



# Explanatory Memorandum

by the

Financial Secretary

on the

Budget of the Governor-General in Council  
as laid before the Indian Legislature, 1928.

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(The amounts in the tables are in lakhs of rupees unless otherwise stated.)

The following table compares the actual revenue and expenditure of the Government of India in the year 1926-27 with the budget and revised estimates for the year :—

	Budget.	Revised.	Accounts.
Revenue . . . . .	1,30,42·97	1,29,97·48	1,31,70·00
Expenditure . . . . .	1,30,37·66	1,29,97·48	1,31,70·00
Surplus . . . . .	5·31	..	..

2. The revenue surplus according to the revised estimate was really 2,82·04 lakhs but it was intended to be transferred to the Revenue Reserve Fund, the creation of which was foreshadowed in paragraph 52 of the Finance Member's budget speech of the 28th February 1927, so that the published estimates exhibited neither a revenue surplus nor a revenue deficit. The actual transactions of the year resulted in a net surplus of 2,95·63 lakhs the whole of which has been included in the actual expenditure shown above by *per contra* credit to the Revenue Reserve Fund. The net variation from the estimated result is thus barely 14 lakhs. The net military expenditure, however, exceeded the estimate by 42 lakhs mainly on account of certain adjustments in respect of stores on the abolition of the cost accounting system. We had also to face a loss of 32 lakhs in customs revenue, practically all under cotton piece-goods. But certain other heads showed appreciable improvement, particularly Posts and Telegraphs and Opium and Interest receipts. None of the variations, however, is important enough to need special mention.

3. The broad results of our estimating for the current year and the next are as follows :—

	Budget, 1927-28.	Revised, 1927-28.	Budget, 1928-29.
Revenue . . . . .	1,25,25·65	1,27,73·98	1,29,64·75
Expenditure . . . . .	1,25,25·65	1,27,73·98	1,29,59·69
Surplus . . . . .	..	..	5·06

The budget estimate for the current year resulted, as a matter of fact, in a revenue deficit of 1,71·65 lakhs owing to the decision not to exact any contributions from the Provinces during the year. It was balanced by an equivalent transfer from the Revenue Reserve Fund referred to in the preceding paragraph.

The revised estimates show that the revenue deficit on other transactions will be 1,68·73 lakhs which means that we shall have to draw on the Fund only to this extent in order to balance revenue and expenditure. Accordingly, the variation in the net result from the original budget is under 3 lakhs. The budget figures for the coming year allow for the complete and final remission of the outstanding balance of Provincial contributions, viz., 2,58 lakhs as proposed in paragraph 30 of the Finance Member's budget speech of the 29th February 1928.

4. The details of the railway figures embodied in the budget statements have been explained already in a separate memorandum. Those relating to the military heads will be found in Appendix I. For the rest, the details are given in the following paragraphs.

### CUSTOMS.

	Revenue (Receipts less Refunds).	Expenditure.	Net Revenue.
1924-25 . . . . .	45,75·31	77·12	44,98·19
1925-26 . . . . .	47,77·95	81·77	46,96·18
1926-27 . . . . .	47,38·11	81·27	46,56·84
1927-28 { Budget . . . . .	48,73·37	87·91	47,85·46
{ Revised . . . . .	48,63·50	85·57	47,77·93
1928-29 Budget. . . . .	50,18·37	89·06	49,29·31

5. The revised estimate of customs revenue in 1927-28 is only about 10 lakhs less than the budget. There are, however, important variations in both directions under individual tariff heads. The outstanding increases appear under tobacco (37 lakhs), imports of cigarettes in the first nine months of the year being better than last year by 1·2 million lbs. ; mineral oils (38 lakhs) due to large imports of kerosene from Russia and Georgia and of fuel oils from Persia ; protective duties on iron and steel (25 lakhs) where the differential duties imposed under the Steel Industry (Protection) Act (III of 1927) are mainly responsible for the improvement ; and jute (55 lakhs), the increase reflecting the prosperity of the trade in the current year. On the other hand, cotton piece-goods, despite the rise in the quantity imported, do not show a corresponding rise in value and are expected to yield 70 lakhs less, while matches which form the subject of a current investigation by the Tariff Board—the yield has dropped from 1,54 lakhs in 1922-23 to 52 lakhs in 1927-28—will fall us to the extent of 40 lakhs. Further, the present estimate allows for the loss of about 45 lakhs following from the abolition of the import duties on mill-stores and machinery under the Indian Tariff (Amendment) Act (XXIV of 1927) which came into force on the 1st October 1927. What has largely helped to keep the net total revenue practically at the figure forecasted a year ago is the re-establishment, on the 5th July 1927, of the land customs line between Kathiawar and British India. It has led to an appreciable rise in the revenue from silk manufactures (3½ lakhs) and land customs (14 lakhs) and, what is more, has saved us from any fall under sugar which, in

previous years, has exhibited wide fluctuations, as will be clear from the following table :—

	Budget.	Revised.	Actuals.
1921-22 . . . . .	2,35	6,87	6,51
1922-23 . . . . .	6,25	4,65	4,41
1923-24 . . . . .	5,00	3,85	3,32
1924-25 . . . . .	4,55	5,55	5,77
1925-26 . . . . .	5,10	6,40	6,48
1926-27 . . . . .	5,70	6,95	7,01
1927-28 . . . . .	6,70	6,70	

6. The budget estimate of revenue for 1928-29 exceeds the revised estimate of the current year by about 1,55 lakhs even after making allowance for the further loss, estimated at 40 lakhs, due to the abolition of the import duties on mill-stores and machinery referred to in paragraph 5. Sugar is expected, thanks to the land customs line at Viramgam, to bring in 40 lakhs more, cotton piece-goods 30 lakhs more, and motor-cars and cycles 26 lakhs more than in 1927-28. Owing to a fall in prices, these last have not given us in the current year as much as we had reason to expect even after allowing for the reduction in the import duty from 30 to 20 per cent. in March 1927. Under other heads, we have taken a normal increase generally though under mineral oils and jute we have had to budget for a fall of 10 lakhs and 15 lakhs respectively from this year's rather abnormal figures.

7. The details are as follows :—

	Accounts, 1924-25.	Accounts, 1925-26.	Accounts, 1926-27.	1927-28.		Budget, 1928-29.
				Budget.	Revised.	
<b>REVENUE.</b>						
<b>SEA CUSTOMS.</b>						
<b>IMPORTS.</b>						
<i>Non-protective Special Duties.</i>						
Liquors—						
(a) Ale, Beer, Porter, Cider and other fermented Liquors . . . . .	16·23	18·01	19·48	20·30	21·87	22·95
(b) Spirits and Liquors . . . . .	2,19·99	2,21·90	2,26·64	2,41·19	2,19·76	2,28·50
(c) Wines . . . . .	14·10	14·07	15·19	15·20	15·16	15·30
Sugar, all sorts . . . . .	5,76·90	6,47·81	7,00·72	6,70·00	6,70·00	7,10·00
Tobacco . . . . .	1,73·72	1,55·81	1,90·77	1,93·00	2,29·52	2,33·90
Coal, coke and patent fuel . . . . .	2·83	2·03	·86	2·35	1·50	2·25
Tin, block . . . . .	..	..	..	..	7·86	7·75
Mineral oils . . . . .	1,43·39	1,54·67	1,29·29	1,37·78	1,76·00	1,66·00
Arms, Ammunition and Military Stores . . . . .	8·64	8·60	7·95	9·05	7·42	8·60

	Accounts, 1924-25.	Accounts, 1925-26.	Accounts, 1926-27.	1927-28,		Budget, 1928-29.
				Budget.	Revised.	
<b>REVENUE—contd.</b>						
<b>SEA CUSTOMS—contd.</b>						
<b>IMPORTS—contd.</b>						
Opium . . . . .	03	02	03	03	04	04
Artificial silk yarn and thread . . . . .	..	..	..	..	6'41	11'95
Cotton yarn and thread . . . . .	51'41	43'38	36'45	39'36	47'99	53'11
Cotton piece-goods . . . . .	7,73'76	6,06'55	6,21'04	7,00'00	6,30'14	6,60'00
Matches . . . . .	1,25'85	1,18'30	89'18	92'09	52'29	50'00
Match Splints and Veneers . . . . .						
Silk mixtures . . . . .	..	3'80	5'43	6'52	6'99	7'16
Portland Cement . . . . .	..	..	9'06	7'02	11'04	11'65
Printer's Ink . . . . .	..	..	34	32	38	40
<i>Duty at 2½ per cent.</i>						
Machinery (including Locomotive Engines and tenders) . . . . .	42'88	43'86	38'17	43'28	22'68	50
Other articles . . . . .	1'16	87	55	72	52	57
<i>Duty at 10 per cent.</i>						
Metals—Iron and Steel . . . . .	84'12	42'30	42'82	43'20	52'07	55'90
Railway plant and rolling stock . . . . .	47'49	38'82	24'41	40'00	29'00	30'00
Other articles . . . . .	1'65	1'42	1'06	1'75	1'40	2'20
<i>Duty at 15 per cent.</i>						
Articles of Food and Drink (excluding sugar and vinegar) . . . . .	1,39'15	1,59'83	1,74'89	1,87'26	1,83'48	1,92'30
Raw materials and articles mainly unmanufactured . . . . .	63'88	69'72	65'17	67'50	75'89	78'60
Articles wholly or mainly manufactured—						
(a) Cutlery, hardware, implements and instruments . . . . .	1,19'97	1,29'42	1,31'52	1,37'72	1,37'27	1,41'97
(b) Metals other than Iron and Steel . . . . .	1,12'97	1,10'31	96'84	1,06'80	80'40	86'85
(c) Yarns and textile fabrics (other than cotton manufactures) . . . . .	1,42'81	1,44'20	1,68'49	1,89'10	1,85'90	1,99'25
(d) Pneumatic rubber tyres and tubes . . . . .	27'69	46'03	38'90	42'00	32'00	38'00
(e) All other articles wholly or mainly manufactured . . . . .	3,99'48	3,99'84	4,15'91	4,29'27	4,19'41	4,20'00
Miscellaneous . . . . .	56'46	55'67	62'46	59'50	62'94	63'55
<i>Duty at 20 per cent.</i>						
Motor cars and cycles . . . . .	79'44	1,05'30	1,04'95	1,08'39	89'61	1,10'00
<i>Duty at 30 per cent.</i>						
Silk piece-goods and other manufactures of silk . . . . .	90'05	78'16	78'34	82'05	85'54	83'53
Other articles . . . . .	98'59	1,03'73	1,04'78	1,14'81	98'88	1,04'40

	Accounts, 1924-25.	Accounts, 1925-26.	Accounts, 1926-27.	1927-28.		Budget, 1928-29.
				Budget.	Revised..	
<b>REVENUE—contd.</b>						
<b>SEA CUSTOMS—contd.</b>						
<b>IMPORTS—contd.</b>						
<i>Protective Special Duties.</i>						
Iron and Steel { (a) Liable to additional duties	2,25·77	2,92·04	2,76·93	2,75·00	2,99·77	3,09·75
(b) Not liable to additional duties						
Paper and Stationery . . . . .	..	12·78	23·52	24·23	26·67	27·48
<i>Government stores.</i>						
Articles liable to protective duties—						
Iron and Steel { (a) Liable to additional duties	60·29	1,02·65	94·27	1,02·40	99·56	1,01·19
(b) Not liable to additional duties						
Paper and Stationery						
Railway plant and rolling stock (non-protective)						
Other Stores . . . . .						
<b>TOTAL IMPORTS</b>	<b>39,00·80</b>	<b>39,31·90</b>	<b>39,96·41</b>	<b>41,89·19</b>	<b>40,86·86</b>	<b>42,41·60</b>
<b>Export duties—</b>						
(a) Hides and skins, raw . . . . .	26·75	31·74	30·84	30·00	34·46	35·10
(b) Jute (raw and manufactured) . . . . .	3,75·64	3,68·05	3,95·06	3,80·00	4,85·42	4,20·45
(c) Rice . . . . .	1,23·97	1,40·81	1,16·68	1,21·05	1,21·69	1,22·07
(d) Tea . . . . .	49·12	48·09	50·96	..	1·09	..
(e) Government Stores . . . . .	·05	·03	·04	·04	·03	·01
Sea Customs—Miscellaneous . . . . .	13·50	11·43	9·80	12·15	14·26	14·47
Land Customs . . . . .	20·84	23·04	22·41	21·82	36·00	41·76
Excise Duty on Cotton Manufactures . . . . .	2,17·67	1,46·60	·37	..	..	..
Excise Duty on Motor Spirit . . . . .	78·86	76·82	96·40	1,00·00	1,24·55	1,24·80
Excise Duty on Kerosene . . . . .	98·39	97·88	1,04·70	1,10·00	1,01·21	1,10·56
Warehouse and wharf rents and Miscellaneous . . . . .	5·29	5·54	6·87	5·12	5·71	5·54
<b>TOTAL RECEIPTS</b>	<b>49,10·88</b>	<b>48,81·93</b>	<b>48,30·54</b>	<b>49,69·37</b>	<b>49,61·28</b>	<b>51,16·36</b>
<i>Deduct—Refunds</i> . . . . .	<i>3,35·56</i>	<i>1,03·98</i>	<i>92·43</i>	<i>96·00</i>	<i>97·78</i>	<i>97·99</i>
<b>TOTAL REVENUE</b>	<b>45,75·32</b>	<b>47,77·95</b>	<b>47,38·11</b>	<b>48,73·37</b>	<b>48,63·50</b>	<b>50,18·37</b>
<b>EXPENDITURE.</b>						
India . . . . .	75·13	80·15	79·72	86·03	83·53	87·14
England . . . . .	1·45	1·22	1·16	1·41	2·03	1·93
Exchange . . . . .	·54	·40	59	·47	·01	..
<b>Total</b>	<b>77·12</b>	<b>81·77</b>	<b>81·27</b>	<b>87·91</b>	<b>85·57</b>	<b>89·06</b>

## TAXES ON INCOME.

	Revenue. (Receipts less re- funds and Provi- vincial Govern- ments' share of Income-tax revenue).	Expenditure.	Net revenue.
1924-25 . . . . .	16,01·48	60·38	15,41·10
1925-26 . . . . .	15,85·93	58·72	15,27·21
1926-27 . . . . .	15,64·97	61·76	15,03·21
1927-28 { Budget . . . . .	16,95·05	68·48	16,26·57
{ Revised . . . . .	15,64·62	66·52	14,98·10
1928-29 Budget . . . . .	16,99·58	69·41	16,30·17

\* 8. The revised estimate of revenue under this head is 1,30 lakhs worse than the budget. In paragraph 39 of the Finance Member's budget speech of the 28th February 1927, it was proposed to assess 50 per cent. of the profits of tea companies as representing non-agricultural profits instead of the previous 25 per cent. It was later decided to reduce the percentage assumed for budget purposes to 40 which has involved a loss of 18 lakhs. Refunds have gone up by 10 lakhs and the Provincial Governments' share is more by 4 lakhs. But the main portion of the loss is accounted for by the over-estimating, a year ago, of the profits of the jute trade in Bengal which Province alone is responsible for an aggregate deterioration of 48 lakhs and 86 lakhs in super-tax and income-tax revenue respectively.

9. In the coming year, the last-mentioned cause will disappear as the trade has latterly been doing well. We shall also have the full effect of the altered method of assessment of tea companies and a further appreciable accretion to our revenues from the substitution of tax-subject for tax-free Government of India securities in accordance with our recent loan operations. The total budget estimate of revenue is thus 1,35 lakhs more than the revised estimate for 1927-28 though only 5 lakhs more than the budget figure for that year. The principal increase over the revised estimate is naturally expected in Bengal—52 lakhs in super-tax and 77 lakhs in income-tax. The variations elsewhere are unimportant.

10. The following tables give the usual details :—

	Accounts, 1924-25.	Accounts, 1925-26.	Accounts, 1926-27.	1927-28.		Budget, 1928-29.
				Budget.	Revised.	
<b>REVENUE.</b>						
<b>EXCESS PROFITS DUTY.</b>						
1 Madras . . . . .	·08	..	·16	..	..	..
2. Bengal . . . . .	·15	·01	·01	·01	·01	·01
3. Bombay . . . . .	..	..	·01	..	..	..
<b>TOTAL</b> . . . . .	·23	·01	·18	·01	·01	·01

	Accounts, 1924-25.	Accounts, 1925-26.	Accounts, 1926-27.	1927-29.		Budget, 1928-29.
				Budget.	Revised.	
<b>REVENUE—contd.</b>						
<b>SUPKR-TAX.</b>						
1. India . . . . .	1'22	2'07	2'17	2'15	1'87	2'00
2. Baluchistan . . . . .	..	35	22	40	20	22
3. N.-W. Frontier . . . . .	24	24	98	34	68	53
4. Madras . . . . .	21'35	22'71	19'21	25'20	22'00	24'00
5. Bombay . . . . .	1,27'34	83'62	78'62	94'71	85'00	85'00
6. Bengal . . . . .	2,25'31	2,54'77	2,45'95	2,61'00	2,13'00	2,65'00
7. United Provinces . . . . .	16'53	17'42	15'15	15'30	15'30	16'00
8. Punjab . . . . .	6'90	6'67	6'27	8'40	7'00	7'00
9. Burma . . . . .	56'56	57'87	64'56	70'15	70'15	67'00
10. Bihar and Orissa . . . . .	6'54	4'36	20'80	8'84	17'19	12'00
11. Central Provinces . . . . .	12'94	8'37	8'23	8'00	7'00	8'00
12. Assam . . . . .	4'09	2'47	3'34	5'00	4'00	4'00
<b>TOTAL</b>	<b>4,79'02</b>	<b>4,65'92</b>	<b>4,65'50</b>	<b>4,99'49</b>	<b>4,43'39</b>	<b>4,90'75</b>
<b>INCOME-TAX.</b>						
1. India General—						
Civil . . . . .	32'42	28'28	31'71	30'16	33'76	34'04
Non-Civil Departments . . . . .	50'21	55'78	58'82	61'94	62'61	63'74
2. Delhi . . . . .	8'33	11'44	11'21	10'42	11'46	10'96
3. Baluchistan . . . . .	1'07	1'69	1'60	1'95	1'35	1'30
4. North-West Frontier . . . . .	7'65	8'24	9'38	8'05	8'65	9'20
5. Madras . . . . .	1,18'16	1,28'30	1,29'24	1,39'00	1,41'00	1,43'00
6. Bombay . . . . .	3,13'10	2,89'07	2,74'46	2,97'00	2,97'00	2,95'00
7. Bengal . . . . .	3,50'15	3,90'76	3,56'00	3,99'00	3,13'00	3,90'00
8. United Provinces . . . . .	64'94	65'31	61'68	69'70	69'70	75'00
9. Punjab . . . . .	63'33	64'91	67'42	70'84	70'00	71'00
10. Burma . . . . .	1,31'31	1,65'45	1,87'05	1,74'63	1,95'00	1,97'00
11. Bihar and Orissa . . . . .	39'42	36'53	43'09	42'00	45'00	40'00
12. Central Provinces . . . . .	39'99	36'88	37'06	38'30	38'30	40'00
13. Assam . . . . .	20'06	17'94	19'73	25'09	21'00	22'00
14. Coorg . . . . .	..	23	24	23	23	23
<b>TOTAL</b>	<b>12,40'36</b>	<b>13,00'81</b>	<b>12,58'74</b>	<b>13,68'31</b>	<b>13,08'06</b>	<b>13,92'47</b>
<b>MISCELLANEOUS.</b>						
1. Bombay . . . . .	..	..	..	..	10	10
2. Bihar and Orissa . . . . .	..	..	..	..	05	05
3. Central Provinces . . . . .	..	..	..	..	02	02
<b>TOTAL</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>17</b>	<b>17</b>
<b>Total Receipts from Taxes on Income</b>	<b>17,19'61</b>	<b>17,66'74</b>	<b>17,54'42</b>	<b>18,67'81</b>	<b>17,51'63</b>	<b>18,83'40</b>
<b>Deduct—Refunds—</b>						
India . . . . .	96'75	1,48'55	1,48'78	1,42'02	1,51'71	1,47'55
England . . . . .	1'21	4'64	5'47	..	40	27
Exchange . . . . .	41	1'52	1'87	..	..	..
<b>TOTAL REFUNDS</b>	<b>98'37</b>	<b>1,54'71</b>	<b>1,56'12</b>	<b>1,42'02</b>	<b>1,52'11</b>	<b>1,47'82</b>
<b>Deduct—Share of Provincial Govern- ments in Income-tax revenue under the Devolution Rules</b>	<b>19'76</b>	<b>26'70</b>	<b>33'33</b>	<b>30'74</b>	<b>34'90</b>	<b>36'00</b>
<b>Total Revenue of the Central Gov- ernment</b>	<b>16,01'48</b>	<b>15,85'93</b>	<b>15,64'97</b>	<b>16,95'05</b>	<b>15,64'62</b>	<b>16,99'58</b>
<b>EXPENDITURE.</b>						
India . . . . .	59'29	57'63	60'67	67'35	65'79	69'54
England . . . . .	79	82	81	85	73	87
Exchange . . . . .	30	27	28	28	..	..
<b>TOTAL</b>	<b>60'38</b>	<b>58'72</b>	<b>61'76</b>	<b>68'48</b>	<b>66'52</b>	<b>69'41</b>
<b>Distributed as follows—</b>						
<b>Payments to Provincial Govern-     ments</b>	<b>11'16</b>	<b>3'62</b>	<b>2'50</b>	<b>2'36</b>	<b>2'48</b>	<b>1'92</b>
<b>Direct expenditure of Central Gov-     ernment</b>	<b>49'22</b>	<b>55'10</b>	<b>59'26</b>	<b>66'12</b>	<b>64'04</b>	<b>67,49</b>



## Amount of income-tax revenue payable to Provincial Governments.

	Accounts, 1924-25.	Accounts, 1925-26.	Accounts, 1926-27.	1927-28.		Budget, 1928-29.
				Budget.	Revised.	
Madras . . . . .	1.57	4.27	4.64	5.46	5.20	6.50
United Provinces . . . . .	..	.03	..	..	..	..
Punjab . . . . .	1.90	3.82	4.02	3.98	3.50	4.00
Burma . . . . .	5.90	8.92	14.32	10.20	15.00	14.00
Bihar and Orissa . . . . .	2.55	2.41	3.25	4.83	3.60	3.50
Central Provinces . . . . .	2.30	1.36	2.18	1.00	1.60	2.00
Assam . . . . .	5.54	5.29	4.92	5.27	6.00	6.00
<b>TOTAL</b> . . . . .	<b>19.76</b>	<b>26.10</b>	<b>33.33</b>	<b>30.74</b>	<b>34.90</b>	<b>36.00</b>

11. The following table shows the distribution by Provinces of the net revenue of the Central Government from super-tax and income-tax, after deducting refunds and the share payable to Provincial Governments under the Devolution Rules :—

	Accounts, 1926-27.	1927-28.		Budget, 1928-29.
		Budget.	Revised.	
Madras . . . . .	1,28	1,45	1,44	1,47
Bombay . . . . .	3,21	3,55	3,46	3,45
Bengal . . . . .	5,70	6,24	4,90	6,19
United Provinces . . . . .	74	83	83	89
Punjab . . . . .	65	71	69	70
Burma . . . . .	1,94	1,96	2,06	2,06
Bihar and Orissa . . . . .	54	43	55	46
Central Provinces . . . . .	37	41	39	41
Assam . . . . .	16	23	15	17
Minor Administrations and Non-Civil Departments . . . . .	1,14	1,14	1,18	1,20
England (including Exchange) . . . . .	—8	..	..	..
<b>TOTAL</b> . . . . .	<b>15,65</b>	<b>16,95</b>	<b>15,65</b>	<b>17,00</b>

## SALT.

	* Revenue (Receipts less Refunds).	Expenditure (including Capital Expenditure charged to Revenue).	Net Revenue.
1924-25 . . . . .	7,39.05	1,27.40	6,11.65
1925-26 . . . . .	6,32.97	1,32.24	5,00.73
1926-27 . . . . .	6,69.81	1,24.76	5,45.05
1927-28 { Budget . . . . .	7,00.00	1,31.25	5,68.75
{ Revised . . . . .	6,75.42	1,25.84	5,49.58
1928-29. Budget . . . . .	7,00.08	1,25.50	5,74.58

12. The revised estimate of revenue has been put at 25 lakhs less than the budget figure as cash receipts have so far been lagging behind the salt issues. It is expected that this will be made good in the coming year the budget for which has accordingly been taken again at 7 crores.

13. The relevant details are given below.

	Accounts, 1924-25.	Accounts, 1925-26.	Accounts, 1926-27.	1927-28.		Budget, 1928-29.
				Budget.	Revised.	
<b>REVENUE.</b>						
Northern India (a)	1,42·92	1,29·09	1,58·32	1,72·36	1,61·21	1,67·74
Madras (a)	1,94·99	1,47·72	1,43·12	1,49·68	1,48·54	1,51·18
Bombay (a)	1,75·40	1,53·67	1,59·72	1,69·07	1,63·92	1,68·61
Bengal (b)	2,37·84	1,72·35	1,77·45	1,79·68	1,63·38	1,79·04
Burma (b)	34·62	34·19	34·24	34·50	36·76	37·02
Bihar and Orissa	·01	·01	·01	·01	·01	·01
Assam	·01	·01	·01	·01	·01	·01
<b>TOTAL RECEIPTS</b>	<b>7,85·78</b>	<b>6,37·04</b>	<b>6,72·86</b>	<b>7,05·31</b>	<b>6,78·83</b>	<b>7,03·61</b>
<i>Deduct—Refunds</i>	<i>46·72</i>	<i>4·07</i>	<i>3·05</i>	<i>5·31</i>	<i>3·41</i>	<i>2·53</i>
<b>TOTAL REVENUE</b>	<b>7,39·05</b>	<b>6,32·97</b>	<b>6,69·81</b>	<b>7,00·00</b>	<b>6,75·42</b>	<b>7,00·08</b>
<b>EXPENDITURE.</b>						
Cost of salt purchased by Govern- ment	14·47	10·25	12·90	12·64	11·26	8·42
Assignments and compensations	36·38	40·27	38·18	38·24	39·48	39·49
Interest	3·01	3·72	3·89	4·19	4·10	4·26
Depreciation	2·60	2·54	2·66	2·86	2·82	2·74
Other charges	62·87	67·91	61·68	68·17	63·78	66·60
Capital Outlay on salt works	7·20	7·18	4·80	4·56	2·80	2·96
<b>Total India</b>	<b>1,26·53</b>	<b>1,31·87</b>	<b>1,24·11</b>	<b>1,30·66</b>	<b>1,24·24</b>	<b>1,24·47</b>
England	·63	·28	·48	·44	1·59	1·08
Exchange	·24	·09	·17	·15	·01	·00
<b>TOTAL</b>	<b>1,27·40</b>	<b>1,32·24</b>	<b>1,24·76</b>	<b>1,31·25</b>	<b>1,25·84</b>	<b>1,25·50</b>

(a) Chiefly excise on local manufacture.

(b) Chiefly duty on imported salt.

### OPIUM.

	Provision and medical opium.	Excise opium and mis- cellaneous (less refunds).	Total revenue (Receipts less refunds).	Purchase of opium.	Other charges.	Total expendi- ture.	Net revenue.	
1924-25	2,74·97	1,04·79	3,79·76	2,14·82	20·75	2,35·57	1,44·19	
1925-26	2,82·76	1,32·24	4,15·00	1,90·30	21·17	2,11·47	2,03·53	
1926-27	3,51·49	81·65	4,33·14	85·98	14·46	1,00·44	3,32·70	
1927-28	Budget	3,00·07	83·01	3,83·08	75·34	15·25	90·59	2,92·49
	Revised	2,93·38	81·84	3,80·22	75·37	13·67	89·04	2,91·18
1928-29	Budget	2,65·33	82·44	3,47·77	67·67	13·82	81·49	2,66·28

14. The revenue from opium is derived mainly from exports of what is called provision opium to foreign countries, and from the sale to Provincial Governments of excise opium for internal consumption in India. The latter is sold to Provincial Governments at a fixed price based on the cost of production, and retailed by them to licensed vendors at rates fixed by them which vary from Province to Province. Opium is exported to foreign countries only after the prescribed import certificate from the Government of the importing country is produced. The entire quantity is now exported under the system of direct sales to Foreign and Colonial Governments,

that of auction sales in Calcutta to traders for export to foreign countries having been stopped with effect from the 7th April 1926.

15. The exports of provision opium in the current year are expected to amount to 7,125 chests but will drop to 6,300 chests next year under the arrangement whereby they have to be extinguished not later than the 31st December 1935. This accounts for the fall of 32 lakhs in the budget estimate of revenue in 1928-29. Simultaneously, however, there will be a reduction of 7 lakhs in the payments to cultivators etc., thus reducing the net loss under this head next year to 25 lakhs.

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

	Revenue.	Expenditure.	Net revenue.
1924-25 . . . . .	2,06·93	43·75	1,63·18
1925-26 . . . . .	2,12·60	60·57	1,52·03
1926-27 . . . . .	2,17·50	56·52	1,60·98
1927-28 { Budget . . . . .	2,27·06	56·63	1,70·43
{ Revised . . . . .	2,27·64	55·78	1,71·86
1928-29 Budget . . . . .	2,20·10	62·34	1,57·76

16. These comprise Land Revenue, Excise, Stamps, Forest, Registration and Tributes from Indian States. The budget estimate of revenue for 1928-29 includes an additional 6 lakhs accruing from forests, principally in the Andamans, and allows for the reduction of 10½ lakhs in the Mysore subsidy. The expenditure estimate of the year is swollen to the extent of 5 lakhs under the head Forest which, however, is more than counterbalanced by the increase in revenue.

#### IRRIGATION.

	Revenue (Receipts <i>less</i> Working expenses).	Expenditure (including Capital expenditure charged to Revenue).	Net Expenditure.
1924-25 . . . . .	10·92	22·36	11·44
1925-26 . . . . .	12·03	20·15	8·12
1926-27 . . . . .	10·25	15·50	5·25
1927-28 { Budget . . . . .	10·36	18·70	8·34
{ Revised . . . . .	10·47	·92	—9·55
1928-29 Budget . . . . .	12·36	23·10	10·74

17. The revised estimate of expenditure in 1927-28 appears much smaller than it really is owing to the transfer of about 17 lakhs, being the outlay on the Abazai Weir and the Doaba Canals from the accounts of the Upper Swat Canal which has been classed as an unproductive work to the Lower Swat Canal which belongs to the productive category, in other words, a transfer from revenue to capital. Next year's budget excludes this book-keeping adjustment but includes 2½ lakhs for surveys of the possibilities of irrigation in Waziristan and Baluchistan and 1½ lakhs for ~~the~~ certain new drainage projects in the North-West Frontier Province.

## POSTS AND TELEGRAPHS.

	Accounts, 1924-25.	Accounts, 1925-26.	Accounts, 1926-27.	1927-28.		Budget, 1928-29.
				Budget.	Revised.	
<b>INDIAN POSTS AND TELE- GRAPHS DEPARTMENT.</b>						
GROSS RECEIPTS . . . . .	9,97'28	10,21'37	10,53'04	10,79'83	10,94'34	11,38'86
WORKING EXPENSES—						
India . . . . .	8,82'01	9,28'90	9,83'39	10,16'80	10,37'20	10,72'25
England . . . . .	10'93	6'83	5'45	5'46	7'01	6'97
Exchange . . . . .	4'09	2'23	1'86	1'82	'03	..
TOTAL . . . . .	8,97'03	9,37'96	9,90'70	10,24'08	10,44'24	10,79'22
NET RECEIPTS . . . . .	1,00'25	83'41	62'34	55'75	50'10	59'64
EXPENDITURE CHARGED TO REVE- NUE—						
Interest . . . . .	68'60	46'38	52'09	56'51	54'68	59'41
NET REVENUE . . . . .	31'65	37'03	10'25	—'76	—4'58	'23
CAPITAL OUTLAY CHARGED TO RE- VENUE—						
India . . . . .	—56'99	—1,40'87	17'62	20'00	18'30	17'00
England . . . . .	10'45	..	..	..	..	..
Exchange . . . . .	3'83	..	..	..	..	..
TOTAL . . . . .	—42'71	—1,40'87	17'62	20'00	18'30	17'00
CAPITAL OUTLAY NOT CHARGED TO REVENUE—						
India . . . . .	1,17'56	2,00'50	22'97	49'83	47'79	56'50
England . . . . .	..	10'03	8'39	7'61	12'91	13'51
Exchange . . . . .	..	3'26	2'93	2'54	'04	..
TOTAL . . . . .	1,17'56	2,13'79	34'29	59'98	60'74	70'01
<b>INDO-EUROPEAN TELEGRAPH DEPARTMENT.</b>						
GROSS RECEIPTS—						
India . . . . .	29'33	22'39	17'72	17'15	19'50	19'24
England . . . . .	8'27	10'58	15'84	14'60	15'60	12'27
Exchange . . . . .	3'06	3'46	5'40	4'87	'05	..
TOTAL . . . . .	40'71	36'43	38'96	36'62	35'15	31'51
WORKING EXPENSES—						
India . . . . .	28'77	31'90	29'34	32'72	31'76	32'21
England . . . . .	'69	1'20	'98	1'19	1'73	1'57
Exchange . . . . .	'26	'39	'33	'39	..	..
TOTAL . . . . .	29'72	33'49	30'65	34'30	33'49	33'78
NET RECEIPTS . . . . .	10'99	2'94	8'31	2'32	1'66	—2'27
EXPENDITURE CHARGED TO RE- VENUE—						
Interest . . . . .	..	4'31	5'16	5'29	5'03	5'21
NET REVENUE . . . . .	10'99	—1'37	3'15	—2'97	—3'37	—7'48
CAPITAL OUTLAY CHARGED TO REVENUE—						
India . . . . .	—4'94	—14'10	'86	2'76	3'61	—'01
England . . . . .	7'35	1'80	'08	'04	'05	'05
Exchange . . . . .	2'58	'59	'02	'01	..	..
TOTAL . . . . .	4'99	—11'71	'94	2'81	3'66	'04
CAPITAL OUTLAY NOT CHARGED TO REVENUE—						
India . . . . .	..	8'40	—3'17	—3'56	—4'08	—3'82
England . . . . .	..	1'02	1'10	1'20	'88	1'35
Exchange . . . . .	..	'33	'37	'40	..	..
TOTAL . . . . .	..	9'75	—1'70	—1'96	—3'18	—1'99

18. The above statement shows the position of both the Indian Posts and Telegraphs Department and the Indo-European Telegraph Department at a glance. The figures appearing as 'Net Revenue' show in both cases the profit or loss on the working on a commercial basis.

19. In the Indian Department, the comparatively large loss in the current year is more than accounted for by the fact that it is proposed, in accordance with the recommendations of an expert Committee, to write off certain unserviceable and obsolete stores and to write down to their current value certain over-valued but serviceable stores to the extent of 2·43 lakhs and 5·54 lakhs respectively in excess of the budget provision for the purpose. The estimate of working expenses for next year includes a special provision of 14·18 lakhs for additional expenditure on further measures of improvement of the conditions of service of the lower-paid staff. It also provides, pending actuarial calculations, for an increase, from 50 to 58 lakhs, of the pensionary liability to be made good to the Civil Department, as also for an increase from 29 to 37·66 lakhs of the amount receivable therefrom for work connected with the Post Office Savings Bank and Cash Certificates.

20. The Indo-European Department shows a larger loss next year owing to the fact that its earnings have fallen as a result of the competition of the radio system.

21. The interest chargeable to both the Departments has been calculated throughout with reference to the value of the recently constructed block account as at the 31st March 1925 and the capital outlay subsequently incurred, after taking into account capital receipts as also the profit or loss on the annual working.

#### INTEREST RECEIPTS.

	Accounts, 1926-27.	Budget, 1927-28.	Revised, 1927-28.	Budget, 1928-29.
India . . . . .	89·56	70·69	70·14	59·95
England . . . . .	43·11	21·58	19·45	15·36
Exchange . . . . .	81·13	61·36	·91	..
Total . . . . .	4,08·59	3,16·13	3,30·50	2,91·97

22. The revised estimate of receipts in India for 1927-28 includes 23·67 lakhs on account of un-earned discount on Treasury Bills in the Paper Currency Reserve which were cancelled before maturity. The entire amount of discount was debited to revenue under the Interest head when the bills were issued : at the time of cancellation, only that portion of the discount which was actually earned was taken as currency receipts and the balance re-credited to revenue under this head. The disappearance of this special item, partly counterbalanced by an increase in the interest on loans to the public, accounts for the fall in the next year's budget. The receipts in England have been estimated by the Secretary of State on the basis of the latest information regarding the volume and composition of the Home balances, the prevailing interest rates, etc. :

## INTEREST PAYMENTS.

	Accounts, 1926-27.	Budget, 1927-28.	Revised, 1927-28.	Budget, 1928-29.
<i>Interest on ordinary debt—</i>				
Gross payments—				
India . . . . .	19,82·81	20,26·14	19,98·38	200,4·72
England . . . . .	13,04·13	12,89·18	17,50·10	17,44·79
Exchange . . . . .	4,44·46	4,29·73	6·11	..
Total . . . . .	<u>37,31·40</u>	<u>37,45·05</u>	<u>37,54·59</u>	<u>37,49·51</u>
<i>Deduct—Amounts charged to—</i>				
Railways . . . . .	24,29·80	25,82·64	25,91·59	27,47·02
Irrigation . . . . .	12·00	12·04	12·02	12·15
Posts and Telegraphs . . . . .	58·41	62·77	61·23	66·14
Other heads . . . . .	9·33	13·80	16·61	20·79
Provincial Loans Fund . . . . .	5,34·61	5,36·05	5,48·30	5,74·50
Total deductions . . . . .	<u>30,44·15</u>	<u>32,07·30</u>	<u>32,29·75</u>	<u>34,20·60</u>
Total Interest on Ordinary Debt (net) . . . . .	<u>6,87·25</u>	<u>5,37·75</u>	<u>5,24·84</u>	<u>3,28·91</u>
<i>Interest on other obligations—</i>				
On Postal Savings bank balances . . . . .	79·21	85·14	87·56	97·84
On Provident Funds . . . . .	2,26·54	2,29·95	2,23·06	2,50·95
Bonus on Postal Cash Certifi- cates . . . . .	16·19	16·00	25·00	50·00
On Fixed Deposits of Provin- cial Governments . . . . .	20·89	25·00	18·23	18·00
On Reserve and Depreciation Funds . . . . .	65·94	78·26	85·68	1,09·10
Other items . . . . .	81·32	90·44	87·10	95·95
Total . . . . .	<u>4,90·09</u>	<u>5,24·79</u>	<u>5,26·63</u>	<u>6,21·84</u>
Total Interest payments . . . . .	<u>11,77·34</u>	<u>10,62·54</u>	<u>10,51·47</u>	<u>9,50·75</u>

23. In view of the magnitude of the transactions, the variations in the current year from the budget are inappreciable. The revised estimate is based on the latest anticipations on the Ways and Means side of our budget. The discount on the year's rupee loan (1,07·46 lakhs) and that on the sterling loan (£637,500) have not been charged to revenue at once but will be provided for by the institution of separate discount sinking funds, so that the charge to revenue will be spread over the periods of currency of the loans.

24. The budget estimate for next year includes, over and above normal payments, 75 lakhs for the service of the loan to be raised during the year, 81.25 lakhs being the premium of 5 per cent. payable on the War Bonds, 1928, at maturity, and an additional provision of 25 lakhs for bonus on Cash Certificates in view of the probability of larger encashments. Nevertheless, the net total is about a crore less than in the current year. The steady reduction in these charges will be apparent from the following figures:—

1923-24	15,97
1924-25	14,90
1925-26	13,37
1926-27	11,77
1927-28	10,51
1928-29	9,51

In the five years ending the 31st March 1929, the reduction is fully 40 per cent. and is, among other things, an indication of the extent of the replacement of unproductive by productive debt.

#### APPROPRIATION FOR REDUCTION OR AVOIDANCE OF DEBT.

25. Under the scheme of debt redemption adopted by the Government of India for the five years 1925-26 to 1929-30, the annual charge against the revenues of India for the purpose of making provision for the reduction or avoidance of debt is made up of—

- (a) a sum of 4 crores, and
- (b) such additional sum as is equal to one-eightieth of any excess shown in the total of the debt outstanding on the 31st of March of the preceding year over the total outstanding on the 31st March 1923.

26. The amount required under this scheme is 4,90.30 lakhs in 1927-28, and 5,13.19 lakhs in 1928-29. The figures on which the calculation is based are given below:—

	(In lakhs of rupees, sterling amounts being converted at Rs. 15 per £.)		
	31st March 1923.	31st March 1927.	31st March 1928 (Estimate.)
Rupee Debt exclusive of Treasury Bills in the Paper Currency Reserve	3,61,42	3,74,44	3,81,30
Sterling Debt	3,63,95	4,24,35	4,34,38
Unfunded Debt	62,56	1,07,62	1,19,22
Capital value of the liabilities undergoing redemption by way of Terminable Railway Annuities	91,97	84,28	82,19
	<u>8,79,90</u>	<u>9,90,69</u>	<u>10,17,09</u>
<i>Deduct—</i>			
Discount included above but separately provided for	8,23	14,10	16,02
Advances to Provincial Governments other than those representing pre-Reform Irrigation debt	24,89	57,67	63,74
	<u>33,12</u>	<u>71,67</u>	<u>79,76</u>
	<u>8,46,78</u>	<u>9,19,02</u>	<u>9,37,33</u>
Excess over outstanding debt on 31st March 1923		72,24	90,55
1/80th of above		90.30	1,13.19

27. These amounts should be increased further by 16·06 and 26·67 lakhs respectively, being the reparation receipts payable by Germany which have to be applied, under section 7 of the Indian Finance Act, 1926, to the reduction or avoidance of debt. The total provision is thus 5,06·36 lakhs in 1927-28 and 5,39·86 lakhs in 1928-29. These amounts include the following specific items :—

	Revised, 1927-28.	Budget, 1928-29.
Sinking fund provision for 5 per cent. rupee loans	1,36·04	1,36·04
Capital portion of railway annuities . . . . .	1,86·50	1,92·28
Railway sinking funds . . . . .	26·76	26·66
Capital portion of liabilities assumed in respect of British 5 per cent. War Loan 1929—47 . . . . .	71·93	75·24
Reparation receipts . . . . .	16·06	26·67
<b>TOTAL</b>	<b>4,37·29</b>	<b>4,56·89</b>

28. The sums provided from revenue on this account from year to year are indicated below. The increase in the five years ending the 31st March 1929 is less than 28 per cent. of the savings in interest on dead-weight debt during the same period (*vide* paragraph 24).

1923-24 . . . . .	3,62
1924-25 . . . . .	3,78
1925-26 . . . . .	4,97
1926-27 . . . . .	4,97
1927-28 . . . . .	5,06
1928-29 . . . . .	5,40

#### CIVIL ADMINISTRATION.

	Revenue.	Expenditure.	Net Expenditure.	
1924-25 . . . . .	73·98	10,12·59	9,38·61	
1925-26 . . . . .	89·98	10,76·49	9,86·51	
1926-27 . . . . .	86·05	11,13·44	10,27·39	
1927-28	{ Budget . . . . .	84·21	11,31·39	10,47·18
	{ Revised . . . . .	95·34	11,28·16	10,32·82
1928-29 Budget . . . . .	1,01·32	11,69·45	10,68·13	

29. The improvement in revenue in the current year is distributed over a large number of heads including, principally, pilotage receipts in Bengal, receipts of the Kasauli Institute and the Muktesar Laboratory, and of the Survey of India and the Indian Stores Departments,



30. The revised estimate of expenditure in 1927-28 is practically the same as the budget in spite of an increase in the payments of bounties from 5 to 15 lakhs and of an addition of over 7 lakhs under Aviation for the mooring mast at Karachi. This result was rendered possible by a reduction in the expenditure on India House from 8 to 3½ lakhs and smaller savings in various other directions.

31. Next year's expenditure is expected to show an increase of over 41 lakhs notwithstanding the facts that the bounty figure will represent only a small residue of a lakh and that the special item of aviation expenditure referred to in paragraph 30 will disappear. For, besides the annual increments, etc., which are mainly responsible for the increase, we have a rise from 3½ to 17 lakhs in the outlay on India House, an expenditure of 2 lakhs on the Dum-Dum Aerodrome, financial assistance of about 1½ lakhs to Aeroplane Clubs, not to speak of numerous other small items of new expenditure detailed in the volume of Demands for Grants. About 11 lakhs of the increase is, however, nominal, being the result of the change in the method of accounting described in paragraph 34 below.

#### CURRENCY AND MINT.

	Revenue.	Expenditure.	Net Revenue.
1924-25 . . . . .	3,99·33	71·41	3,27·92
1925-26 . . . . .	4,63·89	70·11	3,93·78
1926-27 . . . . .	4,15·51	76·37	3,39·14
1927-28 { Budget . . . . .	2,48·70	74·85	1,73·85
{ Revised . . . . .	2,72·97	91·49	1,81·48
1928-29 Budget . . . . .	2,48·81	69·63	1,79·18

32. The estimates of receipts under this group largely depend upon the transactions connected with the securities in the Paper Currency Reserve and are subject to wide fluctuations. The revised estimate of expenditure includes 6 lakhs for the acquisition of a site for a new currency office at Lahore but, even so, it is much larger than it should have been mainly owing to advance deliveries of currency note forms from England which will practically cease from next year when the Currency Note Printing Press at Nasik Road is expected to commence working. Next year's expenditure is lower for the same reason although it includes 4½ lakhs for the Electrolytic Silver Refinery at Bombay.

#### CIVIL WORKS.

	Revenue.	Expenditure.	Net Expenditure.
1924-25 . . . . .	13·21	1,77·73	1,64·52
1925-26 . . . . .	12·85	1,60·42	1,47·57
1926-27 . . . . .	15·79	1,89·74	1,73·95
19 7-28 { Budget . . . . .	17·45	1,66·98	1,49·53
{ Revised . . . . .	15·63	1,62·55	1,46·92
8-29 Budget . . . . .	14·41	1,73·31	1,58·90

33. The only variation of importance is in the budget estimate of expenditure for next year where the increase is practically all accounted for by the larger expenditure on the prison at Mach in Baluchistan, viz., 12 lakhs against 1 lakh in 1927-28.

#### MISCELLANEOUS.

	Revenue.	Expenditure.	Net Expenditure.
1924-25 . . . . .	45.90	4,35.32	3,89.42
1925-26 . . . . .	54.18	4,25.60	3,71.42
1926-27 . . . . .	60.01	3,96.16	3,36.15
1927-28 { Budget . . . . .	46.90	3,97.15	3,50.25
{ Revised . . . . .	46.49	3,91.74	3,45.25
1928-29 Budget . . . . .	81.82	4,10.06	3,28.24

34. In the current year, the expenditure falls short of the original estimate due to larger recoveries on account of stationery supplied to, and printing work done for, the Provincial Governments and the Army Department. Next year's figures are swollen on both sides as a result of the alteration, which will come into force on the 1st April 1928, in the method of adjustment of certain recoveries which will appear as receipts instead of as deductions from expenditure. The most important example of this is the recoveries from the Province on account of stationery and printing, aggregating 22½ lakhs. Allowing for such readjustments, the expenditure in the coming year is smaller than it would otherwise have been, because of an increase of 8 lakhs in the receipts from the Posts and Telegraphs Department on account of pensionary liability (*vide* paragraph 19) which, however, will continue to be adjusted as a deduction from expenditure.

#### PROVINCIAL CONTRIBUTIONS AND MISCELLANEOUS ADJUSTMENTS BETWEEN CENTRAL AND PROVINCIAL GOVERNMENTS.

	Revenue.	Expenditure.	Net Revenue.
1924-25 . . . . .	9,25.21	50.74	8,74.47
1925-26 . . . . .	6,24.09	15.68	6,08.41
1926-27 . . . . .	5,17.75	4.53	5,13.22
1927-28 { Budget . . . . .	..	..	..
{ Revised . . . . .	10.59	3.47	7.12
1928-29 Budget . . . . .	..	..	..

35. The revised estimate for the current year on both sides represents recoveries from, and payments to, Provincial Governments in connection with the readjustment of the value of the stocks of non-postal stamps held on the 1st April 1921 and of later supplies from Home which had not been correctly charged at the time.

36. The following table brings out the whole position as regards *permanent* remissions of Provincial contributions which will be completely and finally extinguished in 1928-29 :—

Province.	Fixed contribution.	Remitted in 1925-26.	Remitted in 1926-27.	Remitted in 1927-28.	Now out-standing.	Proposed to be remitted in 1928-29.	Balance not finally remitted.
Madras . . . . .	3,48	1,26·02	56·79	1,16·46	48·73	48·73	..
Bombay . . . . .	56	..	..	18·73	37·27	37·27	..
Bengal . . . . .	63	..	..	8·53	51·47	51·47	..
United Provinces . . . . .	2,40	56·17	32·98	99·25	51·60	51·60	..
Punjab . . . . .	1,75	61·16	28·11	59·93	25·80	25·80	..
Burma . . . . .	64	6·65	7·12	31·60	18·63	18·63	..
Central Provinces . . . . .	22	..	..	7·67	14·33	14·33	..
Assam . . . . .	15	..	..	7·33	7·17	7·17	..
Coorg . . . . .	12	..	..	12	..	..	..
<b>TOTAL</b> . . . . .	<b>9,83·12</b>	<b>2,50</b>	<b>1,25</b>	<b>3,50·12</b>	<b>2,58</b>	<b>2,58</b>	<b>..</b>

37. The *temporary* remissions hitherto granted are also summarised below for convenience of reference :—

Province.	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.
Madras . . . . .	..	..	..	..	..	48·73
Bombay . . . . .	..	..	..	22	28	37·27
Bengal . . . . .	63	63	63	63	63	54·47
United Provinces . . . . .	..	..	..	..	..	51·60
Punjab . . . . .	..	..	..	..	..	25·80
Burma . . . . .	..	..	..	13	..	18·63
Central Provinces . . . . .	..	..	..	9	..	14·33
Assam . . . . .	..	..	..	6	..	7·17
<b>Total</b> . . . . .	<b>63</b>	<b>63</b>	<b>63</b>	<b>1,13</b>	<b>91</b>	<b>2,53</b>

In effect, the remission has been permanent for Bengal from 1922-23 and for all the other Provinces from 1927-28.

## EXTRAORDINARY ITEMS.

	Accounts, 1926-27.	1927-28.		Budget, 1928-29.
		Budget.	Revised.	
<b>Receipts—</b>				
India . . . . .	15·38	1,71·65	1,68·73	..
England . . . . .	33·47	12·00	16·00	26·67
Exchange . . . . .	11·25	4·00	·06	..
<b>TOTAL . . . . .</b>	<b>60·10</b>	<b>1,87·65</b>	<b>1,84·79</b>	<b>26·67</b>
<b>Payments—</b>				
India . . . . .	2,99·21	7·00	18·87	4·50
England . . . . .	..	..	..	..
Exchange . . . . .	..	..	..	..
<b>TOTAL . . . . .</b>	<b>2,99·21</b>	<b>7·00</b>	<b>18·87</b>	<b>4·50</b>

38. The receipt in India in 1927-28 represents the transfer from the Revenue Reserve Fund which will show a credit balance of 1,26·90 lakhs at the close of the year (*vide* paragraphs 2 and 3), while the receipts in England in both years represent India's share of the Dawes annuities which, however, will be appropriated for the reduction or avoidance of debt (*vide* paragraph 27).

39. The revised estimate of expenditure includes two adjustments, one of 8·91 lakhs on account of certain expenditure incurred in Persia during the war and another of 6·96 lakhs in respect of certain claims made by His Majesty's Government for vessels requisitioned during the same period for the carriage of commercial cargo.

## EXCHANGE.

40. From the 1st April 1920 to the 31st March 1927, the accounts were prepared on the basis of the rate of 2s. per rupee for the conversion of rupee transactions into sterling and *vice versa*. The sterling value of the rupee, however, stood at a lower level in recent years. In consequence of this variation from the 2s. rate, large sums were brought to account as credits or debits on account of exchange in respect of transactions involving remittances of funds to and from the Secretary of State. These were purely book-keeping transactions. Under that system, there was an accounts 'gain' by exchange when the Home remittances through the market were less than the amounts required by the Secretary of State for his aggregate net disbursements owing to the latter having been financed partly from other sources, e.g., a sterling loan floated in London. Similarly there was an accounts 'loss' when the remittances were greater in order to meet the demands of trade. These 'gains' and 'losses' fluctuated within very wide limits as will

be seen from the following statement of balances at the end of each of the financial years from 1919-20 onwards :—

	Credit +, Debit —
31st March 1920 . . . . .	+5,23
" " 1921 . . . . .	—22,85
" " 1922 . . . . .	—11,43
" " 1923 . . . . .	+5,47
" " 1924 . . . . .	+8,55
" " 1925 . . . . .	+5,40
" " 1926 . . . . .	+1,31
" " 1927 . . . . .	+12,44

41. The procedure for the allocation of exchange gains and losses was as follows. All exchange gains and losses arising in respect of remittance transactions were recorded in the first instance under a suspense head; the portion attributable to the revenue and capital accounts in respect of outlay incurred in England was calculated every month on the basis of the average of the daily telegraphic transfer rates from Calcutta on London and transferred to these accounts, and the portion relating to the expenditure of Provincial Governments was similarly debited to the Provincial Governments concerned; and it was considered with reference to the circumstances of each year whether the balance remaining under the suspense head after these transfers were made should be written off to revenue or kept in suspense against the possibility of opposite results in succeeding years.

42. The entire procedure outlined above will need reconsideration as a result of the fixation of exchange at 1s. 6d. the rupee with effect from the 1st April 1927. For the purposes of the present estimates, the old procedure has been maintained but 1s. 6d. has been taken in place of the old 2s. rate. In the current year, however, the average rate is expected to work out at 1s. 5 $\frac{1}{2}$ d. But the variation between this rate and the statutory and normal accounts rate of 1s. 6d. being small, the gains and losses are comparatively inappreciable. The budget estimate for the ensuing year assumes an average rate of 1s. 6d. and, therefore, no gains or losses. The estimate for 1927-28 is as follows :—

Loss on :	
Remittances from India for financing the Home Treasury . . . . .	—1
Total Loss . . . . .	<u>—1</u>
Transfer to :	
Revenue heads (net) . . . . .	11
Capital heads (Railways, Posts and Telegraphs, Delhi, etc.) . . . . .	5
Provincial Governments . . . . .	1
Total Transfers . . . . .	<u>17</u>
Net Credit under the suspense head . . . . .	18
Opening balance . . . . .	12,44
Closing balance . . . . .	<u>12,62</u>

## WAYS AND MEANS.

## HOME TREASURY.

43. The bulk of the payments made in England on account of the Government of India consists of expenditure chargeable to the Indian revenues and has normally to be met by direct remittance of funds from India. The capital outlay on the construction of Railways, however, sometimes necessitates heavy borrowing and a large portion of the money required has, when necessary, been raised in England, either direct or through the agency of Companies. Operations connected with the Gold Standard and Paper Currency Reserves, and with the replacement of one particular form or item of direct or indirect debt by another, further swell the receipts and charges of the Home Treasury without affecting ordinarily the general Ways and Means programme. Recoveries are also effected by the Secretary of State against drawings of the Iraq administration on India. These recoveries represent, in effect, remittances from India to finance the Home Treasury and reduce the amount of direct remittances which would otherwise be necessary.

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

[In millions of £]

	Budget, 1927-28.	Revised, 1927-28.	Budget, 1928-29.
<b>RECEIPTS.</b>			
1. Discount on loans raised in previous years brought to account as debt incurred . . . . .	.22	.22	.24
2. Remittances between England and India—			
(a) Recoveries on account of drawings by Iraq administration on India . . . . .	1.05	.81	.76
(b) Other transactions . . . . .	1.28	3.24	1.31
<b>Total Receipts, excluding direct remittances and loans . . . . .</b>	<b>2.55</b>	<b>4.27</b>	<b>2.31</b>
<b>DISBURSEMENTS.</b>			
3. Excess of Expenditure of the Central Government over Revenue . . . . .	24.56	24.03	24.65
4. Disbursements on behalf of Provincial Governments . . . . .	2.43	2.61	2.85
5. Capital Expenditure not charged to Revenue—			
(a) Outlay on State Railways . . . . .	8.50	9.37	6.50
(b) Discharge of Railway debentures . . . . .	.55	.50	..
(c) Redemption of liabilities involved in the purchase of Railways . . . . .	..	..	3.00
(d) Other items . . . . .	.19	.39	.23
6. Discharge of Debt . . . . .	2.13	2.14	2.21
7. Deposits and Advances . . . . .	.08	.32	.04
<b>Total Disbursements . . . . .</b>	<b>38.28</b>	<b>39.05</b>	<b>39.40</b>
<b>NET DISBURSEMENTS . . . . .</b>	<b>35.73</b>	<b>34.78</b>	<b>37.09</b>
Remittances from India (net) . . . . .	35.50	30.74	36.00
New Loan (less discount) . . . . .	..	6.86	..
<b>Reduction (+) or increase (—) of cash balance</b>	<b>.23</b>	<b>—2.83</b>	<b>1.09</b>
Opening Balance . . . . .	5.24	3.23	6.65
Closing Balance . . . . .	5.01	6.05	4.96

45. Item 2 (a) has already been explained in paragraph 43. Normally, the succeeding item relating to 'Other transactions' is almost entirely made up of recoveries from the Governments of Hong-Kong, the Straits Settlements and Siam in respect of opium supplied from India under agreement, the other indirect remittances to and fro practically balancing one another. The revised estimate for 1927-28, however, includes a special item of £1.08 million representing the sale proceeds of currency silver.

Item 5 (b) represents the net amount of railway debentures discharged, while 5(c) represents the payment for the purchase of the Burma Railways.

The amount shown under the head 'Discharge of Debt' includes the provision for railway sinking funds and the capital portion of railway annuities and of the equated instalments in repayment of the war loan liability. These payments are made out of the provision for reduction or avoidance of debt.

46. Remittances made between the 1st April 1927 and the 20th February 1928 for financing the Home Treasury have been as follows :—

(In millions of £.)	
Through Paper Currency Reserve . . . . .	2.25
Through purchase of sterling . . . . .	25.93
Total remitted . . . . .	28.18

The total amount required to be remitted in the current year is £30½ million while the corresponding amount for next year is £36 million. These, however, are only illustrative figures, representing the remittances necessary to provide the Home Treasury with a normal closing balance. The actual amount of remittance must, like the form, necessarily depend upon circumstances.

47. Six months' India Bills for £5 million were issued in July 1927 but have since been discharged. The statement does not therefore show any entry on this account. A 4½ per cent. sterling loan, 1958—68, of £7½ million was raised in January 1928 at a discount of 8½ per cent. The net receipts on this account amount to £6.86 million.

48. The Gold Standard Reserve usually stands at £40 million, any excess resulting from investments, etc., being transferred monthly to Revenue. The receipts and charges in the two years are as follows :—

(In millions of £.)		
	Revised, 1927-28.	Budget, 1928-29.
Dividends, interest, etc. . . . .	1.74	1.64
Investments realised. . . . .	57.94	50.66
TOTAL . . . . .	59.68	52.30
Investments made . . . . .	57.46	50.68
Deposit of gold . . . . .	.42	..
Appropriation to Revenue. . . . .	1.80	1.62
TOTAL . . . . .	59.68	52.30

## INDIA.

49. The following is a summary of the estimates of Ways and Means in India during 1927-28 and 1928-29 :—

(In crores of rupees.)

	Budget, 1927-28.	Revised, 1927-28.	Budget, 1928-29.
<b>RECEIPTS.</b>			
1. Excess of Revenue of the Central Government over expenditure charged to Revenue . . . . .	24·56	32·03	32·92
2. Unfunded Debt incurred—			
(a) Post Office Cash Certificates (net) . . . . .	5·40	4·18	3·28
(b) Savings Bank deposits (net) . . . . .	6·18	7·54	8·42
3. Appropriation for reduction or avoidance of debt . . . . .	5·24	5·17	5·57
4. Gain on revaluation, sale, transfer, etc., of assets of the Paper Currency Reserve (net) . . . . .	..	7·06	..
5. Railway Reserve and Railway and Posts and Telegraphs Depreciation Funds . . . . .	4·47	5·78	6·84
6. Exchange on Remittance Accounts . . . . .	—·52	·18	..
7. Miscellaneous Deposits and Remittances (net) . . . . .	—·34	·36	1·38
<b>TOTAL RECEIPTS</b> . . . . .	<b>44·99</b>	<b>62·30</b>	<b>58·41</b>
<b>DISBURSEMENTS.</b>			
8. Capital Expenditure not charged to Revenue—			
(a) State Railways . . . . .	16·50	17·50	15·33
(b) Discharge of railway debentures . . . . .	·18	..	..
(c) Posts and Telegraphs . . . . .	·49	·44	·53
(d) Delhi . . . . .	·67	·48	·70
(e) Bombay Land scheme . . . . .	..	·21	2·05
(f) Other items . . . . .	·85	·93	·78
9. Revenue Reserve Fund . . . . .	1·72	1·69	..
10. Permanent Debt discharged (net) . . . . .	17·87	21·68	16·52
11. Floating Debt discharged (net) . . . . .	..	·53	..
12. Loans by the Central Government—			
(a) To Provincial Loans Fund . . . . .	1·24	6·17	6·87
(b) Other Loans . . . . .	1·79	1·41	1·30
13. Remittances between England and India—			
(a) Remittances from India for financing Home Treasury . . . . .	35·50	41·00	48·00
(b) Drawings by the Iraq administration recoverable in England . . . . .	1·05	1·08	1·01
(c) Other transactions (net). . . . .	1·32	4·32	1·74
14. Balances of Provincial Governments . . . . .	2·76	—1·53	—3·67
<b>TOTAL DISBURSEMENTS</b> . . . . .	<b>81·94</b>	<b>95·91</b>	<b>91·16</b>
<b>NET DISBURSEMENTS</b> . . . . .	<b>36·95</b>	<b>33·61</b>	<b>32·75</b>
New Loan (less discount) . . . . .	27·00	18·47	32·00
Reduction of cash balance . . . . .	9·95	15·14	·75
Opening Balance . . . . .	24·74	27·88	12·74
Closing Balance . . . . .	14·79	12·74	11·9.



50. Item 4 is made up as follows :—

Gain on the revaluation of the gold and sterling securities in the Paper Currency Reserve at 1s. 6d. the Rupee	9,30
Loss on the sale of 9·19 million fine ounces of silver held in the Reserve	—1,27
Loss on the transfer of 3½ per cent. paper of the nominal value of 5·1 crores from the Reserve to the Cash Balance Investment Account at market rates	—97
Net gain	7,06

51. Item 8 (e) represents payments to the Government of Bombay for reclaimed land at Colaba already taken over and to be taken over for the use of the Military Department. It was intended to pay for this land out of the sale-proceeds of certain properties held by that Department in Bombay but in view of the recent slump in land values, such sale at the present moment would not be in the interests of the tax-payer. The whole question is under the consideration of the Government of India and the provision under the new capital head is without prejudice to any decision which may be arrived at in due course. The total amount payable *viz.*, 2·26 crores will be repaid by the Bombay Government into the Provincial Loans Fund in reduction of the outstanding advances of the year 1922-23 and on the whole, therefore, the ways and means position of the Government of India remains unaffected by the transaction.

52. The estimates of Provincial Governments' transactions—*vide* items 12 (a) and 14—are based on the assumption that the net drawings from the Central Government in India and England, including those in the shape of advances through the Provincial Loans Fund, will be 8 crores in the current year and 7 crores in the next. They allow for the repayment by the Bombay Government referred to in the preceding paragraph, as also for the fact that the Provincial contributions will be completely and finally extinguished with effect from 1928-29.

53. Full details of the debt incurred and discharged are given in statement C of the Budget. Out of the net amount of 21·68 crores shown as discharged in the current year, 17·30 crores represent 6 per cent. Bonds, 1927, which have been either converted into the new loan or discharged on maturity and 4·12 crores represent 5½ per cent. War Bonds, 1928, so converted. The net amount of 16·52 crores similarly shown in the budget for 1928-29 include 16·25 crores of the latter which mature during the year. The balance of treasury bills outstanding with the public at the close of both this year and next is estimated at 9 crores, while that in the Paper Currency Reserve is expected to stand at 31·94 crores against 41·47 crores on the 31st March 1927.

54. The result of the current year's rupee loan which was a 4 per cent. loan issued at 94½, is summarised below for ready reference :—

(In crores of rupees.)	
Subscriptions in cash	8·21
Subscription in the form of 6 per cent. Bonds, 1927	7·21
Subscription in the form of 5½ per cent. War Bonds, 1928	4·12
Total nominal value	19·54

The amount of the new loan now estimated for next year has been shown separately at 32 crores inclusive of conversions. The figure is, however, again illustrative only and the actual amount and other details will depend upon the circumstances of the time.

55. Before concluding, I will refer to certain matters of form connected with the budget statements, the detailed estimates, and this memorandum. The statements have been signed by me in one place instead of by the Auditor General, the Controller of the Currency and the Financial Secretary in four different places as in the past. The change does not mean the relaxation of any of the checks exercised by the two former officials, which continue exactly as heretofore, but is designed to spare them the inconvenience of having to be present in Delhi on the day of presentation of the budget when their presence may be required elsewhere. The second change is in the size of the detailed statements relating to the Posts and Telegraphs and the Military estimates from foolscap to the more handy octavo and their form also is now generally in harmony with the plan adopted in connection with the Demands for Grants two years ago. The third and last change is the insertion, in this memorandum, of the statement which appears as Appendix II and shows the distribution of the Central Government's expenditure as between voted and non-voted. A similar statement was inserted in the final issue of last year's memorandum which was embodied in the published volume of the Budget for 1927-28 with reference to certain points made in the course of the general discussion of the budget in the Legislative Assembly in March 1927. Notwithstanding the alterations made in the classification as a result of the passing of the Government of India (Civil Services) Act, 1925, the proportion which the expenditure subject to the vote of the Assembly bears to the aggregate expenditure of the Central Government remains practically unchanged.

E. BURDON.

*The 29th February 1928.*

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## APPENDIX I.

**Memorandum on the Military Estimates for 1928-29.**

The Military Estimates for 1928-29 have been prepared in the same form as those for 1927-28 which took into account the alterations necessitated by the reversion to a cash system of estimates and accounts, except that as a further improvement and in conformity with the Demands for Grants, the volume of the estimates has been reduced to Royal Octavo size.

Under the revised rules for the exhibition of recoveries of expenditure which have effect from April 1928, some of the recoveries now compiled by deduction from expenditure will be treated as receipts (revenue). The result of the new procedure has been allowed for in the estimates for 1928-29 in which consequently both the expenditure and receipts figures are comparatively larger. The net expenditure remains unaffected.

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 . . . . .	55·97
1927-28 (Budget Estimate) . . . . .	54·92(a)
1927-28 (Revised Estimate) . . . . .	54·92(b)
1928-29 (Budget Estimate) . . . . .	55·10(a)

3. 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.

4. The figure of Rs. 56·23 crores for the year 1923-24 included heavy expenditure on gratuities to demobilised officers and in Waziristan, but these abnormal items were counterbalanced by credits from the proceeds of sale and utilisation

(a) Includes sterling expenditure converted into rupees at 1s. 6d. = 1 R.

(b) Includes sterling expenditure converted into rupees at 1s. 5½d. = 1 R.

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 Rs. 56.25 crores net. Further reductions have been made in subsequent Budgets. The following table brings out the results achieved from 1921-22 at a glance :—

*Net expenditure on Military services.*

(In crores of Rupees.)

	1921-22.	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
Budget Estimate . . .	66.82	67.75	62.00	60.25	56.25	54.88	54.92	55.10
Revised Estimate . . .	69.35	67.09	59.74	56.33	56.28	55.55	54.92	
Actual expenditure . . .	69.81	65.27	56.23	55.63	56.00	55.97	..	

5. In each year from 1923-24, the expenditure 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, the Retrenchment Committee having worked on a basis of 1s. 4d. = 1R; but certain additions have been made 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 estimated in 1928-29 at Rs. 47 lakhs which is more properly accounted for under the former. The transfers which are taken into account in the Budget of 1928-29 are as follows :—

(Thousands of rupees.)

(1) Payments to Telegraph Department for care of Army stores . . . . .	29
(2) Customs Duty . . . . .	31,16
(3) Printing and Stationery . . . . .	16,65
(4) Payments from the Compassionate Fund to personnel employed in the Military Department . . . . .	9
(5) Payments to the Public Works Department, Delhi for rent of buildings . . . . .	40
	48,59

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. 47.01 lakhs.

6. The following is a brief summary of the main points affecting the major heads of the estimates. The variations in detail will be found described against each head in the volume of detailed estimates. By economising expenditure in certain directions, it has been possible to provide in the Budget Estimate for 1928-29 a sum of approximately 1 crore of rupees for the introduction of new measures for improving the efficiency of the Army and bringing its equipment up to date.

*Part A-I.—Maintenance of the Standing Army.*

	(In thousands of rupees.)		
	Gross Expenditure.	Receipts.	Net.
Budget, 1927-28 . . . .	19,83,22	8,38	19,74,84
Revised, 1927-28 . . . .	19,79,07	10,39	19,68,68
Budget, 1928-29 . . . .	19,56,88	9,59	19,47,29

This most important head in the Army Estimates records the pay and other cash charges in the fighting units constituting the Standing Army in India. The decrease in the Budget Estimate, 1928-29 represents mainly savings due to larger numbers of British Troops coming out to India on the reduced rates of pay, partly counter-balanced by smaller anticipated shortages in establishments, etc.

*7. Part A-II.—Administrative Services.*

	(In thousands of rupees.)		
	Gross Expenditure.	Receipts.	Net.
Budget, 1927-28 . . . .	6,92,86	17,84	6,75,02
Revised, 1927-28 . . . .	6,57,09	18,13	6,38,96
Budget, 1928-29 . . . .	7,22,33	11,27	7,11,06

The Budget Estimate, 1928-29 includes (1) all charges for all Accounts Offices and establishments including those for Royal Air Force, Marine and Military Engineer Services, corresponding reductions being made under Head VII of Part A, and Part C of Army, Marine and under M. E. S., and (2) the provision of Rs. 18 lakhs under special emergency grant for new measures. The decrease in the Revised Estimate, 1927-28 is due mainly to shortages in authorised establishments of ancillary services.

*8. Part A-III.—Manufacturing Establishments.*

	(In thousands of Rs.)		
	Gross Expenditure.	Receipts.	Net.
Budget, 1927-28 . . . .	3,93,66	4,47	3,89,19
Revised, 1927-28 . . . .	3,75,35	3,71	3,71,64
Budget, 1928-29 . . . .	3,63,68	3,70	3,59,98

Under this head are recorded the expenses of Medical Store Depots, Bakeries, Butcheries, Ordnance and Clothing Factories, Grass Farms and Dairy Farms which are all treated as producing and manufacturing formations in the Army. The decreases in the Revised Estimate, 1927-28 and Budget Estimate 1928-29 are due mainly to smaller purchase of material and smaller labour charges based on demands on Factories.

9. *Part A-IV.*—Army Head Quarters, Staff of Commands, etc.

	(In thousands of Rs.)		
	Gross Expenditure.	Receipts.	Net.
Budget, 1927-28 . . . .	2,09,36	..	2,09,36
Revised, 1927-28 . . . .	2,13,50	..	2,13,50
Budget, 1928-29 . . . .	2,10,83	..	2,10,83

The increases in the Revised Estimate, 1927-28 and Budget Estimate, 1928-29 are due mainly to provision for larger debits by the Civil Department for printing and stationery supplies for the Army.

10. *Part A-V.*—Purchase and sale of stores, Equipment and Animals.

	(In thousands of Rs.)		
	Gross Expenditure.	Receipts.	Net.
Budget, 1927-28 . . . .	5,16,28	32,95	4,83,33
Revised, 1927-28 . . . .	4,66,76	6,21	4,60,55
Budget, 1928-29 . . . .	6,08,34	1,20,84	4,87,50

Provision has been made in the Budget Estimate for 1928-29 on the basis of anticipated requirements, less credits from sale of stores. The decrease in the Revised Estimate, 1927-28 is due partly to a readjustment of a charge made in previous years.

11. *Part A-VI.*—Special Services.

	(In thousands of Rs.)		
	Gross Expenditure.	Receipts.	Net.
Budget, 1927-28 . . . .	2,26	..	2,26
Revised, 1927-28 . . . .	3,16	..	3,16
Budget, 1928-29 . . . .	14	..	14

The large reduction in the provision for 1928-29 is due to the fact that charges on account of surplus officers of the Indian Army who were retired in 1922 and 1923 will not be incurred after 1927-28.

12. *Part A-VII.*—Transportation, Conservancy, Anti-Malarial Measures, Hot Weather Establishments and Miscellaneous Charges and Receipts.

	(In thousands of Rs.)		
	Gross Expenditure.	Receipts.	Net.
Budget, 1927-28 . . . .	3,36,27	19,82	3,16,45
Revised, 1927-28 . . . .	3,47,34	21,26	3,26,08
Budget, 1928-29 . . . .	2,95,79	20,51	2,75,28

The Revised Estimate for 1927-28 includes provision for an abnormal item, *viz.*, the loss in connection with the winding up of the Army Canteen Board. Both Revised, 1927-28 and Budget, 1928-29 anticipate smaller payments to the Board of Trade for transport of troops to and from India.

13. *Part A-VIII.*—Non-effective charges and receipts.

	(In thousands of Rs.)		
	Gross Expenditure.	Receipts.	Net.
Budget, 1927-28 . . . .	8,29,36	26,71	8,02,65
Revised, 1927-28 . . . .	8,30,76	35,96	7,94,80
Budget, 1928-29 . . . .	8,37,05	33,49	8,03,56

More receipts than provided in the Budget Estimate, 1927-28 are anticipated both in India and in England. The increase in gross expenditure is due to more admissions than casualties of pensioners.

14. *Total Part A.*

(In thousands of Rs.)

	Gross Expenditure.	Receipts.	Net.
Budget, 1927-28 . . . . .	49,63,27	1,10,17	48,53,10
Revised, 1927-28 . . . . .	48,73,03	95,66	47,77,37
Budget, 1928-29 . . . . .	49,95,04	1,99,40	47,95,64

15. *Part B.—Auxiliary and Territorial Forces.*

(In thousands of Rs.)

	Gross Expenditure.	Receipts.	Net.
Budget, 1927-28 . . . . .	86,10	..	86,10
Revised, 1927-28 . . . . .	83,20	4	83,16
Budget, 1928-29 . . . . .	93,82	..	93,82

An additional provision of Rs. 10 lakhs for the Territorial Force has been made in Budget, 1928-29 to meet the cost of the recommendations of the Auxiliary and Territorial Forces Committee which have been accepted by Government. Otherwise, both Revised, 1927-28 and Budget, 1928-29 show decreases as compared with Budget, 1927-28 due mainly to shortages of establishments and smaller numbers coming up for training.

16. *Part C.—Royal Air Force.*

(In thousands of Rs.)

	Gross Expenditure.	Receipts.	Net.
Budget, 1927-28 . . . . .	1,85,54	39	1,85,15
Revised, 1927-28 . . . . .	1,61,10	49	1,60,61
Budget, 1928-29 . . . . .	2,28,07	1,57	2,26,50

The Revised Estimate, 1927-28, takes into account a credit to Army Estimates, in consequence of a readjustment of charges made in previous years, of Rs. 20 lakhs. The Budget Estimate for 1928-29 includes Rs. 57 lakhs for the extra initial and recurring cost of two new squadrons of the Air Force. Provision in Budget, 1928-29 for the cost of the Air Force Accounts office has been transferred from Part C to Part A of Army (see pages 142 and 143 of the detailed estimates).

17. *Deduct lump cut for probable saving and underspending.*

(In thousands of Rs.)

	Gross Expenditure.	Receipts.	Net.
Budget, 1927-28 . . . . .	80,00	..	80,00
Revised, 1927-28 . . . . .	..	..	..
Budget, 1928-29 . . . . .	34,00	..	34,00

18. *Total Army.*

	(In thousands of Rs.)		
	Gross Expenditure.	Receipts.	Net.
Budget, 1927-28 . . . .	51,54,91	1,10,56	50,44,35
Revised, 1927-28 . . . .	51,17,33	96,19	50,21,14
Budget, 1928-29 . . . .	52,82,93	2,00,97	50,81,96

19. *Marine.*

	(In thousands of Rs.)		
	Gross Expenditure.	Receipts.	Net.
Budget, 1927-28 . . . .	80,60	12,60	68,00
Revised, 1927-28 . . . .	83,36	17,45	65,91
Budget, 1928-29 . . . .	85,19	16,76	68,43

The expenditure on account of capital developments in connection with the reorganisation of the Royal Indian Marine to be met from Suspense funds, *viz.*, sale proceeds of the Kidderpore Dockyard, has been taken at Rs. 1.50 lakhs in the Budget Estimate, 1927-28, Rs. 10.32 lakhs in the Revised Estimate, 1927-28 and Rs. 10.73 lakhs in the Budget Estimate, 1928-29.

20. *Military Engineer Services.*

	(In thousands of Rs.)		
	Gross Expenditure.	Receipts.	Net.
Budget, 1927-28 . . . .	4,36,98	57,33	3,79,65
Revised, 1927-28 . . . .	4,40,15	35,20	4,04,95
Budget, 1928-29 . . . .	4,36,00	76,39	3,59,61

The increase in Net expenditure in the Revised Estimate, 1927-28 is nominal and is due mainly to the cost of building and electrification programme for troops in 1927-28 being met fully from savings under Army heads, the credit of Rs. 20 lakhs earmarked in the Budget Estimate for 1927-28, from the funds lying in deposit in the suspense account by accrual from sale of old or surplus buildings, not being required. On the other hand, these funds will be drawn to the extent of Rs. 40.5 lakhs in 1928-29 to meet the expenditure on the similar programme in that year. In the Budget Estimate for 1928-29 provision for the cost of accounts clerks has been transferred from M. E. S. to Part A of Army (see pages 136 and 141 of the detailed estimates) in consequence of transfer of the men to the Military Accounts Department.

21. Statements are appended to this Memorandum which give actual and estimated gross and net expenditure figures from 1924-25 under Army, Marine, Military Engineer Services and also the totals. The figures for Army from 1924-25 to 1926-27 cannot be classified under the new heads adopted from 1927-28.

22. 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.*

NEW DELHI :

*The 29th February 1928,*



## ARMY.

	Actuals, 1924-25.	Actuals, 1925-26.	Actuals, 1926-27.	1927-28.		Budget, 1928-29.
				Budget.	Revised.	
<b>EXPENDITURE.</b>						
<b>India—</b>						
<b>Part A.—Standing Army.</b>						
<b>Effective Services.</b>						
Maintenance of the Standing Army.	R	R	R	R	R	R
Administrative services . . . . .				17,03,98,930	16,05,44,000	15,79,37,110
Manufacturing establishments . . . . .				6,52,39,067	6,06,32,000	6,70,63,130
Army Headquarters, Staff of Com- mands, etc. . . . .				3,19,27,610	2,58,48,000	2,73,29,380
Purchase and sale of stores, equip- ment and animals . . . . .				2,02,38,020	2,03,10,000	2,00,96,350
Special Services . . . . .				4,38,38,030	3,93,56,000	5,30,93,990
Transportation, conservancy, anti- malarial measures, hot weather establishments and miscellaneous				65,900	40,000	14,060
<b>TOTAL—EFFECTIVE</b>	R			35,86,42,000	33,79,83,000	34,80,45,000
<b>Non-effective Services.</b>						
Non-effective charges . . . . .	R			4,71,97,000	3,43,52,000	3,45,53,000
<b>Part B.—Auxiliary and Territorial Forces—Effective</b> . . . . .	R			86,10,000	83,20,000	93,83,000
<b>Part C.—Royal</b> { Effective . . . . .	R			1,35,57,000	1,09,41,000	1,26,74,000
<b>Air Force</b> { Non-Effective . . . . .	R			52,000	2,000	4,000
	R			1,36,09,000	1,09,43,000	1,26,78,000
<b>Deduct—</b>						
(1) Probable savings in connec- tion with the introduction of new measures . . . . .				...	...	16,00,000
(2) Lump cut for under- spending . . . . .				80,00,000	...	18,00,000
<b>TOTAL INDIA</b> { Effective . . . . .	R	39,73,36,338	41,17,74,810	41,61,71,950	37,28,09,000	35,72,49,000
{ Non-Effective . . . . .	R	5,10,78,766	4,55,04,772	4,06,10,496	4,72,49,000	3,46,54,000
		44,84,16,092	45,73,39,582	46,17,82,446	42,00,58,000	39,19,03,000
	£	£	£	£	£	£
<b>EXPENDITURE.</b>						
<b>England—</b>						
<b>Part A.—Standing Army.</b>						
<b>Effective Services.</b>						
Maintenance of the Standing Army.				2,792,300	2,802,300	2,831,300
Administrative services . . . . .				404,700	360,800	387,800
Manufacturing establishments . . . . .				743,900	644,000	677,900
Army Headquarters, Staff of Com- mands, etc. . . . .				70,000	78,000	74,000
Purchase and sale of stores, equip- ment and animals . . . . .				778,000	549,000	580,500
<b>Carried over</b> . . . . .	£			4,789,900	4,451,000	4,551,500
	R	44,84,16,092	45,73,39,582	46,17,82,446	42,00,58,000	39,19,03,000

## ARMY—contd.

		Actuals, 1924-25.	Actuals, 1925-26.	Actuals, 1926-27.	1927-28.		Budget, 1928-29.
					Budget.	Revised.	
Brought forward	{ R	44,64,16,000	45,73,39,682	46,17,82,446	42,00,55,000	39,19,02,000	40,12,58,000
Special Services	{ £				4,759,900	4,454,000	4,551,500
Transportation, conservancy, anti-malarial measures, hot weather establishments and miscellaneous	{ £				16,000	20,700	...
TOTAL—EFFECTIVE	{ £				669,000	493,200	530,000
TOTAL—EFFECTIVE	{ £				5,474,900	4,967,900	5,081,500
<i>Non-Effective Services.</i>							
Non-effective charges	{ £				3,573,900	3,631,500	3,686,400
<i>Part C.—Royal Air Force—</i>							
Effective	{ £				479,500	371,700	745,700
Non-Effective	{ £				15,000	15,500	14,000
TOTAL, PART C.	{ £				494,500	387,500	759,700
	{ £	9,823,999	1,704,376	9,668,842	9,543,300	8,987,200	9,537,600
<b>TOTAL ENGLAND</b>							
Effective	{ R	6,18,81,504	6,58,13,052	6,14,67,393	5,95,44,000	7,11,95,000	7,76,95,000
Non-Effective	{ R	3,68,56,464	3,12,29,714	3,52,01,033	3,58,89,000	4,86,35,000	4,93,19,000
	{ R	9,82,39,968	9,70,42,766	9,66,68,426	*9,54,23,000	*11,98,30,000	12,70,14,000
<b>TOTAL EXPENDITURE</b>							
Effective	{ R	45,87,17,850	47,75,87,862	47,06,59,343	43,23,53,000	42,84,44,000	44,43,97,000
Non-Effective	{ R	8,79,38,250	7,67,94,496	8,18,11,529	8,31,38,000	8,82,89,000	8,38,96,000
	{ R	54,66,56,080	55,43,82,348	55,84,70,872	51,54,91,000	51,17,33,000	52,82,93,000
<b>REVENUE.</b>							
<i>India</i>							
Effective	{ R	2,91,85,661	2,86,15,581	3,10,67,459	64,19,000	35,15,000	1,43,56,000
Non-Effective	{ R	19,90,055	15,7,770	19,72,520	15,52,000	14,84,000	12,19,000
TOTAL	{ R	3,11,64,766	3,01,93,351	3,30,39,985	80,41,000	49,99,000	1,54,65,000
<i>England</i>							
	{ £	473,291	3,0,655	309,771	301,500	346,500	347,400
Effective	{ R	36,41,412	26,55,816	26,79,397	18,96,000	25,08,000	25,14,000
Non-Effective	{ R	10,9,498	6,50,731	11,18,415	11,19,000	21,12,000	21,20,000
TOTAL	{ R	47,32,902	33,06,547	38,97,713	*30,15,000	*46,20,000	45,33,000
<b>TOTAL REVENUE</b>							
Effective	{ R	3,28,37,068	3,12,71,597	3,41,86,876	88,85,000	60,33,000	1,67,4,000
Non-Effective	{ R	30,90,575	22,24,501	30,90,941	26,7,000	36,96,000	33,40,000
TOTAL	{ R	3,59,17,666	3,34,95,898	3,67,39,607	1,10,56,000	96,19,000	2,00,97,000
<b>NET EXPENDITURE</b>							
India	{ R	41,72,31,326	43,71,50,281	43,67,43,401	41,20,17,000	48,09,04,000	38,57,93,000
England	{ R	9,35,07,066	9,7,86,319	9,9,90,714	*9,74,18,000	*11,53,10,000	12,24,03,000
Effective	{ R	41,56,90,727	44,63,16,425	44,30,11,567	42,59,05,000	42,24,3,000	42,76,49,000
Non-Effective	{ R	8,48,47,078	7,45,09,965	7,87,30,568	8,04,07,000	7,99,03,000	8,05,47,000
TOTAL	{ R	51,07,38,412	52,08,86,450	52,17,42,135	50,44,55,000	50,21,14,000	50,81,96,000

\* For purposes of these entries, the sterling figures have been converted into rupees in the Budget Estimate for 1927-28 at 24.9/1 R., and in the Revised Estimate for 1927-28 at 1s. 6d. = 17 R.

## MARINE.

			Actuals, 1924-26.	Actuals, 1926-26.	Actuals, 1926-27.	1927-28		Budget, 1928-29.	
						Budget.	Revised.		
<b>EXPENDITURE.</b>									
India	.	R	53,18,321	48,60,091	46,15,997	57,56,000	52,43,000	66,87,000	
England	}	£	219,240	186,903	191,749	230,400	232,000	213,400	
		R	21,92,396	18,69,037	19,17,484	*23,04,000	*30,93,000	28,32,000	
Total Expenditure		R	74,10,717	67,30,028	65,33,481	80,80,000	83,36,000	85,19,000	
<b>REVENUE.</b>									
India	.	R	11,12,931	14,74,245	15,81,689	12,60,000	17,45,000	16,76,000	
England	}	£	...	...	...	...	...	...	
		R	...	...	...	...	...	...	
Total Revenue		R	11,12,931	14,74,245	15,81,688	12,60,000	17,45,000	16,76,000	
NET EXPEN- DITURE.	}	India	R	41,05,590	33,86,746	30,34,100	44,96,000	34,98,000	40,11,000
		England	R	21,92,396	18,69,037	19,17,484	*23,04,000	*30,93,000	28,32,000
		Total	R	62,97,786	52,55,783	49,51,583	68,00,000	65,91,000	68,43,000

## MILITARY ENGINEER SERVICES.

			Actuals, 1924-26.	Actuals, 1925-26.	Actuals, 1926-27.	1927-28.		Budget, 1928-29.	
						Budget.	Revised.		
<b>EXPENDITURE.</b>									
India	.	R	4,20,54,793	4,24,84,017	4,37,57,596	4,33,73,009	4,40,95,000	4,31,74,000	
England	}	£	53,028	34,066	40,194	32,500	6,000	32,000	
		R	5,30,287	3,40,652	4,01,940	*3,25,000	*—80,000	4,26,000	
TOTAL		R	4,25,85,080	4,28,24,669	4,41,59,536	4,36,98,000	4,40,15,000	4,36,00,000	
<b>REVENUE.</b>									
India	.	R	32,81,060	89,81,248	1,11,49,479	57,33,000	35,20,000	76,39,000	
NET EXPEN- DITURE.	}	India	R	3,87,73,733	3,35,02,769	3,26,08,117	3,76,40,000	4,05,75,000	3,55,36,000
		England	R	5,30,287	3,40,652	4,01,940	*3,25,000	*—80,000	4,26,000
		TOTAL	R	3,9,04,000	3,38,43,431	3,30,0,057	3,79,65,000	4,04,95,000	3,59,61,000

\*For purposes of these entries, the sterling figures have been converted into rupees in the Budget Estimate for 1927-28 at 2s.=1 R. and in the Revised Estimate for 1927-28 at 1s.6d.=1 R.

## TOTAL MILITARY SERVICES: SUMMARY.

		Actuals, 1924-25.	Actuals, 1925-26.	Actuals, 1926-27.	1927-28		Budget, 1928-29.	
					Budget..	Revised.		
<b>EXPENDITURE.</b>								
India . . . . .	R	49,56,89,206	50,46,84,600	51,01,56,030	46,91,87,000	44,12,41,000	45,01,19,000	
England . . . . .	£	10,090,267	9,925,244	9,900,785	9,606,200	9,213,200	9,772,000	
	R	10,08,62,671	9,92,52,455	9,90,07,850	*9,80,62,000	*12,28,43,000	13,02,83,000	
Total Expenditure . . . . .	R	59,66,51,877	60,39,37,045	60,91,63,869	56,72,49,000	56,40,64,000	58,04,13,000	
<b>REVENUE.</b>								
India . . . . .	R	3,55,78,757	4,06,44,544	4,57,70,353	1,50,34,000	1,02,64,000	2,47,80,000	
England . . . . .	£	473,291	330,655	369,771	301,500	840,500	547,400	
	R	47,32,902	33,06,547	36,97,713	*30,15,000	*46,20,000	46,32,000	
Total Receipts . . . . .	R	4,03,11,659	4,39,51,391	4,94,68,064	1,80,49,000	1,48,84,000	2,94,12,000	
NET EXPENDI- TURE.	India . . . . .	R	46,01,10,449	46,40,59,746	46,43,85,687	45,41,53,000	43,09,77,000	42,53,39,000
	England . . . . .	R	9,62,29,769	9,59,45,908	9,53,10,138	*9,50,47,000	*11,82,23,000	12,56,61,000
	TOTAL . . . . .	R	55,63,40,218	55,99,55,654	55,96,95,825	54,92,00,000	54,92,00,000	55,10,00,000

\* For purposes of these entries, the sterling figures have been converted into rupees in the Budget Estimate for 1927-28 at 2s.=1 R., and in the Revised Estimate for 1927-28 at 1s. 6d.=1 R.

## APPENDIX II.

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

[In lakhs of rupees.]

	1926-27.				1927-28.				1928-29.			
	Voted.	Non-voted.	Total.	Percentage of voted to total.	Voted.	Non-voted.	Total.	Percentage of voted to total.	Voted.	Non-voted.	Total.	Percentage of voted to total.
Expenditure charged to revenue.	97,79	1,14,59	2,12,38	46	93,44	1,12,01	2,05,45	45	96,12	1,13,87	2,09,99	46
Expenditure not charged to revenue.	23,21	3,86	32,07	88	26,93	3,59	30,52	88	30,05	4,36	34,41	87
Total Expenditure both charged and not charged to revenue.	1,26,00	1,18,45	2,44,45	52	1,20,37	1,15,60	2,35,97	51	1,26,17	1,18,23	2,44,40	52

\*These figures have been arrived at as follows :—

Expenditure as per Budget Statement . . . . .	1,30,38	1,25,26	1,29,60
<i>Add</i> —Working expenses of—			
(a) Railway Department	68,81	66,94	66,31
(b) Posts and Telegraphs	10,53	10,58	11,13
(c) Irrigation . . . . .	12	11	9
<i>Add</i> —Refunds . . . . .	2,54	2,56	2,86
	<u>2,12,38</u>	<u>2,05,45</u>	<u>2,09,99</u>