



Government of India
Finance Department

Budget for 1927-28

CALCUTTA: GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH
1927.

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GOVERNMENT OF INDIA.
FINANCE DEPARTMENT.

BUDGET FOR 1927-28.

CONTENTS.

PART I.

RAILWAY BUDGET.

	Page.
Speech of the Hon'ble the Railway Member introducing the Railway Budget for 1927-28 in the Legislative Assembly on the 18th February 1927—	
Introductory	1
Financial Results of 1925-26	2
Revised Estimate for 1926-27	2
Budget Estimate for 1927-28	4
Capital expenditure	5
New construction	7
Rates and Fares	7
 Budget of the Railway Revenue and Expenditure of the Government of India—	
1.—Statement of the Revenue of the Central Government from Railways in India and England	12
1(a).—Statement of Working Expenses of State Railways—Commercial Lines	14
2.—Statement of the Expenditure on Railways charged to the Revenue of the Central Government in India and in England	16
2(a).—Contribution from Railway to General Revenues, 1926-27 and 1927-28	18
3.—Statement of Receipts of the Central Government in India and England for Capital contributed by Railway Companies and Indian States towards outlay on State Railways	20
4.—Statement of the Capital Expenditure of the Central Government in India and England on Railways	22
A.—Railway Depreciation Fund	24
B.—Railway Reserve Fund	25

Speech by the Hon'ble Sir Clement Hindley, Chief Commissioner for Railways, in presenting the Railway Budget for 1927-28 in the Council of State on the 18th February 1927—

Introductory	27
Accounts, 1925-26	28
Revised Estimates, 1926-27	29
Budget Estimates, 1927-28	31
Capital Expenditure, 1926-27	31
" " 1927-28	32
New lines	33
Standardisation	36
Bridge Design	37
Locomotives	37
Wagons	38
Workshop reorganisation	39
Recruitment of staff	40
Travelling without Tickets	41
Compensation claims	41
Publicity	42
Accounts	42
Conclusion	43
Schedule of demands for grants for expenditure of the Central Government on Railways for the year 1927-28 submitted for the vote of the Legislative Assembly	45
Budget of the Railway Revenue and Expenditure of the Government of India as revised since its presentation before the Legislative Assembly and the Council of State	47
Explanatory Memorandum of the Railway Budget for 1927-28	63
Appendix I.—Particulars of the more important new lines included in the budget but which have not yet been sanctioned	93
Appendix II.—Capital at charge on State Railways at end of 1924-25, Capital expenditure during 1925-26 and estimated Capital expenditure in 1926-27 and 1927-28	100
Annexure A.—Establishment of Clearing Accounts Office in India	109
Memorandum by the Financial Commissioner, Railways, on the effect on Railway Finances of an alteration in the exchange value of the rupee from 1s. 6d. to 1s. 4d. gold	115

PART II.

GENERAL BUDGET.

Speech of the Hon'ble the Finance Member introducing the Budget for 1927-28 in the Legislative Assembly on the 28th February 1927—

Introductory	121
Review of the year 1926-27—General conditions	121
" " "—Revenue	122
" " "—Expenditure	123
" " "—Ways and Means and Public Debt	124
Budget Estimate for 1927-28—Revenue	128
" " "—Expenditure	129
" " "—Changes in Taxation	132
" " "—Final proposals	135
" " "—Conclusion	138

	Page.
Budget of the Government of India—	
I.—General statement of the Revenue and Expenditure charged to Revenue of the Central Government in India and in England :	142
II.—General statement of the Receipts and Disbursements of the Central Government, in India and in England	144
A.—Statement of the Revenue of the Central Government, in India and in England	146
B.—Statement of the Expenditure charged to Revenues of the Central Government, in India and in England	150
C.—Statement of Receipts and Disbursements of the Central Government, in India and in England	154
D.—Abstract Statement of the Receipts and Disbursements of the Central Government, in India and in England	166
The Indian Finance Bill as introduced in the Legislative Assembly on the 28th February 1927	168
Speech of the Financial Secretary in laying the Budget before the Council of State on the 28th February 1927	175
Schedule of demands for grants for 1927-28 (excluding Railways) submitted for the vote of the Legislative Assembly	186
Declaration by the Governor General in Council regarding certain demands refused by the Assembly	188
The Indian Finance Bill as passed by the Legislative Assembly on the 24th March 1927	188
The Indian Finance Bill as passed by the Council of State on the 26th March 1927 and by the Legislative Assembly on the 28th March 1927	194
Notification, dated the 9th April 1927, publishing the Indian Finance Act, 1927	197
Resolution No. 4504-P., dated the 31st March 1927, publishing the Budget Statements as revised since their presentation before the Legislative Assembly and the Council of State	203
Explanatory Memorandum by the Financial Secretary on the Budget for 1927-28	233
Appendix I.—Statement of the effect on the financial position on the Government of India of an alteration in the exchange value of the rupee from 1s. 6d. to 1s. 4d. gold.	257
Appendix II.—Statement showing the gross expenditure of the Central Government as in the Budget Estimates for 1926-27 and 1927-28, as presented to the Legislature, divided between Voted and Non-voted.	265
Appendix III.—Memorandum on the Military Estimates for 1927-28	267
Appendix IV.— <i>Pro forma</i> Account of Expenditure on Delhi and the Delhi Province	277
Appendix V.—Commercial and Financial Statistics	285

APPENDIX I.*

Statement of the effect on the financial position of the Government of India of an alteration in the exchange value of the rupee from 1s. 6d. to 1s. 4d. gold.

In this statement an attempt is made to arrive at an estimate of the probable effect on the civil and military expenditure and on the general revenues of the Government of India if the present ratio of the rupee at 1s. 6d. were changed to 1s. 4d. The problem is mainly considered with reference to the financial effect on the Budget of 1927-28, which has been framed on the basis of 1s. 6d. but the same effect will probably continue without material abatement in 1928-29. As regards future years, an attempt is also made to gauge the broad results of the various processes of adjustment to the new conditions so far as these can be estimated with any degree of certainty. It is outside the scope of this note to examine the effect of the lower ratio on the financial condition of the Provincial Governments. The realisation of their hopes for the final remission of Provincial contributions would be deferred but, apart from this, they would have to meet considerably increased expenditure while their difficulties in regard to provision of funds for the development of beneficent services would be greatly accentuated. Nor would further financial embarrassment in the Provinces fail to repercuss on the Central Government.

2. The estimate is based on the assumptions, which are obviously exceedingly questionable assumptions, that—

- (a) the Government would not be required at any early date to adjust the pay and allowances of its establishment, amounting to nearly Rs. 26 crores in the military estimates and 14 crores in the civil estimates, on account of the fall of 11½ per cent. in the real wages now in force.
- (b) the rates of interest on which Government borrows at present will not be increased.

Further, no allowance is made for the possibility of an early increase in railway rates or in certain of the postal and telegraph charges. The cost of transport by rail to the civil and military estimates is approximately Rs. 3 crores per annum.

3. The effect on expenditure may first be estimated.

(a) *Sterling expenditure charged to Revenue (net)*—The net sterling expenditure on interest, stores, pay, pension and allowances of establishment and other non-effective and miscellaneous charges on both civil and military account amounts to a total of £18,862,000. The additional expenditure which would be necessary to meet these charges, if the ratio were 1s. 4d., amounts to Rs. 3·14 crores which would clearly constitute a continuing charge for some years to come.

(b) *Rupee expenditure charged to Revenue*.—Excluding outlay on pay and allowances of establishment, military and civil, amounting to about Rs. 40 crores, the principal expenditure which would be affected by the change in the ratio is that involved in the purchase in India of numerous classes of

* Referred to in paragraph 36 of Budget Speech.

supplies and stores for the various civil and military departments. The price of these commodities would respond at once to a sudden fall in exchange and the increase in prices would be practically instantaneous in those articles, the price of which is regulated by world factors. The present scale of rupee expenditure on commodities is in the neighbourhood of Rs. 15 crores, of which Rs. 12 crores appertains to the military estimates. This amount represents the maintenance charges of the Army in respect of rations (atta etc.) fodder, clothing, local engineering and medical stores and multifarious other supplies. The cost of similar supplies in the civil estimates is Rs. 3 crores. The alteration from 1s. 6d. to 1s. 4d. would, within two or three years, involve the full additional charge of 12½ per cent. or Rs. 1·87 crores but for 1927-28 it may be assumed that the full adjustment will not be reached throughout all classes of stores and an average increase of 7½ per cent. would be a reasonable and cautious estimate. This increase on Rs. 15 crores means an additional expenditure of Rs. 1·12 crores.

(c) *Expenditure charged to Capital.*—The capital expenditure of the Government of India, on other than railway account, amounts to about £200,000 in England and Rs. 2 crores in India, the latter being a diminishing figure as New Delhi is approaching completion. The increased capital expenditure on the basis of 1s. 4d. on account of exchange and higher price of commodities purchased on capital account may be taken at Rs. 12 lakhs. On account of sterling debt disbursements in England additional remittance of Rs. 36 lakhs would be required. The small additional charge on account of interest on these two items has not been taken into account in this statement.

4. *Revenue.*—The principal heads of revenue are dealt with below :—

(a) *Salt.*—The cost of manufacture, which would increase with a general rise of prices, is recovered from the consumer and there would be no net additional charge to Government on this account. As regards the salt duty, which depends upon consumption, it may be assumed that a general rise in the cost of living in advance of adjustment of wages would affect the consuming power of the public. Experience however indicates that the effect of a general rise in prices is not likely to be appreciable in the case of an article so essential as salt on which the expenditure of the individual is relatively small. No material change is therefore assumed in salt revenue.

(b) *Opium.*—Excise opium is sold to local Governments at cost price. A rise in the cost of manufacture would therefore not affect Central revenues.

• Provision opium is sold to consuming Governments on rupee contracts. Where the selling price cannot be altered during the currency of the contract, the net profit of Government would be affected by the increased cost of cultivation and manufacture, but, as the revenue under this head is already decreasing in pursuance of the policy of Government in regard to exports of opium, no further reduction in receipts has here been taken into account.

Medicinal opium is sold in London at sterling prices. The effect of the alteration in the ratio is not appreciable.

(c) *Taxes on Income.*—The effect on Taxes on Income is problematical. As the taxes, collected in 1927-28, will be assessed on the basis of the current year's profits, there will be no immediate effect on the revenue, but the general dislocation of trade, which would assuredly follow from a sudden fall to

1s. 4d., would make it difficult to collect a certain proportion of the taxes. No reliable estimate can be framed of this loss in revenue but it would be appreciable.

As regards the future, it is probable that a period of rising prices would afford a temporary stimulus to certain industrial concerns. Profits would increase at first and with them the yield of these taxes, but any gain from this source would be more than counterbalanced by losses resulting from the serious disturbance of general trade which would follow from the sudden reversion to the 1s. 4d. ratio. When complete adjustment has taken place, it may safely be assumed that no material change, attributable solely to the lower exchange, could be traced in this source of revenue.

(d) *Customs*.—As regards Customs duty, a statement is appended which gives, under the various categories, the expert views of the Central Board of Revenue. They estimate the immediate effect as a net loss of Rs. 1,26 lakhs in 1927-28. With the sudden rise in prices of imported goods and with the general dislocation of trade, a definite set-back would be imparted to the import trade in the first year or two which would be partly counterbalanced by increased duty on articles assessed *ad valorem*. There are many factors to be taken into account, but it is certain that there would be an immediate and considerable loss in Customs revenues which may be, for present purposes, assessed, on the most optimistic considerations, at not less than one crore of rupees. This loss would gradually disappear as adjustment to the new ratio was effected and as trade settled down after the initial disturbance and probably a definite increase of revenue could be expected from *ad valorem* duties after the revival of the import trade.

5. The general conclusions are that the finances of Government would suffer to the following extent on the basis of present scales of expenditure and revenue —

	(In crores.)	
	1927-28	After adjustment.
Sterling transactions	3.14	3.14
Rupee purchases	1.12	1.87
Loss in revenue	1	...
	—	—
	5.26	5.01
	—	—

The estimate for the period after adjustment to the new conditions of exchange makes no allowance for the increased revenue from Customs duties charged *ad valorem*, which may fairly be estimated at Rs. 1½ to Rs. 2 crores in the circumstances described in the last paragraph of the note by the Central Board of Revenue.

On the other hand, the estimate takes no account of any increase in establishment charges or in the cost of railway and other transport. Under the former head an allowance of even half the reduction in real wages, which would follow from the reversion to 1s. 4d., would involve extra expenditure

of over Rs. 2 crores, while increased railway rates would involve at least Rs. 30 lakhs more. Nor again has any account been taken of the effect on the rates at which Government will borrow in the future, of a widespread dislocation of the money market and of the serious damage to the credit of the Government, both in India and abroad, which would undoubtedly ensue from a forced and unnatural depression of the exchange value of the rupee.

6. There is a further result which should not be overlooked. The sterling debt of India (excluding Railway debt) amounts to £339 million. The additional amount of rupees required to redeem this debt on a basis of 1s. 4d. would be no less than 56½ crores.

A. F. L. BRAYNE.

The 28th February 1927.

Statement by the Central Board of Revenue on the probable effect on Customs Revenues of an alteration in the exchange value of the rupee from 1s. 6d. to 1s. 4d. gold.

(Where not otherwise stated, all figures represent lakhs.)

The final estimates for 1927-28 calculated on the basis of 1s. 6d. to the rupee are as follows:—

Import duties	41,89
Export duties	5,22
Miscellaneous	2,49
	<u>49,60</u>

IMPORT DUTIES.

2. Import duties may be divided into the following three groups against each of which the estimated revenue thereunder is shown:—

(a) Specific duties	16,89
(b) <i>Ad valorem</i> duties levied on tariff valuations	5,23
(c) <i>Ad valorem</i> duties levied on real value	19,77
	<u>41,89</u>

3. The effect on the selling price in India of a rise in the landed cost of goods liable to specific duties must depend to some extent on the amount of the duty. The selling price is made up of the landed cost, *plus* the importer's expenses and profit, *plus* the duty. The effect of any increase in the first of these three items on the selling price, and thereby on the demand, will be greater with a low duty than with a high duty. The average incidence of our specific duties is about 38 per cent. on the landed cost, so that, allowing another 20 per cent. for expenses and profit, the increase in the selling price will be approximately 3 per cent. A reduction of demand by 6 per cent. may therefore be expected, involving a loss of approximately one crore.

4. For goods liable to *ad valorem* duties assessable on tariff valuations, somewhat similar considerations will apply. These valuations are fixed

annually by notification, and ordinarily have effect from the first of January to the 31st of the following December. They are fixed, after discussion with the trade, primarily on the basis of the average prices ruling during the preceding year. It is, however, usual to take into consideration any very marked tendency of prices, whether upwards or downwards, at the close of the year if there is reason to believe that such tendency is not of a temporary nature. The Government of India have the power to alter these valuations at any time; and they have used this power occasionally to reduce a valuation during the interval between the annual revisions, when they have had reason to believe that it was based on erroneous calculations or, for other reasons. But it is many years since the power was employed to increase valuations at any other time than that of the annual general revision. The trades concerned have accepted with equanimity the present system under which a valuation in excess of market rates in one year is balanced by a correspondingly low valuation in another, and to enforce a general revision from the first of April on account of a fall of the exchange value of the rupee would cause considerable disturbance and opposition.

5. Assuming, then, that the tariff valuations will not be generally revised before the first of January, 1928, there will be 9 months during which duty will be collected on the valuations already in force. The duties in this class are at rates varying from $7\frac{1}{2}$ to 30 per cent. the average being about 17 per cent. The rise in selling price is likely to be nearly 9 per cent. and the loss for nine months approximately 5 per cent. of the total for the year, that is 26 lakhs. For the remainder of the year, when higher valuations are in force, selling prices, with the higher incidence of duty, will be increased by 11 per cent. over the present figures. For this period there will be roughly a fall of $8\frac{1}{2}$ per cent. on the value of the trade and a gain of $12\frac{1}{2}$ per cent. on the duty, a net gain at the rate of 4 per cent. per annum, or say, 1 per cent. of the total for the year, that is 5 lakhs. Thus, on this class of duties we may expect a loss of 21 lakhs.

6. The third class of duties, those levied at *ad valorem* rates on the real value, apply to certain trades which are particularly sensitive to fluctuations in price. Prominent among these are the piece-goods and motor trades. The yield from cotton piece-goods has been estimated at 700 lakhs. A rise of $12\frac{1}{2}$ per cent. in landed cost is equivalent in effect to an increase in the duty from 11 to $24\frac{2}{3}$ ths per cent. It would be unsafe to assume any very large fall in shippers' prices, but assuming that the manufacturer reduced his price by $2\frac{1}{2}$ per cent., imports are likely to decrease, involving a drop of not less than 10 per cent. in value. The resulting loss would be 70 lakhs.

7. Motor-cars are assessed on their landed cost, and as between different makes of car selling in India at the same price, there is a very wide variation, amounting in some cases to as much as 80 per cent. in the landed cost. This results from the very low prices at which cars can be landed in India from countries with depreciated currencies. One effect of a fall in the rupee would be the replacement of cars whose landed cost is relatively high and which yield a high duty compared with their selling price, by cars which contribute relatively little to our revenue. This transfer of demand would operate to reduce the revenue quite apart from the general depressing effect of increased prices on the trade. It may further be observed that the Budget includes proposals to reduce the

duty on cars from 30 to 20 per cent, but if this reduction is combined with an increase of 12½ per cent. in cost, it will be converted into the equivalent of an increase in the duty from 30 to 35 per cent. It would not be safe to assume a smaller loss than 20 per cent. or 21 lakhs.

8. Other *ad valorem* duties contribute 11,69 lakhs. Higher values will mean higher duties, but a smaller volume of imports. Assigning a higher relative importance to the first of these factors, a net gain of 3 per cent. or 35 lakhs may be assumed.

EXPORT DUTIES.

9. The duty on skins is an *ad valorem* duty leviable on a tariff valuation. Again, assuming that this will not be changed before the end of the calendar year, the trade should derive a stimulus from the fall in the rupee, and it may be assumed that for 9 months the revenue will increase by 12½ per cent. and for the remaining 3 months by 25 per cent., a total increase of 3 lakhs.

10. The duties on jute are specific and the volume of trade is very little affected by fluctuations in price. It is unlikely that exports would increase to the extent of more than 5 per cent. as a result of the fall in the rupee. On this basis, the gain would be 19 lakhs.

11. The duty on rice is also specific, and as export rice is to some extent in competition with rice from French Indo-China and elsewhere, an increase of 20 per cent. may be taken, giving a further gain of 2½ lakhs.

MISCELLANEOUS.

12. The principal items under this head are the excise duties on motor spirit, 1,00, and kerosene, 1,10. The depression of the motor trade may be expected to cause a loss of 5 lakhs on motor spirit, but the kerosene duty should increase by 10 lakhs as a result in the fall in the imports of foreign kerosene, a net gain of 5 lakhs.

Other items under this head are not likely to be affected seriously.

13. *Refunds* of import duty should decrease, but export refunds are likely to increase and, on the balance, this item of the expenditure Budget should not be affected.

SUMMARY.

14. The effect on the gross revenue may be summarised as follows:—

	Gains.	Losses.
Paragraph 3 . . . . .	...	1,00
" 5	5	26
" 6 . . . . .	...	70
" 7 . . . . .	...	21
" 8	35	...
" 9	3	...
" 10	19	...
" 11	24	...
" 12	10	5
	<u>96</u>	<u>2,22</u>

A net loss of 1,26 lakhs in 1927-28.

15. For the year 1928-29, the net loss of 21 lakhs referred to in paragraph 5 would be converted into a gain of 20 lakhs, and the total net loss would be reduced to 85 lakhs. Thereafter, as conditions gradually adjusted themselves, the loss would be reduced progressively and any attempt to forecast the ultimate effect on the revenues must be largely guess-work. So many factors beside price-variations have affected the course of trade in the past that it is very difficult to isolate the effect of any particular factor, but it may, perhaps, be instructive to compare trade in 1913-14 with trade in 1925-26. Imports have increased in value from 183 to 226 crores and exports from 249 to 385 crores. Assuming a rise in the level of prices of only 50 per cent., it will be seen that whereas the volume of exports has remained at about the same figure, the volume of imports has fallen by about 20 per cent. It may fairly be inferred that the recovery of the import trade from a permanent increase in prices, whether it be a direct price-variation, or the indirect result of high duties or an alteration in exchange, is a slow process. In any case, the effect on specific duties will always operate to set off a part at least of what may be gained by the levy of *ad valorem* duties on higher priced goods.

G. S. HARDY,—25-2-27.

A. R. L. TOTTENHAM,—25-2-27.

APPENDIX II.

Statement showing the Gross Expenditure of the Central Government as in the Budget Estimates for 1926-27 and 1927-28 as presented to the Legislature, divided between voted and non-voted.

[In lakhs of rupees.]

	1926-27.				1927-28.			
	Voted.	Non-voted.	Total.	Percentage of voted to total.	Voted.	Non-voted.	Total.	Percentage of voted to total.
Expenditure charged to revenue.	97,70'23	1,14,58'93	2,12,38'16	46	93,43'65	1,12,01'01	2,05,44'66	45
Expenditure not charged to revenue.	28,20'68	3,85'68	32,06'54	58	26,93'23	3,58'94	30,53'17	88
Total Expenditure both charged and not charged to revenue.	1,25,90'91	1,18,44'61	2,44,44'69	53	1,20,36'88	1,15,59'95	2,35,96'83	51

(a) These figures have been arrived at as follows:—

	1926-27.	1927-28.
Expenditure as per Budget Statement	1,30,37'65	1,25,25'76
<i>Add—Working expenses of—</i>		
(a) Railway Department	68,51'00	66,94'25
(b) Posts and Telegraphs	10,63'17	10,58'38
(c) Irrigation	13'02	10'53
<i>Add—Refunds (including Posts and Telegraphs refunds)</i>	2,54'31	3,55'74
	<u>2,12,36'15</u>	<u>2,05,44'06</u>

APPENDIX III.

Memorandum on the Military Estimates for 1927-28.

The report of the Army Accounts Committee to which allusion was made in last year's Memorandum has since been received and considered by the Government of India. They have now decided, with the approval of the Secretary of State, to revert from 1st April 1927 to a system of estimates and accounts, including appropriation accounts, which will deal solely with the actual cash grants allotted and spent for the maintenance of the Army. With these main accounts will be published three subsidiary accounts; the first will be the store accounts of supplying depôts showing the value of receipts of stores from all sources, issues to the various arms and departments of the service and of the balances, the second will be the maintenance accounts of the various arms and departments of the service and the third will be accounts on commercial lines for factories and other manufacturing concerns. The Military Engineer Services will not take credit nor will Army be charged in the main cash accounts for free supplies of electricity, water and ice to Army units and formations. Travelling allowances, rail and other transportation charges, expenditure on conservancy, antimalarial measures and hot weather establishments will, in future, be taken to single heads in which their distribution under the several arms and services will be made. The Royal Air Force will still have a Block vote. The volume of the detailed estimates placed before the House takes into account all the alterations necessitated by these changes. The form also provides, as in the case of Demands for Grants, in their order, for the actuals of the previous year, the Original and Revised Budgets of the current year and the Budget for the ensuing year. The details of the considerable revision in the heads of classification have only recently been settled and the reduction of the form to Octavo size has, therefore, to be postponed to next year; nor can the actuals for 1925-26, and the Budget and Revised Estimates for 1926-27 be exhibited in the volume under the new minor heads. Explanations have been given in the detailed estimates against the various heads which show the nature of the services performed by the units and formations.

2. Since 1921-22 substantial reductions have been effected in the expenditure on the Military services. The actual net expenditure as shewn in the final accounts or as estimated, where the accounts are not yet closed, is indicated in the following statement:—

	Rs. (Crores.)
1921-22	69.81
1922-23	65.27
1923-24	56.23
1924-25	55.63
1925-26	56.00
1926-27 (Budget Estimate)	54.88
1926-27 (Revised Estimate)	55.55
1927-28 (Budget Estimate)	54.92

BUDGET FOR 1927-28.

In the first of the years shown above, expenditure was swollen by abnormal charges of Rs. 6½ crores on operations on the North-West Frontier and the occupation of Waziristan. The Indian Retrenchment Committee, after their exhaustive examination of every aspect of military administration, recommended that the net budget for 1923-24 should be fixed at Rs. 57½ crores, subject to such addition as would be necessary on account of the delay which must necessarily ensue in carrying out the proposed changes, and in order to meet special expenditure in Waziristan, etc. In their final review of Military expenditure, they envisaged further large automatic savings and they considered that, in subsequent years, expenditure would be susceptible of reduction to Rs. 57 crores and ultimately to Rs. 50 crores provided a further fall in prices took place. The actual expenditure in the year 1923-24 amounted to Rs. 56.23 crores, largely due to the rapidity with which retrenchments were effected under the orders of His Excellency the Commander-in-Chief; and the first stage of Rs. 57 crores mentioned by the Retrenchment Committee was thus passed in the first year.

3. The figure of 56.23 crores included heavy expenditure on gratuities to demobilised officers and in Waziristan, but these abnormal items were counter-balanced by credits from the proceeds of sale and utilisation of surplus stores. The Budget for the year 1923-24 allotted a net sum of 62 crores for Military services. This was reduced in the Budget for 1924-25 to 60½ crores, but by the time when the Budget for 1925-26 was under consideration, the actual effect of the retrenchment operations, which it had been difficult to gauge in advance, had become apparent, and it was possible to reduce the budget provision for 1925-26 to 56.25 crores net. Further reductions have been made in the Budgets for 1926-27 and 1927-28. The following table brings out the results achieved from 1921-22 at a glance:—

Net expenditure on Military services.

(In crores of Rs.)

	1921-22.	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.
Budget Estimate	66.82	67.75	62.00	60.25	56.25	54.88	54.02
Revised Estimate	69.35	67.09	59.74	56.33	56.28	55.55	...
Actual expenditure	69.81	65.27	56.23	55.63	56.00	...	...

4. These figures include certain disturbing items, both on the credit and debit side, and it is therefore of special interest to compare the true figures of established charges, that is, the normal cost after elimination of special charges, such as those for demobilisation of surplus officers and special credits for the eating down of surplus stores. In comparing these figures with the figures given by the Retrenchment Committee, it should be borne in mind that certain charges amounting in 1927-28 to Rs. 44 lakhs, of which the most important are the charges for customs duty on imported stores and the cost of stationery and printing, have been added to the Military estimates since 1923-24, as the result of new decisions regarding classification.

5. The following table indicates the composition of the expenditure on the military services, distinguishing between charges which represent the normal cost of maintenance and those which are of an abnormal and disappearing character.

(In crores of rupees.)

	Actuals, 1923-24.	Actuals, 1924-25.	Actuals, 1925-26.	Budget, 1926-27.	Revised, 1926-27.	Budget, 1927-28.
(1) Established charges	56.68	55.83	55.15	54.24	54.89	55.25
(2) Payments to demobilised officers	1.18	.78	1.74	.66	.68	.02
(3) Special expenditure in Waziristan and for the Royal Air Force	2.16	.51	.43	23	.23	.15
(4) Adjustment for consumption of surplus stores	-3.00	-1.10	-.70	-.25	-.25	-50
(5) Special non-recurring credits	-.79	-.39	-.62	...	...	...
Total	56.23	55.63	56.00	54.88	55.55	54.92

In each year, the figure for established charges is well below the Retrenchment Committee's figure of Rs. 57 crores. It will be realised that, with the heavy commitments for expenditure in England which are provided for in the Military estimates, a considerable part of the reduction below Rs. 57 crores is attributable to the present favourable rates of exchange, but this advantage has been neutralised by certain additions to the Military Budget of which the Retrenchment Committee did not take cognisance, i.e., the provision of about half-a-crore of rupees for the revision of pay and grant of free passages to officers of the Army, and the transfer to Military estimates from the civil estimates of certain expenditure more properly accounted for under the former. The transfers which are taken into account in the Budget of 1927-28 are as follows :—

(Thousands of rupees.)

(1) Payments to Telegraph Department for care of Army stores	30
(2) Customs Duty	32,25
(3) Printing and Stationery	13,00
(4) Payments from the Compassionate Fund to personnel employed in the Military Department	9
	45,64

On the other hand, the following items have been transferred from the military to the civil estimates :—

(1) Establishment of the Deputy Financial Adviser, Royal Air Force	43
(2) Establishment of the Budget Section, Military Finance	42
(3) Charges for the Nepal Escort	49
(4) Charges for the Perim Light House and the Coal Depots at Basidu and Bushire	24
	1,58

The net debit to the Military estimates by these interchanges is Rs. 44 lakhs.

6. Army—

	Rs. (Crores.)
1925-26, Accounts	52.09
1926-27, Budget	31.12
1926-27, Revised Estimate	51.67
1927-28, Budget	50.44

7. The accounts for 1925-26 included large charges for demobilization of surplus officers.

8. Revised Estimate exceeds the original Budget for 1926-27 by 55 lakhs. Serious shortages in ordnance equipment had been disclosed and as the result of an expert enquiry instituted by H. E. the Commander-in-Chief into the whole question of stocks and requirements of Ordnance equipment, it has become necessary to increase the provision for purchase, manufacture and repair of equipment, rifles and other stores, by about 70 lakhs in 1926-27.

There is also a non-recurring charge. The families of British soldiers in India who reside in the United Kingdom receive from the State what are known as allotments and marriage allowances, and recoveries are made weekly and monthly from the soldier's pay in India towards the payments. The payments are made in England through their paymasters by the War Office to whom refunds are subsequently made by the India Office and the recoveries in India are treated as reduction of Army Expenditure. In accordance with arrangements made in 1922 the refund to the War Office in each financial year hitherto covered the payments by them to the families for 12 months from October of the previous year to September of the current year. The War Office recently requested that current monthly advances should be made to them against the deductions from the pay of men in India. This request has been agreed to on the understanding that the advances are promptly adjusted by submission of claims in the usual way. Provision of about Rs. 24 lakhs is, therefore, made to meet the charge for an additional half year in 1926-27. Of the other variations, the most important are an excess expenditure of Rs. 10 lakhs for rise in prices of forage articles and increases of Rs. 6 lakhs for cost of sea transport and packet passages and of Rs. 2 lakhs in payments to demobilised officers. The principal savings are Rs. 28 lakhs in pension and non-effective charges, (Rs. 9 lakhs in rail and travelling charges, Rs. 12 lakhs due to shortages in establishments, and Rs. 9 lakhs due to smaller charges for free issues of water, ice and electricity by the Military Engineer Services.

9. Budget, 1927-28, includes only about Rs. 2 lakhs for residual payments of gratuities to demobilised officers against Rs. 66 lakhs in the original Budget for 1926-27. Additional provision of about Rs. 80 lakhs for purchase and manufacture of ordnance equipment and other stores has been made. The Royal Air Force gets Rs. 6 lakhs more than in 1926-27 for its expansion. An excess of about 27 lakhs occurs under charges of sea transport and of packet passages between India and the United Kingdom. Rs. 3 lakhs have been provided for pay, etc., of British soldiers for an extra

day in 1927-28. On the other hand, there is a saving of Rs. 52 lakhs, as charges for issues of electricity, water and ice by the Military Engineer Services to Army units and formations will not be debited to Army from April 1927. A reduction of Rs. 17 lakhs will occur in pension charges, Rs. 18 lakhs less will be spent in rail and travelling charges and Rs. 13 lakhs less in pay charges of British officers and soldiers. There are other variations, such as revision of pay of Royal Army Medical Corps officers and smaller shortage of British troops and some minor reorganisations and reductions of establishments. The figure of Rs. 54.92 crores includes Rs. 50 lakhs for expenditure on new urgent measures. Charges and receipts under the various heads for Aden have been eliminated and provision has been made for payment of a contribution of £250,000 to His Majesty's Government.

10. The totals of the demands as presented by the Military authorities and modified by the Finance Department were found to be in excess of the figure provisionally fixed by the Government of India for the Military Budget. Owing to the change in the system of estimating there was unavoidable delay in the submission of detailed estimates, and the alterations in classification made it difficult to compare these estimates with those of previous years. Consequently the excess did not become apparent until the preparation of the Budget had reached a stage when it was too late to make reductions under detailed heads. His Excellency the Commander-in-Chief has agreed to effect reductions of expenditure up to a figure of Rs. 40 lakhs, which will be distributed later under the detailed heads, and the Finance Department have also taken a lump cut of Rs. 40 lakhs for probable under-spending. The Finance Department cut includes Rs. 15 lakhs on account of an estimated "lag" of expenditure in giving effect to the new measures referred to in the preceding paragraph.

11. Marine—

	Rs. (Lakhs.)
1925-26, Accounts	52.6
1926-27, Budget	60.9
1926-27, Revised Estimate	54.2
1927-28, Budget	68.0

Provision has been made on the basis of the existing organisation with an addition for the extra cost of the Royal Indian Navy. Capital developments under the proposed reorganisation will be met from the sale-proceeds of the Kidderpore Dockyard at present retained in a suspense account for this purpose.

12. Military Engineer Services—

	Rs. (Crores.)
1925-26, Accounts	3.38
1926-27, Budget	3.15
1926-27, Revised Estimate	3.33
1927-28, Budget	3.90

The provision for 1927-28 includes an additional Rs. 20 lakhs mainly for acceleration of the programme of building and electrification of lines for Indian and British troops. The remainder of the increase as compared with 1926-27 is due mainly to the change in accounting from April 1927

under which Military Engineer Services will not take credit for issues of electricity, water and ice to Army units and formations.

13. Statements are appended to this Memorandum which give actual and estimated gross and net expenditure figures from 1923-24 under Army, Marine, Military Engineer Services and also the totals. The figures for Army from 1923-24 to 1926-27 cannot be classified under the new heads to be adopted from 1927-28.

14. If Honourable Members desire any further information on the details of the Military Budget, they are invited to obtain it by personal request to the Financial Adviser, Military Finance.

A. MACLEOD,

Officiating Financial Adviser, Military Finance.

The 31st March 1927.

ARMY.

	Actuals, 1923-24.	Actuals, 1924-25.	Actuals, 1925-26.	1926-27.		Budget, 1927-28.
				Budget.	Revised.	
INDIA—						
EXPENDITURE.						
Part A.—Standing Army.						
<i>Effective Services.</i>						
Maintenance of the Standing Army.						17,03,96,938
Administrative services						6,52,39,080
Manufacturing establishments . .						3,19,27,610
Army Headquarters, Staff of Com- mands, etc.						1,02,36,020
Purchase and sale of stores, equip- ment and animals						4,38,38,030
Special Services						65,800
Transportation, conservancy, anti- malarial measures, hot weather establishments and miscellaneous						2,69,36,550
Unadjusted Expenditure. . . .						...
Lump cut for probable under- spending						-80,00,000
TOTAL—EFFECTIVE R						35,06,42,000
<i>Non-Effective Services.</i>						
Non-effective charges R						4,71,97,000
Part B.—Auxiliary and Territorial Forces—Effective R						86,10,000
Part C.—Royal (Effective . . R						1,35,67,000
Air Force { Non-Effective . R						52,000
R						1,36,09,000
TOTAL INDIA. { Effective . . R	40,51,41,099	39,73,36,326	41,17,74,810	39,83,60,000	40,61,95,000	37,28,09,000
{ Non-Effective . R	5,74,75,019	5,10,79,766	4,55,64,772	4,86,98,000	4,06,84,000	4,72,40,000
	46,26,16,118	44,84,16,092	45,73,39,582	44,70,58,000	45,28,79,000	42,00,59,000
ENGLAND—						
EXPENDITURE.						
Part A.—Standing Army.						
<i>Effective Services.</i>						
Maintenance of the Standing Army.						2,792,300
Administrative services						404,700
Manufacturing establishments . .						743,900
Army Headquarters, Staff of Com- mands, etc.						70,000
Purchase and sale of stores, equip- ment and animals						779,000
Carried over { £						- 4,789,900
{ R	46,26,16,118	44,84,16,092	45,73,39,582	44,70,58,000	45,28,79,000	42,00,59,000

BUDGET FOR 1927-28.

ARMY—contd.

		Actuals, 1925-26.	Actuals, 1926-26.	Actuals, 1925-26.	1926-27.		Budget, 1927-28.
					Budget.	Revised.	
Brought forward	{	£ 46,36,16,118	£ 44,84,16,092	£ 45,73,39,842	£ 44,70,85,000	£ 43,28,79,000	£ 42,00,50,000
Special Services	{						£ 4,78,900
Transportation, conveyance, anti-airial measures, hot weather establishments and miscellaneous	{						£ 18,000
TOTAL—EFFECTIVE	£						£ 689,000
TOTAL—EFFECTIVE	£						£ 8,374,900
<i>Non-Effective Services.</i>							
Non-effective charges	£						£ 3,578,900
<i>Part C.—Royal Air Force—</i>							
Effective	£						£ 479,500
Non-Effective	£						£ 15,000
TOTAL, PART C.	£						£ 494,500
	£	£ 8,684,143	£ 8,325,999	£ 7,704,375	£ 9,402,800	£ 9,748,400	£ 9,548,300
TOTAL ENGLAND	{	Effective £ 6,03,71,508	£ 6,18,81,504	£ 6,88,13,052	£ 5,82,45,000	£ 6,20,37,000	£ 5,95,44,000
	{	Non-Effective £ 2,64,69,838	£ 2,68,58,484	£ 3,12,29,714	£ 3,67,51,000	£ 3,54,47,000	£ 3,58,59,000
	£	£ 9,68,41,434	£ 9,82,39,988	£ 10,00,42,766	£ 9,402,800	£ 9,748,400	£ 9,548,300
TOTAL EXPENDITURE	{	Effective £ 46,55,12,695	£ 45,97,17,830	£ 47,75,67,862	£ 46,66,05,000	£ 46,82,32,000	£ 45,23,83,000
	{	Non-Effective £ 9,39,44,867	£ 9,79,38,280	£ 7,87,94,489	£ 8,44,79,000	£ 8,31,31,000	£ 8,31,31,000
	£	£ 55,94,57,562	£ 54,66,66,000	£ 55,43,82,349	£ 54,10,84,000	£ 55,08,63,000	£ 51,64,91,000
REVENUE.							
India	{	Effective £ 3,07,32,065	£ 3,91,88,631	£ 2,86,15,551	£ 2,46,07,000	£ 3,86,48,000	£ 64,00,000
	{	Non-Effective £ 20,91,011	£ 19,99,056	£ 18,73,770	£ 14,07,000	£ 13,84,000	£ 15,82,000
	£	£ 3,28,23,076	£ 3,11,84,786	£ 3,01,89,321	£ 2,60,14,000	£ 3,99,32,000	£ 80,41,000
England	{	£ 480,022	£ 479,291	£ 3,00,655	£ 390,300	£ 368,500	£ 301,500
	{	Effective £ 36,00,935	£ 36,41,413	£ 26,54,816	£ 27,99,000	£ 25,58,000	£ 16,93,000
	{	Non-Effective £ 11,99,288	£ 10,91,490	£ 6,50,731	£ 11,08,000	£ 11,08,000	£ 11,19,000
	£	£ 48,00,223	£ 47,32,902	£ 33,05,547	£ 39,07,000	£ 36,66,000	£ 28,15,000
TOTAL REVENUE	{	Effective £ 3,43,33,000	£ 3,28,37,093	£ 2,12,71,397	£ 2,74,06,000	£ 3,11,32,000	£ 81,84,000
	{	Non-Effective £ 32,90,209	£ 30,90,575	£ 22,24,501	£ 24,10,000	£ 24,67,000	£ 26,71,000
	£	£ 3,76,23,209	£ 3,59,27,668	£ 2,34,95,898	£ 2,98,16,000	£ 3,36,30,000	£ 1,10,64,000
NET EXPENDITURE	{	India £ 42,97,81,043	£ 41,72,31,326	£ 43,71,50,331	£ 43,10,44,000	£ 42,29,47,000	£ 41,20,17,000
	{	England £ 9,20,41,311	£ 9,34,07,066	£ 9,37,36,219	£ 9,01,24,000	£ 9,37,92,000	£ 9,34,15,000
	{	Effective £ 43,11,78,695	£ 42,84,90,737	£ 44,63,16,465	£ 43,91,80,000	£ 43,70,99,000	£ 42,29,64,000
	{	Non-Effective £ 8,08,62,616	£ 8,48,47,679	£ 7,48,69,964	£ 8,19,60,000	£ 7,98,44,000	£ 8,04,67,000
	£	£ 51,20,41,311	£ 51,07,38,413	£ 52,08,86,460	£ 51,11,60,000	£ 51,67,63,000	£ 50,44,34,000

MARINE.

		Actuals, 1923-24.	Actuals, 1924-25.	Actuals, 1925-26.	1926-27		Budget, 1927-28.	
					Budget.	Revised.		
EXPENDITURE.								
India	R	71,40,317	53,18,321	48,60,991	56,62,000	48,28,000	57,56,000	
England	£	250,811	219,240	186,903	221,800	196,000	230,400	
	R	25,08,108	21,92,396	18,69,037	22,18,000	19,60,000	23,04,000	
Total Expenditure	R	96,54,425	74,10,717	67,30,028	78,80,000	67,88,000	80,80,000	
REVENUE.								
India	R	24,73,367	11,12,931	14,74,245	17,87,000	13,71,000	12,60,000	
England	£	...	...	...	...	...	...
	R	...	...	...	...	...	...
Total Revenue	R	24,73,367	11,12,931	14,74,245	17,87,000	13,71,000	12,60,000	
Net Expenditure.	India	R	46,72,950	41,05,390	33,86,746	38,75,000	34,67,000	44,96,000
	England	R	25,08,108	21,92,396	18,69,037	22,18,000	19,60,000	23,04,000
	Total	R	71,81,058	62,97,786	52,55,783	60,93,000	54,17,000	68,00,000

MILITARY ENGINEER SERVICES.

		Actuals, 1923-24.	Actuals, 1924-25.	Actuals, 1925-26.	1926-27		Budget, 1927-28.	
					Budget.	Revised.		
EXPENDITURE.								
India	R	4,05,97,369	4,20,54,793	4,24,64,017	4,25,98,000	4,44,72,000	4,33,78,000	
England	£	72,243	53,028	34,066	31,700	40,000	32,500	
	R	7,22,414	5,30,287	3,40,652	3,17,000	4,00,000	3,25,000	
TOTAL	R	4,13,19,783	4,25,85,080	4,28,24,699	4,28,15,000	4,48,72,000	4,36,98,000	
REVENUE.								
India	R	60,68,731	32,61,060	89,81,248	1,12,76,000	1,15,32,000	57,53,000	
Net Expendi- ture.	India	R	3,25,37,638	3,67,73,733	3,35,02,769	3,13,22,000	3,29,40,000	3,78,40,000
	England	R	7,22,414	5,30,287	3,40,652	3,17,000	4,00,000	3,25,000
	TOTAL	R	3,32,60,053	3,93,04,020	3,38,43,421	3,15,39,000	3,33,40,000	3,79,65,000

BUDGET FOR 1927-28.

TOTAL MILITARY SERVICES: SUMMARY

		Actuals, 1924-26.	Actuals, 1924-26.	Actuals, 1924-26.	1926-27		Budget, 1927-28.	
					Budget.	Revised.		
EXPENDITURE.								
India	R	51,03,50,804	49,56,59,308	50,46,54,500	49,53,18,000	50,31,78,000	46,91,67,000	
England	£	10,007,198	10,098,267	9,925,344	9,645,100	9,964,400	9,508,300	
	R	10,00,71,958	10,09,62,671	9,92,53,455	9,64,61,000	9,96,44,000	9,50,63,000	
Total Expenditure	R	61,04,31,760	59,66,51,977	60,39,37,045	59,17,79,000	60,30,23,000	56,72,49,000	
REVENUE.								
India	R	4,33,56,174	3,55,78,757	4,08,44,644	3,90,77,000	4,28,35,000	1,50,34,000	
England	£	490,023	473,291	330,656	390,300	368,800	301,800	
	R	49,00,223	47,32,902	33,06,547	39,02,000	36,88,000	30,18,000	
Total Receipts	R	4,81,56,597	4,03,11,669	4,39,51,391	4,29,79,000	4,65,23,000	1,80,49,000	
NET EXPENDITURE.	India	R	46,70,05,630	46,01,10,449	46,40,39,746	45,62,41,000	45,93,44,000	45,41,59,000
	England	R	9,52,71,733	9,62,29,769	9,59,45,908	9,25,59,000	9,61,56,000	9,50,47,000
	Total	R	56,22,77,363	55,63,40,218	55,99,85,654	54,88,00,000	55,55,00,000	54,92,07,000

APPENDIX IV.

PRO FORMA ACCOUNT OF EXPENDITURE ON DELHI AND THE DELHI PROVINCE.

PREFATORY NOTE.

I.—Scope of pro formâ account.

The following *pro formâ* account, with its supporting statements, exhibits the expenditure, initial and annual, on Delhi and the Delhi Province and also any receipts and savings which form a direct set-off to that expenditure. The account has been prepared in consultation with the Auditor General and carries his approval as regards both its form and its substantial completeness at the present date subject to the qualifications implied in the following prefatory remarks; it will be added to, or amplified later, if experience should show this to be necessary.

2. The main item of the account, as regards non-recurring expenditure, is the Delhi project proper, the figures for which appear against item 1 of Part I.—*Initial Outlay*. The principal recurring charge is that representing the expenditure in the new province, which appears as item 1 of Part II—*Annual Expenditure*.

3. The account necessarily exhibits any expenditure occurring under the named heads, without qualification on account of contributory causes. It must, therefore, be clearly understood, that the increase of expenditure, including that in the Delhi Province, is not wholly due to the change of Capital. Thus, an increase of the garrison at Delhi on strategic grounds had been already independently and strongly recommended to the Government of India by the Chief of the General Staff and endorsed by His Excellency the Commander-in-Chief in July 1911, before the transfer of the Capital had been officially proposed, and the construction of the accommodation of the troops already there had long been recognised as pressing. Similarly the recent advance in the policy relating to education and sanitation, particularly the latter, would, under any circumstances, have involved increased expenditure in the city. For practical purposes, these considerations must be ignored in the figured statements, as well as various similar points of minor pecuniary significance. The same principle will be applied to the Railway expenditure, *i.e.*, the cost of any remodelling of the railway system which is connected with the constitution of the new Capital will be exhibited in full in the *pro formâ* account. A wholly independent railway requirement, such as the permanent marshalling yard which will eventually replace the temporary yard now in use, will not be shown.

II.—Relation between the pro formâ account and the regular accounts.

4. A brief explanation is added below connecting the various items in the *pro formâ* account with the entries in the published accounts and estimates. Some further explanations are also to be found in the account itself and in its supporting statements.

Item 1 of
Part I of
pro forma
account.

5. The capital expenditure directly incurred on the construction of the new Imperial Capital at Delhi is shown in the regular accounts under the special head "57—Initial Expenditure on the new Capital at Delhi." The only other item of expenditure which will be recorded in the capital section of the regular accounts is that arising from diversions or re-arrangements of the railway system, which will appear under the head "53—State Railways."

Item 3(b),
ibid.

6. The initial expenditure incurred during the years 1911-12 and 1912-13 in connection with the provision of temporary accommodation for the Government of India at Delhi, pending the construction of the new Capital, has been treated, on the advice of the Auditor General, as a revenue charge, under a special minor head styled "Temporary Delhi" subordinate to the major head "41—Civil Works". Any non-recurring receipts which may eventually be obtained in connection with these temporary works, e.g., from the sale of lands and buildings when no longer required by the Government of India, will be similarly credited under a special head subordinate to the major head "XXX—Civil Works".

Item 2, *ibid.*

Item II, *ibid.*

Items 1 and I
of Part II of
pro forma
account.

7. The remaining expenditure is mainly brought to account in one of two ways: either, first, as expenditure of the new Province; or secondly, as departmental expenditure chargeable to the Department in which it is incurred.

8. The expenditure and receipts appertaining to the quasi-provincial administration of the Imperial area are brought to account in the same way as in the case of other minor administrations. It will be noted that any grants which may be specially given from Imperial revenues in aid of the Delhi Municipality or other local funds will be brought into the regular accounts and consequently, into the *pro forma* account also, since they will appear as charges of the Delhi administration.

Items 3 (a)
and III of
Part I of
pro forma
account.

9. Expenditure which does not appertain to provincial administration is recorded, as in the case of other provinces, under its appropriate departmental head in the regular accounts. Thus expenditure on the land and buildings required for the new Cantonment, and any corresponding receipts, appear under the Army and Military Works heads respectively, under both of which a special Delhi sub-head has been opened. Railway capital outlay has already been referred to. Railway revenue charges and receipts similarly come under the Railway account head. In these cases, the *pro forma* account necessarily exhibits only initial expenditure and non-recurring receipts, as Military expenditure is not being permanently increased and the influence of the new Capital on the ordinary daily receipts and working expenses of the Railways cannot evidently be satisfactorily isolated. This latter consideration also applies to the case of Postal and Telegraph expenditure, which moreover represents ordinary administrative expenditure of the department, and is relatively insignificant in amount. For these reasons, in the case of this department neither the initial outlay nor the recurring receipts and expenditure have been included.

10. There are also a few items of expenditure and of actual receipt or of definite saving which are not recorded in the accounts of the Delhi Province or in the departmental accounts, but which it is necessary to take into consideration in calculating the expenditure on Delhi and the Delhi Province. Most of these are self-explanatory, but attention may be called to the intended treatment of the sale-proceeds of vacated lands and buildings at Calcutta (if any) and elsewhere. These will be credited under the major heads "XXXV—Miscellaneous" and "XXX—Civil Works", and the *pro forma* account will take credit only for actual Imperial receipts. No account will be taken, in the statements themselves, of book transactions, or of the considerable savings obtained from the vacation of rented accommodation, *i.e.*, of relief in respect of rental payments which the Local Government obtains by giving up private buildings previously leased for provincial establishments, and moving the latter into offices formerly occupied by the Government of India. Any reference made to such saving will, therefore, be found in an explanatory footnote. [See Part I, Note 5.]

Items 4 to 7
and I and IV
of Part I, and
Items 2 and IX
to IV of
Part II of
pro forma
account.

Item 1 of
Part I

11. Outlay on stores and all other expenditure incurred in England under a capital head or as a revenue charge, which can be distinguished as appertaining to the construction of Delhi or to the administration of the Delhi Province, have been included in the *pro forma* account.

PRO FORMA ACCOUNT OF EXPENDITURE ON DELHI AND THE DELHI PROVINCE.

PART I.—INITIAL OUTLAY.

[Figures in thousands of Rupees.]

Expenditure.	Actuals to end of 1926-26.	Revised Estimate, 1926-27.	Budget Estimate, 1927-28.	Receipts.	Actuals to end of 1926-26.	Revised Estimate, 1926-27.	Budget Estimate, 1927-28.
1. DELHI PROJECT : Capital outlay on Permanent Delhi chargeable to Head " 67 " (for details see Statement I-A)	11,96.04	76,00	70,00	I.—Receipts which may be obtained on account of Imperial buildings vacated by the Government of India or attached offices in consequence of the move (a) . . .	19,00	...	...
2. Temporary Delhi *	54.33	...	...		
3. Initial expenditure of non-Civil Departments — (a) Military services † (b) Railways ‡	1,07.37 91.12	2.39 4.04	1.60 6.54	II.—Non-recurring receipts on account of Temporary Works . . .	2	...	...
4. Non-recurring grant to the Punjab Government in compensation for expenditure incurred on new headquarters buildings for the Commissionership transferred from Delhi	1.36	...	...	III.—Recoveries on account of land or buildings vacated in the old Cantonment of Delhi§	...	...	...
5. Cost of withdrawal to Delhi of Imperial offices previously located at Calcutta or elsewhere . . .	3.12	1.73	1.59	IV.—Miscellaneous items . . .	6.46	30	3.98
6. Special non-recurring monetary concessions to establishments of the Government of India and attached offices on the occasion of their first move to Delhi	7.98	78	80				
7. Miscellaneous items ¶	8.51	44	48				
TOTAL	14,72.71	84.36	81.06	TOTAL	27.48	30	3.98
Total expenditure to end of 1927-28	16,38.14			Total receipts to end of 1927-28	31.76		
Net expenditure to end of 1927-28	16,06.38						

* Note 1.—The head " Temporary Delhi " has been closed from 1st April 1913, subsequent expenditure being treated as part of the expenditure of the Delhi Province—see Part II of Account.

† Note 2.—The expenditure included under item 3 (a) is that relating to the formation of the new Cantonment. Its details are as follows :—

	To end of 1925-26.	Revised Estimate, 1926-27.	Budget Estimate, 1927-28.
Acquisition of land	13.30	...	...
Cost of buildings	65.26	2.39	1.60
Establishment charges	6.76	...	...
Tools and plants	2.06	...	...
TOTAL	1,07.37	2.39	1.60

‡ Note 3.—The figures relate to charges for the acquisition of land and outlay on railway facilities at Naugal Bawa. These figures include transactions on account of Delhi New Capital Railway Work also.

§ Note 4.—The expenditure shown against item 7 represents mainly the proportionate cost of the Office of the Accountant General, Central Revenue, and the cost of temporary establishment employed in the Secretariate in connection with the change of Capital.

¶ Note 5.—These heads will record only actual receipts obtained from the sale of the vacated buildings and land. As explained in paragraph 10 of the Prefatory Note, this procedure has the effect of excluding a substantial true saving in respect of rented accommodation. Thus from 1913-14 to 1924-25 the Government of Bengal, by moving its offices into the vacated Imperial buildings in Calcutta, saved Rs. 8,52,300; partly by being enabled to dispense with private accommodation previously leased, and partly by being relieved from the necessity of renting further accommodation.

Up to 1924-25	8,97,700
	54,000
TOTAL	9,51,700

(a) The amount represents value of premises No. 2, Kolligat Street sold to E. R. Railway.

PRO FORMÁ ACCOUNT OF EXPENDITURE ON DELHI AND THE DELHI PROVINCE.

PART II.—ANNUAL EXPENDITURE.

[Figures in thousands of Rupees.]

Expenditure.	Actuals, 1925-26.	Revised Estimate, 1926-27.	Budget Estimate, 1927-28.	Receipts.	Actuals, 1925-26.	Revised Estimate, 1926-27.	Budget Estimate, 1927-28.
1. Expenditure of Delhi Province*	63,03	63,31	90,40	I.—Revenue of Delhi Province*	38,94	42,27	42,10
2. Miscellaneous items	73	34	39	II.—Saving under Calcutta house allowances †	38	43	56
				III.—Saving under hill journey and travelling allowances and contingencies on account of shorter move of Secretariat and attached offices ‡	2,50	2,50	2,50
Total expenditure	63,76	63,65	90,79	IV.—Miscellaneous items	3	3	3
Net expenditure	11,91	38,43	45,59	Total receipts	41,65	45,23	45,19

* Note 1.—The details of this item are given in Statement II-A.

† Note 2.—The figure shown against item II will be subject to increase as additional officers are successively transferred from Calcutta to Delhi.

‡ Note 3.—The figure shown against item III is a minimum figure calculated once for all on the assumption that all offices or portions of offices which previously moved between Calcutta and Simla have subsequently moved regularly between Delhi and Simla. The actual saving throughout has been large owing to certain establishments which previously moved to Calcutta being retained in Simla throughout the cold weather.

STATEMENT I-A.

Details of Capital outlay on the Delhi Project working up to the total figures shown against item 1 in Part I of *pro forma* account.

[Figures in thousands of Rupees.]

Items.	Actuals to end of 1926-28.	Revised Estimate, 1926-27.	Budget Estimate, 1927-28.
A.—Salaries and allowances—			
(a) Preliminary Investigation—			
(i) Gazetted officers	2,04	...	...
(ii) Non-gazetted officers	14	...	...
(b) Public works and electrical officers employed on the Project—			
(i) Gazetted officers	85,72	7,56	5,97
(ii) Non-gazetted officers	60,20	9,19	8,41
(c) Miscellaneous officers (including all others employed on the Project)—			
(i) Gazetted officers	5,57	15	11
(ii) Non-gazetted officers	4,43	47	39
(d) Leave allowances . . . . .	...	...	...
B.—Travelling allowances of officers and Establishments—			
(a) Preliminary Investigation—			
(i) Gazetted officers	23	...	...
(ii) Non-gazetted officers	2	...	...
(b) Public Works and Electrical officers employed on the Project—			
(i) Gazetted officers	7,51	80	69
(ii) Non-gazetted officers	4,38	46	43
(c) Miscellaneous officers including all others employed on the Project—			
(i) Gazetted officers	68	6	2
(ii) Non-gazetted officers	43	4	4
C.—Supplies, Services and Contingencies—			
(a) Preliminary investigation	51	...	...
(b) Public Works and Electrical officers employed on the Project	6,27	69	54
(c) Miscellaneous officers employed on the Project	45	...	...
Loss on account of Exchange . . . . .	...	1	1
Total A, B and C	1,78,58	19,43	16,61
Deduct—Credits from other heads of accounts	36,18	8,00	7,61
Net total A, B and C carried over	1,42,40	11,43	9,00

Details of Capital outlay on the Delhi Project working up to the total figures shown against item I in Part I of *pro formâ* account—*contd.*

[Figures in thousands of Rupees.]

Items.	Actuals to end of 1926-26.	Revised Estimate, 1926-27.	Budget Estimate, 1927-28.
Brought forward Net total A, B. C.	1,42,40	11,43	9,00
<i>D.—Works Expenditure—</i>			
(i) Buildings—			
(a) Government House	80,69	14,60	27,62
(b) Secretariats	1,53,65	14,35	8,00
(c) Other buildings	2,00,35	12,28	25,84
(d) Legislative Chambers	55,28	23,38	15,42
(ii) Communications	27,60	99	2,44
(iii) Miscellaneous Public Improvements	14,80	3,04	4,62
(iv) Electric Light and Power	56,23	—39	2,96
(v) Irrigation	38,70	26	22
(vi) Sanitation including storm-water drains, sewage and sewerage disposal, water-supply and conservancy	1,02,72	5,56	7,07
(vii) Tools and plant	91,30	1,82	1,08
(viii) Stock and Suspense	62,08	—9,49	—26,00
(ix) Miscellaneous	89,89	47	1,38
(x) Maintenance during construction	78,85	4,50	3,43
Railway diversion	13,80	...	...
<i>E.—Acquisition of land taken up for the Project.</i>	34,03	20	...
<i>F.—Other Miscellaneous expenditure</i>	6	...	...
<i>Minus Reserve</i> . . . . .	...	—3,00	—8,08
<i>Deduct—Receipts on Capital Account.</i>	44,38	5,00	5,00
TOTAL	11,98,05	75,00	70,00

STATEMENT II-A.
Revenue and Expenditure of Delhi and Delhi Province

[Figures in thousands of rupees.]

REVENUE.				EXPENDITURE.			
Major Heads of Accounts.	Actuals for 1927-28.	Revised Estimate for 1928-27.	Budget Estimate for 1927-28.	Major Heads of Accounts.	Actuals for 1926-26.	Revised Estimate for 1926-27.	Budget Estimate for 1927-28.
I.—Customs	1,55	...	...	2. Taxes on Income	43	48	50
II.—Taxes on Income	11,44	10,47	10,43	3. Land Revenue	45	50	50
IV.—Opium	11	...	...	6. Excise	3,62	3,54	3,56
V.—Land Revenue	3,95	4,11	4,11	7. Stamps	8	14	14
VI.—Excise	6,13	5,31	5,48	9. Registration	8	7	8
VII.—Stamps	7,73	8,24	8,01	18. Miscellaneous Irrigation Expenditure.	30	37	75
IX.—Registration	80	47	47	23. General Administration	3,19	3,44	3,48
XIV.—Irrigation works for which no Capital Account is kept	4	4	4	25. Audit (a)	21	23	24
XVI.—Interest	3	18	17	24. Administration of Justice	2,12	2,38	2,41
XVII.—Administration of Justice	24	38	38	25. Jails and Convict Settlements	1,24	1,38	1,43
XVIII.—Jails and Convict Settlement	38	24	21	26. Police	7,98	8,35	9,00
XIX.—Police	21	8	5	28. Ecclesiastical	26	21	22
XXI.—Education	19	33	33	29. Political . . . . .	...	2	11
XXII.—Medical	11	12	13	31. Education	5,51	6,20	6,54
XXIII.—Public Health	1	...	...	32. Medical	5,08	5,46	5,00
XXVI.—Miscellaneous Departments	10	12	12	23. Public Health	66	1,71	1,70
XXX.—Civil Works	2,77	6,28	6,28	34. Agriculture	31	52	33
XXXIII.—Receipts in aid of Superannuation	39	40	40	35. Industries	10	12	12
XXXIV.—Stationery and Printing	2	3	3	37. Miscellaneous Departments	1	4	3
XXXV.—Miscellaneous	3,18	2,50	2,48	38. Currency	9	9	9
TOTAL	32,94	42,27	43,10	41. Civil Works	10,98	37,08	41,34
				Civil Works—Viceregal Estates, Delhi	1,46	1,49	1,60
				44. Territorial and Political Pensions	47	55	55
				45. Superannuation Allowances and Pensions	4,09	3,08	3,14
				46. Stationery and Printing	3	3	3
				47. Miscellaneous	2,98	4,58	4,35
				80B. Commuted value of pensions . . . . .	...	1,12	1,06
				TOTAL	53,03	63,31	60,40

(a) Excludes proportionate cost of the office of the Accountant General, Central Revenue, Delhi, debitable to Part I.

APPENDIX V.

COMMERCIAL AND FINANCIAL STATISTICS.

TABLE I—MISCELLANEOUS.

Appen
COMMERCIAL AND
TABLE I—

Recorded revenue compared with recorded expenditure excluding Capital Expenditure on Railways, Irrigation works, Telegraphs, Vizagapatam Harbour, Security Printing, the Delhi Capital, commuted value of pensions and Currency Capital outlay not charged against Revenue—	1918-1919.	1919-1920.	1920-1921.	1921-1922.
	Rs.	Rs.	Rs.	Rs.
Surplus	---	---	---	---
Debit	5,73,06,136	23,58,38,625	26,00,85,376	27,65,01,700
Capital Expenditure on Railways and Irrigation works not charged against Revenue.	7,64,13,316	14,42,00,228	26,55,72,106	23,97,67,118
Capital charge involved in the purchase of Railways.	---	---	---	---
Capital outlay on the Postal and Telegraph Department not charged against Revenue.	---	---	---	81,61,617
Capital outlay on Vizagapatam Harbour and Security Printing not charged against Revenue.	---	---	---	---
Initial Expenditure on New Capital at Delhi.	43,86,698	80,35,427	1,26,75,011	1,35,37,418
Commuted value of pensions not charged against Revenue.	---	---	---	---
Currency Capital outlay	---	---	---	---
India's Financial Contribution to the War.	---	---	---	---
Net Public Debt Incurred	11,47,30,578	8,90,70,517	52,34,07,498	49,19,30,108
Net public debt incurred, including Capital transactions with Railway Companies.	10,22,96,861	8,22,32,398	51,76,91,284	49,75,33,093
Value of commodities exported, excluding Gold and Silver.	2,85,30,90,000	2,36,02,20,000	2,67,76,60,000	2,48,65,60,000
Value of commodities imported, excluding Gold and Silver.	1,68,56,20,000	2,21,70,20,000	3,47,57,40,000	3,82,69,60,000
Excess of Exports over Imports, excluding Gold and Silver.	66,74,70,000	1,14,32,00,000	(c)—79,80,60,000	(c)—33,94,00,000
Net Imports of Gold	†—5,56,40,000	35,35,00,000	2,10,80,000	†—2,86,40,000
Do. of Silver	67,91,90,000	29,23,90,000	6,43,40,000	18,08,60,000
TOTAL NET IMPORTS OF GOLD AND SILVER.	62,35,50,000	64,58,90,000	8,59,20,000	15,23,20,000
Excess of Exports over Imports including Gold and Silver.	4,39,20,000	49,76,10,000	(c)—68,39,80,000	(c)—46,17,30,000
Net Imports of Currency Notes . .	---	---	---	---
Excess of Exports over Imports including Gold, silver and Currency Notes.	4,39,20,000	49,76,10,000	(c)—68,39,80,000	(c)—46,17,30,000
Secretary of State's Bills sold (Rupees).	(a) 28,65,41,000‡	34,54,98,000	---	---
Sterling Equivalent received . . .	(a) 20,946,314‡	31,226,319	---	---
Silver coined at the Indian Mints .	82,08,35,310	37,72,19,787	2,41,30,069	1,60,66,668

* Recorded from
† Represents net
‡ Includes remittances of the
(a) Includes remittances of the
(b) Figures for 11 months
(c) Net
(d) Figures included

dix V.

FINANCIAL STATISTICS.

MISCELLANEOUS.

1922-1923.	1923-1924.	1924-1925.	1925-1926.	1926-1927, Revised.	1927-1928, Budget.
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
...	2,88,99,758	5,68,25,098	3,31,18,167	...	...
15,01,76,393	...	13,46,94,254	19,23,58,355	36,99,24,000	25,00,16,000
16,45,67,524	30,80,11,678	...	3,42,73,630	...	...
...
65,62,006	75,31,560	1,17,55,881	2,23,54,159	31,55,000	58,02,000
...	...	...	81,16,371	54,52,000	39,55,000
1,54,79,438	1,54,73,653	1,42,18,868	99,06,164	75,00,000	70,00,000
...	...	...	...	35,00,000	33,35,000
...	...	...	...	8,61,000	19,23,000
...
26,51,19,053	17,67,00,540	9,62,98,934	-4,03,60,336	-4,83,04,000	+7,23,41,000
25,26,11,589	16,64,08,856	9,13,70,596	-4,09,06,307	-7,46,47,000	+6,49,47,000
3,16,07,30,000	3,03,37,60,000	4,00,24,30,000	3,86,61,20,000	(b) 3,76,38,60,000	
2,46,19,30,000	2,37,18,40,000	2,63,36,40,000	2,35,93,90,000	(b) 2,18,49,30,000	
69,88,00,000	1,26,18,20,000	1,46,87,90,000	1,50,61,30,000	(b) 67,89,39,000	
41,18,10,000	29,16,70,000	73,93,60,000	34,85,50,000	(b) 16,61,10,000	
18,85,40,000	18,69,80,000	30,07,40,000	17,12,40,000	(b) 18,38,70,000	
59,54,50,000	47,88,50,000	94,00,00,000	51,97,90,000	(b) 34,99,80,000	
10,83,80,000	78,30,70,000	52,87,90,000	93,83,40,000	(b) 23,89,50,000	
1,01,70,000	1,64,60,000	3,00,000	3-33,00,000	(b) 4,00,000	
9,31,60,000	76,66,10,000	52,54,80,000	99,16,40,000	(b) 22,85,50,000	
3,75,00,000	12,68,50,000	10,09,00,000	...	...
2,570,025	8,738,704	7,579,162	...	...
62,78,446	80,00,791	33,35,394	30,73,478	(d) 50,49,436	

April 1922.
 exports of gold.
 Gold Standard Reserve.
 Currency Department.
 (April to February).
 imports.
 exports.
 up to January 1927.

COMMERCIAL AND

TABLE I—

	1915-1919.	1919-1920.	1920-1921.	1921-1922.
Maximum price in pence of an oz. troy standard Silver in London. B	80 (23rd March 1919).	89½ (11th Feb. 1920).	72½ (7th April 1920).	43½ (27th Sept. 1921).
Minimum price in pence of an oz. troy standard Silver in London.	45½ (8th to 10th April 1918).	46½ (4th April and 6th May 1919).	30½ (5th March 1921).	32½ (28th Feb. & 2nd Mar. 1922).
Average Exchange upon Secretary of State's Bills sold per rupee.	1s. 8-544d.	1s. 9-691d.	---	---
Average of the daily telegraphic transfer rates from Calcutta on London.	---	---	1s. 9-66d.	1s. 9-85d.
Rate of Exchange for the adjustment of transactions between the Indian and Imperial Governments.	1s. 6d. and 1s. 6d.	1s. 6d., 1s. 6d., 2s. 4d. and 2s. 6d.	2s. 6d., 2s. 6d., 2s. 3½d., 2s., 1s. 11d., 1s. 10½d., 1s. 8½d., 1s. 8½d., 1s. 8d., & 1s. 4½d.	1s. 3½d., 1s. 3½d., 1s. 3½d., 1s. 6d., 1s. 6d., 1s. 6d., and 1s. 5½d.
Maximum rate of discount on loans on demand at the Imperial Bank of India, Calcutta.	7 (16th Jan. to 26th Mar. 1919).	7 (12th to 31st Mar. 1920).	7 (1st Apl. to 9th June 1920, 18th Nov. 1920 to 2nd Mar. 1921).	8 (16th Feb. to 31st Mar. 1922).
Minimum rate of discount on Loans on demand at the Imperial Bank of India, Calcutta.	5 (23rd May to 6th Nov. 1918).	5 (5th June 1919 to 14th Jan. 1920).	5 (1st July to 3rd Nov. 1920).	5 (2nd June to 14th Dec. 1921).
Maximum rate of discount at the Bank of England.	5 (1st Apl. 1918 to 31st Mar. 1919).	6 (8th Nov. 1919 to 31st Mar. 1920).	7 (18th April 1920 to 31st Mar. 1921).	7 (1st Apl. to 1st May 1921).
Minimum rate of discount at the Bank of England.		5 (1st April 1919 to 8th Nov. 1919).	6 (1st to 14th April 1920).	4½ (16th Feb. to 31st March 1922).
Maximum Government balances at the Imperial Bank of India.	18,80,47,000 (Sept.)	18,24,33,000 (Feb.)	20,38,41,000 (July)	25,87,46,000 (31st July).
Minimum Government balances at the Imperial Bank of India.	6,84,89,000 (April)	7,04,82,000 (Sept.)	6,84,98,000 (Feb.)	5,34,64,000 (18th Nov.).
Maximum price in Calcutta of 5 per cent. War Loan, 1919-27.	98	95	90	87
Minimum price in Calcutta of 5 per cent. War Loan, 1920-27.	90	90	77	78
Maximum price in Calcutta of 5 per cent. income-tax free loan, 1925-28.	---	96½ to 98	96½ to 98	89
Minimum price in Calcutta of 5 per cent. income-tax free loan, 1925-28.	---			78½	80
Maximum price in Calcutta of Government 2½ per cent. Rupee Securities (Guaranteed).	81 (7th to 31st Nov. 1918).	71 (1st April to 17th May 1919).	60 (1st to 16th April 1920 and 5th to 16th January 1921).	62 (30th & 31st May 1921).
Minimum price in Calcutta of Government 2½ per cent. Rupee Securities (Guaranteed).	65 (3rd May to 24th June 1918).	60 (27th Feb. to 31st Mar. 1920).	63 (1st Nov. to 12th Dec. 1920).	65-6 (from 11th March 1922).
Maximum price in Calcutta of 3 per cent. Rupee Securities.	60 (6th to 22nd Nov. 1918).	63 (1st April to 17th May 1919).	60 (1st April to 5th Oct. 1920 and 5th to 16th January 1921).	60 (31st May & 1st June 1921).
Minimum price in Calcutta of 3 per cent. Rupee Securities.	58 (11th Apl. to 24th June 1918).	50 (27th Feb. to 31st Mar. 1920).	43 (1st Nov. to 22nd Dec. 1920).	47 (1st to 6th April 1921).

FINANCIAL STATISTICS—contd.

MISCELLANEOUS—contd.

1922-1923.	1923-1924.	1924-1925.	1925-1926.	1926-27, Revised.	1927-1928, Budget.
37½ (22nd May 1922).	34 ¹ / ₁₆ (3rd and 5th Jan., 13th and 14th Feb. 1924).	36 ¹ / ₈ (9th Oct. 1924)	33 ⁷ / ₁₆ (5th Sept. 1925).	30½ (5th May 1926).	
30½ (15th Dec. 1922).	30 ¹¹ / ₁₆ (13th July 1923).	31½ (29th Dec. 1924)	30½ (10th and 22nd March 1926).	24½ (20th October 1926).	
Is. 4'46d.	Is. 4'53d.	Is. 6'02d.	...	...
Is. 3'70d.	Is. 4'46d.	Is. 5'51d.	Is. 6'08d.	Is. 5 ¹⁵ / ₁₆ d. (estimate).	
Is. 3½d., Is. 3¼d., 2s. 3½d., Is. 4d., and Is. 4½d.	Is. 4d., Is. 4½d., Is. 4¾d., Is. 5d., and Is. 5½d.	Is. 4½d., Is. 5d., Is. 6½d., Is. 5½d., and Is. 6d.	Is. 6d., Is. 6½d.	Is. 5½d., Is. 6d., and Is. 6½.	
6 (1st to 20th April 1922 and from 11th Jan. to 31st March 1923).	9 (14th Feb. 1924 to 31st March 1924).	9 (1st April to 9th April).	7 (1st April to 20th May).	7 (10th February to date).	
4 (6th July to 26th Oct. 1922).	4 (28th June to 14th Nov. 1923).	4 (31st July to 20th Augt. 1924).	4 (3rd July to 27th September).	4 (10th June to 31st December).	
4½ (1st to 12th April 1922).	4 (since 5th July 1923).	5 (5th March).	5 (1st April to 4th August and 3rd December to date).	5 throughout the year.	
3 (13th July 1922 to 31st March 1923).	3 (1st April to 4th July 1923).	4 (1st April 1924 to 4th March 1925).	4 (2nd October to 2nd December).		
33,18,07,000 (30th July).	29,74,54,000 (30th July).	33,18,07,000 (31st July).	28,96,31,000 (29th May).	36,41,13,000 (30th July).	
6,22,54,000 (10th Nov.).	6,23,69,000 (6th Nov.).	7,42,63,000 (31st Dec.).	4,29,57,000 (11th December).	3,85,92,000 (17th December).	
83-8	93-10	94-14	97-4	102-6	
81-6	87-13	93-14	94-13	99-14	
93-8	98-14	99-8	101-7	110-4	
87	93-3	97	98-13	104-2	
61-4 (22nd and 23rd March 1923).	63-3 (5th Mar. 1924).	68-6 (10th July).	73-8 (27th March).	79-3 (15th Dec-ember).	
55-8 (1st to 17th April 1923).	61 (3rd to 5th April 1923).	63-4 (18th Septem-ber).	67-10 (5th May)	74-6 (1st April).	
53-6 (22nd and 23rd March 1923).	57-13 (5th Mar. 1923).	58-10 (10th July).	63-14 (25th March).	67-14 (15th to 21st December).	
47-12 (1st to 18th April 1923).	51-14 (3rd to 5th April 1923).	53-8 (16th Septem-ber).	57-15 (15th to 15th May).	66-3 (1st, 3rd, 4th, 14th May and 3rd and 9th to 11th August).	

TABLE I—

	1916-1918.	1919-1920.	1920-1921.	1921-1922.
	₹	₹	₹	₹
Maximum amount outstanding on London Register of Rupee Securities raised for Interest Drafts.	8,17,24,000 (Mar.)	8,16,74,000 (Apr.)	6,65,19,000 (Apr.)	7,60,04,000 (Feb.)
Minimum amount outstanding on London Register of Rupee Securities raised for Interest Drafts.	7,34,70,000 (July)	7,43,68,000 (Dec.)	6,13,12,000 (Sept.)	6,36,90,000 (Apr.)
Maximum price in London of 5½ per cent. (Rupee Securities in Gold).	54	74	63½	42½
Minimum price in London of 3½ per cent. (Rupee Securities in Gold).	44	40½	33½	34½
Maximum price in London of India 3½ per cent. Stock.	74	60½	61	63½
Minimum price in London of India 3½ per cent. Stock.	63	54½	51½	55½
Maximum price in London of India 5 per cent. Stock.	64	60½	53	55½
Minimum price in London of India 5 per cent. Stock.	53½	47½	43½	47½
Maximum price in London of India 3½ per cent. Stock.	53½	50½	48	46½
Minimum price in London of India 3½ per cent. Stock.	44½	40	37½	39½
Maximum price in London of 7 per cent. Stock.	...	...	...	108½
Minimum price in London of 7 per cent. Stock.	...	...	...	102½
Maximum price in London of 5½ per cent. Stock.	...	...	...	94½
Minimum price in London of 5½ per cent. Stock.	...	...	...	89½
Maximum price in London of 4½ per cent. Stock.	...	...	...	...
Minimum price in London of 4½ per cent. Stock.	...	...	...	...
Maximum Government Paper Currency outstanding.	1,53,44,48,000 (Mar.)	1,64,14,78,000 (Jan.)	1,70,73,80,000 (Apr.)	1,79,71,46,000 (Oct.)
Minimum Government Paper Currency outstanding.	1,05,98,08,000 (Apr.)	1,53,72,07,000 (Apr.)	1,57,62,82,000 (Sept.)	1,67,31,66,000 (Apr.)
Number of Post Office Savings Banks.	10,587	10,670	10,713	10,756
Number of accounts in Post Office Savings Banks.	16,77,407	17,80,443	18,77,967	19,58,224
Amount deposited in Savings Banks.	18,82,44,749	21,34,64,628	22,94,31,718	22,28,24,225
Average of each deposit . . .	113-23	121-26	121-73	118-08
Net addition to deposits . . .	2,23,94,279	2,52,30,787	1,51,37,088	-59,94,891

FINANCIAL STATISTICS—concl'd.

MISCELLANEOUS—concl'd.

1922-1923.	1923-1924.	1924-1925.	1925-1926.	1926-1927, Revised.	1927-1928, Budget.
R	R	R	R	R	R
10,50,48,000 (Nov.)	10,80,92,000 (Oct.)	10,20,98,000 (Apr.)	9,48,86,000 (Apr.)	8,59,21,000 (Oct.)	
9,68,19,000 (May)	10,06,94,000 (Mar.)	9,69,36,000 (Mar.)	8,41,90,000 (Mar.)	8,19,29,000 (Sept.)	
39	45	40½	54½	57½	
34	39	45	49½	54½	
69½	72½	69½	69½	74½	
62½	61½	63	63½	67½	
59½	62½	59½	59½	63½	
53½	52½	54	54½	57½	
50½	52½	49½	49½	53½	
44½	44½	45	46½	48½ 16	
119½	124	116½	108½	104½	
108	107½	104½	102½	101½	
103½	105	103½	103	104	
93½	99	100	99½	101	
88½	93	89½	91½	93½	
83½	83½	85½	85½	88½	
1,82,38,25,000 (Aug.)	1,86,18,98,000 (Feb.)	1,84,18,40,000 (Mar.)	1,93,34,10,000 (Mar.)	2,00,53,42,000 (Aug.)	
1,71,78,07,000 (Apr.)	1,71,33,35,000 (May)	1,72,49,20,000 (June)	1,73,33,07,000 (May)	1,80,47,21,000 (Jan.)	
10,730	10,535	10,727	11,163		
20,48,503	20,69,314	21,64,473	23,17,390		
23,19,98,761	24,78,83,170	25,63,94,907	27,23,14,764		
113-53	118-84	118-45	117-50		
83,73,696	1,58,64,400	85,11,737	1,59,19,887		

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