



Explanatory Memorandum
on the
Budget of the Governor-General in Council
for
1938-39

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Budget 1938-39

Explanatory Memorandum

CONTENTS.

	PAGES.
1. Introductory notes	1
2. Revenue estimates—	
Revenue estimates under main heads of account. (Statement I)	2
Notes on the revenue estimates	3
Details of customs revenue (Statement II)	5
Details of revenue from central excise duties (Statement III)	7
Details of salt revenue (Statement IV)	8
Details of opium revenue (Statement V)	9
Details of currency and mint receipts (Statement VI)	9
3. Expenditure estimates—	
Expenditure estimates as shown in the Demands for Grants (Statement VII)	10
Notes on the expenditure estimates	13
Details of interest payments (Statement VIII)	15
Post Office cash certificates (Statement IX)	16
Grants-in-aid to Provincial Governments (Statement X)	16
Distribution of expenditure between voted and non-voted (Statement XI)	17
4. Ways and means estimates (Statement XII)	18
5. Comparative statements showing progress of revenue and expenditure since 1925-26—	
Distribution of revenue and expenditure (Statement XIII)	19
Analysis of tax revenue (Statement XIV)	20
Analysis of interest payments (Statement XV)	21
Analysis of main heads of " Other Expenditure " (Statement XVI)	22
Analysis of expenditure on " Civil Administration " (Statement XVII)	23
6. Appendix I.—Defence Services—	
Memorandum by the Financial Adviser, Military Finance	24
Details of expenditure on Defence Services (Statement XVIII)	27
7. Appendix II.—Posts and Telegraphs Department—	
Analysis of revenue and expenditure (Statement XIX)	28

INTRODUCTORY NOTES.

1. Unless otherwise stated, the amounts given in these statements are in lakhs of rupees, and the expressions "last year", "current year" and "next year" stand for the financial years 1936-37, 1937-38 and 1938-39 respectively.

2. In the figures relating to previous years expenditure incurred in sterling has been converted into rupees at the average of the daily rates for telegraphic transfers in Calcutta on London throughout the year in question. The current year's sterling expenditure has been converted at the rate of $1s. 6 \frac{3}{32}d.$ on the basis of the actual rates during the first ten months of the year, but in accordance with the usual practice the budget estimates for 1938-39 are based on the standard rate of $1s. 6d.$

3. The statements of revenue and expenditure are based on net figures, i.e., the totals include only the net expenditure on the Defence Services, the net surplus or deficit of the Posts and Telegraphs Department, and the net contribution paid by the Railways to general revenues. Unless otherwise stated, however, the cost of collection is treated as expenditure and is not deducted from the figures given on the revenue side.

STATEMENT I.

Revenue Estimates.

	1936-37.	1937-38.		1938-39.
	(a) Accounts.	Budget.	Revised.	Budget.
Customs	40,61	42,60	43,93	43,81
Central Excise Duties	6,52	7,16	7,74	7,76
Corporation Tax.	13,86	1,45	1,50	1,55
Taxes on Income other than Corporation Tax		12,85	13,50	13,70
Salt	8,39	8,25	8,35	8,35
Opium	48	49	46	45
Interest	39	71	58	66
Civil Administration	94	92	1,00	1,00
Currency and Mint	1,19	1,07	85	67
Civil Works	30	35	32	31
Payments from Indian States	74	70	61	63
Other sources of revenue	1,87	1,67	1,77	2,00
Posts and Telegraphs:—				
Net contribution to general revenues	11	4	43	..
Railways:—				
Net contribution to general revenues . . . . .	..	15	2,83	2,56
<i>Deduct:—</i>				
Share of income tax revenue payable to Provinces . . . . .	..	..	—1,38	—1,28
Total	75,40	78,41	82,49	82,17
<i>Add:—</i>				
Payments by Burma . . . . .	..	3,23	3,05	3,00
Transfers from Revenue Reserve Fund . . . . .	..	1,84	1,09	75
GRAND TOTAL	75,40	83,48	86,63	85,92

(a) Revenue attributable to Burma has been excluded.

Notes on the revenue estimates.

Customs and Central Excise Duties.—The distribution of these estimates is shown in Statements II and III. The figures for next year include Rs. 18 lakhs on account of customs and excise duties on motor spirit and kerosene supplied to the Defence Department. Such supplies have hitherto been free of duty.

Taxes on Income other than Corporation Tax.—The share of income-tax revenue payable to the Provinces is calculated as follows :—

	1937-38, Revised.	1938-39, Budget.
Total taxes on income other than corporation tax	13,50	13,70
<i>Deduct :—</i>		
Portion attributable to taxes on emoluments of officers serving under the Central Government and to centrally administered areas	1,33	1,34
Share of cost of collection	62	64
Balance	11,55	11,72
<i>Add :—</i>		
Estimated contribution from Railways	2,83	2,56
Total	14,38	14,28
<i>Deduct :—</i>		
Amount to be retained by the Central Government under the Niemeyer award	13,00	13,00
Amount payable to Provinces	1,38	1,28

Salt and Opium.—The distribution of these estimates is given in Statements IV and V.

Interest.—The variations are mainly due to the interest on the Silver Redemption Reserve. In the closing months of last year there was a considerable depreciation in the market value of the securities held in the Reserve. The whole of the interest received during that year and part of the interest received during the current year has had to be used to make good the deficiency resulting from this depreciation.

Currency and Mint.—The main items are shown in Statement VI.

Payments from Indian States.—The decrease in the revised estimate is due to the decision that Indian States whose tribute amounts to more than 5 per cent. of their total revenue should have the excess over that percentage remitted. The small increase in next year's budget is due to the absence of provision for certain refunds payable in the current year.

Other sources of revenue.—The following are the largest items in the increase anticipated in next year's budget :—

(1) Post Office cash certificates which have remained unclaimed for more than three complete years from the date of maturity are credited to revenue, any claim subsequently received in respect of such certificates being charged to the revenues of the year in which the payment is made. Next year the certificates due to be credited to revenue in this way amount to over Rs. 16 lakhs against Rs. 4 lakhs assumed in the current year's budget.

(2) A sum of Rs. 8½ lakhs will be paid by the Posts and Telegraphs Department next year in respect of accumulated losses on press telegrams.

STATEMENT II.

Details of Customs Revenue.

	1936-37. (a) Accounts.	1937-38. Budget.	1937-38. Revised.	1938-39. Budget.
SEA CUSTOMS—IMPORTS.				
<i>I.—Revenue duties.</i>				
Ale, beer, porter, cider and other fermented liquors	34.02	35.00	37.00	37.00
Spirits and liqueurs	1,57.79	1,60.00	1,60.00	1,60.00
Wines	11.89	13.00	12.00	12.00
Spices	13.96	19.00	18.00	16.00
Tea	11.93	12.00	11.00	10.00
Tobacco	1,27.46	140.00	1,30.00	1,30.00
Kerosene oil.	3,41.56	3,73.00	3,50.00	3,75.00
Motor spirit	4,69.74	4,80.00	5,00.00	5,80.00
Oils, batching, fuel and lubricating	36.02	40.00	45.00	45.00
Cotton, raw	44.54	40.00	80.00	60.00
Boots and shoes	5.80	5.00	6.70	6.70
Motor cars, cycles, scooters, omnibuses, chassis, vans, lorries and parts thereof	1,29.32	1,20.00	1,70.00	1,70.00
Electric lighting bulbs	13.22	16.00	18.00	18.00
Wireless reception instruments and apparatus	13.62	15.00	17.00	19.00
Dyes derived from coal-tar and coal-tar derivatives	29.89	30.00	40.00	35.00
Machinery	1,60.46	1,63.00	2,10.00	2,10.00
Iron and Steel	34.35	36.00	53.00	48.00
Silver bullion, coin, sheets, plates and other manufactures	1,47.68	1,60.00	32.00	30.00
Tin, block	7.25	9.00	9.00	9.00
Metals, other than iron and steel, silver and block tin	61.34	77.00	70.00	70.00
Railway plant and rolling stock	12.07	12.00	17.00	14.00
Artificial silk yarn and thread	32.63	31.00	65.00	65.00
Yarns and textile fabrics, others	1,14.79	1,15.00	1,35.00	1,80.00
Cinematograph films	14.41	16.00	15.00	16.00
Portland cement excluding white Portland cement	4.93	5.00	4.00	4.00
Pneumatic rubber tyres and tubes	34.53	15.00	35.00	35.00
Toys, games and sports goods	18.91	22.00	22.00	22.00
Betelnuts	53.83	55.00	58.00	55.00
All other articles	8,96.95	9,80.00	10,80.00	10,20.00

(a) The revenue attributable to Burma has been excluded.

EXPLANATORY MEMORANDUM : GENERAL BUDGET.

	1936-37, Accounts.	1937-38, Budget. Revised.	1938-39 Budget.
SEA CUSTOMS—IMPORTS—<i>contd.</i>			
<i>II.—Protective duties.</i>			
Wheat and wheat flour	·04	·25	..
Broken rice	·56	1·00	..
Sugar	43·87	50·00	26·00
Heavy chemicals	·19	·25	·20
Iron and steel	60·12	70·00	80·00
Silver wire, thread and other manufactures	3·59	5·00	4·00
Paper and stationery	22·29	21·00	30·00
Raw silk	29·94	21·00	43·00
Silk yarn and thread	30·99	25·00	32·00
Cotton yarn and thread	22·31	22·00	20·00
Cotton fabrics of British manufacture	1,49·97	1,84·00	1,25·00
Cotton fabrics not of British manufacture	2,53·85	2,90·00	2,20·00
Silk fabrics	54·86	66·00	58·00
Cotton hosiery	16·21	15·00	15·00
Artificial silk fabrics	1,73·11	2,20·00	1,70·00
Fabrics of artificial silk mixed with other materials	21·58	20·00	30·00
Other textile manufactures	32·07	24·00	39·00
Matches, match splints and veneers	·07	..	4·10
Wood pulp	6·34	5·00	5·00
TOTAL IMPORTS	39,61·35	41,97·50	42,96·00
SEA CUSTOMS—EXPORTS.			
Jute—			
Raw	} 4,31·60	4,10·00	4,40·00
Manufactured			
Rice	9·47	9·00	11·00
TOTAL EXPORTS	4,41·07	4,19·00	4,51·00
Sea Customs—Miscellaneous	9·10	10·00	11·00
Land Customs	21·36	30·00	55·00
Warehouse and wharf rents	} 3·25	3·00	3·00
Miscellaneous			
TOTAL GROSS REVENUE	44,36·13	46,59·50	48,16·00
<i>Deduct—Refunds</i>	<i>1,62·63</i>	<i>1,44·00</i>	<i>1,50·00</i>
<i>Deduct—Share of Jute Export Duty assigned to Provinces</i>	<i>2,12,34</i>	<i>2,55·00</i>	<i>2,73·00</i>
NET REVENUE	40,60·66	42,60·50	43,81·00

STATEMENT III.

Details of Revenue from Central Excise Duties.

	1936-37, Accounts.	1937-38, Budget.	1937-38, Revised.	1938-39, Budget.
Motor spirit	1,05.20	1,10.00	1,35.00 (a)	1,05.00
Kerosene	61.84	55.00	82.00 (a)	65.00
Sugar	2,52.49	3,48.00	3,60.00	3,60.00
Matches	2,29.80	1,95.00	2,10.00	2,15.00(b)
Steel ingots	33.76	35.00	36.00	36.00
	<u>6,83.09</u>	<u>7,43.00</u>	<u>8,23.00</u>	<u>7,81.00</u>
<i>Deduct—</i>				
Share of match excise payable to States	31.16	25.00	32.00	..
Other refunds	(c)	2.00	17.00	5.00
	<u>6,51.93</u>	<u>7,16.00</u>	<u>7,74.00</u>	<u>7,76.00</u>

(a) The revised estimates for motor spirit and kerosene include certain quantities of oil which were issued from factories in Burma before the 1st of April 1937 but were imported into India after that date. This special factor necessitates a reduction in the excise estimates for next year and a corresponding increase in the customs estimates.

(b) The payments to Indian States in respect of the excise duty on matches have hitherto been treated as deductions from revenue but will be treated as expenditure with effect from 1938-39. This involves an increase of Rs. 32½ lakhs in the revenue estimates for that year and a corresponding increase in the expenditure estimates under Central Excise.

(c) Refunds of excise duties are included in the refunds shown in Statement II.

EXPLANATORY MEMORANDUM : GENERAL BUDGET.

STATEMENT IV.
Details of Salt Revenue.

	1936-37, Accounts,(a)	1937-38, Budget. Revised.	1938-39, Budget.
REVENUE.			
Northern India	2,39'06	2,33'88	2,47'54
Madras	1,83'07	1,77'85	1,80'46
Bombay	1,91'42	1,81'63	1,87'83
Sind	7'42	7'11	6'22
Bengal	2,43'28	2,46'02	2,37'30
Orissa	'08	'01	'03
TOTAL RECEIPTS	8,64'28	8,46'50	8,59'38
Deduct—Refunds	24'39	20'50	23'27
Deduct—Provincial Share	'93	1'00	1'11
NET REVENUE	8,38'96	8,25'00	8,35'00

Note—These estimates are based on the following total consumption of duty paid salt:—

	maunds.
1936-37 (actuals)	5,28,71,000
1937-38 (budget)	5,10,00,000
1937-38 (revised)	5,15,00,000
1938-39 (budget)	5,15,00,000

(a) Excludes revenue realised in Burma.

STATEMENT V.

Details of Opium Revenue.

	1934-35.	1935-36.	1936-37.	1937-38, Budget.	1937-38, Revised.	1938-39, Budget.
Provision and medical opium . . .	26.61	10.37	.11	.09	.15	.15
Excise opium and miscellaneous (less refunds) . . .	45.33	50.73	47.55	49.43	46.08	44.77
Total revenue (receipts less refunds)	71.94	61.10	47.66	49.52	46.23	44.92
Purchase of opium . . .	28.87	28.57	23.15	18.80	17.43	19.15
Other charges . . .	6.01	6.08	5.67	6.57	6.91	6.64
Total expenditure	34.88	34.65	28.82	25.37	24.34	25.79
Net revenue . . .	37.06	26.45	18.84	24.15	21.89	19.13

NOTE.—Exports of provision opium to foreign countries ceased at the end of December 1935. Since then the revenue under this head has been derived solely from opium sold for consumption in India.

STATEMENT VI.

Details of Currency and Mint Receipts.

	1936-37, Actuals.	1937-38, Budget.	1937-38, Revised.	1938-39, Budget.
(1) Surplus profits of the Reserve Bank . . .	35.92	50.00	10.41	10.24(a)
(2) Profits from circulation of bronze and nickel coin	53.26	34.50	53.70	33.67(b)
(3) Other items	29.53	21.99	21.35	23.03
	1,18.71	1,06.49	85.46	66.94

(a) Next year's estimate under this head allows for a payment of .26 to Burma in accordance with the India and Burma (Burma Monetary Arrangements) Order.

(b) The absorption of small coin during last year and the early part of the current year was exceptionally high and cannot be expected to continue on the same scale. Next year's estimate has also been reduced by about Rs. 6 lakhs on account of the share payable to Burma.

STATEMENT VII.

Expenditure Estimates. (a)

Demand or Appropriation.	Actuals, 1936-37.	Budget, 1937-38.	Revised, 1937-38.	Budget, 1938-39.
1. Customs	1,24.96	1,19.12	1,09.33	1,22.06
2. Central Excise Duties	7.89	8.55	8.95	43.08
3. Taxes on Income including Corpora- tion Tax	78.01	75.20	75.97	79.30
4. Salt	1,06.61	1,07.08	1,07.45	1,08.20
5. Opium	28.82	25.37	24.34	25.79
6. Provincial Excise	6.98	2.54	2.68	5.37
7. Stamps	17.45	15.12	16.34	18.71
8. Forest	7.62	8.07	7.59	8.75
Irrigation, Navigation, Embankment and Drainage Works (excluding Working Expenses).	19.98	11.32	11.56	10.69
Indian Posts and Telegraphs Depart- ment—				
Capital outlay charged to revenue	3.58	7.05	5.42	6.12
11. Interest on Debt and other Obligations and Reduction or Avoidance of Debt.	11,48.55	14,12.22	14,84.08	14,62.32
12. Executive Council	6.17	5.99	6.36	6.29
13. Council of State	1.44	1.37	1.64	1.37
14. Legislative Assembly and Legislative Assembly Department.	9.12	8.46	8.74	9.11
15. Home Department	25.09	25.46	28.86	29.74
16. Legislative Department	5.48	6.03	5.72	6.20
17. Department of Education, Health and Lands	8.05	8.00	8.56	8.95
18. Finance Department	13.62	14.55	14.58	14.91
19. Commerce Department	5.86	5.88	6.10	6.49
20. Department of Labour	4.85	5.02	4.80	5.64
21. Department of Communications	2.42	2.51	2.40	2.84
22. Central Board of Revenue	3.67	3.63	3.65	4.54
23. India Office and High Commissioner's establishment charges.	42.30	40.75	39.52	41.36
Carried over	16,78.52	19,19.29	19,84.64	20,27.83

(a) This statement differs from the Demands for Grants in the following respects:—

- (1) Token demands and demands relating to capital expenditure charged to revenue and the disbursement of loans and advances have been omitted.
- (2) The amounts shown under "Irrigation" exclude working expenses since they have been taken in deduction of revenue in Statement I.
- (3) Apart from capital outlay charged to revenue, the expenditure of the Posts and Telegraphs Department has been excluded since Statement I shows only the net contribution paid by the Department to general revenues.

The column "Actuals, 1936-37" excludes expenditure attributable to Burma.

EXPLANATORY MEMORANDUM : GENERAL BUDGET.

11

Demand or Appropriation.	Actual, 1936-37.	Budget, 1937-38.	Revised, 1937-38.	Budget, 1938-39.
Brought forward	16,78·52	19,19·29	19,84·64	20,27·83
24. Payments to other Governments, De- partments, etc. on account of ser- vices rendered	1·48	1·53	1·36	· 5
25. Audit	99·19	1,01·35	1,00·05	1,03·83
26. Administration of Justice	1·19	1·38	2·26	4·47
27. Police	2·62	3·64	3·18	2·11
28. Ports and Pilotage	25·19	28·70	28·00	23·93
29. Lighthouses and Lightships	9·38	8·55	9·08	8·93
30. Survey of India	26·79	27·51	26·38	26·41
31. Meteorology	20·43	20·00	19·33	21·56
32. Geological Survey	4·73	4·65	4·75	4·47
33. Botanical Survey	1·78	·83	·89	·96
34. Zoological Survey	1·67	1·89	1·81	1·84
35. Archaeology	12·89	11·45	11·33	13·34
36. Mines	2·63	2·79	2·67	2·81
37. Other Scientific Departments	2·58	2·80	2·84	3·05
38. Education	6·71	7·55	7·37	6·87
39. Medical Services	9·24	9·91	9·55	9·69
40. Public Health	9·25	10·87	10·02	13·83
41. Agriculture	17·58	32·04	27·41	36·51
42. Imperial Council of Agricultural Re- search Department	9·95	11·42	11·52	9·05
43. Scheme for the improvement of Agricultural Marketing in India	4·48	4·65	4·65	5·10
44. Imperial Institute of Sugar Technology	1·10	4·00	2·51	3·41
45. Civil Veterinary Services	7·53	9·54	8·37	9·76
46. Industries	7·83	8·80	8·03	9·12
47. Aviation	21·78	25·04	23·24	32·79
49. Broadcasting	10·03	15·35	13·88	22·32
Carried over	19,96·55	22,75·53	23,25·12	24,05·24

EXPLANATORY MEMORANDUM : GENERAL BUDGET.

Demand or Appropriation.	Actuals, 1936-37.	Budget, 1937-38.	Revised, 1937-38.	Budget, 1938-39.
Brought forward	19,96-55	22,75-53	23,25-12	24,05-24
51. Indian Stores Department	22-25	23-51	23-18	24-16
52. Commercial Intelligence and Statistics.	5-69	7-40	6-63	8-61
53. Census	·02	·08	·09	·15
54. Emigration—Internal	·13	·15	·11	·12
55. „ External	2-69	2-69	2-73	3-37
56. Joint Stock Companies	1-31	1-39	1-35	1-53
57. Miscellaneous Departments	3-72	4-28	3-64	4-35
58. Currency	17-38	14-81	15-04	17-27
59. Mint	19-09	19-23	24-00	20-16
60. Civil Works	} 2,52-10	2,62-23	2,47-29	} 1,09-12 1,70-00
61. Central Road Fund				
62. Superannuation Allowances and Pen- sions.	2,85-73	2,86-15	2,86-22	2,84-16
63. Stationery and Printing	39-49	41-98	41-47	53-91
64. Miscellaneous	55-76	49-33	53-19	14-23
65. Grants-in-aid to Provincial Govern- ments	2,58-00	3,14-27	3,14-27	3,04-72
66. Miscellaneous Adjustments between the Central and Provincial Governments.	1-57	1-63	1-63	·10
67. Expenditure on retrenched personnel charged to revenue.	·19	·01	·09	·07
68. Delhi	57-04	55-56	56-37	58-21
69. Ajmer-Merwara	17-19	19-32	18-80	19-22
70. Panth Piploda . . . . .	..	·11	·11	·13
71. Andaman and Nicobar Islands.	29-33	31-02	30-75	33-66
<i>Non-voted.</i>				
<i>Staff, Household and Allowances of the Governor General</i>	<i>16-61</i>	<i>15-54</i>	<i>16-90</i>	<i>17-66</i>
<i>Public Service Commission</i>	<i>4-65</i>	<i>4-95</i>	<i>5-23</i>	<i>4-79</i>
<i>Ecclesiastical</i>	<i>23-30</i>	<i>27-82</i>	<i>27-11</i>	<i>32-19</i>
<i>Payments to Crown Representative</i>	<i>1,12-44</i>	<i>1,05-55</i>	<i>1,08-38</i>	<i>1,31-39</i>
<i>Defence Department</i>	<i>5-14</i>	<i>5-25</i>	<i>5-77</i>	<i>5-97</i>
<i>Tribal Areas</i>	<i>1,97-47</i>	<i>1,92-05</i>	<i>2,17-08</i>	<i>2,01-73</i>
<i>External Affairs</i>	<i>55-83</i>	<i>52-24</i>	<i>54-22</i>	<i>63-56</i>
<i>Baluchistan</i>	<i>74-15</i>	<i>64-94</i>	<i>54-64</i>	<i>74-89</i>
<i>Defence Services (net)</i>	<i>45,45-00</i>	<i>44,61-82</i>	<i>47,21-82</i>	<i>45,18-00</i>
TOTAL	81,04-82	83,40-84	86,63-23	85,82-67

Notes on the expenditure estimates.

Customs.—The amounts payable to Cochin and Travancore States during the current year under the Cochin Port Agreement are less than was anticipated, but there will probably be a considerable increase in these payments next year.

Central excise duties.—See note (b) on page 7.

Taxes on Income.—The staff of the department is being strengthened as a result of the recent enquiry.

Salt.—The increase in the budget estimates is mainly due to additional provision for preventive measures on the land frontiers.

Interest.—See statement VIII.

Administration of Justice.—The increases are due to the establishment of the Federal Court.

Agriculture.—The decrease in the revised estimate is mainly due to the postponement of the Anand Creamery Scheme for which provision was made in the budget. In next year's estimates this saving is more than counterbalanced by an increase in the provision for expenditure on sugar research.

Aviation.—Some further expansion is necessary in this department in connection with the inauguration of the Empire Air Mail Scheme and the increase in internal air services.

Broadcasting.—The estimates for 1938-39 provide for some expansion of activities. It is anticipated that there will be an increase of about Rs. 3 lakhs in broadcasting receipts.

Mint.—Additional expenditure is necessary in the current year owing to the increase in the absorption of small coin.

Civil Works.—The decrease in the revised estimate and the increase in the budget for 1938-39 are mainly due to delay in the anticipated expenditure on civil buildings in Quetta and on the new custom house at Calcutta.

Central Road Fund.—In accordance with the procedure introduced this year the budget estimate of Rs. 1,41 lakhs will not be increased on the basis of the revised estimates for revenue from duties on motor spirit, but the effect of this increase will be carried forward to 1938-39. The estimate of Rs. 1,70 lakhs for that year is therefore based on the budget estimate for receipts from duties on motor spirit during that year *plus* the additional payment due on the basis of the revised estimate for 1937-38.

Stationery and Printing.—The increase in the budget estimate for 1938-39 is due partly to a rise in prices and partly to the necessity of replenishing stocks which have become seriously depleted owing to efforts to keep within the budget provision of previous years.

Miscellaneous.—See notes under "Payments to Crown Representative" and "External Affairs".

Grants to Provinces.—See statement X.

Ecclesiastical.—The increase in the budget for 1938-39 is due to the decision that expenditure on ecclesiastical buildings should in future be shown under this head instead of under "Civil Works".

Payments to Crown Representative.—It has been decided that the quit rent of Rs. 25 lakhs paid to Hyderabad in respect of Berar should in future be shown under this head instead of under "Miscellaneous".

Tribal Areas.—The increase in the revised estimate is due to the construction of roads and other civil expenditure in connection with the Waziristan operations. This figure would have been more than Rs. 24 lakhs higher but for the utilisation of the balance remaining in a special fund created for expenditure on other roads in tribal areas.

External Affairs.—Payments in respect of the League of Nations will in future be shown under this head instead of under "Miscellaneous".

STATEMENT VIII.

Interest Payments.

	Accounts, 1936-37.	Budget, 1937-38.	Revised, 1937-38.	Budget, 1938-39.
GROSS PAYMENTS.				
<i>A.—Interest on Ordinary Debt—</i>				
(i) Rupee Debt—				
(a) Management of debt	8.99	8.45	8.40	8.65
(b) Discount on Treasury Bills	26.12	43.57	33.50	42.00
(c) Discount and premium written off to revenue	67.18	70.08	70.08	73.11
(d) Interest on temporary loans	3.74	..	1.62	2.00
(e) Interest on all other loans	17,44.89	17,60.66	17,57.55	17,61.00
(f) Other items . . . . .	.98	.12	.48	.12
(ii) Sterling Debt—				
(a) Interest on loans contracted in England	14,01.93	13,17.37	13,10.33	13,00.75
(b) Interest on railway annuities	1,99.25	1,90.42	1,90.42	1,81.27
(c) Interest on outstanding liabilities of railway companies taken over on purchase	1,13.43	1,13.43	1,13.43	1,13.43
(d) Management of debt	12.73	11.92	11.90	11.80
(e) Other items	19.93	45.00	45.79	49.48
Exchange	—9.56	..	—8.67	..
Total	35,89.61	35,61.02	35,34.83	35,43.61
<i>B.—Interest on Unfunded Debt and other Obligations—</i>				
Bonus on Post Office Cash Certificates	4,25.00	3,49.00	4,20.00	3,85.00
Post Office Savings Bank Deposits	1,45.45	1,50.00	1,54.00	1,64.00
State Provident Funds	4,04.41	2,60.29	2,61.57	2,71.21
Service Funds	72.37	72.32	64.12	35.79
Railway Depreciation Fund	62.07	81.14	79.63	1,03.01
Posts and Telegraphs RENE- wals Reserve Fund	14.75	13.26	13.59	8.90
Other items	1,18.87	1,07.07	1,16.07	1,18.62
Total	12,42.92	10,33.08	11,08.98	10,86.53
Gross payments	48,32.53	45,94.10	46,43.81	46,30.14
<i>C.—Transfers—</i>				
<i>Deduct—Amounts transferred to—</i>				
Railways	29,61.83	28,17.90	28,06.34	28,18.95
Irrigation	7.67	7.44	7.63	7.61
Posts and Telegraphs	79.28	73.23	72.33	74.37
Commutation of Pensions	23.48	23.86	24.21	24.51
Other heads	7.58	6.88	6.82	6.84
Provincial Governments . . . . .	.07	5,52.57	4,94.40	5,35.54
Provincial Loans Fund	7,96.74	..	..	..
Total deductions	38,76.65	34,81.88	34,11.73	34,67.82
Net interest payments	9,55.88	11,12.22	12,32.08	11,62.32

NOTE.—The standard rate of interest for provident fund balances is 4 per cent. for 1937-38 and 3½ per cent. for 1938-39. The rates assumed for the calculation of interest chargeable on the capital outlay of the commercial departments and for the payment of interest on depreciation and reserve fund balances are 4.75 per cent. for 1937-38 and 4.7½ per cent. for 1938-39.

EXPLANATORY MEMORANDUM : GENERAL BUDGET.
STATEMENT IX.

Post Office Cash Certificates.

Year.	Total amount outstanding at close of year.	Total payments on account of bonus.	Amount provided from current revenues.	Amount transferred to (+) or from (-) Cash Cer- tificates Bonus Fund.
1925-26	20,96	16	16	
1926-27	26,68	16	16	
1927-28	30,70	23	23	
1928-29	32,30	60	60	
1929-30	35,00	73	73	
1930-31	38,43	1,59	2,00	+41
1931-32	44,58	1,84	2,06	+22
1932-33	55,64	94	2,20	+1,26
1933-34	63,71	1,93	2,60	+67
1934-35	65,96	2,57	3,30	+73
1935-36	65,98	4,88	4,05	-83
1936-37	64,40	5,55	4,25	-1,30
1937-38 (budget)	62,90	5,00	3,49	-1,51
1937-38 (revised)	60,40	5,36	4,20	-1,16
1938-39 (budget)	56,90	3,85	3,85	..

NOTE.—From 1930-31 to 1936-37 the provision made in the budget was based not on the amount actually payable on account of bonus on maturing certificates but on the interest accruing during the year on all the certificates outstanding. Until 1934-35 the amount accruing was greater than the amount payable, and the difference was transferred to the Cash Certificates Bonus Fund. In the three following years, however, the position was reversed owing to heavy maturities of certificates issued at high rates of interest. In the current year the amount of interest accruing is about Rs. 3,06 lakhs, but it has been necessary to increase the provision from current revenues since the balance remaining in the Fund is not sufficient to bridge the gap between this figure and the actual payments now anticipated.

STATEMENT X.

Grants-in-Aid to Provincial Governments.

	1936-37, Actuals.	1937-38, Budget.	1938-39, Budget.
United Provinces	..	25.00	25.00
Assam	..	30.00	30.00
North-West Frontier Province	1,00.00	1,00.00	1,00.00
Orissa	50.00	47.00	43.00
Sind	1,08.00	1,10.00	1,05.00
Coorg	..	2.27	1.72
	2,58.00	3,14.27	3,04.72

STATEMENT XI.

Distribution of Expenditure between Voted and Non-voted.

	Budget, 1937-38.				Budget, 1938-39.			
	Voted.	Non-voted.	Total.	Per-centage of voted to total.	Voted.	Non-voted.	Total.	Per-centage of voted to total.
Expenditure charged to revenue	90,12	1,06,88	1,97,00*	45.7	92,65	1,08,85	2,01,50	46
Expenditure not charged to revenue	3,58	2,14	5,72	62.6	5,65	4,23	9,88	57.2
Total	93,70	1,09,02	2,02,72	46.2	98,30	1,13,08	2,11,38	46.5

NOTE.—The figures given in this statement include the working expenses of the Railway, Posts and Telegraphs and Irrigation Departments.

STATEMENT XII.

Ways and Means Estimates.

	Budget, 1937-38			Revised, 1937-38.			Budget, 1938-39.		
	India.	England.	Total.	India.	England.	Total.	India.	England.	Total.
Excess of Revenue over Expenditure	30,59	-30,52	7	30,53	-30,53	...	29,36	-29,77	9
New Loan	...	...	...	(b)1,09	...	1,09	...	...	...
Treasury Bills issued (net)	4,00	...	4,00	6,00	...	6,00	5,00	...	5,00
Post Office Cash Certificates (net)	-1,50	...	-1,50	-4,00	...	-4,00	-3,50	...	-3,50
Post Office Savings Bank Deposits (net)	8,00	...	8,00	6,04	...	6,04	6,64	...	6,64
Other Unfunded Debt (net)	4,21	-7,71	-3,50	3,55	-5,06	-1,51	3,53	-8,08	-4,25
Discount Sinking Fund	70	40	1,10	70	41	1,11	73	44	1,17
Reduction or Avoidance of Debt	3,00	...	3,00	(c)3,00	...	3,00	3,00	...	3,00
Railway Depreciation Fund	6,59	...	6,59	4,37	...	4,37	5,96	...	5,92
Posts and Telegraphs Depreciation Fund	5	...	5	6	...	6	4	...	4
Telephone Development Fund	...	...	...	...	...	...	2,10	...	2,10
Defence Reserve Fund	-1,42	...	-1,42	-1,09	...	-1,09	-1,50	...	-1,50
Revenue Reserve Fund	-1,84	..	-1,84	-1,09	..	-1,09	-75	..	-75
Other Deposits and Advances (net)	4,89	-3,23	1,66	4,10	-3,36	74	3,65	-1,94	1,71
TOTAL	57,27	-41,06	16,21	53,56	-38,84	14,72	55,92	-39,35	15,67
Opening Balance	16,16	72	16,88	(a)20,58	78	21,36	5,68	73	9,41
GRAND TOTAL	73,43	-40,34	33,09	74,14	-38,06	36,08	63,70	-38,62	25,08
Capital Outlay—									
Railways	90	3,66	4,46	-1,41	3,56	2,15	95	5,88	6,88
Posts and Telegraphs	63	...	63	42	...	42	2,72	...	2,72
Civil	37	1	38	29	...	29	20	..	20
Commutation of Pensions	25	...	25	4	...	18	-21	17	-4
Gratuities to retrenched personnel	-5	...	-5	-9	..	-9	...	...	...
Discharge of Permanent Debt	11	2,84	2,95	17	6,85	7,02	8	2,94	3,02
Cash Certificates Bonus Fund	1,51	...	1,51	1,16	...	1,16	...	...	...
Civil Aviation	34	...	34	23	...	23	23	...	23
Economic development and improvement of rural areas	80	...	80	10	...	10	30	...	30
Broadcasting	18	...	18	14	...	14	13	...	13
Development in tribal areas in the N. W. F. P.	5	...	5	27	...	27	2	...	2
Sind and Orissa buildings	...	...	...	40	...	40	...	...	...
Loans to public (net)	-1,10	...	-1,10	-1,50	...	-1,50	-69	...	-69
Payments to Reserve Bank for Surplus Silver	5,00	...	5,00	5,00	...	5,00	5,00	...	5,00
Transfers through Reserve Bank (net)	47,45	-47,45	...	49,38	-49,38	...	48,34	-48,34	...
Provincial requirements (net)	9,00	...	9,00	10,86	..	10,86	-1,39	...	-1,39
TOTAL	65,44	-41,04	24,40	65,46	-38,79	26,67	65,68	-39,35	16,33
Closing Balance	7,99	70	8,69	8,68	73	9,41	8,02	73	8,75
GRAND TOTAL	73,43	-40,34	33,09	74,14	-38,06	36,08	63,70	-38,62	25,08

(a) An exceptionally high opening balance was required in the current year in view of the heavy disbursements which had to be made in April in connection with the transfer of certain balances to the Provinces.

(b) This figure represents the proceeds from the sale of 3½ and 8 per cent. rupee securities created in connection with the purchase and cancellation of a corresponding amount of non-terminable sterling securities.

(c) The amount provided from current revenues is Rs. 2,52 lakhs. The balance of Rs. 48 lakhs consists of special capital repayments made by the Provincial Governments.

STATEMENT XIII.

Distribution of Revenue and Expenditure.

Year	Tax Revenue. (a)	Cost of Collection.	Net Tax Revenue.	Net Revenue from Commercial Departments.	Opium (receipts less expenditure).	Currency and Mint (receipts less expenditure).	Interest Receipts.	Provincial Contributions.	Extraordinary Receipts.	Other Revenue.	Total Net Revenue.	Interest on Debt.	Reduction or Avoidance of Debt.	Extraordinary Payments.	Defence Expenditure (net).	Other Expenditure.	Net Capital Outlay of Commercial Departments (Posts and Telegraphs and Irrigation) charged to Revenue.	Total Net Expenditure.	Surplus +, Deficit -.
1925-26	71,00	2,96	68,10	5,78	2,04	3,94	4,22	6,20	68	2,48	93,39	13,37	4,97	20	56,00	17,00	1,52	90,08	+3,31
1926-27	70,83	2,67	67,96	6,09	3,33	3,30	4,09	5,17	60	2,65	93,28	11,77	4,97	3,00	55,97	17,39	18	93,28	...
1927-28	71,13	3,01	68,12	5,92	3,07	1,90	3,62	...	14	2,78	85,55	10,57	5,04	-2,04	54,79	16,99	20	85,55	...
1928-29	74,77	3,14	71,63	4,52	2,72	2,17	2,80	...	30	3,11	87,25	10,20	5,42	-73	55,10	17,42	16	87,57	-32
1929-30	74,99	3,25	71,74	5,24	2,55	2,00	4,40	...	1,89	3,38	91,20	10,85	5,74	...	55,10	19,11	13	90,93	+37
1930-31	69,76	3,23	66,54	4,03	1,79	27	3,39	...	99	3,13	80,14	11,28	6,14	16	54,30	19,69	15	91,72	-11,59
1931-32	72,58	3,06	69,52	-1,00	1,28	1,02	3,41	...	21	3,85	77,29	12,83	6,89	3	51,76	18,03	-50	69,04	-11,75
1932-33	79,91	3,17	76,74	-45	6	1,65	1,88	...	2	2,94	82,64	11,61	6,84	16	46,74	15,89	5	81,39	+1,55
1933-34	72,97	3,31	69,63	-56	88	74	1,63	...	36	2,73	75,43	9,29	3,00	(b) 2,19	44,42	15,85	5	74,80	+63
1934-35	76,08	3,51	74,57	33	37	75	2,01	...	...	2,72	80,75	10,25	3,00	(c) 2,85	44,34	19,92	3	80,39	+36
1935-36	77,35	3,64	73,71	-4	27	75	87	...	...	2,73	78,29	10,50	3,00	(d) 2,73	44,98	17,03	1	78,29	...
1936-37	74,98	3,77	71,19	-1	19	81	40	...	1	3,12	75,71	9,58	3,00	19	45,45	19,36	4	77,50	-1,79
1937-38 (budget)	71,70	3,38	68,32	9	24	72	71	...	15,07	2,62	77,97	11,12	3,00	1	44,63	19,08	7	77,90	+7
1937-38 (revised)	73,07	3,30	69,77	3,17	22	46	68	...	4,14	2,85	81,19	12,32	2,52	3	47,22	19,04	5	81,19	...
1938-39 (budget)	73,08	3,65	69,33	2,47	19	29	66	...	3,75	3,04	79,63	11,62	3,00	2	45,15	19,58	7	79,54	+9

(a) Excludes share of additional revenue from import and excise duties on motor spirit payable to Road Development Fund from 1928-29.

(b) Includes 2,09 transferred to the Bihar Earthquake Fund.

(c) Includes 2,82 transferred to the Rural Development Fund.

(d) Includes 1,84 transferred to the Revenue Reserve Fund, 45 for buildings in Orissa and Sind, and 43 for expenditure in connection with the Quetta earthquake.

STATEMENT XIV.

Analysis of Tax Revenue.

Year.	Revenue from Customs.	Revenue from Central Excise Duties.	Cost of Collection.	Revenue from Taxes on Income including Corporation Tax.	Cost of Collection.	Revenue from Salt.	Cost of Collection.	Other Tax Revenue.	Cost of Collection.	Total gross Tax Revenue.	Transfers to Central Road Fund.	Tax revenue retained by Central Government.	Total Cost of Collection.	Total net Tax Revenue.
1925-26	47,78		82	15,86	59	6,33	1,25	1,09	30	71,06	..	71,06	2,96	68,10
1926-27	47,38		81	15,65	62	6,70	1,20	1,10	24	70,83	..	70,83	2,87	67,96
1927-28	48,22		85	15,08	66	6,63	1,27	1,22	23	71,13	..	71,13	3,01	68,12
1928-29	49,28		94	16,70	69	7,60	1,23	1,24	28	74,82	5	74,77	3,14	71,63
1929-30	51,28		97	16,71	72	6,76	1,27	1,22	29	75,97	98	74,99	3,25	71,74
1930-31	46,81		93	16,00	75	6,83	1,26	1,10	28	70,74	98	69,76	3,22	66,54
1931-32	46,44		90	17,49	74	8,58	1,16	1,09	26	73,60	1,02	72,58	3,06	69,52
1932-33	51,95		93	17,97	78	10,07	1,12	94	34	80,93	1,02	79,91	3,17	76,74
1933-34	47,16		99	17,13	82	8,86	1,15	90	35	74,05	1,08	72,97	3,31	69,66
1934-35	52,67		1,11	17,55	85	8,00	1,15	1,05	40	79,27	1,19	78,08	3,51	74,57
1935-36	52,25		1,17	17,07	91	8,43	1,19	89	37	78,64	1,29	77,35	3,64	73,71
1936-37	51,45		1,42	15,34	89	8,81	1,08	82	38	76,42	1,46	74,96	3,77	71,19
1937-38 (budget)	42,60	7,16	1,28	14,30	75	8,25	1,07	80	28	73,11	1,41	71,70	3,38	68,32
1937-38 (revised)	43,93	7,74	1,18	13,62	76	8,35	1,07	84	29	74,48	1,41	73,07	3,30	69,77
1938-39 (budget)	43,81	7,76	1,65(a)	13,97	79	8,35	1,08	89	33	74,78	1,70	73,08	3,85	69,23

(a) Includes the amount payable to the Indian States in respect of match excise revenue [see note (b) on page 7].

STATEMENT XV.

Analysis of Interest Payments.

Year.	Interest on unfunded debt and other obligations.										Amounts transferred to						
	Interest on Ordinary Debt.	Bonus on Cash Certificates.	Post Office Savings Bank.	State Provident Funds.	Service Funds.	Railway Reserve Fund.	Railway Depreciation Fund.	P. & T. Renewals Reserve Fund.	Other items.	Total interest on unfunded debt and other obligations.	Railways.	Irrigation.	Posts and Telegraphs.	Provinces.	Other heads.	Total transfers.	Total Interest payments (net).
1925-26	38,12	16	74	2,05	10	34	20	1	69	4,29	23,14	12	51	5,21	6	29,04	13,37
1926-27	37,31	16	79	2,27	10	37	27	2	92	4,90	24,30	12	58	5,35	9	30,44	11,77
1927-28	37,46	23	67	2,21	10	48	33	3	95	5,20	25,75	12	62	5,46	14	32,09	10,57
1928-29	38,70	60	98	2,38	10	65	41	5	1,00	6,17	27,82	12	70	5,88	15	34,67	10,20
1929-30	40,34	73	1,03	2,54	12	74	53	7	1,07	6,83	29,09	12	73	6,20	18	36,32	10,85
1930-31	41,67	2,00	1,05	2,93	13	58	74	11	1,14	8,68	31,34	13	84	6,55	21	39,07	11,28
1931-32	44,57	2,06	1,08	3,10	12	14	79	13	1,01	8,43	31,76	13	79	7,25	24	40,17	12,83
1932-33	43,56	2,20	1,15	3,38	13	..	73	14	1,00	8,73	31,57	2	83	8,01	25	40,68	11,61
1933-34	40,17	2,60	1,29	3,77	13	..	57	15	1,12	9,63	31,29	3	86	8,07	26	40,51	9,29
1934-35	39,25	3,30	1,35	3,90	13	..	48	16	1,12	10,44	30,57	3	85	7,91	8	39,44	10,25
1935-36	38,27	4,05	1,51	3,99	13	..	48	15	1,15	11,46	30,18	3	81	7,92	29	39,23	10,50
1936-37	35,90	4,25	1,46	4,04	72	..	62	15	1,19	12,43	29,62	8	79	7,97	31	38,77	9,56
1937-38 (budget)	35,61	3,49	1,50	2,61	72	..	81	13	1,07	10,33	28,18	8	73	5,52	31	34,82	11,12
1937-38 (revised)	35,35	4,20	1,54	2,61	64	..	80	14	1,16	11,09	28,06	8	72	4,94	32	34,12	12,32
1938-39 (budget)	35,43	3,85	1,64	2,71	36	..	1,03	9	1,19	10,87	28,19	8	74	5,36	31	34,68	11,62

STATEMENT XVI.

Analysis of 'Other expenditure' included in Statement XIII.

Year.	Forest Expenditure.	Civil Administration.	Famine.	Pensions, Superannuation Allowances, etc.	Stationery and Printing.	Miscellaneous.	Total.	Commutation of Pensions.	Civil Works.	Salt and other capital outlay charged to revenue.	Grants-in-aid, Subventions to Provinces, etc.	Total.
1925-26	30	10,77	1	3,20	34	71	4,26	..	1,60	7	..	17,00
1926-27	32	11,14	1	2,93	31	71	3,96	..	1,90	7	..	17,39
1927-28	31	11,21	..	2,80	26	65	3,71	5	1,58	13	..	16,99
1928-29	33	11,44	..	2,73	56	73	4,02	4	1,55	4	..	17,42
1929-30	35	12,66	..	2,98	55	88	4,41	4	1,60	5	..	19,11
1930-31	36	13,34	..	2,88	55	81	4,24	6	1,65	4	..	19,69
1931-32	32	12,17	..	2,99	58	74	4,31	3	1,19	1	..	18,03
1932-33	23	9,69	..	3,05	35	72	4,12	11	75	3	96	15,89
1933-34	19	9,54	..	3,24	35	64	4,23	-2	90	1	1,00	15,85
1934-35	19	11,10	..	3,41	36	60	4,37	3	(a)1,23	2	2,98	19,92
1935-36	20	10,59	..	3,07	35	79	4,21	-2	90	1	1,19	17,08
1936-37	19	11,27	..	2,89	40	61	3,90	5	1,06	1	2,78	19,26
1937-38 (budget)	20	10,43	..	2,80	42	55	3,77	6	1,46	..	3,16	19,08
1937-38 (revised)	20	10,63	..	2,82	41	58	3,81	5	1,18	1	3,16	19,04
1938-39 (budget)	22	11,31	..	2,78	54	26	3,58	6	1,42	1	3,05	19,65

(a) Includes a special grant of 40 for road development.

STATEMENT XVII.

Analysis of Expenditure on 'Civil Administration' included in Statement XVI.

Year.	General Administration.	Audit.	Administration of Justice.	Jails and Convict Settlements.	Police.	Ports and Pilotage.	Lighthouses and Lightships.	Ecclesiastical.	Political.	Payments to Crown Representative.	Tribal Areas.	External Affairs.	Scientific Departments.	Education.	Medical.	Public Health.	Agriculture.	Veterinary.	Cooperation.	Industries.	Broadcasting.	Aviation.	Indian Stores Department.	Miscellaneous Departments.	Total.
1925-26	1,56	84	13	36	96	32	..	32	3,37	..	..	..	80	32	29	13	27	..	..	86	..	1	..	23	10,77
1926-27	1,66	85	15	37	93	35	..	32	3,32	..	..	..	85	38	30	17	27	..	..	82	..	13	16	11	11,14
1927-28	1,72	89	14	35	69	33	..	32	1,58	..	2,50	..	91	48	30	17	29	..	..	15	..	10	17	12	11,21
1928-29	1,88	97	15	35	74	29	..	32	1,58	..	2,54	..	93	45	31	19	30	..	..	7	..	5	19	13	11,44
1929-30	2,25	1,02	15	42	76	25	14	32	1,62	..	2,69	..	94	52	32	21	46	..	..	3	..	20	21	15	12,66
1930-31	2,13	1,03	15	48	93	26	12	32	1,96	..	2,78	..	93	62	32	19	48	..	..	3	..	23	9	29	13,34
1931-32	1,98	1,01	16	39	88	26	11	30	1,64	..	2,39	..	86	62	30	17	35	..	..	2	..	20	9	44	12,17
1932-33	1,53	94	9	25	55	22	10	29	1,45	..	2,18	..	67	35	22	13	30	..	..	2	..	10	10	20	9,89
1933-34	1,54	98	8	24	54	23	10	29	1,36	..	2,16	..	66	30	23	13	29	..	..	2	..	13	9	17	9,54
1934-35	1,61	1,01	7	22	52	23	10	29	1,65(a)	..	2,11	..	70	29	24	16	33	..	..	4	..	1,07(b)	8	(c)38	11,10
1935-36	1,70	1,08	6	23	36	24	10	29	..	1,08	2,47	63	69	24	20	16	36	7	1	7	5	17	21	12	10,59
1936-37	1,81	1,09	7	24	33	27	10	30	..	1,17	2,66	62	74	24	22	20	38	7	1	8	9	22	22	14	11,27
1937-38 (budget)	1,73	1,01	7	23	30	29	9	28	..	1,05	1,92	52	72	24	22	22	53	11	1	9	15	25	24	16	10,43
1937-38 (revised)	1,80	1,00	8	23	30	28	9	27	..	1,09	2,17	54	70	24	22	22	47	9	1	8	14	23	23	15	10,63
1938-39 (budget)	1,87	1,04	10	25	29	24	9	32	..	1,31	2,02	64	74	25	23	19	55	11	1	9	22	33	24	18	11,31

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

(b) Includes 93 for development of Civil Aviation.

(c) Includes 20 for development of Broadcasting.

EXPLANATORY MEMORANDUM: GENERAL BUDGET.

APPENDIX I.

Memorandum on the Defence Estimates.

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

2. The subjoined table gives comparative figures of defence expenditure since 1930 and the estimated expenditure in the current and next financial years:—

	Crores of rupees.
1930-31	54·30
1931-32	51·76
1932-33	46·74
1933-34	44·42
1934-35	44·34
1935-36	44·98
1936-37	45·45
1937-38 (budget)	44·62
1937-38 (revised)	47·22
1938-39 (budget)	45·18

3. The budget estimates for 1938-39 thus show a decrease of 204 lakhs as compared with the revised estimates for 1937-38, but an increase of 56 lakhs over the budget estimates. Of this increase of 56 lakhs, however, 18 lakhs is in respect of customs duty on petrol and kerosene used by the Defence Forces: hitherto, purchases of these oils for defence requirements have been exempt from duty and the change in accounting procedure under which this exemption is being withdrawn, while throwing additional expenditure on the defence estimates, does not represent any increased cost to the State. The true rise in the budget provision for the Defence Services is therefore 38 lakhs.

4. It was pointed out a year ago that the difficult financial situation then prevailing compelled the imposition of drastic cuts in the provision in the current year for even the maintenance services of the Defence Forces, but Hon'ble Members were reminded that these cuts were achieved at the expense of merely postponing unavoidable and urgent liabilities.

5. The standing charges of the Defence Forces in 1938-39 are up by 70 lakhs as compared with 1937-38. The largest single item contributing to this increase is an addition of 21 lakhs to the maintenance budget of the Ordnance Services, a rise which is inevitable after a period of eating down surplus stocks and of enforced economy. As it is, deficiencies in maintenance stocks to the value of nearly 30 lakhs are being left unfilled for want of funds.

The other main items which make up the increase in standing charges are additions of 10 lakhs and 14 lakhs respectively to the Mechanical Transport and the Royal Indian Navy expenditure equalization funds. The object of these funds is, as their name suggests, to equalise budget provision for the replacement of mechanical vehicles and vessels of the Royal Indian Navy. Until three years ago, the budgetary provision for the Mechanical Transport equalization fund stood at 25 lakhs, but it was reduced in 1935-36 to 15 lakhs. In view of the heavy replacements which fall to be made during the next few

years, it is necessary to restore the annual contribution to its former level. Even this sum is much less than what is required for the existing fleet of mechanical vehicles in the Army. The annual contribution to the Royal Indian Navy equalization fund was, for the reasons given in the preceding paragraph, eliminated from the budget of the current year, and it is now necessary to restore it for the same reason as necessitates the increase in the contribution to the Mechanical Transport equalization fund. Other items contributing to the rise in standing charges include (a) the recurring effect of new measures introduced in 1937-38 (9 lakhs); (b) partial restoration in the cut made in the current year's provision for Military Engineer Services ($4\frac{1}{2}$ lakhs); and (c) payments to Provincial Governments for maintaining a number of I. M. S. officers on their cadres (4 lakhs).

6. It may be asked how with an additional budget grant limited to 38 lakhs, it is possible to meet a 70 lakh increase in standing charges, as well as to finance other measures dealt with later in this memorandum. The main reason is that during 1938-39 there will be a temporary shortage of British troops on the Indian establishment and that this shortage will produce a net reduction of about 90 lakhs, after allowing for the increase in cost, amounting to about 35 lakhs, of various amenities which were introduced for British troops in the course of the current year in an attempt to arrest the growing shortage of recruits.

7. The amount left over after meeting the rise in standing charges is therefore $38+90-70=58$ lakhs, to which must also be added the 27 lakhs which is the first of the three equal annual instalments which His Majesty's Government are contributing to the capital cost of mechanizing the British cavalry and infantry in India. The total therefore comes to 85 lakhs, which is the amount which is estimated to be required for the first phase of this mechanization programme. This first phase provides for the conversion of four British battalions into machine gun units and of a proportion of the remainder into rifle battalions. During 1938-39 also two British cavalry regiments will be converted into cavalry light tank regiments: a third regiment will be returned to the United Kingdom next trooping season without replacement and four companies of the Royal Tank Corps will have been disbanded by the end of the year.

8. Government has not found it possible in recent years to provide in the annual defence budgets more than the funds required to meet standing charges *plus* a small grant for miscellaneous new measures of a minor character. The result has been that not only have the defence authorities been unable to complete the programme of re-equipment which was begun as long ago as 1928-29 with a view to making good the deficiencies in equipment and organisation which existed even at that time, but also that little has been possible to keep the defence forces in India abreast of the great changes which have taken place in the interval in military science and equipment.

9. The "free" balance of the defence reserve fund which, during the past few years, has been used to supplement the budget grants for defence is now approaching exhaustion, and amounts to 35 lakhs. The whole of this balance is being devoted to the most important of the re-equipment measures requiring funds, but since this sum is quite inadequate for the purpose, it is proposed also to draw on other balances in the defence reserve fund which are not immediately required for the purposes for which they exist. The amount so drawn will be 45 lakhs, so that the total to be expended on re-equipmen

in 1938-39 comes to 80 lakhs. Among the measures which will be financed, or for which funds are being earmarked, are improvements in coast defences, the erection of a factory designed to make India self-sufficient in the matter of high explosives, modernization of aerodromes, and the mechanization of certain Indian units, a scheme for which is under consideration. Relatively large though this sum is, it will provide for but a fraction of the measures which, in the view of the defence authorities, are necessary if the Defence Forces in India are to be brought up to the standard dictated by present day conditions.

A. ROWLANDS,

Financial Adviser, Military Finance.

STATEMENT XVIII.

	Accounts, 1936-37.	Budget, 1937-38.	Revised, 1937-38.	Budget, 1938-39.
EXPENDITURE.	Rs.	Rs.	Rs.	Rs.
<i>58.—Defence Services—Effective.</i>				
1. Fighting Services . . .	16,92,22,525	16,50,22,000	16,41,35,000	15,62,90,000
2. Administrative Services .	6,81,63,512	6,81,33,000	6,81,18,000	6,95,24,000
3. Manufacturing Establishments (including stores) . . .	2,91,38,925	3,03,49,000	3,59,67,000	3,24,92,000
4. Army Headquarters, Staff of Commands, etc. . .	2,03,41,440	2,01,68,000	2,05,40,000	2,10,59,000
5. Purchase and sale of stores, equipment and animals (other than those purchased direct by manufacturing establishments, M. E. S., R. A. F. and R. I. N.) . . .	3,54,40,378	4,06,88,000	4,81,32,000	4,91,12,000
6. Special Services . . .	29,061	5,50,000	74,58,000	..
7. Transportation, Conservancy, Hot Weather Establishments and Miscellaneous . . .	2,95,99,728	2,61,41,000	3,06,00,000	2,67,66,000
8. Military Engineer Services (including stores) . . .	3,55,76,825	3,74,04,000	3,56,28,000	3,92,93,000
9. Auxiliary and Territorial Forces . . .	63,12,036	58,72,000	58,33,000	57,80,000
10. Royal Air Force (including stores) . . .	1,74,31,048	1,92,68,000	1,96,08,000	2,16,67,000
11. Royal Indian Navy (including stores) . . .	62,29,516	63,36,000	64,42,000	82,80,000
12. Quetta Reconstruction . . .	39,00,166	84,96,000	98,13,000	75,45,000
Total . . .	42,13,85,160	42,84,27,000	45,20,74,000	43,78,08,000
<i>59.—Defence Services—Non-Effective.</i>				
1. Army . . .	8,22,31,566	8,27,05,000	8,26,99,000	8,34,96,000
2. Royal Air Force . . .	5,21,748	5,56,000	5,33,000	5,40,000
3. Royal Indian Navy . . .	9,09,526	9,29,000	9,57,000	9,71,000
Total . . .	8,36,62,840	8,41,90,000	8,41,89,000	8,50,07,000
<i>60.—Transfers to or from Defence Reserve Fund . . .</i>				
	16,77,572	—1,42,25,000	—1,09,02,000	—1,50,46,000
Total Expenditure . . .	50,67,25,572	49,83,92,000	52,53,61,000	50,77,69,000
RECEIPTS.				
XLVII.—Defence Services—Effective . . .	4,84,77,980	4,80,79,000	4,88,08,000	5,15,66,000
XLVIII.—Defence Services—Non-Effective . . .	37,47,592	41,31,000	43,71,000	44,03,000
Total Receipts . . .	5,22,25,572	5,22,10,000	5,31,79,000	5,59,69,000
Net Expenditure . . .	45,45,00,000	44,61,82,000	47,21,82,000	45,18,00,000

APPENDIX II—POST

Statement

	Post Office.				Telegraphs.			
	Accounts, 1936-37. (a)	1937-38.		Budget, 1938-39.	Accounts, 1936-37. (a)	1937-38.		Budget, 1938-39.
		Budget.	Revised.			Budget.	Revised.	
Gross receipts . . .	8,04,23	7,81,59	7,80,24	8,00,67	2,69,88	2,40,30	2,60,57	2,56,54
Working Expenses . .	7,63,13	7,47,76	7,36,25	7,79,02	2,47,07	2,25,61	2,27,69	2,46,92
Net receipts . . .	41,10	33,83	43,99	21,65	22,81	14,69	32,88	9,62
Expenditure charged to revenue—Interest	13,76	10,82	10,68	11,13	52,74	50,72	50,31	47,56
Net revenue . . .	27,34	23,01	33,31	10,52	—29,93	—36,03	—17,43	—37,94
Capital outlay charged to revenue—Postal .	3,58	7,05	5,42	6,12				
Capital outlay not charged to revenue .	..	..	..	..	17,47	28,11	15,35	15,09

(a) Including

(b) To be met from the

(c) Includes 1,26 on account of difference between opening and closing

AND TELEGRAPHS.

XIX.

Accounts, 1936-37. (a)	Telephones.				Radio.				Total.			
	1937-38.			Budget, 1938-39.	1937-38.			Budget, 1938-39.	1937-38.		Budget, 1938-39.	
	Budget.	Revised.	Accounts, 1936-37 (a).		Budget.	Revised.	Budget, 1938-39.		Accounts, 1936-37 (a).	Budget.		Revised.
86,04	84,73	96,52	1,02,18	8,88	9,31	9,07	10,97	11,69,03	11,15,93	11,46,40	11,70,36	
56,37	56,37	58,30	60,18	9,10	9,21	8,73	9,63	10,75,67	10,38,95	10,30,97	10,95,75	
29,67	28,36	38,22	42,00	-22	10	34	1,34	93,36	76,98	1,15,43	74,61	
	9,88	9,50	9,43	14,07	2,43	1,71	1,44	1,60	78,81	72,75	71,86	74,36
	19,79	18,86	28,79	27,93	-2,65	-1,61	-1,10	-26	14,55	4,23	43,57	25
									3,58	7,05	5,42	6,12
			(b)									(c)
25,65	28,41	23,48	40,00	3,39	6,60	2,78	5,48	46,51	68,12	41,61	60,57	

Burma.

Telephone Development Fund.

balances under Stores and Manufacture Suspense Accounts.