances	160	1,425	825
Posts and Telegraphs :—			
Indian Postal and Telegraph Department :—			
Leave Allowances and Miscellaneous	61,409	99,225	107,325
Debt Services :—			
Interest on Ordinary Debt (less interest realised from investment of Cash Balance)	5,606,678	5,563,750	4,838,925
Interest, Discount, etc., on Gold Standard Reserve credited to Revenue	- 1,064,618	- 54,000	—
Silver Redemption Reserve	—	- 13,000	- 160,000
Management of Debt	105,476	250,050	89,250
Interest on Other Obligations	47,655	48,825	496,575
Civil Administration :—			
Home Administration :—			
India Office : Salaries and Contingencies	215,855	224,250	225,600
High Commissioner's Office : Salaries and Contingencies ..	190,796	253,950	262,800
Audit Office : Salaries	15,557	15,900	15,825
Contribution by His Majesty's Treasury in respect of the Administrative Expenses of India Office	- 104,522	- 107,175	- 108,675
Payments on account of Departments in India :—			
Stores for India	27,896	9,600	21,000
Leave Allowances and Miscellaneous	315,790	287,925	277,425
Currency and Mint :—			
Stores for India	3,225	17,100	3,175
Leave Allowances and Miscellaneous	3,514	3,900	3,675
Interest on Paper Currency Reserve Investments	- 58,297	- 1,575	—
Civil Works :—			
Stores for India	1,315	225	—
Leave Allowances and Miscellaneous	5,723	11,175	8,925
Miscellaneous :—			
Territorial and Political Pensions	7,920	8,775	8,100
Civil Superannuation Allowances and Pensions (including Home establishment Pensions)	1,315,484	1,267,425	1,144,950
Contribution to the Expenses of the League of Nations	107,803	111,150	107,325
Other Miscellaneous Charges	9,399	10,200	9,300
Stationery and Printing :—			
Stores for India	11,394	11,850	14,475
Expenditure at the India Office and the High Commissioner's Office, Leave Allowances, etc.	10,668	7,200	8,850
Defence Services (Army, Navy and Air Force) :—			
Home Charges of British Forces serving in India	- 61,000	- 99,975	- 80,000
Sea Transport Charges	462,788	473,100	462,000
Unemployment Insurance	116,281	129,375	106,650
National Health Insurance	29,482	39,525	39,075
Aden Contribution	134,317	150,000	150,000
Contributions under Contributory Pensions Act, 1925	118,325	125,100	143,025
Contribution to the expenses of His Majesty's Ships in Indian Seas	100,389	100,800	100,800
Furlough Pay and Miscellaneous	901,602	910,725	875,000
Stores	757,346	684,150	902,100
Marriage Allowances and Allotments	347,725	356,100	351,000
Retired Pay of British Forces for Service in India	1,213,189	1,202,775	1,227,000
Retired Pay : Indian Services and Family and Miscellaneous (including Military Funds) Pensions	2,445,211	2,517,225	2,234,625
Extraordinary Receipts and Payments	8,809	1,725	1,850
Total	23,247,131	24,353,250	23,491,050
Expenditure by Secretary of State	20,089,974	21,269,775	20,237,575
" " High Commissioner	3,157,157	3,083,475	3,253,475
Total	23,247,131	24,353,250	23,491,050

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

Expenditure.	Accounts, 1934-35.	Revised Estimate, 1935-36.	Budget, 1936-37.
Capital outlay on State Railways	£ 1,396,897	£ 1,295,000	£ 1,290,000
Posts and Telegraphs	249	75	—
Vizagapatam Port	7,576	4,050	20,250
Lighthouses and Lightships	220	375	150
Schemes of Agricultural Improvement and Research	—	450	—
Expenditure by Secretary of State	1,397,325	1,292,100	1,228,725
„ High Commissioner	67,623	62,850	81,675
Total	£ 1,404,948	£ 1,294,950	£ 1,310,400

VIII.—SEA-BORNE TRADE

The figures of Exports from, and Imports into, India of Merchandise and Treasure during 1933-34, 1934-35 and 1935-36, are summarised below. Further particulars are given in the published statements of the Sea-Borne Trade of British India.

Summary of Sea-borne Trade

	1933-34.	1934-35.	1935-36.
<i>On Private Account.</i>			
	Rs.	Rs.	Rs.
Exports of Merchandise	1,50,66,80,389	1,55,21,54,213	1,64,25,31,884
Imports of Merchandise	1,15,35,70,144	1,32,29,12,872	1,34,39,11,304
Net Exports of Merchandise	35,31,10,245	22,92,41,341	29,86,20,580
Net Exports of Gold	57,05,35,961	52,53,74,607	37,35,59,955
Net Imports of Silver	1,36,593	37,17,720	1,27,37,740
Net Exports of Currency Notes	19,41,306	36,89,565	29,04,504
Net Exports of Treasure	57,23,40,674	52,53,46,452	36,37,27,119
Net Exports of Merchandise and Treasure on Private Account	92,54,50,919	75,45,87,793	66,23,47,699

Summary of Sea-borne Trade—continued.

	1933-34.	1934-35.	1935-36.
<i>Government Transactions.</i>	Rs.	Rs.	Rs.
<i>Imports of Merchandise</i> ..	1,94,75,278	2,29,60,405	2,40,08,535
<i>Exports of Merchandise</i> ..	50,34,820	28,17,431	30,76,228
<i>Net Imports of Merchandise</i>	1,44,40,458	2,01,42,974	2,09,32,307
<i>Net Exports of Gold</i>	—	—	—
<i>Net Exports of Silver</i> ..	6,37,08,019	5,77,82,522	1,84,78,602
<i>Net Exports or Imports of Currency Notes</i>	—	—	—
<i>Net Exports of Treasure</i> ..	6,37,08,019	5,77,82,522	1,84,78,602

India Office,
23rd September, 1936.

R. A. BUTLER.