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Government of India
Finance Department

Budget for 1940-41

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GOVERNMENT OF INDIA.
FINANCE DEPARTMENT.

BUDGET FOR 1940-41.

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PART I.
Railway Budget.

Speech of the Railway Member introducing the Railway Budget for 1940-41

Sir, I rise to present to the House the Railway Budget for 1940-41. The immediate financial position of the railways is better than it has been for many years; but the comparative prosperity we are enjoying must be traced in large measure to the war, and is thus very dearly bought. We cannot forget that these trifling gains are an incidental result of a cataclysm which is bringing tragedy and hardship to multitudes; nor should we forget that a conflict which diverts a substantial part of the productive capacity in many countries, including India, to purposes of destruction must leave the world poorer, and must create in the end financial difficulties for the peoples, which our railways cannot hope to escape.

7.—Accounts for 1938-39.

2. When last year's budget was presented, it was anticipated that the accounts for 1938-39 would show a surplus of Rs. 205 lakhs. Unfortunately only two-thirds of this surplus was actually realised. Working expenses exceeded the estimated total by 49 lakhs and interest charges went up by 2 lakhs, while the receipts fell short of the revised estimate by 17 lakhs. Thus the year ended with a surplus of only 137 lakhs. Under the moratorium approved by this House, that sum went to general revenues, and under the Niemeyer award, provincial revenues secured the benefit. The sum fell far short of the contribution for which the railways are liable under the Convention approved by this House in 1924; and under the moratorium approved by this House, the balance went unpaid.

3. The depreciation charges for the year were met, an amount of a little over 12½ crores being appropriated to the fund from revenue. As the expenditure was only 7 crores, the fund increased by about 5½ crores and stood at nearly 24¾ crores. But we could do nothing by way of restoration of the large sums borrowed from the fund to meet deficits in the lean years before 1936.

II.—Revised Estimates for 1939-40.

4. Passing to the current year, my predecessor budgeted for a surplus of 213 lakhs. During the earlier part of the year, it seemed unlikely that even this modest amount would be secured. Our income up to the middle of August failed to come up to expectations. The fall was particularly marked in passenger earnings, but traffic in sugar and some other foodstuffs was also disappointing. Since the advent of war, however, there has been a marked change. Goods earnings began to increase sharply as soon as war appeared to be imminent and remained at a high level for many weeks. Recently they have shown less of a rise over the preceding year's figures, but are still well above that level. Passenger earnings did not at first show any such response, but they too turned about the end of November. They are still likely to fall short of the previous year's figures, but that is due to the losses in the earlier months, and the present rate of earning is fairly encouraging.

5. It would seem that the clouded international situation during the earlier part of the year contributed to a considerable holding up of stocks in certain commodities. The effect of the outbreak of war in stimulating industry was enhanced by a release of such stocks. But the gains then secured were not, at first, reflected in any considerable improvement in the position of the people generally, so that we got at first no increase in passenger traffic. The improvement - which came later has not been substantial

6. In consequence of these changes, and of other changes to which I shall refer later, our revised estimates for the current year differ appreciably from the original estimates. Against an original estimate of earnings from State-owned lines of 94.75 crores we now have an estimate of 97.8 crores, an improvement of 255 lakhs. The revised estimate for working expenses has been put at 65.85 crores against the original figure of 64.25 crores. This means an increase of 110 lakhs. There will also be a small decrease in interest charges. Thus, instead of the surplus of 213 lakhs on which the budget was framed, we now hope for a surplus of 361 lakhs.

7. Although this figure, if realised, will represent the highest surplus for a decade, it will not suffice even to pay the 1 per cent, contribution to general revenues, less the loss on strategic lines, and the moratorium approved by the House does not exempt us from liability to pay that sum for 1939-40. We shall, therefore, have to carry over a debt estimated at 90 lakhs to be met out of the surplus for 1940-41. This is apart from the accumulated unpaid contributions for previous years which now amount to nearly 35.4 crores. In addition, the unrestored borrowings from the depreciation fund amount to over 30 crores; and we are not in a position to do anything to reduce this figure

8. We intend to do our best to secure better results for next year, but lest these facts should, by themselves, give any Honourable Member an unduly gloom view of the picture, there are further considerations which should be remembered. The framers of the Convention relating to the separation of general and railway finance cannot, in my view, be accused of having treated railways ungenerously in the light of conditions then prevailing; but factors which they could not foresee operated to render it impossible to fulfil the railways' obligations in the last decade. In the first place, the world was overtaken by an economic blizzard of unprecedented force. In the second place, road transport made quite unanticipated inroads on both passenger and goods traffic. In the third place, there has been a much greater response to the demands of labour than was anticipated in 1923. Despite these factors, the railways have, in recent years, yielded dividends which, if they are small compared with those expected by industry, compare very favourably with those earned by important railway systems in other countries. For the ten years 1930-39 the average percentage of net traffic receipts to capital at charge has been 3.6 per cent, and in the last three years it has exceeded 4 per cent. Most railway shareholders abroad would have been glad to receive dividends on that scale during these years.

111.—1940-41 *Capital Position*

9. Turning now to the year 1940-41, I begin with matters affecting capital expenditure. We have closed no lines during this financial year but are investigating the possibility of closing some small lines that may have

ceased to be remunerative. As regards new construction, two projects, the Sind Eight Bank Feeders Railway, and the Khadro Nawabshah Railway, are nearing completion; the work remaining for next financial year should require only Rs. 7¼ lakhs. We are making no provision for a third Sind project, the Tando Mitha Khan Railway, as we are not assured that this will prove a sound proposition, and with the concurrence of the United Provinces Government we have decided to drop for the present the idea of constructing a line between Kashipur and Kalagarh

10. We have acquired two existing lines during the current year; both of them were being worked by Government. In June last we purchased the South Bihar Railway, 76 miles in length for a sum equivalent to about 92 lakhs, and last month the Hardwar-Dehra line became State property. The purchase price for this will have to be paid during 1940-41, and the budget includes a sum of Rs. 43¼ lakhs for the purpose. The line is 32 miles long and the return on the investment is estimated at $5\frac{2}{3}$ per cent. A larger purchase on which we have decided is that of the Bengal-Doars system, which extends to over 160 miles of line. The option to purchase falls on 31st December next and the Company had the right under its contract to require Government to work the lines for 40 per cent of the gross earnings. As this would have increased both the income of the Company and the subsequent purchase price, it was an option which was likely to be exercised; and we estimated that the working of the lines by Government for the Company would have involved annual payments of Rs. 11½ lakhs a year. As the estimated purchase price is £1,284,000 or Rs. 171 lakhs, it is better to acquire the property and the Standing Finance Committee has concurred in the proposed purchase, of which notice has been given. It is not yet certain whether the price will be paid in 1940-41, and the budget contains no provision for it. In the event of funds for it being required next year, a supplementary demand will be placed before the House.

11. Our provision for open line works is on much the same scale as last year. The estimates on account of track renewals amount to roughly Rs. 5¼ crores and those for rolling stock to Rs. 5 crores. We are providing a sum of Rs. 3¼ crores for bridges and other structural works and over ½ a crore has been provided for an increase in the stores balance. These are gross figures and we expect a credit of about 1¼ crores for old materials. The expenditure on track renewals and on rolling stock is likely to be fairly heavy for the next few years. The necessity for retrenchment during the years of depression has resulted in a curtailment of the expenditure on maintenance. The Pacific Locomotive Committee, commenting on the track renewal programmes over the last ten years, observed that there had evidently been a general falling off in the number of miles of track and of track components renewed and of betterments effected. As their report suggests, the tendency to prolong the life of material and postpone betterment until financial conditions improved has been carried quite as far as is reasonable or safe, and we must now recover the ground, that has been lost. The items which I have mentioned, together with the cost of purchase of the Hardwar-Dehra line, amount to over Rs. 13½ crores. But following previous practice, we have made a reduction of about 2½ crores to allow for cases in which it may be impracticable to spend the full amount provided. The net provision for open line works is about Rs. 11¼ crores, of which we expect to meet Rs. 7 crores from the depreciation fund, the remainder being debited to capital.

12 The increase in the capital at charge is, I know, a source of concern to some sections of the House. The railways, it must be admitted, are to some extent over-capitalised and in 1936, Government, in consultation with the Public Accounts and Standing Finance Committees and the Auditor General, made a detailed examination of the measures that were desirable to check further deterioration in this regard, and generally to put railway finances on a sounder basis. Some changes were then made in the allocation of expenditure, but in view of the **financial** position it was considered impracticable to give effect at once to all the suggestions then approved in principle. Of these, one was that the limit of cost, viz., Rs. 2,000 up to which new minor works are debited to revenue instead of to capital, should be raised and limits of Rs. 5,000, 10,000 and 25,000 were mentioned, the last figure being approved. We have now, with the approval of the Standing Finance Committee, decided to adopt the figure of Rs. 10,000, which is as far as we feel we can go at present and to make the change operative from next year. For the present, this change will apply to State-managed railways only, and we estimate that this will reduce the debit to the capital account of these railways by about Rs. 30 lakhs next year : it will, of course, increase their working expenses by a corresponding amount. On company-managed railways, the allocation of expenditure as between capital and revenue is determined by the provisions of their contracts, and we cannot force them to charge more to their revenue than these contracts require. It may, however, be possible to introduce this reform in the Government accounts of these railways, and this is being examined.

13. There is one further probable development to which allusion should be made. At the instance of the Standing Finance Committee for Railways, the Railway Board recently appointed two officers to examine the possibilities of building locomotives in India. As the House is aware, metre-gauge locomotives are being built at Ajmer, but about 17 years have elapsed since any broad-gauge locomotives were manufactured in India. The report of these officers is in the hands of members of the Standing Finance Committee and will be distributed today to other Members of the House. It is an interesting, a lucid, and an encouraging document. Put briefly, their leading conclusions are that we can now reckon on a reasonably large and steady demand for broad-gauge locomotives, which means that the biggest obstacle which has stood in the way in recent years is disappearing, that important materials which have not hitherto been available in this country are now likely to be forthcoming, and that we can hope to construct such locomotives more cheaply than manufacturers abroad can supply them. Their preliminary estimate of the capital cost involved in making a shop available for the manufacture of broad-gauge locomotives is 48-6 lakhs. The report will be examined expeditiously in consultation with railway administrations, and if the proposals made are approved, demands will be placed before the House as soon as detailed estimates can be made. That, I hope, will be within the coming financial year.

IV.—Revenue in 1940-41.

14 In approaching the revenue position for next year, we are confronted by serious difficulties; for our estimates of both income and expenditure must involve a large element of speculation than has been the case in any recent year. He would be a bold man who would forecast the economic situation in the country a year hence. Our traffic figures have seen violent

fluctuations during the current year and we have no guarantee that there will not be wider fluctuations next year. The possible developments arising out of the war are largely hidden from our eyes. We must, however, make some assumptions if we are to frame estimates at all and we have assumed in the first place that the war will continue throughout the year. We have assumed, perhaps with less confidence, that this will have the effect of increasing our figures of traffic. It would be rash to expect the maintenance of traffic at the height which marked the opening months of the war; indeed there are signs of *ac* slackening already. But we have assumed that, over the whole year, our traffic would increase to an extent which at present rates would bring in an income of about 75 lakhs more than the revised estimate for the current year.

15. On the expenditure side we have to face equally big uncertainties and here, unfortunately, the uncertainties are mostly in the unfavourable direction. Traffic may fall far short of our estimates and may appreciably exceed it; but with our rigid rates of wages and salaries, we can look for no large savings of expenditure and might easily have to face large increases. If, for example, prices were to rise substantially above their present level, the possibility of giving relief to certain categories of staff would obviously have to be considered; and the effect of any changes here may be judged from the fact that our non-gazetted staff cost nearly 32 crores a year. Even a 10 per cent, allowance, which was limited to those on daily rates, to inferior servants and to others getting less than Rs 30 a month, would cost nearly 1½ crores. We can only hope that no such contingency will arise, and budget on this assumption. I shall have something to say later on this subject of prices and wages.

16. If the railway rates were to remain at their present level, we anticipate that the surplus in 1940-41 would amount to about 8 crores. This would not suffice to meet the railways' obligation to pay 1 per cent, on the capital at charge, less the loss on the strategic lines, even for 1940-41 and, as I have observed earlier, we anticipate that we shall have to carry over a liability of 90 lakhs from this year's accounts, which will be a first charge on the surplus of next year. Clearly then, we must look for the means of increasing our revenue, and the obvious remedy is an increase in rates. And this is clearly the sound course in the present situation, when the traffic can bear increased charges. The railways, like every other form of industrial enterprise, must expect marked fluctuations in their working. Periods of general prosperity are followed only too surely by periods of depression and as the financial results of railway working depend closely on the economic situation in the country, a period of depression for the community is also a period of depression for the railways. Thus, if railways fail to take advantage of times when the demand for their services is brisk, the inevitable result is that when the demand falls off, they will be unable to meet their obligations to the tax-payer. That is precisely what happened in the years following 1928, the important consequence being that in 1931-33, when the need of the tax-payer was greatest, the railways were quite unable to fulfil their obligations to him and had indeed, at a time of depression in industry, to enhance their rates.

17. The actual increases which we propose to make are as follows. In respect of goods we are making an enhancement of 2 annas in the rupee or 12½ per cent, on most commodities with effect from 1st March next. But from this rise we propose to make complete exceptions in the case of food grains, fodder, manures and railway and military traffic and we propose

to make a partial exception in the case of coal. So far as food grains are concerned, while the proportion which a similar enhancement would bear to prices would be trifling, we are anxious to afford no excuse for a raising of prices on our account. If, however, we found ourselves forced by a substantial rise in prices to give allowances to the staff, rates generally would have to be reconsidered and the exemption of flood grains could hardly be maintained. Fodder traffic can hardly be regarded as a remunerative item and the traffic in this, particularly on metre-gauge lines, has recently been embarrassing, but we feel that in view of the acute needs of certain parts of the country we should not at present increase our charges on this or on manures. In the case of jute and tea, local factors make it impracticable to enhance the rates at once on the Eastern Bengal and Assam Bengal Railways, but the additions will be imposed as soon as the difficulties have been overcome and that should be in the course of a few months.

18. In respect of coal we propose to raise from 1st March the existing surcharge from 12½ per cent, to 15 per cent, and to remove the maximum at present imposed on this surcharge, and from 1st November next to raise the surcharge to 20 per cent. We estimate that this means an average increase in coal freights of less than two annas a ton until November and about 5 annas for the remaining months. The preferential treatment we are giving to coal is based partly on the fact that part of the freight is technically a surcharge, but mainly on the better ground that we are anxious to avoid imposing anything that can be regarded as an appreciable burden on industry. And by making only a trifling increase for the next eight months, we hope to encourage those manufacturers who can do so to follow our own example and secure coal in the season when our wagon position is normally easier, and so to reduce the difficulties in the winter months.

19. In respect of passengers we propose, for the present, a smaller enhancement. Fares will be increased by 1 anna in the rupee, and the increase will not be applicable to fares not exceeding a rupee. This means, so far as third class fares are concerned, that for distances up to about 50 miles, fares will remain as they are, so that journeys to work and most of the journeys within a district will, for the third class passenger, be no dearer than before. We estimate the average increase in fares at 4 per cent., and the average increase in third class fares will be less than this. I would observe that the average journey for a passenger is about 35 miles.

20. The effect of all these increases will be carefully watched and if it appears that any of the new rates is having adverse effects on our revenue, reductions will be made. I do not anticipate such effects, but in assessing the probable effect of these enhancements we have made a reduction of 20 per cent, from the income they should yield, to allow for small reductions in traffic and for any concessions we may have to make. In the current year we estimate that they will yield 30 lakhs and we have taken 5½ crores as the additional earnings from this source for next year. The gross traffic receipts for next year have been put at 103 crores against the revised estimate of 97·3 crores for the current year.

V.—Expenditure from Revenue in 1940-41.

21. The estimate of ordinary working expenses has been placed at 53·98 crores; when depreciation is added, the total comes to 66·64 crores, an increase of 1·29 crores over the revised estimate for the current year. The;

only item in respect of which we hope for an appreciable reduction is interest charges, where owing to a fall in the rates, we expect to save 10 lakhs. The increase in the total figure is mainly due to the higher prices which we are likely to pay for materials, but the increased traffic for which we have budgeted finds, of course, a reflection in expenditure in various directions. To take one item in which the House is generally interested, the contracts for State-managed lines placed with private colliery-owners for next year's supplies are for a sum of Rs. 104½ lakhs which is 14 lakhs more than the contracts for the current year and represent an increase in quantity of nearly 400,000 tons. The figure of 2,800,000 tons to be purchased from the market is the largest for 17 years. We contemplate raising about 1,670,000 tons from our own collieries which is practically the same as the estimated output for this year.

22. A second element in the increased costs is the provision we are making for labour, and I need offer no apology for dealing with this subject at some length. It is, even in times when conditions are stable, one of vital importance and one which is constantly under considerations, in one aspect or another, by the Railway Board. and the recent rise in prices has given it special prominence

28. Any general rise in prices involves a diminution in the real income of those who depend on fixed salaries and wages, and as the bulk of railway servants fall in this category, they have naturally not welcomed the change. The lowering, even in a small degree, of one's standard of living is always felt to be a hardship and this is particularly true of those on the lower scales of pay. I think it can be claimed that the great majority of those affected met the situation with fortitude, but there have naturally been complaints from a number of quarters and there are probably few railway workers who did not feel apprehension regarding the effect on themselves and their families of the more substantial rise which at one time seemed probable. That rise has not materialised; and in fact 1940 has brought a distinct fall in prices of important commodities. But at a time like this, when prices are less stable than in normal times, the question of possible alterations in remuneration is bound to occupy the thoughts both of employees and of the administration. We have, in fact, been examining the position closely in the past two months, and it would perhaps be useful if I were to set out some of the main considerations which must underlie any conclusions that may be formed on the subject

24 One preliminary point is that the question is not one of generosity or parsimony on the part of Government, but of an equitable arrangement between railway servants on one side and other sections of the community on the other. I need hardly enlarge on this point, for it is obvious to all thinking men; but there still survives in less **informed quarters** the conception of Government as a primary source of wealth which can give what it chooses without inflicting loss elsewhere. What we give to our staff comes out of the pockets of the community and much of it must fall ultimately in one form or another upon the masses. The question, therefore, is largely one of how much they should be called upon to pay for the services given by railway employees. Now it can hardly be denied that in the last few years, following the great fall in prices of 1929-31, the primary producers have been getting less than formerly and those whose remuneration was not reduced, i.e., practically all railway servants, have been gainers, at

their expense. It is not, therefore, reasonable to assert that when any movement occurs in the reverse direction, railway servants have the right to have it "neutralized" by additions to their pay.

25 Any such doctrine would carry with it the corollary that whenever prices fell, pay should be correspondingly reduced. The rise of prices in December brought telegrams from some railway servants asking for allowances. I sympathise with the difficulties that beset any one who finds his purchasing power cut down, especially at a time when some of those more fortunately placed are actually gaining from the present situation: and the position was not rendered easier by the fact that a number of private employers, who had in many cases secured substantial reductions in their wages bills a few years ago, rightly gave some enhancement. At the same time, I could not help wondering what the reaction of those who sent telegrams would have been if, when prices fell, Government sent them telegrams proposing a cut in their pay. It is arguable that pay rates are too rigid and that a few years ago we should have followed the example of many big employers and cut rates all round. All that we did do, and that under the pressure of grave financial stringency, was to impose a small cut which has been fully restored and to reduce to some extent the rates offered to new entrants. But those already in service were given the old rates, which were in many cases privileged rates, which did not correspond with the economic levels then prevailing. Whatever view be taken of the policy then adopted, the fact remains that in railway service the tendency has been to keep rates comparatively rigid, and those whose pay is not adjusted to a fall in prices can hardly expect to be compensated for every rise which occurs.

26. I have alluded to our rates as rigid, but in actual fact, the rates of remuneration can only be described as rigid in the sense that the employees have, except for the temporary cut in pay, been secured against a reduction in their emoluments; they have not been rigidly held down, for the charges in respect of labour have risen fairly steadily. So far as pay is concerned and in spite of the revision of the scales for new entrants, the average remuneration for railway staff as a whole rose by about 10 per cent, between 1929 and 1939, whereas prices were substantially lower in 1939 than in 1929. This brought of course, higher payments in various indirect ways, such as provident fund bonuses, gratuities and leave allowances. Part of the increase is traceable to the effect of incremental scales, but not all of it; and it may be observed that incremental scales which are common in the railways but very rare in other forms of industry, tend to alleviate the effect which an upward movement in prices may produce.

27 The last decade has also been marked by important concessions in various other directions. So far as the lower-paid staff is concerned, possibly the most important was the abolition of the "no extra cost" condition in respect of leave, which was granted in 1930 and was estimated to cost ultimately 20 lakhs a year. Higher recurring costs, in addition to capital expenditure, have been incurred in the enforcement on a large scale of the Washington and Geneva Conventions relating to Hours of Employment and Weekly Rest. For this I shall give figures shortly. The expenditure here does not, of course, go in increasing the emoluments of individuals: it goes in reducing the work, they do while their pay is kept at the previous level.

28. It may seem to some who compare the conditions of service with those in private employment and bear in mind the provision for housing, medical relief, passes and other matters, that any further increase in charges in the present situation would be unjustified. That is not our own view, for there are improvements which financial difficulties have hitherto prevented us from making, but which are recognized as desirable. Accordingly the budget now being placed before you contains substantial extra provision. This is intended, in the first place, to complete the extension of the Hours of Employment Regulations to all State-owned Class I Railways. At the beginning of last year we had four such railways still to cover—the South Indian, the Rohilkund and Kumaon, the Bengal Nagpur and the Assam Bengal Railways. During the year we approved the inclusion of the South Indian and Rohilkund and Kumaon Railways and we feel that, in the present position, we can hardly postpone for another year an extension to the other two. The cost for the first two is 15.4 lakhs capital and 3.6 lakhs recurring, and for the second two is 15.4 lakhs capital and 6.3 lakhs recurring; but in this case, we are making provision for only part of the year. We estimate the total cost of applying these Conventions on the railways at 59 lakhs capital and over 32 lakhs recurring. The new expenditure included in the budget for this purpose amounts in all to about 6 lakhs. India can perhaps claim a little credit for making sacrifices to fulfil international obligations at a time when respect for these is so notoriously lacking in some countries; but I would not be disposed to press this point far, for the benefit goes to staff who, for the most part, stood in real need of it.

20 A second direction in which we would like to make an advance is the further extension of the Provident Fund privileges to employees. This does not stand on the same footing as the previous concession for there is no legal obligation and it cannot be regarded as a right of employment; none of those seeking to secure it entered the service on the understanding that they would get it. But the All-India Railwaymen's Federation lays stress on the need of the lower-paid employees for some provision in addition to the gratuities already provided, and we feel that, as circumstances permit, this is a direction in which we ought to advance. It could be a very costly business, for the numbers not now included are large and the bonus given by the railways is one-third higher than that given in most Government provident funds. Our estimate of the additional sum involved if every one were included on the present terms is 72 lakhs a year. Clearly, any steps we take must be gradual, and our power to take steps at all must depend on claims made in other directions. What we have done is to include, in addition to the provision made for the extension of the Hours of Employment Regulations, a sum of 12 lakhs which we can apply to those staff benefits which appear to be most urgent, and the Railway Board hope to discuss later with the Federation the best allocation of this sum.

30. It will be clear, from the figures I have quoted earlier, that the provision we have made will not suffice to provide for war allowance on any general scale, though it might meet some cases of special hardship. Our own examination of the situation at the present moment suggests that in no area have prices risen to the levels prevailing when the bulk of the present rates were fixed, but we are at all times ready to consider any reasoned statement of the position which takes into account the considerations I have mentioned.

VI.—*Conclusion.*

31. I have referred to the gradual improvement in the conditions of our staff. Let me add that the benefits have not been one-sided and that the railways have been given not merely steady service but increased efficiency from the staff. Over the last decade, the public have demanded and secured constant improvements in the service, and despite all the adverse circumstances the railways have had to face, the cost of staff per train-mile has been falling for some years and is now no higher than it was in 1922. I have no doubt that in all branches of railway work there has been increased keenness and increased skill; and to this the officers^x in all grades from the highest to the lowest have made a very valuable contribution,

32. Finally, I deal with the estimated surplus and its allocation. We* have estimated our gross traffic receipts at 103 crores, and expect net miscellaneous receipts of $\frac{3}{4}$ of a crore. Our expenses, including interest on loans, are estimated at 95.46 crores. This excludes a sum of 5.19 crores on the receipt side in respect of worked lines and a corresponding amount on the expenditure side. The estimated gross surplus before payments to general revenues is thus 8.29 crores. Of this we estimate that 90 lakhs have to go to meet the undischarged liability to general revenues in the current year. The payment next year of the 1 per cent. charge on capital at charge less the loss on strategic lines will account for 4.41 crores. Thus, if our present forecast proved accurate, there would be a balance of 2.98 crores, which under the Convention of 1924 goes into the railway reserve fund.

33. It is a melancholy fact that the reserve fund of this, the largest railway system under one ownership in the world, stands at 48 lakhs. This is less than a fifteen hundredth part of its capital at charge, and much less than 1 per cent, of its revenue. The effect of our being virtually denuded of any reserves is that when times of depression come, we are at once in difficulties. We are earning at the moment profits which depend to a large extent on factors of a temporary character, and if reserves cannot be built up in such a situation, we may be confronted, when the inevitable recession comes, with the necessity of reducing wages and increasing charges and thus enhancing the difficulties of the community at a time when its needs are acute. No great business should be obliged to live a hand-to-mouth existence and the only sound policy is to endeavour during the good years to put something aside for the bad ones. It is my hope—a hope which, with the uncertainties ahead of us, cannot be a conviction—that next year will be a better one than the railways have had for quite a long time.

BUDGET

of the

Railway Revenue and Expenditure of the Governor-General in Council as laid before the Indian Legislature, 1940.

RAILWAY DEPARTMENT;

B. M. STAIG,

*New Delhi, the 9th February, 1940.**Financial Commissioner of Railways.*

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1.—Statement of the Revenues of the Central

HEADS OF REVENUE.	Actuals, 1933-34.	Budget, 1934-35.	Revised, 1934-35.
	Rs.	Rs.	Rs.
XV.—State Railways—			
(A). Commercial lines—			
Gross receipts—			
Passenger traffic earnings—			
Upper class	1,30.00	2,14.15	2,08.20
Third class	24,48.44	24,91.40	23,21.35
Other coaching traffic earnings	4,84.55	4,86.80	5,03.35
Goods traffic earnings	63,58.40	64,81.10	65,81.30
Sundry other earnings	2,13.15	1,67.75	2,17.00
TOTAL EARNINGS	69,18.00	69,40.50	1,01,11.00
Earnings of State Railways	69,18.00	69,40.50	1,01,11.00
Expenses	11.75	—4.50	—5.00
Gross receipts of State Railways	(a) 69,30.45	(a) 68,38.00	(a) 1,01,06.00
Deduct—			
Working expenses of State Railways	(b) 44,88.00	(b) 44,70.00	(b) 45,04.00
Surplus profits paid to Indian States and railway companies	49.15	34.25	35.00
Payments to worked lines—			
(1) Net earnings	1,85.14	1,84.00	2,48.51
(2) Subsidy, Rebate, etc.	9.54	9.10	8.50
Net receipts	20,40.53	20,48.05	22,19.51
(B) Strategic lines—			
Gross receipts	1,81.60	1,40.00	1,25.00
Deduct—			
Working expenses	1,61.10	1,38.40	1,35.00
Net receipts	—80.50	—58.40	—70.00
Total net receipts, Commercial and Strategic lines	20,61.03	20,40.05	21,49.16
XVI.—Subsidized Companies—			
Government share of surplus profits, etc.	16.81	16.00	14.05
XVI-A.—Miscellaneous Railway Receipts—			
(a) Commercial lines—			
Interest on Depreciation Reserve and Reserve Fund balances	99,11.9	1,14.12	1,13.04
Dividend on investments in branch lines and other miscellaneous receipts	30.82	30.70	20.50
(b) Strategic lines—			
Interest on Depreciation Fund balances	10.08	11.10	10.75
TOTAL RECEIPTS	31,20.00	31,75.00	33,15.41
XVI-B.—Transfers from Railway Reserve Fund.	...	...	...
XVI-C.—Withdrawal of sums deposited on account of the Railway Depreciation Fund.	...	...	...
TOTAL	31,30.00	31,75.00	33,15.41

(a) Includes 2,14.04 earnings
(b) Includes 2,17.00 working
(c) Includes 2,08.00 earnings
(d) Includes 2,04.00 working
(e) Includes 2,08.00 earnings
(f) Includes 2,08.00 working
(g) Includes 2,17.00 earnings
(h) Includes 2,17.00 working
(i) Includes 2,17.00 earnings
(j) Includes 2,17.00 working

Government in India and England from Railways.

(In thousands of rupees.)

Increase (+) Decrease (—) as compared with Budget, 1934-35.	Budget Estimate, 1940-41.			Increase (+) Decrease (—) as compared with Revised 1934-35.
	India.	England.	Total.	
Rs.	Rs.	Rs.	Rs.	Rs.
—8.85	5,30.35	...	5,30.35	+11.05
—10.25	24,65.50	...	24,65.50	+77.35
+16.75	6,12.35	...	6,12.35	+9.00
+5,00.10	71,68.75	...	71,68.75	+4,77.50
+29.75	2,17.00	...	2,17.00	...
+3,70.50	1,06,86.75	...	1,06,86.75	+6,78.75
+3,70.50	1,06,86.75	...	1,06,86.75	+5,78.75
—1.50	...	...	...	+6.00
+2,00.00	1,06,86.75	...	(a) 1,06,86.75	+5,31.75
+1,24.25	67,08.71	19.49	(b) 67,28.20	+1,33.38
+1.15	41.60	...	41.60	+4.10
—17.40	2,57.25	...	2,57.25	+10.74
—71	8.50	...	8.50	+51
+1,61.70	56,70.30	—19.40	56,50.90	+4,81.00
—20.00	1,32.00	...	1,32.00	+7.00
—2.75	1,07.63	...	1,07.63	+1,87
—17.38	—56.55	...	—56.55	+4.18
+1,44.51	38,06.84	—12.40	38,85.36	+4,58.10
—05	11.31	1.30	12.70	—1.36
—10	1,42.31	...	1,42.31	+20.37
—20	30.25	2	30.25	—21
—43	11.33	...	11.33	+77
+1,42.75	38,00.15	—18.00	37,82.07	+4,63.00
...	...	...	...	...
...	...	...	...	...
+1,42.75	38,00.15	—18.00	37,82.07	+4,63.00

of worked lines
expenses of worked lines
of worked lines.
expenses of worked lines.
of worked lines.
expenses of worked lines.
of worked lines.
expenses of worked lines.

2.—Statement of the Expenditure on Railways charged to the Revenue

	Accounts, 1939-40.	Budget, 1939-40.	Revised, 1939-40.
	Rs.	Rs.	Rs.
15. State Railways—			
(A) Commercial Unit—			
Interest—			
On Government capital at charge	26,66,11	26,66,20	26,64,43
On capital contributed by Indian States and Companies.	1,12,20	67,89	98,94
Total interest, commercial lines	27,77,31	27,34,09	27,63,37
(B) Strategic lines—			
Interest on capital at charge	1,32,28	1,30,37	1,30,63
	28,29,59	28,64,46	28,94,00
16(C) State-owned Companies—			
Land	25	4,50	3,25
Subsidy.	4,56	4,90	5,20
15 (D & E) Miscellaneous expenditure—			
Commercial lines	67,03	66,74	66,25
Strategic lines	82	26	25
Transfers to general revenue—			
(i) Contribution	1,37,32	2,15,41	3,00,77
(ii) Deficiency in contribution in 1939-40	...	...	...
Transfers to Railway Reserve Fund	...	...	...
TOTAL	31,50,00	31,75,00	32,18,61

of the Central Government in India and England.

(In thousands of rupees)

	Budget Estimate, 1940-41.			
	India.	England.	Total.	
	Rs.	Rs.	Rs.	Rs.
—3,78	16,75,80	10,60,65	26,36,45	—4,47
+60	40	90,98	97,38	—85
—3,10	16,75,76	11,77,96	27,53,72	—2,13
—24	1,35,38	...	1,35,38	—1,46
—6,35	17,04,58	11,77,98	28,82,56	—10,68
—1,25	7,25	...	7,25	+4,10
+40	5,90	...	5,90	—10
—80	97,48	10,62	50,90	+1,75
—1	25	...	25	...
+1,67,50	4,41,26	...	4,41,26	+30,40
...	80,51	...	80,51	+58,51
...	1,30,40	...	1,30,40	+1,30,40
+1,63,76	26,80,27	11,60,30	37,40,57	+4,62,00

2(a).—Contribution from Railway to General Revenues, 193940.

(Based on actuals, 198748.)

(In thousands of rupees.)

	Rs.	Pia.
1. 1 per cent. on capital of 6,85,32,70 at charge, commercial lines.	...	6,85,32
2. (i) Receipts—Commercial lines—		
Gross traffic receipts	49,00,50	
Subsidised Companies' share of surplus profit*, etc.	11,96	
Interest on Depreciation and Reserve Fund balances	71,41	
Dividend on investments in branch lines and other miscellaneous receipts	30,90	
(ii) Charges—Commercial lines—		1,00,14,69
Working expenses	49,00,73	
Payments to worked lines	2,05,00	
Indian States and Railway Companies' share of surplus profits	63,56	
Interest—		
on capital at charge	26,77,33	
on capital contributed by Indian States and Companies	1,18,34	
Land and subsidy	5,73	
Miscellaneous railway expenditure	38,50	
Contribution at 1 per cent. on capital at charge..	6,85,32	1,00,14,78
(III) Deficit	...	2,34,66
(1?) Contribution of one-fifth of surplus	...	...
2. (1) Total contribution from railway revenues [1 plus 8 (iv)]	...	6,85,32
Deduct—Loss on strategic lines borne by railway revenues—		
(i) Interest on capital	1,21,01	
(ii) Loss in working	42,17	
(iii) Interest on the amount of loss in working met from Depreciation Reserve Fund of Commercial B.U.M.	20,77	1,83,95
(ii) Net payment due from railway to general revenues in 1989.40		4,80,26

2(a).—Contribution from Railway to General Revenues. 1940-41.

	(Based On actuals, 1938-39)	(In thousands of rupees)
	Rs.	Rs.
1. 1 per cent, on capital of 6,91,23,20 at charge, commercial lines ,		4,81,38
2. (i) Receipts—Commercial Lines—		
Gross traffic receipts , ,	88,80,48	
Subsidised Companies' share of surplus profits, etc.	15,81	
Interest on Depreciation and Reserve Fund balances.	84,11	
Dividend on investments in branch lines and other miscellaneous/receipts	80,88	
(ii) Charges—Commercial Lines—		88,80,48
Working expense.	84,08,06	
Payment to worked lines	2,74,88	
Indian States and Railway Companies' share of surplus profits,	40,18	
Interest—		
on capital at charge.	80,88,11	
on capital contributed by Indian States and Companies	1,18,30	
Land and subsidy , ...	4,88	
Miscellaneous railway expenditure.	87,88	
Contribution at 1 per cent, on capital at charge.	4,81,38	
		1,08,41,38
(iii) Deficit.		3,71,88
(IV) Contribution of one-fifth of surplus		
3. (i) Total contribution from railway revenues [1 plus 2 (iv)]		4,81,38
Deduct—Loss on strategic lines borne by railway revenues—		
(i) Interest on capital	1,83,18	
(ii) Loss in working	48,80	
(iii) Interest on the amount of loss in working met from Depreciation Reserve Fund of commercial lines	87,88	
		3,40,87
(ii) Net payment due from railway to general revenues in 1940-41.		4,41,28

3.- of the Capital Expenditure of the Central Government on Railways.

(In thousands of rupees.)

HEADS OF EXPENDITURE.	Accounts, 1939-40.	Budget, 1939-40.	Revised, 1939-40.	Increase (+) Decrease (-) as compared with Budget, 1939-40.	Budget, 1940-41.	Increase (+) Decrease (-) as compared with Revised, 1939-40.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Railway Capital not charged to Revenue:—						
37.—Construction of State Railways:—						
A. Commercial Lines—						
Open Line Works—						
Boiling Stock	50.00	1,57.44	53.80	-4.80	1,53.00	+4.80
Other Works	88.37	2,46.14	65.64	-1,80.50	1,46.00	+1,80.50
New Construction	5.20	66.98	74.00	-11.00	7.35	-60.75
Suspense	90.85	-25.30	1,15.00	+1,41.30	90.00	-55.35
Miscellaneous	01	66.36	92.77	-61	47.30	-46.54
Probable savings	..	-1,00.53	..	+1,00.53	-1,00.53	-1,00.53
	2,35.43	4,57.00	4,33.00	-24.00	4,34.38	-7.00
B. Stratego Lines-						
Open Line Works—						
Boiling Stock	-1.10	79	-1.00	-1.72	-1.00	-2.00
Other Works	13.64	94.61	9.00	-10.41	3.10	-4.80
New Construction	..	..	..	..	..	..
Suspense	-2.56	30	-10.00	-10.30	-5	+10.35
Probable wrings	..	-0.35	..	+0.35	..	..
	7.30	16.00	-2.00	-20.00	5	+0.05
TOTAL COMMERCIAL AND STRATEGIC LINES	2,34.33	4,73.00	4,31.00	-42.00	4,39.38	+1.00
67-C.—Discharge of Debentures	4,10.51	..	..	..	..	..

* Includes ferries.

A.—Railway Depreciation Reserve Fund.

(In thousands of rupees.)

	Accounts, 1933-34.	Budget Estimate, 1933-34.	Revised Estimate, 1933-34.	Budget Estimate, 1940-41.		Accounts, 1933-34.	Budget Estimate, 1933-34.	Revised Estimate, 1933-34.	Budget Estimate, 1940-41.
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
Opening balance.	10,31,00	24,32,46	24,07,48	20,36,02	Appropri- ation from Deprecia- tion Re- serve Fund.	7,00,73	8,00,07	7,90,00	7,00,00
Appropri- ation to Deprecia- tion Re- serve Fund.	13,66,11	12,50,07	12,00,54	12,00,00					
					Closing balance.	26,07,46	20,00,46	20,35,03	35,00,00
Total	31,77,30	36,82,53	37,30,02	42,36,02	Total	31,77,30	38,00,53	37,35,03	42,00,00

B.—Railway Reserve Reaerve fund.

(In thousands of rupees.)

	Actuals, 1932-33.	Budget Estimate, 1933-34.	Revised Estimate, 1933-34.	Budget Estimate, 1940-41.		Actuals, 1933-34.	Budget Estimate, 1934-35.	Revised Estimate, 1934-35.	Budget Estimate, 1940-41.
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
Opening balance.	47,00	47,00	47,00	47,00	Appropriation from Re- serve Fund.	..	..	..	..
					Investment Account (paid on Securities).	..	..	..	..
Appropri- ation to Reserve Fund.	..	..	..	1,00,40	Closing balance.	47,00	47,00	47,00	1,40,76
Total	47,00	47,00	47,00	1,40,76	Total	47,00	47,00	47,00	1,40,76

Speech of the Hon'ble Sir Guthrie Russell, Chief Commissioner of Railways, presenting the Railway Budget for 1940*41 in Council of State

Sir, I have the honour to present the statement of estimated revenue and expenditure of the Governor General in Council in respect of Indian Railways for the year 1940-41. I shall first deal very shortly with the results of 1938-39; these are already generally known to Honourable Members. Last February in presenting the revised estimate for 1938-39 I anticipated that we would end the year with a surplus of Rs. 205 lakhs. In the result the surplus only amounted to Rs. 137 lakhs, or Rs. 68 lakhs in defect of our estimate, again showing, as I have pointed out on several occasions, how difficult it is to forecast what may happen in the closing weeks of any year, no matter how careful one may be in estimating. The deficit was mainly due to two causes: we over-estimated our earnings by Rs. 17 lakhs and we under-estimated our working expenses by Rs. 49 lakhs. In addition to these two main causes there was a slight addition to the interest charges amounting to about Rs. 2 lakhs, making a total deficit of Rs. 68 lakhs, as already stated. Our earnings were Rs. 94.48 crores, an excess of only 24 per cent, on our original budget and a defect of 18 per cent, on our revised estimate. The main cause of the increase in working expenses was greater consumption and stocking of coal and more extensive repairs to rolling stock and machinery. The surplus of Rs. 137 lakhs was paid to General Revenues. As the House is aware, under the original Convention relating to the separation of railway from general finance, this surplus, but for the moratorium whereby with the approval of the Legislature railway revenues have been relieved for the present of the liability to repay the loans taken from the Depreciation Fund during the deficit years, would have been placed towards the redemption of the debt to the Depreciation Fund. The actual balance in the Depreciation Fund at the end of this year stood at a little less than Rs. 24½ crores. The nominal balance, including the temporary loans taken from the Depreciation Fund during deficit years, was a little over Rs. 55 crores.

2. When we prepared the budget for 1939-40, though the international situation was by no means free from danger, there was still hope that a world war would be avoided and we framed our budget in this hope. Events have proved us wrong, and today we are in the turmoil of another great war which has entirely upset our calculations. Our revised estimate has had to be based on five months of an uneasy peace and five months of war. Unhappily in the light of present events we feel that, in budgeting for next year, we can proceed only on the assumption that war conditions will continue throughout it. If the Council will bear with me, I should like at this point to indicate briefly what these conditions mean on railways. Though it is a platitude that history repeats itself, I was greatly impressed recently, while perusing our Administration Report for 1915-16, by the striking similarity between the position in the early period of the last war and that existing today. For my present purpose I cannot do better than quote an extract from that report. It reads as follows:—

" The principal feature of the year as affecting traffic operation has been the transfer from sea to rail routes of the large quantities of coal from the Bihar and Orissa and Bengal coalfields and other commodities which were formerly carried by coastwise steamers between the ports of Calcutta and Madras, Bombay and Karachi.

Soon after the outbreak of War the difficulty of obtaining shipping began to manifest itself, and during the earlier part of the year under review it gradually increased until shipping became unobtainable for coastwise trade, so that during the second half of the year, that is, from October 15, the whole of the traffic had to be carried by railways.

At the same time a fodder famine prevailed over the greater part of Rajputana and the south-east part of the Punjab, rendering it necessary to bring in from the surrounding areas large quantities of fodder for the public at low rates and making a particularly heavy demand on rolling-stock as most of the fodder is impressed. Though the famine area is served for the most part by metre gauge railways, the congestion experienced over the metre gauge lines reacted on the neighbouring broad gauge railways over which supplies had to be brought in. The additional volume of traffic thus thrown upon the railways is known to have been very much greater than figures of coastwise coal trade for 1913 would suggest, the reason being that large quantities of coal had to be transported to Bombay on account of Naval and Military requirements, while during the cold weather season demands for railways, factories and other commercial purposes were also unduly large."

This, Sir, is a very fair picture of what has already happened in India, with this war less than six months old, even down to the famine, though I do not attribute the latter to the war ! Admittedly, the shipping position, although it has already affected the capacity of railways, is not yet as serious as depicted; but, as the war goes on, more and more traffic is likely to be thrown on railways and one of the problems ahead of us is to ensure that railways will be in a position to carry this additional traffic. I may say here that it has been estimated that the railways could, with their existing capacity, if the necessity arises, absorb all the coastwise traffic, except coal. If coal has also to be thrown on railways, it will mean an increase of 20 per cent, in ton mileage and very serious restrictions on other traffic. This, as it happens, is a figure very closely allied to the actual results in 1916.

3. From this digression, Sir, I return to the consideration of our revised estimate for 1939-40. In the original budget we provided for an addition of only Rs. 10 lakhs to our gross earnings over our revised estimate for the year 1938-39. During the early months of the year it looked as though we might fall short of even this modest expectation, but shortly before the outbreak of war, our earnings went up considerably and there is a reasonable prospect that this improvement will be maintained. We have also made certain decisions with which I shall deal when I come to the budget for 1940-41, which will affect our earnings for the current financial year and give us an increase of approximately Rs. 30 lakhs. Taking these factors into account, we now place our revised estimate at Rs. 97·30 crores against our budget estimate of Rs. 94·75 crores. As is to be expected with the rise in traffic, our ordinary working expenses have increased, but here another factor has also come into play, namely, an increase on account of the war in the cost of nearly all stores and materials necessary for the maintenance of railways. We now place our revised estimate of working expenses at Rs. 65·35 crores, which exceeds the expenditure of last year by about $1\frac{1}{3}$ crores and our budget estimate by about Rs. 1 crore. In the result, our net traffic receipts, after meeting working expenses and paying our full contribution to the Depreciation Fund, are expected to be Rs. $1\frac{1}{2}$ crores more than last year. Miscellaneous transactions are expected to show a betterment of about Rs. $\frac{1}{3}$ crore,

and interest charges will be about Rs. $\frac{1}{3}$ crore less than last year. The surplus of all State-owned Railways is thus estimated to be about Rs. 2J orores greater than last year, viz., Rs. 3.61 crores against Rs. 1.37 crores last year. This surplus, under the existing arrangements, will be paid as a contribution to general revenues. Despite the improvement over the past few years, this sum falls short by Rs. 90 lakhs of our liability to General Revenues under the Convention. The contribution to the Depreciation Fund will be a little over Rs. 12½ orores, while the expenditure against the fund is estimated at Rs. 7 orores; the actual balance in the fund at the end of the year will thus be increased to about Rs. 30¼ crores.

4. Before I go on to the budget estimate for next year, I propose to give the Council some brief details of how we are meeting, and propose to meet, the problems before us, created by the present international situation, and to describe some of our activities during the past year and in prospect. During 1938-39 the capacities of certain railways, especially the East Indian, were severely taxed in the busy months of the cold weather. The main reasons for this were shortage of line capacity on certain divisions, shortage of power and shortage of wagons. The Government of India have sanctioned the expenditure of approximately a quarter of a crore to improve line capacity in the Moradabad Division of the East Indian Railway, and further proposals are under consideration which have the same object in view, e.g., the construction of a third line between Ondal and Burdwan. Coal traffic to the west of India was diverted, from its normal route by Agra East Bank, over the Bengal Nagpur and Great Indian Peninsula Railways via Katni. Empties from the North Western Railway were also diverted over the Great Indian Peninsula Railway and the Bengal Nagpur Railway. Additional heavy type goods locomotives are under order and, meanwhile, Railways with suitable spare locomotives have temporarily transferred these to the East Indian Railway. As regards broad gauge wagons we have purchased about 12,200 during the past five years. These have been mainly on renewal account but our carrying capacity has been considerably increased. In addition to this 1,751 are due for delivery in 1940-41. The position this year has been even more acute owing to the war which, so far as our railways are concerned, has involved *inter alia* the diversion of coal traffic from the rail-cwra-sea route to the all-rail route, and an increased demand for transport facilities attributable to greater industrial activity and also to a certain extent to speculative buying. Despite the efforts which had already been made to alleviate the situation, it soon became evident that a stricter regulation of the supply of wagons was essential if Railways were to meet the demands placed upon them and to ensure that the available goods stock was utilized to the maximum possible extent. With these objects in view the Government of India have appointed Rai Bahadur N. C. Ghosh as Transport Advisory Officer to assist the two railways principally concerned with coal traffic—the East Indian and Bengal Nagpur Railways—in dealing with demands for wagons. The duty of the Transport Advisory Officer is to keep under constant examination the movements of wagons—and particularly wagons of coal—with a view to ensure that wagons are put to the fullest possible use. He scrutinises indents for wagons with a view to ensuring that wagons are not supplied for consumers on the priority list maintained by the (Sal Wagon Supply Committee in excess of their actual needs and that as large a supply as possible is made available for other consumers. From the reports already received it would appear that the Transport Advisory Officer has already considerably helped the situation, but to secure that the most effective use is made of the available wagons the co-operation of consumers and the coal trade is most important. Government trust that this will be forthcoming.

5. The Railway Board have also, at the instance of the Indian Railway Conference Association, appointed a Committee to go into the question or the better utilization of railway wagons. This Committee, under the Chairmanship of Mr. B. Moody, Chief Operating Superintendent of the North Western Railway, is touring various Railway systems. So far, their report has not been received, but the Railway Board have every hope that, as a result of their investigations, it will be possible to make, normally available for traffic, a considerable number of additional wagons. The main function of the Committee is to see if the turn-round of wagons can be improved. By "turn-round" is meant the time employed from the despatch of a wagon under load to its being ready for another load, and is one of the most important features of railway operation. The shorter the turn-round, the greater the number of wagons available.

6. The older members of this Council may remember that the broad gauge wagon pool was introduced to meet conditions arising out of the last war when the demand for fit wagons exceeded the supply, and it became imperative to make the best possible use of all wagons by removing the then existing restrictions in their use and eliminating unnecessary and wasteful empty haulage. It may be useful briefly to describe what is meant by the expression "Wagon Pool". Each railway owns a number of wagons, the initials of the parent railway being clearly marked on each wagon; a wagon loaded by the owning or parent railway and sent to another railway had, prior to the introduction of the wagon pool, to be returned within a prescribed period to the owning railway, loaded if a load offered, but empty if it did not. It followed that a very considerable amount of empty haulage by returning wagons to parent lines was incurred. Under the Wagon Pool scheme, broadly speaking, a wagon loses its identity and becomes, for the time being, the general property of all railways. It may be used indiscriminately and need only be returned to its parent railway when due for overhaul, the period between overhauls being usually 3 years. The Wagon Pool is normally administered by the Indian Railway Conference Association, the General Secretary of that Association assuming the duties of the Director of Wagon Interchange under the rules framed by the Association. The Wagon Pool extends to all broad gauge railways, and since its introduction, has rendered more and more assistance to Railways in their efforts to ensure efficient operation, and now covers the movement of almost a lakh and a half of wagons. In normal times the powers of the Director of Wagon Interchange, though fairly wide, are subject to certain limits and are circumscribed by the Conference regulations. The Government of India have decided that, in the best interests of national transport *vis-a-vis* those of individual railways, the powers of the Director should be enhanced, giving him greater discretion in the matter of the distribution of wagons between railways, that his orders should be mandatory and that for the duration of the war or until a subsequent decision to the contrary, the Director of Wagon Interchange should derive his authority from, and be subject to, the control of the Railway Board instead of the Indian Railway Conference Association. In view of the success achieved by the broad gauge wagon pool, Government decided to introduce a similar pool for metre gauge railways. This comprises 17 railways of the Northern group and commenced to function from 15th November, 1939. The Southern group does not at present require a pooling arrangement. The direction of the metre gauge pool has been placed in the hands of the Director of Wagon Interchange under the orders of the Railway Board. This involves the control of approximately 60,000 wagons. From the reports which have been received from the Director of Wagon Interchange, I believe that the new arrangements are working smoothly and satisfactorily.

7. There is one other matter which I particularly wish to bring to the notice of the Council before I disclose our budgetary proposals for 1940-41 ; that is, the question of locomotive building in India. As the result of a promise made last year to the Standing Finance Committee for Railways, the Railway Board appointed two officers to examine, and report on, the prospects of building broad gauge locomotives and boilers in India on an economic basis. This report has been received and will be placed in the hands of Honourable Members at the conclusion of today's proceedings. The officers appointed to make this enquiry were Mr. J. Humphries, Deputy Chief Controller of Standards with the Railway Board, and Mr. Kalyan C. Srinivasan. Mr. Humphries is an officer of the Bengal Nagpur Railway with an extensive knowledge of workshop practice, planning and production. Mr. Srinivasan was the Finance Officer attached to the Raven Workshops Committee. He has made a special study of workshop accounts. Their report is a very interesting and encouraging document. Their opinion is that there are no technical difficulties in the way of building locomotives in India. This, of course, we were well aware of, as locomotives have already been built at Ajmere and Jamalpur. But what is of greater importance, they conclude that the provision of a workshop for the manufacture of locomotives can be made a sound financial proposition. They estimate that the requirements of Indian Railways for broad gauge-locomotives and boilers for a considerable number of years to come will be sufficient, with a *judicious* spreading of orders, to ensure a steady output from a reasonably-sized workshop. This has been our difficulty in the past. We have been unable to foresee a steady output, and it is of little use building a workshop which only works spasmodically. It can never be an economical proposition. This has been our experience with the Patanagar Underframe Shops. In the early years it will be necessary to import such parts as copper tube plates, boiler tubes, and super-heater elements from abroad, but, largely through our policy of standardization and the enterprise of Indian industrialists, especially Messrs. Tata and Sons, it should be possible to build the major part of a locomotive in India from materials of Indian manufacture. The report is now under the active consideration of Government. The proposals made involve the re-distribution of our locomotive repairs. The feasibility of this is under investigation. All I can say at the moment is that the recommendations will be examined by Government in the most sympathetic spirit, and should they disclose a sound project, steps will promptly be taken for the provision of funds.

8. I now come to the most important part of today's proceedings—our budget estimate for 1940-41. In introducing the budget for 1939-40, I said that, despite wars and rumours of war, we had decided to assume that traffic would follow much the same lines as in the previous year and that the conditions of that year were likely to continue. This year the war is actually with us and we propose to assume that the conditions of 1940-41 will be much the same as they have been during the past few months, and our budget is based on this assumption. In other words, we expect that our traffic, after making certain allowances which I shall explain later, will be at about the same level as during the current financial year. Unfortunately, with the increase in traffic, there will also be an increase in working expenses, partly due to increased traffic but mainly due to the increased cost of stores and material, both imported and indigenous. This increase is almost certain to be progressive, and allowance must be made for it. Our policy is to avoid any deterioration in war time in our standards of maintenance. It is also necessary to look ahead and, if possible, make some provision for the inevitable slump that follows a great war. Taking these factors into consideration

Government have decided, with effect from 1st March of this year, to increase existing rates and fares as follows :—

Two annas in the rupee on the total freight, including terminals and other such charges, on all consignments of goods traffic, excluding coal, coke, patent fuel, military traffic, railway materials and stores on revenue account, food grains, fodder and manures ;

Two annas in the rupee on the total freight of each consignment of coaching traffic other than passenger ;

One anna per rupee of fare for all passenger traffic except for fares not exceeding one rupee:

The existing surcharge on coal, coke and patent fuel to be increased from 12½ per cent, with a maximum of Re. 1 per ton to 15 per cent, without a maximum—the rates prevailing in April 1935.

Owing to certain rating complications, it has not been found feasible to impose additions to freights on jute and tea traffic on the Eastern Bengal and Assam Bengal Railways with effect from 1st March, 1940. As soon, however, as the problems connected with these commodities are settled—(this should be within the next few months)—the additions to freight will be imposed. The delay is not of great financial importance as the bulk of the present season's crops has already been moved.

9. I have already explained to Honourable Members the difficulties we have had last year and this year in meeting all the traffic offering during the busy season. The great difficulty in India is that most of our traffic is seasonal and this causes a very uneven distribution. At certain periods of the year, we have no spare wagons whatsoever, at other periods we have a very large number out of use. A very large proportion of the traffic is concentrated between the months of November and March. Last year the Railway Board embarked on a campaign, with the assistance of the coal trade, to encourage consumers of coal to build up their stocks during the slack season and so reduce wagon requirements for coal in the busy season. This campaign has met with a measure of success but not sufficient to ensure an ample supply of wagons for other traffic offering during the winter months. If the situation develops as it did in the last war, a shortage of transport capacity may be a very serious matter, and Government feel that they have a right to ask that all consumers of coal should help by building up stocks in the slack season and, for this reason, have decided only to make the minor increase of coal freight, which I have already announced, for the slack season, but propose to increase the surcharge to 20 per cent, from 1st November, 1940 till 31st March, 1941. Even this additional surcharge is less than the increase to be imposed on other existing rates. It is only 6½ per cent, of the existing scale of rates, but Government recognise that coal is essential for the development of the industry and the well-being of the country.

10. As Honourable Members acquainted with commercial conditions will appreciate, the enhancement in most cases is insignificant, especially when compared with the increase that has already occurred in the price of some important commodities. I may illustrate this by quoting from the East Indian Railway the estimated increase in freight of a few commodities :—

General merchandise	9	pies per maund.
Salt	8	
Sugar	8	” ”
Light merchandise	9	” ”
Fruit and vegetables	2	” ”
Iron and steel wrought	15	” ”
Petrol.	4	pies per gallon.
Kerosene oil	3	” ”

As regards passenger fares, with the increase proposed, the cost of third class travel will be unaffected up to about 60 miles.

11. Having explained the assumptions and policy on which we have framed our budget, I now proceed to give in some detail the estimated results. I have already said that we anticipate during the current financial year gross earnings of 97·30 crores. If the improvement of traffic is maintained, as we expect, this will give us another $\frac{3}{4}$ th of a crore at current rates. From this has to be deducted the earnings of the extra day in 1939-40, which we take at 25 lakhs. We thus arrive at earnings of 97·80 crores. We anticipate that the additions we propose to rates and fares will give us an additional $5\frac{1}{4}$ crores over the current financial year in which the new rates will be in operation for only one month against twelve months in 1940-41. I may say, if it is found that the increase in freights is having a serious effect on the free movement of any particular class of traffic, it may be necessary to reduce the basic rates for the particular commodities concerned to meet the situation. Allowance has been made for this in our calculations. In the result we place our budget estimate of gross earnings at Rs. 103 crores

12. We expect that our working expenses will be Rs. 1·29 crores higher than in the current year. There will be an increase of Rs. 7 lakhs in the appropriation to the depreciation fund owing to the increase in the capital at charge and an increase of Rs. 1·22 crores in ordinary working expenses. This is mainly due to the estimated increased cost of material which we place at Rs. 92 lakhs. Further, with a view to the avoidance of over-capitalisation, Government have decided, with the approval of the Standing Finance Committee for Railways and the Public Accounts Committee, that for State-managed railways the Rs. 2,000 limit for new minor works should be raised to Rs. 10,000. This means that all such works between Rs. 2,001 and Rs. 10,000 will now be charged to revenue instead of to capital as previously. This will mean an additional debit of Rs. 30 lakhs to working expenses. Government have also decided to set aside a lump sum of Rs. 12 lakhs for certain measures for the benefit of the staff which have been under the consideration of the Government of India but which have had to be postponed for financial reasons. A sum of Rs. 5 lakhs has also been provided for the introduction of the Hours of Employment Regulations on certain company managed railways. The expenditure on coal and freight is expected to rise by about Rs. 15 lakhs owing to an anticipated rise in the price of coal and consumption. These additions and other minor ones will be set off to a small extent by certain anticipated savings, the main one of which is the closing down of the Chola Power House on the Great Indian Peninsula Railway. Miscellaneous receipts are expected to exceed those of this year by Rs. 17 lakhs. We also expect a reduction in interest charges of Rs. 10 lakhs on account of the fall in the interest rate from 4·54 per cent, to 4·45 per cent. If our anticipations are correct, the final result should be a net revenue of Rs. 37·11 crores which, after deducting the interest charges of Rs. 28·82 crores, should give a surplus of Rs. 8·29 crores. This surplus will be divided as follows:—

Rs. 4 crores 41 lakhs—our contribution to general revenues for 1940-41.

Rs. 90 lakhs—payment of the deficit in our contribution for 1939-40.

Rs. 2 crores 98 lakhs—payment into railway reserve.

13. The figures I have given include both commercial and strategic lines. The anticipated loss on strategic lines is Rs. 1·83 crores. The net revenue for commercial lines only is Rs. 37·65 crores, or a net return of 5·2 per cent., which compares very favourably with the results of railway working in other countries of the world.

14. Before I close, I have to make a brief reference to our new works programme for 1939-40 and 1940-41. For 1939-40, we place our total expenditure at Rs. 11¼ crores, of which 4¼ crores will be charged to capital and the balance to the depreciation fund. This programme includes the construction of the Khadro-Nawabshah railway and the Sind Right Bank Feeders railways, both projects in Sind. The former has been opened to traffic and the latter is nearing completion. A provision of Rs. 92 lakhs has also been made for the purchase of the South Bihar Railway.

For 1940-41, our programme of expenditure on capital and depreciation fund account is estimated at Rs. 13²/₈ crores, of which Rs. 60 lakhs is for an increase in the stores balances of railways, which is necessitated by the present situation. Provision has also been made for the completion of the Khadro-Nawabshah line and the Sind Right Bank Feeders railways and the purchase of the Hardwar-Dehra Dun Railway, at present owned by a private company, for Rs. 43¼ lakhs. The sum allotted for open line works is distributed as follows:—

	Crores.
Track Renewals.	5¼
Bridges.	¾
Other structural works'.	2½
Rolling stock.	5

The last item includes 248 lakhs for locomotives and boilers, 126 lakhs for coaching stock and 119 lakhs for wagons.

15. It is my privilege each year in presenting the Railway Budget to take the opportunity of commending to the Council the loyalty and devotion of all grades of railwaymen from the highest to the lowest. With these I couple the names of my colleagues and other officers and staff on the Railway Board. Each year Railways are presented with different problems and means have to be devised to meet each of these. One year there may be a sudden increase of traffic : another year the effects of a worldwide depression on our traffic may have to be dealt with. Today we are in the midst of a world war and there are difficult times ahead; but I have no doubt that our officers and staff will adjust themselves to these and continue to give the same loyal and efficient service as they have done in the past. Railways have already been called on to help in India's war effort, and already 20 of our officers are serving in posts which have a direct connection with the prosecution of the war. There will be further calls on Railways. This will entail further responsibilities and greater burdens for those who are left behind. I, personally, have no doubt that our railwaymen can carry these additional burdens. (Applause.)

Details of Voted and Non-voted amounts included in the Demands for Grants (Railway) for the year 1940-41.

Number of demand.	Name of Demand.	Amount.		
		Voted.	Non-voted.	Total.
		Rs	Rs.	Rs
1	Railway Board	9,02,000	5,73,000	14,75,000
2	Audit.	14,90,000	1,95,000	16,85,000
3	Miscellaneous expenditure	17,70,000	16,40,000	34,10,000
5	Payments to Indian States and companies	3,12,85,000	..	3,12,85,000
6-A	Working expenses—Maintenance of structural works	8,03,25,000	22,00,000	8,25,25,000
6-B	Working expenses—Maintenance and supply of locomotive power	18,64,25,000	10,25,000	18,74,50,000
6-C	Working expenses—Maintenance of carriage and wagon stock	6,42,75,000	5,25,000	6,48,00,000
6-D	Working expenses—Maintenance and working of ferry steamers and harbours	27,82,000	18,000	28,00,000
6-E	Working expenses—Expenses of Traffic Department	10,12,10,000	13,15,000	10,25,25,000
6-F	Working expenses—Expenses of General Departments	3,89,95,000	22,55,000	4,12,50,000
6-G	Working expenses—Miscellaneous expenses	4,42,70,000	9,55,000	4,52,25,000
6-H	Working expenses—Expenses of Electrical Department	3,91,50,000	2,50,000	3,94,00,000
7	Working Expenses—Appropriation to Depreciation Fund	12,66,00,000	..	12,66,00,000
8	Interest charges	2,63,000	28,78,28,000	28,81,91,000
9	Temporary withdrawals from Depreciation Fund	..	..	..
10	Appropriation to Reserve	2,98,49,000	..	2,98,49,000
10-A	Withdrawal from Reserve	..	..	..
11	New construction	6,85,000	40,000	7,25,000
12	Open Line Works	11,16,75,000	1,00,000	11,17,75,000
	Appendix A.—Working Expenses and other Revenue charges relating to Strategic Lines.			
	Appendix B.—Expenditure on Open Line Works relating to Strategic Lines.			

BUDGET

of the

Railway Revenue and Expenditure of the Governor-General in Council, February 1940

RAILWAY DEPARTMENT ;

B. M. STAIG,

*New Delhi, the 26th February 1940.**Financial Commissioner of Railways.*

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1.—Statement of the Revenue of the Central

HEADS OF REVENUE.	Accounts, 1938-39.	Budget, 1939-40.	Revised, 1940-41.
XV.—State Railways—	Rs.	Rs.	Rs.
(A). Commercial lines—			
Gross receipts—			
Passenger traffic earnings—			
Upper class	3,20.06	3,14.15	3,08.50
Third class	24,43.44	24,21.50	23,91.25
Other coaching traffic earnings	4,81.55	4,86.50	5,08.25
Goods traffic earnings	65,58.46	64,31.10	65,91.20
Sundry other earnings	2,12.16	1,87.25	2,17.50
TOTAL RECEIPTS	98,18.66	98,40.50	1,01,11.00
Earnings of State Railways	98,18.66	98,40.50	1,01,11.00
Suspense	11.76	—4.40	—6.66
Gross receipts of State Railways	(a) 98,30.42	(c) 98,36.00	(d) 1,01,05.00
Deduct—			
Working expenses of State Railways	(b) 64,66.06	(e) 64,79.60	(f) 65,94.88
Surplus profits paid to Indian States and railway companies	40.15	44.25	35.60
Payments to worked lines—			
(1) Net earnings	2,65.14	2,64.00	2,46.51
(2) Subsidy, Rebate, etc.	9.54	9.10	8.50
Net receipts	30,40.53	30,58.05	32,19.84
(B). Strategic lines—			
Gross receipts	1,81.66	1,45.00	1,25.00
Deduct—			
Working expenses	1,82.19	1,98.40	1,95.66
Net receipts	—50.50	—53.40	—70.66
Total net receipts, Commercial and Strategic lines	29,81.03	30,04.65	31,49.18
XVI.—Subsidised Companies—			
(Government share of surplus profits, etc.)	15.81	15.00	14.65
XVI-A.—Miscellaneous Railway Receipts—			
(i) Commercial lines—			
Interest on Depreciation Reserve and Reserve Fund balances	98.11	1,14.12	1,18.04
Dividend on investments in branch lines and other miscellaneous receipts	80.32	80.70	80.50
(ii) Strategic lines—			
Interest on Depreciation Fund balances	10.02	11.19	16.76
TOTAL RECEIPTS	31,30.09	31,75.66	32,18.41
XVI-B.—Transfers from Railway Reserve Fund.	...	...	...
XVI-C.—Withdrawal of sums deposited on account of the Railway Depreciation Fund.	...	...	...
TOTAL	31,30.09	31,75.66	32,18.41

(a) Includes 2,12.16 earnings of worked lines.

(b) Includes 2,52.04 working expenses of worked lines.

(c) Includes 5,06.00 earnings of worked lines.

(d) Includes 2,44.00 working expenses of worked lines.

(e) Includes 5,06.00 earnings of worked lines.

(f) Includes 2,55.50 working expenses of worked lines.

Government in India and England from Railways.

(In thousands of rupees.)

Increase (+) Decrease (—) as compared with Budget, 1940-41.	Budget Estimate, 1940-41.			Increase (+) Decrease (—) as compared with Revised, 1939-40.
	India.	England.	Total.	
Rs.	Rs.	Rs.	Rs.	Rs.
—5.85	3,20.25	...	3,20.25	+11.05
—90.35	24,08.50	...	24,08.50	+77.25
+18.75	5,12.25	...	5,12.25	+8.05
+4,80.10	71,95.75	...	71,95.75	+4,77.55
+23.75	2,17.00	...	2,17.00	...
+2,70.50	1,06,86.75	...	1,06,86.75	+5,75.75
+2,70.50	1,06,86.75	...	1,06,86.75	+5,75.75
—1.50	...	...	...	+5.00
+2,69.00	1,06,86.75	...	(g) 1,06,86.75	+5,81.75
+1,24.28	87,98.71	12.40	(h) 87,98.80	+1,22.24
+1.15	41.50	...	41.50	+6.10
—17.49	2,67.25	...	2,67.25	+10.74
—71	5.00	...	5.00	+51
+1,01.79	35,70.39	—19.69	35,50.90	+4,31.06
—20.00	1,32.00	...	1,32.00	+7.00
—2.72	1,97.55	...	1,97.55	+1.87
—17.28	—65.55	...	—65.55	+5.19
+1,44.51	36,04.84	—10.40	35,95.85	+4,86.18
95	11.81	1.89	12.70	—1.85
—18	1,42.21	...	1,42.21	+23.27
20	80.26	2	80.28	—22
—42	11.53	...	11.53	+77
+1,42.75	35,00.15	—18.06	34,82.07	+4,63.66
...	...	...	...	...
...	...	...	...	...
+1,42.75	35,00.15	18.06	34,82.07	+4,63.66

(g) Includes 5,12.75 earnings of worked lines.

(h) Includes 2,81.50 working expenses of worked lines.

2.—Statement of the Expenditure on Railways charged

HEADS OF EXPENDITURE.	Accounts, 1938-39.	Budget, 1939-40.	Revised, 1939-40.
	Rs.	Rs.	Rs.
15. State Railways—			
(A) Commercial lines—			
Interest—			
on Government capital at charge	26,86,11	26,86,20	26,84,42
on capital contributed by Indian States and Companies.	1,12,20	97,33	98,04
Total interest, commercial lines	27,97,31	27,83,53	27,82,46
(B). Strategic lines—			
Interest on capital at charge.	1,82,28	1,80,27	1,80,08
TOTAL INTEREST	29,79,59	29,63,80	29,62,54
15 (C) Subsidised Companies—			
Land	35	4,50	3,25
Subsidy	4,68	4,90	5,30
15 (D & E) Miscellaneous Railway expenditure—			
Commercial lines	57,03	56,74	56,85
Strategic lines	32	28	25
Payments to general revenues—			
(I) Contribution	1,87,32	2,12,61	2,00,77
(H) Deficiency in contribution in 1938-40	...	...	...
Transfers to Railway Reserve Fund	...	...	...
TOTAL	31,80,00	31,75,60	31,70,41

to the Revenue of the Central Government in India and in England.

(In thousands of rupees)

Increase (+) Decrease (—) as compared with Budget, 1939-40.	Budget Estimate, 1940-41.			Increase (+) Decrease (—) as compared with Revised, 1939-40.
	India.	England.	Total.	
Rs.	Rs.	Rs.	Rs.	Rs.
—2,78	16,75,30	10,80,65	27,55,95	—3,47
+86	45	96,93	97,38	—86
—3,12	16,75,75	11,77,56	27,53,31	—3,18
—24	1,28,88	...	1,28,88	—1,45
—3,36	17,04,33	11,77,56	28,81,91	—10,56
—1,28	7,35	...	7,35	+4,10
+40	5,20	...	5,20	—10
—39	47,48	10,62	58,10	+1,75
—1	25	...	25	...
+1,47,56	4,41,26	...	4,41,26	+80,49
...	80,51	...	80,51	+80,51
...	2,08,49	1..	2,08,49	+2,08,49
+1,42,75	25,92,97	11,86,20	37,79,17	+4,68,86

*Rs. 100 reduced by the Legislative Assembly has not been restored by the Governor-General in Council but the error has been shown in the Statement to round thousands to usual.

RAILWAY BUDGET AS FINALLY ADOPTED.

2(a).—Contribution from Railway to General Revenues, 1938-40.

(Based on actuals,

1937-38.)

(In thousands of rupees.)

	Rs.	Rs.
1 .1 percent on captl. of 6,86,32,79. (Charge, commercial lines)		8,84,33
2. (i) Receipts—Commercial Lines—		
Grow traffic receipts	99,00,50	
Subsidised Companies' share of surplus profit*, etc.	11,90	
Interest on Depreciation and Reserve Fund balances	71,41	
Dividend on Investments in branch lines and other miscellaneous receipt*	30,96	
		1,00,14,89
(ii) Charges—Commercial Lines—		
Working expenses	68,60,73	
Payments to worked line*	2,03,80	
Indian States and Railway Companies' share of surplus profits	62,55	
Interest—		
on capital at charge	24,77,53	
on capital contributed by Indian States and Companies	1,16,54	
Land and subsidy	5,73	
Miscellaneous railway expenditure	69,96	
Contribution at 1 per cent, on capital at charge	8,85,33	
		1,02,49,39
(III) Deficit		2,34,99
(iv) Contribution of one-fifth of surplus		...
8. (I) Total contribution from railway revenues [1 plus 2 (iv)]	...	8,85,33
Deduct—Loss on strategic lines borne by railway revenues—		
(I) Interest on capital	1,32,61	
(II) Loss in working	42,17	
(III) Interest on the amount of loss in working met from Depreciation Reserve Fund of commercial lines	60,27	
		2,35,05
(ii) Not payment due from railway to general revenues in 1938-4		4,50,38

2(a).—Contribution from Railway to the General Revenues, 1940-41.

(Based on a trials. 1088-39)

(In thousands of rupees.)

	Rs.	Rs.
1.1 per ocot. on capital of 6,91,28,20 at charge, commercial lines		8,81,38
2. (i) Rewipta—Commercial lines—		
	98,80,42	
	15,81	
	92,11	
Dividend on Investment* in branch lines and other miscHaneooa receipts .	30,82	
		99,89,46
(ii) Charges—Commerical lines-	64,60,00	
Indian States and Railway Companies' share of surplus proofs	2,74,68	
	49,15	
Interest—	16,85,11	
on capital contributed by Indian States and Companies	1,12,22	
	4,98	
	57,98	
	6,01,22	
		1,08,41,20
		8,71,88
		...
8. (i) Total contribution from railway revenues [1 plus 2 (iv)]	...	8,91,28
Deduct— Loss on strategic lines borne by railway revenues—		
	1,33,18	
	49,80	
(M) Interest on the amount of loss In working met from Depredation Reserve Fund of Commercial lines.	87,60	
		2,49,97
(to) Net paymen tdne from railway to genera) revenaes In 1949-41	...	4,41,38

RAILWAY BUDGET AS FINALLY ADOPTED.

3.—Statement of the Capital Expenditure of the Central Government on Railways.

(in thousands of rupee)

HEADS OF EXPENDITURE.	Accounts, 1933-39.	Budget, 1939-40.	Revised, 1939-40.	Increase (+) Decrease (—) as compared with Budget, 1939-40.	Budget, 1940-41.	Increase Decrease (—) as compared Revised, 1939-40.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Railway Capital not charged to Revenue :—						
67.—Construction of State Railways:—						
A. Commercial Lines—						
Open Line Works—						
Rollins Stock	₹60,89	1,57,44	₹63,89	—94,05	₹1,82,02	+98,88
Other Works	86,97	₹2,48,14	85,84	—1,60,80	2,48,92	+1,83,08
New Construction	5,80	85,96	74,00	—11,96	7,25	—68,76
Suspense	80,85	—36,20	1,16,00	+1,41,20	80,05	—55,9
Miscellaneous	92	93,28	92,77	—51	47,23	—45,54
Probable savings	...	—1,00,62	...	+1,00,62	—1,00,62	—1,00,62
TOTAL	2,25,43	4,57,00	4,32,00	—26,00	4,24,95	—7,06
B. Strategic Lines—						
Open Line Works—						
Boiling Stock	—1,19	72	—1,00	—1,72	—3,00	—2,09
Other Works	12,84	25,41	9,00	—16,41	8,10	—5,90
New Construction	...	...	...	...	...	...
Suspense	—8,56	20	—16,00	—16,20	—5	+16,25
Probable savings	...	—8,33	...	+8,33	...	...
TOTAL	7,90	18,00	—8,00	—26,00	3	+8,08
TOTAL COMMERCIAL AND STRATEGIC LINES	2,33,33	4,75,00	4,24,00	—51,00	4,28,00	+1,00
*57-C.—Discharge of Debentures	4,10,51	...	...	...	...	...

*Includes ferries.

A.—Railway Depreciation Reserve Fund.

(In thousands of rupee es.)

	Account, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.		Account, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
Opening Balance.	19,21,00	24,25,45	24,27,48	30,26,02	Appropriation from Depreciation Reserve Fund.	7,09,72	8,26,87	7,00,00	7,00,00
Appropriation to Depreciation Reserve Fund.	12,56,11	12,59,87	12,56,54	12,00,00		...	...	...	
	...	...	...	...	Closing Balance.	24,67,45	30,56,45	30,26,02	35,26,02
Total	31,77,20	36,85,32	37,20,02	42,26,02	Total	31,77,20	36,85,32	37,26,02	42,26,02

B.—Railway Reserve Fund.

(In thousands of rupee*.)

	Accounts, 1938-39	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.		Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
Opening Balance.	47,86	47,86	47,86	47,86	Appropriation from Reserve Fund.	...	...	...	...
					Investment Account (gain on Securities)	...	...	...	...
Appropriation to Reserve Fund.	...	...	...	2,98,49	Closing Balance.	47,86	47,86	47,86	3,46,35
Total	47,86	47,86	47,86	3,46,35	Total	47,86	47,86	47,86	3,46,35

Commercial and Strategic lines together.

(In lakhs of rupee.)

	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.	1936-37.	1937-38.	1938-39.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
	M.	M.	M.	M.	M.	M.	M.	M.	M.	M.	M.	M.	M.	M.	M.	M.	M.
Mileage { State-owned Worked lines	27,002 5,847	27,090 6,977	27,604 5,815	28,086 5,812	29,111 5,843	30,878 4,733	31,197 4,873	31,540 4,870	31,642 4,966	31,644 4,613	31,619 4,634	31,732 4,673	31,729 4,398	29,784 4,084	29,725 4,038	29,735 4,114	29,809 4,114
From traffic { State-owned Worked lines	Rs. 1,00,18	Rs. 98,94	Rs. 98,42	Rs. 1,03,43	Rs. 1,03,73	Rs. 1,02,70	Rs. 95,10	Rs. 84,63	Rs. 84,43	Rs. 86,63	Rs. 90,20	Rs. 90,65	Rs. 95,49	Rs. 95,01	Rs. 94,48	Rs. 97,30	Rs. 1,03,00
Operating expenses { State-owned Worked lines	7,34	7,12	6,77	7,18	7,27	6,47	4,99	5,07	4,86	5,13	5,28	5,37	5,53	5,45	5,14	5,00	5,19
Depreciation Fund	61,65	52,99	52,89	53,08	54,22	55,59	54,39	49,31	49,08	49,56	50,27	50,87	50,23	50,37	51,48	52,76	53,98
Payments to worked lines	3,70	3,57	3,33	3,53	3,63	3,50	2,66	2,63	2,49	2,60	2,66	2,68	2,66	2,64	2,63	2,56	2,63
Net Traffic receipts (State lines).	10,35	10,67	10,80	11,38	12,00	12,59	13,07	13,46	13,77	13,54	13,72	13,25	13,16	12,57	12,65	12,59	12,66
Net Miscellaneous receipts after deducting miscellaneous charges and surplus profits payable to companies.	3,64	3,55	3,44	3,85	3,64	3,17	2,33	2,44	2,37	2,53	2,62	2,69	2,87	2,81	2,61	2,44	2,37
Net revenue	33,13	35,23	34,64	38,99	37,51	34,52	27,64	23,86	21,58	23,57	26,21	26,53	32,11	32,07	30,44	31,35	36,36
Interest charges	—1,07	—1,19	—1,27	—87	—87	—2	—11	1	1,10	1,06	53	86	—9	—5	23	58	76
Surplus	37,06	34,09	33,37	38,12	37,14	34,50	27,53	23,87	22,68	24,62	26,74	27,39	32,02	32,02	30,67	31,33	37,11
Faid as contribution to general revenues.	23,90	24,81	25,87	27,27	29,33	30,48	32,78	33,07	32,91	32,58	31,80	31,39	30,81	29,26	29,30	29,73	28,33
Transferred to railway reserve.	13,16	9,28	7,60	10,56	7,81	4,04	—5,19	—9,20	—10,23	—7,98	—6,06	—4,00	1,21	2,76	1,37	2,31	3,39
	5,78	5,49	6,01	6,28	5,23	6,12	5,74	..	..	..	..	..	..	2,78	1,97	3,51	5,31
	6,36	3,79	1,49	4,57	2,58	—2,08	—10,93	—4,95	..	..	..	..	..	..	..	..	2,98

Excluding Burma Railways. For other years, please see Appendix IV.

Note 1.—The balance of the loss in 1931-32 and the total loss in the following years to 1938-39 have been met by temporary borrowings from the Depreciation Fund.

Note 2.—Credits for material released from works not charged to revenue were taken in reduction of operating expenses up to 1931-32. From 1932-33 onwards they have been added to receipts and are included in net miscellaneous receipts. From 1936-37, they are taken in reduction of expenditure met from the Depreciation Fund. The amounts involved are as follows : in 1932-33 and 1933-34, 110 lakhs each; to 1984 35, 00 lakhs ; and in 1935-36, 110 lakhs.

Note 3.—Working expenses were reduced in 1930-31 by 166 lakhs by a credit from the Depreciation Fund for correction of past accounting adjustment and in 1924-25 by 170 lakhs) by certain abnormal refunds of expenditure in previous years.

Explanatory Memorandum on the Railway Budget for 1940-41

INTRODUCTORY

As has been the practice for some years now, we deal with the results of commercial and strategic lines together. The results of these lines are, however, also shown separately in a concise form in Parts I I I and IV respectively of this memorandum.

PART I

SUMMARY OF RESULTS.

Surpluses.

	In crores.
1938-39	37 (actual).
1939-40	3 · 6 1 (anticipated).
1940-41	8·29 (anticipated).

1938-39.

2. The actual net results of 1938-39 were worse than those of 1937-38 by 1·39 crores and fell short of our revised estimate by 68 lakhs. As regards receipts, we anticipated and allowed for a small deterioration in the last two months, as compared with the previous year, in view of the facts (a) that railways had built up coal stock* in earlier months and consequently the coal traffic in the last two months would be less heavy than usual and (b) that there was a special addition to earnings on account of the Kumbh Mela in 1937-38. In the event, however, the deterioration was greater than we expected (there was a particularly heavy fall in earnings in one 10-day period of March 1939), bringing the total receipts down to 94·48 crores against 95·01 for 1937-38 and 94·65 in our revised estimate, a decrease of 53 and 17 lakhs respectively. Further, owing mainly to heavier expenditure on account of the consumption and stocking of coal and of more extensive repairs to rolling stock and workshop machinery, working expenses exceeded the revised estimate by 49 lakhs, there was also a very slight increase (2 lakhs) in the interest charges. In the net result, therefore, the actual surplus fell short of our revised estimate by 68 lakhs, as indicated above. The surplus was paid to the general revenues in part payment of the contribution due under the convention relating to the separation of railway from general finance. This payment was rendered possible by the decision of Government, with the approval of the legislature, to postpone for the present the repayment of loans taken from the depreciation fund to meet deficits in previous years.

3. The expenditure from the depreciation fund was about 7 crores, while the appropriation from revenue to the fund was a little over $12\frac{1}{2}$ crores. The actual balance at the credit of the fund at the end of the year was thus about 5} crores more than the opening balance and stood at a little less than $24\frac{1}{2}$ crores. The nominal balance, including the temporary loans amounting to about $30\frac{1}{2}$ crores, taken from the fund to meet the deficits for the five years from 1931-32, was a little over 55 crores.

1939-40.

4. In framing the budget estimate of receipts for 1939-40, we felt that the general uncertainty in regard to trade and the international situation precluded us from making any reliable forecast, but we proceeded on the assumption that there would be no violent change in the conditions which prevailed in 1938-39. We provided only for a slight increase of 10 lakhs over the revised estimate for 1938-39 after taking account of the additional day's earnings in February 1940. Actually, in 1938-39 we earned 94.48 crores. Though the early months of the current year saw a deterioration in traffic, there has been, since the outbreak of war, a substantial improvement. Further, partly to meet the recent unavoidable rise in costs of railway working consequent on the rise in prices of materials, Government have decided to impose, with effect from 1st March 1940, a general addition to freights and fares. As a result of these two factors, we now expect that the total earnings of the current year will be 97.30 crores, i.e., a little over $2\frac{3}{4}$ crores more than last year and about $2\frac{1}{2}$ crores more than our original estimate.

5. On the expenditure side, in consequence partly of the increase in traffic, alluded to above, and partly of the increase in the prices of stores, we anticipate a considerable excess over both the actual expenditure of last year and our original budget estimate for the current year. Our revised estimate of working expenses is 65.35 crores, which exceeds the former by about $1\frac{1}{3}$ crores and the latter by about 1 crore.

Net traffic receipts, after meeting working expenses, are expected to be about $1\frac{1}{2}$ crores more than last year.

The net results of miscellaneous transactions are expected to show a betterment of about $\frac{1}{3}$ crore.

The total net revenue of all state-owned railways is now estimated to be about 2 crores above last year (32.53 crores against 30.67).

The interest charges are about } crore less than last year.

The surplus of all state-owned lines is thus estimated to be about $2\frac{1}{4}$ crores over last year, that is, 3.61 crores against 1.37 of last year. This surplus will be paid as contribution to general revenues.

The net expenditure on renewals and replacements chargeable to the depreciation fund is now expected to be about 7 crores against the contribution to the fund of a little over $12\frac{1}{2}$ crores. The actual balance at the end of the year will be about $30\frac{1}{4}$ crores. The nominal balance will be $60\frac{2}{3}$ crores.

6. At the end of 1939-40 the liabilities of railways to be met in subsequent years will amount to about $66\frac{1}{2}$ crores, of which about $30\frac{1}{4}$ crores is the amount borrowed from the depreciation fund to meet deficits in certain past years and

the rest ($36\frac{1}{4}$ crores) represents the contribution due to general revenues but unpaid from 1931-32 to 1939-40. The details are as follows :—

(In crores of rupees.)								Loan from depreciation fund.	Unpaid contribution to general revenues.
1931-32	.	.	.	.	.	.	.		
1931-32	.	.	.	.	.	.	.	4.25	5.36
1932-33	.	.	.	.	.	.	.	10.23	5.23
1933-34	.	.	.	.	.	.	.	7.96	5.21
1934-35	.	.	.	.	.	.	.	5.06	5.64
1935-36	.	.	.	.	.	.	.	4.00	4.99
1936-37	.	.	.	.	.	.	.	-1.21	4.91
1937-38	.	.	.	.	.	.	.	..	1.58
1938-39	.	.	.	.	.	.	.	..	3.05
1939-40	.	.	.	.	.	.	.	..	0.90

As already stated, it has been decided, with the approval of the legislature, that railway revenues should not be called upon for the present to meet these liabilities accrued up to the 31st March 1939. In accordance with this decision, the expected surplus of about $3\frac{2}{3}$ crores this year will be paid to general revenues.

1940-41.

7. In the recent past, the uncertainty of the international situation and its effects on trade have rendered the framing of estimates of railway earnings a difficult task, the onus of which has not been alleviated by the outbreak of war. We have assumed that present conditions will prevail throughout next year and that the improvement in traffic which we have experienced in recent months will continue in 1940-41. The increase in freights and fares referred to above, which Government have decided to introduce from the 1st March 1940, will have effect for 12 months next year against one month this year. With these considerations in view, we have placed our estimate of receipts for 1940-41 at about $5\frac{3}{4}$ crores above the revised estimate for the current year, i.e., at 103 crores.

8. Our working expenses show an increase of about $1\frac{1}{4}$ crores mainly on account of the rise in prices of materials and the important accounting change mentioned in Part II of this memorandum.

9. Net traffic receipts, after meeting working expenses, are thus expected to be about $4\frac{1}{2}$ crores more than this year.

Net miscellaneous receipts, with a small decrease in interest charges, show a betterment of $\frac{1}{4}$ lakh.

The net result arrived at is, therefore, a surplus of about $4\frac{2}{3}$ crores more than in the current year, i.e., about $8\frac{1}{3}$ crores against $3\frac{2}{3}$ crores in the current year.

10. Out of this surplus, about $5\frac{1}{3}$ crores will be paid to general revenues. Of this sum a little over $4\frac{1}{3}$ crores represents, when added to the loss on strategic lines borne by railway revenues, the contribution of 1 per cent, payable under

clause (2) of the convention of 1024. The balance (somewhat less than one crore) is on account of arrears of contribution under the same clause for the year 1939-40 (Railway revenues are not relieved of their liability for these arrears by the terms of the present moratorium). The remaining amount, a little less than 3 crores, will be paid into the railway reserve fund under clause (3) of the convention.

11. The appropriation to the depreciation fund in 1940*41 will be about $12\frac{2}{3}$ crores. The withdrawals from the fund are likely to amount to 7 crores. The net accretion to the fund during the year will thus be about $5\frac{2}{3}$ crores, and the balance at the end of the year will amount to about 36 crores. The nominal dosing balance is expected to be about $66\frac{1}{3}$ crores.

12. The following table compares certain financial statistics for 1939-40 and 1940-41 with those for the previous five years:—

	1934- 35.	1935- 36.	1936- 37.	1937- 38.	1938- 39.	Estimate.	
						1939- 40.	1940- 41.
Percentage of net traffic receipts to capital at charge	3.4	3.4	4.1	4.3	4.0	4.3	4.8
Percentage of working expenses (including depreciation) to gross traffic receipts	70.7	70.4	66.2	66.2	67.8	67.2	64.7
Percentage of working expenses (excluding depreciation) to gross traffic receipts	55.5	55.8	52.5	53.0	54.5	54.2	52.4

These figures indicate the position of Indian railways as a dividend-paying concern. The dividends declared by some important foreign railways for 1938 are as follows:—

Southern Railway		3.78 per cent
Great Western Railway.		3.07 „
London, Midland and Scottish Railway		2.63 „
London and North Western Railway		2.00 „
Class I Railroads, United States		1.48 „

It will be seen that Indian railways come well out of the comparison.

13. The results of the working of Indian railways from the separation of the railway from the general budget in 1924 to the end of 1938-39 are given in detail in Section II of Chapter II of Volume I of the Administration Report on Railways for 1938-39. The tendency of working expenses to increase, which was alluded to in this memorandum last year, has been gravely accentuated by war conditions, but the situation continues to be watched with unremitting attention, and the pressure for economy is steadily maintained.

PART II

14. The proposed figures for 1939-40 are compared in the statement below with the budget estimate and the actual results of 1938-39 :—

Particulars.	Accounts, 1938-39.	(In lakhs of rupees.) 1939-40.	
		Budget.	Revised.
<i>Traffic Receipts.</i>			
-Gross traffic receipts—			
State lines	94.48	94.75	97.50
Worked lines	5.14	5.06	5.00
Total working expenses (including depreciation)—			
State lines	64.04	64.85	65.85
Worked lines	2.53	2.44	2.56
Net receipts of worked lines payable to them	2.61	2.62	2.44
A.—Net traffic receipts (State lines)	30.44	30.50	31.95
<i>Miscellaneous.</i>			
Total miscellaneous receipts	1.49	1.71	1.69
Total miscellaneous expenditure	1.26	1.12	1.11
B.—Net Miscellaneous receipts	23	59	58
Net railway revenue (A + B)	80.67	81.09	82.53
Interest charges	29.80	28.96	29.93
Surplus	1.37	2.18	3.61

TRAFFIC RECEIPTS.

15. Up to about the middle of August this year, our receipts disclosed a downward tendency as compared with last year. There was a substantial recovery in the latter half of August, however, counterbalancing about half the deterioration which had occurred up to that date and, since the outbreak of the war early in September, except in the first 10-day period of September and the first three weeks of November, there has been steady improvement. The approximate figures available now for December and January show a substantial improvement. An increase is also to be expected on account of the additional day's earnings in February 1940, this being a leap year.

16. With a view *inter alia* to meeting the unavoidable increase in working expenses consequent on the general rise in prices of materials due to the war, Government have decided to increase the existing rates and fares with effect from the 1st March 1940 to the following extent:—

- (i) Two annas in the rupee in the total freight (including terminals and other such charges) on each consignment of goods traffic, excluding coal, coke, patent fuel, military traffic, railway materials and stores on revenue account, food grains, fodder and manures;
- (ii) Two annas in the rupee of the total freight on each consignment of coaching traffic other than passenger;
- (iii) One anna per rupee of fare for all passenger traffic, except for fares of one rupee and less.

The existing "surcharge" on coal, coke and patent fuel will also be increased from 12½ per cent, with a maximum of one rupee per ton to 15 per cent, without maximum, the rate which was in force prior to April 1935. It has also been decided to raise the surcharge to 20 per cent, from the 1st November to the end of the financial year in the hope that the more favourable rate in the months prior to the busy season will encourage manufacturers and other consumers

of coal on a large scale to secure their stocks at a time when the wagon* position is normally easier and so to make more wagons available for other traffic in the winter months. This is the policy at present being followed in regard to coal for railways.

17. In view of the above considerations, we now expect that the total receipts for the current year will reach 97·30 crores as against 94·48 of last year and 94·75 of our original budget estimate for the current year. The increase is expected to accrue entirely from goods traffic. As regards passenger traffic, last year's results showed deterioration as compared with the previous year, and though there has been a slight improvement in recent weeks, the position as a whole up to date this year compares unfavourably with last year.

18. The details of the estimates are given below :—

Particulars.	(In lakhs of rupees.) 1938-40.		
	Accounts, 1938-39.	Budget	Revised.
Passenger earnings	28.01	27.75	27.35
Other coaching traffic earnings	4.96	4.98	5.16
Goods earnings	64.38	65.22	67.66
Other earnings	2.15	1.91	2.20
Suspense	12	—5	—6
Total	99.62	99.81	1,02.30
Share of worked lines	—5.14	—5.06	—5.00
Receipts of State-owned lines	94.48	94.75	97.30

19. In framing our revised estimates of passenger earnings for 1938-39 and our budget for this year, we took a slightly lower figure for the current year than for the last (27·90 crores for 1938-39 and 27·75 for 1939-40). Our estimate for last year proved correct, the actual earnings being 28·01. From the deterioration we have experienced so far in the current year, we do not expect to realise our original estimate of 27·75 crores, and we have now placed the revised estimate at 27·35 crores, and this in spite of the fact that we shall have an additional day's earnings in February this year.

20. Goods earnings began with a slight increase in the first three weeks of April, then fell and remained almost on the level of last year up to the end of the third week of June. Since the last week of August there has been a steady improvement. The approximate figures to the end of 20th January 1940 show a betterment of about 2·25 crores. During the year there has been a substantial increase in the movement of coal, metallic ores, food grains, iron and steel wrought and cotton, but the traffic in sugar and oil seeds has diminished. There will be an increase in the earnings on account of the addition to rates and fares referred to above which will have effect in the last month of the year. We now place our revised estimate at 67·65 crores against the actual earnings of 64·38 of last year and against our original budget estimate of 65*22

21. The total train mileage on state-owned railway systems showed an increase from 175·53 millions in 1937-38 to 179·05 millions in 1938-39, an increase of 2·01 per cent. The increase in the passenger train miles was from 106·91 to 108·86 millions, i.e., of 1·83 per cent, and the increase in goods train miles was from 68·62 to 70·18 millions, i.e., of 2·27 per cent.

There was an increase in the number of passengers of approximately six and a half millions but a decrease in the total passenger miles of approximately 0·89 per cent, due to the average lead of passenger journeys having fallen from 35·4 miles in 1937-38 to 34·3 miles in 1938-39. There was a decrease of 40 lakhs under passenger earnings, or 1·40 per cent.

In regard to goods traffic, the freight tons increased from 80·12 millions in 1937-38 to 80·56 millions in 1938-39, or an increase of 0·55 per cent. but there was a drop in the ton miles from 21,840 to 21,161 millions, i.e., approximately 3 per cent, due to a fall in the average lead from 200 miles in 1937-38 to 193 miles in 1938-39. The goods earnings fell from 64·79 crores in 1937-38 to 64·38 crores in 1938-39. The increase in train mileage is accounted for by the fact that smaller freight loads per train were obtained during the year. This reduction in freight loads would appear to be the result, partly of a comparatively heavier drop in mineral traffic (which gives heavier loads per train) and partly of the efforts which railways are making to quicken up the transit of goods by arranging for their despatch without the same insistence on full loads being obtained for wagons at forwarding, or transhipping stations.

WORKING EXPENSES.

22. The details are as follows :—

(In lakhs of rupees.)

Particulars	Accounts, 1938-39.	1939-40	
		Budget.	Revised.
A.—Maintenance of structural works	7,72	7,80	7,98
B.—Maintenance and supply of locomotive power	17,92	17,83	18,25
C.—Maintenance of carriage and wagon stock	5,80	5,99	6,18
D.—Maintenance and working of ferry steamers and harbours	28	28	28
E.—Expenses of traffic department	10,02	10,02	10,09
F.—Expenses of general departments	3,99	4,09	4,12
G.—Miscellaneous expenses	4,35	4,32	4,57
H.—Expenses of electrical department	3,83	3,82	3,60
Suspense	10	—4	—5
Total ordinary working expense	54,01	54,11	55,32
Depreciation	12,56	12,58	12,59
Total working expenses	66,57	66,69	67,91
Recoveries from worked lineb	—2,53	—2,44	—2,56
Net working expenses of state-owned lines	64,04	64,25	65,35

23. The total working expenses of the current year (including depreciation) show an increase of 1·31 crores as compared with last year, and of 1·10 crores as compared with the original budget estimate. In considering these increases, the fact should not be lost sight of that they are in part at least an inevitable consequence of improved traffic conditions and that our revised estimate of traffic earnings for the current year is 2½ and 2¼ crores above the actual earnings of last year and our original estimate of this year respectively, excluding the effect of the addition to rates and fares to be imposed from 1st March 1940. The total train miles expected now to be run this year are also about 350,000 more than last year.

24. The principal causes of the increase on last year's figures are briefly as follows :—

- (i) The cost of coal and the freight on coal are together expected to increase by about 20 lakhs, the former on account of larger consumption of coal for the increased train mileage involved in the improved traffic, set off to a small extent by fall in price and the latter on account of larger receipts and stocking and longer leads.
- (ii) In connection with the experiment with Diesel cars on the North Western Railway, we anticipate making payment this year to

the contractors under the terms of their contract of 90 per cent, of the purchase price. This, together with the cost of maintenance of the cars this year, is expected to amount to 14 lakhs.

- (iii) Sometime ago, as a measure of ultimate economy, we embarked on a programme of reconditioning wagons to meet the requirements of modern operating conditions. Accelerated progress this year with this work is expected to involve an increase in expenditure of 10 lakhs mainly on the Bengal Nagpur Railway.
- (iv) The cost of ordinary repairs to assets, especially rolling stock, is expected to go up by about 30 lakhs mainly on account of the rise in prices of materials. ;
- (v) Increased repairs to assets including the shifting of ghats and ghat lines and repairs to banks, bunds, etc., after flood damages on the Eastern Bengal Railway, and river training works on the East Indian Railway and the rebuilding of certain wagons and vans on the Bombay, Baroda and Central India Railway account for another 30 lakhs.
- (vi) Additional expenditure of about 25 lakhs is due to compensation payments for railway accidents, partial adjustment by debit to revenue of the cost of the Kedla colliery, which has been abandoned, and other miscellaneous items.

25. The principal causes of the increase over our original estimate are briefly as follows :—

- (i) As a result of the increased traffic which we now anticipate this year, we expect an increase in the consumption of coal of about 1½ lakhs of tons over the figure on which we based the original estimate. This means an increase of 7 lakhs of rupees in working expenses. Further, when we framed the original estimate, we expected a reduction in our coal bill of about 16 lakhs on account of the fall in market price. A substantial portion of this is not expected to materialise now owing to the fact that some railways adhered to the use of higher quality coal, in the price of which there has been a less marked fall. Further, some of the higher priced coal, which had been purchased last year, was carried over as balance of stock and consumed this year. In view of the increasing traffic, railways have also had to increase stocks. This involves also more freight charges. These causes are expected to result in an increase of about 22 lakhs in the cost of coal and the freight thereon.
- (ii) Another consequence, though one of minor importance, of the increase in the anticipated traffic is a rise in our handling charges of about 6 lakhs.
- (in) The effect on expenditure on repairs to rolling stock of increased mileage and rising average age, referred to last year, has been further accentuated this year. More attention has also been given to the repair and maintenance of other assets, such as track and other civil engineering works and electrical fittings and equipment. In regard to track maintenance, it was the feeling of the Pacific Locomotive Committee that while material economies had been secured without in the main curtailing expenditure which was really essential for the safe operation of traffic, curtailment had in some instances already

been carried too far, and they reminded us that deterioration in the general condition of the permanent-way increases with time* and may well result in an ultimate increase in the cost of remedial measures. Due regard is being paid to this note of warning. The effect of these factors is further gravely aggravated by the rise experienced this year after the outbreak of the war in the price of materials. All these causes are expected to result in an increase of about 40 lakhs in the repairs and maintenance of rolling stock and of about 15 lakhs in respect of other assets.

- (iv) The expenditure on the shifting of ghats and ghat lines and river training works, referred to above (about 9 lakhs) is an unforeseen item.
- (v) Another abnormal item is the increase of 6 lakhs in the payment of compensation claims in connection with railway accidents.
- (vi) Lastly, our original estimate of gratuity payments is now expected to be exceeded by about 6 lakhs owing to unforeseen retirements and casualties.

26. A more detailed explanation of the variations under each of the heads of expenditure under which working expenses are shown will be found in the memoranda placed before the Standing Finance Committee for Railways and printed as part of the proceedings of their meetings on the 30th and 31st of January 1940, Volume XVI, No. 5.

27. The amount required for depreciation is practically the same as last year and as in the original budget (3 lakhs and 1 lakh more respectively). The amount is calculated at 1/60th of the capital at charge at the end of the previous year, and the slight variations are due to the fact that the capital outlay in 1938-39 was 2,33 lakhs, which was 90 lakhs more than the revised estimate of outlay for that year.

MISCELLANEOUS.

28. The net result of all miscellaneous transactions is a net receipt of 58 lakhs, which is practically the same as our original estimate, and 35 lakhs more than the net receipt of last year. This is mainly due to the increase in the interest received on the balance in the depreciation fund consequent on the increase in that balance and to the decrease in the surplus profits payable to Indian States and railway companies (especially on the Bengal Nagpur, Madras and Southern Mahratta, and South Indian Railways) the net earnings of the lines concerned being less in 1938-39 than in 1937-38.

The details are given below :—

		(In lakhs of rupees.) 1939-40	
Particulars.	Accounts, 1938-39.	Budget.	Revised.
<i>Miscellaneous Receipts.</i>			
Government share of surplus profits from subsidised companies, guarantee from Provincial Governments, etc.	18	15	14
Interest on depreciation and reserve fund balances	1,03	1,25	1,25
Dividends on investments in branch lines and other miscellaneous receipts	18	19	19
Receipts from Railway Companies for supervision, audit and control	11	12	11
Total miscellaneous receipts	1,49	1,71	1,69

Particulars.	(In lakhs of rupees.)		
	Accounts, 1938-39.	1939-40	
		Budget.	Revised.
<i>Miscellaneous expenditure.</i>			
Surplus profits payable to Indian States and Railway Companies	49	34	35
Rebate and rental	14	11	11
Miscellaneous charges and subsidy	63	67	65
	<u>1,26</u>	<u>1,12</u>	<u>1,11</u>
Net miscellaneous receipts	23	59	58

INTEREST CHARGES.

29. Interest charges are expected to be 38 lakhs less than last year and just 4 lakhs less than the original budget. The former is due to the effect of the fall in the rate of interest (from 4·70 to 4·54 per cent.) counterbalanced by the interest on further capital outlay. The latter variation is due to the fall in the rate of interest below the rate adopted for the original budget (4·54 per cent, against 4·57 per cent.).

1940-41.

30. The principal figures, of the budget estimate for 1940-41 are compared in the statement below with the revised estimate for 1939-40 and the actual results of 1938-39 .—

		(In lakhs of rupees.)		
Particulars.	Accounts, 1938-39.	Revised estimate, 1939-40.	Budget estimate, 1940-41.	
<i>Traffic Receipts,</i>				
Gross traffic receipts—				
State Lines	94,48	97,90	1,03,00	
Worked Lines	5,14	5,00	5,19	
Total working expenses (including depreciation)—				
State Lines	64,04	65,25	66,64	
Worked Lines	2,53	2,56	2,63	
Net receipts of worked lines payable to them	2,61	2,44	2,57	
A.—Net traffic receipts (State lines)	30,44	31,96	36,36	
<i>Miscellaneous.</i>				
Total miscellaneous receipts	1,49	1,59	1,96	
Total miscellaneous expenditure	1,66	1,11	1,21	
B.—Net miscellaneous receipts	28	68	75	
Net railway revenue (A + B)	30,67	32,63	37,11	
Interest charges	29,30	28,92	28,38	
Surplus	1,37	3,61	8,73	

31. In Part I of this memorandum we have alluded to the uncertainty attaching to any estimates of earnings framed in present conditions and have stated that we have proceeded on the assumption that the improvement which we have had in traffic in recent months will continue throughout the next financial year. The effect of this we estimate to be an increase of about $\frac{3}{4}$ crore. Further, the increase in freights and fares referred to in paragraph 16 in Part I of this memorandum from the 1st March 1940 will have effect for twelve months next year as against one this year. This is expected to bring in additional earnings to the extent of about $5\frac{1}{4}$ crores. Against these increases, however, we have to set off the earnings of an additional day in February this year (about 25 lakhs). Our revised estimate for the current year being 97.30 crores, we place our estimate of gross receipts for 1940-41 at 103 crores.

32. The details of the estimates are given below :—

Particulars.	(In lakhs of rupees.)		
	Accounts, 1938-39.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
Passenger earnings	28.01	27.35	28.25
Other coaching traffic earnings	4.96	5.16	5.24
Goods earnings	64.38	67.65	72.50
Other earnings	2.16	2.20	2.20
Suspense	12	—6	..
Total	99.62	1,02.30	1,08.19
Share of worked lines	—5.14	—5.00	—5.19
Receipts of State-owned lines	94.48	97.30	1,03.00

WORKING EXPENSES.

33. The estimate of working expenses is compared with the previous two years in the following statement:—

Particulars.	(In lakhs of rupees.)		
	Accounts, 1938-39.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
A.—Maintenance of structural works	7.72	7.96	8.25
B.—Maintenance and supply of locomotive power	17.92	18.25	18.75
C.—Maintenance of carriage and wagon stock	5.50	6.18	6.48
D.—Maintenance and working of ferry steamers and harbours	28	28	28
E.—Expenses of traffic department	10.02	10.09	10.25
P.—Expenses of general departments	3.99	4.12	4.13
O.—Miscellaneous expenses	4.35	4.57	4.52
M.—Expenses of Electrical department	3.83	3.90	3.94
Suspense	10	—5	..
Total ordinary working expenses	54.01	55.32	56.60
Depreciation	12.56	12.59	12.56
Total working expenses	66.57	67.91	69.16
Recoveries from worked lines	—2.58	—2.56	—2.62
Working expenses of State-owned lines	64.04	65.35	66.54

34. Our estimate of working expenses is 1·29 crores higher than in the current year. There is an increase of 7 lakhs in Working expenses. the appropriation to the depreciation fund, as compared with the revised estimate for 1939-40, consequent on the anticipated capital outlay of 424 lakhs in 1939-40. The increase in ordinary working expenses (*i.e.*, excluding depreciation) is, therefore, 1·22 crores.

The major portion of this increase is due to the rise in prices of materials. While the effect of this factor has been substantial in the current year, it is bound to be still more acutely felt in 1940-41, and the increase in expenditure on account of it is expected to be about 92 lakhs.

With a view to the avoidance of over-capitalisation, the Government of India have, with the approval of the Standing Finance Committee for Railways, decided that, on state-managed railways, the existing limit of Rs. 2,000 for new minor works should be raised, with effect from 1st April 1940. The effect of this is that all original works costing from Rs. 2,001 to Rs. 10,000 individually will be charged to revenue (working expenses) instead of to capital as hitherto. The principle underlying this change was also approved by the Auditor General and the Public Accounts Committee in 1936, but in the general financial position it was not considered practicable to give effect to it. Government now feel that it should no longer be postponed. It is estimated that it will increase working expenses by about 30 lakhs. The question of the extension of this rule to company-managed railways is under consideration. In their case, the allocation of expenditure between capital and revenue is regulated by their contracts.

Certain measures beneficial to staff have been for some time under the consideration of Government, but action in regard to them has hitherto been precluded by financial considerations. A lump sum provision of 12 lakhs has been made on this account for next year. A sum of about 5 lakhs has also been provided for the introduction of Hours of Employment Regulations on some company-managed railways.

The expenditure on coal and freight thereon is also expected to rise slightly by about 15 lakhs owing to an anticipated rise in price of coal and in consumption and to a slightly larger stocking of coal.

The above items of increase are expected to be set off by some savings (over 30 lakhs) the chief of which are due to the closing of the Chawla Power House on the Great Indian Peninsula Railway and the fact that the expenditure on the purchase of rail cars on the North Western Railway in the current year will not recur.

Explanations in greater detail are given in the memorandum placed before the Standing Finance Committee for Railways at their meetings on the 30th and 31st January 1940 (*vide* Proceedings Volume XVI, No. 5).

35. The table below gives the usual details of miscellaneous receipts and expenditure :—

Particulars.	(In lakhs of rupees.)		
	Accounts, 1938-39.	Revised estimate, 1939-40.	Budget estimate, 1940-41.
<i>Receipts.</i>			
Government share of surplus profits from subsidised companies, guarantee from Provincial Governments, etc.	16	14	14
Interest on depreciation reserve fund balances	1,03	1,25	1,47

(In lakhs of rupees)

Particulars.	Accounts, 1938-39.	Revised estimate, 1939-40.	Budget estimate, 1940-41.
<i>Receipts—contd.</i>			
Interest on reserve fund			6
Dividends on investments and other miscellaneous receipts	19	19	19.
Receipts from railway companies for supervision, audit and control	11	11	11
Total .	1,49	1,69	1,96.
<i>Expenditure</i>			
Surplus profits payable to Indian States and Railway companies	49	35	411
Rebate and rental	14	11	9
Miscellaneous charges and subsidy	63	65	71
Total	1,26	1,11	1,21*
Net miscellaneous receipts	23	58	75.

36. The net receipts expected for the next year exceed those in the current year by 17 lakhs. The main reasons for the increase are (i) that the interest to be received on the depreciation fund balance is expected to increase by 22 lakhs on account of the increase in the balance, and (ii) that we expect to receive a small amount of interest (6 lakhs) on the payment referred to in paragraph 10 of this memorandum, which we hope to make into the railway reserve fund next year, the above increases being set off by increased surplus profits payable to railway companies (especially the Bengal Nagpur and Bombay, Baroda and Central India Railways) and by certain miscellaneous payments (chiefly the payment for land for the doubling of a certain section on the Bengal and North Western Railway).

37. Next year we expect a reduction of 10 lakhs in interest charges as compared with the current year, mainly on account of the fall in the rate of interest from 4.54 to 4.45 per cent.

PART III

COMMERCIAL LINES

38. The statement below gives the relevant figures for the commercial lines separately:—

(In lakhs of rupees).

Particulars.	Accounts, 1938-39.	Revised estimate, 1939-40.	Budget estimate, 1940-41.
<i>Traffic Receipts.</i>			
Gross traffic receipts—			
	98,17	98,06	1,01,88
	5,14	5,00	5,19
Total working expenses (including depreciation)—			
	68,13	68,39	64,07
	12,53	2,56	2,62
Net receipts of worked lines payable to them	2,61	2,44	2,57
A.—Net traffic receipts (State lines) .	31,04	32,66	37,01
<i>Miscellaneous.</i>			
	1,39	1,53	1,85
Total miscellaneous expenditure	1,38	1,11	1,31
B.—Net miscellaneous receipts	18	47	64
Net railway revenue (A + B) .	31,17	33,13	37,66
	27,98	27,62	27,53
Gain	3,19	5,51	10,13

The anticipated result is a surplus of 10-12 crores in 1940-41 against ft surplus of 5·1 crores in 1939-40 and 3·19 crores in 1938-39.

PART IV

STRATEGIC LINES

39. The statement below gives the relevant figures for the strategic lines separately:—

(In lakhs of rupees.)

Paiticulars	Accounts, 1938-39.	Revised estimate, 1939-40.	Budget estimate, 1940-41.
Gross traffic receipts	1,31	1,25	1,32
Working expenses	1,35	1,30	1,41
Depreciation	56	57	56
Total working expenses	1,91	1,86	1,97
A.—Net traffic receipts	—60	—71	—65
<i>Miscellaneous Receipts.</i>			
Interest on balances of depreciation fund	10	11	11
Miscellaneous expenses	..	..	..
B.—Net miscellaneous receipts	10	11	11
Net revenue (A + B)	—50	—60	—54
Interest charges	1,32	1,30	1,29
Net loss in working	1,82	1,90	1,83

An increase of 8 lakhs over last year in the net loss in working is attributable chiefly to the general decline in earnings in the current year, which is expected to be made good fully in the next year.

In calculating the interest on depreciation fund balances, it is assumed that the fund in respect of strategic lines has remained intact in that the deficits in continuous years since 1931-32 have been met from the depreciation reserve fund relating to the commercial section. Interest on the accumulated losses on the strategic section is deducted from the contribution payable to general revenues.

PART V

WORKS EXPENDITURE NOT CHARGED TO REVENUE

1939-40.

40. The programme of works for the current year was anticipated to cost under $13\frac{1}{4}$ crores, but we provided only 11 crores as in the light of past experience, we considered it improbable that the full amount would be utilised. Of this amount, $4\frac{3}{4}$ crores was to be an addition to capital and the balance of $6\frac{1}{4}$ crores was to be found from the depreciation fund. Our present anticipations are that our total expenditure will amount to just $11\frac{1}{4}$ crores, of which $4\frac{1}{4}$ crores will be charged to capital and the balance to the depreciation fund. Detailed explanations are given in the memoranda placed before the Standing Finance Committee for Railways in their meetings on the 30th and 31st January 1940 (*vide* Proceedings, Vol. XVI, No. 5).

1940-41.

41. For 1940-41, the programme provides for a total expenditure of 15 crores, excluding $1\frac{1}{3}$ crores representing the credits for material returned, from works not charged to revenue (or $13\frac{2}{3}$ crores including such credits). Of the total, 60 lakhs is for increase in the stores balances of railways.

A sum of 7£ lakhs has been provided for the completion of two lines under construction (the Sind Right Bank Feeders Railway and the Khadro-Nawabshah Railway).

Under open line works, about $43\frac{1}{4}$ lakhs have been provided for the purchase of the Hardwar Dehra Railway. An approximate distribution of the rest of the total provision is as follows :—track renewals $5\frac{3}{4}$ crores, bridge work $\frac{3}{4}$ crore, including $5\frac{1}{2}$ lakhs for protection works to the Harding bridge, other structural works $2\frac{1}{2}$ crores and rolling stock 5 crores. Locomotives and boilers cost about 248 lakhs, carriages about 126 lakhs, and wagons about 119 lakhs. The total number of wagons provided for is 1857 of which 15,60 are broad gauge general service wagons to be added to the general pool, and represent replacements of wagons already scrapped. Of the others 234 are also replacements.

Though the total programme amounts to $13\frac{2}{3}$ crores, we consider it improbable that the full amount will be spent, and with this consideration in mind we have made a deduction in the estimate equivalent to about 17·7 per cent. of the total.

The net cash expenditure which we anticipate is $11\frac{1}{4}$ crores, of which 7 crores will be met from the depreciation fund.

42. In conclusion, we desire to acknowledge the valuable assistance we have received, as usual, from the members of the Standing Finance Committee for Railways during the year.

T. G. RUSSELL,

NEW DELHI ;

*Chief Commissioner of Railways.**The 7th February 1940.*

B. M. STAIG,

Financial Commissioner of Railways.

APPENDIX I

Capital Expenditure

The total expenditure charged to capital and to the depredation fund on State-owned railways in the three years 1938-39 to 1940-41 is set out in the table below.—

	Accounts, 1938-39.	1989-40.		Budget, 1940-41.
		Budget.	Revised.	
England—				
Sterling payments. £	1,215,129	2,020,575	1,922,100	1,200,000
Converted into rupees at 1s. 6d. to the rupee. Rs.	1,62,01,714	2,69,41,000	2,56,28,000	1,60,00,000
Exchange . . Rs.	93,247	..	1,21,000	..
Total England . Rs.	1,62,94,961	2,69,41,000	2,57,49,000	1,60,00,000
India—				
Payments in India Rs,	7,78,45,217	8,30,59,000	8,66,51,000	9,65,00,000
Total England and India. Rs.	9,41,40,178	11,00,00,000	11,24,00,000	11,25,00,000

The distribution of the above between capital and depreciation fund is as follows :—

Capital	2,33,32,421	4,75,00,000	4,24,00,000	4,25,00,000
Depreciation Fund	7,08,06,757	6,25,00,000	7,00,00,000	7,00,00,000

Open Line Works

2. *Engineering, structural and other works*.—The following is the distribution of the proposed expenditure among the various classes of works comprised in this group :—

(Figures in thousands of rupees.)			
	Capital.	Depreciation Fund.	Total.
(J) Track	72,71	5,03,65	5,76,36
(2) Bridges	19,63	44,40	64,03
(3) Traffic facilities	78,85	20,31	99,16
(4) Workshops and Loco, sheds	36,24	19,62	55,86
(5) Staff quarters	16,64	4,04	20,68
(6) Welfare works	13,19	4,13	17,32
(7) Electric installations	—3,53	9,49	5,96
(8) Signalling and interlocking	15,32	12,98	28,30
(9) Electrification of track	21	14	35
(10) Removal of infringements	..	1,64	1,54
(11) Collieries	—5,11	..	—5,11
(12) Emergencies	4,00	2,00	6,00
(13) Other Works	2,28	27 11	29,49
(14) Hardinge Bridge protection and training works	5,49	..	5,49
(15) Suspense (Increase in stores balances)	60,00	..	60,00
(16) Repayments from revenue for Hardinge Bridge works	..	—15,00	—15,00
(17) Purchase of Hardwar Dehra Railway	43,23	..	43,23
(18) Credits for released materials	..	—1,30,00	—1,30,00
Total	3,59,25	5,04,41	8,63,66

(1) *Track*.—On account of the increased power and weight of locomotives required for the operation of traffic the previous policy of strengthening and improving track and bridges is being continued, and a provision of about 576 lakhs, about 105 lakhs more than in the current year, has been made for track.

(2) *Bridges*.—The following are the more important of the renewals which it is proposed to undertake next year :—

- (i) *Strengthening of bridges on the Bina Katni section of the Great Indian Peninsula Railway and alterations to Katni Marwara traffic yard for the purpose of working goods traffic between Bina and Katni with 2-8-0 type goods engines*.—On account of the increase in traffic it is essential to use heavier engines on this section so as to increase its capacity. For this purpose strengthening of bridges and alterations to the yard are necessary. The work is estimated to cost Rs. 5.65 lakhs of which 3 lakhs is expected to be spent during 1940-41 and the balance during the following year.
- (ii) *Rebuilding of Barrackpore Trunk Road Over bridge, Eastern Bengal Railway*.—The bridge is old and of obsolete pattern. It is corroded very badly, infringes overhead dimensions and is overstrained. The scheme is estimated to cost Rs. 4½ lakhs and a small provision of 0.10 lakh has been made for 1940-41.
- (iii) *Renewal of flooring and strengthening of 56-150 spans of Qodavari Bridge, Madras and Southern Mahratta Railway*.—The troughing is rapidly corroding away and is nearing the end of its useful life. It is also causing serious corrosion to the main top

chord members of the bridge. It is to be removed and an open floor substituted. With this substitution many rivets which are loose will be overhauled. It is also proposed to strengthen the girders so as to permit single XB and XD engines running with unrestricted speed. The scheme is estimated to cost about Rs. 6 lakhs and a provision of Rs. 1.15 lakhs has been made during 1940-41.

- (iv) *Renewal of girders on the Narbada Bridge at Mortakka on the Bombay, Baroda and Central India Railway.*—This is a work in progress and about Rs. ½ lakh is expected to be spent on it in 1939-40. A further sum of Rs. 9¼ lakhs has been provided for it in the next year.
- (v) *Re-girdering Dufferin Bridge, East Indian Railway.*—This is another work in progress and about 1 lakh is expected to be spent in 1939-40. A further sum of Rs. 10 lakhs has been provided for in the next year. The total cost of the work is estimated at Rs. 83 lakhs of which a sum of Rs. 25¼ lakhs is debitable to the U. P. Government. In addition, a provision of Rs. 5½ lakhs has been made for the Hardinge Bridge Protection and Training Works.
- (vi) *Renewal of rail and roadway spans of the Chenab Bridge at Shershah, North Western Railway.*—The present bridge over the river Chenab at Shershah consists of 17 spans of 200' clear and was opened in 1890. The material in the girders consists of a mixture of wrought iron and steel of a very poor quality. The girders are distorted and overstressed. In view of the overstresses and distortion in the girders and other constitutional defects which exist in them, their renewal is absolutely necessary. The present bridge carries a roadway on the railway deck but it is proposed to provide a separate 18' clear roadway carried over the top booms of the new girders in order to provide better facilities both for road and rail traffic. The Punjab Government have given provisional approval to this proposal. The whole scheme including the portion chargeable to the Punjab Government is estimated to cost about Rs. 27 lakhs and a provision of 9¼ lakhs is being made for the work during 1940-41.

(3) *Traffic facilities.*—A fairly large portion of the proposed expenditure on traffic facilities next year is for the remodelling of stations. Except for three new schemes on the East Indian Railway, the whole of the provision is for works already in progress. A number of these important remodelling schemes will be completed next year, but a few on the Madras and Southern Mahratta and South Indian Railways which will take some time for completion. Of the latter the most important are the remodelling of Podanur, the Bezwada station yard, and of the loco, running shed and yard at Rajahmundry.

The new schemes are :—

(i) *Additional line facilities on the Moradabad Division to improve speed of operation.*—After serious congestion on the Moradabad Division during the busy season of 1938-39 which had its repercussions also on the adjacent divisions and on all traffic on the upper or northern portion of the East Indian Railway an examination of the points of congestion and operating difficulties indicated that the existing line and terminal facilities on this division were inadequate to deal promptly with the volume of traffic offering. Consequently a comprehensive scheme has been drawn up with a view to enable the existing traffic to move freely and expeditiously and also to provide a small

margin for any rise in traffic in future. The works included in the scheme are, briefly, provision of 10 crossing stations, additions and alterations to 5 station yards, a new bridge at Shahjahanpur, doubling of lines at various places, etc. The scheme is estimated to cost about Rs. 22 lakhs and a provision of Rs. 15-80 lakhs has been made during 1940-41.

(ii) *Allahabad Remodelling of Yard.*—The scheme is estimated to cost about 4½ lakhs and it is proposed to spend about 1½ lakhs in 1940-41. The existing accommodation in this yard is quite inadequate to the needs of present traffic. "The yard gets congested so that the trains from the different sections cannot be admitted freely. Due to paucity of marshalling lines wagons received in the yard suffer considerable detentions before they can be sorted out, marshalled and despatched. By the removal of these defects substantial savings are expected.

(iii) *Improved facilities at Cawnpore running shed and additional quarters required consequent upon the concentration of goods and passenger engines.*—The work is estimated to cost Rs. 3.32 lakhs and it is proposed to spend 1¼ lakhs in 1940-41.

(iv) *Remodelling loco, yard at Delhi Main ; extending goods platform and providing a goods shed on it at New Delhi.*—The loco, shed facilities at Delhi Main are inadequate for the economical handling of the number of engines dealt with. The layout of the yard does not facilitate the movement of engines and coal wagons and requires the use of 85' turntable as a bridge. The extension of the loco, shed and improvement of the yard and loco, facilities generally permit of the discontinuance of North Western Railway pilot engines between Ghaziabad and Delhi resulting in substantial savings. The scheme is estimated to cost Rs. 2 lakhs and about 1¼ lakhs has been provided for it next year.

In addition, a provision of 7 lakhs has been made for completion of the remodelling of the Viramgam yard and rebuilding the station.

(4) *Workshops and loco, sheds.*—The important works on which expenditure is anticipated next year are detailed below :—

(i) *Improved facilities for Saidpur Shops.*—This is a work in progress and a provision of Rs. 2.69 lakhs has been made for it in 1940-41.

(ii) *Santahar Confined gauge engine shed.*—This is also in progress and it is proposed to spend 3.48 lakhs on it in 1940-41.

(iii) *Moghalsarai station*—additions and alterations to loco, running shed and yard in connection with intensive use of locomotives.—This is another work in progress and a provision of Rs. 4.16 lakhs has been made for it.

(iv) *Improvements to loco, running shed and yard at Rajahmundry, Madras and Southern Mahratta Railway.*—A provision of 1½ lakhs has been made for it for 1940-41.

(5) *Miscellaneous.*

Improvements and alterations to 3rd class and upper class arrangements in front of Delhi Main Station.—It has not been possible to take this work in hand during the current year, but a provision of Rs. 3¼ lakhs has been made for it in the next year.

Drainage and sewage scheme for Lahore Railway Area.—The drainage and sewage disposal arrangements of the Railway Colony at present are unsatisfactory and it is essential that the Railway should complete its own sewage and drainage system which will discharge into the municipal sewers which are under construction at present. The scheme is estimated to cost Rs. 2.57 lakhs and a provision of Rs. 2 lakhs has been made for it in 1940-41.

In addition, a provision of 3.57 lakhs has been made for the reconstruction of staff quarters and buildings destroyed in the earthquake at Quetta in 1935.

3. Staff quarters.—The following table shows the distribution of the proposed expenditure for the provision of quarters for the staff :—

(In thousands of rapes.)

Railway*.	Officers* Quarters.		Other Quarters.		Total.
	Provision to complete bungalows under construction.	Provision for new bungalows.	Provision to complete quarters under construction.	Provision for new quarters.	
Assam Bengal .	..	..	..	2,04	2,04
Bengal Nagpur.	..	41	96	2,00	2,37
Bengal & North Western.	..	..	1	1,19	1,20
Bombay, Baroda and Central India.	..	..	..	3,12	3,12
Eastern Bengal	..	..	30	80	1,10
East Indian	..	..	76	3,41	4,17
Great Indian Peninsula.	..	6	..	1,33	1,39
Jodhpur .	..	..	..	27	27
Madras and Southern Mabratta.	..	..	..	28	28
North Western.	..	..	10	83	93
Rohilkund and Kumaon.	..	..	50	11	61
South Indian .	..	..	..	2,20	2,20
Total .	..	47	2,83	17,58	20,68

to

EXPLANATORY MEMORANDUM: RAILWAY BUDGET.

4. *Amenities for Passengers.*—The statement below shows against each railway the expenditure proposed on the various categories into which these amenities are usually sub-divided:—

(In thousands of rupees.)

Railways.	Improvement of latrines and sanitary arrangements.	Water supply to passengers.	Provision of lower class waiting rooms and waiting halls.	Provision of covered platforms.	Provision of refreshment rooms and tea stalls for lower class passengers.	Booking facilities.	Raised platforms.	Additional carriages to reduce overcrowding.	Improvements in existing carriages.	Any other objects to improve the amenities of lower class passengers.	Total.
1. Assam Bengal »	1	3	25	...	...	...	...	...	...	28	63
2. Bengal Nagpur	10	...	50	...	25	10	...	...	...	3	97
3. Bengal and North Western.	5	5	...	...	5	6	...	...	...	...	25
4. Bombay, Baroda and Central India.	4	...	4	...	4	...	20	4	5	54	95
5. East Indian .	37	1,27	34	18	4	6	34	...	...	2,51	3,13
6. Great Indian Peninsula.	...	7	3	...	...	...	...	...	...	...	10
7. Madras and Southern Mahratta.	6	5	8	91	2	10	2	...	...	51	1,71
8. North Western	58	70	...	...	...	...	...	...	...	...	1,98
9. South Indian	12	...	...	39	33	10	...	...	...	...	1,00
TOTAL	1,27	2,31	1,26	1,48	73	47	50	4	5	3,36	12,06

6. *Rolling Stock.*—Of the total amount (4·96 crores) provided for expenditure on rolling stock during 1840-41, 178·13 la khs (of which 128·64 la khs are from the Depreciation Fund) are for completion of works sanctioned in previous programmes. The expenditure on new 'items' is shown in the statement below. (In lakhs of rupees.)

	Broad Gauge.			Metre Gauge.			Narrow Gauge.				Total.	
	Addi- tions.	Renewals.		Addi- tions.	Renewals.		Addi- tions.	Renewals.		Addi- tions.	Renewals.	
	Capital.	Capital.	Dep. Fund.	Capital.	Capital.	Dep. Fund.	Capital.	Capital.	Dep. Fund.	Capital.	Capital.	Dep. Fund.
I.—Locomotives—												
(a) Engines and Ten- ders,	74,85	9,14	21,54	..	..	..	..	..	..	74,85	9,14	21,54
(b) Boilers . . .	6,98	..	25,82	1,27	..	3,46	..	..	13	8,23	..	29,41
(c) Miscellaneous ex- penditure.	..	—8,59	8,75	..	—15	—99	..	—43	43	..	—9,17	8,19
II.—Coaching Stock—												
(a) I and II class . .	..	41	3,03	..	..	..	..	..	..	..	41	3,03
(b) Inter and III class.	..	4,14	22,79	..	3,91	5,70	..	..	..	..	8,05	28,49
(c) Composites . . .	..	3,02	7,62	..	..	84	..	..	..	..	3,02	8,46
(d) Other coaches and miscellaneous ex- penditure.	..	—4,95	10,75	9	—96	4,59	..	..	..	9	—6,91	15,34
III.—Goods Stock—												
(a) General Service . .	..	7,75	76,12	..	1,31	1,92	..	..	..	..	9,06	78,04
(b) Other types . . .	7,85	4,49	9,21	70	10	74	..	..	10	8,55	4,59	10,05
(c) Miscellaneous ex- penditure.	..	—1,38	2,94	..	—2,50	2,50	..	..	..	..	—3,88	5,44
IV.—Ferries	2,47	..	50	..	2	32	..	..	..	2,47	2	82
Total	92,13	14,04	1,89,07	2,06	1,73	10,08	..	—43	65	94,19	15,24	2,08,61

The programme provide* for the construction of new units of stock shown in the table below, all of which, however, will not necessarily be completed and be available for use before the 31st March 1940.

	Broad Gauge.			Metre Gauge.			Narrow Gauge.		
	Additions.	Re-newals.	Total.	Additions.	Re-newals.	Total.	Additions.	Re-newals.	Total.
	No.	No.	No.	No.	No.	No.	No.	No.	No.
1. Locomotives	37	38	70						
2. Coaching vehicles (In terms of 4-wheelers)—									
(a) I and II class		14	14						
(b) Inter and III class.		168	168		60	60			
(c) Composites		40	40		4	4			
(d) Other coaches		20	20	2	3	5			
8. Goods wagons (In terms of 4-wheelers)—									
(a) General Service.		1,550	1,550		75	75			
(f) Other types	7	140	213	6	11	17		2	2

The programme contains provision for scrapping, without renewal of 17 locomotives, 46 coaching stock and 5 goods stock on the North Western Railway ; 2 locomotives on the Madras and the Southern Mahratta Railway; 16 coaching stock and 40 goods stock on the Great Indian Peninsula Railway and one goods stock on the East Indian Railway.

The following statement shows, in terms of four-wheelers, the details of the new units of coaching and goods stock which will be addition to the authorised stock of the Railways :—

Railways.	Coaching Stock.			Goods Stock.			
	Metre Gauge.		Broad Gauge.	Metre Gauge.		Narrow Gauge.	
	Other coaches.	General Service.	Other	General service.	Other types.	General	Other
Bengal Nagpor.				10			
Bombay, Baroda & Central India				2			
East Bengal.				25			
Great Indian Peninsula				10			
Madras and Southern Mahratta .		2		10			
Total	2			67			

In the Explanatory Memorandum on the Railway Budget for 1939-40 mention was made of the Sind Right Bank Feeders, Khadro-Nawabshah and Kthoro-Tando Mitha Khan Railways in Sind. The Sind Right Bank Feeders Railway is under active construction and will probably be opened for public traffic on the 31st July 1940. A sum of Rs. 7.14 lakhs has been provided for this line during 1940-41 for its completion. The Khadro-Nawabshah Railway was opened for traffic on the 20th November 1939 ; and the outlay proposed for 1940-41 for completion of the line is 0.14 lakh only. The Hthoro-Tando Mitha Khan project is still under consideration and as a decision in regard to its construction may be delayed, no provision for it has been made during 1940-41.

Mention was also made in the memorandum on last year's Budget of the Kashipur-Kalagarh Railway. Since the outbreak of war, the Government of India have decided in consultation with the Government of the United Provinces to hold this project in abeyance.

APPENDIX II

Capital and Depreciation Fund expenditure on Open Lines and New Construction during 1940-41.

(Figures in thousands of rupees.)

Railways.	Open Lines.			New Construction.		
	Rolling stock.	Other Items.	Total.	Lines in progress.	New lines.	Total.
State Railways managed by the State.						
Eastern Bengal Railway { Capital .	22,70	38,61	61,31			
{ Dep. Fund	48,94	51,31	92,77			..
East Indian Railway . { Capital .	1,02,80	82,55	1,86,36		..	..
{ Dep. Fund	62,43	1,47,63	2,09,86		..	..
Great Indian Peninsula Rail- { Capital	8,81	16,15	25,96			..
way. { Dep. Fund	30,95	43,36	74,31			..
North Western Railway { Capital .	—9,18	25,61	16,43	7,14		7,14
Commercial Lines. { Dep. Fund	56,53	38,15	1,44,68	..	..	..
Strategic Lines . . { Capital .	—3,00	8,05	6	..		..
{ Dep. Fund	8,40	20,45	29,85			..
State Railway Collieries . (Capita)		—3,25	—3,25			..
Total—State Railways managed by the State. { Capital .	1,23,15	1,88,73	2,96,88	7,14		7,14
{ Dep. Fund	2,00,17	3,51,39	5,51,56			
State Railways managed by Companies or Indian States.						
Assam Bengal Railway . { Capital .	2,60	4,62	7,31			..
{ Dep. Fund	2,62	3,96	17,58			..
Bengal Nagpur Railway . { Capital .	9,16	45,33	54,49	2	..	2
{ Dep. Fund	49,93	40,90	96,83			
Bezwada Extension . . { Capital .	...	10	10	..	..	..
{ Dep. Fund	...					
Bengal and North Western { Capital	39	5,10	5,49		..	..
Railway. { Dep. Fund	4,74	3,32	7,96			..
Bombay, Baroda and Central { Capital .	11,00	34,67	46,27	..		..
India Railway. { Dep. Fund	47,53	40,31	97,34			
Dhone Kurnool Railway . { Capital .	..	38	38	..		..
{ Dep. Fund	..	1	1			
Jodhpur Railway . . { Capital		1,48	1,48	14	..	14
{ Dep. Fund	58	1,47	2,09			
Madras and Southern Mahratta { Capital	10,60	25,47	36,16	..	..	..
Railway. { Dep. Fund	26,31	37,98	64,29			..
Rohilsund and Kumaon Rail- { Capital	35	4,13	4,48	..	..	..
way. { Dep. Fund	2,22	3,37	5,69			
South Indian Railway . { Capital .	00	32,58	32,58	—5	..	—5
{ Dep. Fund	2,51	26,20	28,31			
Total—State Railways managed by Companies or Indian States. { Capital .	35,87	1,43,80	1,79,67	11	..	11
{ Dep. Fund	1,37,18	1,86,92	3,24,10			
Total-All State Railways { Capital .	1,59,02	3,06,53	4,65,55	7,35	..	7,35
{ Dep. Fund	3,37,44	5,37,41	8,74,85			

APPENDIX II—coneta.

(Figures in thousands of rupees.)

Railways.	Open Lines.			New Construction.		
	Rolling stock.	Other Items.	Total.	Lines In progress.	New Hues.	Total.
Purchase of Herdwar Debra Railway Capital	...	43,23	43,23	...	...	...
Tor emergencies . . . { Capital	...	4,00	4,00	...	...	...
{ Dep. Fund	...	2,00	2,00	...	...	...
Hardinge Bridge protection Capital	...	5,40	5,40	...	...	...
Repayments from revenue for Dep. Fund Hardinge Bridge works.	...	—15,00	—15,00	...	...	...
Total . . . { Capital	1,59,02	3,59,25	5,18,27	7,25	...	7,25
{ Dep. Fund	3,37,45	3,04,61	6,42,06	...	...	...
Probable savings . . . { Capital			1,00,52			
{ Dep. Fund			1,41,86			
Total Open Lines and New Constructions . . . { Capital			4,25,00			
{ Dep. Fund			7,00,00			

NOTE.—Flaurea in Italics represent expenditure (Tom the Depredation Flind.

APPENDIX III

Capital at charge of State-owned Railways

(Figures in lakhs of rupees.)

Railways.	1938-39.	1989-40. Estimate.	1940-41, Estimate.
State Railways managed by the State.			
1. Eastern Bengal	51,71	51,81	52,33
2. East Indian	1,48,42	1,50,19	1,52,00
3. Great Indian Peninsula	1,14,22	1,14,26	1,14,48
4. North Western { Commercial	1,12,58	1,14,05	1,14,25
{ Strategic	34,01	33,93	33,93
Total	4,61,94	4,64,86	4,67,65
State Railways managed by Companies or Indian States.			
5. Assam Bengal	24,49	24,71	24,77
6. Bengal Nagpur	77,65	77,95	78,37
7. Bengal and North Western	10,25	10,32	10,37
8. Bezwada	18	18	18
9. Bombay, Baroda and Central India	74,08	74,35	74,71
10. Dhone Kurnool	28	28	28
11. Jodhpur	1,24	1,33	1,35
12. Madras and Southern Mahratta	53,28	53,45	53,74
13. Rohilkund and Kumaon	2,63	2,65	2,69
14. South Indian	45,94	46,14	46,33
16. Jorhat	13	14	14
Total	2,90,15	2,91,50	2,92,92
Mitcellaneons			
15. State Railway Collieries	1,80	1,77	1,74
10. Other miscellaneous items	1,37	1,37	1,41
Total	3,17	3,14	3,15
GRAND TOTAL	7,55,26	7,59,50	7,63,75

APPENDIX IV
Commercial and Strategic lines together
(Excluding Burma Railways.)

(In lakhs of rupees.)

		1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.	1936-37.
		M.	M.	M.	M.	M.	M.	M.	M.	M.	M.	M.	M.	M.
Mileage	State owned .	25,207	25,268	25,781	26,178	27,180	28,832	29,140	29,583	29,565	29,588	29,559	29,672	29,669
	Worked lines .	5,847	5,977	5,815	5,812	5,843	4,733	4,873	4,870	4,866	4,613	4,634	4,578	4,598
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Gross traffic receipts.	State-owned .	95,84	94,01	93,81	98,40	98,78	97,83	90,82	82,89	81,10	88,06	86,48	87,04	91,79
Operating expenses.	Worked lines .	7,34	7,12	6,77	7,18	7,27	8,47	4,99	5,07	4,86	5,13	5,28	5,37	5,53
Depreciation Fund	State-owned .	49,47	50,87	50,49	50,57	51,47	53,02	52,09	46,98	46,88	47,23	47,97	48,61	48,16
Payment to worked lines	Worked lines .	3,70	3,57	3,33	3,53	3,63	3,30	2,66	2,63	2,49	2,60	2,66	2,68	2,66
Net traffic receipts (State Lines)		9,93	10,24	10,46	10,93	11,53	12,11	12,55	12,93	13,23	13,01	13,16	12,67	12,57
Net miscellaneous receipts after deducting miscellaneous charges and surplus profits payable to Companies		3,64	3,55	3,44	3,65	3,64	3,17	2,33	2,44	2,37	2,53	2,62	2,69	2,67
Net revenue		36,44	33,10	32,80	36,90	35,78	32,70	25,18	22,98	20,99	22,82	25,33	25,76	31,06
Interest charges		—73	—78	—84	—55	6	12	—16	—5	87	87	37	74	—22
Surplus		35,71	32,32	32,02	36,35	35,84	32,82	26,02	22,93	21,86	23,69	25,70	26,50	30,84
		22,98	23,82	24,83	26,15	28,10	28,87	31,13	31,46	31,40	31,03	30,30	29,92	29,39
		12,73	8,50	7,19	10,20	7,74	3,95	—5,11	—5,53	—9,54	—7,34	—4,60	—3,42	1,45

APPENDIX

Gross Traffic Receipts

RAILWAYS.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	Average 1924-25 to 1929-30.	1930-31.
	M.	M.	M.	M.	M.	M.	M.	M.
Open mileage at end of the year.	27,002	27,090	27,684	28,088	29,111	30,878	28,366	31,197
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
State Railways managed by the State— Burma	4,29	4,93	4,61	5,03	4,95	4,87	4,78	4,23
Eastern Bengal	5,92	6,29	6,72	7,10	7,03	6,73	6,62	5,86
East Indian	20,61	19,72	19,66	19,43	20,31	19,85	20,10	18,24
Great Indian Peninsula.	15,16	14,63	14,70	15,19	15,30	14,58	14,91	13,33
North Western— Commercial Lines.	15,13	13,70	14,04	14,89	14,28	14,39	14,46	14,98
Strategic Lines.	1,50	1,64	1,53	1,60	1,87	1,59	1,60	1,48
State Railways managed by Companies or Indian States— Assam Bengal .	1,44	1,84	1,76	2,05	2,07	2,05	1,83	1,96
Bengal Nagpur	8,38	8,38	8,20	9,16	9,12	9,31	8,76	8,17
Bombay, Baroda and Central India.	12,33	12,14	11,26	11,34	11,86	11,52	11,74	10,90
Jodhpur.	29	26	21	25	21	25	24	23
Luoknow Bareilly	36	37	36	40	36	36	37	36
Madras and Southern Mahratta.	7,91	8,14	8,12	8,64	9,20	8,98	8,59	7,98
South Indian .	5,15	5,44	5,40	5,86	5,68	5,33	5,64	5,80
Tirhoot	1,47	1,56	1,70	1,87	1,76	1,74	1,64	1,40
Other Railways	9	10	6	8	9	15	9	13
Total	1,00,13	98,94	98,42	1,03,43	1,03,73	1,02,70	1,01,22	95,10

V-A

(excluding worked lines)

(In lakhs of rupees.)

1931-32.	1932-33.	1933-34.	1934-35.	Average 1930-31 to 1934-35.	1935-36.	1936-37.	1937-38.	1938-39.	Revised estimate, 1939-40.	Budget estimate, 1940-41.
M.	M.	M.	M.	M.	M.	M.	M.	M.	M.	M.
31,840	31,642	31,644	31,619	31,548	31,732	31,729	29,764	29,725	29,725	29,809
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
3,74	3,33	3,57	3,72	3,73	3,61	3,70	..	..	..	..
5,05	4,91	5,07	5,43	5,26	5,25	5,74	5,83	5,94	6,20	6,55
17,36	17,27	17,63	18,71	17,84	18,03	19,44	21,00	20,34	21,18	22,50
11,92	11,95	12,21	12,17	12,32	12,41	13,27	13,01	12,94	13,45	14,25
13,34	12,73	13,23	13,87	13,03	14,16	15,62	15,62	15,08	14,97	15,68
1,32	1,23	1,23	1,23	1,30	1,26	1,38	1,45	1,31	1,25	1,32
1,84	1,56	1,90	1,80	1,75	1,60	1,88	1,76	1,90	1,88	2,15
7,24	6,91	7,39	7,95	7,53	8,64	8,39	9,51	9,47	10,68	11,20
10,30	10,17	10,61	11,07	10,61	11,08	11,89	12,01	11,87	12,30	12,00
18	23	25	28	23	38	37	38	40	40	41
35	36	36	37	36	38	40	41	41	42	44
7,15	6,66	6,84	6,72	7,07	6,54	6,68	6,92	7,26	7,50	7,99
5,30	5,51	5,14	5,24	5,40	4,99	5,12	5,34	5,24	5,23	5,60
1,41	1,48	1,38	1,52	1,44	1,60	1,69	1,73	1,67	1,59	1,65
13	13	12	12	12	12	12	14	15	15	15
86,63	84,43	86,63	90,20	88,66	90,65	95,49	95,01	94,48	97,30	1,03,00

APPENDIX

Ordinary Working Expenses

RAILWAYS.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	Average 1924-25 to 1929-30.	1930-31.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
State Railways managed by the State—								
Burma	2,18	2,32	2,40	2,49	2,76	2,67	2,45	2,30
Eastern Bengal;	3,47	3,83	3,63	3,73	3,86	3,84	3,72	3,74
East Indian	10,54	10,11	9,91	9,85	10,02	10,21	10,11	9,95
Great Indian Peninsula.	8,05	9,05	8,81	8,19	8,37	8,37	8,47	8,57
North Western— Commercial Lines.	7,46	7,00	7,74	7,98	7,94	8,47	7,77	9,03
Strategic Lines	1,56	1,45	1,52	1,58	1,60	1,66	1,56	1,76
State Railways managed by Companies or Indian States—								
Aasam Bengal	82	83	89	97	1,02	1,13	94	1,11
Bengal Nagpur	4,73	4,81	4,44	5,04	5,11	5,51	4,94	5,02
Bombay, Baroda and Central India.	5,91	6,24	6,05	5,84	6,08	6,07	6,03	4,96
Jodhpur	17	17	16	16	17	17	17	15
Lucknow Bareilly.	12	13	16	16	14	15	14	23
Madras and Southern Maharatta.	3,63	3,87	3,95	3,94	3,99	3,96	3,89	3,75
South Indian	2,60	2,69	2,55	2,60	2,63	2,79	2,64	2,73
Tirhoot	36	44	57	59	51	52	50	98
Other Railways.	5	5	11	—4	2	16	6	11
Total	51,65	52,99	52,89	53,06	54,22	55,59	53,46	54,39

NOTE.—Credits for material released from works not charged to revenue were taken in been added to miscellaneous receipts and from

V-B

(excluding worked lines)

(In lakhs of rupees.)

1931- 32.	1932- 33.	1933- 34.	1934-35.	Average 1930-31 to 1934-35.	1935-36.	1936-37.	1937-38.	1938- 39.	Revised estimate, 1939-40.	Budget estimate, 1940-41.
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2,33	2,20	2,27	2,30	2,28	2,26	2,07	..	..	..	..
3,29	3,24	3,36	3,45	3,42	3,65	3,71	3,81	4,08	4,29	4,51
9,02	9,17	9,22	9,31	9,33	9,37	9,33	10,24	10,47	10,78	10,95
7,13	7,21	7,13	6,88	7,38	6,90	6,66	6,78	6,91	6,93	7,15
7,74	7,37	7,72	7,81	7,63	7,72	7,73	8,11	8,10	8,35	8,51
1,38	1,46	1,42	1,47	1,50	1,52	1,43	1,41	1,35	1,39	1,41
1,09	1,03	1,08	1,17	1,10	1,13	1,10	1,16	1,20	1,20	1,22
4,83	4,89	4,94	5,13	4,96	5,52	5,27	5,53	5,74	6,13	6,30
5,50	5,48	5,28	5,49	5,34	5,39	5,60	5,69	5,81	5,86	5,94
15	15	18	18	16	19	20	20	21	23	22
16	16	16	15	17	16	15	17	18	18	18
3,40	3,30	3,39	3,47	3,46	3,52	3,37	3,66	3,79	3,77	3,88
2,68	2,77	2,71	2,73	2,72	2,78	2,72	2,82	2,86	2,93	2,97
56	61	57	66	63	69	72	71	71	70	71
10	4	7	7	8	7	7	8	7	7	8
49,31	49,08	49,50	50,27	50,51	50,87	50,23	50,37	51,48	52,76	53,95

redaction of operating expenses up to 1931-32; but from 1932-33 on words they have 1936-37 credited to the Depreciation Fund.

APPENDIX

Total Working Expenses

RAILWAYS.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	Average 1924-25 to 1929-30.	1930-31.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
State Railways managed by the State— Burma	2,60	2,75	2,83	2,94	3,22	3,08	2,90	2,82
Eastern Bengal .	4,19	4,59	4,40	4,52	4,89	4,71	4,52	4,65
East Indian	12,55	12,03	11,90	11,92	12,17	12,42	12,17	12,24
Great Indian Peninsula.	9,40	10,51	10,33	9,77	10,04	10,20	10,04	10,46
North Western— Commercial Lines	9,18	8,88	9,49	9,90	10,01	10,64	9,68	11,29
Strategic Lines	1,96	1,80	1,87	1,95	1,99	2,09	1,94	2,19
State Railways managed by Companies or Indian States— Assam Bengal .	1,06	1,07	1,13	1,21	1,27	1,40	1,19	1,40
Bengal Nagpur .	5,76	5,91	5,58	6,21	6,29	6,75	6,08	6,23
Bombay, Baroda and Central India.	6,98	7,34	7,21	7,08	7,38	7,40	7,23	6,30
Jodhpur	18	18	17	17	19	19	18	18
Lucknow Bareilly	17	18	21	19	19	20	19	28
Madras and Southern Mahratta.	4,34	4,61	4,77	4,75	4,86	4,85	4,70	4,53
South Indian	3,07	3,16	3,05	3,13	3,23	3,44	3,18	3,42
Tirhoot .	51	60	71	74	66	68	65	1,14
Other Railways & Miscellaneous.	5	5	13	—4	3	16	6	12
Total	62,00	63,69	63,78	61,44	66,22	62,18	64,71	67,46

NOTE:—Credits for materials released from works not charged to revenue were taken been added to miscellaneous receipts and from

V.C

(excluding worked lines)

(In lakhs of rupees.)

	1931-32.	1932-33.	1933-34.	1934-35.	Average 1930-31 to 1934-35.	1935-36.	1936-37.	1937-38.	1938-39.	Revised estimate, 1939-40.	Budget estimate, 1940-41.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	2,86	2,74	2,82	2,84	2,82	2,84	2,65	..	..	..	..
	4,25	4,22	4,33	4,42	4,38	4,50	4,57	4,67	4,94	5,15	5,38
	11,37	11,52	11,61	11,71	11,69	11,77	11,78	12,70	12,94	13,20	13,45
	9,07	9,19	9,07	9,90	9,34	8,92	8,58	8,68	8,82	8,84	9,06
	10,07	9,85	10,01	10,16	10,28	9,60	9,61	10,00	9,99	10,24	10,52
	1,81	1,90	1,85	1,90	1,93	2,09	2,00	1,97	1,91	1,96	1,97
	1,40	1,35	1,39	1,49	1,41	1,53	1,50	1,56	1,61	1,61	1,64
	6,17	6,28	6,32	6,52	6,32	6,81	6,67	6,83	7,03	7,48	7,61
	6,89	6,87	6,67	6,87	6,72	6,66	6,83	6,92	7,05	7,10	7,08
	17	16	21	21	18	21	22	22	23	25	24
	20	20	20	19	21	20	19	21	22	23	23
	4,30	4,20	4,29	4,38	4,36	4,44	4,26	4,55	4,69	4,66	4,72
	3,38	3,55	3,48	3,51	3,47	3,53	3,47	3,58	3,62	3,70	3,74
	72	77	73	81	83	86	89	88	88	87	88
	11	5	8	8	9	16	16	17	11	11	12
Total	62,77	62,85	63,06	63,99	64,03	64,12	63,38	62,94	64,04	65,35	66,64

in reduction of operating expenses upto 1931-32 but from 1932-33 onwards they have 1936-37 credited to the Depreciation Fund.

APPENDIX

Net receipts

RAILWAYS.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	Average 1924-25 to 1929-30.	1930-31
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
State Railways managed by the State-								
Burma .	1,69	2,18	1,78	2,09	1,78	1,82	1,98	1,44
Eastern Bengal	1,73	1,70	2,32	2,48	2,34	2,02	2,10	1,20
East Indian .	8,06	7,60	7,76	8,61	8,14	7,43	7,93	6,09
Great Indian Peninsula.	5,76	4,12	4,37	5,32	5,26	4,38	4,87	2,87
North Western- Commercial Lines.	5,95	4,82	4,55	4,99	4,22	3,75	4,72	3,69
Strategic lines	-36	-16	-34	-35	-32	-50	-34	-71
State Railways managed by Companies or Indian States-								
Assam Bengal	38	57	63	84	80	85	64	58
Bengal Nagpur	2,62	2,47	2,62	2,95	2,83	2,56	2,63	1,94
Bombay, Baroda and Central India.	5,35	4,80	4,05	4,26	4,48	4,12	4,51	4,80
Jodhpur	11	8	4	8	2	6	6	5
Luoknow Bareilly .	19	19	15	21	17	16	18	8
Madras and South- ern Mahratta.	3,57	3,53	3,36	3,89	4,34	4,13	3,89	3,36
South Indian .	2,08	2,28	2,44	2,67	2,40	2,89	2,46	2,39
Tirhoot.	95	96	99	93	1,04	1,06	99	26
Other Railways and Miscellaneous.	4	5	-7	12	6	-1	3	1
Total	35,13	35,28	34,64	38,99	37,51	34,52	36,51	27,64

-D

excluding worked lines)

(In lakhs of rupees.)

	1931-32.	1932-33.	1933-34.	1934-35.	Average 1930-31 to 1934-35.	1935-36.	1936-37.	1937-38.	1938- 39.	Revised estimate, 1939-40.	Budget estimate, 1940-41.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
88	59	76	88	91	77	1,05					
80	69	74	1,01	88	75	1,17	1,16	1,00	1,05	1,17	
5,99	5,75	6,62	7,09	6,15	6,36	7,66	8,30	7,90	7,98	9,05	
2,85	2,76	3,14	3,27	2,98	3,49	4,69	4,33	4,12	4,61	52,0	
3,27	2,88	3,29	3,71	3,35	4,56	6,01	5,52	5,09	4,73	5,35	
-49	-67	-62	-67	-63	-83	-62	-52	-60	-71	-65	
44	21	21	31	34	7	18	20	29	37	51	
1,07	63	1,07	1,43	1,21	1,83	1,72	2,68	2,44	3,25	3,59	
3,41	3,30	3,94	4,20	3,89	4,42	5,06	5,09	4,82	5,20	5,92	
1	7	4	7	5	17	15	16	17	15	17	
15	16	16	16	15	18	21	20	19	19	21	
2,85	2,46	2,55	2,34	2,71	2,10	2,42	2,37	2,57	2,84	3,18	
1,92	1,96	1,66	1,73	1,93	1,46	1,65	1,76	1,62	1,53	1,66	
69	71	65	71	67	74	80	85	79	72	77	
2	8	4	4	4	-4	-4	-3	4	4	3	
1,86	21,55	23,57	26,21	24,67	20,53	32,11	32,07	30,44	31,95	36,38	

APPENDIX

Profit +

V.E

Loss

(In lakhs of rupees.)

RAILWAYS.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	Average 1924-25 to 1929-30.	1930-31.	1931- 32.	1932- 33.	1933- 34.	1934-35.	Average 1930-31 to 1934-35.	1935-36.	1936-37.	1937-38.	1938- 39.	Revised estimate, 1939-40.	Budget estimate, 1940-41.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
State Railways managed by the State-Burma	+42	+81	+24	+61	+4	+4	+36	-44	-73	-75	-71	-56	-64	-68	-36	..	..	..	..
Eastern Bengal	+16	+10	+70	+80	+54	+16	+41	-72	-1,23	-1,28	-1,25	-93	-1,10	-1,18	-79	-78	-94	-86	-74
East Indian	+2,89	+2,80	+2,67	+3,19	+2,44	+1,61	+2,60	-18	-24	-13	+37	+1,14	+19	+1,04	+1,75	+2,39	+2,00	+2,15	+3,21
Great Indian Peninsula.	+2,42	+47	+71	+1,41	+1,06	+8	+1,03	-1,72	-1,78	-1,68	-1,24	-1,04	-1,49	-67	+46	+12	-6	+52	+1,14
North Western-Commercial Lines	+2,87	+1,76	+1,21	+1,23	+9	-64	+1,09	-1,17	-1,58	-1,78	-1,36	-70	-1,32	+24	+1,53	+1,07	+63	+23	+87
Strategic Lines	-1,59	-1,47	-1,65	-1,68	-1,74	-1,90	-1,67	-2,17	-1,99	-2,09	-2,03	-2,03	-2,06	-2,10	-1,95	-1,85	-1,92	-1,90	-1,83
State Railways managed by Companies or Indian States-Assam Bengal	-31	-13	-11	+4	-6	-23	-14	-39	-52	-74	-73	-60	-60	-84	-75	-75	-66	-56	-41
Bengal Nagpur	-12	-47	-40	-20	-47	-83	-62	-1,99	-2,48	-2,80	-2,27	-1,86	-2,28	-1,38	-1,52	-56	-83	+8	+41
Bombay, Baroda and Central India.	+2,92	+2,20	+1,42	+1,58	+1,64	+1,11	+1,61	+43	+45	+41	+1,00	+1,28	+72	+1,56	+2,16	+2,16	+1,92	+2,32	+3,03
Jodhpur	+9	+6	+2	+4	-1	+2	+4	-1	-3	+3	+1	+3	+1	+13	+10	+11	+11	+10	+11
Lack now Bareilly	+9	+9	+4	+10	+6	+5	+7	+4	+4	+5	+5	+8	+6	+8	+10	+10	+8	+9	+10
Madras and Southern Mahratta,	+1,11	+85	+63	+1,04	+1,38	+89	+98	+1	+14	-19	-4	-26	-7	-38	-3	-11	+0	+49	+84
South Indian	+97	+1,13	+1,20	+1,25	+81	+1,13	+1,08	+31	+1	+6	-21	-10	+1	-32	-10	..	-14	-19	+16
Tirhoot	+68	+60	+68	+56	+66	+65	+63	+24	+30	+24	+25	+32	+29	+35	+41	+44	+38	+31	+36
Other Railways	+1	+3	+3	+3	+3	-4	+2	-1	-1	+4	+3	+3	+2	+2	+2	+4	+5	+5	+4
Miscellaneous	+60	+45	+11	+85	+1,32	+1,94	+88	+2,63	+45	+28	+17	+14	+73	+14	+16	+38	+69	+78	+1,00
TOTAL	+18,16	+9,28	+7,50	+10,85	+7,81	+4,04	+8,77	-5,18	-9,20	-10,23	-7,95	-5,06	-7,53	-3,99	+1,21	+2,76	+1,37	+3,61	+8,29

APPENDIX

All Railways. (Commercial

Statement of Receipts

RECEIPTS.	Actuals.				
	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
	M.	M.	M.	M.	M.
Open Mileage at end of the year.	27,002	27,000	27,664	28,086	29,111
Passenger traffic earnings :—					
Upper class	Rs. 4,42	Rs. 4,48	Rs. 4,46	Rs. 4,55	Rs. 4,45
Third class	31,58	32,17	30,91	31,81	30,89
TOTAL PASSENGER EARNINGS	36,00	36,65	35,37	36,36	35,34
Other coaching traffic earnings.	5,91	6,07	6,23	6,32	6,17
Goods traffic earnings .	63,64	61,58	62,27	66,15	67,76
Sundry earnings .	1,64	1,76	1,73	2,01	2,11
Suspense	28	..	—6	—0	—25
Credits for materials released from Works chargeable to Depreciation Fund.	..	..	..	..	..
TOTAL GROSS RECEIPTS	1,07,47	1,06,06	1,05,54	1,10,75	1,11,15
Refunds of revenue collected.	..	..	*35	14	15
Deduct—Earnings of worked lines.	7,34	7,12	6,77	7,18	7,27
TOTAL	1,00,13	98,94	98,77	1,03,57	1,03,73
Miscellaneous Receipts	51	80	1,09	1,25	1,57
TOTAL	1,00,64	99,74	99,86	1,04,82	1,05,30

* Includes remissions of earnings also.

VI

and Strategic Lines together.)

and Expenditure.

(In lakhs of rupees.)

EXPENDITURE.	Actuals.				
	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
	Rs.	Rs.	Rs.	Rs.	Rs.
Capital at charge at end of the year	6,34,83	6,54,02	6,81,24	7,13,72	7,30,12
Working Expenses—					
Administration	12,33	12,77	13,06	13,44	14,19
Repairs and maintenance	18,10	17,18	18,16	18,05	18,11
Operation :—					
Other than Fuel	15,54	16,44	16,27	16,24	17,16
Fuel	9,76	10,27	8,79	8,81	8,71
Depreciation	10,35	10,67	10,82	11,38	12,00
Suspense	—38	—10	—6	3	—32
TOTAL	65,70	67,23	67,11	67,95	69,85
Deduct—share of worked lines	3,70	3,57	3,33	3,51	3,63
Net working expenses	62,00	63,66	63,78	64,44	66,22
Company's share of surplus profits, etc.	1,42	1,77	1,85	1,67	1,59
Interest :—					
On Government capital at charge	21,23	23,14	24,30	25,76	27,33
On capital contributed by the Companies.	2,67	1,67	1,57	1,52	1,50
Total Interest	23,90	24,81	25,87	27,27	28,83
Miscellaneous charges	16	31	71	55	36
TOTAL	87,48	90,55	92,01	93,83	97,49
Balance net profit for the year	13,16	9,28	7,50	10,85	7,81
Contribution to General Revenues	6,78	5,49	6,01	6,28	5,23
Railway Reserve Fund	6,88	3,79	1,49	4,57	2,63
Railway Depreciation Fund	..	..	..	..	..
Percentage of net profit on Capital at charge.	2.0	1.4	1.1	1.5	1.0
Percentage of net profit (before deducting interest) on capital at charge.	6.8	5.2	4.9	5.3	5.0
Operating ratio (i.e., ratio of working expenses including depreciation to gross traffic receipts).	61.9	64.3	64.8	62.3	63.8
Capital Expenditure—					
Open Line Works	10,26	15,31	16,13	22,10	15,79
New Constructions	3,12	4,32	6,77	10,26	9,26
depreciation Fund	7,29	7,98	8,05	10,95	9,60
Purchase of Railways and branch line shares, etc.	..	..	4,33	3	4,30

APPENDIX
All Railways. (Commercial
Statement of Receipts

RECEIPTS.	Actuals.				
	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.
	M.	M.	M.	M.	M.
Open mileage at end of the year.	30,878	31,197	31,640	31,642	31,644
Passenger traffic earnings—	Rs.	Rs.	Rs.	Rs.	Rs.
Upper class	4,26	3,87	3,44	3,25	3,15
Third class	31,49	27,81	28,52	28,69	24,50
TOTAL PASSENGER EARNINGS.	36,75	31,68	28,96	28,94	27,65
Other coaching traffic earnings.	5,81	5,40	5,28	5,03	4,92
Goods traffic earnings	65,25	60,69	68,41	53,76	58,20
Sundry earnings	2,21	1,97	1,82	1,63	1,59
Suspense	30	46	34	4	—49
Credits for materials released from works chargeable to Depreciation Fund.	..	..	..	1,19	1,19
TOTAL-GROSS RECEIPTS.	1,09,32	1,00,20	91,81	90,59	93,06
Deduct—					
" Refunds of revenue collected.	15	11	11	11	11
Earnings of worked lines.	6,47	4,99	5,07	4,86	5,13
TOTAL	1,02,70	95,10	86,63	85,62	87,82
Miscellaneous Receipts	2,08	1,73	1,20	1,03	83
TOTAL	1,04,78	96,83	87,83	86,65	88,70

VI—contd.

and Strategic Lines together.)
and Expenditure.

(In lakhs of rupees.)

EXPENDITURE.	Actuals.				
	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.
	Rs.	Rs.	Rs.	Rs.	Rs.
Capital at charge at end of the year.	7,69,98	7,83,18	7,69,84	7,88,81	7,86,76
Working Expenses—					
Administration	14,40	14,89	14,86	12,59	12,43
Repairs and maintenance	18,43	15,91	14,21	15,94	16,13
Operation—					
Other than Fuel	17,05	17,60	16,21	17,64	17,64
Fuel	9,01	8,62	7,39	7,27	7,06
Depreciation	12,59	13,07	13,46	13,77	13,66
Suspense	..	3	—9	4	—1
Emergency deductions from pay	..	..	—44	—1,91	—1,14
TOTAL	71,48	70,12	66,40	65,34	65,66
Deduct—Share of worked lines	3,30	2,66	2,63	2,49	2,60
Net working expenses	68,18	67,46	62,77	62,85	63,06
Companies share of surplus profits.	1,52	1,16	64	66	56
Interest—					
On Government capital at charge.	29,09	31,34	31,76	31,57	31,30
On capital contributed by the Companies.	1,37	1,38	1,31	1,34	1,28
Total Interest	30,46	32,72	33,07	32,91	32,58
Miscellaneous charges	58	68	55	47	46
TOTAL	1,00,74	1,02,02	97,03	96,88	96,66
Balance net profit (+) or loss (—) for the year.	+ 4,04	—5,19	—9,20	—10,23	—7,06
Contribution to General Revenues.	6,12	5,74	..	..	..
Railway Reserve Fund	—2,08	—10,93	—4,95	..	..
Railway Depreciation Fund	..	..	—4,25	—10,23	—7,96
Percentage of net profit on Capital at charge.	0.5	—0.7	—1.2	—1.3	—1.0
Percentage of net profit before deducting interest on capital at charge.	4.5	3.6	3.0	2.9	3.1
Operating ratio (i.e., ratio of Working Expenses including depreciation to Gross Traffic Receipts).	66.4	70.9	72.5	73.4	71.8
Capital Expenditure—					
Open Line Works	16,47	8,95	3,90	—50	—2,28
New Constructions	6,66	4,26	2,79	57	22
Depreciation Fund	11,76	11,39	8,26	6,35	8,08
Purchase of Railways and branch line shares, etc.	7,06	1	..	..	..

APPENDIX

All Railways. (Commercial
Statement of Receipts

RECEIPTS.	Actuals.			Actuals (excluding Burma Railways).		Revised Estimate (exclud- ing Burma Rail- ways).	Budget Estimate (exclud- ing Burma. Rail- ways).
	1934-35.	1935-36.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	M.	M.	M.	M.	M.	M.	M.
Open mileage at end of the year.	30,253	36,310	36,127	33,848	33,508	33,839	33,923
Passenger traffic earnings—	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Upper class	3,16	3,20	3,27	3,30	3,24	3,12	3,24
Third class	24,77	24,68	24,55	25,11	24,77	24,23	25,01
TOTAL PASSENGER EARNINGS.	27,93	28,08	27,82	28,41	28,01	27,35	28,25
Other coaching traffic earnings.	4,92	5,05	5,19	5,16	4,96	5,16	5,24
Goods traffic earnings	61,05	61,43	66,34	64,79	64,38	67,65	72,60
Sundry earnings	1,62	1,83	2,10	1,95	2,15	2,20	2,20
Suspense	8	—23	—24	15	12	—8	..
Credits for materials released from works chargeable to Depreciation Fund.	90	1,10	..	..	..	..	..
TOTAL GROSS RECEIPTS.	96,60	97,28	1,01,21	1,00,46	99,62	1,02,30	1,08,19
Refunds of revenue collected	—12	—14	—19	..	..	..	..
State Owned	61,10	61,75	65,49	65,01	64,48	67,80	1,08,00
TOTAL Worked lines	5,28	5,37	5,63	5,45	5,14	5,00	5,19
Miscellaneous Receipts	95	1,03	1,15	1,23	1,49	1,69	1,96
TOTAL	97,33	98,15	1,02,17	1,01,69	1,01,11	1,09,99	1,10,15

VI—concl.

and Strategic Lines together.)
and Expenditure (including worked lines).

(In lakhs of rupees.)

EXPENDITURE.	Actuals.			Actuals (excluding Burma Railways).		Revised Esti- mate (exclud- ing Burma Rail- ways).	Budget Estimate (exclud- ing Burma Rail- ways).
	1934-35.	1935-36.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Capital at charge at end of the year.	7,86,90	7,89,02	7,88,88	7,53,80	7,55,26	7,59,50	7,62,75
Working expenses:—							
Maintenance of structural works.	9,05	8,94	8,29	7,94	7,72	7,99	8,25
Maintenance and supply of Locomotive power.	17,13	16,82	16,93	17,63	17,92	18,25	18,75
Maintenance of carriage and wagon stock.	6,08	6,32	5,68	6,13	5,80	6,18	6,48
Maintenance and working of ferry steamers and harbours.	32	29	29	29	28	28	28
Expenses of Traffic Department.	10,92	10,86	11,01	10,63	10,02	10,09	10,25
Expenses of General Departments.	4,89	4,88	4,86	4,89	3,99	4,18	4,18
Miscellaneous Expenses	4,40	4,38	4,33	4,83	4,35	4,57	4,62
Expenses of Electrical Department.	1,22	1,18	1,16	1,20	3,83	3,90	3,94
Suspense	—8	—4	12	7	10	—5	..
Emergency deductions from pay	—1,00	—8	..	..	..	..	..
Depreciation	13,72	13,25	13,15	12,57	12,56	12,59	12,66
State Owned	63,99	64,12	63,38	62,94	64,04	65,26	66,64
TOTAL Worked Lines	2,66	2,68	2,66	2,64	2,63	2,66	2,68
Payments to worked lines	2,62	2,69	2,87	2,81	2,61	2,44	2,67
TOTAL	68,27	69,48	68,91	68,39	69,18	70,25	71,98
Companies share of surplus profits	61	51	43	62	49	55	41
Interest:—							
On Government Capital at charge	30,57	30,18	29,61	28,10	28,18	27,94	27,95
On Capital contributed by Companies.	1,23	1,21	1,20	1,16	1,12	99	97
TOTAL INTEREST	31,80	31,39	30,81	29,26	29,30	28,93	28,92
Miscellaneous charges	71	76	81	76	77	78	80
TOTAL	1,02,39	1,02,15	1,04,96	98,93	99,74	1,00,38	1,01,60
Balance net profit (+) or loss (—) for the year.	—5,06	—4,00	+1,21	+2,76	+1,37	+3,61	+3,29
Contribution to General Revenues	..	..	..	2,76	1,37	3,61	3,21
Railway Reserve Fund	..	..	..	..	..	..	2,98
Railway Depreciation Fund	—5,06	—4,00	+1,21	..	..	..	..
Percentage of net profit on Capital at charge.	—84	—51	+16	+37	+18	48	108
Percentage of net profit before deducting interest on capital at charge.	3.4	3.5	4.1	4.2	4.1	4.2	4.9
Operating ratio (i.e., ratio of Working Expenses including depreciation to Gross Traffic Receipts.)	69.2	68.8	65.4	65.3	66.8	66.4	64.0
Capital Expenditure—							
Open Line Works	27	1,85	28	26	2,27	2,57	3,75
New Constructions	18	29	..	—5	6	74	7
Depreciation Fund	8,66	9,16	7,88	7,99	7,08	7,00	7,00
Purchase of Railways and branch line shares, etc.	—20	44	..	31	..	98	43

APPENDIX VII

Railway Depreciation Reserve Fund

(In lakhs of rupees.)

Year.	Appropriation to Fund	Withdrawals towards renewals and replacements.	Net accretion to Fund during the year.	Nominal closing balance.	* Temporary loans to meet deficit, etc.	Actual closing balance.
1924-25 . .	10,35	7,29	3,08	3,06		3,06
1925-26 . .	10,67	7,99	2,68	5,74	..	5,74
1926-27 . .	10,89	8,05	2,84	8,58	..	8,58
1927-28 . .	11,38	10,95	43	9,01	..	9,01
1928-29 . .	12,00	9,80	2,40	11,41	..	11,41
1929-30 . .	12,59	11,76	83	12,24	..	12,24
1930-31 . .	13,07	11,39	1,68	13,92	..	13,92
1931-32 . .	13,46	8,26	5,20	19,12	4,25	14,87
1932-33 . .	13,77	6,35	7,42	26,54	10,23	12,06
1933-34 . .	13,56	8,07	5,49	32,03	8,05	9,50
1934-35 . .	13,73	8,66	5,06	37,09	5,06	9,50
1935-36 . .	13,26	9,16	4,10	41,19	4,00	9,60
1936-37 . .	13,17	7,88	5,29	46,48	—1,21	16,10
1937-38 . .	12,59	(a) 8,00	4,59	(b) 49,59	..	(b) 19,21
1938-39 . .	12,56	(c) 7,10	5,46	(e) 55,05	..	24,67
1939-40 (Revised Estimate).	12,59	7,00	5,59	60,64	..	30,25
1940-41 (Budget Estimate)	12,66	7,00	5,66	66,30	..	35,92

These are entirely to meet the deficits in the working of the State railways except in 1933-34 the figure for which includes a loan of Rs. 9 lakhs made to certain branch line companies for capital expenditure.

(a) Includes 32 lakhs invested in securities and 32 lakhs written off capital on account of abandoned assets.

(b) Excludes 148 lakhs balance for Burma Railways.

(c) Includes 1 lakh invested in securities.

APPENDIX VIII

Statement showing the nominal balances in the depreciation reserve fund by railways

[In lakhs of rupees.]

Railways.	Nominal balances at end of 31st March 1939.	Revised, 1939-40.			Nominal balances at end of 31st March 1940.	Budget, 1940-41.			Nominal balances at end of 31st March 1941.
		Contribution to the fund.	Withdrawals from the fund.	Net.		Contribution to the fund.	Withdrawals from the fund.	Net.	
<i>State Railways managed by the State</i>									
Eastern Bengal	2,77	88	58	30	3,07	87	78	9	3,16
East Indian	9,03	2,47	1,27	1,20	11,13	2,50	2,10	40	11,53
Great Indian Peninsula	8,75	1,91	03	1,28	10,03	1,90	74	1,10	11,19
North Western—Commercial	10,15	1,80	1,37	52	10,07	1,92	1,45	47	11,14
Strategic	2,28	57	39	18	2,46	56	30	26	2,72
<i>State Railways managed by Companies or Indian States.</i>									
Assam Bengal	2,31	41	32	9	2,40	42	18	24	2,64
Bengal Nagpur	6,65	1,30	08	34	6,99	1,31	97	34	7,23
Bombay, Baroda and Central India	5,43	1,24	61	63	6,06	1,24	91	33	6,39
Jodhpur	—10	2	5	—3	—13	2	2	..	—13
Lucknow Bareilly	33	5	3	2	35	5	6	—1	34
Madras and Southern Mahratta	2,99	89	41	48	3,47	80	54	35	3,62
Tirhoot	1,11	17	10	7	1,18	17	7	10	1,23
South Indian	2,57	77	30	47	3,04	77	28	49	3,53
Other Railways and miscellaneous	21	4	..	4	25	4	2	2	27
Probable savings	..	..	..	..	..	—1,42	1,42	..	1,42
Total	55,38	12,59	7,00	5,59	60,97	12,66	7,00	5,66	66,63
<i>less—</i>									
Investment in securities	33	..	..	..	33	..	..	..	33
Temporary loans to meet deficits	30,29	..	..	..	30,29	..	..	..	30,29
Loan to branch line Companies	9	..	..	..	9	..	..	..	9
Total	30,71	..	..	..	30,71	..	..	..	30,71
NET	24,67	12,59	7,00	5,59	30,26	12,66	7,00	5,66	35,92

PART II.

General Budget.

Budget, 1940-41

Finance Member's Speech

In presenting this my first budget, I am mindful of the proverb that no man is a prophet in his own country. Having spent the greater part of my adult life and the whole of my working career in India, I cannot hope to be credited with the unusual qualities which are often attributed to the newcomer, nor yet can I claim the indulgence which is often extended to the novice. I might perhaps have appealed for some measure of sympathy by reason of the special difficulties which have beset my first year, for to have to reckon with war, a few months after taking office, is a good deal worse than the normal lot of a Finance Member. But when I look round the world as it is today, and observe the formidable problems which confront those in charge of public finance in other countries, and not merely in countries at war but even in the less fortunate of the neutral countries, I can, at this stage, utter no such appeal. For whatever be the difficulties of the task to which I have had to address myself, they are greatly mitigated by the favourable economic conditions in which India has hitherto found herself in spite of, or rather I should say by reason of, the outbreak of war. In fact the story I have to tell relates mainly to a period in which a modestly improving rate of economic progress, restrained by fear of the consequences of an actual outbreak of war, was succeeded by what was almost a tide of war prosperity, subject to occasional setbacks from rumours of the possible supervention of peace. There is, no doubt, something repugnant to our human susceptibilities in these reactions of the 'economic man' to the tragic issues which are being fought out on the world stage at this moment, but it is my business to deal with facts and figures and the atmosphere of the market place, and we must console ourselves with the reflection that the full utilization of India's material resources is an important element in ensuring the victory of that cause on which alone rests the hope of our civilization.

The most effective index of Indian economic development during the first six months of the War is afforded by the price-levels of those staple export commodities, upon which the cash-income of the ryot so largely depends and variations in the prices of which, therefore, affect both the volume of employment and the buoyancy of the revenues, particularly of Provincial revenues. Taking the category of the chief articles of export as a whole, their prices today are some 40 per cent, higher than they were just before the war broke out, even when account is taken of the fall in jute and cotton prices which accompanied the recent deflation of speculation in these commodities. This rise in prices reflects, for the greater part, an increase in the demand for India's products abroad—in many cases a direct increase, in others an indirect increase, through additional calls upon India's manufacturing capacity for products of many kinds. I need only instance the impressive figures which the Department of Supply issues from time to time, relating to orders placed. Although such orders are to some extent in substitution of others, nevertheless, the expansion of war demands must exercise a beneficial influence both on raw material, prices and upon industrial activity. As the new crops come on to the market, the higher prices realized will, of course, mean that industry will

benefit from the larger money-incomes through increased purchases; these increase the general level of industrial employment, which, in its turn, increases the purchasing power of the urban population.

The primary impulse to the economic upswing now in progress is the foreign demand for India's products, but an investigation of the price situation as a whole shows that, except in one or two isolated cases, there are no notably divergent tendencies. The fact that there is no such marked difference in the trend of the prices of raw materials, of industrial commodities, of food, etc., is a welcome indication that the different branches of the national economy are moving forward in fair unison and that there is no need to fear, for the present at any rate, a lop-sided development with serious cleavages of interest. It is as well to remember, however, that the continuance of this situation depends upon continued command of the sea : without the ability to export freely, the present level of export prices could not be maintained. Up to the present, the development of overseas trade has been eminently satisfactory and the cessation of our trade with Germany has been more than neutralized by the expansion of trade elsewhere. In the first ten months of the present fiscal year the value of our exports of merchandise has amounted to Rs. 1,71 crores, an increase of Rs. 31 crores over the previous year. Imports have failed to rise to the same extent, and have amounted to a total of Rs. 1,34 crores. Including transactions in treasure, the net result is that India's total visible favourable balance of trade has increased from Rs. 26.54 crores to Rs. 60.03 crores.

FINANCIAL YEAB, 1938-39

When history is moving at the speed at which it moves to-day, the record of a year which closed so long ago as last March must possess even less than the customary interest. I must, however, present it, and address myself herewith to a brief exposition of the financial results of the year 1938-39. In our revised estimates for that year we had expected to end with a deficit of Rs. 2,65 lakhs, but in the event this proved to be no more than Rs. 64 lakhs. This unexpectedly satisfactory result was due to an improvement of Rs. 1,51 lakhs in Tevenue and a reduction of Rs. 50 lakhs in expenditure.

On the revenue side the yield of Customs and Central Excise Duties improved considerably in the last months of the year, by 37 and 41 lakhs respectively, while Taxes on Income produced as much as Rs. 1,24 lakhs more than our revised estimate. Of this striking increase in Income-tax Rs. 56 lakhs were due to less refunds than estimated. Certain large claims were not completed during the year, and in other cases the sums due for Double Taxation Relief proved much lower than the amounts refunded in the previous year. But the main rise of Rs. 68 lakhs was due to increased collections of tax. I may add here that in view of the position disclosed by these large variations, the existing system has been re-examined and it has been decided to organise in the office of the Central Board of Revenue from the next financial year a special Statistical Branch. The assessment and collection returns sent in by the local officers have been revised and simplified so as to render them more useful for budget purposes and the returns will in future be received direct by the Statistical Branch and will be compiled by mechanical process. By this means figures of actual monthly collections will be available within a few days of the close of the month and this will make it easier to appraise more accurately the trend of income-tax revenues. At the same time, the opportunity has been taken to recast the form in which the annual Income-tax statistics are published, and to make them more intelligible and therefore more useful for general as well as for official purposes.

The main benefit of this increase in Income-tax receipts, as distinct from Corporation Tax receipts, accrued of course to the Provinces, and provided a set-off to the fall in the net contribution from the Railways. For reasons which have already been explained to the House, the Railway surplus proved to be Rs. 68 lakhs less than was anticipated. Thus while we had expected that Rs. 1,12 lakhs would be payable to the Provinces for 1938-39, the amount turned out to be Rs. 1,53 lakhs, in addition to which there were arrears of Rs. 38 lakhs due from 1937-38. As the sum distributed to the Provinces in March 1939 was Rs. 1,50 lakhs, there is thus left a balance of Rs. 41 lakhs to be paid to them along with their share for the current year.

FINANCIAL YEAR, 1939-40

That is all I have to say about the year which closed last March, and I now come to the current year 1939-40 which will close at the end of next month. Here our revised estimates show a net improvement of Rs. 5,08 lakhs in revenue, and a net deterioration of Rs. 4,20 lakhs in expenditure as compared with the budget estimates. Of this increase in expenditure Civil Estimates are responsible for only Rs. 10 lakhs, despite various extra charges of a civil nature which the war has imposed on us, and practically the whole of the additional expenditure involved has been on account of the Defence Services. Thus while the budget estimates provided for a nominal surplus of Rs. 3 lakhs, we now expect to end the year with a balance of Rs. 91 lakhs.

Revenue

I need hardly emphasize that the conditions under which the budget estimates of revenue were framed last year and which with slight modification persisted till the end of August underwent a striking change on the outbreak of war. Until then our revenue receipts were well up to expectation. But with the outbreak of war our Customs receipts, which are responsible for more than half our total revenue, registered a catastrophic fall, due to the interruption of trade with belligerent countries and the dislocation of shipping. This fall was shown with unmistakable clearness in the returns for October and November, but, fortunately, the sharpness of the drop has been mitigated to a considerable extent in the succeeding months. As compared with August 1939, imports dropped by 24 per cent, in September and 31 per cent, in October, but they revived appreciably in November and the more recent returns show that this recovery is being maintained, thanks to the steady improvement in shipping facilities brought about by the action of the allied Governments, and to the gradual adjustment of trade to the new conditions. In the result, if we exclude the effect of the duty on sugar, which was not strictly allocated between customs and excise, our revised estimate for Customs is Rs. 41 lakhs lower than the budget estimate instead of being well above it as seemed at one time probable. Against this adverse effect on our public finance we must of course set the great stimulus which war has given to the trade of the country. To this influence is due the increase of Rs. 65 lakhs under Salt, Rs. 21 lakhs under Currency and Mint, and Rs. 1,48 lakhs in the Railway surplus. At the same time Taxes on Income show a further rise of Rs. 81 lakhs on the improved actuals of the previous year, which serves to increase the share payable to the Provinces from the budgetted Rs. 1,78 lakhs to an anticipated Rs. 2,38 lakhs.

Customs and Central Excise Duties

Despite the fall in Customs already mentioned, the total receipts from Customs **and** Central Excise Duties combined are now expected to be Rs. 1,14 lakhs better than the budget estimate. This is mainly due to the variation in

the receipts from sugar which is responsible both for the principal increase under Customs as well as for the main decrease under Excise. For the total revenue from both Excise and Customs duties on sugar, which at the time of the budget was estimated at Rs. 4,20 lakhs, had not been precisely apportioned between the two heads, the nominal figure of Rs. 4,00 lakhs being entered under Excise and Rs. 20 lakhs under Customs. In the event our forecast of this most variable source of revenue proved to be too low. With domestic production about 1,00,000 tons less than we reckoned, and imports correspondingly larger, the receipt from Customs duty is now put at Rs. 3,90 lakhs, while the Excise duty is expected to produce Rs. 2,00 lakhs by the end of this year.

If we exclude this head of revenue, which is always one of the most difficult to forecast, the Customs returns for the first six months of the year were running only slightly higher than the budget estimates, while the Excise returns omitting sugar showed only a slight decrease. I have already mentioned the striking change which occurred with the outbreak of war. All imports from Europe were adversely affected, and while certain supplies were restricted and delayed by the lack of shipping, others derived from belligerent countries were completely discontinued. The estimates for such articles as machinery, metals, paper and silk fabrics have thus had to be written down by between 30 and 40 per cent, for the remaining six months of the year. Other commodities, however, whose import is not affected by the war, have maintained their former levels or have actually recorded increases. Thus motor spirit and kerosene, mainly imported from Burma, continue to show their normal steady improvement, while tobacco, spices and artificial silk show small increases.

The increase in the duty from silver from Rs. 33 lakhs to Rs. 1,55 lakhs deserves special mention. This is almost entirely due to the sales of Government silver from the Bombay Mint to meet the demands of the Indian bullion market. As is well known, the Government of India had been holding very large stocks of silver. These stocks could not be sold in the open market without forcing the price down to an extent which would have had a disastrous effect on the value of the holdings of silver in which the savings of the rural population had been extensively invested. When, however, on the outbreak of war an embargo was placed on the import of silver from non-sterling countries, and a marked rise in price took place in the London market, the position was entirely changed; it has since been possible to sell about 65 million ounces of silver from our surplus stocks to meet requirements, which were mainly on Indian account. Measures have also been taken with the aim of stabilising the price at a reasonable figure. These sales not only satisfied the internal demand without recourse to appreciable imports from abroad, which would have involved an unnecessary expenditure of foreign exchange, but produced a large amount of ready cash, which though taken as a credit to capital, as will be explained later, has materially assisted our ways and means position. At the same time since the price charged for Mint silver included an amount equivalent to the import duty which is credited under the Customs head, these sales have also brought about a fortuitous increase of Rs. 1,22 lakhs in our Customs revenue.

The decline in the import of cotton fabrics of British manufacture appears to have been accentuated by war conditions, but there is a slight set-off in the increase recorded in the cotton fabrics imported from other countries. The drop in the proceeds of the jute export duty at a time of increased demand for raw jute and large orders for sandbags and other jute manufactures is mainly due to the shipping difficulty, though it is also clear that the very high prices previously in force had sharply restricted orders from abroad. However,

with the recent decline in prices to more reasonable levels, orders from foreign countries may be expected to re-appear and on the assumption that sufficient freight space will become available in due course, next year's estimate of the export duty, and, consequently, of the shares paid to the Provinces concerned is put at the same figure as was adopted for the budget this year.

Under Central Excise Duties there is an addition of Rs. 8 lakhs on account of the cess levied on coal and coke which, though credited to revenue in the current year, has to be paid to the Coal Mines Stowing Board in the following year.

Taxes on Income

The new high level in the yield from Corporation Tax and Income-tax reached in the year 1938-39 and largely due to improvements in the administration has carried on into the current year and has been further augmented by increases due to the passing of the Income-tax Amendment Act. Our revised estimate for the total yield from all taxes on income, including Corporation Tax and other elements entirely Central, is thus placed at Rs. 18,09 lakhs which is Rs. 81 lakhs more than the actuals for 1938-39 and Rs. 1,55 lakhs higher than the estimate of Rs. 16,54 lakhs adopted at the time of the last budget. As regards the amount payable to the Provinces, the pool of divisible income-tax has increased from Rs. 12,65 lakhs to Rs. 13,76 lakhs. But in place of the previous arrangement by which the Centre retained from the moiety, which is to be ultimately provincial, an amount sufficient to bring its own share *plus* the Railway surplus to Rs. 13 crores, the Order in Council has now been amended so that in each of the three years beginning with the current year the Centre is to retain from the provincial moiety the fixed amount of Rs. 4,50 lakhs, which is approximately what the Centre would have retained according to the budget estimate for the current year. The justification for this alteration in the Niemeyer formula is of course the complete change in the financial situation brought about by the war. The Centre has had to shoulder the entire burden of the increased expenditure on Defence and an appreciable amount of extra civil expenditure arising from the war, while there has been very little corresponding increase in provincial expenditure; at the same time the Centre's chief source of revenue, namely, the receipts from Customs duties, has been adversely affected. It would therefore have been anomalous if increased income-tax revenue, largely derived from these same war conditions, had accrued entirely to the Provinces, as it would have done under the old formula which also gave the Provinces the whole benefit from the increase in the Railway surplus. According to the revised formula now adopted the share of the Provinces on account of the current year will increase from the budget figure of Rs. 1,78 lakhs to Rs. 2,38 lakhs and with the arrears of Rs. 41 lakhs due for 1938-39, the amount for distribution to the Provinces at the end of March will become Rs. 2,79 lakhs.

Other Revenue Heads

There is an increase of Rs. 65 lakhs under Salt which is mainly due to the larger clearances effected by the salt dealers whose tendency is to increase their stocks in times such as these. Consumption, however, does not vary appreciably from year to year, so that any extra revenue obtained this year is likely to be off-set by a corresponding reduction in receipts next year. Under the head 'Mint' there is a gain of Rs. 33 lakhs due to the larger profits obtained from the circulation of small coin, the absorption of which has very rapidly increased in the last few months, but this is partly off-set by the decrease of Rs. 15 lakhs in the Government's share of the Reserve Bank's profits which

are taken under the head 'Currency'. The net contribution from the State owned Railways, which has in the last two years been a factor in the calculation of the Provinces' share of Income-tax, will, as already explained, now accrue in its entirety to the Central budget. There is an increase in the estimated surplus from Rs. 2,13 lakhs to Rs. 3,61 lakhs, which provides a welcome addition to our resources.

Posts and Telegraphs

The budget and revised estimates for the Posts and Telegraphs are as follows :

	Budget, 1939-40.	Revised, 1939-40.
	(In lakhs.)	
Gross Receipts	11,62	12,48
Working expenditure and interest charge	11,63	11,62

Although we had expected to close the year with a small deficit, the present indications are that we shall actually have a surplus of nearly Re. 86 lakhs. Already in the earlier months of the year revenue was steadily on the up grade. But with the outbreak of war, almost all important classes of traffic showed abnormal increases, particularly telegraphs, and there was at the same time a rush on the telephone lines due to increased Government business and to activities in the share and money markets. The surplus now expected is thus almost wholly due to conditions in the earlier months of the year and it is gratifying that the Department expects to cope with this increased traffic—though sometimes under conditions of considerable difficulty—while keeping its expenditure within the sanctioned grant of the year.

Honourable Members are aware that with the commercialisation of the accounts of the Posts and Telegraphs the arrangement has been that the Department pays to general revenues interest on its losses and receives a rebate of interest on its profits. Under the existing arrangement, therefore, this surplus will accrue to general revenues, but as the losses incurred in previous years have now been paid back in full except for a final Rs. 7 lakhs, the net surplus of Rs. 79 lakhs will in effect form a reserve for the Posts and Telegraphs Department on which interest will have to be paid. To this extent the general taxpayer is obtaining immediate relief by incurring a future liability, a procedure which could of course not be extended indefinitely. It will be realized that as the present surplus is almost entirely due to the increased traffic resulting from the war, it must at this stage be regarded as of a transitory nature, and it would be unwise to base on it a policy of rapid expansion of the activities of the Department, or of reduction in existing rates.

Expenditure

Defence Services.—The outbreak of war has, as might be expected, seriously disturbed our estimates for the Defence Services and the task of estimating India's defence expenditure during 1939-40 has been rendered peculiarly difficult by the fact that it was not found possible, until very recently, to arrive at a settlement with His Majesty's Government regarding the principles to be followed for the purpose of allocating expenditure arising in India out of the war, between Indian revenues and the revenues of His Majesty's Government. Experience gained in dealing with a somewhat similar problem that arose in connection with the war of 1914—1918 showed the extreme importance of arriving at some broad basis of allocation which, while being fair to both

parties, would obviate the serious accounting difficulties, prolonged controversies over questions of incidence, and delays in final adjustment, which, arose during, and continued for many years after, that war. The circumstances of the present war differ in many respects from those of the last war, and the problem to which I have just referred has become a much more difficult one. One development that adds more than any other to its complexities has been the acceptance by His Majesty's Government and the Government of India shortly before the outbreak of war of the proposals of the Chatfield Committee for the modernisation of the Army in India, an event of the highest importance and significance from the point of view of the defence of India though overshadowed for the time being by the war. Those proposals have already been made public and for my present purpose it is only necessary to recall their two main financial features, namely, the arrangements for meeting the capital and recurring costs of the modernisation measures involved, and the conception of joint responsibility for the external defence of India underlying the whole scheme.

It will be recalled that the capital outlay on modernising the Army in India, estimated at Rs. 45.77 lakhs, was to have been provided by His Majesty's Government, three-fourths as a free gift to India and the balance of one-fourth as an advance to be repaid on easy terms. It was anticipated that the average net recurring cost of the Defence Services during the five-year period allotted for carrying out the proposals would not exceed the level of Defence expenditure obtaining immediately prior to modernisation because there would be substantial savings during the first two years which could be devoted to meeting excesses in the later years.

The outbreak of war necessitated a review of these calculations. The programme of modernisation had necessarily to be adapted to the needs of the situation which then arose, and the review of the programme which had to be undertaken on the outbreak of the war coupled with the rise in prices since the war resulted in a great increase in the capital and recurring cost of the scheme over that previously envisaged and in the disappearance of most of the savings that were expected to accrue during the earlier years of its execution. It was therefore clear that the terms of the original financial settlement which contemplated an ordered and balanced programme of modernisation extending over a period of years would inevitably require reconsideration. It will also be recalled that the Chatfield proposals postulated the acceptance by the Government of India of joint responsibility with His Majesty's Government for the external defence of India and in accordance with this principle provided for the earmarking of certain portions of the Defence Forces in India for purposes of external defence and a consequential increase of £500,000 in the amount of the annual grant made by His Majesty's Government towards the cost of maintaining the Defence Services in India in peace. It was stipulated that whenever circumstances should make it necessary to employ the whole or any portion of India's External Defence Forces outside Indian limits in the discharge of India's joint responsibility for her external defence, India should accept some share of the costs of doing so. In any settlement of the problem of incidence of war expenditure, therefore, this stipulation has to be borne in mind, since these External Defence Forces are now being employed overseas on duties connected with India's external defence. The position is further complicated by the fact that further troops other than those forming part of the External Defence Forces have been and will probably continue to be sent overseas and these troops generally speaking have to be replaced in India. In India itself heavy expenditure has also been incurred in mobilising to full production and in increasing the manufacturing capacity of our ordnance factories for the

production of war stores of all kinds and in building up stocks. There is also a very substantial increase in our defence expenditure owing to the putting into force of various war measures, some of which, such as those relating to censorship, port and coastal defence, internment of enemy aliens, etc., are purely Indian liabilities, while others such as the expansion of various recruiting and training organisations, headquarters offices, etc., may be regarded as joint liabilities to be shared between the Indian and Imperial Governments.

In view of all these complicating factors it was felt that it would be quite impracticable to arrive at an accurate assessment of the defence expenditure chargeable to Indian revenues by a meticulous application of the principles laid down for the allocation of such expenditure between India and His Majesty's Government under peace conditions. Not only would such a course involve an immense amount of clerical work and consequent expenditure but it would revive all the difficulties experienced in connection with the accounts of the last war in an aggravated form. The matter has formed the subject of prolonged discussions with His Majesty's Government who shared our desire to simplify the arrangements and eliminate controversial elements to the utmost extent possible. An agreement on the subject has now been reached under which the whole of the defence expenditure incurred by India will be apportioned between the two Governments on the following basis. India is to bear—

- (1) a fixed annual sum representing the normal net effective costs of the Army in India under peace conditions, *plus*
- (2) an addition to allow for rises in prices, *plus*
- (3) the cost of such war measures as can be regarded as purely Indian liabilities by reason of their having been undertaken by India in her own interests, and
- (4) a lump sum payment of one crore of rupees towards the extra cost of maintaining India's External Defence Troops overseas.

The total amount by which the net annual defence expenditure incurred in India during the war years will exceed the aggregate of items (1) to (3) will be recovered from His Majesty's Government. The question of the disposal of surplus war stores has also been considered. During the war there will be accumulated considerable quantities of war stores of all descriptions which will be surplus to peace requirements when the war is over. The liquidation of these stocks will inevitably be attended with loss and it has been decided that the incidence of this loss should form the subject of negotiations between the two Governments after the war. In the meantime the whole cost of these surpluses is being met by His Majesty's Government. There remains a further element of defence expenditure to be considered, namely, that on non-effective charges for pensions and gratuities. The allocation of these charges is still under discussion between the two Governments. This settlement has been devised with two objects in view. The first object was to limit India's financial liability in connection with the war to such measures as are within her financial capacity and have clearly been or will be taken for the local defence of India itself, reckoning, of course, as such a measure the continued maintenance of the Army in India although only on its peace-time scale. The second object was simplicity, resulting in the avoidance of expense and dispute in the day-to-day application of the terms of the settlement in practice. Item (1) of the settlement has been evaluated at 36,77 lakhs, being the net budget estimate for our Defence Services in the year 1939-40, namely 45,18 lakhs after excluding from it non-effective charges of 8,41 lakhs which have been

excluded from the settlement. I would emphasise that this item of 36,77 lakhs in the settlement is not an estimate of any specific expenditure on our Defence Services such as was the budget estimate of 45,18 lakhs for the year 1939-40 from which it is derived, but has now become a mere lump sum financial adjustment between the Government of India and His Majesty's Government fixed for the duration of the war. It is not a summation of details of estimated expenditure, and consequently in the budget as presented to the House no details are shown against it. The second item in the settlement is self-explanatory and will be arrived at by the application to the relevant figures of the normal budget, from which item (1) is derived, of percentages representing rises in prices from time to time worked out in consultation with the Economic Adviser to the Government of India. It is really part and parcel of the normal maintenance costs of the Army in India but has been shown separately from item (1) for the sake of clarity because its amount is not fixed but will vary with variations in price levels. The third item, namely, those measures which we must pay for ourselves, will as far as possible be determined by direct accounting but where this presents serious difficulty, the amounts debitable to India will be assessed on the basis of estimates. I trust that the House will appreciate that the safety of the country may be endangered by the publication of too much detail concerning the measures included in this item or their cost. Nevertheless I realise that Honourable Members are entitled to such information concerning these measures as can be disclosed without divulging knowledge contrary to the public interest, but I hope that, bearing this qualification in mind, they will be satisfied with only a broad indication of their nature.

The measures are designed to place India in a state of preparedness against attack and are dictated by ordinary prudence. Thus, the Indian Territorial Force and Auxiliary Forces have been mobilised and are either already fulfilling their appointed role or are ready, at a moment's notice, to do so. Certain Indian State Forces have been called on either to undergo periods of refresher training or to take their appointed place in our defences. Certain miscellaneous units, not usually held in peace, but included in our mobilisation plans, have been formed and mobilised. The offer of His Highness the Maharaja of Nepal to place at our disposal a contingent of his troops largely at his own expense provides a valuable addition to our resources. It will be remembered that during the last war the Maharaja of Nepal also generously supplied a large contingent of trained regular troops which did admirable service in active operations on the Frontier. Training of all arms of the service has been expanded and intensified and additional training schools have been established. The censorship of mails has been put into effect and undesirable aliens have been placed in safe custody. Certain measures of port defence and of local Naval Defence have been taken and as the House is already aware, a Volunteer Auxiliary Air Force has been established. All these measures necessitate buildings for the accommodation of the additional forces and of stores, and expenditure on such works has been provided for. The payment represented by item (4) was included in the settlement in pursuance of the principle of India's joint responsibility for her external defence on which the Chatfield settlement was based. It must be remembered that His Majesty's Government, for their part, have agreed to continue to implement during the war, at greatly enhanced cost to them, the Chatfield programme for the modernisation of the Army of India. The payment towards the extra cost of the External Defence troops will be made in the current financial year. I trust that the House will agree with me that the settlement which has been reached is favourable to India and has been

conceived by His Majesty's Government in a generous spirit. It is of course inevitable that India's Defence Budget should increase even though this country is not at the moment directly involved in active operations. Even a neutral country cannot escape the effect of rises in prices resulting from the war and must moreover in times like these take such precautionary measures as are within its means to safeguard its position by mobilising its resource? both of men and materials where necessary. It is devoutly to be hoped that such measures as we have taken will prove in the event to have been unnecessary, but, of course, I cannot even hazard a guess at what the future has in store for us, nor at what further measures it may be found imperative for us to take. The settlement has been brought into force with effect from the 1st April, 1939, since its introduction in the middle of a financial year would have given rise to serious difficulties.

The revised estimates of Defence expenditure for 1939-40 framed on the basis of this settlement work up to Rs. 49,29 lakhs made up as follows :

	Rs. (In lakhs)
(1) Normal peace budget	36,77
(2) Effect of prices on (1).	20
(3) Indian war measures	3,86
(4). Non-effective chargee	8 , 4 1
	49,29

The increase of 25 lakhs for non-effective charges is due to a change in the classification of Special Unemployed pay from effective to non-effective, which, in practice, will only be operative in the current year. The budget figure of Rs. 45,18 lakhs has thus undergone an increase of Rs. 4,11 lakhs, of which Rs. 35 lakhs is due to disturbances in Waziristan and the balance of Rs. 3,76 lakhs represents the effect of the war on India's defence budget during 1939-40. I have already given an indication of the broad details of this increase. The contribution of Rs. 1 crore, to which I have already referred, has been included as an Indian war measure as a matter of budgeting convenience.

Civil Estimates

With the increased co-ordination and control necessitated by the war, the activities of most of the Departments of the Central Government have expanded and Government has also had to undertake a number of fresh activities for which special controlling authorities have had to be created. The most important of these from the point of view of finance is the Department of Supply, which was set up immediately before the outbreak of hostilities for the development and speedy procurement of supplies essential for the prosecution of the war. Though not itself a purchasing organisation, the Department directs and co-ordinates the various purchasing organisations of the Government of India and is establishing an increasingly close contact with the Provincial Governments and Indian States. Its main purchasing agencies are the Indian Stores Department and the Contracts Directorate, the cost of whose war expansion is a charge against its budget, and it has associated with it a number of Liaison Officers and Advisers to Government for the various industries and trades concerned ; these are rendering valuable services on a

voluntary basis, receiving only their own travelling expenses and a small monthly grant for office staff and contingencies. In the first five months of its existence the Supply Department has received orders from His Majesty's Government, from France, Australia, New Zealand, South Africa, Egypt, Palestine and many other countries amounting in value to over Rs. 14 crores, the largest orders in addition to munitions and military equipment being for sandbags, blankets, cotton and leather goods, steel work, cement and other building materials. The expenditure on the entire organisation to deal with these orders is estimated at about Rs. 7½ lakhs in the current year, of which about half is on account of the two main purchasing agencies. But as a charge of three per cent, is levied on all supplies made to overseas authorities, including His Majesty's Government, it is expected that the expenditure will be covered by the fees realised on these orders which are shown as additional receipts in our revenue accounts. It has also been necessary to appoint a Controller of Enemy Firms and Custodian of Enemy Property, and to incur expenditure of about Rs. 2 lakhs in connection with interned enemy subjects. Other emergency measures are the establishment of the Censorship organisation, the appointment of a Director General of Information and the formation of the War Transport Board to control and co-ordinate all forms of transport including shipping. In making these fresh appointments I can assure the House that considerations of economy were fully borne in mind and that the principle followed was that there should be no increase in pay merely on account of transfer to a war post and that a higher salary should only be sanctioned where the definite assumption of more responsible and arduous duties justified such extra remuneration.

The Government of India also became liable for a number of further items of war expenditure, for many of which they have had to make either payments to the Provinces for the work done by them, e.g., in connection with foreigners and the censorship arrangements, or grants-in-aid for special purposes, such as Air Raid Precaution schemes. The total estimated cost of this special war expenditure borne by Civil Estimates comes to Rs. 16 lakhs for the current year.

A further appreciable item of fresh expenditure this year has been the cost of the famine relief measures undertaken in Ajmer-Merwara and Delhi. 'Owing to the failure of three successive monsoons, relief works had to be started in Ajmer-Merwara last August and the number of workers employed increased each month till it reached the figure of 200,000 in January. The wages to be disbursed to the labourers then amounted to Rs. 6 lakhs a month. To deal effectively with expenditure of this scale it became necessary to create a separate Famine Division. With nearly 40 charges to be organised and with the distressed population swelled by large numbers of labourers and their dependents from the neighbouring States, the cost is likely to be not less than Rs. 16 lakhs this year.

Under charges for Interest we now expect a welcome reduction of Rs. 39 lakhs as compared with the budget estimate for the current year. This is mainly due to the saving of Rs. 34 lakhs effected by the conversion operations carried out in the current year and to the further reduction of Rs. 48 lakhs in the amount of bonus paid on Post Office Cash Certificates due to the lower rates of interest carried by the certificates now being presented for encashment. Against these reductions there has been an increase of Rs. 33 lakhs in the discount on Treasury Bills ; for there was a larger gap between revenue and expenditure to be filled by temporary borrowing at the beginning of the war and somewhat higher rates of interest have also been in force.

Thus, our Revised Civil Estimates for the current year are expected to amount to Rs. 37,56 lakhs, as compared with the Budget estimate of Rs. 37,46 lakhs. With the net Defence Expenditure placed at Rs. 49,29 lakhs, our total expenditure is estimated at Rs. 86,85 lakhs as against our total revenue of Rs. 87,76 lakhs. We therefore expect to end this year with a surplus of Rs. 91 lakhs, the result of increased contributions from the Railways and the Posts and Telegraphs. In the ordinary course this surplus would have constituted an automatic addition to the provision for the avoidance or reduction of debt, but in view of the special difficulties of the forthcoming year I shall ask the House to transfer the surplus of the current year to a Revenue Reserve Fund. It will thus be available to help out the finances of 1940-41.

FINANCIAL YEAR, 1940-41

I now come to the financial year, 1940-41. Our total revenue estimates amount to Rs. 85,43 lakhs as compared to Rs. 87,76 lakhs in the revised estimates of this year. This includes the greatly increased sum of Rs. 5,31 lakhs which the Railways are expected to contribute to general revenues next year under the operation of the Railway Convention. As Honourable Members will recollect from the speech of the Railway Member, this amount is based on the full contribution of Rs. 4,41 lakhs for next year, which is one per cent of the capital at charge less the loss on strategic railways, *plus* the arrears of contribution amounting to Rs. 90 lakhs from the current year.

Revenue

Customs and Central Excise Duties.—Next year's budget estimate for Customs and Excise combined is Rs. 46,00 lakhs against the current year's revised of Rs. 50,07 lakhs, a decrease of Rs. 4,07 lakhs. There is first of all a reduction of Rs. 90 lakhs in the yield from the duty on sugar due to the larger anticipated production of indigenous sugar and a consequent decrease in the probable imports from abroad. Then we have to exclude the additional¹ customs revenue from silver to the extent of Rs. 1,20 lakhs over and above the average receipts on this account which must be treated as a windfall this year. For the rest we have had to allow for the continuance of the shortfall which averages about 20 to 25 per cent, in those goods, the imports of which have been seriously interfered with by the war. While many of the heads of Customs revenue remain unaffected, about half have suffered decreases of varying extent. The reductions from this cause over a full year are responsible for the remaining drop of Rs. 1,97 lakhs as compared with the revised estimates for the current year, the first six months of which was a period of increasing trade and large imports.

The forecasting of the Customs revenue, with which the revenue from Central Excises is inseparably connected, involves a view of the course of our foreign trade for a period extending to more than a year ahead, and is at all times a matter of great difficulty. Usually the best that the estimator can do is to base his calculation on the assumed continuance of the tendencies already visible, and to take into account any additional factors of the probable emergence of which he has reasonably reliable knowledge. It is obvious that in the circumstances of the war the task is rendered even more difficult by major uncertainties of a kind unparalleled in peace. It is not merely that our Customs revenue is dependent entirely on the maintenance of the shipping position and that even a partial diversion of freight may interfere seriously with the scale of our imports. It has also to be borne in mind that in the interests

of the successful conduct of the war, which is a paramount consideration, it may be found necessary to restrict certain classes of imports, though this may have an adverse effect on our Customs receipts. In the light of these considerations the present estimates, which allow a margin of less than two crores for the factors of deterioration arising from the progress of the war, can certainly not be said to err on the side of pessimism. They take full account of the improved returns of the last two months, but for which it would have been unjustifiable to adopt so favourable a view.

Taxes on Income.—Our revised estimate for the total yield from all taxes on income for the current year which has been placed at Rs. 18,09 lakhs, is based on the conditions of the preceding year, the latter months of which showed an improvement in trade activity. This was maintained during the first half of this year, while the succeeding months since the outbreak of war have, as I have already mentioned, seen a trade boom of considerable dimensions. There can be little doubt that the incomes on which next year's assessments will be made will be appreciably larger. On this account we have raised the estimate of the yield from all taxes on income by a further Rs. 1,41 lakhs to give a total for both Income-tax and Corporation Tax of Rs. 19,50 lakhs. Of this increase Rs. 1,24 lakhs goes to swell the divisible pool of Income-tax so that the share of the Provinces is expected to reach the figure of Rs. 3,00 lakhs next year as compared with Rs. 2,38 lakhs this year.

Other Bevenue Heads.—There is a large decrease of Rs. 80 lakhs under Salt as compared with the Revised. This is based on the view that the exceptionally large clearances that are being effected this year will result in larger stocks than usual being earned on into next year when the demand for fresh supplies from the salt works will be correspondingly reduced. Under Mint there is a further increase of Rs. 10 lakhs from the anticipated absorption of small coin, and the estimate under Currency includes an additional Rs. 20 lakhs from the Government's share of the profits of the Reserve Bank.

Posts and Telegraphs.—For the next year the revenue of the Posts and Telegraphs Department is expected to be Rs. 12,35 lakhs and expenditure Rs. 11,98 lakhs. The first rush of war traffic having passed, revenue is expected to be somewhat smaller than in the current year. The restrictions imposed in the earlier months of the war on foreign code telegrams have been withdrawn and the estimate allows generally for more settled trade conditions. These considerations justify a somewhat lower forecast than in the current year. The estimated expenditure is about Rs. 40 lakhs more than in the current year. The main reasons for this are increases in staff to deal with increased traffic, the extension of postal facilities in rural and urban areas and the decision to raise, the limits for petty works of a capital nature debited to revenue. The Department has, during the last few years, been making a substantial effort to extend postal facilities in rural and urban areas, and in the year 1940-41 it will on this account be spending over 19 lakhs more than in the year 1936-37. The number of new post offices opened during the three years ending with 1938-39 is nearly 2,200 of which more than 2,000 are in rural areas. The low limits for petty works of a capital nature, the expenditure on which is met out of revenue, attracted the attention of the Public Accounts Committee. After a careful review of the position, it has now been decided to raise these limits which, in most cases, were excessively low. The increased charge to revenue is justified by the avoidance of numerous petty additions to capital account and by the consequent reduction of interest and depreciation charges.

Expenditure

Defence Services.—The Defence Budget for 1940-41 worked out on the basis of the settlement with His Majesty's Government which I have already explained amounts to Rs. 53,52 lakhs made up of the following elements :

	Rs. (In lakhs)
(1) Basic normal budget	36,77
(2) Effect of rise in prices on item (1)	2,00
(3) India's war measures	6,59
(4) Non-effective charges	8,16
	63,52

The normal provision for non-effective charges has been repeated. The substantial increase in the amount provided on account of rise in prices as compared with the figure shown in the Revised Estimates is explained by the fact that most of the contracts for stores required by the Defence Services for 1939-40 were placed before the outbreak of war and were therefore unaffected by the subsequent rises in prices, whereas in 1940-41 the full effect of those rises will be felt. Excluding a sum of Rs. 20 lakhs included in item (3) on account of Waziristan the balance of the amounts shown against items (2) and (3) representing the total extra expenditure which will be thrown on the Defence estimates payable by India as a result of the war is Rs. 8,39 lakhs. The main details of this increase will be found under Head 4 of the budget estimates and I have already referred to them. I would remind the House that His Majesty's Government are spending on measures directly connected with the Defence of India sums greatly in excess of this, but I am not for obvious reasons able to disclose either the nature of the measures or the amounts involved. I must make it clear that the Defence Budget under Head 4, namely, those measures which will be charged to Indian revenues provides for only such measures as can now be foreseen. It will be realised that as the year progresses new measures of this category will most probably have to be initiated of the nature of which we have at present no knowledge, and the additional cost of which to Indian revenues may be considerable. I had considered the desirability of making some lump sum provision for such unknown charges but as I cannot prophesy the course of the war, and as there is no sort of basis on which any figure at all can be arrived at, I decided that there was nothing to be gained by attempting to make specific provision for such liabilities.

Civil Estimates

Despite the exclusion of all new proposals that could not be regarded as virtually unavoidable at the present time, our civil expenditure estimates show increases amounting to Rs. 1,51 lakhs in all as compared with the current year's revised estimates. I must now explain the major items that have contributed to this result.

There are first certain increases of an automatic nature which are either obligatory or are counterbalanced by increased credits on the revenue side. Thus the allocation to the Road Fund has had to be raised by Rs. 12 lakhs on the basis of the revenues obtained from the duties on motor spirit, which this year are expected to be higher. Then, an additional Rs. 8 lakhs on account of the Coal Cess credited to revenue this year has to be provided under Central Excise Duties for payment to the Coal Mines Stowing

Boara next year. The much larger demand for small coin, which is expected to produce the substantial profit for Government shown in the revenue estimates, is responsible for an increase of Rs. 7 lakhs in the expenses of the Mints and the larger demand for bank notes, which is also a feature of the present expansion in trade activity, has caused an increase of Rs. 13 lakhs in the expenditure of the Currency Note Press. The rise in prices together with the necessity of increasing stocks to a level considered adequate in time of war is again responsible for the additional expenditure of Rs. 4 lakhs under Stamps. There is also, unfortunately, little hope of the famine conditions in Ajmer-Merwara coming to an end before the arrival of the monsoon and a further sum of Rs. 16 lakhs has to be provided for the continuance of the present relief works into next year.

The special civil expenditure in connection with the war already mentioned will in a full year amount to Rs. 37 lakhs as compared with Rs. 16 lakhs this year. It has, however, to be remembered that of this sum the expenditure on the Department of Supply will account for Rs. 23 lakhs, against which has to be set off the Rs. 20 lakhs of revenue which it is estimated will be realised from fees.

At the same time it has become necessary to restore the full provision for the maintenance and repair of civil works which was severely cut in each of the two previous years as a part of the economy campaign. For it has been found that if we were to continue to restrict this expenditure to the reduced amounts made available in the last two years, it would be impossible to maintain these Government assets at a proper standard ; as the resultant deterioration would only necessitate a much greater outlay at a later date, the achievement of some temporary saving by this means would be false economy. The provision for maintenance has therefore had to be increased by Rs. 15 lakhs. Certain works in progress such as the new Custom House at Calcutta have had to be completed and a number of urgent projects, which had been postponed from earlier years, could be delayed no longer. On both these accounts the provision for Civil Works had had to be raised by Rs. 21 lakhs. The programme of civil reconstruction for Quetta, originally fixed at Rs. 25 lakhs a year, had also been drastically curtailed in recent years owing to the economy campaign, so that it had dropped far behind the military programme **and** to make up some of this leeway it has been necessary to increase next year's grant from Rs. 14 lakhs to Rs. 20 lakhs.

As regards new schemes, the general principle adopted was that all forms of avoidable expenditure should be eliminated but that expenditure, which, on a broad view, would assist in the mobilisation of the economic resources of the country and further the successful prosecution of the war should not be rejected. At the same time it was not considered desirable to restrict the grants to the development departments to an extent which would have crippled their beneficial functions and in a number of cases, the natural expansion of their activities has made the provision of additional funds essential.

Thus there is the important expansion in civil aviation for which we are providing an additional Rs. 25 lakhs about which I should like to say a few words. Honourable Members will recollect that in 1935-36 a Fund of about Rs. 93 lakhs for the development of civil aviation was created out of the revenue surplus of the previous year. Since then capital expenditure on civil aviation projects has been financed out of this Fund which **at the end of the current year** will have an unspent balance of about Rs. 4 lakhs. With **the progress** that is being made in civil aviation the need for bringing the organisation connected with the trans-continental **traffic** as well as with the **inland routes up to modern requirements has become imperative. Owing to our limited**

resources, development has in the past been restricted to the essential minimum—We must, however, continue to provide facilities and conform to international standards. Though it is not possible with our existing resources to divert a large sum for the purpose, it has been decided that the Civil Aviation Capital Fund shall continue to be maintained ; but instead of a lump sum contribution, it is proposed to contribute to it a sum of Rs. 25 lakhs each year for the next seven years. This will enable the Civil Aviation Department to carry out the long-term programme which it has in view.

I need hardly stress the fact that the justification for undertaking a large programme of Civil Aviation Works in time of war is closely bound up with defence. The Air Force in India must have their own aerodromes for the permanent accommodation of their squadrons and depots, but away from their permanent bases they must have an organisation of aerodromes, wireless stations, meteorological stations, etc., to enable them to move to and operate in any part of India. The development of civil aviation also depends on the prior provision of such an organisation, and it needs little demonstration that one organisation can and should serve both purposes. That has been the policy and practice in this country. Since the development of civil aviation began, the Royal Air Force has depended largely on the civil aerodrome organisation for all its casual operations. The war has intensified the demand. With the rapid development of high speed aircraft, many of our aerodromes even now are not suitable for the operation of the types of Service and civil aircraft in use. Large parts of the country cannot be reached at all by air. This is a situation which must be remedied—in war for defence purposes and after the war for the development of commercial aviation. A good civil organisation will meet the needs of the Air Forces, but the reverse is not true. Government have therefore decided to meet the emergent demands of defence while planning the works as an asset in the development of civil aviation after the war.

In regard to Delhi University, Government were under an obligation which they had accepted some years back and which could not be postponed indefinitely to assist a scheme for its development as an All-India University. On the basis of a programme drawn up by the Vice-Chancellor, Sir Maurice Gwyer, Government have decided to make a non-recurring grant of Rs. 8 lakhs spread over a period of five years and to increase the recurring grant to the University by Rs. 25,000 a year rising to a maximum of Rs. 1 lakh in the fourth year. Half of the non-recurring grant will be used to assist the constituent colleges to move to the University site and the remainder of the money will allow a start to be made on the re-organisation of the University by the provision of science laboratories, a library and research scholarships and the establishment of a number of Professorial Chairs and Readerships. This will involve an additional grant of Rs. 2¼ lakhs next year.

The Government of India have also agreed to take over from the beginning of the next financial year the Public Health Section of the Malaria Institute which is controlling the anti-malaria works round Delhi Province as well as advising Provinces and Indian States on malaria problems. This was formerly financed from the funds of the Indian Research Fund Association and the transfer will involve an additional commitment of Rs. 1 lakh. With the opening of the two new stations at Dacca and Trichinopoly and the expansion of their news broadcasts on account of the war, All-India Radio has required an additional Rs. 4 lakhs. But they must also be given credit for the fact that there has been a large increase in the number of wireless licenses. Against about 72,000 licenses in March, 1939, it is expected that there will be at least 100,000 licenses next year.

Finally the Decennial Census, in continuance of the series which has been maintained since 1872, is due to be held in 1941, and it has been decided that to avoid any interruption of the statistics which are so vital for many purposes the primary work of enumeration shall be undertaken at the due time. This will involve an expenditure of Rs. 12½ lakhs next year. The question of undertaking the more substantial task of compilation is to be decided at a later date.

SUMMARY

In this way the expenditure detailed in the civil estimates comes to the figure of Rs. 39,07 lakhs, as compared with Rs. 37,56 lakhs for the current year. With the provision for the Defence Services placed at Rs. 53,52 lakhs, our total expenditure estimates amount to Rs. 92,59 lakhs. At the same time, on the basis of existing taxation together with the increase in the Railway contribution to the full figure of Rs. 4,41 lakhs *plus* in addition a special sum of Rs. 90 lakhs as arrears for the current year, our total revenue is estimated at Rs. 85,43 lakhs. The figures are, therefore :

Revenue	(Lakhs)
Expenditure	85,43
	92,59
Prospective deficit	7,16

WAYS AND MEANS

Before I proceed to explain my proposals for dealing with this deficit, I must turn aside to give a brief account of our ways and means position.

New Loan.—The outstanding balance of the five per cent. Loan 1939—44 which we had the option of redeeming this year, was notified for discharge early in the year and in July the Government of India floated a further combined cash and conversion issue of the three per cent. Loan 1963—65. The issue was made at a price of Rs. 98 and the five per cent. Loan 1939—44 and the five per cent. Loan 1940—43 were accepted in conversion. The total subscriptions applied for and allotted amounted to Rs. 15,72 lakhs, of which Rs. 8,24 lakhs represented conversions of the five per cent. Loan 1939—44 ; the discharge of the remaining balance of the 5 per cent. Loan 1939—44 was duly effected by an increase in our temporary borrowing. Next year we have the option of redeeming the remainder of the five per cent. Loan 1940—43, the outstanding balance of which is a little under Rs. 19½ crores. The time and manner of the redemption will of course depend on market conditions and our ways and means position.

Sterling Position.—With the great improvement in the balance of trade that has taken place during the year, the Reserve Bank has made considerable purchases of sterling, the total for the first ten months aggregating approximately £53 millions. This may be compared with the figure of £12½ millions for the corresponding period of last year and £15 and £41 millions in those of the two previous years. With the repayment of foreign debt, which we have been effecting continuously for some time past our sterling requirements are naturally decreasing year by year. Moreover, in the current year the amount of sterling we require has been still further reduced by special circumstances. Large purchases of raw materials and goods made in India on behalf of His Majesty's Government have been paid for by us in the first instance and we have been recouped by payment of sterling into our account in London. We have also had large sterling receipts on account of recoveries from His Majesty's Government for their share of the war expenditure incurred by India as well as for their contribution towards the expenditure on defence modernisation in accordance with the report of the Ghatfield Committee. Again the sales of

Indian Government silver which were formerly arranged through the London market, where we had an organisation that had been selling silver for us since 1927, resulted in nearly £8 millions being paid to us in sterling. Our net sterling requirements are therefore now estimated at no more than £10½ millions in the current year and £11½ millions next year, as against the budget estimate of £27 millions and an average of £38 millions required in each of the three previous years.

Repatriation of Sterling Debt.—In addition to expanding their currency reserves, the large acquisitions of sterling already mentioned have enabled the Reserve Bank to put considerable amounts at our disposal for the repatriation of our sterling debt. The desirability of repatriating sterling debt has been constantly before Government and the Reserve Bank for the last three years. A beginning was made in 1937 but it had to be temporarily discontinued owing to the slackening of our remittances. However in this period we have been able completely to liquidate our liabilities on account of the Family Pension Funds transferred to England to the amount of £9J million?. We have now first of all taken the opportunity provided by the availability of sterling to reopen the former scheme by which the Reserve Bank is authorised to purchase our sterling non-terminable securities in the open market as amounts become available and to transfer the securities so purchased to us for cancellation. In their place additional rupee paper of the 3½ per cent and 3 per cent, nonterminable loans is created up to the same nominal value, which is issued gradually by the Reserve Bank in accordance with the requirements of the market. Throughout the period of these operations the market price of 3J per cent, rupee paper has consistently shown a steady rise, and it is clear that the additional rupee securities thus created to finance this debt repatriation have served to supply an actual need of investing institutions and have not been in excess of the demand. Also since the average sale price has been higher than the average purchase price of the sterling stock in London, we have made an appreciable saving on the transfer which, as before, is being taken not to revenue but to capital as a small additional contribution towards the redemption of debt. A further scheme for the repatriation of sterling which has just been brought into force extends the option of transfer to rupee loans to holders of all our sterling loans. The Reserve Bank is being authorised to open books for rupee counterparts of our sterling loans and transfers will be allowed on payment of a premium which will be fixed from time to time according to the market rates with a small margin where possible in favour of the transferor. In order to introduce these new loans to the market Government at first will issue them on its own account in conversion of sterling securities purchased by it. Thereafter, from the 1st April next these facilities will be open to the public on terms based on the sterling and rupee market prices of the respective loans which will be announced by the Reserve Bank from time to time. By this means we hope to bring about an appreciable substitution of rupee liabilities to residents in India in place of sterling liabilities to non-residents, which will be a valuable relief to our remittance programme in future. So far the total value of sterling securities acquired for the purpose of debt repatriation is approximately £9 millions and this should be considerably augmented in the coming year.

Treasury Bills.—In the current year we had originally expected to be able to effect a reduction of six crores in the value of treasury bills outstanding. Actually it is probable that by the end of the year treasury bills will have been expanded by one crore to leave an outstanding balance of a little over 47 crores. This is mainly due to the larger expenditure that has had to be financed on account of the war and to the restriction which the uncertainties of the

international situation imposed on the scale of our loan operations this year. The expansion would, however, have been considerably larger but for the sales of Government silver to the amount of about Rs. 11 crores, the proceeds of which have gone to reduce very considerably the outstanding balance of the silver debt which at the beginning of this year stood at approximately Rs. 48 crores. Next year after providing for a further payment of five crores to the Reserve Bank against surplus rupee coin returned by them, we expect to be able to reduce outstanding treasury bills by approximately eight crores. During the last few years there has been a steady return of rupee coin from circulation, but with the increased demand for currency that has now arisen, the process has been reversed and the balance of rupee coin held in the Issue Department of the Reserve Bank has dropped from Rs. 76 crores on the 8th September, 1939 to a little over Rs. 59 crores in the Bank's return of the 9th February. If the outflow of rupee coin continues at the same rate the Reserve Bank may not wish to exercise its option to return a further five crores of rupees on April 1st and if they desire not to do so the ways and means position will be easier to the extent of five crores.

Post Office Cash Certificates and Savings Bank.—The revised ways and means estimates allow for a net repayment of Rs. 2,63 lakhs in respect of cash certificates as compared with the budget estimate of Rs. 50 lakhs, while under Postal Savings Bank deposits we are reckoning on a net cash outgo of about 5½ crores against the estimated receipt of Rs. 3,75 lakhs in the budget. This deterioration in respect of both Cash Certificates and Savings Bank deposits is mainly due to the larger withdrawals which were made in September and October. There was, however, no such panic as that which took place at the outbreak of the last war, when 40 per cent, of the deposits in the Post Office Savings Bank were withdrawn between August and December, 1914, and did not begin to return till after March, 1915. On this occasion the total withdrawals during the first three months amounted to no more than six per cent, and these were mainly due to the larger demand for cash for trade purposes. Since then there has been a noticeable improvement in the position and withdrawals have dropped to a very small figure. Accordingly for next year our estimates provide for a net repayment of Rs. 1,50 lakhs under Cash Certificates and an increase of Rs. 2,00 lakhs in cash in Post Office Savings Bank deposits.

PROPOSALS FOR 1940-41

I must now return to the task of supplementing the revenues of the coming financial year to the amount of Rs. 7,16 lakhs which is required to balance our expenditure.

In the first place we are fortunate in the fact that the current year should leave us with a surplus of Rs. 91 lakhs in our Revenue Reserve Fund, which we may apply to the reduction of the gap to be filled by fresh taxation. The existence of this surplus is entirely due to the larger contributions received from the two great commercial departments of the State, the Railways and the Posts and Telegraphs. These same departments are also responsible for a large reduction in the size of the deficit which would otherwise face us in the coming year. To this extent the community, in its aspect of a customer of the commercial departments, may be said to have come to the assistance of the community in its role of general taxpayer. This feature of the situation is, however, by no means without its drawbacks. It is in times of comparative prosperity such as this that the commercial departments would wish to utilize their surpluses to a large extent in the building up of reserves, so that when recession comes and general revenues are hard hit, they can meet losses from their own invested savings, without adding a further burden to the general taxpayer. Whilst therefore we yield for the moment to the compulsion which

the necessities of war apply, we must bear continually in mind the problems which await us in the future, and refrain so far as we can from exhausting those resources on which we shall then desire to draw.

This brings me to the question of direct taxation and the Excess Profits Tax which is already before the House. I am not unmindful of the bearing which the remarks which I have just uttered have on the conduct of private, no less than of State-owned, businesses. But I believe that the Bill provides a reasonable compromise between the conflicting claims of the present and the future, and I should be happy if we were in a position to treat our own commercial departments no more ungenerously in this matter than private enterprise.

I must now indicate what portion of the remaining gap of Rs. 6,25 lakhs the yield of the Excess Profits Tax can be estimated to cover in 1940-41. This figure can only be estimated in the roughest way. Any attempt at precise calculation is rendered impossible not only by the difficulty of evaluating the scale of profits in war-time, but by the fact that the basis with which they are to be compared must vary with the option of the numerous individual assesseees to choose their standard periods. Moreover the portion of excess profits actually brought under assessment in the course of the coming year will in the ordinary way be dependent on the dates on which the normal accounting periods of the businesses affected terminate and the dates by which the assessments can be completed. Finally, as the machinery for administering the tax has yet to be brought into being, the work of assessment cannot begin till many months of the year have passed. Taking all the relevant factors into account, and applying to this highly indeterminate matter the best judgment which we can, we have decided to place the estimated yield in 1940-41 at a net additional Rs. 3,00 lakhs, after allowing for the effect on income-tax and supertax. As I explained in the House a few days ago, the tax in its application to companies falls under the head of corporation tax, which is a purely Central source of revenue. In its application to other assesseees it ranks as a tax on income and the yield is included in the pool of income-tax revenue to be shared between the Centre and the Provinces. One half of the revenue from the tax on assesseees other than companies will thus accrue to the Provinces. But since the amount of excess profits paid is deducted from the income assessable to income-tax and supertax, there will be a reduction in the yield of these latter taxes. It is estimated that the effect of this reduction on the provincial share of income-tax will so nearly counterbalance the accrual of a share of the excess profits tax as to leave a negligible net result, and the provision for distribution to the provinces accordingly remains unchanged.

As I pointed out in my speech on the motion to refer the Excess Profits Tax Bill to a Select Committee, the principle underlying the measure is that in raising the additional revenue necessary to meet the cost of war measures, recourse should first be had to the taxation of those to whom the war has brought additional profits. This is a principle of priority of taxation, which cannot be impugned. But I am still left with a gap of Rs. 3,25 lakhs, for which I must turn to the general taxpayer. If any part of this sum were to be found by an ordinary increase of income-tax, it would be necessary to raise an amount equal to double the Centre's requirements, for half would accrue to the Provinces. Since the present emergency is one which arises from the effect of war on the revenue and expenditure of the Centre, this would hardly be appropriate. It is true that the Constitution provides for the levy of a Central surcharge on income-tax, the whole proceeds of which shall accrue to Central revenues; it is, however, clear from the Act that such a surcharge

should be resorted to after and not before other practicable means of balancing the budget have been explored. I must therefore for the time being abandon my pursuit of the income-tax payer, on whom so much attention was concentrated a year ago, when the upper reaches of the scale of tax were sharply steepened. To those in receipt of fixed incomes, the war has no doubt brought an increase in the cost of living and a surcharge, particularly in the lower ranges of incomes, would add to their hardships. I cannot, however, guarantee that further demands from the direct taxpayer may not have to be made in the future, and the conditions in which he is liable to be called upon may even arise in the course of the coming year. For the time being, however, I propose to leave the rates of income-tax and super-tax unchanged, except for one minor alteration giving relief in respect of super-tax to Co-operative Societies in accordance with an undertaking given by my predecessor in the course of the discussion on the Income-tax Amendment Bill in the Council of State. Accordingly, I now turn my attention to the field of indirect taxation.

Now to the extent that our problem is caused by the inadequacy and precariousness of the customs revenue in time of war, it is the consumers of those classes of imports which cannot now be obtained who will have ceased to make the corresponding contribution to the revenue. To this extent the gap can justifiably be filled by additional indirect taxation, though having regard to the regressive character of such taxation, it is desirable to aim at taxes which bear least oppressively on the poorest classes of consumers. I regard the tax on factory refined sugar as answering most nearly to this requirement, for white sugar is mainly consumed not by the poorest but rather by the middle and upper classes of the population. I propose therefore to increase the excise duty on sugar, from Rs. 2 to Rs. 3 a cwt. Under the Customs tariff schedule, as it now stands, this change will produce an automatic increase in the import duty by a like amount. I may also mention that the sugar-producing Indian States are being approached with a view to bringing them into line with British India and securing that the enhanced excise duty is also levied on their output. I estimate the additional revenue from the increase in the sugar excise, together with the corresponding increase in the import duty, at Rs. 1,90 lakhs.

My other proposal is to increase the duty on motor spirit from 10 annas to 12 annas a gallon. The imposition of this additional burden on all users of motor transport will no doubt evoke protests, but they may regard themselves as fortunate that the war has hitherto involved no more serious handicap on the private consumption of this commodity. Incidentally the effect on the competitive position of road transport is counterbalanced by the increase in railway rates which will now be in force. I estimate the additional revenue from this increase of 2 annas a gallon at Rs. 1,40 lakhs.

Both these changes are to take effect forthwith and a declaration under the Provisional Collection of Taxes Act has been attached to the relevant clauses of the Finance Bill.

With Rs. 91 lakhs from the Revenue Reserve Fund, Rs. 3,00 lakhs from the Excess Profits Tax and Rs. 3,30 lakhs from the enhanced duties on sugar and petrol, our final figures become :—

	Rs. (In lakhs.)
Revenue	92,64
Expenditure	92,59
Surplus	5

I have now laid my proposals before the House, but before I sit down I would ask Honourable Members to bear with me a little longer whilst I describe the background against which I consider that these proposals should be judged. The war has been in progress now for barely six months and no man can say what the coming year has in store for us. I am not one of those who believe that this is going to be a short war, but clearly if it should so turn out many plans and calculations will have to be revised. For the moment we face a situation in which the probabilities are heavily weighted on the side of additional expenditure on the defence of India whilst at the same time many sinister contingencies also threaten our revenues. It has no doubt been possible at this particular juncture of time to base a fairly encouraging view on our actual recent experience, but the plain fact which we have to recognise is that all changes in our position are more likely to be for the worse than for the better.

In these circumstances what is the best course to pursue in the largest interests of the country ? There are times when economic prosperity in the country is accompanied by buoyant Government revenues and taxable capacity far exceeds the contemporary requirements of public finance. There are other phases in the trade cycle when economic depression is accompanied by a dislocation of public finance and when the Government can only help itself by aggravating the private difficulties of the taxpayer. The view is rapidly gaining ground that budgetary finance should not be too closely circumscribed within the water-tight compartments of single successive years and that in a period of prosperity, instead of allowing the whole of the surplus of the national income " to fructify in the pockets of the people " the Government should draw on it to an extent which will enable it to bear less heavily on the country in a period of depression. There is obviously great force in this view, but the present situation in India is one which corresponds to neither of the commoner phases which I have just described. It is a situation in which, while the Government is inevitably involved in large and growing expenditure on defence, the community as a whole may be said to be enjoying a period of prosperity. Now whatever the view which one may hold on the subject of budgeting for a year at a time or budgeting for a longer period more nearly corresponding to a trade cycle, there can, I hold, be no question that in the circumstances of India today the additional requirements of Government should clearly be met by drawing on the additional taxable capacity which the war has produced. It would in my opinion be indefensible in circumstances such as these to postpone for the future any part of the burden which can more easily be shouldered today. That future, judging by historical precedent, will inevitably produce for us problems and difficulties far more harassing than those with which we are now called upon to deal. If we can do anything at this moment to lighten the immense burden of our successors it is our bounden duty to do it; the least they will be entitled to expect is that when we have the power and the means to do it we should refrain from handing on to them a disastrous legacy. We cannot isolate ourselves from the world in which we live. It is a world in which this generation is being called upon to undergo fiery ordeals in order that those that come after may live more abundantly.

BUDGET

of the

Governor-General in Council

As laid before the

Indian Legislature, 1940.

FINANCE DEPARTMENT } I E N T , C . E. JONES,
New Delhi, the 29th February 1940. Secretary to the Government of India.

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I.—General Statement of the Revenue and Expenditure

[In thousands of Rupees.]

	For details, vide State- ment.	Accounts, 1988-89.	Budget Estimate, 1989-90.	Revised Estimate, 1989-90.	Budget Estimate, 1990-91.
Revenue—					
Principal Heads of Revenue—					
Customs	A	40,60,53	40,65,00	42,91,00	37,64,00
Central Excise Duties	"	8,85,73	6,28,00	6,19,00	11,44,00
Corporation Tax	"	2,08,72	1,88,00	2,17,00	5,80,00
Taxes on Income other than Corpora- tion Tax.	"	13,74,48	12,83,00	13,13,00	14,20,00
Salt	"	6,12,04	8,85,00	9,00,00	6,20,00
Opium	"	50,69	48,13	45,62	47,37
Other Heads	"	1,08,21	1,01,86	97,84	1,01,27
TOTAL PRINCIPAL HEADS		74,80,35	73,54,81	75,58,66	78,46,64
Other Heads of Revenue—					
Railways Net Receipts (as shown in Railway Budget)	"	31,80,00	31,75,66	33,18,41	37,52,07
Irrigation-Net Receipts	"	67	77	14	74
Posts and Telegraphs: Net Receipts	"	92,45	78,34	1,59,39	1,06,72
Debt Services	"	78,75	63,23	73,68	61,36
Civil Administration	"	1,06,03	1,08,77	1,04,43	1,05,39
Currency and Mint	"	65,16	67,32	66,57	1,24,89
Civil Works and Miscellaneous Public Improvements	"	32,23	30,97	28,79	89,81
Miscellaneous	"	1,86,33	1,89,65	1,42,01	1,30,06
Defence Services	"	5,88,90	2,75,20	5,88,57	5,88,56
Contributions and Miscellaneous Adjustments between Central and Provincial Governments	"	...	...	...	...
Extraordinary Items	"	4,06,55	2,95,57	3,09,80	4,07,89
TOTAL REVENUE		1,31,06,68	1,31,79,95	1,33,98,29	1,31,73,65
EXCESS		63,78	...	...	...
TOTAL		1,31,70,40	1,31,79,95	1,33,98,29	1,31,73,65

charged to Revenue of the Central Government.

[In thousands of Rupees.]

	For details, vide State- ment.	Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1989-90.	Budget Estimate, 1990-91.
Expenditure—					
Direct Demands on the Revenue	B	4,28,50	2,90,11	2,87,17	4,07,16
Capital Outlay on, Salt Works charged to Revenue	"	14	54	35	64
Railways Interest and Miscellaneous Charges (as shown in Railway Budget)	"	29,88,77	29,53,35	29,57,64	32,51,30
Irrigation	"	10,11	9,70	9,67	10,83
Posts and Telegraphs	"	77,41	75,02	78,78	66,39
Debt Services	"	14,12,29	12,65,06	12,36,54	12,11,13
Civil Administration	"	10,88,71	11,04,14	11,15,47	11,80,56
Currency and Mint	"	36,75	33,09	41,78	61,63
Civil Works and Miscellaneous Public Improvements	"	2,61,72	2,74,38	2,78,11	3,22,77
Miscellaneous	"	3,82,65	2,83,31	3,77,60	3,66,66
Defence Services	"	52,06,90	53,88,28	65,17,68	66,40,74
Contributions and Miscellaneous Adjustments between Central and Provincial Governments	"	3,06,33	3,06,78	3,06,77	3,05,33
Extraordinary Items	"	1,18	1,67	1,16,88	40,91
TOTAL EXPENDITURE CHARGED TO REVENUE		1,31,70,40	1,31,76,79	1,32,96,88	1,31,68,74
EXCESS		...	5,16	...	4,91
TOTAL		1,31,70,40	1,31,76,79	1,32,96,88	1,31,73,65

II.—General Statement of the Receipts and

Disbursements of the Central Government.

[In thousands of Rupees.]

	For details, vide Statement.	RECEIPTS.			
		Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
Surplus		...	3,16	...	4,91
Railway Capital Account not charged to Revenue—					
Capital contributed by Railway Companies and Indian States towards Outlay on State Railways (as shown in Railway Budget)	C	...	...	...	...
Debt, Deposits and Advances—					
Public Debt—					
Permanent Debt (net)	"	...	...	...	...
Floating Debt (net)	"	8,29,50	...	1,00,00	...
Unfunded Debt (net)	"	...	8,17,64	...	5,08,81
Deposits and Advances (net)	"	81,29	...	9,18,80	38,94
Railway Depreciation and Reserve Funds as shown in Railway Budget (net)	"	4,45,58	8,33,00	4,50,64	3,84,46
TOTAL DEBT, DEPOSITS AND ADVANCES.		14,97,18	14,80,64	16,77,63	14,08,94
Loans and Advances by the Central Government (net)	"	2,85,10	1,68,68	1,84,39	1,40,43
Remittances, etc (net)	"	...	2,35	...	3,40
TOTAL RECEIPTS		16,80,38	16,81,91	17,71,72	16,89,77
Opening Balance		11,71,19	9,47,53	13,13,74	8,18,77
TOTAL		28,51,47	26,70,14	30,85,46	24,17,44

	For details, vide Statement.	DISBURSEMENTS.			
		Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
Deficit	...	83,78	...	...	...
Capital Accounts not charged to Revenue—					
Railway Capital (as shown in Railway Budget)	C	6,48,54	4,78,00	4,24,00	4,25,00
Capital outlay on Posts and Telegraphs	"	1,62,48	15,34	8,51	9,16
Capital outlay on Schemes of Agricultural Improvement and Research	"	20	...	...	...
Capital Outlay on Vixagapatam Port	"	22	9	61	10
Initial Expenditure on New Capital at Delhi	"	6,58	7	18,40	18,87
Payments of Commuted Value of pensions	"	—9,03	—10,28	—8,88	—12,34
TOTAL CAPITAL ACCOUNTS NOT CHARGED TO REVENUE		9,07,40	4,83,22	4,63,04	4,37,68
Debt, Deposits and Advances—					
Public Debt—					
Permanent Debt (net)	"	3,24,30	8,16,45	13,29,93	3,33,18
Floating Debt (net)	"	...	6,00,00	...	8,00,00
Unfunded Debt (net)	"	71,73	...	4,06,68	...
Deposits and Advances (net)	"	...	2,98,19	...	...
TOTAL DEBT, DEPOSITS AND ADVANCES.		3,96,03	12,14,64	17,35,53	11,33,19
Remittances, etc (net)	"	1,40,88	...	48,10	...
TOTAL DISBURSEMENTS		15,07,73	12,07,50	22,36,09	16,70,78
Closing Balance		13,13,74	8,72,28	8,63,77	8,40,68
TOTAL		28,51,47	26,70,14	30,85,46	24,17,44

GENERAL BUDGET AS PRESENTED.

A.—Statement of the Revenue of the Central Government.

[In thousands of Rupees.]

HEADS OF REVENUE.	Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Increase (+) or Decrease (-) as compared with Budget, 1939-40.	Budget Estimate, 1940-41.			Increase (+) or Decrease (-) as compared with Revised, 1939-40.
					India.	England.	Total.	
Principal Head, of Revenue—								
I.—Customs	40,50,53	40,65,00	42,94,00	+2,28,00	37,56,00	...	37,56,00	-5,08,00
II.—Central Excise Duties	5,05,73	6,28,00	6,18,00	-2,15,00	11,44,00	...	11,44,00	+5,21,00
III.—Corporation Tax	2,05,72	1,88,00	2,17,00	+29,00	5,50,10	...	5,50,00	+8,18,00
IV.—Taxes on Income other than Corpora- tion Tax	12,74,43	12,68,00	12,12,00	+56,00	14,14,48	5,52	14,30,00	+1,97,00
V.—Salt	8,12,04	8,35,00	9,00,00	+64,00	8,20,00	..	8,20,00	-10,00
VI.—Opium	10,89	49,12	48,82	-38	45,17	1,70	47,27	-1,66
VII.—Land Revenue.	18,46	17,72	15,79	-1,94	15,44	...	15,44	+35
VIII.—Provincial Excise .	25,77	25,93	25,70	-17	24,97	...	24,97	-79
IX.— Stamps	24,74	25,08	25,43	+35	27,27	...	27,27	+1,04
X.—Forest	19,91	19,41	19,34	-57	17,81	...	17,81	+1,47
XI.—Registration	92	94	94	..	96	...	96	-6
XII.—Receipts under Motor; Vehicles Acts	3,41	3,27	3,40	+13	3,12	..	3,12	-29
XIII.—Other Taxes and Duties	...	...	13	+13	70	...	70	+52
TOTAL	74,80,55	73,54,51	75,82,05	+2,27,54	72,41,95	6,7	72,48,94	+2,54,06
Irrigation—								
XVII.—Works for which Capital Accounts are kept—Gross Receipts	4,35	4,42	3,95	-46	4,14	...	4,14	+18
Deduct—Working Expenses	3,87	3,72	3,91	-19	3,48	...	3,48	+43
V								
Net Receipts	78	69	5	-74	66	...	66	+81
XVIII.—Works for which no Capital Accounts are kept	9	8	8	+1	8	...	8	-1
TOTAL	53	77	14	-68	74	...	74	+50
Posts and Telegraphs—								
XIX.—Posts and Telegraphs— Gross Receipts	11,07,60	11,02,01	12,48,32	+2,46,31	12,28,51	...	12,28,51	-17,81
Deduct—Working Expenses	10,75,17	10,82,67	10,56,92	-26	11,07,67	31,12	11,38,79	-39,66
Net Receipts	92,43	78,34	1,91,40	+2,13,06	1,21,84	-21,12	1,00,72	-51,07
Carried over	75,80,05	74,26,89	77,42,19	+3,15,30	72,70,00	-14,40	72,55,60	+3,18,01

A.—Statement of the Revenue of the Central Government—*concl'd.*

[In thousands of Rupees.]

HEADS OF REVENUE.	Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Increase (+) Decrease (-) as compared with Budget, 1939-40.	Budget Estimate, 1940-41.			Increase (+) Decrease (-) as compared with Revised, 1939-40.
					India.	England.	Total.	
Brought forward	75,67,66	74,76,83	77,43,19	+2,16,37	73,70,00	-14,40	73,55,10	+2,18,91
Debt Servitues—								
XX.—Interest	73,7	63,33	73,63	+9,75	41,38	20,05	61,38	-11,90
Civil Administration—								
XXI.—Administration of Justice	2,46	1,78	1,67	-11	1,09	..	1,09	+2
XXII.—Jails and Convict Sotie meats	2,21	7,25	7,15	-9	7,17	..	7,17	+2
XXIII.—Police	74	44	1,13	+69	46	..	46	-40
XXIV.—Ports and Pilotage	21,90	31,41	31,72	+31	21,84	..	21,86	-4
XXV.—Lighthouses and Lightships	2,15	2,28	3,19	+1,04	2,20	..	2,20	+20
XXVI.—Education	1,93	2,19	3,17	-2	3,15	..	3,15	+2
XXVII.—Medical	8,45	1,07	3,78	+19	3,10	..	3,10	-9
XXVIII.—Public Health	4,77	3,14	3,60	-45	3,63	..	3,63	+3
XXIX.—Agriculture	4,01	3,43	3,44	+12	3,65	..	3,64	+1
XXX.—Veterinary	6,63	6,75	6,33	-53	6,47	..	6,47	+33
XXXI.—Co-operation	2,8	..	36	+2	22	..	22	..
XXXII.—Juditories.	1,45	1,47	1,46	-7	1,92	..	1,93	+13
XXXIII.—Aviation	7,39	5,50	9,15	+60	10,50	..	10,50	+1,04
XXXIV.—Broadcasting	..	..	..	..	..	..	..	..
XXXV.—Indian Stores Department	21,10	19,00	19,13	+13	20,18	..	20,18	+1,00
XXXVI.—Miscellaneous Departments	19,00	19,00	18,79	-21	16,53	8	16,60	-2,19
TOTAL	1,05,06	1,03,77	1,04,68	+89	1,05,30	9	1,05,39	+90
Currency and Mint—								
XXXVII.—Currency	28,54	30,77	34,88	+13,00	31,06	..	31,06	+25,32
XXXVIII.—Mint	19,82	20,45	22,55	+23,44	73,73	..	73,73	+5,41
TOTAL	48,36	51,22	57,43	+21,85	1,04,79	..	1,04,79	+25,81
Civil Works, etc.—								
XXIX.—Civil Works	33,22	0,07	30,39	-7,63	33,51	..	33,51	+4,63
Miscellaneous—								
XLII.—Receipts from Indian States	60,47	63,66	61,41	-1,24	61,79	..	61,79	+28
XLIV.—Kwepts in aid of Superannuation	7,95	7,60	3,40	+99	7,65	40	8,05	-46
XLV.—Stationery and Printing	28,32	24,43	26,25	+1,83	19,25	18	19,43	-6,72
XLVI.—Miscellaneous	60,69	65,08	65,50	+1,43	37,17	3,93	39,00	-15,61
TOTAL	1,59,43	1,60,85	1,48,65	+3,00	1,18,36	4,10	1,22,46	-32,99
Defence Services—								
XLVII.—Defence Receipts Effective.	5,43,16	6,25,8	5,35,15	-1,04,73	2,54,74	3,50,03	5,45,79	+10,63
XLVIII.—Defence Receipts Non-effective	44,76	46,87	63,41	+18,04	6,76	39,03	44,77	-12,64
TOTAL	5,87,90	6,72,67	5,98,57	-4,06,08	2,61,50	3,89,07	5,90,56	-1
Contributions and Miscellaneous Adjustments between Central and Provincial Governments								
L.—Miscellaneous adjustments between Central and Provincial Governments	..	..	..	..	..	..	..	..
Extraordinary Items—								
LI.—Extraordinary Receipts	3,00,45	3,05,87	3,04,88	+6,83	2,01,50	..	2,01,50	-10,70
III.—Receipts connected with the War, 1939.	..	..	7,91	+7,91	30,00	..	30,00	+12,00
LIIA.—Transfer from Revenue Reserve Fund	1,08,00	..	..	..	91,30	..	91,30	+91,30
TOTAL	4,08,45	3,05,87	3,04,88	+14,73	3,92,80	..	3,92,80	+92,00
Railway Penvennes as Per Railway Budget	21,30 00	17,75 00	33,14 41	+1,48,76	33,00 15	-18 00	37,33 07	+4,53 00
TOTAL REVENUE	1,31,04,66	1,31,78,63	1,30,04,68	+1,16,54	1,35,30,63	5,18,55	1,31,78,66	+7,75,75

B.—Statement of the Expenditure charged to Revenue of the Central Government

[In thousands of Rupees.]

HEADS OF EXPENDITURE.	[Account], 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40	Increase (+) Decrease (-) as com- pared with Budget, 1939-40.	Budget Estimate, 1910-41.			Increase (+) Decrease (-) as com- pared with Revised, 1939-40.
					India.	England.	Total.	
Direct Demands on the Revenue—								
1.—Customs	1,10,58	64,17	33,31	—86	32,43	41	33,39	—42
2.—Control Excise Duties	43,77	44,17	41,73	—2,44	63,90	...	55,50	+16,07
3.— Corporation Tax	6,90	7,12	9,17	+2,05	9,47	...	9,97	+20
4.—Taxes on Income other than Corporation Tax	66,63	71,39	68,00	—3,39	89,53	28	70,53	+2,56
8.—Salt	1,08,68	1,01,79	1,03,95	+2,16	99,18	28	99,91	—3,54
6.—Opium	25,50	26,63	25,19	—1,44	24,71	30	25,07	—12
7.—Land Revenue	4,91	6,10	3,31	—1,59	3,79	16	5,94	+63
8.—Provincial Excise	8,27	9,73	8,66	—7	6,26	...	6,33	—36
9.—Stamps	16,81	17,68	20,59	+2,71	17,87	7,11	24,78	+4,10
10.—Forest	22,05	22,81	21,71	—1,10	23,44	62	24,36	+2,05
11.—Registration	10	9	10	+1	10	..	10	—
13.—Charges on account of Motor Vehicles Acts	2,33	2,33	2,45	+12	2,45	..	2,45	+1
13.—Other Taxes and Duties	..	..	..	..	2	..	2	+2
TOTAL	4,23,80	3,90,11	3,87,17	—3,64	3,97,33	9,78	4,07,15	+19,93
Capital Outlay on Salt Works charged to Revenue—								
5A.—Capital Outlay on Salt Works	14	54	35	—20	64	..	64	+39
Revenue Account of Irrigation Works—								
17.—Interest on Works for which Capital Accounts are kept	7,38	7,48	7,23	—25	7,13	..	7,13	—6
18.—Other Revenue Expenditure	2,42	2,19	2,35	+16	3,26	7	3,32	+1,07
TOTAL	9,80	9,67	9,57	—13	10,39	7	10,45	+8
Capital Account of Irrigation, etc., Works charged to Revenue—								
s—Construction of Irrigation Works financed from Ordinary Revenues	31	16	30	+14	37	..	37	+17
Revenue Account—								
20.—Posts and Telegraphs—Interest on Debt	73,45	74,61	73,04	—1,57	69,63	..	69,63	—3,41
Posts and Telegraphs Capital Revenue—								
21.—Capital outlay on Posts and Telegraphs	3,06	3,41	74	—2,67	—34	..	—34	—1,06
Carried over	4,11,16	4,73,40	4,78,97	—5,09	4,73,06	9,85	4,87,31	+17,04

B.—Statement of the Expenditure charged to Revenue of the Central Government—*contd.*

HEADS OF EXPENDITURE.	Account. 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Increase (+) Decrease (—) as compared with Budget, 1939-40	thousands of Rupees]			Increase (+) Decrease (—) as compared with Revised, 1939-40.
					India.	England.	Total.	
Brought forward	6,11,15	4,75,45	4,70,57	—7,58	4,78,06	9,55	4,87,61	+17,04
Debt Services—								
31.—Interest on Debt and other Obligations.	46,74,55	44,06,51	43,81,55	—44,28	18,57,40	15,38,54	43,95,94	—45,51
Deduct—Interest transferred to—								
Railways	28,14,80	27,33,47	27,34,45	+4,03	17,03,85	10,30,65	27,34,50	+9,03
Irrigation	7,33	7,43	7,23	+21	7,33	...	7,33	+9
Posts and Telegraphs	73,47	74,64	73,98	+1,86	89,65	...	89,65	+2,41
Other Commercial Departments.	8,54	8,53	8,53	+0	8,53	...	8,53	—15
Provincial Government*	5,35,47	5,39,23	5,39,25	—3	5,24,31	...	5,34,31	+9,04
Commuted Value of Pensions	24,50	23,77	23,70	+7	23,91	...	23,91	+79
Total transfers	34,82,36	34,41,15	34,35,21	+5,94	22,34,46	16,30,65	34,25,11	+30,10
Net	11,17,29	9,68,68	9,36,34	—39,33	5,23,14	5,37,95	9,11,13	—16,21
23.—Appropriation for Reduction or Avoidance of Debt	3,00,00	3,00,00	3,00,00	...	3,00,00	...	3,00,00	...
TOTAL	14,12,79	12,56,66	12,36,34	—39,33	6,52,14	5,67,90	12,11,13	—15,21
Civil Administration—								
26.—General Administration	1,90,57	1,90,06	1,94,77	+4,71	1,46,76	46,97	1,93,73	—1,04
27.—Audit	95,09	90,86	97,03	—1,73	99,53	2,36	1,02,17	+4,34
27.—Administration of Justice	3,79	10,84	10,10	—33	6,33	80	9,33	—47
28.—Jails & Convict Settlements	24,90	28,79	28,51	+32	29,36	19	29,44	+68
29.—Police	29,36	29,80	31,75	+2,96	24,54	85	24,83	+3,06
30.—Ports and Pilotage	97,60	33,54	33,96	+39	23,59	1,98	23,83	+96
31.—Lighthouses & Lightships	9,19	9,24	8,19	—1,04	8,55	4	8,59	+30
32.—Ecclesiastical	20,25	31,38	30,58	—73	26,49	6,08	31,77	+61
33.—Payments to Crown Representative	1,26,04	1,31,57	1,42,00	+10,33	1,31,75	7,37	1,39,14	—3,00
34.—Tribal Areas	1,90,51	1,97,44	1,93,23	+4,79	2,00,64	1,19	2,01,90	+7,97
35.—External Affairs	65,57	55,63	65,23	+7,10	64,97	12,41	67,38	+1,84
36.—Scientific Departments	67,09	67,56	64,36	—4,73	64,79	6,12	70,91	+6,05
37.—Education	25,78	24,35	24,34	—1	26,51	14	26,55	+2,31
38.—Medical	21,78	23,59	21,83	—1,86	22,08	6	22,35	+1,68
39.—Public Health	15,78	14,95	13,16	—1,60	15,58	49	15,81	+3,06
40.—Agriculture	61,88	46,10	43,63	—57	41,46	47	41,69	—1,61
41.—Veterinary	8,07	8,53	7,96	—57	8,54	98	9,53	+1,44
42.—Co-operation	67	60	60	—7	65	...	65	+8
43.—Industries	3,46	8,40	8,43	—15	8,36	...	8,36	—8
44.—Aviation	20,94	20,64	24,10	—5,44	20,81	77	20,99	+24,84
45.—Broadcasting	20,57	25,90	25,31	—75	25,77	14	25,91	+3,70
46.—Indian Stores Departments	23,09	23,40	21,72	—1,67	21,85	22	22,31	+48
47.—Miscellaneous Departments	10,31	20,30	19,88	—40	31,15	93	31,76	+13,46
TOTAL	10,25,71	11,04,14	11,12,47	+8,25	10,90,47	60,90	11,00,54	+46,06
Carried over	50,18,10	28,44,31	28,03,88	—39,57	23,31,87	4,57,98	28,79,85	+60,52

B.—Statement of the Expenditure charged to Revenue of the Central Government—concl'd.

[In thousands of Rupees.]

	Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Increase (7) as compared with Budget, 1939-40.	Budget Estimate, 1940-41.			Increase (7) as compared with Revised, 1939-40.
HEADS OF EXPENDITURE.					India.	England, Total.		
Brought forward	30,13,10	20,44,21	20,09,63	-33,67	22,21,67	5,67,03	28,78,60	+ 64,93
Currency and Krat-								
48.—Currency	16,10	13,00	14,34	+1,31	9,00	17,35	26,99	+13,74
49.—Mint	20,87	22,00	27,43	+5,43	20,32	4,35	24,65	+7,10
TOTAL	85,75	36,09	41,73	+5,64	30,67	22,70	61,63	+19,00
CIVIL Works, etc-								
60.—Civil Works	2,61,72	1,74,20	2,70,31	-8,17	2,29,15	61	2,29,77	+40,08
Miscellaneous—								
54.—Famine	16	27	10,10	+15,03	25,07	.	15,07	-41
59.—Superannuation Allowances and Pensions	2,21,44	1,80,04	2,20,94	..	1,25,31	1,04,95	2,20,26	-69
66.—Stationery and Printing	68,21	46,80	54,23	+7,43	50,30	1,73	52,03	+15,24
57.—Miscellaneous	27,24	20,00	26,05	+6,05	20,55	2,63	23,18	+3,61
TOTAL	5,03,21	3,50,08	5,77,22	+20,95	2,07,07	1,50,21	3,50,28	-11,04
Miscellaneous Capital Out- lay on account of Revenue—								
55.—A.—Commutation of Pensions financed from Ordinary Revenue	42	1,05	28	-1,37	38	..	28	..
Defence Services—								
58.—Defence Services—Effective	43,74,45	40,22,05	46,12,70	-10,10	42,70,85	3,02,75	50,78,60	+4,06,30
59.—Defence Services—Non- effective	2,06,00	2,02,00	2,04,72	+2,72	2,75,01	4,34,32	2,61,14	-48,84
60.—Transfer* to Defence Reserve Fund.	-24,43	-22,47	..	+23,47	..	..	..	..
TOTAL	52,00,00	53,00,30	55,17,42	+1,24,20	45,45,70	12,00,00	60,40,74	+4,20,38
Contributions and Miscel- laneous Adjustments between Central and Pro- vincial Governments—								
61.—Grants-in-aid to Provincial Governments	2,04,72	2,04,10	2,04,10	..	2,03,61	..	2,03,61	-66
63.—Miscellaneous Adjust- ments between the Central and Provincial Governments	1,01	1,02	1,01	-1	1,02	..	1,02	+1
TOTAL	2,05,73	2,05,12	2,05,11	-1	2,04,63	..	2,04,63	-64
Extraordinary Items—								
68.—Extraordinary charges	1,10	1,07	2,56	+1,49	2,90	..	2,90	+83
64.—Expenditure connected with the War, 1939	..	..	10,00	+10,00	20,00	21	20,01	+20,01
84.—A.—Transfers to Revenue Reserve Fund	..	..	51,30	+51,30	..	..	..	-51,30
TOTAL	1,10	1,07	1,10,86	+1,09,71	40,70	21	40,91	-80,97
Railway Expenditure as per Railway Budget	20,91,77	20,02,30	20,57,64	-4,01	20,03,10	11,00,20	20,51,30	+2,00,00
TOTAL EXPENDITURE CHARGED TO REVENUE.	1,21,70,05	1,20,78,79	1,23,90,00	+3,10,10	64,83,03	27,15,21	1,21,00,74	+7,71,00

C.—Statement of Receipts of the Central Government.

[In thousands of Rupees.]

RECEIPTS.	Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
Rerenne (from Statement A)	1,31,06,68	1,31,75,05	1,23,98,89	1,31,75,05
Railway Capital not charged to Revenue.	...	...	...	...
Public Debt— A.—Debt relied in India— I. Permanent Debt— 8 per cent Loan, 1968-65	26,31,32	...	15,72,08	...
3 per cent. Loan, 1896-97	...	...	1,20,00	1,60,00
3½ per cent. Loans	...	...	2,29,01	2,00,00
TOTAL	26,31,32	...	16,21,09	2,60,00
II.—Floating Debt— Treasury Bills	1,97,60,75	1,85,80,00	2,18,01,25	2,16,20,00
Other Floating Loans	33,60,00	24,00,00	38,00,00	35,00,00
TOTAL	2,30,10,75	2,09,80,00	2,56,01,25	2,51,20,00
Carried over	3,77,48,65	3,31,55,05	3,99,19,38	3,86,53,55

C.—Statement of Disbursements of the Central Government,
[ID thousands of Rupees.]

DISBURSEMENTS.	Account*, 1938-39.	Budget Estimate, 1939.40.	[Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
Expenditure from Statement (B)	1,31,70,46	1,21,76,79	1,28,86,89	1,31,88,74
Capital Accounts not charged to Revenue—				
IRRIGATION	...	...	...	...
POSTS AND TELEGRAPHS	2,62,43	18,84	8,51	9,16
SCHEMES OF AGRICULTURAL IMPROVEMENT AND RESRARCH	20	...	...	...
VIZAGAPATAM PORT	22	9	61	10
INITIAL EXPENDITURE ON NEW CAPITAL AT DELHI	9,88	7	18,40	15,87
PAYMENTS OF COMMUTED VALUE OF PENSIONS	—9,08	—10,23	— 8,88	—12,24
TOTAL	2,63,65	8,22	19,04	12,88
RAILWAY CAPITAL NOT CHARGED TO REVENUE (AS SHOWN IN RAILWAY BUDGET)	8,43,84	4,75,00	4,24,00	4,25,00
Public Debt—				
A.—Debt raised in India—				
I.—Permanent Debt—				
5½ per cent. Loan, 1938-40	18,84,38	8,00	20,10	5,00
5 per cent. Loan, 1939-44	7,71,09	...	18,80,00	10,00
5 " " " 1940-43	...	...	5,78,55	...
6½ per cent. Treasury Bonds, 1935	2,08	1,72	1,00	1,00
6 per cent. Bonds	1,88	1,87	71	61
5½ per cent. War Bonds	47	1,00	9	2,68
5 per cent. Loan, 1929-47	43	45	23	14
6 per cent. Bonds, 1935	9	10	12	8
5 per cent. " 1933	5	5	10	5
4½ per cent. Pond?, 1934	...	10	13	9
4 per cent. Loans	17	18	24	6
3½ per cent. Loans	4	8	17	1
3 per cent. Loans	1	...	38,85	...
TOTAL	26,80,97	18,00	26,25,28	19,50
II.—Floating; Debt—				
Treasury Bills	1,89,31,25	1,91,80,00	2,17,01,25	2,24,20,00
Other Floating Loans	82,50,00	24,00,00	88,00,00	95,00,00
TOTAL	2,21,81,25	2,15,80,00	2,55,01,25	2,59,20,00
Carried over	3,79,20,17	3,42,58,01	4,08,86,40	3,95,45,22

C—Statement of Receipts of the Central Government.

[In thousands of Rupees.]

RECEIPTS.	Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised- Estimate, 19 9-40.	Budget Estimate, 1940.41.
Brought forward	3,77,48,65	3,81,59,95	3,99,16,33	3,86,63,85
B.—Debt raised in England—				
Permanent Debt	***	***	***	***
TOTAL	***	***	***	***
Unfunded Debt—				
Deposits of Service Fundi	74,05	27,03	27,14	25,27
Post Office Barings Bank Deposits	46,02,97	45,01,58	43,22,32	44,80,00
Post Office Cash Certificates	14,71,03	10,75,00	10,14,00	12,00,00
State Provident Funds	8,40,71	8,54,32	8,41,16	8,68,48
Other Accounts	1,21,74	1,25,16	1,28,58	1,31,96
TOTAL	71,10,60	65,88,09	62,83,20	67,00,75
Deposits and Advances—				
<i>Deposits bearing interest.</i>				
Renewals Reserve Fund—Posts and Tele- graphs	23,13	23,05	23,05	23,05
Other Reserve Funds	8,07	8,83	4,25	4,03
<i>Deposits not bearing interest.</i>				
Appropriation for Reduction or Avoidance of Debt—				
Sinking Fundi	1,36,71	1,25,15	1,25,15	95,04
Other Appropriations	1,53,29	1,74,85	1,74,85	2,04,96
Deposits and Advances— Carried over	3,29,30	3,29,41	3,27,30	3,37,07
Carried over	4,48,69,15	3,97,48,04	4,41,52,43	4,52,54,40

GENERAL BUDGET AS PRESENTED.

C—Statement of Disbursements of the Central Government.

[In thousands of Rupees.]

DISBURSEMENTS.	Accounts, 1968-89.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
Brought forward	3,79,20,17	3,42,58,01	4,09,66,46	3,25,45,82
B,—Debt raised in England- Permanent Debt—				
India 5½ per cent. Stock, 1936	...	...	3,20,38	3,60,00
Do. 1932	...	...		
India 5 per cent. Loan of 1942-47	...	...		
India 4½ do. 1950-55	28,58	...		
India 4 do. 1948-53	...	...		
India 3½ do. 1981	...	...		
India 3 do. 1948-52	...	...		
India 3 do. 1948	...	...		
State Railway Annuities	2,70,77	2,80,25	2,80,25	2,90,08
Do. Sinking Fundi	...	28,20	25,15	23,50
Total	2,94,45	3,08,45	6,25,78	6,78,68
Unfunded Debt—				
Special Loans	20	22	20	20
Deposits of Service Funds	8,52,70	35,44	40,43	37,69
Post Office Savings Bank Deposits	41,54,98	39,99,49	46,54,00	41,68,00
Post Office Cash Certificates	16,34,67	11,25,00	12,77,00	13,60,00
State Provident Funds	5,82,12	5,32,68	5,86,19	5,66,25
Other Account!	67,61	69,42	81,05	74,10
TOTAL	71,82,23	57,65,25	66,88,68	61,91,24
Deposits and Advanoes—				
<i>Deposits bearing interest.</i>				
Renewals Reserve Fond—Poets and Telegraph	16,86	22,20	21,57	22,69
Other Reserve Foods	1,14	1,61	1,66	84
<i>Deposits not bearing interest.</i>				
Appropriation for Reduction or Avoid ance of Debt—				
Sinking Funds	...	...	2,80,15	...
Other Appropriations	...	...	...	...
Deposits and Advanoes—Carried over	17,50	23,71	3,08,26	22,36
Carried over	4,18,96,25	4,09,21,71	4,82,31,03	4,64,10,74

C.—Statement of Receipts of the Central Government

[In thousands of Rupees.]

RECEIPTS.	Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1933-40.	Budget Estimate, 1940-41.
Brought forward	4,48,59,15	3,97,48,04	4,61,52,43	4,58,54,40
Deposits and Advances—Brought forward.	3,29,20	3,29,41	3,27,80	3,27,07
Deposits and Advances—con fcf.				
Silver Redemption Reserve	1,80,49	20,00	40,00	20,00
Silver Redemption Reserve Investment Account	...	...	...	...
Revenue Reserve Fund	...	...	91,10	...
Defence Reserve Fund	49,09	51,28	...	...
Defence Services Equalisation Funds	43,18	18,57	...	...
Defence Modernisation Fund.	...	...	7,90,67	18,00,00
Pott Office Cash Certificates Bonus Fund	...	...	...	...
Civil Aviation Fund	...	70	1,68	3,68
Central Road Fund	1,56,01	1,61,00	1,61,00	1,78,00
Fund for Economic Development and Improvement of Rural Areas	...	...	...	...
Fund for Development of Civil Aviation	...	...	...	28,00
Fund for Special Frontier Expenditure	6,96	3,86	6,89	14,99
Fund for Development of Broadcasting	...	...	...	...
Sugar Excise Fund	10,87	...	...	11,16
Telephone Development Fund	2,50,00	...	...	...
Depreciation and Renewals Reserve Funds—				
Defence Department	2,86	29	2,84	25,85
Other Depreciation Reserve Funds	1	1,88	79	1,27
General Police Fund	81	29	— 40	— 2
Deposits of Local Funds—				
District Funds	6,68	5,85	6,13	6,58
Municipal, Cantonment and other Funds	2,07,04	1,45,02	1,75,58	1,68,10
Deposits of Branch Line Companies	2,18	1,80	2,45	1,85
Civil Deposits	35,17,01	34,70,44	36,82,85	36,01,86
Other Deposits	19,73,15	19,05,70	18,28,58	18,90,23
Other Accounts	20,15	27,07	28,82	27,87
<i>Advances not bearing interest.</i>				
Other Advances		5,82,15	6,35,52	7,10,76
Accounts with the Government of Burma	6,31,35	1,41,00	1,56,86	1,68,40
Accounts with the Reserve Bank		27,11	34,09	30,02
<i>Suspense.</i>				
Suspense Accounts	2,28,51*	4,98,64	1,78,28,19	1,86,72,80
Purchases and Sales of Silver	78,48	39,16	11,02,50	1,52,77
Cheques and Bills	...	...	2,74	2,59
Departmental and Similar Accounts	...	14	2,81	19,60
Transaction connected with the War	...	...	22	...
Miscellaneous.				
Miscellaneous	1,70,79	1,52,43	4,64,44	1,91,47
TOTAL	78,48,27	76,47,68	2,74,15,18	2,76,07,37
Railway Depreciation and Reserve Funds as per Railway Budget	12,66,11	12,59,97	12,58,54	15,64,49
Carried over	5,89,58,58	4,55,80,60	7,49,28,15	7,44,36,28

*Includes figures under 'Cheques and Bills' and *Departmental and Similar Accounts

GENERAL BUDGET AS PRESENTED.

C.—Statement of Disbursements of the Central Government.

[In thousands of Rupees.]

, DISBURSEMENTS,	Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
Brought forward	4,53,96,85	4,08,21,71	4,82,31,02	4,84,10,74
Deposits and Advances—Brought forward	17,50	23,71	3,03,26	23,38
Deposits and Advances—confd.				
Silver Redemption Reserve	1,50,49	20,00	48,00	20,00
Silver Redemption Reserve Investment Account	...	...	...	...
Revenue Reserve Fund	1,05,80	...	...	91,80
Defence Reserve Fund	24,43	92,47	...	...
Defence Service Equalisation Fund	49,09	82,31	...	...
Defence Modernisation Fund	...	...	7,78 87	13,00,00
Post Office Cash Certificates Bonus Fund	...	...	95	...
Civil Aviation Fund	...	...	1,47	8,00
Central Road Fund	1,06,36	1,71,00	1,89,00	2,00,00
Fund for Economic Development and Improvement of Rural Areas	19,15	26,00	26,00	81,00
Fund for Development of Civil Aviation	19,60	17,01	14,36	22,59
Fund for Special Frontier Expenditure	12,04	2,50	7,43	3,23
Fund for Development of Broadcasting	8,22	7,54	7,41	4,33
Sugar Excise Fund	...	...	11,40	14,00
Telephone Development Fund	22,85	35,00	22,78	12,79
Depreciation and Renewals Reserve Funds—				
Defence Department	6,27	1,99	1,09	30,05
Other Depreciation Reserve Funds	1,08	44	42	53
General Police Fund	27	26	22	10
Deposits of Local Funds—				
District Funds	5,44	5,55	6,55	653
Municipal, Cantonment and other Funds	2,22,01	1,57,73	1,77,87	1,84,70
I. C. R. A. Employee's Provident Fund Investment	...	...	6,50	50
Deposits of Branch Line Companies	1,89	1,50	2,58	145
Civil Deposits	25,03,13	34,70,25	26,71,47	25,06,48
Other Deposits	19,54,20	19,23,94	19,42,41	19,14,98
Other Accounts	15,53	24,53	24,82	24,50
<i>Advances not bearing interest.</i>				
Other Advances				
Accounts with the (Government of Burma)	6,55,94	5,43,57	6,71,11	7,44,55
Accounts with the Reserve Bank		1,41,00	1,54,90	1,55,40
<i>Suspense.</i>		24,05	34,94	20,92
Suspense Accounts	2,04,28*	3,87,72	1,78,83,08	1,84,35,01
Purchases and Sales of Silver	5,06,18	5,00,00	5,45,38	...
Cheques and Bills	...	12	...	...
Departmental and Similar Accounts	...	20,09	26,04	1,08
Transactions connected with the War	...	...	22	...
<i>Miscellaneous.</i>				
Miscellaneous	1,57,07	1,52,03	1,80,10	1,91,34
TOTAL	77,31,93	78,45,58	2,64,95,29	2,75,31,43
Railway Depreciation and Reserve Funds as per Railway Budget	7,09,72	6,25,97	7,00,00	7,00,00
Carried over	5,38,68,55	4,87,94,40	7,54,27,31	7,46,42,17

* Includes figures under 'Cheques and Bills' and 'Departmental and Similar Accounts'

C—Statement of Receipts of the Central Government.

[In thousands of Rupees.]

RECEIPTS.	Accounts, 1938-89.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
Brought forward	5,39,58,53	4,85,50,80	7,43,24,15	7,44,38,26
Loans and Advances by the Central Government—				
Advances to Provincial Governments				
Advances to His Majesty's Representative for loans to Indian States and Notabilities	1,43,48 1	1,17,95 ..	1,35,06 4	1,27,17 93
Loans to Indian States	1,36,87	45,90	85,93	46,84
Loans to Local Faudi, etc.	90,23	45,45	53,20	80,23
Loans to Government Servants	22,09	17,07	13,16	7,00
TOTAL	2,42,78	2,26,37	2,87,88	2,11,30
Remittances—				
I.—Remittances within India—				
Inland Money Orders	81,12,69	81,50,00	81,50,00	81,35,00
Other Remittances	65	3,57,73	2,06,56	2,07,00
Accounts between Civil and other Department*—				
Exchange Accounts between Civil and Posts and Telegraphs.	3,76,43	1,41,97	11,89,75	3,31,33
Exchange Accounts between Civil and Railways.	18,04,10	15,78,95	...	...
Exchange Accounts between Civil and Defence Services.	39,56,18	33,56,72	43,92,58	56,73,66
II.—Remittances between England and India—				
Remittance Account between England and India—				
Purchases and Sales of Silver	..	15,00	11,43,40	2,63,67
Other transactions	48,14,74	5,16,55	14,57,23	32,13,30
TOTAL	1,82,55,02	1,41,16,77	1,67,32,51	1,68,23,35
Transferor Cash between Eng- land and India—				
Remittances through the Reserve Bank .	48,50,67	36,83,57	14,12,39	15,09,53
Reserve Bank Deposits: Railways	...	...	20,70,05	25,54,10
TOTAL RECEIPTS	7,72,07,00	6,65,57,31	9,53,09,48	9,55,90,39
Opening Balance	11,31,19	9,47,23	13,13,74	3,53,77
GRAND TOTAL	7,83,38,19	6,75,04,54	9,66,23,22	9,59,44,36

GENERAL BUDGET AS PRESENTED.

C.—Statement of Pieburements of the Central Government.

[In thousands of Rupees.]

DISBURSEMENTS.	Accounts, 1988-39.	Budget Estimate. 1989-40.	Revised Estimate, 1980-40.	Budget Estimate, 1940-41.
Brought forward	5,88,88,85	4,87,94,40	7,54,27,21	7,40,42,17
Loans and Advances by the Central Government—				
Advances to Provincial Governments .	...	...	...	...
Advances to Bit Majesty's Representative for loans to <u>Ind an</u> States and Notabilities	82	6	11,47	16,76
Loans to Indian States	...	7,00	10,10	17
Loans to Local Funds, etc.	78,14	53,05	50,98	58,48
Loans to Government Servants	92	70	57	48
TOTAL	79,58	59,81	79,09	70,88
Remittances—				
I.—Remittances within India—				
Inland Money Orders	81,17,70	81,46,00	81,48,00	81,81,50
Other Remittances	87,59	8,67,48	2,08,55	2,07,10
Accounts between Civil and other Depart- ments—				
Exchange Accounts between Civil and Posts and Telegraphs	2,77,87	1,41,97	11,82,75	3,31,83
Exchange Accounts between Civil and Railways	16,86,39	15,78,95	...	...
Exchange Accounts between Civil and Defence Services	23,58,88	23,55,72	45,92,68	56,78,56
II.—Remittances between England and India—				
Remittance Account between England and India—				
Purchases and Sales of Silver	...	18,00	11,48,40	2,56,67
Other transactions	46,17,62	5,16,35	15,07,22	22,18,30
TOTAL	1,84,05,55	1,41,14,42	1,67,80,61	1,68,25,95
Transfer of Cash between Eng- land and India -				
Remittances through the Reserve Bank	46,50,87	26,63,67	14,12,39	15,08,68
Reserve Bank Deposits: Railways	...	...	20,70,06	25,54,10
TOTAL Disbursments	7,70,24,45	6,68,32,26	8,87,63,45	9,56,02,68
(Boeing Balance)	18,18,74	8,72,28	8,58,77	8,44,68
GRAND TOTAL	7,88,38,19	6,78,04,54	8,86,22,22	9,64,48,36

BILL

TO

Fix like duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the rate of excise duty on sugar other than khandsari or palmyra sugar leviable under the Sugar (Excise Duty) Act, 1934, to vary the rate of the excise and customs duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, and the Indian Tariff Act, 1934, to fix maximum rates of postage under the Indian Post Office Act, 1893, and to fix rates of income-tax and super-tax.

XIV of 1934.

II of 1917.
XXXII of 1934.
VI of 1893.

XIV of 1934.

II of 1917

VI of 1893.

WHEREAS it is expedient to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the rate of excise duty on sugar other than khandsari or palmyra sugar, leviable under the Sugar (Excise Duty) Act, 1934, to vary the rate of the excise duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, to vary the rate of the customs duty on motor spirit leviable under the Indian Tariff Act, 1934, to fix maximum rates of postage under the Indian Post Office Act, 1893, and to fix rates of income-tax and super-tax;

It is hereby enacted as follows :—

1. {1} This Act may be called the Indian Finance Short title and extent.
Act, 1940.

(2) It extends to the whole of British India.

XII of 1882

2. The provisions of section 7 of the Indian Salt Fixation of salt duty.
Act, 1882, shall, in so far as they enable the Central Government to impose by rule made under that section a duty on salt manufactured in or imported into, any part of British India, be construed as if, for the year beginning on the 1st day of April, 1940, they imposed such duty at the rate of one rupee and four annas per maund of eighty-two and two-sevenths pounds avoirdupois of salt manufactured in, or imported by land into, any such part, and such duty shall, for all the purposes of the said Act, be deemed to have been imposed by rule under that section.

XIV Of 1934.

3. In sub-section (2) of section 3 of the Sugar (Excise EXCISE duty on sugar.
Duty) Act, 1934, in clause (ii) for the words " two rupees", the words "three rupees" shall be substituted.

II of 1917.

4. In sub-section (1) of section 3 of the Motor Excise duty on motor spirit.
Spirit (Duties) Act, 1917, for the words " eight annas " the words " twelve annas " shall be substituted, and the provisions of section 5 of the Indian Finance

(Supplementary and Extending) Act, 1931, so far as they relate to the levy of an additional duty on motor spirit shall cease to have effect.

import duty

tssr

5. In the First Schedule to the Indian Tariff Act, ^{xxxii of 1934.} 1934, in Item No. 27 (6) for the words " Ten annas per Imperial Gallon " in the fourth column, the following words shall be substituted, namely:—

" the rate at which excise duty is for the time being leviable on motor spirit".

Inland
postage
rat*.

6. For the year beginning on the 1st day of April 1940, the Schedule contained in Schedule I to this Act, shall be inserted in the Indian Post Office Act, 1898, as the First Schedule to that Act.

income-tax
and super-tax

7. (i) Subject to the provisions of sub-section (2)—

(a) income-tax for the year beginning on the 1st day of April, 1940, shall be charged at the rates specified in Part I of Schedule II to the Indian Finance Act, 1939.

(b) rates of super-tax for the year beginning on the 1st day of April, 1940, shall, for the purposes of section 55 of the Indian Income tax Act, 1922, be the rates specified in Part ^{XI of 1922.} II of Schedule II to the Indian Finance Act, 1939.

Provided that in the case of an association of persons being a Co-operative Society, other than the Sanikatta Saltowners' Society in the Bombay Presidency, for the time being registered under the Co-operative Societies Act, 1912, or under an Act of the Provincial Legislature ^{ii of 1913.} governing the registration of Co-operative Societies, the rates of super-tax for the year beginning on the 1st day of April, 1940, shall be :—

(1) On the first Rs. 25,000 of total income Nil.

(2) On the balance of total income . One anna in the rupee.

(2) In cases to which section 17 of the Indian Income-tax Act, 1922, applies, the tax chargeable shall be ^{XI of 1922.} determined in accordance with the provisions of that section with reference to the rates imposed by sub-section (1).

(3) For the purpose of this section and of the rates of tax imposed by sub-section (i), the expression " total income" means total income as determined for the purposes of income-tax or super-tax, as the case may be, in accordance with the provisions of the Indian Income-tax Act, 1922.

XI of 1922.

SCHEDULE I.

Schedule to be inserted in the Indian Post Office Act, 1898.

[See section. 6]

"THE FIRST SCHEDULE.

INLAND POSTAGE RATES.

[See section 7.1

Letters.

For a weight not exceeding one tola	One anna.
For every tola, or fraction thereof, exceeding one tola	Half an anns

Postcards.

Single.	Nine pies.
Reply.	One and a half annas.

Booh, Pattern and Sample Packets.

For the first too and a half tolas or fraction thereof	Six pies.
For every additional two and a half tolas, or fraction thereof, in excess of two and a half tolas.	Three pies.

Registered Newspapers.

For a weight not exceeding ten tolas	Quarter of an anna.
For a weight exceeding ten tolas and not exceeding twenty tolas	Half an anna.
For every twenty tolas, or fraction thereof, exceeding twenty tolas	Half an anna.
In the case of more than one ropy of the same issue of a registered newspaper being carried in the same packet—	
For a weight not exceeding ten tolas	Half an anna.
For every additional five tolas, or fraction thereof, in excess o f ten tolas	Quarter of an anna.

Provided that such packet shall not be delivered at any addressee's residence but shall be given to a recognised agent at the post office.

Parcels.

For a weight not exceeding forty tolas	Four annas.
For every forty tolas, or fraction thereof, exceeding forty tolas	Four annas."

IT IS HEREBY DECLABED THAT IT IS EXPFDIENT IN THE PUBLIC INTEREST THAT CLAUSES 3, 4 AND 5 OF THIS BILL SHALL BATE IMMEDIATE EFIECT UNDER THE PROVISIONAL COLLECTION OE TAXES ACT, 1931.

XVI of 1931.

STATEMENT OF OBJECTS AND REASONS,

The object of this Bill is to continue for a further period of one year the existing rate of salt duty, the present Inland Postage rates and the present rates of income-tax and super-tax: to increase the rate of duty on sugar, other than khandsari or palmyra sugar: and to increase the rate of duty on motor spirit.

2. Clause 2 provides for the continuance for a further period of one year of the existing provisions regarding salt duty. The duty of Rs. 1-4-0 per maund on salt remains liable to the additional duty imposed under section 5 of the Indian Finance (Supplementary and Extending) Act, 1931.

3. Clause 3 provides for the increase of the excise duty on sugar from two rupees to three rupees per cwt, which will automatically increase the import duty by the same amount.

4. Clause 4 provides for the increase of the excise duty on motor spirit from ten annas to twelve annas per gallon.

5. Clause 5 provides for the increase of the import duty on motor spirit from ten annas to twelve annas per gallon.

6. Clause 6 provides for the continuance for a further period of one year of the present inland postage rates.

7. Clause 7 provides for the continuance for the further period of one year of the existing rates of income-tax and super-tax, except for a concession allowed in the case of Co-operative Societies.

8. The reasons for making the above changes have been fully explained in my budget speech.

NEW DELHI,

The 29th February, 1940.

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A. J. RAISMAN.

Speech of the Financial Secretary in the Council of State on the 29th February 1940.

THE HONOTTRABLE MB. C. E. JONES (Finance Secretary): Sir, I have the honour to present to the House the revised estimates of revenue and expenditure of the Governor-General in Council in respect of subjects other than railways for the year 1939-40, and the corresponding estimates of revenue and expenditure for the year 1940-41. In the peroration of his speech introducing the Budget for the current year Sir James Grigg said:

" For India, as for the rest of the world, the future is much more important than the past. The political situation has many menacing features both in India and outside ".

Since those words were uttered a year ago the catastrophe of war has descended upon a distracted world and India finds herself aligned with those nations which are putting all their strength and all their resources into the struggle for the preservation of those principles and conditions in which alone the ordered and peaceful progress of mankind is possible. We are now at the end of the sixth month of the war, and none can say how long it will continue, how far the sphere of active hostilities will spread, or to what extent India will become directly involved and her general economy affected. But it is certain that anxious and difficult times lie ahead, not only for so long as the war lasts but during the protracted period of post-war readjustment which is sure to follow, and which will be the more serious and trying the longer it is delayed. I would therefore submit, Sir, that it behoves us while doing all that is in our power to assist in bringing the war to a successful conclusion as early as possible, to exercise foresight in the light of the experiences of the last war and post-war periods by utilising the immediate period of war-time prosperity for conserving our strength and husbanding our resources against the unknown needs of the uncertain future; and the first practical step towards that end would seem to be to ensure that our current requirements are met from current revenues lest we dissipate our strength and impair our credit by living beyond our means.

2. That, Sir, is in brief the general background against which the figures And facts which I have now to place before the House fall to be considered. But before I enter up on this task I must first, in accordance with precedent, complete the picture of the background by giving the actual results of the financial working of the year which closed on the 31st March last. The final figures for 1938-39 showed an improvement as compared with the revised estimates which were placed before the House this time last year to the extent of Rs. 2,01 lakhs, being the combined result of an improvement in revenue amounting to Rs. 1,51 lakhs and a reduction in expenditure on revenue account of Rs. 50 lakhs, thereby reducing the revenue deficit for the year from Rs. 2,65 lakhs as anticipated to the more modest sum of Rs. 64 lakhs. The main variation on the revenue side was in respect of income-tax, the net receipts from which exceeded the revised estimate by as much as Rs. 1,24 lakhs. While the increase over our expectations is gratifying, the margin of difference is greater than the Government are prepared to regard as acceptable notwithstanding the admitted difficulties of estimation under this head towards the close of the year. Steps are therefore being taken to "secure greater accuracy by centralising and mechanising the tabulation of income-tax statistics in the office of the Central Board of Revenue, and at the same time to revise their form with a view to enhancing their general usefulness. Meanwhile for the current year the revised estimate has been framed on a basis which takes account of the tendency to under-estimation which past experience has shown generally to occur.

3. The only other large variation as between the actuals and the revised estimate was an improvement in the yield of customs and central excise duties of Re. 78 lakhs in the last two months of the year. This was due to a sudden improvement in the import trade which in the circumstances existing at the time when the revised estimates were prepared could not have been foreseen* It will be remembered that a variation almost equal in amount but in the opposite direction occurred towards the end of the previous year 1937-38 as the result of an equally unexpected decline in imports. There is, I am afraid, no possibility of guarding against apparent inaccuracies in the revised estimates which are due to sudden reversals of trade tendencies towards the year end.

4. The improvement in income-tax receipts was partially offset by a decline in railway earnings in the last months of the year, which reduced the amount of the railway surplus payable to general revenues by Rs. 68 lakhs. The net result of the larger receipts from income-tax and the reduced railway surplus was that the amount distributable to the Provinces under the Government of India (Distribution of Revenues) Order in Council was increased from Rs. 1,12 lakhs to Rs. 1,63 lakhs. Including arrears of Rs. 38 lakhs due for the previous year 1937-38 the total amount payable for 1938-39 amounted to Rs. 1,91 lakhs. In March 1939 a sum of Rs. 1,50 lakhs was distributed to the Provinces, thus leaving a balance of Rs. 41 lakhs to be paid in the current year 1939-40.

5. I turn now to the consideration of our anticipated revenue and expenditure in the current year. This question naturally resolves itself into an appreciation of the effect of the war on India's financial and economic structure. Until the outbreak of the war early in September, 1939 there was, apart from a few readily understandable exceptions, little indication of any serious departure from our budget estimates. Thus, for instance, the revenue from customs and central excises, excluding sugar, was coming in steadily and rather better than our estimates, reflecting the gradual improvement in trade conditions which was then occurring. Sugar was contributing a substantially increased revenue for the reason that a partial failure of the Indian cane crop led to a considerable shortage in domestic production with correspondingly increased imports. Income-tax revenue was being realised rather more slowly than usual, but that was due to the temporary dislocation of the income-tax administrative machine consequent upon the changes effected by the Income Tax Amendment Act which was enacted towards the end of last year; there was however every reason to suppose that the leeway would be made good by the end of the year. Then came the war, with the immediate result of a complete stoppage of our import from enemy countries, a serious interruption of imports from the allied countries, and a substantial shortage of shipping. On the other hand, the war undoubtedly provided a great stimulus to the trade of the country. These factors are sufficient to explain the majority of the variations between the budget estimates and the revised estimates for the current year. Customs revenue slumped badly in the months of September and October, but subsequently revived as the demand for our exports brought shipping to our shores. Our revised estimate for Customs, excluding Sugar, shows a fall of Rs. 41 lakhs for the year instead of the appreciable increase which would in all probability have been secured but for the war. The total revenue from sugar, taking customs and excise duties together, is expected, for the reasons already given, to exceed the budget estimate of Rs. 4,20 lakhs by Rs. 1,70 lakhs. The heavy speculative demand for silver in the early months of the war has provided customs revenues with a windfall of over Rs. 100 lakhs against one-third of a crore budgeted for. The total receipts from customs and central excise duties combined at

expected to amount to Rs. 1,14 lakhs more than the budget estimate, which is much more than accounted for by the two increases which I have just mentioned, viz., those attributable to sugar and silver.

6. The revised estimate for income-tax (including corporation tax) shows an improvement of Rs. 1,55 lakhs of which Rs. 1,11 lakhs goes to increase the distributable pool, thereby raising it to Rs. 13,76 lakhs. Honourable Members are doubtless aware that the amount retainable by the Centre out of the Provincial moiety has, by the recent amendment to the Distribution of Revenues Order in Council, been dislinked from the railway surplus and has been fixed for the three years commencing with the year 1939-40 at the definite figure of Rs. 4½ crores which is approximately what the Centre would have retained according to the budget estimates for the current year. The object of the amendment was to enable the Centre, which has to meet considerable extra expenditure both civil and military in connection with the war, to secure a due share of any improvement in income-tax or railway contribution arising largely out of war-time conditions. The full benefit of the improvement under both these heads would, under the original arrangement, have accrued entirely to the Provinces whose extra expenditure on account of the war is relatively slight, which would have been anomalous in the extreme. As it is, the Provinces will secure half of any increase in the divisible income-tax receipts which may result from the war-time stimulus to trade. According to the revised formula the share of the Provinces for the current year will increase from the budget figure of Rs. 1,78 lakhs to Rs. 2,38 lakhs, so that with the arrears of Rs. 41 lakhs due for 1938-39 the amount to be distributed to the Provinces in the current year will be Rs. 2,79 lakhs.

7. In concluding this survey of our revenue prospects for the current year I need only mention briefly that there is an increase in the railway contribution of Rs. 1,48 lakhs and of Rs. 87 lakhs from Posts and Telegraphs, both of which are mainly attributable to abnormally increased traffic following the outbreak of war. Taking our revenue as a whole, the revised estimates show a total net improvement of Rs. 5,08 lakhs as compared with the budget estimates.

8. Coming now to the estimates of expenditure for the current year, those relating to the Defence Services have the first claim on our attention by reason not only of their supreme importance but also of the complicated nature of the issues involved. In the first place it will be readily appreciated that the outbreak of war has fundamentally altered the whole basis on which the proposals of the Chatfield Committee for an ordered and balanced programme for the modernisation of the Army in India were framed. The programme itself had necessarily to be brought under review so as to adapt it to the changed conditions, and the original financial settlement had also to be reconsidered in the light of the higher price level and the disappearance of the greater part of the savings which we had counted upon realising in the earlier years of execution of the scheme. Arising out of the Chatfield scheme is the question of India's joint liability with His Majesty's Government in respect of India's External Defence Forces which are being employed outside India's territorial limits for her external defence. The position is further complicated by the fact that further troops other than those forming part of the External Defence Forces have been and will probably continue to be sent overseas and these troops generally speaking have to be replaced in India. In India itself heavy expenditure has also been incurred in mobilising to full production and in increasing the manufacturing capacity of our

ordnance factories for the production of war stores of all kinds and in building up stocks. There is also a very substantial increase in our defence expenditure owing to the putting into force of various war measures, some of which, such as those relating to censorship, port and coastal defence, internment of enemy aliens, *etc.*, are purely Indian liabilities, while others such as the expansion of various recruiting and training organisations, headquarters offices, *etc.*, may be regarded as joint liabilities to be shared between the Indian and Imperial Governments.

In view of these and other complications it became imperatively necessary to secure by agreement with His Majesty's Government a broad scheme of allocation between India and His Majesty's Government of defence expenditure in India which would be fair to both parties yet would avoid the immense accounting difficulties, prolonged controversies over questions of incidence and inevitable delays in final adjustment inherent in any scheme of meticulous apportionment on the lines followed in the last war. The main operative part of the agreement recently reached after prolonged discussions with His Majesty's Government provides that India will bear :—

- (1) a fixed annual sum representing the normal net effective costs of the Army in India under peace conditions, *plus*
- (2) an addition to allow for rises in prices, *plus*
- (3) the cost of such war measures as can be regarded as purely Indian liabilities by reason of their having been undertaken by India in her own interests, and
- (4) a lump sum payment of one crore of rupees towards the extra cost of maintaining India's External Defence Troops Overseas,

and that the total amount by which the net annual defence expenditure incurred in India during the war years will exceed the aggregate of items (1) to (3) will be recovered from His Majesty's Government.

Item (1) has been fixed at Rs. 36.77 lakhs being the net budget estimate for the Defence Services for 1939-40 after excluding non-effective charges, these latter having been excluded from the settlement with His Majesty's Government. Although it has been calculated in this way, it is in essence not a summation of specific detailed items of expenditure as was the budget estimate but a lump sum adjustment between the Government of India and His Majesty's Government fixed for the duration of the war, and consequently no details are shown against it in the estimates. Item (2) is of course part of the normal cost of maintenance of the Army in India, but has been shown separately from item (1) because its amount is not fixed but will vary with variations in price levels. Item (3) covers specific measures of purely Indian defence which are found to be necessary from time to time, such as the mobilisation of the Indian Territorial and Auxiliary Forces, the expansion of military training facilities, local naval defence arrangements and the establishment of a Volunteer Auxiliary Air Force. Item (4) has been agreed to in pursuance of the principle of India's joint responsibility for her external defence on which the Chatfield settlement was based, and in consideration of His Majesty's Government having agreed to continue to implement the modernisation programme during the war at greatly enhanced cost. The payment will be made this year. On this basis the revised estimates **of defence**

expenditure, assuming that no change in the non-effective charges will be necessary **work out** as follows:—

	Rs.
(1) Normal peace budget	36,77 lakhs.
(2) Effect of prices on (1)	25 "
(3) Indian war measures	3,80 "
(4) Noneffective charges	8,41 "
Total	49,29

There is thus an increase over the budget figure of Rs. 45,18 lakhs of Rs. 4,11 lakhs, out of which Rs. 35 lakhs is due to disturbances in Waziristan and the balance of Rs. 3,76 lakhs represents the effect of the war on our defence expenditure. Allowing for the many relevant factors which I have briefly referred to above I think, Sir, that it will be agreed that the addition to our budget is very moderate and that the settlement which has been reached is favourable to India and reflects a spirit of generosity on the part of His Majesty's Government.

9. I need deal but briefly with the Civil Estimates, the revised figure for which in the current year is Rs. 37,56 lakhs as compared with the budget estimate of Rs. 37,46 lakhs. The small increase of Rs. 10 lakhs is however the net result of a number of fluctuations of considerably greater magnitude. Additional expenditure has had to be incurred on account of the creation of the Department of Supply, the appointment of a Controller of Enemy Firms and Custodian of Enemy Property, the internment of enemy subjects, the establishment of a censorship organisation and the formation of the War Transport Board. Considerable payments have had to be made to the Provinces for agency work performed by them or as grants-in-aid for special purposes, such as Air Raid Precautions schemes. Famine relief measures undertaken in Ajmer-Merwara and Delhi will cost us at least Rs. 16 lakhs this year. Interest charges on the other hand are expected to fall below the budget estimate by Rs. 39 lakhs, due mainly to the conversion operations carried out last July and to the lower rates of interest carried by the Post Office cash certificates which are now being encashed.

10. Thus our total expenditure for the year is estimated at Rs. 86,85 lakhs against our total revenue of Rs. 87,76 lakhs, and we anticipate that the nominal surplus of Rs. 3 lakhs originally budgetted for will be converted into a surplus of Rs. 91 lakhs, of which Rs. 86 lakhs will be contributed by the Posts and Telegraphs Department, mainly on account of increased traffic resulting from the war. If we followed the dictates of ordinary commercial prudence the greater part of the Posts and Telegraphs surplus would be constituted into a separate reserve fund, since even though we take it to general revenues we have to pay interest on it and in due course pay it out again to meet any future losses which may be occasioned by the inevitable post-war slump. But as times are difficult it is proposed for budgetary purposes to treat this contribution as a regular revenue receipt in spite of its being in actual fact a future liability, and to transfer the full anticipated surplus of Rs. 91 lakhs on revenue account to a revenue reserve fund so as to make it available for helping out the finances of next year.

11. We can now turn to a consideration of the estimates of revenue for the coming financial year 1940-41. Taking first the combined heads of Customs and Central Excise duties, we have to allow for a reduction of Rs. 90 lakhs in the revenue from sugar below the exceptionally high receipts of the current

year since we anticipate an increase in domestic production with a consequent decrease in the volume of imported sugar. We have also to face a decline of Rs. 1,20 lakhs in the customs revenue from silver as it is impossible to expect that the abnormal demand from the market which occurred during the first few months of the year will be repeated next year. Of the remaining heads a certain number may continue unaffected by the war, but in respect of the others we must provide for the continuance during the whole of the coming year of the serious interference with imports which has been actually experienced during the later months of the present year. The effect of this has been calculated to be a drop of Rs. 1,97 lakhs as compared with this year's revised estimates. The total decrease thus comes to Rs. 4,07 lakhs, resulting in next year's estimates being fixed at Rs. 46,00 lakhs. It must however, be emphasised that the realisation of this estimate will depend upon the continuance during the whole of next year of the comparatively favourable conditions in the matter of shipping which we have so far experienced. Should the shipping position deteriorate to any appreciable extent, or should the necessity arise for us to restrict certain classes of imports in the interests of the successful prosecution of the war, the resulting inroads into our customs revenue might easily be substantial. The probability of disturbing factors of this kind materialising cannot be estimated nor, in the event of their materialising, can their effect be calculated. But the margin allowed for such contingencies is not large, and we shall be well content if the course of events enables our estimates to be realised.

12. The yield from taxes on income next year as compared with the revised estimate for the current year is bound to reflect the improvement in trade activity this year over that of last year. Mention has already been made of the fact that the improvement in trade which remained of moderate dimensions throughout the first half of the year jumped to something approximating to boom conditions after the outbreak of war. The extent of the war stimulus can be judged from the facts that in the six months from September the notes in circulation in India increased by over Rs. 54 crores and the rupee coin in circulation by over Rs. 17 crores, giving a total increase of notes and coin in circulation of over Rs. 70 crores; while the Schedule Banks' advances in India at the end of January, 1940 were more than Rs. 40 crores, in excess of those of August, 1939 and more than Rs. 30 crores in excess of those of January, 1939. In consideration of these facts we have felt justified in raising the estimate of the yield from all taxes on income for 1940-41 by Rs. 1,41 lakhs over the revised estimates for the current year. Of this increase Rs. 1,24 lakhs goes to swell the divisible income-tax pool, half of which goes to the Provinces whose share is thus expected to reach Rs. 3,00 lakhs as compared with Rs. 2,38 lakhs this year.

13. With your permission, Sir, I would like to mention here, in passing, how the distribution of income-tax revenue to the Provinces has progressed over the four years 1937-38 to 1940-41. In the first two years distribution was governed by the original formula as given in the Order in Council of 1936, and the figures are given on the basis of actuals for those years. In the last two years the formula as revised by the recent amendment to the Order in Council applies, and the figures are the revised estimate and budget estimate respectively. The amounts payable in respect of each of the four years are, in their proper order, Rs. 163 lakhs, Rs. 153 lakhs, Rs. 238 lakhs and Rs. 300 lakhs. But the amount payable in respect of any year is not necessarily paid in that year, since a preliminary payment is made within the year and a final adjustment is made in the following year after the actuals are known. The amounts paid or to be paid in each of the four years are, in the same order, Rs. 125 lakhs,

Rs. 150 lakhs, Rs. 279 lakhs and Rs. 300 lakhs. Whichever set of figures is taken, the improvement in the last two years is clear and plain and indicate that the revised formula, while securing the main object for which it was devised, has not operated unfairly to the interests of the Provinces.

14. General revenues are expected next year to receive from the Railways a welcome contribution of Rs. 5.31 lakhs, consisting of Rs. 4.41 lakhs as full contribution for the year under the Railway Convention and Rs. 90 lakhs on account of arrears of contribution for the current year. Rs. 37 lakhs are also expected from the Posts and Telegraphs, the figures of revenue and expenditure for which are as follows :—

	Budget, 1939-40	Revised, 1939-40	Budget, 1940-41
		(In lakhs of Rs.)	
Revenue	11.62	12.48	12.35
Expenditure (including interest charges).	11.63	11.62	11.98
Surplus	—1	86	37

The higher level of receipts is of course largely the result of the abnormal increase of all classes of traffic brought about by the war. The increase, especially in the case of telegraphs and telephones, was particularly marked in the first few months of the war, and that is the reason why next year's revenue is expected to be somewhat lower than this year's. The Department deserves to be congratulated on the smoothness and efficiency with which it adapted itself to the changed conditions and successfully met a suddenly inflated demand for its services from Government and from the public with but a very moderate increase in its working expenses. I should mention in this connection that a considerable part of the additional expenditure provided for next year is for the purpose of extending postal facilities in rural areas and for meeting the cost of petty works of a capital nature which, according to previous practice, would have gone to swell the capital account.

15. The net result of the various factors which I have just enumerated and of many others, comparatively minor and far too numerous to permit of specific mention, is that on the basis of existing taxation our total revenue for next year is expected to amount to Rs. 85.43 lakhs as against Rs. 87.76 lakhs in the revised estimates of the current year. I must now deal with the expenditure of 1940-41.

16. The total provision for Defence is Rs. 53.52 lakhs which, on the basis of the settlement with His Majesty's Government to which I have already referred, is made up of:—

	Rs.
(1) BASIC normal budget	36.77 lakhs.
(2) Effect of rise in prices on (1)	2.00 „
(3) India's war measures	6.59 „
(4) Non-effective charges	8.16 „
Total	53.52 „

The total extra expenditure to be thrown on the Defence estimates payable by India as a result of the war, after excluding Rs. 20 lakhs included in item (3) on account of Waziristan, is thus Rs. 8.39 lakhs. Honourable Members are aware that considerable extra expenditure directly connected with the defence of India is being met by His Majesty's Government, but I am confident that

they will readily appreciate that it would not be in the public interest to disclose either the amount or the objects of such expenditure, which in any case does not affect our budget. One other point which needs to be emphasised is that the budget provision now made covers only such measures as can now be foreseen. A year is a long time to look ahead in these days of kaleidoscopic changes, and it is far from being outside the bounds of possibility that within the year new measures, at present unforeseen and unforeseeable, will be required which may throw considerable additional cost on India's defence budget.

17. The estimates of civil expenditure in 1940-41 amount to Rs. 39,07 lakhs and show an increase of Rs. 1,51 lakhs over the current year's revised estimates, in spite of the fact that special care has been taken to restrict the admission of new proposals to those which might be regarded as virtually unavoidable in the circumstances now obtaining. Nearly half the increase is accounted for by items which are either strictly obligatory or are counter-balanced by increased credits on the revenue side. Examples are, increased expenditure in the Mints and the Currency Note Press necessitated by the rapid increase in the note circulation and the demand for small coin ; expansion of the Department of Supply ; continuance of famine in centrally administered areas ; higher Road Fund allocation in consideration of the increased yield of the petrol tax ; and payment to the Coal Mines Stowing Board from the Coal Cess receipts. The normal provision for the maintenance and repair of Government buildings has had to be restored since the cumulative effect of the past two years' economy cuts in this direction is a degree of deterioration which, if allowed to proceed further, would necessitate a much greater outlay at a later date. Then also it was deemed inexpedient to restrict the development departments' grants to the extent of crippling their beneficent activities or precluding their natural expansion. This accounts for increased commitments accepted, for example, in respect of the Delhi University and All India Radio. New schemes have been admitted if they were of such a nature as, on a broad view, would assist in the mobilisation of the economic resources of the country or further the successful prosecution of the war. On this ground an additional Rs. 25 lakhs yearly is to be provided for the next seven years for an important expansion programme in civil aviation by which the civil aerodrome organisation will be extended throughout the country, both for defence and for commercial development. Lastly, in view of the importance which is attached to maintaining the continuity of the series of decennial censuses which have been held uninterruptedly since the year 1872, provision has been made for the primary work of enumeration for the next census, which is due in 1941. The questions as to whether, when and to what extent the larger task of compilation will be undertaken has been left over for decision at a later date.

18. The total estimates of expenditure for 1940-41 thus come to Rs. 92,59 lakhs, while, as we have seen, the estimated total revenue on the basis of existing taxation and including the increased railway contribution of Rs. 5,31 lakhs is Rs. 85,43 lakhs. The difference gives a prospective deficit on revenue account of Rs. 7,16 lakhs. Before dealing with the question as to how this deficit is to be made up I must first say a few words about the Government's ways and means position.

19. During the current year the Government of India floated a further combined cash and conversion issue of the 3 per cent. Loan 1963-65 at an issue price of 98. This produced Rs. 15,72 lakhs, of which Rs. 8,24 lakhs represented conversions of the 5 per cent. Loan 1939-44, the balance representing cash and conversions of the 5 per cent. Loan 1940-43. The unconverted part of the 5 per cent. Loan 1939-44 was duly discharged by an increase in our temporary borrowings, but within the space of a few months this increase was

substantially reduced by the proceeds of the sales of Government silver. Next year we shall have the option of redeeming the remainder of the 5 per cent-Loan 1940-43, the outstanding balance of which is just under Rs. 19½ crores. Our sterling requirements for this year are down to the extraordinarily low figure of £10½ millions, as against the budget estimate of £27 millions, on account of our being paid in sterling for raw materials and goods produced in India supplied to His Majesty's Government which were paid for by us in rupees in the first instance. Meanwhile with the great improvement in the balance of trade which has taken place during the year the Reserve Bank is making considerable purchases of sterling, the total for the first 10 months aggregating approximately £53 millions. A considerable portion of these sterling acquisitions have hitherto been used as external backing for the expansion of currency in India to which I have referred earlier in this speech. The balance has enabled us not only to reopen the scheme which was previously in operation for the repatriation of Indian sterling non-terminable debt, but also to extend repatriation operations to all Indian sterling loans. The total value of sterling securities acquired so far for the purpose of debt repatriation is approximately £9 millions and the process may be expected to continue during the coming year at an increasing rate to the permanent relief of our remittance programme in future years.

20. It now remains for me to explain how it is proposed to fill the gap of Rs. 7.16 lakhs between our estimated expenditure for next year and our anticipated revenue. The gap is wide, but not nearly so wide as it would have been but for the assistance which our general revenues next year will receive from our two great commercial departments, the Railways and the Posts and Telegraphs. Similarly, it is entirely due to the larger contributions received from these same departments in the current year that we will start next year with a sum of Rs. 91 lakhs in the Revenue Reserve Fund, which we propose to utilise for revenue purposes during the year. By this means our prospective deficit is reduced to Rs. 6.25 lakhs, and that is the measure of the new tax revenue which will be required next year to balance the budget.

21. The necessity for increasing taxation is always a matter for regret and the task is never pleasant. More often than not it is occasioned by an economic depression which reduces the return from existing sources of revenue below the level required for carrying on the administration of the Government. At such times the economy of the country is at its lowest ebb and its taxable capacity so reduced that new taxation causes a double hardship. The circumstances of today are somewhat different. Additional revenue is now required to meet the additional expenditure necessary for purposes of defence. This is a feature which is not peculiar to India but is common to almost all nations of the earth, whether belligerent or neutral, as a result of the spirit of ruthless, unprovoked aggression which is now rampant abroad. The incidence of a war economy is far from being equal on all classes. To some it means suffering and bereavement; to others, hardship and poverty; to yet others nothing more than a slight reduction in their standard of living, while to a favoured few it means prosperity beyond the normal. Let me not be misunderstood. I am neither casting nor desirous of casting any reflection whatsoever on this latter class of persons. There is no reason why I should. Their increased activities are adding to the general prosperity of the country, and in many cases they are performing a service to mankind in quickening the supply of goods and commodities vitally required by those nations which are directly engaged in fighting the forces of aggression. But the plain fact remains that they are in the fortunate position that the war, which has brought additional burdens to the country and therefore to the community at large, has brought to them

additional profits. It is therefore but natural and, I would submit, **in the** interests of the general taxpayer inevitable, that in seeking the **additional** revenue they require the Government should turn first to this class of persons. Their proposals to that end are embodied in the Excess Profits Tax Bill which is now before the Legislative Assembly, and which will in due course be brought before this House. I will therefore say nothing further about the measure at this stage, Sir, except to observe that so far as I can see it is based on a principle whose equity is unchallengeable and whose logic is inescapable

22. As to the yield of the Excess Profits Tax, it is only possible to estimate it in the roughest possible way. From its very nature anything like precise calculation is impossible. The experience of 1919 affords us little guidance, since on the one hand the tax was then not imposed until after the war, by which time the war-time expansion of the profits of trade and industry had reached its peak and prices had soared to an inflated level. On the other hand, industry in India at that time was not quite so broad based as it is now. The Excess Profits Tax in its application to companies falls under the head of corporation tax, and so the entire receipts from companies will accrue to the Centre. In its application to assesseees other than companies the tax ranks as a tax on income and the proceeds will be divided equally between the Centre and the Provinces. But since the amount of Excess Profits tax paid is deducted from the income assessable to income-tax and super-tax, there will be a reduction in the yield of these latter taxes. So far as the Provinces are concerned, we calculate that in 1940-41 the two factors will mutually cancel each other, leaving the amount distributable to the Provinces unchanged at Rs. 3,00 lakhs. So far as Central revenues are concerned, after a careful consideration of this difficult problem in all its aspects, we have decided to fix the estimated yield in 1940-41 at a not additional Rs. 3,00 lakhs, after allowing for the effect on income-tax and super-tax!

3. We are still left with a gap of Rs. 3,25 lakhs, and no alternative for dealing with it but to make new demands to this extent on the general taxpayer. The formulation of proposals which will operate most fairly in their incidence is not an easy one. Ordinary income-tax is no longer a purely Central source of revenue, but a divided head. The constitution, while providing for a Central surcharge, permits, its imposition only after all other practicable means of balancing the budget have been explored. Moreover it is only a year since the incidence of income-tax over the higher ranges of income was considerably enhanced. For the present, therefore, this avenue has been abandoned until more pressing needs compel resort to it. The main objection to indirect taxation is of course its regressive character, but the force of the objection varies enormously according to the commodities which are made the subject of taxation. Having due regard to all these factors, it has been decided to increase the excise duty on sugar from Rs. 2 to Rs. 3 a cwt., and to increase the duty on motor spirit from 10 annas to 12 annas a gallon. Neither of these articles enters into the normal consumption of the poorest classes; and therefore, as additional revenue has to be raised, our proposals may not unreasonably be regarded as the least burdensome method of securing it that can be devised. Complaints will doubtless be made that we are placing a further obstacle in the way of the development of road transport; but an increase in the duty on motor spirit is not an unusual feature of war-time finance, and it is relevant to remember in this connection that railway fares and freights have also been enhanced. The increase in the sugar excise duty, together with the corresponding increase in the import duty which under the Customs Tariff Schedule will automatically follow, is expected to produce **Rs. 1,90 lakhs, while the additional 2 annas per**

gallon on petrol should bring in Rs. 1,40 lakhs, thus giving a total of Rs. 3,30 lakhs. The final figures for the year 1940-41 thus become :—

	Rs.
Revenue.	92,64 lakhs.
Expenditure.	92,59 „
Surplus.	5 „

24. My task, Sir, is now done, and in conclusion I would like merely to revert to the theme on which I began this speech and beg Honourable Members to regard the Budget as a whole in its proper perspective against the background of the world situation as it is now and as, if history repeats itself, it will be in the future. The world is passing through a terrible ordeal from which India could not isolate herself even should she wish to do so and to contribute nothing towards the overthrow of the spirit of naked force and brutal aggression which precludes the very possibility of peace and goodwill, confidence and trade as between nation and nation. The exigencies of national defence are paramount and none can tell what demands they will yet make in the anxious times that lie ahead. India has been fortunate in that the additional burdens falling upon her have so far been relatively light and not beyond her capacity to bear. But that can afford no guarantee for the future, and it is, I submit, Sir, our clear duty to accept with courage and fortitude those sacrifices which these early days require of us so that our resources may be conserved for the greater efforts that may yet be required of us in the interests of our national security and in the cause of peace and progress.

Details of voted and non-voted amounts included in the Demands for Grants for expenditure of the Central Government (excluding Railways) for the year 1940-41.

Number of Demand	Service, Administration or Area to which Demand relates.	Head of Account.	Amount.		
			Voted.	Non-voted.	Total.
			Rs.	Rs.	Rs.
A.—EXPENDITURE CHARGED TO REVENUE.					
1	Customs	Customs	78,30,000	4,59,000	82,89,000
2	Central Excise Duties	Central Excise Duties	18,80,000	37,00,000	55,80,000
3	Taxes on Income including Corporation Tax.	Taxes on Income	78,46,000	1,89,000	80,35,000
4	Salt	Salt	55,94,000	44,11,000	1,00,05,000
6	Opium	Opium	28,04,000	1,42,000	29,46,000
6	Provincial Excise	Excise	4,32,000	28,000	4,60,000
7	Stamps	Stamps	22,68,000	1,30,000	24,98,000
8	Forest	Forest	6,67,000	2,81,000	9,48,000
9	Irrigation (including Working Expenses), Navigation Embankment and Drainage Works.	Works for which capital accounts are kept, Miscellaneous Irrigation Expenditure, Construction of Irrigation, etc., Works.	2,32,000	12,60,000	14,92,000
10	J Indian Posts and Telegraphs Department (including working Expenses).	Posts and Telegraphs	11,12,04,000	38,01,000	11,50,05,000
11	Interest on Debt and other Obligations and Reduction or Avoidance of Debt.	Interest on Debt and other Obligations and Reduction or Avoidance of Debt.	92,23,000	11,18,90,000	12,11,13,000
12	Executive Council	General Administration.	1,27,000	4,88,000	6,15,000
18	Council of State.		1,46,000	...	1,46,000
14	Legislative Assembly and Legislative Assembly Department.		8,15,000	63,000	8,78,000
16	Home Department		7,71,000	20,54,000	28,25,000
16	Legislative Department		3,65,000	1,82,000	5,47,000
17	Department of Education, Health and Lands.		5,79,000	2,28,000	8,07,000
18	Finance Department		5,00,000	13,20,000	18,20,000
19	Commerce Department		4,71,000	1,58,000	6,29,000
20	Department of Labour.		4,32,000	1,66,000	5,98,000
22	Department of Communications		2,00,000	1,32,000	3,32,000
22	Central Board of Revenue		4,80,000	2,42,000	7,22,000
23	India Office and High Commissioner's Establishment charges.		18,79,000	22,91,000	41,70,000
24	Payments to other Governments, Departments, etc., on account of administration of Agency Subject & management of Treasuries.		1,14,000	...	1,14,000
26	Audit	Audit	99,33,000	1,34,000	1,00,67,000
20	Administration of Justice	Administration of Justice.	62,000	3,36,000	3,98,000
27	Police	Police	5,09,000	...	5,09,000
28	Ports and Pilotage	Ports and Pilotage	14,08,000	9,74,000	23,82,000
29	Lighthouses and Lightships	Lighthouses and Lightships.	6,29,000	10,000	6,39,000
30	Survey of India	Scientific Department.	10,11,000	6,87,000	16,98,000
31	Meteorology	Scientific Department.	20,79,000	37,000	21,16,000
32	Geological Survey	Scientific Department.	2,57,000	1,79,000	4,36,000
33	Botanical Survey	Scientific Department.	50,000	21,000	71,000
34	Zoological Survey	Scientific Department.	1,37,000	47,000	1,84,000
35	I Archaeology	Scientific Department.	10,44,000	75,000	11,19,000
36	Mines	Scientific Department.	1,46,000	27,000	1,73,000
Total Carried over			17,48,85,000	14,18,46,000	31,67,31,000

Details of voted and non-voted amounts included in the Demands for Grants for expenditure of the Central Government (excluding Railways) for the year 1940-41—contd.

Number of Demand.	Service, Administration or Area to which Demand relates.		Amount.		
		Head of Account.	Voted.	Non-voted.	Total.
			Rs.	Rs.	Rs.
	A.—EXPENDITURE CHARGED TO REVENUE—CONTD.	Brought forward	17,43,55,000	14,18,45,999	31,62,30,000
87	Other Scientific Departments	Scientific Departments.	2,32,000	..	2,32,000
8 8	Education	Education	6,39,000	1,000	6,39,000
39	Medical Services	Medical	8,15,000	2,09,000	10,22,000
4 0	Public Health	Public Health	9,82,000	2,79,000	12,32,000
4 1	Agriculture	Agriculture	25,82,000	42,000	26,04,000
42	Imperial Council of Agricultural Research.	Do	7,21,000	1,22,000	8,60,000
43	Scheme for the improvement of Agricultural Marketing in India.	Do.	5,21,000	..	5,21,000
44	Imperial Institute of Sugar Technology.	Do.	1,000	..	1,000
45	Civil Veterinary Services	Veterinary	8,20,000	38,000	8,46,000
4 8	Industries	Industries	8,23,000	1,000	8,24,000
47	Aviation	Aviation	59,08,000	..	59,08,000
4 8	Broadcasting	Broadcasting	28,91,000	..	28,91,000
49	Capital outlay on Broadcasting.	Capital outlay on Broadcasting.	1,000	..	1,000
50	Indian Stores Department	Indian Stores Department.	21,15,000	1,86,000	22,31,000
51	Commercial Intelligence and Statistics.	Miscellaneous Departments.	7,50,000	70,000	8,20,000
52	Census	Do.	8,56,000	3,75,000	12,31,000
53	Emigration—Internal	Do.	13,000	..	13,000
54	„ External	Do.	1,31,000	..	1,31,000
55	Joint-Stock Companies	Do.	5,88,000	30,000	6,18,000
56	Miscellaneous Departments	Currency	26,50,000	1,41,000	27,91,000
57	Currency.	Mint	38,54,000	1,11,000	39,65,000
5 8	Mint	Civil Works	96,89,000	21,14,000	1,18,03,000
5 9	Civil Works	Do.	1,73,00,000	..	1,73,00,000
60	Central Road Fund	Do.	1,10,46,000	1,70,08,000	2,80,54,000
61	Superannuation Allowances and Pensions.	Superannuation Allowances and Pensions.	37,40,000	39,000	37,99,000
62	Stationery and Printing	Stationery and Printing.	22,37,000	1,37,000	24,34,000
6 8	Miscellaneous	Miscellaneous	61,000	3,03,00,000	3,03,61,000
64	Grants-in-aid to Provincial Governments.	Grants-in-aid to Provincial Governments.	1,82,000	..	1,82,000
65	Miscellaneous Adjustments between the Central and Provincial Governments.	Miscellaneous Adjustments between the Central and Provincial Governments.	..	..	..
66	Delhi	Distributed over respective heads of account.	50,80,000	2,78,000	53,58,000
67	A J m e r - M e r w a r a		53,04,000	2,51,000	55,55,000
68	Panth Plploda.		12,000	..	12,000
69	Andaman and Nicobar Islands		37,10,000	1,82,000	38,92,000
Total carried over			26,25,71,000	19,66,12,000	45,91,83,000

Details of voted and non-voted amounts included in the Demands for Grants for expenditure of the Central Government (excluding Railways) for the year

Number of Demand.	Service, Administration or Area to which Demand relates.	Head of Account.	Amount.		
			Voted.	Non-voted.	Total.
		Brought forward	Rs. 25,83,71,000	Rs. 19,44,16,000	Rs. 45,27,87,000
A.—EXPENDITURE CHARGED TO REVENUE—Concl'd.					
Non-cis'd.	Staff Household and Allowances of the Governor General.	General Adminis-	..	17,17,000	17,17,000
	Secretariat of the Governor General	tration.	..	5,32,000	5,32,000
	Federal Public Service Commission		..	4,53,000	4,53,000
	Defence Department		..	6,10,000	6,10,000
	Ecclesiastical Payments to Crown Representative	Ecclesiastical Payments to Crown Representative.	..	31,17,000	31,17,000
	Tribal Areas	Tribal Areas.	..	1,39,14,000	1,39,14,000
	External Affairs	External Affairs	..	2,01,80,000	2,01,80,000
	Baluchistan	Distributed over respective heads of account.	..	67,48,000	67,48,000
	Defence Services	Defence Services.	..	72,27,000	72,27,000
	Department of Supply	Expenditure.	..	59,40,74,000	59,40,74,000
	Miscellaneous expenditure connected with the war	connected with the war, 1939.	..	22,77,000	22,77,000
			..	14,24,000	14,24,000
	TOTAL		25,83,71,000	34,66,39,000	1,10,50,60,000
	B.—EXPENDITURE CHARGED TO CAPITAL.				(a)
70	Indian Posts and Telegraphs	Capital outlay on Posts and Telegraphs	13,19,000	..	13,19,000
71	Indian Posts and Telegraphs—Stores Suspense (Not charged to Revenue).	Do.	1,000	..	1,000
72	Indian Posts and Telegraphs—Capital Outlay on Telephone Projects (Not charged to Revenue).	Do	1,000	..	1,000
75	Capital outlay on Vizagapatam Harbour.	Capital outlay on Vizagapatam Port.	10,000	..	10,000
74	Delhi Capital outlay	Initial expenditure on New Capital at Delhi.	15,57,000	..	15,57,000
75	Commuted value of Pensions	Payment of Commuted Value of Pensions.	1,000	7,30,000	7,31,000
	TOTAL		28,69,000	7,30,000	36,39,000
	C.—DISBURSEMENTS OF LOANS AND ADVANCES.				
76	Interest-free advances		81,22,000	..	81,22,000
77	Loans and advances bearing Interest.		54,13,000	..	54,13,000
	Advances to Crown Representative for Loans to Indian States and Notabilities.		..	16,75,000	16,75,000
	TOTAL		1,35,35,000	16,75,000	1,52,10,000
	GRAND TOTAL		27,45,06,000	34,98,44,000	1,12,58,99,000
				Rs.	
(a)	Expenditure shown in the Budget Statement			1,31,68,74,000	
	Add—Posts and Telegraphs Working Expenses			11,28,79,000	
	Irrigation Working Expenses			2,48,000	
	Credit to Capital outlay on Posts and Telegraphs			87,000	
	Imperial Institute of Sugar Technology			1,000	
	Broadcasting Capital Outlay			1,000	
				1,43,01,80,000	
	Deduct—Railway Expenditure.			52,51,30,000	
				1,10,50,60,000	

GOVERNMENT OF INDIA.

LEGISLATIVE DEPARTMENT.

New Delhi, the 30th March, 1940.

ORDINANCE No. 1 OF 1940.

AN

ORDINANCE

Temporarily to amend the Indian Post Office Act, 1898.

WHEREAS an emergency has arisen which makes it necessary temporarily to amend the Indian Post Office Act, 1898 ;

Now THEREFORE, in exercise of the powers conferred by section 72 of the Government of India Act, as set out in the Ninth Schedule to the Government of India Act, 1935, the Governor General is pleased to make and promulgate the following Ordinance :—

1. This Ordinance may be called the Indian Post Office (Amendment) Ordinance, 1940. Short title.
2. For the period beginning on the first day of April, 1940, and ending as soon as an Act entitled the Indian Finance Act, 1940, shall have come into operation, the following Schedule shall be inserted in the Indian Post Office Act, 1898, as the First Schedule to that Act, namely :— Substitution of new Schedule for the First Schedule to Act VI of 1898.

Act VI of 1898.

" THE FIRST SCHEDULE.

INLAND POSTAGE RATES.

(See Section 7.)

Letters.

For a weight not exceeding one tola		One anna.
For every tola, or fraction thereof, exceeding one tola		Half an anna.

Postcards.

Single		Nine pies.
Reply.		One and a half annas.

Book, Pattern and Sample Packets.

For the first two and a half tolas or fraction thereof		Six pies.
For every additional two and a half tolas, or fraction thereof, in excess of two and a half tolas		Three pies.

Registered Newspapers.

For a weight not exceeding ten tolas	Quarter of an anna.
For a weight exceeding ten tolas and not exceeding twenty tolas	Half an anna.
For every twenty tolas, or fraction thereof, exceeding twenty tolas	Half an anna.
In the case of more than one copy of the same issue of a registered newspaper being carried in the same packet—	
For a weight not exceeding ten tolas	Half an anna
For every additional five tolas, or fraction thereof, in excess of ten tolas	Quarter of an anna.
Provided that such packet shall not be delivered at any addressee's residence but shall be given to a recognised agent at the post office.	

Parcels.

For a weight not exceeding forty tolas	Four annas.
For every forty tolas or fraction thereof, exceeding forty tolas	Four annas."

LINLITHGOW,
Viceroy and Governor General.

NEW DELHI ;
The 30th March, 1940.

G. H. SPENCE,
Secretary to the Government of India.

GOVERNMENT OF INDIA.

LEGISLATIVE DEPARTMENT.

The following Act of the Indian Legislature received the assent of the Governor General on the 0th April 1940, and is hereby promulgated for general information.—

ACT No XVI OF 1940.

An Act to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the rate of excise duty on sugar other than khandsari or palmyra sugar leviable under the Sugar (Excise Duty) Act, 1934, to vary the rate of the excise and customs duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, and the Indian Tariff Act, 1934, to fix maximum rates of postage under the Indian Post Office Act, 1898, and to fix rates of income-tax and super-tax.

XIV of 1934
II of 1917
XXXII of 1934

WHEREAS it is expedient to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the rate of excise duty on sugar other than *khandsari* or palmyra sugar, leviable under the Sugar (Excise Duty) Act, 1934, to vary the rate of the excise duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, to vary the rate of the customs duty on motor spirit leviable under the Indian Tariff Act, 1934, to fix maximum rates of postage under the Indian Post Office Act, 1898, and to fix rates of income-tax and super-tax ;

XIV of 1934.
II of 1917
XXXII of 1934
VI of 1898

It is hereby enacted as follows :—

1. (7) This Act may be called the Indian Finance Act, 1940. Short title and extent.

(2) It extends to the whole of British India.

2. The provisions of section 7 of the Indian Salt Act, 1882, shall, in so far as they enable the Central Government to impose by rule made under that section a duty on salt manufactured in, or imported into, any part of British India, be construed as if, for the year beginning on the 1st day of April, 1940, they imposed such duty at the rate of one rupee and four annas per maund of eighty-two and two-sevenths pounds avoirdupois of salt manufactured in, or imported by land into, any such part, and such duty shall, for all the purposes of the said Act, be deemed to have been imposed by rule under that section. Fixation of salt duty.

XII of 1882.

Excise duty on
sugar.

3. For clause (ii) of sub-section (2) of section 3 of the Sugar Excise Duty Act, 1934, the following shall be substituted, namely :—

" (it) on all other sugar except palmyra sugar at the rate—

(a) of two rupees per cwt. in the case of sugar produced on or before the 29th day of February, 1940, and either issued out of a factory on or after that date or used within a factory on or after that date in the manufacture of any commodity other than sugar ; and

(b) of three rupees per cwt in the case of sugar produced on or after the 1st day of March, 1940 ".

Excise duty
on motor
spirit.

4. In sub-section (1) of section 3 of the Motor Spirit (Duties) Act, 1917, for the words " eight annas " ^{II of 1917.} the words " twelve annas " shall be substituted, and the provisions of section 5 of the Indian Finance (Supplementary and Extending) Act, 1931, so far as they relate to the levy of an additional duty on motor spirit shall cease to have effect

Import duty
on motor
spirit.

5. In the First Schedule to the Indian Tariff Act, 1934, in Item No. 27 (6), for the words " Ten annas per Imperial gallon " in the fourth column, the following words shall be substituted, namely :—

" The rate at which excise duty is for the time being leviable on motor spirit "

Inland
postage
rates.

6. For the year beginning on the 1st day of April, 1940, the Schedule contained in Schedule I to this Act shall be inserted in the Indian Post Office Act, 1898, ^{VI of 1898} as the First Schedule to that Act.

Income-tax
and super-tax.

7. (1) Subject to the provisions of sub-section (2)—

(a) income-tax for the year beginning on the 1st day of April, 1940, shall be charged at the rates specified in Part I of Schedule II to the Indian Finance Act, 1939 ,

(b) rates of super-tax for the year beginning on the 1st day of April, 1940, shall, for the purposes of section 55 of the Indian Income-tax Act, 1922, be the rates specified in Part ^{XI of 1922.} II of Schedule II to the Indian Finance Act, 1939 :

Provided that in the case of an association of persons being a Co-operative Society, other than the Sanikatta Saltowners' Society in the Bombay Presidency, for the time being registered under the Co-operative Societies Act, 1912, or under an Act of the Provincial Legislature ^{II of 1912.}

governing the registration of Co-operative Societies, the rates of super-tax for the year beginning on the 1st day of April, 1940, shall be—

(2) On the first Rs. 25,000 of total
income Nil.

(2) On the balance of total in-
come One anna in the
rupee.

XI of 1022. (2) In cases to which section 17 of the Indian Income-tax Act, 1922, applies, the tax chargeable shall be determined in accordance with the provisions of that section with reference to the rates imposed by sub-section (1).

XI of 1922. (3) For the purpose of this section and of the rates of tax imposed by sub-section (2), the expression "total income" means total income as determined for the purposes of income-tax or super-tax, as the case may be, in accordance with the provisions of the Indian Income-tax Act, 1922.

SCHEDULE I.

Schedule to be inserted in the Indian Post Office Act, 1898.

" THE FIRST SCHEDULE.**INLAND POSTAGE RATES.***[See Section 7.]**Letters.*

For a weight not exceeding one tola	One anna.
For every tola, or fraction thereof, exceeding one tola	Half an anna.

Postcards.

Single	"Nine pies.
Reply	One and a half annas.

Book, Pattern and Sample Packet.

For the first two and a half tolas or fraction thereof	Six pies.
For every additional two and a half tolas, or fraction thereof, in excess of two and a half tolas	Three pies.

Registered Newspapers.

For a weight not exceeding ten tolas	Quarter of an anna.
For a weight exceeding ten tolas and not exceeding twenty tolas	Half an anna.
For every twenty tolas, or fraction thereof, exceeding twenty tolas	Half an anna.
In the case of more than one copy of the same issue of a registered newspaper being carried in the same packet—	
For a weight not exceeding ten tolas	Half an anna.
For every additional five tolas, or fraction thereof, in excess of ten tolas	Quarter of an anna.
Provided that such packet shall not be delivered at any addressee's residence but shall be given to a recognised agent at the post office.	

Parcels.

For a weight not exceeding forty tolas	Four annas.
For every forty tolas, or fraction thereof, exceeding forty tolas	Four annas.*

G. H. SPENCE,
Secretary to the Government of India.

No. D./2502-B.

GOVERNMENT OF INDIA.

FINANCE DEPARTMENT.

New Delhi, the 11th April 1940.

RESOLUTION.

The statements relating to the Revised Estimates for 1939-40 and the Budget Estimates for 1940-41, which were presented to the Legislative Assembly and the Council of State on the 29th of February 1940, have been reconsidered with reference to the modifications made by the Legislative Assembly and the action taken thereon by the Governor-General in Council. The changes made are explained below and the statements* are now published, as usual, for general information.

2. The Legislative Assembly voted the demands for 1940-41 with the following reductions:—

Railway demands.

	Rs.
Demand No. 1.—Railway Board.	100

General demands.

Demand No. 12.—Executive Council	100
--	-----

The reductions have been accepted and are included in the statements.

3. The amendment to the Finance Bill accepted by the Government will not result in a material alteration of the revenue estimates for 1940-41 as previously adopted. The following changes are however made with a view to distributing correctly between Customs and Excise Duties the additional revenue from the increased duties on Motor Spirit and Sugar :—

	Motor Spirit.	Sugar.
	Rs.	Rs.
I . Customs	+ 1,15,00,000	+15,00,000
II . Central Exise Duties	—1,15,00,000	—15,00,000

C. E. JONES,

Secretary to the Government of India,

* The Railway Budget statements as finally adopted have been printed on pages 32-40 of Part I of this volume.

BUDGET

of the

Governor-General in Council

April, 1940.

FINANCE DEPAKTMENT,
New Delhi, the 11th April, 1940. J

C. E. JONES,
Secretary to the Government of India.

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I.—General Statement of the Revenue and Expenditure

[In thousands of Rupees.]

	For details, vide State- ment.	Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
Revenue—					
Principal Heads of Revenue—					
Customs	A	40,50,53	40,65,00	48,94,00	39,16,00
Central Excise Duties	"	8,65,73	8,28,00	6,13,00	10,14,00
Corporation Tax	"	2,08,72	1,88,00	2,17,00	5,30,00
Taxes on Income other than Cor- poration Tax.	"	13,74,48	12,88,00	18,13,00	14,20,00
Salt	"	8,12,04	8,36,00	9,00,00	8,20,00
Opium.	"	50,89	40,15	48,82	47,37
Other Heads	"	1,03,21	1,01,38	97,84	1,01,27
TOTAL PRINCIPAL HEADS	"	74,60,53	73,54,51	75,83,66	78,48,64
Railways: Net Receipts (as shown in Railway Budget)	"	81,30,09	81,75,86	83,18,41	87,82,07
Irrigation: Net Receipts	"	87	77	14	74
Posts and Telegraphs: Net Receipts	"	92,43	73,34	1,59,89	1,06,72
Debt Services	"	73,75	63,23	72,98	61,38
Civil Administration	"	1,05,02	1,03,77	1,04,43	1,06,89
Currency and Mint	"	58,16	67,22	86,57	1,24,39
Civil Works and Miscellaneous Public Improvements	"	32,28	30,07	28,29	32,81
Miscellaneous	"	1,58,93	1,39,05	1,42,05	1,20,03
Defence Services	"	5,88,90	8,75,26	5,88,67	5,88,58
Contributions and Miscellaneous Adjustments between Central and Provincial Governments	"	...	...	...	...
Extraordinary Items	"	4,08,35	2,95,57	3,09,80	4,02,89
TOTAL REVENUE		1,21,06,68	1,21,79,95	1,23,90,89	1,31,73,65
DEFICIT		62,78	...	...	...
TOTAL		1,21,70,46	1,21,79,95	1,23,90,89	1,31,73,65

Charged to Revenue of the Central Government.

[In thousands of Rupees.]

	For details, vide State- ment.	Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
Expenditure—					
Direct Demands on the Revenue	B	1,23,50	3,90,11	3,87,17	4,07,16
Capital Outlay on Salt Works charged to Revenue	"	14	64	25	64
Railways: Interest and Miscella- neous Charges (as shown in Rail- way Budget)	"	29,92,77	29,62,25	29,57,64	32,11,80
Irrigation	"	10,11	9,78	9,67	10,82
Posts and Telegraphs	"	77,41	78,02	73,78	69,29
Debt Services	"	14,12,29	12,85,86	12,28,84	12,11,18
Civil Administration	"	10,89,71	11,04,14	11,12,47	11,80,66
Currency and Mint	"	35,75	35,09	41,73	61,83
Civil Works and Miscellaneous Public Improvements	"	2,51,72	2,78,28	2,78,11	3,22,77
Miscellaneous	"	3,62,65	3,52,21	3,77,80	3,80,56
Defence Services	"	52,08,90	68,98,26	56,17,48	59,40,74
Contributions and Miscellaneous Adjustments between Central and Provincial Governments	"	3,06,33	8,65,78	8,66,77	3,06,23
Extraordinary Items	"	1,18	1,07	1,10,88	40,91
TOTAL EXPENDITURE CHARGED TO		1,21,70,46	1,21,79,95	1,23,90,89	1,31,73,65

II.—General Statement of the Receipts and

[In thousands of Rupees.]

	For details, vide Statement.	Receipts.			
		Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
Surplus		...	3,16	...	4,91
Railway Capital account not charged to Revenue—					
Capital contributed by Railway Companies and Indian States towards Outlay on State Railways (as shown in Railway Budget) . .	₹	...	...	...	...
Debt, Deposits and Advances —					
Public Debt—					
Permanent Debt (net)	"	...	...	...	...
Floating Debt (net) .	"	8,29,50	...	1,00,00	...
Unfunded Debt (net) .	"	...	8,17,84	...	5,09,51
Deposits and Advances (net).	"	61,29	...	9,18,89	86,94
Railway Depreciation and Reserve Funds as shown in Railway Budget (net) .	"	5,46,39	6,33,00	5,58,64	8,84,49
TOTAL DEBT, DEPOSITS AND ADVANCES		14,37,18	14,50,84	15,77,43	14,99,94
Loans and Advances by the Central Government (net)	"	2,53,10	1,66,56	1,94,29	1,40,42
Remittances (net) .	"	...	2,35	...	3,40
TOTAL RECEIPTS		16,90,28	16,22,91	17,71,72	15,58,07
Opening Balance		11,31,19	9,47,23	13,18,74	8,68,77
TOTAL		28,21,47	25,70,14	30,85,40	24,17,44

[Disbursements of the Central Government.

[In thousands of Rupees.]

	For details, vide Statement.	Disbursements.			
		Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
Deficit		68,78	...	...	...
Capital Accounts not charged to Revenue—					
Railway Capital (as shown in Railway Budget)	₹	5,43,84	4,75,00	4,24,00	4,25,00
Capital Outlay on Posts and Telegraphs	"	2,02,13	16,84	8,61	9,16
Capital Outlay on Schemes of Agricultural Improvement and Research	"	20	...	...	...
Capital Outlay on Viragapatam Port	"	22	9	51	10
Initial Expenditure on New Capital at Delhi	"	9,98	7	18,40	15,67
Payments of Commuted Value of Pensions	"	—9,08	—10,28	—8,38	—12,34
TOTAL CAPITAL ACCOUNT DISBURSEMENTS		9,07,49	4,89,22	4,48,04	4,37,58
Debt, Deposits and Advances—					
Public Debt—					
Permanent Debt (net)	"	8,24,20	3,16,45	18,29,92	3,38,18
Floating Debt (net)	"	...	6,00,00	...	8,00,00
Unfunded Debt (net)	"	71,78	...	4,06,68	...
Deposits and Advances (net)	"	...	2,98,19	...	...
TOTAL DEBT, DEPOSITS AND ADVANCES		3,96,03	12,14,64	17,35,55	11,38,18
Remittances (net)	"	1,40,63	...	48,10	...
TOTAL DISBURSEMENTS.		15,07,73	16,97,86	22,26,69	15,70,76
Closing Balance		13,13,74	8,72,28	8,68,77	8,45,68
TOTAL		28,21,47	25,70,14	30,85,46	24,17,44

A.—Statement of the Revenue of the Central Government.

[In thousands of rupees.]

	Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Esti- mate, 1939-40	Increase (+) De- crease (—) as com- pared with Budget, 1939-40.	Budget Estimate, 1940-41.			Increase (+) De- crease (—) as com- pared with Revised, 1939-40.
HBAD8 OF REVENUE.					India.	England	Total	
Principal Heads of Revenue—								
I.—Customs	40,50,58	40,55,00	43,94,00	+ 3,38,00	59,16,00	..	59,16,00	—4,78,00
II.—Central Excise Duties	8,05,78	8,28,00	8,13,00	—2,15,00	10,14,00	..	10,14,00	+ 4,01,00
III.—Corporation Tax	2,03,72	1,86,00	2,17,00	+ 29,00	5,80,00	..	5,30,00	+ 5,13,00
IV.—Taxes on Income other than Corporation Tax	13,74,43	12,88,00	13,13,00	+ 25,00	14,14,48	5,52	14,30,00	+ 1,07,00
V.—Salt	8,12,04	8,25,00	9,00,00	+ 65,00	8,20,00	..	8,20,00	—80,00
VI.—Opium	50,80	49,15	46,32	—35	46,17	1,20	47,37	—1,45
VII.—Land Revenue	15,46	17,73	15,79	—1,94	16,44	..	10,44	+ 55
Till.—Provincial Excise	25,77	25,98	25,76	—17	24,97	..	24,97	—79
IX.—Stamps	34,74	35,08	35,42	+ 36	37,87	..	37,37	+ 1,04
X.—Forest	19,91	19,41	19,34	—2,07	17,81	..	17,81	+ 1,47
XI.—Registration	92	94	94	.	86	..	86	—8
XII.—Receipts under Motor Vehicles Act	3,41	3,27	3,40	+ 13	3,12	..	3,12	—28
XIII.—Other Taxes and Duties	.	.	18	+ 18	70	..	70	+ 52
TOTAL	74,90,55	73,14,51	75,53,06	+ 2,38,15	78,41,92	6,72	78,48,64	+ 2,64,98
Irrigation—								
XVII.—Works for which Capital Accounts are kept—Gross Receipts	4,35	4,42	3,98	—46	4,14	..	4,14	+ 18
Deduct—Working Expenses	3,67	3,73	3,91	—18	3,48	..	3,48	+ 48
Not Receipts	78	80	5	—84	66	..	66	+ 61
XVIII.—Works for which no Capital Accounts are kept	9	8	9	+ 1	8	..	8	—1
TOTAL	87	77	14	—63	74	..	74	+ 60
Posts and Telegraphs—								
XIX.—Posts and Tele- graphs—								
Gross Receipts	11,57,00	11,02,01	12,48,32	+ 86,31	12,35,61	..	12,35,51	—12,81
Deduct—Working Expenses	10,75,17	10,88,67	10,88,08	—28	11,07,67	21,12	11,28,79	—30,54
Nee Receipts	98,43	73,34	1,50,29	+ 86,95	1,27,84	—21,12	1,06,72	—52,67
Carried over	75,89,85	74,26,82	77,43,19	+ 3,16,57	79,70,50	—14,60	79,56,70	+ 2,12,91

A.—Statement of the Revenue of the Central Government—*contd.*

[In thousands of inrees]

HEADS OF REVENUE.	Accounts, 1938-39.	Budget, Estimate 1939-40.	Revised Estimate 1939-40	Increase (+) De- crease (—) as com- pared With Budget, 1939-40.	Budget Estimate, 1940-41.			increase (+) De- crease (—) as com- pared with Revised, 1939-40.
					India.	England	Total	
Brought forward	75,53,55	74,28,52	77,43,19	+3,14,57	79,70,50	-14,40	79,56,10	+2,12,91
ebt Services—								
XX—Interest	73,75	63,23	72,88	+9,75	41,33	20,05	61,38	-11,80
lvil Administration—								
XXI—Administration of Justice	2,46	1,79	1,07	-11	1,63	.	1,63	+2
XXII—Jails and Convict settlements	2,21	7,23	7,15	-8	7,17	..	7,17	+2
XXIII—Police	74	44	1,13	+69	43	..	43	-61
XXIV—Ports and Pilotage	21,90	21,41	21,72	+31	21,64	..	21,64	-8
XXV—Lighthouses and lightships	5,16	9,23	8,10	-1,04	8,39	..	8,39	+20
XXVI.—Education	1,92	2,19	2,17	-2	2,16	..	2,16	-2
XXVII.—Medical	3,46	1,07	2,16	+19	2,16	..	2,16	..
XXVIII.—Public Health	4,37	3,14	3,59	-45	3,62	..	3,62	+93
XXIX—Agriculture.	4,01	3,42	3,54	+12	3,55	..	3,55	+1
XXX—Veterinary	5,93	7,75	8,22	-58	8,47	..	8,47	+25
XXXI—Co-operation						..		
XXXII—Industries	23	24	26	+2	26	..	26	..
XXXIII—Aviation	1,48	1,47	1,40	-7	1,52	1	1,53	+13
XXXIV—Broadcasting	7,59	8,50	9,16	+66	10,50	..	10,50	+1,34
XXXV—Indian Stores De- partment	21,10	19,00	19,11	+18	20,18	..	20,18	+1,00
XXXVI—Miscellaneous De- partments	13,99	18,00	18,79	-79	18,52	8	18,60	-2,19
TOTAL	1,05,62	1,03,77	1,04,43	+66	1,06,30	9	1,06,39	+96
Currency and Mini—								
XXXVII—Currency	38,24	36,77	33,89	-12,08	51,06	..	51,06	+26,89
XXXVIII—Mint	19,52	30,45	24,68	+33,44	73,33	..	73,33	+9,44
TOTAL	59,14	67,22	58,57	+21,36	1,24,39	..	1,24,39	+35,82
Civil Wofica, etc—								
XXXIX—Chil Works	38,23	30,97	28,39	-2,58	32,81	..	32,81	+4,52
Miscellaneous—								
XIII—Receipts from Indian States	50,47	62,65	61,41	-1,24	61,79	..	61,79	+38
XLIV—Receipts in aid of Superannuation	7,95	7,50	8,40	+90	7,65	40	8,05	-44
XLV.—Stationery and Printing	23,32	24,42	26,25	+1,83	19,35	18	19,53	-6,72
XLVI.—Miscellaneous	66,50	45,08	48,50	+1,42	27,17	3,52	30,69	-16,81
TOTAL	1,58,33	1,39,65	1,43,66	+3,00	1,16,96	4,10	1,20,06	-22,39
Defence Services—								
XLVII.—Defence Receipts—Effective	5,43,16	8,22,89	5,25,16	-3,04,73	2,54,74	2,69,06	5,43,79	+18,63
XLVIII.—Defence Receipts—Non-Meatives.	46,74	45,37	63,41	+18,04	8,75	26,02	44,77	-18,44
TOTAL	5,89,90	8,75,26	5,88,57	-2,86,69	2,63,49	3,25,07	1,38,56	-1
Contributions and Miscellaneous Adjustments between Central and Provincial Governments—								
L.—Miscellaneous Adjust- ments between Central and Provincial governments	..	..	..	..	..	..	..	..
Extraordinary Items—								
LI.—Extraordinary Receipts	8,00,55	2,95,57	3,01,88	+6,32	2,91,69	..	2,91,69	-10,30
LII.—Transfers from Revenue Receipts	..	..	7,91	+7,91	20,00	..	20,00	+12,09
LIIA.—Transfer from Revenue Reserve Fund	1,05,80	..	..	..	91,30	..	91,30	+91,80
TOTAL	4,06,35	2,95,57	3,09,80	+14,23	4,02,99	..	4,02,99	+93,09
Railway Revenues as shown in Railway Budget	31,80,09	31,75,66	32,19,41	+1,43,75	39,00,15	-18,08	37,82,07	+4,59,66
TOTAL REVENUE	1,21,06,06	1,21,70,65	1,23,86,49	+2,16,94	1,28,56,82	3,16,88	1,31,73,62	+2,76,76

B.—Statement of the Expenditure charged to Revenue of the Central Government.

[In thousands of rupees.]

HEAD OF EXPENDITURE.	Accounts 1958-59	Budget Estimate 1930-40	Revised Estimate 1939-40	Increase (+) De- crease (-) as com- pared with Budget, 1939-40	Budget Estimate, 1940-41.			increase (+) De- crease (-) as com- pared with Revised, 1939-40.
					India.	England	Total.	
<i>Direct Demand on the Revenue—</i>								
1.—Customs .	1,19,55	84,17	83,31	-86	82,48	41	82,89	-42
2.—Central Excise Duties .	45,77	44,17	41,73	-2,44	55,80	.	55,80	+14,07
3.—Corporation Tax	8,93	7,12	6,17	+2,05	9,47	...	9,47	+89
4.—Taxes on Income other than Corporation Tax .	66,82	71,29	68,00	-3,29	69,63	96	70,59	+2,59
5.—Salt . . .	1,03,86	1,01,70	1,03,96	+1,16	90,13	28	90,41	-3,64
6.—Opium	25,56	25,63	25,19	-44	24,71	36	25,07	-12
7.—Land Revenue	4,91	6,10	5,31	-79	5,79	15	5,94	+83
8.—Provincial Excise	6,22	6,73	6,69	-7	6,28	...	6,28	-38
9.—Stamps	16,81	17,98	20,59	+2,71	17,67	7,11	24,78	+4,39
10.—Forest	22,65	22,81	21,71	-1,10	23,84	52	24,36	+2,65
11.—Registration	10	9	10	+1	10	.	10	...
12.—Charges on account of Motor Vehicles Arts .	2,33	2,33	2,45	+12	2,46	.	2,46	+1
18.—Other Taxes and Duties .	..	.	.	..	2	.	2	+2
TOTAL	4,28,60	3,96,11	3,87,17	-2,94	3,67,56	9,78	4,07,16	+19,99
Capital Outlay on Salt Works charged to Revenue—								
5A.—Capital Outlay on Salt Works	14	54	25	-29	64	.	64	+80
Revenue Account of Irrigation Works—								
17.—Interest on Works for which Capital Accounts are kept.	7,38	7,43	7,22	-21	7,13	.	7,13	-9
18.—Other Revenue "Expenditure"	2,42	2,19	2,25	+6	3,25	7	3,32	+1,07
TOTAL,	9,80	9,62	9,47	-15	10,38	7	10,45	+65
Capital Account of Irrigation, etc, Works charged to Revenue—								
19.—Construction of Irrigation Works financed from Ordinary Revenues	31	10	30	+4	37	..	37	+17
Posts and Telegraphs Revenue Account—								
20.—Posts and Telegraphs—Interest on Debt	78,45	74,01	73,04	-1,57	69,63	..	69,63	-8,41
+								
Posts and Telegraphs Capital Account charged to Revenue—								
21.—Capital Outlay on Posts and Telegraphs	3,96	3,61	74	-2,67	-34	..	-34	-1,08
Carried over .	6,11,10	4,78,45	4,70,87	-7,58	4,78,06	9,85	4,87,91	+17,04

B.—Statement of the Expenditure charged to Revenue of the Central Government—contd.

[In thousands of rupees.]

HEADS OF EXPENDITURE..	Accounts 1938-39	Budget, Estimate 1939-40.	Revised, Estimate 1939-40	Increase (+) Decrease (—) as compared with Budget, 1939-40.	Budget Estimate, 1940-41.			Increase (+) Decrease (—) as compared with Revised, 1939-40.
					India.	England	Total.	
Brought forward .	5,11,16	4,78,46	4,70,87	— 7,58	4,78,06	9,85	4,87,91	+ 17,04
Debt Stressless—								
22.—Interest on Debt and other Obligations	43,74,55	44,00,81	43,81,55	— 19,26	26,87,60	16,38,64	43,26,24	— 55,31
Deduct—Interest transferred to—								
Railways .	28,14,40	27,93,47	27,94,45	+ 1,02	17,03,53	10,80,68	27,84,21	+ 9,22
Irrigation .	7,38	7,43	7,32	— 11	7,13	..	7,13	+ 30
Posts and Telegraphs .	73,47	74,64	73,08	— 1,56	69,65	..	69,65	+ 3,43
Other Commercial Departments	6,64	6,62	6,58	— 4	6,53	..	6,53	— 15
Provincial Governments	5,33,47	5,39,22	5,30,25	— 8,97	5,44,23	..	5,24,23	+ 8,04
Commuted Value of Pensions	24,50	24,77	24,70	— 7	22,51	..	22,51	+ 2,19
TOTAL TRANSFERS	34,32,26	34,41,13	34,35,21	— 5,92	22,34,46	16,80,66	34,15,11	+ 20,10
Net	11,12,29	9,05,68	9,36,34	— 30,62	8,53,14	5,57,09	9,11,13	— 15,21
28.—Appropriation for Reduction or Avoidance of Debt	3,00,00	3,00,00	3,00,00	..	3,00,00	..	3,00,00	..
TOTAL	14,12,29	12,05,68	12,36,34	— 30,62	8,53,14	5,57,09	12,11,13	— 15,21
Civil Administration—								
25.—General Administration .	1,86,57	1,80,06	1,94,77	+ 14,71	1,48,76	48,97	1,83,73	— 1,04
26.—Audit	98,80	99,36	97,03	— 2,33	99,92	2,25	1,02,17	+ 4,54
27.—Administration of Justice	2,79	10,35	10,10	— 25	9,35	30	9,65	— 47
28.—Jails and Convict Settlements .	23,90	23,29	23,61	+ 32	20,25	19	20,44	+ 15
29.—Police	29,58	26,80	31,76	+ 4,96	34,78	35	34,63	+ 2,88
30.—Ports and Pilotage	27,40	22,58	22,94	+ 36	21,89	1,03	22,92	+ 60
31.—Lighthouses and Lightships	9,18	9,23	9,19	— 4	8,36	4	8,40	+ 20
32.—Ecclesiastical	30,25	31,25	30,58	— 67	24,40	6,68	31,17	+ 61
33.—Pavments to Crown Representative	1,25,04	1,32,67	1,42,00	+ 9,33	1,31,77	7,27	1,39,16	+ 6,49
34.—Tribal Areas .	1,99,21	1,87,44	1,99,83	+ 12,39	2,00,64	1,16	2,01,80	+ 1,16
35.—External Affairs	63,37	63,63	63,62	— 1	54,97	12,41	67,38	+ 3,75
W.—Scientific Departments .	67,00	67,58	64,86	— 2,72	64,70	6,12	70,81	+ 6,11
37.—Education	23,78	24,35	24,34	— 1	26,57	14	26,66	+ 31
38.—Medical	21,78	23,89	27,33	+ 3,45	22,68	6,65	29,33	+ 7,55
39.—Public Health	13,76	14,66	13,76	— 90	16,33	48	16,81	+ 1,05
40.—Agriculture	51,88	44,10	63,13	+ 19,03	47,46	47	47,93	— 1,01
41.—Veterinary	8,07	8,58	7,98	— 60	8,04	58	8,62	+ 1,04
42.—Co-operation	57	60	60	..	55	..	55	— 5
43.—Industries	8,49	8,80	8,89	+ 9	8,88	..	8,88	..
44.—Aviation .	29,24	29,54	34,10	+ 4,56	58,31	77	58,08	+ 24,03
45.—Broadcasting	20,67	23,98	25,31	+ 1,33	25,77	14	25,91	+ 1,14
46.—Indian Stores Department	28,08	22,40	21,73	— 67	21,88	28	22,16	+ 48
47.—Miscellaneous Departments	16,31	20,26	19,26	— 100	21,13	63	21,76	+ 15,45
TOTAL	9,80,71	11,04,14	11,12,47	+ 8,33	10,90,47	90,09	11,30,56	+ 48,09
Carried over .	10,13,16	25,46,25	26,00,66	+ 54,40	22,51,07	4,57,03	27,08,10	+ 4,62

GENERAL BUDGET AS FINALLY ADOPTED.

B.—Statement of the Expenditure charged to Revenue of the Central Government—*concd.*

[In thousands of Rupees.]

HEADS OF EXPENDITURE.	Accounts 1338-39	Budget Estimate 1939-40	Revised Estimate 1939-40.	Increase (+) Decrease (—) as compared with Budget, 1939-40.	Budget Estimate 1940-41.			Increase (+) Decrease (—) pared with Revised, 1939-40.
					India.	England.	Total.	
Brought forward	30,13,16	28,48,25	29,04,64	—38,57	22,21,67	6,57,93	28,79,60	+69,92
Garrenoy and Mint—								
48.—Currency	15,18	13,08	14,24	+1,21	9,06	17,93	26,99	+12,74
40.—Mint	20,67	22,06	27,49	+5,43	29,82	4,83	34,65	+7,16
TOTAL	35,76	35,09	41,73	+6,64	38,87	22,76	61,63	+19,90
Civil Works, etc.—								
50.—Civil Works	2,51,72	2,78,28	2,74,11	—4,17	5,22,15	82	3,22,77	+46,66
Miscellaneous—								
64.—Famine	14	27	16,10	+15,83	15,87	...	15,87	—48
55.—Superannuation Allowances and Pensions	2,91,44	2,80,94	3,80,94	...	1,25,31	1,54,93	2,80,24	—69
56.—Stationery and Printing	63,31	48,36	34,23	+5,37	36,26	1,73	37,99	—19,24
57.—Miscellaneous	27,84	20,99	29,05	+5,06	29,83	2,53	32,36	+4,31
TOTAL	2,69,23	2,50,56	3,77,32	+26,76	2,07,07	1,59,21	3,66,28	—11,04
Miscellaneous Capital Outlay charged to Revenue—								
55-A.—Commutation of Pension* financed from Ordinary Revenues	42	1,86	22	—1,37	28	..	28	...
Defence Services—								
58.—Defence Services—Effective.	43,74,46	46,22,85	44,12,79	—10,15	42,76,85	8,02,75	50,79,60	+4,56,90
59.—Defence Services—Non-effective.	8,66,88	8,62,88	8,04,79	+41,90	3,76,91	4,34,28	8,61,14	—43,64
60.—Transfers to Defence Reserve Fund	—24,43	—29,47	...	+29,47	...	...	...	...
TOTAL	52,06,90	54,93,20	52,17,58	+1,24,22	46,53,76	12,86,98	59,40,74	+4,23,26
Contributions and Miscellaneous Adjustments between Central and Provincial Governments—								
61.—Grants-in-aid to Provincial Governments	3,04,72	3,04,16	3,04,16	...	3,03,41	...	3,03,41	—65
82.—Miscellaneous Adjustments between the Central and Provincial Governments	1,61	1,62	1,41	—21	1,62	...	1,62	+1
TOTAL	3,06,33	3,06,78	3,06,77	—1	3,05,23	...	3,06,23	—54
Extraordinary Items—								
63.—Extraordinary Charges	1,16	1,87	3,45	+1,58	3,90	...	3,90	+35
64.—Expenditure connected with the War, 1939	...	...	10,43	+16,03	36,80	21	37,81	+20,96
65.—Transfers to Revenue Reserve Fund	...	...	81,36	+91,80	...	...	...	—91,80
TOTAL	1,16	1,87	1,10,83	+1,09,21	40,70	21	69,21	—69,27
Railway Expenditure as per Railway Budget.	10,92,77	20,62,25	28,57,84	—4,41	20,63,10	11,98,20	32,61,30	+2,93,65
TOTAL EXPENDITURE CHARGED TO REVENUE	21,76,40	21,70,78	22,06,89	+2,20,10	98,52,83	35,16,91	1,32,69,74	+7,71,85

C—Statements of Receipts of the Central Government.

fin thousands of Rupees.

RECEIPTS.	Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate 1940-41.
Revenue (from Statement A)	1,21,00,00	1,21,74,95	1,23,90,99	1,31,78,05
Railway Capital not charged to Revenue	...	...	...	...
Public Debt—				
A.—Debted in India—				
a. Permanent Debt—				
3 per cent. Loan, 1903-65	26,31,22	...	15,72,00	...
3 per cent. Loan, 1896-07	...	...	1,20,00	1,60,00
3½ per cent. Loans	...	...	2,29,01	2,00,00
TOTAL	26,31,22	...	16,91,00	3,60,00
H.—Floating Debt—				
Treasury Bills	1,97,50,75	1,96,80,00	2,18,01,25	2,16,20,00
Other Floating Loans	32,50,00	24,00,00	38,00,00	35,00,00
TOTAL	2,30,10,75	2,20,80,00	2,56,01,25	2,51,20,00
Carried over	2,77,46,05	3,31,59,05	3,89,19,23	3,86,58,05

C—Statement of Disbursements of the Central Government.

[In thousands of Rupee*.]

DISBURSEMENTS.	Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate 1940-41.
Expenditure (from Statement B) .	1,21,70,48	1,21,76,79	1,28,06,80	1,31,68,74
Capital Accounts not charged to Revenue—				
IRRIGATION.	..	...	..	...
POSTS AND TELEGRAPHS	2,62,43	18,84	9,51	9,15
SCHEMES OF AGRICULTURAL IMPROVEMENT AND RESEARCH	20	...	...	...
VIZAGPATAM PORT .	22	9	61	10
INITIAL EXPENDITURE ON NEW CAPITAL AT DELHI	9,88	7	18,40	15,67
PAYMENTS OF COMMUTED VAULTS OF PEN- SIONS .	-8,06	-10,28	-8,38	-12,34
TOTAL	2,63,65	8,22	19,04	12,58
RAILWAY CAHAT NOT CHARGED TO RB- YENUB (AS SHOWN IN RAILWAY BUDGET).	6,48,84	4,76,00	4,24,00	4,25,60
Public Debt—				
A.—Debt raised in India—				
I.—Permanent Debt—				
Si per cent. Loan, 1938-40 . . . I	18,84,86	6,00	10,00	5,00
5 per cent. Loan, 1939-44 .	7,71,09	...	19,00,00	10,00
5 per cent. Loan, 1940-43 .	..	...	5,78,46	...
6½ per cent. Treasury Bonds, 1985 .	2,06	1,72	1,00	1,00
6 per cent. Bonds	1,08	1,87	71	81
5 per cent. War Bonds.	47	1,00	8	2,56
5 per cent. Loan, 1929-47 .	44	48	22	14
5 per cent. Bonds, 1035	9	10	12	8
5 per cent. Bonds, 1933	6	5	10	5
4½ per cent Bonds, 1034	...	10	18	9
4 per cent. Loans .	17	18	24	6
3½ per cent. Loans	4	8	17	1
8 per cent. Loans .	1	...	32,85	...
TOTAL	26,60,97	13,00	26,26,18	19,50
II—Floating Debt—				
Treasury Bills	1,49,31,25	1,91,80,00	2,17,01,25	2,24,20,00
Other Floating Loans	82,50,00	24,00,00	28,00,00	25,00,00
TOTAL	2,21,81,26	2,15,80,00	2,65,01,25	2,69,20,00
Carried over 1	3,79,20,17	3,42,58,01	4,06,08,40	3,06,46,54

C—Statement of Receipts of the Central Government.

[In thousands of Rupees.]

RECEIPTS.	Accounts, 1939-40.	Budget Estimate, 1939-40.	Revised Estimate, 1938-39.	Budget Estimate, 1940-41.
Brought forward	11,77,48.05	8,31,59.96	3,99,19.23	3,99,53.06
B.—Debt raised in England—				
Permanent Debt. I	***	***	***	***
TOTAL	***	***	***	***
Unfunded Debt—				
Deposits of Service Funds	74.05	27.08	27.14	25.27
Post Office Savings Bank Deposits .	46,02.97	45,01.58	42,22.32	44,50.09
Post Office Cash Certificates	14,71.08	10,75.00	10,14.00	12,00.00
State Provident Funds	8,40.71	8,54.32	8,41.16	8,68.43
Other Accounts	1,21.74	1,25.16	1,29.66	1,21.96
TOTAL	71,10.50	65,83.09	62,38.20	67,00.75
Deposit and Advances—				
<i>Deposits bearing Interest.</i>				
Renewals Reserve Fund—Posts and Telegraphs	23.13	23.06	23.05	23.06
Other Reserve Funds .	6.07	6.36	4.26	4.02
<i>Deposits not bearing Interest.</i>				
Appropriation for Reduction or Avoid- ance of Debt—				
Sinking Funds	1,36.71	1,25.15	1,25.15	95.04
Other Appropriations .	1,65.29	1,74.86	1,74.86	2,04.06
Deposits and Advances—carried over .	3,29.20	3,29.41	3,27.90	3,27.07
Carried over	4,48,89.15	3,07,43.04	4,61,52.43	4,53,54.19

C—Statement of Disbursements of the Central Government.

[In thousands of Rupees.]

DISBURSEMENTS.	Accounts, 1935-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
Brought forward	3,79,20,17	3,42,53,01	4,09,66,45	3 95,45,82
B.—Debt raised In England—				
Permanent Debt—				
India 5 per cent. Stock, 1936	***	***	***	***
Do. 1932	***	***	***	***
India 6 per cent. Loan of 1942-47	***	***	***	***
India 47. do. 1950-65	23,68	***	3,20,38	3,60,00
India 4 do. 1948-53	***	***	***	***
India 3½ do. 1931	***	***	***	***
India 8 do. 1949-62	***	***	***	***
India 3 do. 1948	***	***	***	***
State Railway Annuities	2,70,77	2,80,25	2,80,25	2,90,03
Do. Sinking Fonda	***	23,20	25,15	23,89
TOTAL	3,94,45	3,68,45	6,25,78	6,79,68
Unfunded Debt—				
Special Loans	20	22	20	20
Deposits of Service Fundi	8,42,70	33,44	40,46	37,69
Post Office Savings Bank Deposit*	41,54,93	39,99,49	46,54,00	41,63,00
Post Office Cash Certificate	16,54,67	11,28,00	12,77,00	13,50,00
State Provident Funds	5,62,12	5,82,68	5,56,12	5,56,23
Other Accounts	67,61	69,42	81,08	74,10
TOTAL	71,82,23	57,66,26	96,38,36	61,91,24
Deposits and Advances—				
Deposits <i>barring</i> Infant.				
Renewals Reserve Fund—Posts and Telegraphs	16,86	22,29	21,57	22,89
Other Reserve Funds	1,14	1,51	1,56	64
<i>Deposit* not (miriv Interest</i>				
Appropriation for Reduction or Avoid- ance of Debt—				
Sinking Funds	***	***	2,50,13	***
Other Appropriations	***	***	***	***
Deposits and Advances—carried over	17,60	23,71	3,08,26	23,33
Carried over	4,53,00,85	4,02,21,71	4,32,31,03	4,84,10,74

C.—Statement of Receipts of the Central Government.

(in thousands of Rupees.)

RECEIPTS.	Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40. a	Budget Estimate 1940-41.
Brought forward .	4,48,59.15	3,97,43.04	4,61,52.48	4,53,64.60
Deposits and Advances—Brought forward	3,29.20	3,29.41	3,27.30	3,27.07
Deposits and Advances—contd.				
Silver Redemption Reserve	1,00.40	20.00	40.00	20.00
Silver Redemption Reserve Investment Account	...	...	...	...
Revenue Reserve Fund	...	...	91.30	...
Defence Reserve Fund	49.00	61.28	...	...
Defence Services Equalisation Funds	43.18	10.57	...	...
Defence Modernisation Fund .	...	...	7,76.87	12,00.00
Post Office Cash Certificates Bonus Fund	...	...	...	...
Civil Aviation Fund	...	70	1.60	3.63
Central Road Fund .	1,50.01	1,61.00	1,61.00	1,73.00
Fund for Economic Development and Improvement of Rural Areas	...	...	...	...
Fund for Development of Civil Aviation	...	...	...	26.00
Fund for Special Frontier Expenditure	6.80	3.80	5.90	14.90
Fund for Development of Broadcasting	...	...	...	...
Sugar Excise Fund	10.57	...	...	17.15
Telephone Development Fund .	2,50.00	...	...	...
Depreciation and Renewals Reserve Funds				
Defence Department	2.86	20	2.34	25.66
Other Depreciation Reserve Funds	1	1.88	79	1.27
General Police Fund	31	29	40	—2
Deposits of Local Funds—District Funds	6.08	5.55	6.63	6.53
Municipal, Cantonment, and other Funds	2,07.04	1,45.02	1,75.53	1,65.10
Deposits of Branch Line Companies	2.18	1.30	2.46	1.35
Civil Deposits	35,17.01	34,70.64	36,02.90	36,01.84
Other Deposits	19,79.13	19,03.70	18,29.68	18,09.62
Other Accounts	20.15	27.07	28.12	27.57
Advances not bearing Interest.				
Other Advances		6,12.15	6,95.52	7,10.76
Accounts with the Government of Burma.	6,31.36	1,41.00	1,46.96	1,56.40
Accounts with the Reserve Bank		27.11	34.08	30.02
Suspense Accounts .	2,28,51*	4,08.64	1,78,22.70	1,85,72.80
Purchases and Sales of Silver .	78.48	30.16	11,07.90	2,82.77
Cheques and Bills .	...	...	2.74	2.69
Departments and Similar Accounts .	...	34	2.81	19.50
Transactions connected with the War	...	...	22	...
Miscellaneous.				
Miscellaneous.	1,70.79	1,82.43	4,64.44	1,91.47
TOTAL	78,48.27	78,47.99	2,74,15.18	2,76,67.87
Railway Depreciation and Reserve Funds as per Railway Budget	12,56.11	12,56.87	12,56.54	16,64.49
Carried over	5,39,58.53	4,86,50.60	7,46,26.15	7,44,66.26

.includes figures under 'Cheques and Bills' and 'Departmental and similar Accounts'.

C.—Statement of Disbursements of the Central Government.

[in thousands of rupees.]

DISBURSEMENTS.	Accounts, 1938-39.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
Brought forward	4,53,06.86	4,03,21.71	4,82,31.02	4,84,10.76
Deposits and Advances—Brought forward]	17.50	23.73	3,03.26	30.33
Deposits and Advances—contd				
Silver Redemption Reserve	1,60.49	20.00	40.00	10.00
Silver Redemption Reserve Investment Account	1,05.80	...	...	91.30
Revenue Reserve Fund	24.43	92.47	...	...
Defence Reserve Fund	49.09	82.81	...	...
Defence Services Equalisation Funds	...	...	7,76.67	13,00.00
Defence Modernisation Fund	...	...	95	...
Post Office Cash Certificates Bonus Fund	...	...	1.47	3.00
Civil Aviation Fund	1,06.86	1,71.00	1,89.00	3,00.00
Centra Road Fund	19.15	36.00	26.00	31.00
Fund for Economic Development and Improvement of Rural Areas	16.60	17.01	14.36	22.53
Fund for Development of Civil Aviation I	12.04	3.50	7.43	3.28
Fund for Special Frontier Expenditure	8.23	7.54	7.41	4.33
Fund for Development of Broadcasting j	...	...	11.40	14.00
Sugar Exice Fund	22.66	35.00	22.78	13.79
Telephone Development Fund	6.27	1.99	1.09	96.05
Depreciation and Renewals Reserve Funds—Defence Department	1.08	44	42	53
Other Depreciation Reserve Fund	27	26	23	10
General Police Fund	6.44	5.55	6.55	6.53
Deposits of Local Funds—District Funds	2,22.01	1,57.73	1,77.37	1,64.70
Municipal, Cantonment and other Funds	...	...	6.50	50
I. R. C. A. Employees Provident Fund Investment	1.89	1.50	2.85	1.45
Deposits of Branch Line Companies	35,03.13	34,70.25	36,71.47	35,96.48
Civil Deposits	19,53.20	19,25.94	19,42.44	19,14.93
Other Deposits	16.88	24.53	24.82	24.60
Other Accounts				
A dmnret not beirittg intewt		5,43.57	6,71.11	7,44.56
Other Advances	6,56.94	1,41.00	1,54.90	1,55.40
Accounts with the Government of Burma		24.05	24.94	29.92
Accounts with the Reserve Bank Suptente	2,08,23*	3,37.72	1,76,63.08	1,94,35.01
Suspense Accounts	5,06.18	5,00.00	6,45.88	6,08.00
Purchases and Sales of Silver	...	12	...	...
Cheques and Bills	...	20.08	26.04	1.03
Departmental and Similar Accounts	...	...	22	...
Transactions connected with the Warj Miscellaneous	1,57.07	1,52.83	1,30.10	1,21.84
Miscellaneous TOTAL	77,81.98	78,45.38	7,64,96.29	2,76,31.43
Railway Depreciation and Reserve Funds as per Railway Budget	7,09.72	6,28.37	7,00.00	7,00.00
Carried over	5,88,88.55	4,87,94.46	7,54,27.31	7,46,42.17

.Includes figures under 'Cheques and Bills' and 'Departmental and Similar Accounts.'

C. -Statement of the Receipts of the Central Government.

[In thousand* of Rupees.]

RECEIPTS.	Accounts, 1938-39	Budget 1989-40.	Estimate. {Revised Estimate, 1930-40.	(Budget Estimate 1940-41.
Brought forward .	6,39,58,53	4,85,50,60	7,48,26,15	7,44,86,26
Loans and Aivanest by the Central Gov- ernment—				
Advances to Provincial Governments .	1,43,48	1,17,95	1,35,06	1,27,17
Advances to His Majesty's Represen- tative for Loans to Indian States and Notabilities.	1	...	4	93
Loans to Indian States	1,36,37	45,90	65,93	46,84
Loans to Local Funds, etc.	80,23	45,45	53,20	80,26
Loans to Government Servants .	22,69	17,07	13,15	7,60
TOTAL	3,32,78	2,26,37	2,67,38	2,11,80
Rtmittanow—				
L—Remittances within India—				
Inland Money Orders	81,12,69	81,50,00	81,50,00	81,25,00
Other Remittances	85	3,57,78	2,06,55	2,07,00
Accounts between Civil and other Departments—				
Exchange Accounts between Civil and Posts and Telegraphs	3,76,46	1,41,97	11,82,75	3,81,83
Exchange Accounts between Civil and Railways .	16,04,10	15,78,95		
Exchange Accounts between Civil and Defence Services	33,56,18	33,55,72	45,92,58	66,78,65
II.—Remittances between England and India—				
Remittance Account between England J and India—				
Purchases and Sales of Silver . .		16,00	11,48,40 I	2,68,67
Other Transactions	48,14,74	6,16,35	14,57,23	22,18,80
TOTAL . [	1,82,65,02	1,41,16,77	1,67,32,51	1,68,29,35
fransfr of Cub between England and India—				
Remittances through the Reserve Bank	46,50,67	36,63,57	14,12,39	15,09,58
Reserve Baik Deposits ; Railways . .			20,70,05	25,54,10
TOTAL RECEIPTS .	7,72,07,00	6,65,57,31	9,53,08,48	9,55,90,69
Opening Balance . j "	11,31,19	9,47,23	13,13,74	8,58,77
GRAND TOTAL .	7,83,38,19 I	6,75,04,54	9,66,22,22	9,84,49,86

C.—Statement of the Disbursements of the Central Government.

[In thousands of Rupees]

DISBURSEMENTS.	Accounts, 1939-40.	Budget Estimate, 1939-40.	Revised Estimate, 1939-40.	Budget Estimate, 1940-41.
Brought forward	6,38,88.55	4,87,94.40	7,54,27.31	7,46,42.17
Loans and Advances by the Central Government—				
Advances to Provincial Governments .	...	...	...	...
Advances to His Majesty's Representative for Loans to Indian States and Notabilities .	62	6	11.47	16.75
Loans to Indian States	...	7.00	10.10	17
Loans to Local Funds, etc.	78.14	53.05	50.88	53.48
Loans to Government Servants .	62	70	57	48
TOTAL	79.69	69.81	78.69	70.86
Remittances—				
I.—Remittances within India—				
Inland Money Orders	81,17.70	81,48.00	81,48.00	81,21.50
Other Remittances .	37.59	3,57.43	2,06.65	2,07.10
Accounts between Civil and other Departments—				
Exchange Accounts between Civil and Posts and Telegraphs .	3,77.37	1,41.87	11,82.75	2,31.28
Exchange Accounts between Civil and Railway .	16,04.39	15,78.85	...	...
Exchange Accounts between Civil and Defence Services .	83,58.88	86,56.72	45,02.55	66,78.55
II.—Remittances between England and India				
Remittance Account between England and India—				
Purchases and Sales of Silver.	...	16.00	11,48.40	2,68.07
Other Transactions	48,17.62	5,10.85	15,07.23	22,18.30
TOTAL	1,84,05.55	1,41,14.42	1,67,80.61	1,68,25.85
Transfer of cash between England and India—				
Remittances through the Reserve Bank	46,50.67	36,60.57	14,12.39	15,00.53
Reserve Bank Deposits: Railways	...	...	20,70.05	25,54.10
TOTAL DISBURSEMENTS	7,70,24.45	6,64,22.14	9,57,69.45	9,56,08.68
Closing Balance .	18,13.74	8,72.28	8,58.77	2,46.68
GRAND TOTAL	7,88,38.19	6,75,04.44	9,66,28.22	9,58,55.36

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 1938-39, 1939-40 and 1940-41, 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. 516/16d. 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 1940-41 are based on the standard rate of 1s. 6d.

3. The statements of revenue and expenditure are based on net figure* 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.

	1938-39, Accounts.	1939-40, Budget.	1939-40, Revised.	1940-41, Budget.
Customs	40,51	40,85	43,94	39,16
Central Excise Duties	8,96	8,28	6,13	10,14
Corporation Tax	2,04	1,88	2,17	5,30
Taxes on Income other than Corporation Tax	15,24	14,68	15,92	17,20
Salt	8,12	8,35	9,00	8,20
Opium	51	49	49	47
Interest	74	63	73	61
Civil Administration	1,05	1,04	1,04	1,05
Currency and Mint	58	67	88	1,25
Civil Works	32	31	28	33
Receipts from Indian States	61	63	61	62
Other sources of revenue	2,02	1,79	1,93	1,80
Posts and Telegraphs :—				
Net contribution to general revenues	19	—1	36	37
Railways				
Net contribution to general revenues	1,37	2,13	3,61	5,31
<i>Deduct :—</i>				
Share of income tax revenue payable to Provinces	—1,60	—1,78	—2,79	—3,00
Total	80,40	79,72	84,80	88,81
<i>Add</i>				
Payments by Burma	3,00	2,96	2,90	2,92
Transfers from Revenue Reserve Fund	1,06	..	..	91
GRAND TOTAL	84,52	82,68	87,70	92,64

Notes on the revenue estimates.

Customs and Central Excise Duties.—The distribution of these estimates is shown in Statements II and III.

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

	1939-40, Budget.	1939-40, Revised.	1940-41, Budget.
Total taxes on income other than corporation tax	14,66	15,92	17,20
<i>Deduct :—</i>			
Portion attributable to taxes on emoluments of officers serving under the Central Government and to centrally administered areas	1,36	1,53	1,55
Share of cost of collection	65	63	65
Balance	12,65	13,76	15,00
<i>Add:—</i>			
Estimated contribution from Railways	2,13	..	..
Total	14,78	13,76	15,00
<i>Deduct :—</i>			
Amount to be retained by the Central Government under the Niemeyer award	13,00	11,36	12,00
Amount payable to Provinces	1,78	2,39	3,00
<i>Add:—</i>			
Previous year's arrears	..	41	..
Total	1,78	2,79	3,00

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

Interest.—The increase in the Revised is due to larger receipts from securities held in the Silver Redemption Reserve.

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

Other Sources of Revenue.—The estimates include a credit of Rs. 7 lakhs in Revised and Rs. 20 lakhs in Budget on account of fees charged by the Department of Supply on purchases made by it for the British Government. The Revised includes special credits of R.B. 8.5 lakhs on account of recoveries of certain losses from the Posts and Telegraphs Department and Rs. 6 lakhs on account of the sale of certain old Currency Buildings in Bombay. The Budget provides R.B. 6 lakhs less on account of receipts of the Stationery Department due to a Provincial Government making its own arrangements for its stationery and Rs. 5 lakhs less on account of Postal Cash certificates lapsing to Revenue.

STATEMENT II

Details of Customs Be venue.

	1038-39, Accounts.	1039-40, Budget.	1039-40, Revised.	1919-41, Budget.
SEA CUSTOMS—IMPORTS.				
Ala, beer, porter, cider and other fermented liquors .	36·15	36·00	30·00	7·00
Spirits and liqueurs	1,48·39	1,50·00	1,40·00	1,25·00
Wines.	10·13	11·00	8·00	8·00
Spices	19·02	20·00	30·00	21·00
Tea.	8·19	8·00	4·00	4·00
Tobacco	1,53·90	1,45·00	1,50·00	1,32·00
Kerosene oil.	3,55·65	3,68·00	3,35·00	3,70·00
Motor spirit	5,15·35	5,42·00	5,30·00	6,00·00
Oils, batoning, fuel and lubricating	40·50	43·00	45·00	40·00
Cotton, raw	62·23	1,35·00	1,00·00	1,00·00
Boots and shoes.	4·45	4·00	3·00	2·00
Motor cars, cycles, scooters, omnibuses, chassis, vans, lorries and parts thereof.	1,27·89	1,25·00	1,45·00	1,25·00
Electric lighting bulbs.	12·06	14·00	13·00	13·00
Wireless reception instruments and apparatus	14·83	13·00	21·00	18·00
Dyes derived from coal-tar and coal-tar derivatives	29·60	25·00	24·00	22·00
Machinery.	2,30·72	2,40·00	1,85·00	1,70·00
Iron and Steel	42·26	36·00	48·00	35·00
Silver bullion, coin, sheets, plates and other manufactures	29·57	33·00	1,55·00	35·00
Tin, block	7·10	8·00	12·00	8·00
Metals, other than iron and steel, silver and block tin	74·32	77·00	54·00	45·00
Railway plant and rolling stock.	16·25	18·00	14·00	14·00
Artificial silk yarn and thread	41·28	39·00	60·00	40·00
Wools and textile fabrics, others	91·52	90·00	66·00	60·00
Cinematograph films.	13·10	14·00	14·00	14·00
Portland cement excluding white Portland cement	1·06	2·00	1·00	1·00
Pneumatic rubber tyres and tubes	24·04	25·00	30·00	25·00
Toys, games and sports goods	17·48	18·00	17·00	15·00
Betelnuts	77·07	71·00	67·00	70·00
All other articles	9,37·37	9,10·00	8,80·00	8,10·00

1938-39, 1939-40, 1940-41.
Accounts. Budget. Revised. Budget.

SEA CUSTOMS—IMPORTS—contd.

II.—*Protective duties.*

Wheat and wheat flour	12.52	...	11.00	...
Broken rice	.01	...	8.00	..
	45.22	20.00	3,90.00	1,66.00
Heavy ohemicals	.15	.20	.15	.15
Iron and steel	58.83	55.80	41.85	30.85
Silver wire, thread and other manufactures	3.28	3.00	1.00	1.00
Paper and stationery.	21.22	21.00	15.00	15.00
Raw silk.	29.38	28.00	28.00	28.00
fitik yarn and thread.	17.00	12.00	8.00	8.00
-Cotton yarn and thread	32.04	30.00	30.00	28.00
.Cotton fabrics of British manufacture	24.96	1,90.00	62.00	55.00
Cotton fabrios not of British manu actor©	2,04.06	2,55.00	2,80.00	2,45.00
Silk fabrics	55.23	58.00	28.00	30.00
Cotton hosiery	8.57	9.00	6.00	6.00
Artificial silk fabrics	94.78	95.00	95.00	95.00
Fabrios of artificial silk mixed with other materials	18.00	21.00	14.00	12.00
Other textile manufactures	34.71	30.00	30.00	28.00
Matches, match splints and veneers	18.46	15.00	18.00	18.00
Wood pulp.	6.86	7.00	5.00	6.00
TOTAL IMPORTS	39,80.13	40,19.00	43,67.00	38,58.00

SEA CUSTOMS—EXPORTS.

Jute—

Raw	3,98.82	4,20.00	3,50.00	4,20.00
Manufactured	11.24	11.00	12.00	10.00
Aloe	4,10.06	4,31.00	3,62.00	4,30.00
TOTAL EXPORTS	4,10.06	4,31.00	3,62.00	4,30.00

Land Customs.	48.00	45.00	60.00	60.00
Miscellaneous.	12.69	12.00	14.00	12.00

TOTAL GROSS REVENUE

*Deduct—Refunds**Deduct—Share of Jute Export Duty assigned to Provinces*

NET REVENUE

44,51.43	45,07.00	43,08.00	43,27.00
1,49.88	1,81.98	1,90.00	1,66.00
2,51.00	2,61.00	2,16.00	2,41.00
40,50.53	40,65.00	43,02.00	39,10.00

STATEMENT III.

Details of Revenue from Central Excise Duties.

	1938-39, Accounts.	1939-40, Budget.	1939-40, Revised.	1940-41, Budget.
Motor spirit	1,24.70	1,15.00	1,05.00	1,50.00
Kerosene	67.85	66.00	50.00	60.00
Sugar	4,23.55	4,00.00	2,00.00	5,25.00
Matches	2,17.93	2,18.00	2,19.81	2,20.00
Steel ingots	38.15	38.00	40.00	45.00
Coal Cess	..	..	8.68	24.00
Miscellaneous	13	..	11	..
	<u>8,72.31</u>	<u>8,37.00</u>	<u>6,23.00</u>	<u>10,24.00</u>
<i>Deduct—</i>				
Refunds	6.58	9.00	10.00	10.00
	<u>8,65.73</u>	<u>8,28.00</u>	<u>6,13.00</u>	<u>10,14.00</u>

STATEMENT IV.

Details of Salt Revenue.

	1938-80, Accounts.	1939-40, Budget.	1940-41, Revised.	1940-41, Budget.
BBVENDE.				
Northern India	2,40·61	2,44·62	3,11·50	2,40·50
Madra	1,60·11	1,76·78	1,72·08	1,72·27
Bombay	1,73·78	1,84·19	2,04·60	1,86·28
Sind	11·21	6·92	18·18	6·60
Bengal	2,46·03	2,46·60	2,80·52	2,80·51
Orwa.	·01	...	..	..
England	·02	...	...	...
TOTAL RECEIPTS	8,40·95	8,68·31	9,85·35	8,45·45
Deduct—Refunds	28·70	23·31	34·84	29·46
Dedvit—Provincial Share	·31	...	...	...
NET REVENUE	8,12·04	8,35·00	9,50·00	8,20·00

The estimates are based on the following total consumption of duty-paid salt:—

	Maunder.
1938-39 (actuals)	5,10,55,000
1939-40 (budget)	5,27,00,000
1939-40 (revised)	5,40,00,000
1940-41 (budget)	5,20,00,000

STATEMENT V.

Details of Opium, Revenue and Expenditure.

	1936-37.	1937-38.	1938-39.	1939-40, Budget,	1939-40, Revised.	1940-41, Budget.
Medical opium	.11	.12	.11	.12	15	.14
Excise opium and miscellaneous (less refunds)	47.55	50.63	50.78	49.03	48.67	47.231
Total revenue (re- ceipts less refunds)	47.66	50.75	50.89	49.15	48.82	47.37
Purchase of opium	23.15	17.61	19.39	17.60	17.62	17.10
Other charges	5.67	6.87	6.17	8.03	7.67	7.97
Total expenditure	28.82	24.48	25.56	25.63	25.19	25.07
Net revenue	18.84	26.27	25.33	23.52	23.63	22.30

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.

	1938-39, Actuals.	1939-40, Budget.	1939-40, Revised.	1940-41, Budget.
(1) Surplus profits of the Reserve Bank (a)	19.56	20.05	4.71	23.53
(2) Profits from circulation of bronze and nickel com (b) .	16.93	27.13	57.92	69.86
(3) Other items (c) .	22.67	20.04	25.94	31.00
	58.16	67.22	88.57	124.39

(a) The estimates provide for the adjustment of Rs. 29 lakhs in the current year and Rs. 1.47 lakhs next year as Burma's share under the India and Burma (Burma Monetary Arrangements) Order.

(b) Since the outbreak of the War, there has been a large increase in the absorption of small coin which is expected to continue next year also. The estimates provide for the adjustment of Rs. 17.82 lakhs in the current and Rs. 18.98 lakhs next year as Burma's share of the net profit under the India and Burma (Burma Monetary Arrangements) Order.

(c) Owing to the increase in the note circulation due to the War larger supplies of note forms will be made by the Currency Note Press to the Reserve Bank and an increase in the receipts of the Press is anticipated on this account.

STATEMENT VII.

Expenditure Estimates, (a)

Demand or Appropriation.	Actuals, 1938-39.	Budget, 1939-40.	Revised, 1939-40.	Budget, 1940-41.
1. Customs	1,19.55	84.17	83.31	82.89
2. Central Excise Duties	45.77	44.17	41.73	55.80
3. Taxes on Income including Corpora- tion Tax	75.74	78.41	77.17	80.05
4. Salt	1,03.99	1,02.33	1,03.20	1,00.05
5. Opium	25.56	25.63	25.19	25.07
6. Provincial Excise	4.40	4.94	4.99	4.60
7. Stamps	16.80	17.67	20.38	24.57
8. Forest	8.46	8.60	8.45	9.48
9. Irrigation, Navigation, Embankment and Drainage Works (excluding Working Expenses)	10.04	9.70	9.59	10.74
10. Indian Posts and Telegraphs Depart- ment—				
Capital outlay charged to revenue	3.96	3.41	.74	— 34
11. Interest on Debt and other Obligations and Reduction or Avoidance of Debt.	14,12.29	12,65.66	12,26.34	12,11.13
12. Executive Council	6.06	6.18	6.32	6.13
13. Council of State	1.27	1.31	1.32	1.46
14. Legislative Assembly and Legislative Assembly Department	10.15	8.99	8.71	8.77
15. Home Department	28.31	27.67	27.62	28.25
16. Legislative Department	5.72	5.81	6.39	5.48
17. Department of Education, Health and Lands	8.73	8.72	8.48	8.02
18. Finance Department	15.93	16.93	16.93	18.86
19. Commerce Department	6.19	6.46	6.34	6.69
20. Department of Labour	5.37	6.85	6.89	5.98
21. Department of Communications	2.93	3.26	3.19	3.22
22. Central Board of Revenue	4.40	6.82	7.39	7.32
23. India Office and High Commissioner's establishment charges	40.32	39.27	42.75	41.72
Carried over	10,61.79	17,83.05	17,43.42	17,45.94

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

- (1) Token demands and demands relating to capital expenditure not 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.
- (4) Capital expenditure of the Posts and Telegraphs Department has been taken net.

Demand or Appropriation.	Actuals, 1938-39.	Budget, 1939-40.	Revised, 1939-40.	Budget, 1940-41.
Brought forward	19,61·70	17,83·06	17,43·42	17,45·94
24. Payments to other Governments, Departments, etc. on account of the administration of Agency Subjects and management of Treasuries	1·01	1·10	1·19	1·14
25. Audit	98·80	99·36	97·03	1,02·17
26. Administration of Justice	4·23	4·55	4·45	3·97
27. Police	1·78	1·79	4·45	6·09
28. Ports and Pilotage	27·40	22·58	22·96	23·82
29. Lighthouses and Lightships	9·19	9·23	8·19	8·39
30. Survey of India	23·85	22·93	21·38	25·92
31. Meteorology	20·01	20·78	20·39	21·66
32. Geological Survey	4·42	4·82	4·35	4·36
33. Botanical Survey	·73	·79	·76	·71
34. Zoological Survey	1·76	2·12	1·94	1·74
35. Archaeology	11·13	10·90	10·84	11·19
36. Mines	2·35	2·41	2·37	2·43
37. Other Scientific Departments	2·76	2·75	2·75	2·82
38. Education	6·73	6·59	6·55	6·39
39. Medical Services	9·31	10·73	9·38	10·82
40. Public Health	9·65	11·27	10·18	12·32
41. Agriculture	34·28	29·62	29·38	26·94
42. Imperial Council of Agricultural Research Department	9·05	8·77	8·67	8·50
43. Scheme for the improvement of Agricultural Marketing in India	4·82	4·49	4·34	5·21
44. Imperial Institute of Sugar Technology	2·52	..	..	..
45. Civil Veterinary Services	7·16	7·66	7·03	8·46
46. Industries	8·16	8·46	8·30	8·24
47. Aviation	29·84	39·54	34·10	59·08
48. Broadcasting	20·57	25·98	25·21	28·91
Carried over	23,13·38	21,42·25	20,90·21	21,37·22

Demand or Appropriation -	Actuals, 1938-39.	Budget, 1939-40.	Revised, 1939-40.	Budget, 1940-41.
Brought forward	23,13.38	21,42 25	20,90.21	21,37.22
50. Indian Stores Department	23.09	22.40	21.73	22.21
61. Commercial Intelligence and Statistics	7.25	8.40	7 89	8.20
62. Census	.07	1.56	1.24	12.31
53. Emigration—Internal	.10	.12	10	.13
64. „ External	3.16	3.31	3.32	3.41
65. Joint Stock Companies	1.44	1.58	1.58	1 60
56. Miscellaneous Departments	3.92	4.97	4.82	5.83
57. Currency	15.18	13.03	14.24	26.98
58. Mint	20.58	22.06	27.49	34 65
69. Civil Works	87.30	95.52	94.86	1,22.03
60. Central Road Fund	1,56.00	1 61.00	1,61 00	1,73.00
61. Superannuation Allowances and Pen- sions.	2,81.86	2,82.59	2,81.22	2,80.54
62. Stationery and Printing	53.31	48.36	54.23	37.99
63. Miscellaneous	17.07	14.17	20.01	24.34
64. Grants-in-aid to Provincial Govern- ments	3,04 72	3,04 16	3,04.16	3,03 01
65. Miscellaneous Adjustments between the Central and Provincial Governments.	1 61	1.62	1 61	1 62
66. Delhi	55 58	51.26	51 65	53 55
67. Ajmer-Merwara	18.14	19.30	32.24	36.85
68. PanthPiploda	.12	.13	.12	.12
69. Andamar and Nicobar Islands	32.84	37.49	36.68	38.88
Expenditure on retrenched personnel charged to revenue	.02	.05	..	..
Transfer to Revenue Reserve Fund	..	..	91.30	..
<i>Non-votea.</i>				
<i>Stiff, Household and Allowances of the Governor General</i>	<i>20 50</i>	<i>16 17</i>	<i>18.15</i>	<i>17.17</i>
<i>Secretariat of the Goiornor.General</i>	<i>.73</i>	<i>3.15</i>	<i>3 94</i>	<i>5 33</i>
<i>Federal Public Service Commission</i>	<i>4.52</i>	<i>4.53</i>	<i>4 82</i>	<i>4.63</i>
<i>Defence Department</i>	<i>5.83</i>	<i>6 63</i>	<i>6.10</i>	<i>6.10</i>
<i>Ecclesiastical</i>	<i>30.24</i>	<i>31.28</i>	<i>30.56</i>	<i>31.17</i>
<i>Payments to Crown Representative</i>	<i>1,26 04</i>	<i>1,32.67</i>	<i>1,43 00</i>	<i>1,39.14</i>
<i>Tribal Areas</i>	<i>1,99.20</i>	<i>1,87.44</i>	<i>1,93.83</i>	<i>2,01.80</i>
<i>External Affairs</i>	<i>63.87</i>	<i>63.63</i>	<i>65.82</i>	<i>67.38</i>
<i>Baluchistan</i>	<i>49.35</i>	<i>61 14</i>	<i>62.92</i>	<i>72.27</i>
<i>Defence Servicett (net)</i>	<i>46,18.00</i>	<i>45,18.19</i>	<i>49,29.91</i>	<i>53,52.18</i>
<i>Department of Supply</i>	<i>..</i>	<i>..</i>	<i>7.72</i>	<i>21.77</i>
<i>Miscellaneous expenditure connected with the War</i>	<i>..</i>	<i>..</i>	<i>8.76</i>	<i>14.24</i>
<i>Principal Supply Officers' Committee</i>	<i>.21</i>	<i>1.70</i>	<i>.82</i>	<i>..</i>
TOTAL	85,15.28	82,64 67	87,76 64	92,39.25

Notes on Expenditure Estimates.

Central Excise Duties.—The decrease in revised is due to less payments fco Indian States from the match excise pool. The budget provides Rs. 8 lakhs for payment to the Coal Mines Stowing Board of the net proceeds of the excise duty on coal or coke realised this year.

Taxes on Income.—The increase in budget is mainly due to the provision for certain staff previously provided for under the Central Board of Revenue.

Salt.—The decrease in the budget is due to less expenditure on manufacture and maintenance.

Stamps.—Additional provision has been made for the purchase of stores to maintain an adequate reserve.

Interest.—See Statement VIII.

Finance Department.—The increase in budget is mainly due to the expansion of the Military Finance Branch as a result of the war.

India Office and High Commissioner's establishment charges.—The increase in the revised is due to unforeseen expenditure on Air Raid Precautions and the non-realisation of a lump cut of Rs. 2 lakhs made in the budget in expectation of savings from the re-organisation of the Stores Department of the High Commissioner's Office.

Audit.—Budget provides for resumption of local audit curtailed as a measure of economy.

Police.—Additional police have had to be employed in the situation created by the War.

Survey of India.—Provision has been made in the budget for the normal working of the department and for the purchase of certain essential additional stores.

Agriculture.—The decrease in the budget is on account of reduced provision for payment to the Sugar Excise Fund.

Aviation.—The provision of Rs. 6 lakhs for purchase of shares in Transcontinental Airways was not utilised in the current year. The budget provides Rs. 25 lakhs for transfer to the Fund for the development of Civil Aviation.

Broadcasting.—The activities of All-India Radio have expanded as a result of the War and the opening of the Dacca and Trichinopoly Stations.

Census.—Budget provides for the carrying out of the Census enumeration due to be held in 1941.

Currency.—Additional stores and paper have to be purchased next year to maintain an adequate reserve in war time and to meet the increased demand for note forms.

Mint.—The additional expenditure is due to the increased demand for small coin as a result of the War.

Civil Works.—The budget provides for maintenance on a normal scale and for increased expenditure on works in progress.

Central Road Fund.—The budget provides for the credit of Rs. 5.6 lakhs carried over from the current year in addition to the amount based on the estimated receipts from duties on motor spirit.

Stationery and Printing.—Additional paper has to be bought in the current year to maintain an adequate reserve in war time. The budget for next year provides for ordinary requirements.

Miscellaneous.—The revised estimate provides Rs. 3 lakhs for meeting loss by exchange and Rs. 4 lakhs for grants in connection with Air Raid Precautions. The budget includes a special grant of Rs. 5 lakhs for the development of Simla and Rs. 5 lakhs for grants in connection with Air Raid Precautions.

Grants-in-aid to Provincial Governments.—See Statement X.

Delhi.—Budget provides for a grant of Rs. 2·5 lakhs for the development of Delhi University.

Ajmer-Merwara.—The additional expenditure is mainly on famine relief.

Andaman and Nicobar Islands.—The increase in the budget is mainly due to additional expenditure on forests. An increase in the demand for timber etc. is anticipated as a result of the War.

Secretariat of the Governor-General.—The Defence Co-ordination Secretariat has been expanded as a result of the War.

Payment to Crown Representative.—The increase in the revised is mainly due to the creation of a Crown Police Force and to increased expenditure owing to the disturbances in the States in Eastern India. The increase in the budget as compared with the current budget is due to the maintenance of the new Police Force and to additional expenditure on pensions.

Tribal Areas.—The increase in expenditure is due to the disturbed conditions on the Frontier. The budget includes the usual contribution of Rs. 5 lakhs to the Fund for Frontier Development and an arrear contribution of Rs. 4 lakhs relating to the current year.

External Affairs.—The increased expenditure is due to the War.

Baluchistan.—Budget provides for increased expenditure on Quetta reconstruction and ordinary Civil works.

Defence Services.—See Statement XVIII.

Department of Supply.—The Department has been created for co-ordinating the purchase of war supplies.

Miscellaneous expenditure connected with the war.—The appropriation covers expenditure on the various special organisations set up directly as a result of the War, the internment of enemy subjects, the repatriation of Indian seamen, payments to Provincial Governments for special expenditure incurred by them and other miscellaneous war expenditure.

Principal Supply Officers Committee.—This has been merged in the Department of Supply.

STATEMENT VIII.

Interest Payments.

	Accounts, 1938-39.	Budget, 1939-40.	Revised, 1939-40.	Budget, 1940-41.
GROSS PAYMENTS.				
4. — <i>Interest on Ordinary Debt—</i>				
(i) Rupee Debt—				
(a) Management of debt	8.75	8.85	8.75	8.85
(6) Discount on Treasury Bills	68.61	70.40	1,02.56	1,12.19
(c) Discount and premium written off to revenue	73.11	71.75	78.28	68.10
(d) Interest on temporary loans	2.71	2.00	1.50	2.00
(e) Interest on all other loans	17,39.76	16,99.46	16,87.97	16,29.36
(f) Other items	2.19	.12	1.39	.15
(ii) Sterling Debt—				
fa) Interest on loans contracted in England	13,00.97	12,99.95	12,99.11	12,82.26
(b) Interest on railway annuities	1,81.29	1,71.78	1,71.78	1,61.95
(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	11.79	11.80	11.80	11.78
(e) Other items	45.99	51.68	49.53	53.39
Exchange	8.96	..	5.72	..
Total	35,57.46	35,01.22	35,11.83	34,41.46
B.—Interest on Unfunded Debt and other Obligations—				
Bonus on Post Office Cash Certificates	3,34.55	2,25.00	1,77.00	1,75.00
Post Office Savings Bank Deposits	1,41.55	1,27.00	1,18.32	1,17.09
State Provident Funds	2,71.35	2,80.71	2,82.13	2,92.64
Service Funds	42.72	22.21	22.21	20.78
Railway Depreciation Fund	1,03.13	1,25.81	1,24.70	1,47.24
Railway Reserve Fund	..	..	..	6.50
Posts and Telegraphs Renewals Reserve Fund	9.05	8.87	8.93	8.79
Other items	1,14.74	1,16.49	1,16.43	1,16.74
Total	10,17.09	9,05.56	9,49.72	8,84.78
Gross payments	45,74.55	44,06.81	43,61.55	43,26.24
C.—Transfers—				
Deduct—Amounts transferred to—				
Railways	28,14.80	27,08.47	27,94.45	27,84.53
Irrigation	7.38	7.43	7.22	7.13
Posts and Telegraphs	73.47	74.64	73.06	69.85
Commutation of Pensions	24.50	23.77	23.70	22.91
Other heads	6.84	6.62	6.53	6.68
Provincial Governments	5,35.47	5,30.22	5,30.25	5,24.21
Total deductions	34,62.26	34,41.16	34,35.21	34,15.11
Net interest payments	11,12.29	9,65.66	9,26.34	9,11.13

NOTE.—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 4.54 percent, for 1939-40 and 4.45 per cent, for 1940-41.

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 Certificates Bonus Fund.
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	2,08	+ 22
1932-33 . . .	55,64	94	2,20	+ 1,26
1933-34 . . .	63,71	1,03	2,60	+ 87
1934-35 . . .	65,98	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 . . .	60,21	5,46	4,31	— 1,15
1938-39 . . .	59,57	3,35	3,35	..
1939-40 (budget) . .	59,09	2,25	2,25	..
1939-40 (revised) . .	56,94	1,78	1,77	— 1
1940-41 (budget) . .	55,44	1,75	1,75	..

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 amount 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

STATEMENT X.

Grants-in-aid to Provincial Governments.

	1938-39, Actuals.	1939-40, Budget.	1939-40, Revised.	1940-41, Budget.
United Provinces . . .	25·00	25·00	25·00	25·00
Assam	30·00	30·00	30·00	30·00
North-West Frontier Province	1,00·00	1,00·00	1,00·00	1,00·00
Orissa	43·00	43·00	43·00	43·00
Sind	1,05·00	1,05·00	1,05·00	1,05·00
Coorg	1·72	1·16	1·16	·61
	3,04·72	3,04·16	3,04·16	3,03·61

STATEMENT XI.

Distribution of Expenditure between Voted and Non-voted.

	Budget, 1636-40.				Budget, 1940-41,			
	Voted.	Non-voted.	Total.	Per- cent- age of voted to total.	Voted.	Non-voted.	Total.	Per- cent- age of voted to total.
Expenditure charged to revenue	93,30	1,09,10	2,02,46	46·1	1,00,80	1,14,56	2,15,36	46·8
Expenditure not charged to		9	5,01	98·2	4,53	8	4,61	98·3
Total	98,22	1,09,25	2,07,47	47·3	1,05,33	1,14,64	2,19,97	47·9

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

STATEMENT XII.

Ways and Means Estimates.

	Budget, 1989-40.			Revised, 1939-40.			Budget, 1940-41.		
	India.	England.	Total.	India.	England.	Total.	India.	England.	Total.
Excess of Revenue over Expenditure	23,52	-22,74	3	15,26	-22,26	...	26,04	-22,22	5
New Loan.	...	...	...	15,72	...	15,72	...	...	...
Treasury Bills issued (cet)	-6,00	...	-6,00	1,00	...	1,00	-2,00	...	-2,00
Post Office Cash Certificates (net)	-50	...	-50	-2,53	...	-2,53	-1,56	...	-1,56
Post Office Savings Bank Deposits (net)	5,02	...	5,02	-4,12	...	-4,32	3,17	...	3,17
Other Unfunded Debt (net)	3,73	-7	3,66	2,00	-7	2,80	3,51	-9	3,42
Discount Sinking Fund	72	46	1,18	21	46	67	66	42	1,16
Reduction or Avoidance of Debt	3,00	...	3,00	3,00	...	3,00	3,00	...	3,00
Railway Depreciation Fund	6,33	...	6,33	5,50	...	5,50	5,44	...	5,44
Railway Reserve Fund	...	...	...	...	...	...	2,90	...	2,90
Posts and Telegraphs* Renewals Reserve Fund	1	...	1	2	...	2	...	...	...
Telephone Development Fund	-35	...	-35	-23	...	-23	-14	...	-14
Defence Reserve and Equalisation Funds	-1,05	...	-1,05	...	...	...	...	...	...
Defence Modernisation Fund	...	...	...	-4,53	4,53	...	-5,40	5,40	...
Revenue Reserve Fund	...	...	...	91	...	91	-81	...	-81
Other Deposits and Advances (net)	2,24	-2,38	-14	-2,24	12,11	9,89	-16,06	17,57	2,51
TOTAL	41,97	-30,78	11,19	37,63	-6,18	32,46	18,02	-6,62	11,40
Opening Balance	8,54	84	9,47	12,37	76	13,13	7,84	76	8,59
GRAND TOTAL	50,50	-29,94	20,56	50,00	-4,42	45,58	25,86	-3,87	19,99
Capital Outlay—									
Railways	2,06	2,09	4,75	1,52	2,56	4,24	2,54	1,40	4,25
Posts and Telegraphs	18	...	18	3	...	3	3	1	9
Civil	...	...	...	10	...	10	16	...	16
Commutation of Pensions	-23	13	-10	-22	13	-9	-24	13	-13
Discharge of Permanent Debt	13	3,04	3,17	22,76	8,26	29,02	-3,41	6,74	3,53
Civil Aviation	17	...	17	14	...	14	-2	...	-2
Economic development and improvement of rural areas	36	...	36	26	...	26	31	...	31
Broadcasting	7	...	7	7	...	7	6	...	6
Development in tribal areas in the N. W. F. P.	...	...	...	2	...	2	-12	...	-12
Loans to public (net)	-46	...	-46	-59	...	-59	-13	...	-13
Payments to Reserve Bank for Surplus Silver	5,00	...	5,00	5,00	...	5,00	5,00	...	5,00
Transfers through Reserve Bank (net)	38,84	-38,64	...	16,13	-14,12	...	15,10	-15,10	...
Provincial requirements (net)	-1,18	...	-1,18	-1,35	...	-1,35	-1,27	...	-1,27
TOTAL	42,71	-30,78	11,93	42,10	-5,17	36,93	18,14	-6,62	11,52
Closing Balance	7,89	81	8,78	7,84	76	8,60	7,72	76	8,47
GRAND TOTAL	50,60	-29,91	20,69	50,00	-4,42	45,58	25,86	-3,87	19,99

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.	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 -.
1927-28	71,13	3,01	68,12	5,92	3,07	1,90	7,63	14	3,78	85,55	10,57	5,04	—2,04	54,79	16,99	20	86,55	...
1928-29	74,77	3,14	71,63	4,53	3,73	2,17	2,80	30	3,11	82,28	10,30	5,43	—73	58,10	17,42	16	87,07	—32
1929-30	74,99	3,26	71,74	5,24	2,55	2,00	3,40	1,00	3,38	91,20	10,85	6,74	..	55,10	18,11	13	90,98	+27
1930-31	80,76	3,23	80,54	4,03	1,79	27	3,39	99	3,13	90,11	11,28	6,14	16	54,30	19,09	15	91,73	—11,65
1931-32	74,68	3,06	69,62	—1,00	1,23	1,02	3,41	21	3,36	77,29	12,83	5,89	3	61,76	16,03	—40	88,04	—11,75
1932-33	79,91	3,17	76,74	—45	0	1,65	1,88	2	2,04	82,64	11,61	6,84	16	49,74	15,89	5	81,38	+1,53
1933-34	72,97	3,81	69,16	—66	68	74	1,63	33	2,73	75,43	9,29	3,00	(4) 2,19	44,43	15,85	6	74,90	+63
1934-35	78,06	3,81	74,25	83	37	75	2,01	4,72	60,78	10,25	3,00	0 12,56	44,24	18,93	3	80,29	+36	
1935-36	77,35	3,84	73,51	—4	27	75	97	...	2,73	78,29	10,60	3,00	(2) 2,72	44,96	17,03	1	78,19	...
1936-37	74,96	3,77	71,19	—1	19	51	97	1	3,13	75,71	9,56	3,00	19	45,46	19,26	4	77,50	—1,79
1937-38	75,14	3,29	69,85	3,25	26	58	59	3,93	2,93	81,19	12,48	2,52	3	47,35	18,77	4	81,19	...
1938-39	72,34	3,76	68,58	1,47	25	22	74	4,06	3,16	76,40	11,13	3,00	1	46,18	18,78	4	79,13	—61
1939-40 (budget)	71,26	3,42	67,84	2,02	24	32	83	2,90	2,93	76,95	9,08	3,00	2 (4)	46,18	18,03	3	78,92	+3
1939-40 (revised)	73,57	3,40	70,17	4,38	23	47	73	3,10	2,92	82,00	9,26	3,00	1,11	49,29	19,33	1	82,00	...
1940-41 (budget)	70,11	3,58	72,59	5,53	22	63	61	4,03	2,76	88,36	9,11	3,00	41	53,52	20,27	...	86,31	+3

(a) Excludes share of additional revenue from import and excise duties on motor spirit payable to Road Development Fund from 1928-28.

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

(c) Includes 232 transferred to the Rural Development Fund.

(d) Includes 134 transferred to the Revenue Reserve Fund, 45 for buildings in Onesa and Sind, and 43 for expenditure in connection with the Quetta earthquake.

(e) Includes 91 transferred to Revenue Reserve Fund.

STATEMENT XIV.

Analysis of Tax Revenue, included in Statement XIII.

Year	Revenue from Customs,	Revenue from Central Excise Duties.	Cost of Collection (a).	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.
1927-28	48,22		85	15,06	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	3,2	71,74
1930-31	46,81		93	16,00	75	6,83	1,26	1,10	28	70,71	98	69,76	3,22	66,54
1931-32	46,44		96	17,49	74	8,68	1,16	1,00	26	73,40	1,02	72,58	3,06	69,52
1932-33	51,95		98	17,97	76	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	52,35		1,17	17,07	91	8,43	1,19	89	37	78,64	1,39	77,35	3,64	73,71
1936-37	51,45		1,12	15,34	89	8,51	1,08	82	38	76,42	1,45	74,96	3,77	71,19
1937-38	43,11	7,66	1,18	4,58	75	8,39	1,06	81	30	74,55	1,41	73,14	3,29	69,85
1938-39	40,51	8,56	1,65	15,78	76	8,12	1,04	93	30	73,90	1,56	72,34	3,75	68,59
1939-40 (budget)	40,65	8,28	1,28	14,76	79	8,35	1,02	83	33	72,87	1,61	71,26	3,42	67,44
1939-40 (revised)	43,94	6,13	1,25	15,30	77	9,00	1,03	81	35	75,18	1,61	73,57	3,40	70,17
1940-41 (budget)	39,16	10,14	1,39	19,50	80	8,20	99	84	40	77,84	1,73	76,11	3,58	72,53

(a) Figures from 1938-39 include the amount payable to the Indian States in respect of match excise revenue-

STATEMENT XV.

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Analysis of Interest Payments, included in statement XIII.

Year.	Interest on unfunded debt and other obligations.										Amounts transferred to						Total interest payments (net).
	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.	
1927-28	37,467	23	87	2,21	10	48	33	3	95	5,20	25,75	12	62	5,46	14	32,00	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	88	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	12,33
1932-33	43,56	2,20	1,15	3,38	13	..	73	14	1,00	8,73	31,57	2	83	8,01	25	40,58	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	4,06	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	35,46	4,31	1,46	2,82	08	..	81	14	1,12	11,14	28,08	8	72	4,93	31	34,13	12,48
1938-39	36,57	3,35	1,42	2,71	43	..	1,03	9	1,14	10,17	28,15	7	74	5,35	31	34,63	11,12
1939-40 (budget)	35,01	2,25	1,27	2,81	22	..	1,25	9	1,17	9,06	27,98	8	75	5,30	30	34,41	9,66
1939-40 (revised)	35,12	1,77	1,18	2,82	22	..	1,25	9	1,16	8,49	27,94	7	73	6,30	31	34,35	9,26
1940-41 (budget)	34,41	1,75	1,17	2,93	21	8	1,47	9	1,17	8,85	27,85	7	70	5,24	29	34,15	9,11

EXPLANATORY MEMORANDUM : GENERAL BUDGET.

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.
1927-28	.	.	.	.	31	11,21	..	2,80	26	85	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	..	2,99	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	1,16	1	..	18,03
1932-33	.	.	.	.	23	9,69	..	3,05	35	72	4,12	11	75	3	06	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	17,03
1936-37	.	.	.	.	19	11,27	..	2,89	40	61	3,90	5	1,05	1	2,78	19,26
1937-38	.	.	.	.	20	10,44	..	2,83	43	58	3,84	7	1,09	—3	3,16	18,77
1938-39	.	.	.	.	23	10,90	..	2,62	53	27	3,62	1	96	..	3,06	18,78
1939-40 (budget)	.	.	.	.	23	11,04	..	2,81	48	21	3,50	2	1,17	1	3,06	19,03
1939-40 (revised)	.	.	.	.	22	11,13	16	2,81	54	26	3,77	..	1,15	..	3,06	19,33
1940-41 (budget)	.	.	.	.	24	11,81	16	2,80	38	32	3,66	..	1,50	1	3,06	20,27

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

EXPLANATORY MEMORANDUM : GENERAL BUDGET.

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.	Asm culture.	Veterinary.	Co-operation.	Industries.	Broadcasting.	Aviation.	Indian Stores Department.	Miscellaneous Departments.	Total.
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	8	29	13,34
1931-32	1,98	1,01	16	39	88	26	11	30	1,84	..	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	9,59
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	1,55(a)	..	2,31	..	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	1,87	99	8	24	31	26	9	27	..	1,05	2,15	57	68	24	24	21	47	9	1	8	14	22	23	15	10,44
1938-39	1,87	99	10	24	29	27	9	30	..	1,26	1,99	64	67	24	22	14	52	8	1	8	21	30	23	16	10,90
1939-40 (budget)	1,90	99	10	28	29	23	9	31	..	1,33	1,87	64	68	24	23	15	44	9	1	9	26	40	22	20	11,04
1939-40 (revised)	1,95	98	10	28	32	23	8	30	..	1,43	1,84	66	65	24	22	13	44	8	1	9	25	34	22	19	11,13
1940-41 (budget)	1,94	1,02	10	29	35	24	8	31	..	1,39	2,02	67	71	27	23	16	42	10	1	8	29	39	22	32	11,81

(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.

STATEMENT XVIII.

Analysis of Defence Service Receipts and Expenditure.

	Accounts, 1938-39.	Budget, 1939-40.	Revmed, 1939-40.	Budget, 1940-41.
	Rs.	Rs.	Rs.	Rs.
EXPENDITURE.				
58.—Defence Services—Effective.				
1. Normal cost of Defence Services—Effective	43,74,44,602	46,22,85,000	(a)36,76,63,000	(a)36,76,63,000
2. Lump provision for increase in prices	.	..	(a)25,00,000	(a)2,00,00,000
3. War Emergency 1939	.	..	3,85,91,000	6,59,16,000
Total	43,74,44,602	46,22,85,000	40,87,54,000	45,35,81,000
59.—Defence Services—Non-Effective.				
1. Army	8,41,46,337	8,46,88,000	8,04,04,000	8,47,81,000
2. Air Forces	5,33,498	5,85,000	79,000	3,19,000
3. Royal Indian Navy	10,08,359	10,35,000	9,95,000	10,14,000
Total	8,56,88,194	8,62,88,000	9,04,78,000	8,61,14,000
60.—Transfers to or from Defence Reserve Fund	—24,42,641	—92,47,000	..	..
Total Expenditure	52,06,90,156	53,93,26,000	49,92,32,000	53,96,95,000
RECEIPTS				
XLVII.—Defence Services—Effective	5,43,16,294	8,29,89,000	..	..
XLVIII.—Defence Services—Non-Effective	45,73,861	45,37,000	63,41,000	44,77,000
Total Receipts	5,88,90,155	8,75,26,000	63,41,000	44,77,000
Net Expenditure	46,18,00,000	45,18,00,000	49,28,91,000	53,52,18,000

(a) Net lump sum provision.

Note.—The details in this statement do not agree with those given in the Budget Statements, as the figures have been recast in, a different form.

STATEMENT

Posts and

	Post Office.				Telegraphs.			
	Accounts, 1938-39.	Budget, 1939-40.	Revised, 1939-40.	Budget, 1940-41.	Accounts, 1938-39.	Budget, 1939-40.	Revised, 1939-40.	Budget, 1940-41.
Gross Receipts—								
(i) Postage and Message Revenue	5,94,42	6,86,78	7,20,31	7,17,68	1,75,82	1,80,24	2,14,15	2,01,04
(ii) Miscellaneous Revenue	1,18,32	1,16,84	1,18,17	1,18,01	67,22	66,02	65,72	65,75
Total	8,12,74	8,03,12	8,39,48	8,36,59	2,43,04	2,46,26	2,79,87	2,66,79
Expenditure—								
Working Expenses	7,06,22	7,13,62	7,10,86	7,30,60	91,21	92,40	91,46	95,58
(Abstracts J. K. L. & M.)—								
C. General Administration	6,18	6,16	6,03	6,42	10,13	10,57	8,90	10,50
D. Account and Audit	17,13	15,87	17,04	17,00	6,56	6,52	6,00	6,60
E. Control-Circle offices	25,15	26,50	24,47	25,72	6,73	6,62	6,73	7,07
F. Engineering Expenses					34,91	38,38	34,75	37,09
G. Pensionary charges	88,56	87,04	87,58	87,48	23,48	24,02	25,42	25,27
H. Stamps, Postcards, Printing and Stationery	27,23	28,36	27,27	30,21	3,60	3,06	3,54	3,67
I. Maintenance of Assets, including Petty Works	4,57	6,12	5,64	8,36	10,69	13,46	13,09	16,20
N. Contribution to Renewals Reserve Fund	2,45	2,40	2,31	2,31	16,18	16,88	13,83	13,83
S. Repayment of losses					8,50	8,50	8,50	
Interbranch Adjustments	-37,93	-38,33	-43,00	-42,86	+28,96	+24,36	+32,23	+32,07
O. Deduct credits to working expenses	67,15	65,77	66,75	64,12	7,48	13,04	8,74	6,79
Net Working Expenses	7,06,41	7,05,96	7,78,06	8,01,21	2,38,52	2,28,72	2,38,40	2,41,49
Net Receipts	40,33	17,18	66,43	86,38	9,52	17,54	43,47	25,30
Expenditure charged to Revenue—								
Interest	11,06	10,56	10,85	8,49	47,29	49,07	48,78	48,78
Net Profit (+) or loss (—)	+36,28	+6,60	+56,69	+26,59	-37,77	-31,53	(—) 3,31	(—) 21,48
Capital outlay charged to Revenue—								
Postal	4,15	3,41	2,57	53	..	..	..	..
Capital outlay not charged to Revenue	..	..	..	..	18,70	28,41	(a) 17,33	(b) 10,59

(a) Includes 6,85 for outlay on trunk lines

(b) Includes 2,24 for outlay on trunk lines

(c) Includes 16,43 for Telephone projects

(d) Includes 11,55 for Telephone projects

(?) Includes —91 un account of difference between opening and closing balances under ' Stores and met from Telephone

(f) Figures are *net*, i.e., excluding

XIX.

Telegraphs.

Accounts, 1938-39.	Telephones.			Account*, 1938-39.	Radios.			Accounts, 1938-39.	Total.		
	Budget, 1939-40.	Revised, 1939-40.	Budget, 1940-41.		Budget, 1938-40.	Revised, 1939-40.	Budget, 1940-41.		Budget, 1939-40.	Revised, 1939-40.	Budget, 1940-41.
1,00,73	1,01,95	1,16,94	1,19,49	1,89	1,76	1,81	1,86	8,72,13	8,68,78	8,36,27	9,20,28
1,00,73	1,01,95	1,16,94	1,19,49	9,20	8,92	10,22	10,98	2,95,47	2,93,23	3,12,06	3,16,13
23,08	24,36	23,98	25,20	6,68	6,04	6,44	6,38	6,26,14	8,37,32	8,82,69	8,57,94
9,35	7,02	7,76	7,84	1,55	1,58	1,59	1,59	27,21	25,82	24,97	26,35
1,13	1,23	1,16	1,26	36	36	37	36	26,16	29,99	25,15	25,42
1,16	1,21	1,21	1,27	27	27	26	28	33,31	35,00	32,67	34,84
7,91	8,02	8,41	8,31	64	76	1,15	1,64	43,46	45,18	44,31	48,04
4,70	4,92	5,13	5,24	1,12	1,17	1,19	1,19	1,12,88	1,17,13	1,19,32	1,19,16
72	58	67	72	20	19	19	20	31,81	32,19	31,67	35,00
8,69	8,23	8,49	10,00	1,04	1,00	1,06	1,55	24,99	28,31	26,30	36,11
4,04	4,24	5,76	6,76	46	53	1,15	1,15	23,13	23,06	23,06	23,08
+ 11,68	+ 11,67	+ 13,39	+ 13,40	- 2,71	- 2,69	- 2,62	- 2,61	8,50	8,50	8,50	...
8,36	6,66	6,35	4,29	41	95	86	1,38	61,40	66,43	81,70	76,64
66,06	64,82	69,66	75,74	9,19	9,17	9,92	10,35	10,76,17	10,88,67	10,86,93	11,22,79
34,68	37,13	47,38	43,75	1,90	1,51	2,11	2,29	92,48	73,84	1,69,39	1,06,72
18,63	13,23	13,83	12,68	1,48	1,75	1,68	1,83	73,45	74,61	73,04	69,63
+ 21,06	+ 23,90	+ 38,55	+ 31,07	+ 42	- 24	+ 53	+ 61	+ 16,98	- 1,27	+ 86,36	+ 57,09
...	...	...	...	...	...	...	...	4,15	3,41	(f) 74	(f) - 34
16,69	20,35	(c) 18,54	(d) 11,80	7,92	3,64	2,92	4,01	30,31	52,40	36,79	(e) 26,67

to be met from Telephone Development Fund,

to be met from Telephone Development Fund.

to be met from Telephone Development Fund.

to be met from Telephone Development Fund.

Manufacture Suspense Accounts', —13 on account of Extraordinary Receipts on Capital Account and 13,79 Development Fund.

receipts on Capital account.

STATEMENT XX.

Interest-bearing obligations of the Government of India,

(In crores of rupees.)

	1935-36.	1936-37.	1937-38.	1938-39.	1939-40, Revised Estimate.	1940-41, Budget Estimate.
<i>In India—</i>						
PUBLIC DEBT,						
Loans	425.32	437.33	438.40	437.87	431.05	434.65
Treasury Bills	32.13	28.54	38.01	46.30	47.30	39.30
Total—Public Debt.	457.45	465.87	476.41	484.17	478.35	473.95
UNFUNDED DEBT.						
Service Funds	1.15	1.11	1.07	1.03	.97	.93
Post Office Savings Bank	87.26	74.68	77.55	81.58	77.50	80.73
Post Office Cash Certificates	65.98	64.40	60.21	59.57	58.94	55.44
State Provident Funds	88.29	70.62	69.68	72.46	75.01	77.98
Other items	8.78	9.12	9.65	10.19	10.66	11.24
Total—Unfunded Debt	229.86	219.93	218.16	225.13	221.14	226.32
DEPOSITS.						
Depreciation Reserve Funds	13.24	19.82	22.78	27.34	32.97	41.65
Provincial Balance	4.93	1.00	..	..	..	..
Total—Deposits	18.17	20.82	22.78	27.34	32.97	41.65
Total—Obligations in India	704.98	706.62	717.35	736.64	732.46	741.92
<i>In England—</i>						
PUBLIC DEBT.						
Loans	423.68	400.96	396.75	396.51	393.05	389.21
War Contribution	22.29	22.29	20.62	20.42	20.62	20.62
Capital portion of Annuities created in purchase of Railways	55.67	53.15	50.52	47.82	45.02	42.12
Total—Public Debt	501.64	476.40	467.89	464.95	458.69	451.95
UNFUNDED DEBT						
Service Funds	1.70	16.67	11.92	4.18	4.11	4.03
Total—Obligations in Eng land	503.34	493.07	479.81	469.13	462.80	455.98
Grand Total	1,208.32	1,199.69	1,197.16	1,205.77	1,195.26	1,197.90

NOTES.

- (a) The outstandings at the end of each year are shown in the statement.
 (6) Sterling obligations have been converted into Rupees at 1s. 6d. the rupee.

