PROOF

Budget, 1949-50

Finance Minister's Speech

28th February, 1949

SIR,

I rise to present the Budget for 1949-50.

Review of Economic Conditions

2. Although this is the fourth year since the cessation of ıostilities, the return of normal conditions, without which it 's impossible to expand production and develop trade, seems till as far off as ever. Over large parts of the world, conlitions remain disturbed and the progress of recovery from he ravages of the war is painfully slow. In Europe the mpasse in Berlin, the civil war in Greece and the emergence f two rival camps among the countries that fought the war s allies are symptomatic of the abnormal conditions which till prevail. The Palestine question, which is a serious hreat to peace and stability in the Middle East, is still unolved. Nearer home, the continuance of civil strife in China, the disturbances in Burma, which concern us deeply in view of our close economic ties with that country and the arge interests our nationals have in it, and the unprovoked ıssault of the Dutch on the Indonesian Republic, all these etard the economic recovery not merely of this largely underdeveloped area of the globe but of the whole world. Prosperity, like peace, is indivisible and while these conflicts are going on in various parts of the world involving a tragic waste of men and material, the common man in all countries, particularly the less developed countries, continues to pay a heavy price in want and suffering.

3. In our own country, as in most other countries in the post-war period, the major problem has been that of keeping the inflationary trends under control. It is not necessary for me to dilate on the causes of the emergence of these trends since the end of the war. While as a result of the war the purchasing power in the hands of the community increased considerably; the available supply of commodities in the post-war period was not sufficient to meet the increasing demand for them. The shortage of essential commodities, particularly food and clothing, aggravated the situation owing to the rise in the money income of some sections of the community who in the past never competed for food and consumer goods on the same scale. Difficulties in transport and distribution accentuated the shortages while the partition last year and the economic dislocation caused over considerable parts of the country by the movement of population between the two Dominions made the position worse. A steady rise in prices occurred throughout 1947 the general index number of whole sale prices rising from 290·5 at the beginning of the year to 314·2 at the end of December. In the first seven months of 1948 there was a further steep rise in prices, the index number of wholesale prices rising by as much as 76 points to 390·1. Since then the prices have slightly dropped and as a result of the various measures taken by Government prices have remained more or less steady.

4. The answer to the problem of inflation and high prices is to increase the supply of commodities to meet the existing demand and until this position is reached to control the distribution of the available supply of the essential commodities. In the matter of food the supply position still continues to be difficult and last year owing to the poor crops in certain parts of the country we have had to import 2·8 million tons from overseas at a cost of Rs. 130 crores against an estimated import of 2 million tons at a cost of Rs. 110 crores. The position is expected to be still more difficult this year owing to the floods in Bihar and the United Provinces, the

damage caused by the recent cyclone in Bombay and the outbreak of famine in parts of Gujerat, Saurashtra, Rajasthan and Cutch and imports may amount to 4 million tons. As the House is aware, it has already been decided to re-introduce food control and it is hoped that this will secure an equitable supply of food grains throughout the country at fair prices. In respect of other commodities the position in regard to internal production has, I am glad to say, been encouraging in recent months although it has not been possible in many cases to reach the peak production of the war years or the target that has been set. Last year the production of coal at 29·73 million tons and of steel at 854,000 tons just fell short of the production in the previous year while the production of salt rose from 49·6 million maunds to 59·3 million maunds, of cotton yarn from 1,315 million lbs. to 1,442 million lbs., of cloth from 3,816 million yards to 4,338 million yards, of art silk fabrics from 85 million yards to 114 million yards, of plywood from 28·6 million sq. feet to 38·63 million sq. feet and of soap from 80,000 tons to 190,000 tons. The flow of raw materials to industry has also improved with the improvement in the transport position while with the relaxation of import controls there has been a larger flow of imported goods. Production has been greatly assisted by the occurrence of fewer strikes and labour disputes. If the present favourable trends in production continue, I have no doubt that it will be possible not merely to arrest the rise of prices but to bring them down gradually.

5. The state of the capital market in the year under review has been a matter of concern to Government. While there is obviously a large amount of money in the country competing for the limited supply of goods, the investment market has been stagnant and there has been little flow of money into Government loans or into industrial concerns. This stagnation is due in large measure to the prevailing uncertainty in regard to matters affecting industrial development and prospects. My own view is that with the huge

potential demand in this country for both consumer and capital goods, there is bound to be for many years a wide field for private enterprise and that in this matter no one who invests money is taking a greater risk than in any other country in the world.

6. As I mentioned a while ago, the fight against inflation has been one of Government's main pre-occupations this year. As Honourable Members are aware, Government consulted various interests and sections of public opinion regarding the measures necessary to deal with this situation. In a matter of this kind, it is obviously not possible to expect complete unanimity of opinion as to either the causes of inflation or the remedies to be adopted. But it was clear that immediate action should be taken to prevent, as far as possible, the further creation of purchasing power in the hands of the community and to take all steps possible to stimulate production and instil a spirit of confidence in industry. With this end in view, in the field of taxation additional duties on certain articles of luxury such as liquor, tobacco, motor cars, silk and art silk frabrics were imposed and an excise duty on super fine cloth was levied. Power was taken to make provisional assessments of income-tax on the basis of returns submitted by the assessees. A system of interest bearing deposits for income-tax introduced in 1943 was also revived and it was decided to postpone for a further period of three years the refund of deposits of Excess Profits Tax except for approved purposes. A temporary limit was also placed on the amount that may be distributed as dividend by public companies, by an Ordinance, the enactment of which into law is now under consideration by the House. Among measures taken to stimulate industrial production, I would mention the reduction in the import duty on machinery and certain industrial raw materials and the abolition of the import duty on cotton yarn. New industrial undertakings commencing production in the next three years have been given exemption from income-tax for the first five years up to a limit of six per cent. per annum on their capital. The rules regulating depreciation allow-

ances have also been liberalised. In the field of Governmental expenditure a rapid review was conducted of all capital and development schemes including the Provincial schemes. As a result the total provision for capital and development schemes and loans has been substantially reduced. It was also made clear to the Provinces that in the present financial situation they should not count on Central assistance for implementing their schemes of social or agrarian reform. The House will realise that it was not without regret that we decided to hold up even temporarily the various schemes of development the execution of which is necessary for the well being of the country. But the need for economy was imperative and we had to postpone all avoidable expenditure. But this has not led to the slowing down of any productive scheme or any scheme essential for the national interest. I would like to take this opportunity to express my sense of gratitude to the Provincial Governments for their ready co-operation in this matter.

Balance of Payments

7. The main features in the external financial position of the country in the year under review have been the sharp decline in the sterling balances held by the Reserve Bank of India, the growing difficulty in the financing of imports from the hard currency areas and the emergence of Pakistan as a foreign country for currency purposes with the separation of its currency from that of India. The sterling balances which reached the peak figure of Rs. 1,733 crores at the end of 1945-46 declined by Rs. 121 crores to Rs. 1,612 crores during 1946-47. This reduction was due mainly to the large imports of food but there were also substantial imports of other goods in satisfaction of the pent up demand of the war years and a certain amount of repatriation of British capital. During 1947-48 the reduction was somewhat smaller due to the restrictive import policy which was introduced towards the close of 1947 and the balances fell by only Rs. 67 crores to Rs. 1,545 crores. In the first ten months of the current year there has been a further drop of Rs. 556 crores in these balances. This heavy outgo is due to several causes. The first is the payment to

the United Kingdom Government in accordance with the agreement reached with them last July, of Rs. 284 crores for the purchase of annuities for financing the payment of sterling pensions and the acquisition of the Defence installations and stores left behind in India by the United Kingdom at the end of the war. The second is the payment to the State Bank of Pakistan of Pakistan's share of these balances following the separation of its currency from that of India. This payment is still continuing as the sterling and other assets of the Issue Department are handed over in instalments as Indian notes are withdrawn from circulation in Pakistan and handed over to the Reserve Bank. Sterling to the extent of Rs. 1,77 crores has so far been transferred to the Pakistan State Bank. The third factor responsible for the decline is India's adverse balance of payments on current and capital account.

8. Government's import policy is largely determined by the trend of the balance of payments. The aim of this policy is so to regulate trade that while it is kept at the highest possible level consistent with the needs and requirements of the country, India should not have an overall deficit in her balance of payments on current account during any particular period of time of more than the amount by which it has been agreed with the United Kingdom Government India's sterling balances should be drawn upon. Under the present agreement signed last July it has been agreed that India's free sterling account which had a balance at the end of June, 1948 of £ 80 million will be credited with an equivalent sum during the period July, 1949 to June, 1951. In pursuance of this policy and also with the immediate object of reducing the inflationary pressure in the country, import controls were relaxed during the course of the year, and I am glad to say that they have resulted in substantially increasing the available supply of goods in the country.

9. While our overall balance of payment position is on the whole satisfactory, our balance of payments with the dollar and hard currency countries is causing us great concern.

In the pre-war years India had usually a surplus with the United States of America and during the war years owing to the drastic curtailment of imports to conserve dollars for the war effort, India continued to have increasing surpluses. After the war, the trend of trade rapidly reversed itself and, in common with the rest of the world, this country started having substantial deficits on hard currency account. The reason for this was that we had increasingly to turn to the hard currency countries for our requirements as the countries whose economies had been disrupted by the war could not meet them. This was particularly true of food which is today the largest single consumer of foreign exchange. Burma could not supply all the rice we needed because of the ravages of the war and its aftermath; Australia could not give us all the wheat we wanted because the United Kingdom had priority in supply.

10. India's dollar deficit in the past used to be financed by the central reserves of the sterling area. But beginning from January, 1948 the United Kingdom refused to carry this responsibility any further and insisted on limiting the convertibility of our sterling very rigidly. The limits imposed—£ 10 million ($ 40 million) for the half year January—June, 1948 and £ 15 million ($ 60 million) for the year July, 1948—June, 1949—bear no relation whatever to our needs. Concurrently with the imposition of these limits on convertibility, there came the separation of the exchange resources of Pakistan from India which also took place in January, 1948. This has also handicapped us severely as many commodities which before partition earned hard currency, such as raw jute, raw cotton and hides and skins, were largely exported from territories now in Pakistan. In spite of the maximum possible limitation of imports from the hard currency areas and the maximum possible encouragement of exports thereto, India had a deficit in her balance of payments with the hard currency countries in the six months April to September, 1948 of $ 45 million. The deficit for the next three months, for which preliminary figures are available, is expected to be $ 48 million.

Of these deficits, the purchase of food grains was responsible for \$ 35 million and \$ 40 million respectively. These deficits which exceed by far the convertibility allowed to us by the United Kingdom have been met by loans from the International Monetary Fund from which since March, 1948 we have borrowed no less than \$ 92 million.

11. I confess that this chronic dollar deficit is causing Government no little anxiety. Honourable Members are aware that we intend to negotiate dollar loans from the International Bank for Reconstruction and Development. But these loans will be available only for financing the purchase of equipment for our developmental projects and not for current expenditure. We do not favour the idea of borrowing on the present scale from the International Monetary Fund but if the central reserves of the sterling area, to which we were at one time a source of strength, insist on continuing to limit our claims on them in the same way as at present, we shall have no alternative to continuing to borrow. One ray of hope in the situation lies, of course, in the fact that we hope, in future years, to import less food and to divert our food purchases to the soft currency areas. It is also possible that the international prices of food grains will not remain at the present high levels.

12. While we have exchange control with all countries in the world, we have none with Pakistan. This has been rendered possible by the fact that simultaneously with the separation of their currencies on the 1st July, 1948 India and Pakistan came to a monetary and payments agreement. The main terms of this agreement, which is in the first instance valid for a period of one year, are that each party will hold the currency of the other up to a limit of Rs. 15 crores, that thereafter up to a further limit of Rs. 10 crores accounts will be settled in free sterling and the balance in sterling in Account No. II. The reason for entering into an agreement of this kind was that the Governments of both Dominions were anxious to ensure that the obstacle to inter-dominion trade, which the imposition of exchange control would necessarily entail, should,

if possible, be avoided. I am glad to say that this agreement has worked satisfactorily and that currency considerations have not stood in the way of inter-dominion commerce.

FINANCIAL YEAR, 1948-49

13. I shall now proceed to give a brief review of the financial position in the current and the ensuing years.

For the current year the deficit is now estimated at Rs. 1·55 crores against Rs. 2·14 crores provided in the budget.

Revenue

14. The revenue receipts are now estimated at Rs. 338·32 crores against the budget estimate of Rs. 255·24 crores, an increase of Rs. 83·08 crores. With the relaxation in the import controls during the course of the year there has been a considerable expansion of imports and the revenue from Customs is expected to be Rs. 36·49 crores more than the budget estimate. The yield from the excise duties on sugar, matches, tyres and tubes and vegetable products has also shown a substantial improvement and with the excise duty on cotton cloth imposed last December and estimated to yield Rs. 7 crores in a full year the revenue from Central excise duties is likely to be Rs. 4·28 crores more. Income-tax receipts are now placed at Rs. 20·62 crores more than the budget largely as a result of the intensive drive for the clearance of arrears and the recent ordinance authorising the provisional collection of tax on the basis of the statements of income of the assessees, but of this increase Rs. 5·38 crores will accrue to the Provinces as their share of revenue. The revenue from the two Government commercial departments also shows increases. The contribution from Posts and Telegraphs is likely to be Rs. 2·95 crores more while from the Railways, as the House is already aware, the contribution will amount to Rs. 7·34 crores against Rs. 4·5 crores taken in the budget. The profits from currency also show an increase of Rs. 3·65

crores. There is also a carryover of Rs. 1·33 crores on account of Government's share of the profit on stocks of sugar frozen in December 1947 which was not realised during that year and certain pre-partition receipts amounting to Rs. 13·4 crores.

Expenditure

15. The total expenditure this year is now estimated at Rs. 339·87 crores, an increase of Rs. 82·49 crores over the budget estimate which nearly wipes out the increase in revenue. Of this increase, Defence Services account for Rs. 34·35 crores and Civil estimates for the balance of Rs. 48·14 crores.

16. *Defence Services.*—The expenditure on Defence Services during the year has been affected by the continuance of the operations in Kashmir, the extent and duration of which could not be foreseen at the time the budget was prepared and for which, in consequence, no provision was included and also by the unforeseen deterioration in the situation in Hyderabad which led to the police action last September. In view of these developments the armed forces had to be maintained at a higher strength than was contemplated in the budget. New units had to be raised and some of the operational demands for stores, equipment and munitions had to be met by fresh procurement. In addition to our own forces we had to take in service larger forces from the Indian States and the Government of Nepal also loaned us some of their troops for purposes of internal defence. All these measures entailed additional expenditure for which there was no provision in the budget.

17. The increase of Rs. 48·14 crores in civil expenditure is mainly due to three causes. Firstly, the revised estimates include a new provision of Rs. 20·75 crores for meeting pre-partition liabilities for which no provision was made in the budget. At the time the budget was framed, sufficient data regarding the outstanding liabilities were not available and the arrangements with Pakistan for meeting and adjusting these had not also been settled. It was hoped that these

liabilities would be met and shared currently by the two Dominions but the Pakistan Government declined to meet these liabilities on the ground that they were initially those of India and that Pakistan would take its share only through the debt settlement. The Government of India do not accept this view as, in their opinion, after the division of the available cash balances of the undivided Government between the two Governments, the outstanding liabilities should be paid and currently shared by the two Governments. But in order to avoid hardship to those who had made supplies or rendered services to the undivided Government, the Government of India have agreed to meet the liabilities in the first instance. Certain outstanding payments relating to the pre-partition period, such as the Provincial share of income-tax, are also due to the Provincial Governments now located in India which the Government of India propose to meet. Secondly, the expenditure on the relief and rehabilitation of refugees which has always been difficult to estimate and for which a provision of Rs. 10·04 crores was made in the budget is now expected to amount to Rs. 19·45 crores. This increase is partly due to the carryover of certain liabilities from the previous year, mainly payments to Provincial Governments, which could not be made before the close of last year and partly to increased expenditure on relief which has to be regulated with reference to the constantly changing requirements of the situation. Thirdly, the expenditure on the subsidising of imported food grains and the payment of bonuses to Provincial Governments on internal procurement is now expected to exceed the original budget by Rs. 12·05 crores. The House will remember that after a review of the food position last October it was decided that with effect from the 1st October 1948 the Central share of the loss on the supply of imported food grains to deficit areas should be raised from two thirds to three quarters and that a similar concession, limited to the Centre meeting half the loss, should be extended to the Indian States. Part of the increase is also due to the fact that while the budget provided for subsidies up to the end of the calendar year, provision has now been made for the full financial year.

I should also mention a further reason for the increase in civil expenditure. The House will remember that in the budget for the current year my predecessor made a lump cut of Rs. 2·5 crores for economies likely to result from the implementation of the recommendations of the Economy Committee. The work of this Committee has taken somewhat longer than was originally expected and its report on a number of Ministries are still under examination. No savings are therefore likely to be realised this year. For next year I am not making any provision at this stage as it is not possible, until firm decisions have been taken on their recommendations, to estimate the savings likely to be realised. But I may assure the House that this does not mean that I do not expect any economies to result from the Committee's recommendations. On the contrary it is my intention to secure the utmost economy possible in public expenditure and the House may rest assured that the recommendations of the Committee will be most carefully and earnestly considered by Government and the resulting economies enforced during the course of the year.

Income-tax Investigation Commission

18. Before I pass on to deal with the estimates for the coming year I should like to mention the progress made in the work of the Income-tax Investigation Commission. Honourable Members will remember that the Act constituting the Commission assigned two duties to it, namely, to investigate and report on all matters relating to taxation on income, with particular reference to the extent to which the existing law relating to and procedure for the assessment and collection of such taxation is adequate to prevent evasion and to investigate specific cases referred to the Commission by the Central Government. On a study of the working of the Income-tax law and its administration during recent years, the Commission came to the conclusion that on a long-term view the first task was no less important than the second, and as work on the second had for various reasons necessarily to

be slow, the Commission devoted a great part of its time till recently to the first task. This involved the examination of voluminous evidence tendered in reply to a comprehensive questionnaire which was issued, and the Commission has recently submitted a long report in which it has made recommendations on many points of law and of administration. These recommendations are now being examined with a view to the necessary legislation being introduced, and it is hoped that it will be possible to place a bill before the House at its next session.

19. As regards the investigation of specific cases referred to it by Government, the Commission has completed a few cases. Greater progress was not possible for a variety of reasons. Firstly, it was only in April 1948 that the necessary staff for investigation work could be placed at the disposal of the Commission. This was because it was not possible for the Income-tax Department to spare their more experienced officers for this work before April, 1948, in view of the shortage of officers in the Department and the large amount of arrears that had to be cleared. However, this difficulty has now been overcome to some extent, and the officers authorised by the Commission are working in different cities carrying on investigation under instructions and directions given by the Commission. It is the material gathered by them that will form the basis of the Commission's further work.

Another factor which has delayed the disposal of specific cases taken up for enquiry is that it has been found that a good deal of general enquiry and collection of facts and figures is a necessary preliminary to the investigation of the specific cases. These general enquiries and the collation of the materials collected have taken a considerable time, and the work is proceeding apace. Once this is completed, it may be hoped that the disposal of specific cases will be expedited.

In this connection I may add that the possibility of disposing of the referred cases by agreed settlement is being explored, and a bill will shortly be placed before the House for vesting the necessary powers for making such settlements in the hands of the Commission.

Financial Year, 1949-50

20. I now turn to the estimates for the next financial year. At the existing level of taxation, I place the total revenue at Rs. 307·74 crores and the expenditure charged to revenue at Rs. 322·53 crores leaving a deficit of Rs. 14·79 crores.

Revenue

21. The total receipts from customs is estimated at Rs. 107·25 crores. This provides for a full year's effect of the changes in the tariff in the course of this year as part of the campaign against inflation. Central excises are expected to bring in Rs. 57·75 crores, including Rs. 7 crores from the recently imposed excise duty on cotton cloth. Receipts from income-tax, which include Rs. 11·22 crores on account of Excess Profits Tax and Rs. 12·01 crores on account of Business Profits Tax have been placed at Rs. 155 crores. Honourable members will remember that it was decided last year that advance payments of tax should be taken direct to revenue instead of being treated initially as a deposit and, as a first step in the process of changing the accounting procedure, advance payments of Corporation Tax were taken direct to revenue in the budget for the current year. Next year, as a further step in the process, I have taken credit in the revenue estimates for Rs. 12·5 crores for a part of these advance payments that will be received during the year. I hope that the change will be completed over the next three years. The divisible pool of income-tax is estimated at

Rs. 90·7 crores of which the Centre will retain Rs. 46·85 crores leaving Rs. 43·85 crores as the Provincial share. The profits from Currency and Mint, after allowing for the share of Pakistan are estimated at Rs. 9·7 crores.

The revenue from the Posts and Telegraphs Department is expected to amount to Rs. 30·26 crores and working expenses and interest to Rs. 28·63 crores, leaving a surplus of Rs. 1·63 crores. As in the current year this surplus will be shared equally by general revenues and the department which will get a rebate of interest on its share of the accumulated profits, expected to amount to about Rs. 10 crores at the end of the budget year.

The contribution from the Railways for next year has been taken at Rs. 4·72 crores, the amount provided in the Railway Budget.

Expenditure

22. The total expenditure in the coming year is estimated at Rs. 322·53 crores of which Defence Services will account for Rs. 157·37 crores and civil expenditure for Rs. 165·16 crores.

23. *Defence Services.*—Following the customary procedure I shall first deal with the Defence estimates. The Defence Budget for the coming year shows an increase of Rs. 1·94 crores over the revised estimate for the current year, the excess in which I largely ascribed to the operations in Kashmir. The House may well ask why with the cease fire in Kashmir there is no decrease in the Defence Budget. The main reason for this is that the reduction in the strength of the armed forces cannot be made over-night and the process of demobilisation has necessarily to be spread over a period similar to the recruitment and training of the forces. The current year's revised estimates reflect the expenditure on

the gradual building up of our strength while the budget for next year would reflect the gradual reduction in that strength. Since both the processes take time the average strength of the troops during the budget year is unlikely to differ materially from that in the current year. In framing the budget for next year we have taken into account the improvement in the Kashmir situation following the cease fire and our hope that this cease fire will eventually lead to a peaceful solution of the problem. The House will naturally not expect me to go into greater detail in this matter but I must utter a warning that if for any unforeseen reason these hopes on which we have based our estimates are not realised, it may be necessary to exceed the provision now proposed. It has also to be remembered that the recent grant of an *ad hoc* dearness allowance to employees of the Central Government has added Rs. 4 crores to the Defence Budget next year. The budget for next year also includes additional provision for the expansion of the Navy and the Air Force. As the House is aware, our Navy till recently consisted of only a few sloops and frigates designed primarily for port defence but with the achievement of independence the Navy has been called upon to shoulder greater responsibilities than before, for which it is necessary to have a balanced force, complete with aircraft carriers, cruisers, destroyers and submarines. With this end in view, Government have recently approved the first phase of a 10-year plan for the Navy, confined mainly to the recruitment and training of the personnel in the various branches of the Navy. The last war proved conclusively the overwhelming importance of the fleet air arm and the House will be glad to know that a beginning has already been made in this respect and that the budget includes provision for the establishment of a fleet air arm. With regard to the Air Forces also, plans for their expansion and development are going forward. It is hoped to train sufficient technical man-power to make it a more balanced and effective force.

24. Before I pass on to civil estimates I would like to refer to a change in the preparation of the Defence Demands for next year. The provision for supplies and stores which was previously pooled together and included under one Demand for all the three Services, except for certain Naval and Air Force stores, has now been split among the three Services—Army, Navy and Air Force. This change will make the estimates for each Service self-contained to a greater extent than before and enable the Defence authorities to exercise a closer and more efficient control over the expenditure in their respective Services.

25. *Civil Estimates.*—I now come to the Civil Estimates. Details of the estimates under individual heads are, as usual, given in the Explanatory Memorandum circulated with the budget papers and it is unnecessary for me to deal with them at any considerable length here. I should like, however, to refer briefly to certain special items for which provision is included in these estimates. The budget next year includes Rs. 9·85 crores for the relief and rehabilitation of refugees. In addition, a provision of Rs. 23·27 crores has been made in the capital budget, Rs. 21·34 crores for loans for rehabilitation including loans to Provincial Governments and the Rehabilitation Finance Administration and Rs. 1·93 crores for buildings. The expenditure on food subsidies and the payment of bonus on procurement under the revised policy is estimated at Rs. 32·97 crores next year. The estimates also include Rs. 10 crores for the meeting of pre-partition claims and Rs. 12·83 crores under the various heads of expenditure for development schemes.

26. Of the total expenditure of Rs. 165·16 crores provided in the budget for next year, Rs. 52·82 crores are accounted for by the expenditure on refugees, the payment for food subsidies and pre-partition payments, leaving Rs. 112·34 crores for normal expenditure. This includes Rs. 10·06 crores for tax

collection, Rs. 41·97 crores for obligatory expenditure on payment of interest and pensions and provision for debt redemption, Rs. 2·04 crores for planning and resettlement, Rs. 2·23 crores for expenditure on Currency and Mint, Rs. 2·95 crores for grants-in-aid to Provincial Governments and Rs. 24·20 crores for expenditure in the nation building spheres such as Education, Medical and Public Health, Broadcasting, Aviation and on Scientific Surveys and institutions in which the Central Government largely supplement the work of Provincial Governments. The balance of Rs. 28·89 crores represents the provision for administration, Civil Works, etc. and represents only 17·5 per cent. of the total civil expenditure. In addition to Rs. 24·20 crores in the nation building spheres mentioned above, provision has also been made for the grant of Rs. 26·81 crores to Provincial Governments for development and Rs. 49·25 crores for loans.

27. Honourable Members are aware that in recent months a large number of Indian States have been merged in the neighbouring Indian Provinces or taken over for administration direct by the Centre as part of the policy of unifying the country under the guidance of my distinguished colleague the Deputy Prime Minister. Ultimately the revenue and expenditure of these States have to merge in those of the Provinces or the Centre depending on the subject to which they pertain. But the process of integration is still incomplete and for the present the transactions of these States have been kept separate in a deposit account and not included in the revenue and expenditure of India. If, as may be hoped, the integration is completed in the course of the coming year, these transactions will be included in the revised estimates for the year.

28. On the basis of the estimates of revenue and expenditure that I have explained so far, the anticipated deficit for next year is Rs. 14·79 crores. I shall return to the question of how I propose to deal with this deficit in a later part of my speech.

Post-War Planning and Development

29. I mentioned earlier that as part of the campaign against inflation, Government had to review their whole programme of expenditure and reduce the outlay both in the capital and in the revenue budgets. Even so, substantial amounts have been included in the budget for grants to Provincial Governments and for Central schemes of development. So far as the Provinces are concerned it is not the intention that the scale of assistance promised to them by the Centre for their development schemes and on which they have formulated their plans should in any way be reduced. All that is happening is that the pace of this assistance is being temporarily slowed down in view of the urgent need for economy and in so doing special care has been taken to see that the progress of productive schemes and schemes of long range importance essential for national development is not held up. The House will remember that last year we laid down the policy that the grant each year from the Centre should be limited to half the amount spent on the approved schemes. Some of the smaller Provinces whose resources are limited asked for the waiver of this condition and in spite of our own difficulties we have agreed for this year and next year to allow them grants up to the total amount they may spend on approved schemes. The budget for next year includes a provision of Rs. 26·81 crores for grants and Rs. 49·25 crores for loans to Provinces for development.

30. For Central schemes of development including resettlement a provision of Rs. 12·83 crores has been made in the revenue budget and Rs. 24·97 crores in the capital budget. Details of the provision are given in the Explanatory Memorandum and among the important schemes I would mention the expansion of the Forest Research Institute, Dehra Dun, the development of the forest estate in the Andamans, the preliminary work on a number of river projects like the Kosi, the Assam Valley, the Narbada, Tapti, and Sabarmati schemes,

investigations in Coorg, Central Provinces and Bastar, the reorganisation of the Central Waterways Navigation and Irrigation Research Station, the expansion of the Indian Agricultural Research Institute and the development of basic education. The budget also provides Rs. 2·19 crores for the Central Government's share of the expenditure on the Damodar Valley Scheme, Rs. 90 lakhs for buildings for development schemes, Rs. 4·93 crores for the Fertiliser Factory under construction at Sindri, Rs. 2·92 crores for the expansion of civil aviation and Rs. 96 lakhs for the expansion of Broadcasting.

In the sphere of industrial development a beginning is also being made in the starting of basic industries essential for national development. Among these I would mention the Government Telephone Factory for the manufacture of telephone equipment, the setting up of a Shipping Corporation in which a total sum of Rs. 6·98 crores is expected to be invested this year and next year, the setting up of new steel works and factories for the manufacture of wireless equipment, synthetic oil, machine tools, cables, Diesel engines and heavy electrical equipment. A beginning will be made in the establishment of these industries which will be developed in subsequent years.

Capital Expenditure

31. With regard to capital expenditure I have just mentioned the provision included in the budget for development schemes. The House will doubtless be interested in the provision made in the budget for normal capital expenditure. But before I describe this, I must mention certain special transactions which have been entered in the capital budget this year. The first is the payment to the U. K. Government for the purchase of annuities for meeting the sterling pensions which accounts for a net debit of Rs. 215·68 crores this year and a recovery of Rs. 7·42 crores next year for which credit has been taken. The second is the payment, again to the U. K.

Government, as part of the Sterling Balances Agreement of Rs. 133·33 crores for the Defence stores and installations taken over from them against which Rs. 51·57 crores will be recovered this year and Rs. 11·8 crores next year from Pakistan and from the sale of surpluses. The third is the outlay of Rs. 5·93 crores on the acquisition of the shares of the Reserve Bank of India this year. Lastly, there is a provision of Rs. 5·08 crores this year and Rs. 92 lakhs next year for payment to Pakistan for setting up Ordnance factories and other unique institutions. As part of the partition arrangements it was agreed that as most Ordnance factories and institutions like the Security Printing Press and the Currency Note Press were located in India and it was not desirable to break up these institutions, a sum of Rs. 6 crores should be made available to Pakistan for setting up similar institutions in Pakistan. This payment will be added to Pakistan's partition debt to India. Excluding these special items and the provision for development schemes and grants to Provinces the provision for normal capital expenditure amounts to Rs. 44·09 crores this year and Rs. 62·42 crores next year. Of the provision this year, Railways account for Rs. 27·15 crores and the Posts and Telegraphs Department for Rs. 2·91 crores. Next year's budget provides Rs. 28·49 crores for the Railways, Rs. 3·82 crores for Posts and Telegraphs and Rs. 7·9 crores for schemes of State Trading, mainly for the purchase of foodgrains the cost of which will be recovered in the following year.

The House will remember that a provision of Rs. 14·99 crores was made in the budget for the current year for capital outlay on Defence. The actual expenditure is now estimated at Rs. 9·91 crores, the decrease being mainly due to the delay in the completion of certain plans for major works and the procurement of aircraft. For next year a provision of Rs. 15 crores has been included of which Rs. 7·24 crores will be spent on the Army, Rs. 2·79 crores on the Navy and Rs. 4·97 crores on the Air Force.

Ways and Means

32. I now turn to a brief consideration of the ways and means position. The current year's budget provided for a total borrowing of Rs. 150 crores from the market and to a net receipt of Rs. 31·25 crores from small savings. For a variety of reasons to which I have referred in another part of my speech the gilt edged market remained inactive throughout the year with very little investment demand. It was not therefore possible to borrow on the scale originally contemplated. For next year I have made a modest provision of Rs. 85 crores for market loans. But if, as I hope, conditions improve the scale of borrowing will be raised. Next year Government have the option of repaying the 3 per cent. loan 1949-52 with an outstanding balance of Rs. 67 crores. I have assumed that this amount will be repaid and in my estimate of borrowing next year I have taken this return of money to the market also into account. In the present inflationary conditions, it is of the utmost importance for the economy of the country that the community should save as much as possible and lend its savings to the State. I trust that the recent measures taken by Government to meet the inflationary situation would restore public confidence and that this time next year I shall be in a position to give a more heartening picture of public co-operation in the Government's borrowing operations. As regards small savings, there has been in recent months some improvement in the net receipts from Savings Banks and in the sale of National Savings Certificates. The House will remember that last April Government issued two new series of certificates with a currency of five and seven years to cater to the smaller investor and also raised the maximum limit of investment in both Postal Savings Bank and National Savings Certificates in order to stimulate further investment. It is too early to assess the results of these measures but Government are doing all in their power, in co-operation with the Provincial Governments, to stimulate and sustain the small savings movement. It is hoped that the

budget anticipations in regard to receipts from this source will be exceeded this year by Rs. 1·6 crores. For next year I have allowed for some further improvement and taken credit for a net receipt of Rs. 37·56 crores.

33. I now pass on to my proposals for dealing with the deficit of Rs. 14·79 crores anticipated in the coming year.

Note.—Part B of the speech, containing the Budget Proposals, will be released after 6 P.M. on Monday, February 28, 1949.

GIPD—82—8546MofFin—20-2-48—600.

Budget, 1949-50

Finance Minister's Speech

28th February, 1949

SIR,

I rise to present the Budget for 1949-50.

Review of Economic Conditions

2. Although this is the fourth year since the cessation of hostilities, the return of normal conditions, without which it is impossible to expand production and develop trade, seems still as far off as ever. Over large parts of the world, conditions remain disturbed and the progress of recovery from the ravages of the war is painfully slow. In Europe the impasse in Berlin, the civil war in Greece and the emergence of two rival camps among the countries that fought the war as allies are symptomatic of the abnormal conditions which still prevail. The Palestine question, which is a serious threat to peace and stability in the Middle East, is still unsolved. Nearer home, the continuance of civil strife in China, the disturbances in Burma, which concern us deeply in view of our close economic ties with that country and the large interests our nationals have in it, and the unprovoked assault of the Dutch on the Indonesian Republic, all these retard the economic recovery not merely of this largely underdeveloped area of the globe but of the whole world. Prosperity, like peace, is indivisible and while these conflicts are going on in various parts of the world involving a tragic waste of men and material, the common man in all countries, particularly the less developed countries, continues to pay a heavy price in want and suffering.

3. In our own country, as in most other countries in the post-war period, the major problem has been that of keeping the inflationary trends under control. It is not necessary for me to dilate on the causes of the emergence of these trends since the end of the war. While as a result of the war the purchasing power in the hands of the community increased considerably, the available supply of commodities in the post-war period was not sufficient to meet the increasing demand for them. The shortage of essential commodities, particularly food and clothing, aggravated the situation owing to the rise in the money income of some sections of the community who in the past never competed for food and consumer goods on the same scale. Difficulties in transport and distribution accentuated the shortages while the partition last year and the economic dislocation caused over considerable parts of the country by the movement of population between the two Dominions made the position worse. A steady rise in prices occurred throughout 1947 the general index number of whole sale prices rising from 290·5 at the beginning of the year to 314·2 at the end of December. In the first seven months of 1948 there was a further steep rise in prices, the index number of wholesale prices rising by as much as 76 points to 390·1. Since then the prices have slightly dropped and as a result of the various measures taken by Government prices have remained more or less steady.

4. The answer to the problem of inflation and high prices is to increase the supply of commodities to meet the existing demand and until this position is reached to control the distribution of the available supply of the essential commodities. In the matter of food the supply position still continues to be difficult and last year owing to the poor crops in certain parts of the country we have had to import 2·8 million tons from overseas at a cost of Rs. 130 crores against an estimated import of 2 million tons at a cost of Rs. 110 crores. The position is expected to be still more difficult this year owing to the floods in Bihar and the United Provinces, the

damage caused by the recent cyclone in Bombay and the outbreak of famine in parts of Gujerat, Saurashtra, Rajasthan and Cutch and imports may amount to 4 million tons. As the House is aware, it has already been decided to re-introduce food control and it is hoped that this will secure an equitable supply of food grains throughout the country at fair prices. In respect of other commodities the position in regard to internal production has, I am glad to say, been encouraging in recent months although it has not been possible in many cases to reach the peak production of the war years or the target that has been set. Last year the production of coal at 29·73 million tons and of steel at 854,000 tons just fell short of the production in the previous year while the production of salt rose from 49·6 million maunds to 59·3 million maunds, of cotton yarn from 1,315 million lbs. to 1,442 million lbs., of cloth from 3,816 million yards to 4,338 million yards, of art silk fabrics from 85 million yards to 114 million yards, of plywood from 28·6 million sq. feet to 38·63 million sq. feet and of soap from 80,000 tons to 190,000 tons. The flow of raw materials to industry has also improved with the improvement in the transport position while with the relaxation of import controls there has been a larger flow of imported goods. Production has been greatly assisted by the occurrence of fewer strikes and labour disputes. If the present favourable trends in production continue, I have no doubt that it will be possible not merely to arrest the rise of prices but to bring them down gradually.

5. The state of the capital market in the year under review has been a matter of concern to Government. While there is obviously a large amount of money in the country competing for the limited supply of goods, the investment market has been stagnant and there has been little flow of money into Government loans or into industrial concerns. This stagnation is due in large measure to the prevailing uncertainty in regard to matters affecting industrial development and prospects. My own view is that with the huge

potential demand in this country for both consumer and capital goods, there is bound to be for many years a wide field for private enterprise and that in this matter no one who invests money is taking a greater risk than in any other country in the world.

6. As I mentioned a while ago, the fight against inflation has been one of Government's main pre-occupations this year. As Honourable Members are aware, Government consulted various interests and sections of public opinion regarding the measures necessary to deal with this situation. In a matter of this kind, it is obviously not possible to expect complete unanimity of opinion as to either the causes of inflation or the remedies to be adopted. But it was clear that immediate action should be taken to prevent, as far as possible, the further creation of purchasing power in the hands of the community and to take all steps possible to stimulate production and instil a spirit of confidence in industry. With this end in view, in the field of taxation additional duties on certain articles of luxury such as liquor, tobacco, motor cars, silk and art silk frabrics were imposed and an excise duty on super fine cloth was levied. Power was taken to make provisional assessments of income-tax on the basis of returns submitted by the assessees. A system of interest bearing deposits for income-tax introduced in 1943 was also revived and it was decided to postpone for a further period of three years the refund of deposits of Excess Profits Tax except for approved purposes. A temporary limit was also placed on the amount that may be distributed as dividend by public companies, by an Ordinance, the enactment of which into law is now under consideration by the House. Among measures taken to stimulate industrial production, I would mention the reduction in the import duty on machinery and certain industrial raw materials and the abolition of the import duty on cotton yarn. New industrial undertakings commencing production in the next three years have been given exemption from income-tax for the first five years up to a limit of six per cent. per annum on their capital. The rules regulating depreciation allow-

ances have also been liberalised. In the field of Governmental expenditure a rapid review was conducted of all capital and development schemes including the Provincial schemes. As a result the total provision for capital and development schemes and loans has been substantially reduced. It was also made clear to the Provinces that in the present financial situation they should not count on Central assistance for implementing their schemes of social or agrarian reform. The House will realise that it was not without regret that we decided to hold up even temporarily the various schemes of development the execution of which is necessary for the well being of the country. But the need for economy was imperative and we had to postpone all avoidable expenditure. But this has not led to the slowing down of any productive scheme or any scheme essential for the national interest. I would like to take this opportunity to express my sense of gratitude to the Provincial Governments for their ready co-operation in this matter.

Balance of Payments

7. The main features in the external financial position of the country in the year under review have been the sharp decline in the sterling balances held by the Reserve Bank of India, the growing difficulty in the financing of imports from the hard currency areas and the emergence of Pakistan as a foreign country for currency purposes with the separation of its currency from that of India. The sterling balances which reached the peak figure of Rs. 1,733 crores at the end of 1945-46 declined by Rs. 121 crores to Rs. 1,612 crores during 1946-47. This reduction was due mainly to the large imports of food but there were also substantial imports of other goods in satisfaction of the pent up demand of the war years and a certain amount of repatriation of British capital. During 1947-48 the reduction was somewhat smaller due to the restrictive import policy which was introduced towards the close of 1947 and the balances fell by only Rs. 67 crores to Rs. 1,545 crores. In the first ten months of the current year there has been a further drop of Rs. 556 crores in these balances. This heavy outgo is due to several causes. The first is the payment to

the United Kingdom Government in accordance with the agreement reached with them last July, of Rs. 284 crores for the purchase of annuities for financing the payment of sterling pensions and the acquisition of the Defence installations and stores left behind in India by the United Kingdom at the end of the war. The second is the payment to the State Bank of Pakistan of Pakistan's share of these balances following the separation of its currency from that of India. This payment is still continuing as the sterling and other assets of the Issue Department are handed over in instalments as Indian notes are withdrawn from circulation in Pakistan and handed over to the Reserve Bank. Sterling to the extent of Rs. 1,77 crores has so far been transferred to the Pakistan State Bank. The third factor responsible for the decline is India's adverse balance of payments on current and capital account.

8. Government's import policy is largely determined by the trend of the balance of payments. The aim of this policy is so to regulate trade that while it is kept at the highest possible level consistent with the needs and requirements of the country, India should not have an overall deficit in her balance of payments on current account during any particular period of time of more than the amount by which it has been agreed with the United Kingdom Government India's sterling balances should be drawn upon. Under the present agreement signed last July it has been agreed that India's free sterling account which had a balance at the end of June, 1948 of £ 80 million will be credited with an equivalent sum during the period July, 1949 to June, 1951. In pursuance of this policy and also with the immediate object of reducing the inflationary pressure in the country, import controls were relaxed during the course of the year, and I am glad to say that they have resulted in substantially increasing the available supply of goods in the country.

9. While our overall balance of payment position is on the whole satisfactory, our balance of payments with the dollar and hard currency countries is causing us great concern.

In the pre-war years India had usually a surplus with the United States of America and during the war years owing to the drastic curtailment of imports to conserve dollars for the war effort, India continued to have increasing surpluses. After the war, the trend of trade rapidly reversed itself and, in common with the rest of the world, this country started having substantial deficits on hard currency account. The reason for this was that we had increasingly to turn to the hard currency countries for our requirements as the countries whose economies had been disrupted by the war could not meet them. This was particularly true of food which is today the largest single consumer of foreign exchange. Burma could not supply all the rice we needed because of the ravages of the war and its aftermath; Australia could not give us all the wheat we wanted because the United Kingdom had priority in supply.

10. India's dollar deficit in the past used to be financed by the central reserves of the sterling area. But beginning from January, 1948 the United Kingdom refused to carry this responsibility any further and insisted on limiting the convertibility of our sterling very rigidly. The limits imposed—£ 10 million ($ 40 million) for the half year January—June, 1948 and £ 15 million ($ 60 million) for the year July, 1948—June, 1949—bear no relation whatever to our needs. Concurrently with the imposition of these limits on convertibility, there came the separation of the exchange resources of Pakistan from India which also took place in January, 1948. This has also handicapped us severely as many commodities which before partition earned hard currency, such as raw jute, raw cotton and hides and skins, were largely exported from territories now in Pakistan. In spite of the maximum possible limitation of imports from the hard currency areas and the maximum possible encouragement of exports thereto, India had a deficit in her balance of payments with the hard currency countries in the six months April to September, 1948 of **$ 45** million. The deficit for the next three months, for which preliminary figures are available, is expected to be **$ 48 million.**

Of these deficits, the purchase of food grains was responsible for $ 35 million and $ 40 million respectively. These deficits which exceed by far the convertibility allowed to us by the United Kingdom have been met by loans from the International Monetary Fund from which since March, 1948 we have borrowed no less than $ 92 million.

11. I confess that this chronic dollar deficit is causing Government no little anxiety. Honourable Members are aware that we intend to negotiate dollar loans from the International Bank for Reconstruction and Development. But these loans will be available only for financing the purchase of equipment for our developmental projects and not for current expenditure. We do not favour the idea of borrowing on the present scale from the International Monetary Fund but if the central reserves of the sterling area, to which we were at one time a source of strength, insist on continuing to limit our claims on them in the same way as at present, we shall have no alternative to continuing to borrow. One ray of hope in the situation lies, of course, in the fact that we hope, in future years, to import less food and to divert our food purchases to the soft currency areas. It is also possible that the international prices of food grains will not remain at the present high levels.

12. While we have exchange control with all countries in the world, we have none with Pakistan. This has been rendered possible by the fact that simultaneously with the separation of their currencies on the 1st July, 1948 India and Pakistan came to a monetary and payments agreement. The main terms of this agreement, which is in the first instance valid for a period of one year, are that each party will hold the currency of the other up to a limit of Rs. 15 crores, that thereafter up to a further limit of Rs. 10 crores accounts will be settled in free sterling and the balance in sterling in Account No. II. The reason for entering into an agreement of this kind was that the Governments of both Dominions were anxious to ensure that the obstacle to inter-dominion trade, which the imposition of exchange control would necessarily entail, should,

if possible, be avoided. I am glad to say that this agreement has worked satisfactorily and that currency considerations have not stood in the way of inter-dominion commerce.

FINANCIAL YEAR, 1948-49

13. I shall now proceed to give a brief review of the financial position in the current and the ensuing years.

For the current year the deficit is now estimated at Rs. 1·55 crores against Rs. 2·14 crores provided in the budget.

Revenue

14. The revenue receipts are now estimated at Rs. 338·32 crores against the budget estimate of Rs. 255·24 crores, an increase of Rs. 83·08 crores. With the relaxation in the import controls during the course of the year there has been a considerable expansion of imports and the revenue from Customs is expected to be Rs. 36·49 crores more than the budget estimate. The yield from the excise duties on sugar, matches, tyres and tubes and vegetable products has also shown a substantial improvement and with the excise duty on cotton cloth imposed last December and estimated to yield Rs. 7 crores in a full year the revenue from Central excise duties is likely to be Rs. 4·28 crores more. Income-tax receipts are now placed at Rs. 20·62 crores more than the budget largely as a result of the intensive drive for the clearance of arrears and the recent ordinance authorising the provisional collection of tax on the basis of the statements of income of the assessees, but of this increase Rs. 5·38 crores will accrue to the Provinces as their share of revenue. The revenue from the two Government commercial departments also shows increases. The contribution from Posts and Telegraphs is likely to be Rs. 2·95 crores more while from the Railways, as the House is already aware, the contribution will amount to Rs. 7·34 crores against Rs. 4·5 crores taken in the budget. The profits from currency also show an increase of Rs. 3·65

crores. There is also a carryover of Rs. 1·33 crores on account of Government's share of the profit on stocks of sugar frozen in December 1947 which was not realised during that year and certain pre-partition receipts amounting to Rs. 13·4 crores.

Expenditure

15. The total expenditure this year is now estimated at Rs. 339·87 crores, an increase of Rs. 82·49 crores over the budget estimate which nearly wipes out the increase in revenue. Of this increase, Defence Services account for Rs. 34·35 crores and Civil estimates for the balance of Rs. 48·14 crores.

16. *Defence Services.*—The expenditure on Defence Services during the year has been affected by the continuance of the operations in Kashmir, the extent and duration of which could not be foreseen at the time the budget was prepared and for which, in consequence, no provision was included and also by the unforeseen deterioration in the situation in Hyderabad which led to the police action last September. In view of these developments the armed forces had to be maintained at a higher strength than was contemplated in the budget. New units had to be raised and some of the operational demands for stores, equipment and munitions had to be met by fresh procurement. In addition to our own forces we had to take in service larger forces from the Indian States and the Government of Nepal also loaned us some of their troops for purposes of internal defence. All these measures entailed additional expenditure for which there was no provision in the budget.

17. The increase of Rs. 48·14 crores in civil expenditure is mainly due to three causes. Firstly, the revised estimates include a new provision of Rs. 20·75 crores for meeting pre-partition liabilities for which no provision was made in the budget. At the time the budget was framed, sufficient data regarding the outstanding liabilities were not available and the arrangements with Pakistan for meeting and adjusting these had not also been settled. It was hoped that these

liabilities would be met and shared currently by the two Dominions but the Pakistan Government declined to meet these liabilities on the ground that they were initially those of India and that Pakistan would take its share only through the debt settlement. The Government of India do not accept this view as, in their opinion, after the division of the available cash balances of the undivided Government between the two Governments, the outstanding liabilities should be paid and currently shared by the two Governments. But in order to avoid hardship to those who had made supplies or rendered services to the undivided Government, the Government of India have agreed to meet the liabilities in the first instance. Certain outstanding payments relating to the pre-partition period, such as the Provincial share of income-tax, are also due to the Provincial Governments now located in India which the Government of India propose to meet. Secondly, the expenditure on the relief and rehabilitation of refugees which has always been difficult to estimate and for which a provision of Rs. 10·04 crores was made in the budget is now expected to amount to Rs. 19·45 crores. This increase is partly due to the carryover of certain liabilities from the previous year, mainly payments to Provincial Governments, which could not be made before the close of last year and partly to increased expenditure on relief which has to be regulated with reference to the constantly changing requirements of the situation. Thirdly, the expenditure on the subsidising of imported food grains and the payment of bonuses to Provincial Governments on internal procurement is now expected to exceed the original budget by Rs. 12·05 crores. The House will remember that after a review of the food position last October it was decided that with effect from the 1st October 1948 the Central share of the loss on the supply of imported food grains to deficit areas should be raised from two thirds to three quarters and that a similar concession, limited to the Centre meeting half the loss, should be extended to the Indian States. Part of the increase is also due to the fact that while the budget provided for subsidies up to the end of the calendar year, provision has now been made for the full financial year.

I should also mention a further reason for the increase in civil expenditure. The House will remember that in the budget for the current year my predecessor made a lump cut of Rs. 2·5 crores for economies likely to result from the implementation of the recommendations of the Economy Committee. The work of this Committee has taken somewhat longer than was originally expected and its report on a number of Ministries are still under examination. No savings are therefore likely to be realised this year. For next year I am not making any provision at this stage as it is not possible, until firm decisions have been taken on their recommendations, to estimate the savings likely to be realised. But I may assure the House that this does not mean that I do not expect any economies to result from the Committee's recommendations. On the contrary it is my intention to secure the utmost economy possible in public expenditure and the House may rest assured that the recommendations of the Committee will be most carefully and earnestly considered by Government and the resulting economies enforced during the course of the year.

Income-tax Investigation Commission

18. Before I pass on to deal with the estimates for the coming year I should like to mention the progress made in the work of the Income-tax Investigation Commission. Honourable Members will remember that the Act constituting the Commission assigned two duties to it, namely, to investigate and report on all matters relating to taxation on income, with particular reference to the extent to which the existing law relating to and procedure for the assessment and collection of such taxation is adequate to prevent evasion and to investigate specific cases referred to the Commission by the Central Government. On a study of the working of the Income-tax law and its administration during recent years, the Commission came to the conclusion that on a long-term view the first task was no less important than the second, and as work on the second had for various reasons necessarily to

be slow, the Commission devoted a great part of its time till recently to the first task. This involved the examination of voluminous evidence tendered in reply to a comprehensive questionnaire which was issued, and the Commission has recently submitted a long report in which it has made recommendations on many points of law and of administration. These recommendations are now being examined with a view to the necessary legislation being introduced, and it is hoped that it will be possible to place a bill before the House at its next session.

19. As regards the investigation of specific cases referred to it by Government, the Commission has completed a few cases. Greater progress was not possible for a variety of reasons. Firstly, it was only in April 1948 that the necessary staff for investigation work could be placed at the disposal of the Commission. This was because it was not possible for the Income-tax Department to spare their more experienced officers for this work before April, 1948, in view of the shortage of officers in the Department and the large amount of arrears that had to be cleared. However, this difficulty has now been overcome to some extent, and the officers authorised by the Commission are working in different cities carrying on investigation under instructions and directions given by the Commission. It is the material gathered by them that will form the basis of the Commission's further work.

Another factor which has delayed the disposal of specific cases taken up for enquiry is that it has been found that a good deal of general enquiry and collection of facts and figures is a necessary preliminary to the investigation of the specific cases. These general enquiries and the collation of the materials collected have taken a considerable time, and the work is proceeding apace. Once this is completed, it may be hoped that the disposal of specific cases will be expedited.

In this connection I may add that the possibility of disposing of the referred cases by agreed settlement is being explored, and a bill will shortly be placed before the House for vesting the necessary powers for making such settlements in the hands of the Commission.

FINANCIAL YEAR, 1949-50

20. I now turn to the estimates for the next financial year. At the existing level of taxation, I place the total revenue at Rs. 307·74 crores and the expenditure charged to revenue at Rs. 322·53 crores leaving a deficit of Rs. 14·79 crores.

Revenue

21. The total receipts from customs is estimated at Rs. 107·25 crores. This provides for a full year's effect of the changes in the tariff in the course of this year as part of the campaign against inflation. Central excises are expected to bring in Rs. 57·75 crores, including Rs. 7 crores from the recently imposed excise duty on cotton cloth. Receipts from income-tax, which include Rs. 11·22 crores on account of Excess Profits Tax and Rs. 12·01 crores on account of Business Profits Tax have been placed at Rs. 155 crores. Honourable members will remember that it was decided last year that advance payments of tax should be taken direct to revenue instead of being treated initially as a deposit and, as a first step in the process of changing the accounting procedure, advance payments of Corporation Tax were taken direct to revenue in the budget for the current year. Next year, as a further step in the process, I have taken credit in the revenue estimates for Rs. 12·5 crores for a part of these advance payments that will be received during the year. I hope that the change will be completed over the next three years. The divisible pool of income-tax is estimated at

Rs. 90·7 crores of which the Centre will retain Rs. 46·85 crores leaving Rs. 43·85 crores as the Provincial share. The profits from Currency and Mint, after allowing for the share of Pakistan are estimated at Rs. 9·7 crores.

The revenue from the Posts and Telegraphs Department is expected to amount to Rs. 30·26 crores and working expenses and interest to Rs. 28·63 crores, leaving a surplus of Rs. 1·63 crores. As in the current year this surplus will be shared equally by general revenues and the department which will get a rebate of interest on its share of the accumulated profits, expected to amount to about Rs. 10 crores at the end of the budget year.

The contribution from the Railways for next year has been taken at Rs. 4·72 crores, the amount provided in the Railway Budget.

Expenditure

22. The total expenditure in the coming year is estimated at Rs. 322·53 crores of which Defence Services will account for Rs. 157·37 crores and civil expenditure for Rs. 165·16 crores.

23. *Defence Services.*—Following the customary procedure I shall first deal with the Defence estimates. The Defence Budget for the coming year shows an increase of Rs. 1·94 crores over the revised estimate for the current year, the excess in which I largely ascribed to the operations in Kashmir. The House may well ask why with the cease fire in Kashmir there is no decrease in the Defence Budget. The main reason for this is that the reduction in the strength of the armed forces cannot be made over-night and the process of demobilisation has necessarily to be spread over a period similar to the recruitment and training of the forces. The current year's revised estimates reflect the expenditure on

the gradual building up of our strength while the budget for next year would reflect the gradual reduction in that strength. Since both the processes take time the average strength of the troops during the budget year is unlikely to differ materially from that in the current year. In framing the budget for next year we have taken into account the improvement in the Kashmir situation following the cease fire and our hope that this cease fire will eventually lead to a peaceful solution of the problem. The House will naturally not expect me to go into greater detail in this matter but I must utter a warning that if for any unforeseen reason these hopes on which we have based our estimates are not realised, it may be necessary to exceed the provision now proposed. It has also to be remembered that the recent grant of an *ad hoc* dearness allowance to employees of the Central Government has added Rs. 4 crores to the Defence Budget next year. The budget for next year also includes additional provision for the expansion of the Navy and the Air Force. As the House is aware, our Navy till recently consisted of only a few sloops and frigates designed primarily for port defence but with the achievement of independence the Navy has been called upon to shoulder greater responsibilities than before, for which it is necessary to have a balanced force, complete with aircraft carriers, cruisers, destroyers and submarines. With this end in view, Government have recently approved the first phase of a 10-year plan for the Navy, confined mainly to the recruitment and training of the personnel in the various branches of the Navy. The last war proved conclusively the overwhelming importance of the fleet air arm and the House will be glad to know that a beginning has already been made in this respect and that the budget includes provision for the establishment of a fleet air arm. With regard to the Air Forces also, plans for their expansion and development are going forward. It is hoped to train sufficient technical man-power to make it a more balanced and effective force.

24. Before I pass on to civil estimates I would like to refer to a change in the preparation of the Defence Demands for next year. The provision for supplies and stores which was previously pooled together and included under one Demand for all the three Services, except for certain Naval and Air Force stores, has now been split among the three Services—Army, Navy and Air Force. This change will make the estimates for each Service self-contained to a greater extent than before and enable the Defence authorities to exercise a closer and more efficient control over the expenditure in their respective Services.

25. *Civil Estimates.*—I now come to the Civil Estimates. Details of the estimates under individual heads are, as usual, given in the Explanatory Memorandum circulated with the budget papers and it is unnecessary for me to deal with them at any considerable length here. I should like, however, to refer briefly to certain special items for which provision is included in these estimates. The budget next year includes Rs. 9·85 crores for the relief and rehabilitation of refugees. In addition, a provision of Rs. 23·27 crores has been made in the capital budget, Rs. 21·34 crores for loans for rehabilitation including loans to Provincial Governments and the Rehabilitation Finance Administration and Rs. 1·93 crores for buildings. The expenditure on food subsidies and the payment of bonus on procurement under the revised policy is estimated at Rs. 32·97 crores next year. The estimates also include Rs. 10 crores for the meeting of pre-partition claims and Rs. 12·83 crores under the various heads of expenditure for development schemes.

26. Of the total expenditure of Rs. 165·16 crores provided in the budget for next year, Rs. 52·82 crores are accounted for by the expenditure on refugees, the payment for food subsidies and pre-partition payments, leaving Rs. 112·34 crores for normal expenditure. This includes Rs. 10·06 crores for tax

collection, Rs. 41·97 crores for obligatory expenditure on payment of interest and pensions and provision for debt redemption, Rs. 2·04 crores for planning and resettlement, Rs. 2·23 crores for expenditure on Currency and Mint, Rs. 2·95 crores for grants-in-aid to Provincial Governments and Rs. 24·20 crores for expenditure in the nation building spheres such as Education, Medical and Public Health, Broadcasting, Aviation and on Scientific Surveys and institutions in which the Central Government largely supplement the work of Provincial Governments. The balance of Rs. 28·89 crores represents the provision for administration, Civil Works, etc. and represents only 17·5 per cent. of the total civil expenditure. In addition to Rs. 24·20 crores in the nation building spheres mentioned above, provision has also been made for the grant of Rs. 26·81 crores to Provincial Governments for development and Rs. 49·25 crores for loans.

27. Honourable Members are aware that in recent months a large number of Indian States have been merged in the neighbouring Indian Provinces or taken over for administration direct by the Centre as part of the policy of unifying the country under the guidance of my distinguished colleague the Deputy Prime Minister. Ultimately the revenue and expenditure of these States have to merge in those of the Provinces or the Centre depending on the subject to which they pertain. But the process of integration is still incomplete and for the present the transactions of these States have been kept separate in a deposit account and not included in the revenue and expenditure of India. If, as may be hoped, the integration is completed in the course of the coming year, these transactions will be included in the revised estimates for the year.

28. On the basis of the estimates of revenue and expenditure that I have explained so far, the anticipated deficit for next year is Rs. 14·79 crores. I shall return to the question of how I propose to deal with this deficit in a later part of my speech.

Post-War Planning and Development

29. I mentioned earlier that as part of the campaign against inflation, Government had to review their whole programme of expenditure and reduce the outlay both in the capital and in the revenue budgets. Even so, substantial amounts have been included in the budget for grants to Provincial Governments and for Central schemes of development. So far as the Provinces are concerned it is not the intention that the scale of assistance promised to them by the Centre for their development schemes and on which they have formulated their plans should in any way be reduced. All that is happening is that the pace of this assistance is being temporarily slowed down in view of the urgent need for economy and in so doing special care has been taken to see that the progress of productive schemes and schemes of long range importance essential for national development is not held up. The House will remember that last year we laid down the policy that the grant each year from the Centre should be limited to half the amount spent on the approved schemes. Some of the smaller Provinces whose resources are limited asked for the waiver of this condition and in spite of our own difficulties we have agreed for this year and next year to allow them grants up to the total amount they may spend on approved schemes. The budget for next year includes a provision of Rs. 26·81 crores for grants and Rs. 49·25 crores for loans to Provinces for development.

30. For Central schemes of development including resettlement a provision of Rs. 12·83 crores has been made in the revenue budget and Rs. 24·97 crores in the capital budget. Details of the provision are given in the Explanatory Memorandum and among the important schemes I would mention the expansion of the Forest Research Institute, Dehra Dun, the development of the forest estate in the Andamans, the preliminary work on a number of river projects like the Kosi, the Assam Valley, the Narbada, Tapti, and Sabarmati schemes.

investigations in Coorg, Central Provinces and Bastar, the reorganisation of the Central Waterways Navigation and Irrigation Research Station, the expansion of the Indian Agricultural Research Institute and the development of basic education. The budget also provides Rs. 2·19 crores for the Central Government's share of the expenditure on the Damodar Valley Scheme, Rs. 90 lakhs for buildings for development schemes, Rs. 4·93 crores for the Fertiliser Factory under construction at Sindri, Rs. 2·92 crores for the expansion of civil aviation and Rs. 96 lakhs for the expansion of Broadcasting.

In the sphere of industrial development a beginning is also being made in the starting of basic industries essential for national development. Among these I would mention the Government Telephone Factory for the manufacture of telephone equipment, the setting up of a Shipping Corporation in which a total sum of Rs. 6·98 crores is expected to be invested this year and next year, the setting up of new steel works and factories for the manufacture of wireless equipment, synthetic oil, machine tools, cables, Diesel engines and heavy electrical equipment. A beginning will be made in the establishment of these industries which will be developed in subsequent years.

Capital Expenditure

31. With regard to capital expenditure I have just mentioned the provision included in the budget for development schemes. The House will doubtless be interested in the provision made in the budget for normal capital expenditure. But before I describe this, I must mention certain special transactions which have been entered in the capital budget this year. The first is the payment to the U. K. Government for the purchase of annuities for meeting the sterling pensions which accounts for a net debit of Rs. 215·68 crores this year and a recovery of Rs. 7·42 crores next year for which credit has been taken. The second is the payment, again to the U. K.

Government, as part of the Sterling Balances Agreement of Rs. 133·33 crores for the Defence stores and installations taken over from them against which Rs. 51·57 crores will be recovered this year and Rs. 11·8 crores next year from Pakistan and from the sale of surpluses. The third is the outlay of Rs. 5·93 crores on the acquisition of the shares of the Reserve Bank of India this year. Lastly, there is a provision of Rs. 5·08 crores this year and Rs. 92 lakhs next year for payment to Pakistan for setting up Ordnance factories and other unique institutions. As part of the partition arrangements it was agreed that as most Ordnance factories and institutions like the Security Printing Press and the Currency Note Press were located in India and it was not desirable to break up these institutions, a sum of Rs. 6 crores should be made available to Pakistan for setting up similar institutions in Pakistan. This payment will be added to Pakistan's partition debt to India. Excluding these special items and the provision for development schemes and grants to Provinces the provision for normal capital expenditure amounts to Rs. 44·09 crores this year and Rs. 62·42 crores next year. Of the provision this year, Railways account for Rs. 27·15 crores and the Posts and Telegraphs Department for Rs. 2·91 crores. Next year's budget provides Rs. 28·49 crores for the Railways, Rs. 3·82 crores for Posts and Telegraphs and Rs. 7·9 crores for schemes of State Trading, mainly for the purchase of foodgrains the cost of which will be recovered in the following year.

The House will remember that a provision of Rs. 14·99 crores was made in the budget for the current year for capital outlay on Defence. The actual expenditure is now estimated at Rs. 9·91 crores, the decrease being mainly due to the delay in the completion of certain plans for major works and the procurement of aircraft. For next year a provision of Rs. 15 crores has been included of which Rs. 7·24 crores will be spent on the Army, Rs. 2·79 crores on the Navy and Rs. 4·97 crores on the Air Force.

Ways and Means

32. I now turn to a brief consideration of the ways and means position. The current year's budget provided for a total borrowing of Rs. 150 crores from the market and to a net receipt of Rs. 31·25 crores from small savings. For a variety of reasons to which I have referred in another part of my speech the gilt edged market remained inactive throughout the year with very little investment demand. It was not therefore possible to borrow on the scale originally contemplated. For next year I have made a modest provision of Rs. 85 crores for market loans. But if, as I hope, conditions improve the scale of borrowing will be raised. Next year Government have the option of repaying the 3 per cent. loan 1949-52 with an outstanding balance of Rs. 67 crores. I have assumed that this amount will be repaid and in my estimate of borrowing next year I have taken this return of money to the market also into account. In the present inflationary conditions, it is of the utmost importance for the economy of the country that the community should save as much as possible and lend its savings to the State. I trust that the recent measures taken by Government to meet the inflationary situation would restore public confidence and that this time next year I shall be in a position to give a more heartening picture of public co-operation in the Government's borrowing operations. As regards small savings, there has been in recent months some improvement in the net receipts from Savings Banks and in the sale of National Savings Certificates. The House will remember that last April Government issued two new series of certificates with a currency of five and seven years to cater to the smaller investor and also raised the maximum limit of investment in both Postal Savings Bank and National Savings Certificates in order to stimulate further investment. It is too early to assess the results of these measures but Government are doing all in their power, in co-operation with the Provincial Governments, to stimulate and sustain the small savings movement. It is hoped that the

budget anticipations in regard to receipts from this source will be exceeded this year by Rs. 1·6 crores. For next year I have allowed for some further improvement and taken credit for a net receipt of Rs. 37·56 crores.

33. I now pass on to my proposals for dealing with the deficit of Rs. 14·79 crores anticipated in the coming year.

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PART B OF THE BUDGET SPEECH FOR 1949-50.

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34. The prospective deficit for next year is substantial and I am sure that the House will agree with me that in the present inflationary conditions it should not be left uncovered.

35. The problem before me is not merely that of raising the additional revenue to cover this deficit. I have also to consider the adjustments in taxation necessary in the light of the experience of the working of the tax system in the period since the House passed the budget for the current year. Fiscal policy is not an end in itself but has to subserve the ends of national policy and in a transitional period like this it is essential to keep the working of the taxation system under constant review and readjust it in the light of changing circumstances.

Apart from inflation, to which I have referred in detail elsewhere, the most disconcerting element in the economic life of the country today is a deep, underlying fear of the future, of which the stagnation in the capital market is an index. In my view one of the most urgent tasks before a Finance Minister today is to concert measures designed to remove this fear and to secure a revival of confidence. It is clear from recent experience that the formation of capital in this country has been seriously affected, with the result that investments in Government loans and industry have been falling off. Unless this stagnation is checked and conditions are created in which the incentive to save and to invest is revived, the industrial expansion of the country and the execution of the plans for raising the living standards of the people are bound to be delayed. In formulating the proposals which I shall place before the House, I have kept this requirement prominently in mind.

Reliefs in Taxation.

36. I shall now deal with the various measures of relief which I propose to give.

In the field of direct taxation, my first proposal is to abolish the Capital Gains Tax. At the time this tax was introduced it was expected to yield a large revenue, but it synchronised with a period of falling values and the yield from this tax has, in consequence, been small. Its psychological effect on investment has, however, been markedly adverse and it has had the effect of hampering the free movement of stocks and shares, without which it is hardly possible to maintain a high level of industrial development. In present circumstances, I consider the retention of this tax ill-advised. The loss of revenue is estimated at Rs. 1 crore.

My second proposal relates to income-tax. Here I propose to give some relief to income-tax payers in the lowest and medium income groups. The tax on incomes upto Rs. 10,000 will be reduced by a quarter of an anna, from one anna to nine pies in the first slab and from two annas to one anna nine pies in the second slab. This class has been severely hit by the rise in prices and a certain degree of relief in their case is amply justified. The loss is estimated at Rs. 3 crores.

My third proposal relates to super-tax. Here I propose two reliefs designed to meet the criticism that the existing level of taxation leaves little incentive for saving and investment and that it is illogical to ignore the differentiation between earned and unearned income above Rs. 1½ lakhs. In respect of earned income I propose a reduction of an anna and a half in the rates charged on incomes above Rs. 1½ lakhs, leaving the maximum rate of tax for income-tax and super-tax together at 14 annas. For unearned income, I propose a reduction of 6 pies in the maximum rate of super-tax. The cost of the two concessions will be Rs. 2·1 crores.

Of the total loss of Rs. 6·1 crores involved in these concessions, Rs. 3 crores will fall on the Provinces by reducing the divisible pool of income-tax and the balance on the Centre.

37. Before I leave the subject of direct taxation I would like to mention two changes which I propose to make. The House will remember that in the budget for the current year my predecessor gave a concession to companies with an income of Rs. 25,000 and below by reducing their income-tax to half the usual rates. This concession was meant to encourage the growth of smaller companies but the reduction, which was allowed in income-tax, has given rise to considerable administrative difficulties, wholly out of proportion to the amount involved or the benefit accruing to the companies. I have carefully reviewed the position and come to the conclusion that while the concession should be maintained it should take the form of a rebate of half the Corporation Tax, and should be limited to public-controlled small companies which are not branches or subsidiaries of bigger companies. The result of this change will be that the entire cost of the concession will fall upon the Centre, and the Provinces will not have to share it. The amount involved is likely to be small and I have therefore made no specific provision on this account in the estimates for next year. The second change relates to the taxation of incomes of privately-controlled companies which do not declare their dividends in India. It may be recalled that there was a serious anomaly in the administration of income-tax law relating to the recovery of super-tax from shareholders, in respect of the dividends paid out of Indian profits, by companies incorporated outside this country. It was difficult to obtain from these companies information concerning the names of their

shareholders and the amounts of dividends paid out of Indian profits and there was consequently a considerable loss of revenue. The problem of plugging this leakage was considered last year and my predecessor introduced a scheme whereby an extra tax of one anna was imposed on all such companies with a view partially to recouping the loss. As part of the scheme, an amendment was made to the Income-Tax Act so as to confer personal immunity from further taxation upon the shareholders of such companies. The amendment however had the effect of conferring immunity from super-tax not only upon the dividends actually received, but also upon the dividends which under the operation of section 23-A of the Income-Tax Act could be deemed to have been received from privately-controlled companies. Therefore, if the matter had been left there, the profits of these companies would have escaped with an overall impost much lighter than that to which they were subject under the previous law. This point was met by applying to this category of companies the rates of income-tax and super-tax prescribed for individuals or associations and the definition of "company" was altered to permit of this being done by executive action. The arrangement has, however, not been satisfactory, and after a careful review of the matter I have decided that instead of attempting to tax each such privately-controlled company as an individual, the principle of applying an average rate should be adopted. I accordingly propose that all corporations, whether Indian or non-Indian, should continue to be treated as companies but a further super-tax of one anna should be paid by those privately-controlled companies that do not distribute their profits in India. I propose to apply this method commencing with the current year. It will not involve any change in the revenue estimates.

38. There is one aspect of the complaint about the high taxation in relation to industry to which I would like to make a passing reference. Owing to the steep rise in the level of prices of raw materials, wages and working costs, larger amounts of working capital are needed to maintain production. Replacement costs are also higher, and there have been complaints that the calculation of depreciation allowance for purposes of taxation on the original cost of the asset involves great hardship. It has been suggested that industries should be allowed to revalue their existing fixed assets at the present day prices so that future depreciation allowance may be given on the basis of the revaluation. The Government of India considered this problem in all its aspects last October and came to the conclusion that while the difficulty complained of was real the solution proposed was not practicable. It would give no assistance to those who have immediately to replace their worn-out assets and there was no point in giving a concession to others who, at some future date, may not be required to pay the high prices now prevailing. It was however realised that

some relief should be given to those who were prepared to renew and re-equip their capital assets immediately, in spite of the prevailing high costs. It was decided that for all new plant and machinery installed during the five years from the 1st April 1948, depreciation allowance at double the ordinary rate will be allowed. It has also been decided that if by 1st April 1953 there is a drop in the general level of prices, the difference between the written down value of the assets and the corresponding value at the reduced price will be allowed as an additional depreciation allowance. For existing plant and machinery, it has been decided to grant extra depreciation allowance for increased wear and tear if triple shifts are worked. I trust that these concessions will go a long way in meeting the complaints of industry in this matter. In addition, the concession given last year of a reduced rate of income-tax to companies which do not distribute a part of their profits as dividends, and the recent limitation, for a temporary period, of the amount that may be distributed as dividends will also enable industrial concerns to accumulate reserves for meeting the increased cost of replacement.

39. I now turn to the reliefs in indirect taxation.

The House will remember that in the budget for the current year an export duty was levied on oil seeds and vegetable oils. This was justified at the time by the wide disparity between the internal prices of these commodities and their export prices and it was then felt that the levy of this duty will not affect our export market. The effect of this duty has since been carefully reviewed and it is now clear that its continuance hampers the maintenance of our exports, particularly to the dollar countries, where we have to meet severe competition. In the interests of the export trade I propose to withdraw this duty. The loss in revenue is estimated at Rs. 1·5 crores.

As a measure of assistance to civil aviation and to foster the development of flying clubs and the training of Indian pilots, it is proposed to give a rebate of half the duty on aviation spirit used by air companies, flying clubs and others. This concession is estimated to cost Rs. 40 lakhs.

Honourable Members are aware that it has been the policy of Government to give relief in respect of customs duty on raw materials imported for industry. In pursuance of this policy it is proposed to give relief next year in the case of a number of imported articles, the total cost of such remissions being estimated at Rs. 35 lakhs.

40. The net effect of all the reliefs mentioned so far is a reduction in revenue of Rs. 5·35 crores, raising the prospective deficit to Rs. 20·14 crores.

NEW AND ADDITIONAL TAXES.

41. Before I deal with proposals for new taxation I would mention certain changes proposed in the postal rates. With

the rapid development of a net work of air services over the whole country, it has been decided to utilise this facility for accelerating the delivery of mails and transmit all first class mails, namely, letter and post cards as far as possible by air. The existing surcharge on air mails will accordingly be abolished and as all mails will be carried over as much of the distance as possible by air, it is proposed to revise the existing rates for letters and post cards. The rate for letters will be raised from $1\frac{1}{2}$ annas to 2 annas for the first tola or fraction thereof, the rate for each subsequent tola or fraction thereof remaining unchanged at 1 anna. For post cards the present charge of six pies will be raised to nine pies, the rate which was in force prior to the 1st July 1946. The net additional revenue from the revision of these rates and the abolition of the surcharge on air mails is estimated at Rs. 2·84 crores.

42. I now come to the problem of covering the remaining deficit of Rs. 17·3 crores. It is obvious that at the present level of taxation there is now no scope for raising additional revenue by an increase of direct taxes. As regards customs duties, the level of our import duties is, in my opinion, so high that no substantial increase in revenue is likely to result from enhancing them. The levy of export duties has to be carefully regulated with reference, not so much to our revenue needs, as to the need for maintaining and developing the country's export trade which earns the foreign exchange necessary for financing essential imports. While some adjustments may be found possible in respect of import duties, and export duties could be utilised to some extent, we can no longer rely on customs duties for raising substantial additional revenue and we shall have to depend largely on developing excise duties.

43. I shall first deal with customs duties. I propose to retain on the tariff next year the changes made by ordinance in November last as part of the campaign against inflation and complete the process of raising the duties on luxury items, which was then begun, by a number of further minor changes in the tariff. To this effect I propose to levy a surcharge on liquor equivalent to the basic duty, to raise the surcharge from one-fifth to one-half on fabrics containing silk, art silk, woollens and their mixtures and cotton knitted apparel, to double the surcharge on artificial silk yarn and thread, earthenware and china, and to raise the duty on paper (other than newsprint), stationery articles, glass and glassware including sheet and plate glass, cutlery, metal furniture, flashlights, photographic appliances and clocks and watches. The additional revenue from all these changes is estimated at Rs. 2·4 crores.

I also propose to raise the import duty on motor spirit from 12 annas a gallon to 15 annas a gallon. The excise duty will also be similarly raised. This will bring the duty on motor spirit to the level in 1945-46, when consumption of this article was regulated by more severe austerity standards, and bring in an additional revenue of Rs. 2·55 crores, taking Customs and Central Excises together. I have carefully considered the implications of this course on transport and am satisfied that it will not retard the development of transport or add materially to the cost of road transport.

My next proposal is to raise the import duty on betelnuts from 5 annas a lb. to $7\frac{1}{2}$ annas a lb., with the present preference of 6 pies a lb. for imports from British colonies. This will bring in additional revenue and will also be in the interests of the indigenous grower. The yield is estimated at Rs. 1 crore.

In the sphere of export duties I propose a new duty of 15 per cent. *ad valorem* on exports of cigarettes, cigars and cheroots. I am satisfied that this will not affect the export market for these goods. The estimated yield is Rs. 60 lakhs.

44. I now turn to changes in Central Excise Duties. I have already referred to the increase in the excise duty on motor spirit as complementary to the increase in the import duty. I propose further changes in respect of sugar, tyres for motor vehicles and cotton cloth. I propose to increase the duty on sugar from Rs. 3 per cwt. to Rs. 3-12-0 per cwt., to yield Rs. 1·5 crores. The duty on tyres used for motor vehicles will be raised from 15 per cent. *ad valorem* to 30 per cent. *ad valorem*, to bring an additional revenue of Rs. 70 lakhs. As regards cotton cloth, as the House is aware, a duty of 25 per cent. *ad valorem* was levied on superfine cloth with effect from 1st January 1949, as one of the measures against inflation. This duty will be continued next year and in addition, it is proposed to levy a duty of $6\frac{1}{4}$ per cent. *ad valorem* on fine cloth and a quarter anna per yard on coarse and medium cloth. The duty will be confined to mill-made cloth and will not be applicable to cloth woven on handlooms. The revenue from this additional duty on cotton cloth is estimated at Rs. 9 crores.

45. The excise duty on cloth has a long and bitter history behind it and I must explain to the House my reasons for introducing it. In the first place, the circumstances in which we are levying the duty today are different from those in which it was levied by a foreign Government in the interests of a foreign industry. In the second place, it is necessary to replace the heavy loss in revenue resulting from the abolition of the salt duty by developing some other equally stable source of revenue. Cloth, with a large internal production and as an article of universal consumption, offers itself as the most obvious choice for a tax on consumption. Thirdly, in the present conditions, as the price of imported cloth remains high and the import duties thereon have been enhanced considerably, the proposed excise duty is not likely to affect the indigenous industry. I would also mention that this duty is likely to assist the handloom industry. During the war years when there was no control on handloom cloth and supplies for civilian use were

restricted the handloom industry had an assured market for its products. With the Indian mills steadily expanding their production and imports from overseas also tending to increase, the advantages which the handloom industry had during the war years will gradually disappear. The excise duty now proposed, which adds slightly to the cost of the mill product, will, in some measure, help the handloom industry to retain its market. From the point of view of the consumer the incidence of this duty, particularly on the middle and lower middle classes using coarse and medium cloth, will be negligible and in view of the substantial revenue that is expected from it I trust the House will accord its approval to it.

46. While on the subject of Central excises, I may mention the question of rationalising the duty on matches, which I have had under consideration for some time. The ideal arrangement will be to have one standard size of matches but owing to practical difficulties in production it is not possible to achieve this. I have therefore decided that two sizes, namely, 40s and 60s should continue in production for the home market and I have made some slight readjustment in the rate of the duty. Factories whose annual output is less than 5 lakhs gross boxes will now benefit by the levy of a somewhat lower rate of duty. Necessary amendments to the tariff will be made through the Finance Bill but this will not involve any change in the revenue estimates. With the provision of the two sizes I hope that the retail prices will not exceed 6 pies and 9 pies per box and that the consumer will get the benefit of the partial standardisation without any loss of revenue to the exchequer.

Net result of proposals.

47. I may now summarise the net effect of all the proposals that I have placed before the House. The various measures of relief which I have suggested in direct taxes will result in a loss of revenue of Rs. 3·1 crores; the abolition of the export duty on oil seeds and vegetable oils will involve a loss of Rs. 1·5 crores; and the rebate of duty on aviation spirit and industrial raw materials will cost a further sum of Rs. 75 lakhs. As I have already stated, this will bring the total loss of revenue to Rs. 5·35 crores, raising the prospective deficit from Rs. 14·79 crores to Rs. 20·14 crores. The increases in customs duties and, the new export duty on cigarettes and cigars will yield Rs. 6·23 crores, the net increase in Postal rates Rs. 2·84 crores, and the increases in Central Excise Duties Rs. 11·52 crores. The final effect of these proposals is to convert the prospective deficit into a small surplus of Rs. 45 lakhs.

Conclusion.

48. Sir, I have come to the end of my story. It is not pleasant for a Finance Minister to appear before the House

with a record of deficits and proposals for additional taxation but a Finance Minister is as much the creature of circumstances as any one else. Part of the heavy expenditure which Government have now to meet is due to extraordinary circumstances and but for these special demands, the budget would have shown a substantial surplus. As I have mentioned earlier, the present economic conditions in the country make it an imperative necessity to balance the budget. In laying fresh burdens of taxation the House will accept my assurance that I have done my best to secure that they are equitable and that no section of the community is made to pay more than its fair share.

49. On a survey of world conditions today, I feel that we have good reason for taking a hopeful view of our financial position. We are not alone in having to fight scarcities and inflation. These problems confront most countries in the post-war world. We can, however, take comfort from the fact that, unlike some other countries, our financial position is intrinsically sound. We have only a moderate public debt in relation to our national income and we have considerable external reserves with practically no external debt. We have weathered the storm and stress of the partition and its terrible aftermath. In spite of the heavy demands on our resources for the relief and rehabilitation of refugees, the import of food on an unprecedented scale from overseas and the defence of Kashmir against aggression, we are in a position to balance our budget, without sacrificing any of our essential schemes of development. We have made some headway in the fight against inflation. The curve of production is slowly rising and we have plans in hand for increasing the food production of the country. I do not wish in any way to minimise our difficulties or suggest that we can take a complacent view of the situation. A balanced national budget may, and often does, cover a multitude of ill-balanced family budgets. In this respect, we have still a formidable task ahead of us, the task of fighting want, sickness and poverty and raising the living standards of the millions to whom the emancipation of the country will be a mockery unless it is translated in terms of opportunities for a fuller, freer and better life. This task is not beyond our resources but it requires the co-operation of all classes and sections of the community in a spirit of partnership in a high adventure. I have no doubt that this co-operation will be forthcoming and I pray that my stewardship of the finances of the country may contribute in some degree to the accomplishment of this task.

SUMMARY OF FINAL ESTIMATES.

Revenue.

(In lakhs of Rs.)

	Revised. 1948-49	Budget. 1949-50
Customs	117,25	107,25 +3,98*
Central Excise Duties	50,25	57,75 +11,52*
Corporation Tax	57,25	41,81
Taxes on Income other than Corporation Tax	100,75	113,19 −6,10*
Opium	1,08	1,18
Interest	1,42	1,19
Civil Administration	7,05	6,78
Currency and Mint	13,05	9,70
Civil Works	1,02	1,02
Pre-partition Receipts	13,40	...
Other Sources of Revenue	6,52	5,37
Posts and Telegraphs Net Contribution	3,73	1,63 +2,84*
Railways Net Contribution	7,34	4,72
Deduct—Share of Income-Tax revenue payable to Provinces	−41,79	−43,85 +3,00*
TOTAL REVENUE ...	338,32	322,98

Expenditure.

	Revised. 1948-49	Budget. 1949-50
Direct demands on revenue	9,88	10,06
Irrigation	8	12
Debt Services	39,91	39,29
Civil Administration	38,35	40,50
Currency and Mint	2,76	2,23
Civil Works	8,15	7,32
Pensions	2,68	2,68
Miscellaneous—		
Expenditure on refugees	19,45	9,85
Subsidy on foodgrains	31,96	32,97
Other expenditure	5,30	5,12
Grants to Provinces, etc.	2,96	2,96
Extraordinary items	2,21	2,06
Defence Services (net)	155,43	157,37
Pre-partition Payments	20,75	10,00
TOTAL EXPENDITURE ...	339,87	322,53
DEFICIT ...	−1,55	SURPLUS +45

*Budget Proposals.

Speech by the Honourable the Finance Minister on introducing the Budget proposals for 1949-50

SIR,

I rise to present the Budget for 1949-50.

Review of Economic Conditions

2. Although this is the fourth year since the cessation of hostilities, the return of normal conditions, without which it is impossible to expand production and develop trade, seems still as far off as ever. Over large parts of the world, conditions remain disturbed and the progress of recovery from the ravages of the war is painfully slow. In Europe the impasse in Berlin, the civil war in Greece and the emergence of two rival camps among the countries that fought the war as allies are symptomatic of the abnormal conditions which still prevail. The Palestine question, which is a serious threat to peace and stability in the Middle East, is still unsolved. Nearer home, the continuance of civil strife in China, the disturbances in Burma, which concern us deeply in view of our close economic ties with that country and the large interests our nationals have in it, and the unprovoked assault of the Dutch on the Indonesian Republic, all these retard the economic recovery not merely of this largely underdeveloped area of the globe but of the whole world. Prosperity, like peace, is indivisible and while these conflicts are going on in various parts of the world involving a tragic waste of men and material, the common man in all countries particularly the less developed countries, continues to pay a heavy price in want and suffering.

3. In our own country, as in most other countries in the post-war period, the major problem has been that of keeping the inflationary trends under control. It is not necessary for me to dilate on the causes of the emergence of these trends since the end of the war. While as a result of the war the purchasing power in the hands of the community increased considerably, the available supply of commodities

in the post-war period was not sufficient to meet the increasing demand for them. The shortage of essential commodities, particularly food and clothing, aggravated the situation owing to the rise in the money income of some sections of the community who in the past never competed for food and consumer goods on the same scale. Difficulties in transport and distribution accentuated the shortages while the partition last year and the economic dislocation caused over considerable parts of the country by the movement of population between the two Dominions made the position worse. A steady rise in prices occurred throughout 1947 the general index number of whole sale prices rising from 290·5 at the beginning of the year to 314·2 at the end of December. In the first seven months of 1948 there was a further steep rise in prices, the index number of wholesale prices rising by as much as 76 points to 390·1. Since then the prices have slightly dropped and as a result of the various measures taken by Government prices have remained more or less steady.

4. The answer to the problem of inflation and high prices is to increase the supply of commodities to meet the existing demand and until this position is reached to control the distribution of the available supply of the essential commodities. In the matter of food the supply position still continues to be difficult and last year owing to the poor crops in certain parts of the country we have had to import 2·8 million tons from overseas at a cost of Rs. 130 crores against an estimated import of 2 million tons at a cost of Rs. 110 crores. The position is expected to be still more difficult this year owing to the floods in Bihar and the United Provinces, the damage caused by the recent cyclone in Bombay and the outbreak of famine in parts of Gujerat, Saurashtra, Rajasthan and Cutch and imports may amount to 4 million tons. As the House is aware, it has already been decided to re-introduce food control and it is hoped that this will secure an equitable supply of food grains throughout the country at fair prices. In respect of other commodities the position in regard to internal production has, I am glad to say, been encouraging in recent months although it has not been possible in many cases to reach the peak production of the war years or the target that has been set. Last year the production of coal at 29·73 million tons and of steel at 854,000 tons just fell short of the production in the previous year while the production of salt rose from 49·6 million maunds to 59·3

million maunds, of cotton yarn from 1,315 million lbs. to 1,442 million lbs., of cloth from 3,816 million yards to 4,338 million yards, of art silk fabrics from 85 million yards to 114 million yards, of plywood from 28·6 million sq. feet to 38·63 million sq. feet and of soap from 80,000 tons to 190,000 tons. The flow of raw materials to industry has also improved with the improvement in the transport position while with the relaxation of import controls there has been a larger flow of imported goods. Production has been greatly assisted by the occurrence of fewer strikes and labour disputes. If the present favourable trends in production continue, I have no doubt that it will be possible not merely to arrest the rise of prices but to bring them down gradually.

5. The state of the capital market in the year under review has been a matter of concern to Government. While there is obviously a large amount of money in the country competing for the limited supply of goods, the investment market has been stagnant and there has been little flow of money into Government loans or into industrial concerns. This stagnation is due in large measure to the prevailing uncertainty in regard to matters affecting industrial development and prospects. My own view is that with the huge potential demand in this country for both consumer and capital goods, there is bound to be for many years a wide field for private enterprise and that in this matter no one who invests money is taking a greater risk than in any other country in the world.

6. As I mentioned a while ago, the fight against inflation has been one of Government's main pre-occupations this year. As Honourable Members are aware, Government consulted various interests and sections of public opinion regarding the measures necessary to deal with this situation. In a matter of this kind, it is obviously not possible to expect complete unanimity of opinion as to either the causes of inflation or the remedies to be adopted. But it was clear that immediate action should be taken to prevent, as far as possible, the further creation of purchasing power in the hands of the community and to take all steps possible to stimulate production and instil a spirit of confidence in industry. With this end in view, in the field of taxation additional duties on certain articles of luxury such as liquor, tobacco, motor cars, silk and art silk frabrics were imposed and an excise duty on super fine cloth was levied. Power was taken to make provisional assessments

of income-tax on the basis of returns submitted by the assessees. A system of interest bearing deposits for income-tax introduced in 1943 was also revived and it was decided to postpone for a further period of three years the refund of deposits of Excess Profits Tax except for approved purposes. A temporary limit was also placed on the amount that may be distributed as dividend by public companies, by an Ordinance, the enactment of which into law is now under consideration by the House. Among measures taken to stimulate industrial production, I would mention the reduction in the import duty on machinery and certain industrial raw materials and the abolition of the import duty on cotton yarn. New industrial undertakings commencing production in the next three years have been given exemption from income-tax for the first five years up to a limit of six per cent. per annum on their capital. The rules regulating depreciation allowances have also been liberalised. In the field of Governmental expenditure a rapid review was conducted of all capital and development schemes including the Provincial schemes. As a result the total provision for capital and development schemes and loans has been substantially reduced. It was also made clear to the Provinces that in the present financial situation they should not count on Central assistance for implementing their schemes of social or agrarian reform. The House will realise that it was not without regret that we decided to hold up even temporarily the various schemes of development the execution of which is necessary for the well being of the country. But the need for economy was imperative and we had to postpone all avoidable expenditure. But this has not led to the slowing down of any productive scheme or any scheme essential for the national interest. I would like to take this opportunity to express my sense of gratitude to the Provincial Governments for their ready co-operation in this matter.

Balance of Payments

7. The main features in the external financial position of the country in the year under review have been the sharp decline in the sterling balances held by the Reserve Bank of India, the growing difficulty in the financing of imports from the hard currency areas and the emergence of Pakistan as a foreign country for currency purposes with the separation of its currency from that of India. The sterling balances which reached the peak figure of Rs. 1,733 crores at the end of 1945-46

declined by Rs. 121 crores to Rs. 1,612 crores during 1946-47. This reduction was due mainly to the large imports of food but there were also substantial imports of other goods in satisfaction of the pent up demand of the war years and a certain amount of repatriation of British capital. During 1947-48 the reduction was somewhat smaller due to the restrictive import policy which was introduced towards the close of 1947 and the balances fell by only Rs. 67 crores to Rs. 1,545 crores. In the first ten months of the current year there has been a further drop of Rs. 556 crores in these balances. This heavy outgo is due to several causes. The first is the payment to the United Kingdom Government in accordance with the agreement reached with them last July, of Rs. 284 crores for the purchase of annuities for financing the payment of sterling pensions and the acquisition of the Defence installations and stores left behind in India by the United Kingdom at the end of the war. The second is the payment to the State Bank of Pakistan of Pakistan's share of these balances following the separation of its currency from that of India. This payment is still continuing as the sterling and other assets of the Issue Department are handed over in instalments as Indian notes are withdrawn from circulation in Pakistan and handed over to the Reserve Bank. Sterling to the extent of Rs. 1,77 crores has so far been transferred to the Pakistan State Bank. The third factor responsible for the decline is India's adverse balance of payments on current and capital account.

8. Government's import policy is largely determined by the trend of the balance of payments. The aim of this policy is so to regulate trade that while it is kept at the highest possible level consistent with the needs and requirements of the country, India should not have an overall deficit in her balance of payments on current account during any particular period of time of more than the amount by which it has been agreed with the United Kingdom Government India's sterling balances should be drawn upon. Under the present agreement signed last July it has been agreed that India's free sterling account which had a balance at the end of June, 1948 of £ 80 million will be credited with an equivalent sum during the period July, 1949 to June, 1951. In pursuance of this policy and also with the immediate object of reducing the inflationary pressure in the country, import controls were relaxed during the course of the year, and I am glad to say that they have resulted in substantially increasing the available supply of goods in the country.

9. While our overall balance of payment position is on the whole satisfactory, our balance of payments with the dollar and hard currency countries is causing us great concern. In the pre-war years India had usually a surplus with the United States of America and during the war years owing to the drastic curtailment of imports to conserve dollars for the war effort, India continued to have increasing surpluses. After the war, the trend of trade rapidly reversed itself and, in common with the rest of the world, this country started having substantial deficits on hard currency account. The reason for this was that we had increasingly to turn to the hard currency countries for our requirements as the countries whose economies had been disrupted by the war could not meet them. This was particularly true of food which is today the largest single consumer of foreign exchange. Burma could not supply all the rice we needed because of the ravages of the war and its aftermath; Australia could not give us all the wheat we wanted because the United Kingdom had priority in supply.

10. India's dollar deficit in the past used to be financed by the central reserves of the sterling area. But beginning from January, 1948 the United Kingdom refused to carry this responsibility any further and insisted on limiting the convertibility of our sterling very rigidly. The limits imposed—£ 10 million ($ 40 million) for the half year January—June, 1948 and £ 15 million ($ 60 million) for the year July, 1948—June, 1949—bear no relation whatever to our needs. Concurrently with the imposition of these limits on convertibility, there came the separation of the exchange resources of Pakistan from India which also took place in January, 1948. This has also handicapped us severely as many commodities which before partition earned hard currency, such as raw jute, raw cotton and hides and skins, were largely exported from territories now in Pakistan. In spite of the maximum possible limitation of imports from the hard currency areas and the maximum possible encouragement of exports thereto, India had a deficit in her balance of payments with the hard currency countries in the six months April to September, 1948 of $ 45 million. The deficit for the next three months, for which preliminary figures are available, is expected to be $ 48 million. Of these deficits, the purchase of food grains was responsible for $ 35 million and $ 40 million respectively. These deficits which exceed by far the convertibility allowed to us by the United Kingdom have been met by loans from the International

Monetary Fund from which since March, 1948 we have borrowed no less than $ 92 million.

11. I confess that this chronic dollar deficit is causing Government no little anxiety. Honourable Members are aware that we intend to negotiate dollar loans from the International Bank for Reconstruction and Development. But these loans will be available only for financing the purchase of equipment for our developmental projects and not for current expenditure. We do not favour the idea of borrowing on the present scale from the International Monetary Fund but if the central reserves of the sterling area, to which we were at one time a source of strength, insist on continuing to limit our claims on them in the same way as at present, we shall have no alternative to continuing to borrow. One ray of hope in the situation lies, of course, in the fact that we hope, in future years, to import less food and to divert our food purchases to the soft currency areas. It is also possible that the international prices of food grains will not remain at the present high levels.

12. While we have exchange control with all countries in the world, we have none with Pakistan. This has been rendered possible by the fact that simultaneously with the separation of their currencies on the 1st July, 1948 India and Pakistan came to a monetary and payments agreement. The main terms of this agreement, which is in the first instance valid for a period of one year, are that each party will hold the currency of the other up to a limit of Rs. 15 crores, that thereafter up to a further limit of Rs. 10 crores accounts will be settled in free sterling and the balance in sterling in Account No. II. The reason for entering into an agreement of this kind was that the Governments of both Dominions were anxious to ensure that the obstacle to inter-dominion trade, which the imposition of exchange control would necessarily entail, should, if possible, be avoided. I am glad to say that this agreement has worked satisfactorily and that currency considerations have not stood in the way of inter-dominion commerce.

Financial Year, 1948-49

13. I shall now proceed to give a brief review of the financial position in the current and the ensuing years.

For the current year the deficit is now estimated at Rs. 1·55 crores against Rs. 2·14 crores provided in the budget.

Revenue

14. The revenue receipts are now estimated at Rs. 338·32 crores against the budget estimate of Rs. 255·24 crores, an increase of Rs. 83·08 crores. With the relaxation in the import controls during the course of the year there has been a considerable expansion of imports and the revenue from Customs is expected to be Rs. 36·49 crores more than the budget estimate. The yield from the excise duties on sugar, matches, tyres and tubes and vegetable products has also shown a substantial improvement and with the excise duty on cotton cloth imposed last December and estimated to yield Rs. 7 crores in a full year the revenue from Central excise duties is likely to be Rs. 4·28 crores more. Income-tax receipts are now placed at Rs. 20·62 crores more than the budget largely as a result of the intensive drive for the clearance of arrears and the recent ordinance authorising the provisional collection of tax on the basis of the statements of income of the assessees, but of this increase Rs. 5·38 crores will accrue to the Provinces as their share of revenue. The revenue from the two Government commercial departments also shows increases. The contribution from Posts and Telegraphs is likely to be Rs. 2·95 crores more while from the Railways, as the House is already aware, the contribution will amount to Rs. 7·34 crores against Rs. 4·5 crores taken in the budget. The profits from currency also show an increase of Rs. 3·65 crores. There is also a carryover of Rs. 1·33 crores on account of Government's share of the profit on stocks of sugar frozen in December 1947 which was not realised during that year and certain pre-partition receipts amounting to Rs. 13·4 crores.

Expenditure

15. The total expenditure this year is now estimated at Rs. 339·87 crores, an increase of Rs. 82·49 crores over the budget estimate which nearly wipes out the increase in revenue. Of this increase, Defence Services account for Rs. 34·35 crores and Civil estimates for the balance of Rs. 48·14 crores.

16. *Defence Services.*—The expenditure on Defence Services during the year has been affected by the continuance of the operations in Kashmir, the extent and duration of which could not be foreseen at the time the budget was prepared and for which, in consequence, no provision was included and also by the unforeseen deterioration in the situation in Hyderabad which led to the police action last September. In view of

these developments the armed forces had to be maintained at a higher strength than was contemplated in the budget. New units had to be raised and some of the operational demands for stores, equipment and munitions had to be met by fresh procurement. In addition to our own forces we had to take in service larger forces from the Indian States and the Government of Nepal also loaned us some of their troops for purposes of internal defence. All these measures entailed additional expenditure for which there was no provision in the budget.

17. The increase of Rs. 48·14 crores in civil expenditure is mainly due to three causes. Firstly, the revised estimates include a new provision of Rs. 20·75 crores for meeting pre-partition liabilities for which no provision was made in the budget. At the time the budget was framed, sufficient data regarding the outstanding liabilities were not available and the arrangements with Pakistan for meeting and adjusting these had not also been settled. It was hoped that these liabilities would be met and shared currently by the two Dominions but the Pakistan Government declined to meet these liabilities on the ground that they were initially those of India and that Pakistan would take its share only through the debt settlement. The Government of India do not accept this view as, in their opinion, after the division of the available cash balances of the undivided Government between the two Governments, the outstanding liabilities should be paid and currently shared by the two Governments. But in order to avoid hardship to those who had made supplies or rendered services to the undivided Government, the Government of India have agreed to meet the liabilities in the first instance. Certain outstanding payments relating to the pre-partition period, such as the Provincial share of income-tax, are also due to the Provincial Governments now located in India which the Government of India propose to meet. Secondly, the expenditure on the relief and rehabilitation of refugees which has always been difficult to estimate and for which a provision of Rs. 10·04 crores was made in the budget is now expected to amount to Rs. 19·45 crores. This increase is partly due to the carryover of certain liabilities from the previous year, mainly payments to Provincial Governments, which could not be made before the close of last year and partly to increased expenditure on relief which has to be regulated with reference to the constantly changing requirements of the situation. Thirdly, the expenditure on the subsidising of imported food grains and the payment of bonuses to Provincial Governments on internal procurement is now expected to exceed the original

budget by Rs. 12·05 crores. The House will remember that after a review of the food position last October it was decided that with effect from the 1st October 1948 the Central share of the loss on the supply of imported food grains to deficit areas should be raised from two thirds to three quarters and that a similar concession, limited to the Centre meeting half the loss, should be extended to the Indian States. Part of the increase is also due to the fact that while the budget provided for subsidies up to the end of the calendar year, provision has now been made for the full financial year.

I should also mention a further reason for the increase in civil expenditure. The House will remember that in the budget for the current year my predecessor made a lump cut of Rs. 2·5 crores for economies likely to result from the implementation of the recommendations of the Economy Committee. The work of this Committee has taken somewhat longer than was originally expected and its report on a number of Ministries are still under examination. No savings are therefore likely to be realised this year. For next year I am not making any provision at this stage as it is not possible, until firm decisions have been taken on their recommendations, to estimate the savings likely to be realised. But I may assure the House that this does not mean that I do not expect any economies to result from the Committee's recommendations. On the contrary it is my intention to secure the utmost economy possible in public expenditure and the House may rest assured that the recommendations of the Committee will be most carefully and earnestly considered by Government and the resulting economies enforced during the course of the year.

Income-tax Investigation Commission

18. Before I pass on to deal with the estimates for the coming year I should like to mention the progress made in the work of the Income-tax Investigation Commission. Honourable Members will remember that the Act constituting the Commission assigned two duties to it, namely, to investigate and report on all matters relating to taxation on income, with particular reference to the extent to which the existing law relating to and procedure for the assessment and collection of such taxation is adequate to prevent evasion and to investigate specific cases referred to the Commission by the Central Government. On a study of the working of the Income-tax law and its administration during recent years, the Commission came to the conclusion that on a long-term view the first task was no less important than the second, and

as work on the second had for various reasons necessarily to be slow, the Commission devoted a great part of its time till recently to the first task. This involved the examination of voluminous evidence tendered in reply to a comprehensive questionnaire which was issued, and the Commission has recently submitted a long report in which it has made recommendations on many points of law and of administration. These recommendations are now being examined with a view to the necessary legislation being introduced, and it is hoped that it will be possible to place a bill before the House at its next session.

19. As regards the investigation of specific cases referred to it by Government, the Commission has completed a few cases. Greater progress was not possible for a variety of reasons. Firstly, it was only in April 1948 that the necessary staff for investigation work could be placed at the disposal of the Commission. This was because it was not possible for the Income-tax Department to spare their more experienced officers for this work before April, 1948, in view of the shortage of officers in the Department and the large amount of arrears that had to be cleared. However, this difficulty has now been overcome to some extent, and the officers authorised by the Commission are working in different cities carrying on investigation under instructions and directions given by the Commission. It is the material gathered by them that will form the basis of the Commission's further work.

Another factor which has delayed the disposal of specific cases taken up for enquiry is that it has been found that a good deal of general enquiry and collection of facts and figures is a necessary preliminary to the investigation of the specific cases. These general enquiries and the collation of the materials collected have taken a considerable time, and the work is proceeding apace. Once this is completed, it may be hoped that the disposal of specific cases will be expedited.

In this connection I may add that the possibility of disposing of the referred cases by agreed settlement is being explored, and a bill will shortly be placed before the House for vesting the necessary powers for making such settlements in the hands of the Commission.

Financial Year, 1949-50

20. I now turn to the estimates for the next financial year. At the existing level of taxation, I place the total revenue

at Rs. 307·74 crores and the expenditure charged to revenue at Rs. 322·53 crores leaving a deficit of Rs. 14·79 crores.

Revenue

21. The total receipts from customs is estimated at Rs. 107·25 crores. This provides for a full year's effect of the changes in the tariff in the course of this year as part of the campaign against inflation. Central excises are expected to bring in Rs. 57·75 crores, including Rs. 7 crores from the recently imposed excise duty on cotton cloth. Receipts from income-tax, which include Rs. 11·22 crores on account of Excess Profits Tax and Rs. 12·01 crores on account of Business Profits Tax have been placed at Rs. 155 crores. Honourable members will remember that it was decided last year that advance payments of tax should be taken direct to revenue instead of being treated initially as a deposit and, as a first step in the process of changing the accounting procedure, advance payments of Corporation Tax were taken direct to revenue in the budget for the current year. Next year, as a further step in the process, I have taken credit in the revenue estimates for Rs. 12·5 crores for a part of these advance payments that will be received during the year. I hope that the change will be completed over the next three years. The divisible pool of income-tax is estimated at Rs. 90·7 crores of which the Centre will retain Rs. 46·85 crores leaving Rs. 43·85 crores as the Provincial share. The profits from Currency and Mint, after allowing for the share of Pakistan are estimated at Rs. 9·7 crores.

The revenue from the Posts and Telegraphs Department is expected to amount to Rs. 30·26 crores and working expenses and interest to Rs. 28·63 crores, leaving a surplus of Rs. 1·63 crores. As in the current year this surplus will be shared equally by general revenues and the department which will get a rebate of interest on its share of the accumulated profits, expected to amount to about Rs. 10 crores at the end of the budget year.

The contribution from the Railways for next year has been taken at Rs. 4·72 crores. the amount provided in the Railway Budget.

Expenditure

22. The total expenditure in the coming year is estimated at Rs. 322·53 crores of which Defence Services will account for Rs. 157·37 crores and civil expenditure for Rs. 165·16 crores.

23. *Defence Services.*—Following the customary procedure I shall first deal with the Defence estimates. The Defence Budget for the coming year shows an increase of Rs. 1·94 crores over the revised estimate for the current year, the excess in which I largely ascribed to the operations in Kashmir. The House may well ask why with the cease fire in Kashmir there is no decrease in the Defence Budget. The main reason for this is that the reduction in the strength of the armed forces cannot be made over-night and the process of demobilisation has necessarily to be spread over a period similar to the recruitment and training of the forces. The current year's revised estimates reflect the expenditure on the gradual building up of our strength while the budget for next year would reflect the gradual reduction in that strength. Since both the processes take time the average strength of the troops during the budget year is unlikely to differ materially from that in the current year. In framing the budget for next year we have taken into account the improvement in the Kashmir situation following the cease fire and our hope that this cease fire will eventually lead to a peaceful solution of the problem. The House will naturally not expect me to go into greater detail in this matter but I must utter a warning that if for any unforeseen reason these hopes on which we have based our estimates are not realised, it may be necessary to exceed the provision now proposed. It has also to be remembered that the recent grant of an *ad hoc* dearness allowance to employees of the Central Government has added Rs. 4 crores to the Defence Budget next year. The budget for next year also includes additional provision for the expansion of the Navy and the Air Force. As the House is aware, our Navy till recently consisted of only a few sloops and frigates designed primarily for port defence but with the achievement of independence the Navy has been called upon to shoulder greater responsibilities than before, for which it is necessary to have a balanced force, complete with aircraft carriers, cruisers, destroyers and submarines. With this end in view, Government have recently approved the first phase of a 10-year plan for the Navy, confined mainly to the recruitment and training of the personnel in the various branches of the Navy. The last war proved conclusively the overwhelming importance of the fleet air arm and the House will be glad to know that a beginning has already been made in this respect and that the budget includes provision for the establishment of a fleet air arm.

With regard to the Air Forces also, plans for their expansion and development are going forward. It is hoped to train sufficient technical man-power to make it a more balanced and effective force.

24. Before I pass on to civil estimates I would like to refer to a change in the preparation of the Defence Demands for next year. The provision for supplies and stores which was previously pooled together and included under one Demand for all the three Services, except for certain Naval and Air Force stores, has now been split among the three Services—Army, Navy and Air Force. This change will make the estimates for each Service self-contained to a greater extent than before and enable the Defence authorities to exercise a closer and more efficient control over the expenditure in their respective Services.

25. *Civil Estimates.*—I now come to the Civil Estimates. Details of the estimates under individual heads are, as usual, given in the Explanatory Memorandum circulated with the budget papers and it is unnecessary for me to deal with them at any considerable length here. I should like, however, to refer briefly to certain special items for which provision is included in these estimates. The budget next year includes Rs. 9·85 crores for the relief and rehabilitation of refugees. In addition, a provision of Rs. 23·27 crores has been made in the capital budget, Rs. 21·34 crores for loans for rehabilitation including loans to Provincial Governments and the Rehabilitation Finance Administration and Rs. 1·93 crores for buildings. The expenditure on food subsidies and the payment of bonus on procurement under the revised policy is estimated at Rs. 32·97 crores next year. The estimates also include Rs. 10 crores for the meeting of pre-partition claims and Rs. 12·83 crores under the various heads of expenditure for development schemes.

26. Of the total expenditure of Rs. 165·16 crores provided in the budget for next year, Rs. 52·82 crores are accounted for by the expenditure on refugees, the payment for food subsidies and pre-partition payments, leaving Rs. 112·34 crores for normal expenditure. This includes Rs. 10·06 crores for tax collection, Rs. 41·97 crores for obligatory expenditure on payment of interest and pensions and provision for debt redemption, Rs. 2·04 crores for planning and resettlement, Rs. 2·23 crores for expenditure on Currency and Mint, Rs. 2·95 crores for grants-in-aid to Provincial Governments and Rs. 24·20 crores for expenditure in the nation building

spheres such as Education, Medical and Public Health, Broadcasting, Aviation and on Scientific Surveys and institutions in which the Central Government largely supplement the work of Provincial Governments. The balance of Rs. 28·89 crores represents the provision for administration, Civil Works, etc. and represents only 17·5 per cent. of the total civil expenditure. In addition to Rs. 24·20 crores in the nation building spheres mentioned above, provision has also been made for the grant of Rs. 26·81 crores to Provincial Governments for development and Rs. 49·25 crores for loans.

27. Honourable Members are aware that in recent months a large number of Indian States have been merged in the neighbouring Indian Provinces or taken over for administration direct by the Centre as part of the policy of unifying the country under the guidance of my distinguished colleague the Deputy Prime Minister. Ultimately the revenue and expenditure of these States have to merge in those of the Provinces or the Centre depending on the subject to which they pertain. But the process of integration is still incomplete and for the present the transactions of these States have been kept separate in a deposit account and not included in the revenue and expenditure of India. If, as may be hoped, the integration is completed in the course of the coming year, these transactions will be included in the revised estimates for the year.

28. On the basis of the estimates of revenue and expenditure that I have explained so far, the anticipated deficit for next year is Rs. 14·79 crores. I shall return to the question of how I propose to deal with this deficit in a later part of my speech.

Post-War Planning and Development

29. I mentioned earlier that as part of the campaign against inflation, Government had to review their whole programme of expenditure and reduce the outlay both in the capital and in the revenue budgets. Even so, substantial amounts have been included in the budget for grants to Provincial Governments and for Central schemes of development. So far as the Provinces are concerned it is not the intention that the scale of assistance promised to them by the Centre for their development schemes and on which they have formulated their plans should in any way be reduced. All that is happening is that the pace of this assistance is being temporarily slowed down in view of the urgent need for economy and in so doing special care has been taken to see that the progress of productive schemes and schemes of long range importance essential for national development is not held up. The House

will remember that last year we laid down the policy that the grant each year from the Centre should be limited to half the amount spent on the approved schemes. Some of the smaller Provinces whose resources are limited asked for the waiver of this condition and in spite of our own difficulties we have agreed for this year and next year to allow them grants up to the total amount they may spend on approved schemes. The budget for next year includes a provision of Rs. 26·81 crores for grants and Rs. 49·25 crores for loans to Provinces for development.

30. For Central schemes of development including re-settlement a provision of Rs. 12·83 crores has been made in the revenue budget and Rs. 24·97 crores in the capital budget. Details of the provision are given in the Explanatory Memorandum and among the important schemes I would mention the expansion of the Forest Research Institute, Dehra Dun, the development of the forest estate in the Andamans, the preliminary work on a number of river projects like the Kosi, the Assam Valley, the Narbada, Tapti, and Sabarmati schemes, investigations in Coorg, Central Provinces and Bastar, the re-organisation of the Central Waterways Navigation and Irrigation Research Station, the expansion of the Indian Agricultural Research Institute and the development of basic education. The budget also provides Rs. 2·19 crores for the Central Government's share of the expenditure on the Damodar Valley Scheme, Rs. 90 lakhs for buildings for development schemes, Rs. 4·93 crores for the Fertiliser Factory under construction at Sindri, Rs. 2·92 crores for the expansion of civil aviation and Rs. 96 lakhs for the expansion of Broadcasting.

In the sphere of industrial development a beginning is also being made in the starting of basic industries essential for national development. Among these I would mention the Government Telephone Factory for the manufacture of telephone equipment, the setting up of a Shipping Corporation in which a total sum of Rs. 6·98 crores is expected to be invested this year and next year, the setting up of new steel works and factories for the manufacture of wireless equipment, synthetic oil, machine tools, cables, Diesel engines and heavy electrical equipment. A beginning will be made in the establishment of these industries which will be developed in subsequent years.

Capital Expenditure

31. With regard to capital expenditure I have just mentioned the provision included in the budget for development

schemes. The House will doubtless be interested in the provision made in the budget for normal capital expenditure. But before I describe this, I must mention certain special transactions which have been entered in the capital budget this year. The first is the payment to the U. K. Government for the purchase of annuities for meeting the sterling pensions which accounts for a net debit of Rs. 215·68 crores this year and a recovery of Rs. 7·42 crores next year for which credit has been taken. The second is the payment, again to the U. K. Government, as part of the Sterling Balances Agreement of Rs. 133·33 crores for the Defence stores and installations taken over from them against which Rs. 51·57 crores will be recovered this year and Rs. 11·8 crores next year from Pakistan and from the sale of surpluses. The third is the outlay of Rs. 5·93 crores on the acquisition of the shares of the Reserve Bank of India this year. Lastly, there is a provision of Rs. 5·08 crores this year and Rs. 92 lakhs next year for payment to Pakistan for setting up Ordnance factories and other unique institutions. As part of the partition arrangements it was agreed that as most Ordnance factories and institutions like the Security Printing Press and the Currency Note Press were located in India and it was not desirable to break up these institutions, a sum of Rs. 6 crores should be made available to Pakistan for setting up similar institutions in Pakistan. This payment will be added to Pakistan's partition debt to India. Excluding these special items and the provision for development schemes and grants to Provinces the provision for normal capital expenditure amounts to Rs. 44·09 crores this year and Rs. 62·42 crores next year. Of the provision this year, Railways account for Rs. 27·15 crores and the Posts and Telegraphs Department for Rs. 2·91 crores. Next year's budget provides Rs. 28·49 crores for the Railways, Rs. 3·82 crores for Posts and Telegraphs and Rs. 7·9 crores for schemes of State Trading, mainly for the purchase of foodgrains the cost of which will be recovered in the following year.

The House will remember that a provision of Rs. 14·99 crores was made in the budget for the current year for capital outlay on Defence. The actual expenditure is now estimated at Rs. 9·91 crores, the decrease being mainly due to the delay in the completion of certain plans for major works and the procurement of aircraft. For next year a provision of Rs. 15 crores has been included of which Rs. 7·24 crores will be spent on the Army, Rs. 2·79 crores on the Navy and Rs. 4·97 crores on the Air Force.

Ways and Means

32. I now turn to a brief consideration of the ways and means position. The current year's budget provided for a total borrowing of Rs. 150 crores from the market and to a net receipt of Rs. 31·25 crores from small savings. For a variety of reasons to which I have referred in another part of my speech the gilt edged market remained inactive throughout the year with very little investment demand. It was not therefore possible to borrow on the scale originally contemplated. For next year I have made a modest provision of Rs. 85 crores for market loans. But if, as I hope, conditions improve the scale of borrowing will be raised. Next year Government have the option of repaying the 3 per cent. loan 1949-52 with an outstanding balance of Rs. 67 crores. I have assumed that this amount will be repaid and in my estimate of borrowing next year I have taken this return of money to the market also into account. In the present inflationary conditions, it is of the utmost importance for the economy of the country that the community should save as much as possible and lend its savings to the State. I trust that the recent measures taken by Government to meet the inflationary situation would restore public confidence and that this time next year I shall be in a position to give a more heartening picture of public co-operation in the Government's borrowing operations. As regards small savings, there has been in recent months some improvement in the net receipts from Savings Banks and in the sale of National Savings Certificates. The House will remember that last April Government issued two new series of certificates with a currency of five and seven years to cater to the smaller investor and also raised the maximum limit of investment in both Postal Savings Bank and National Savings Certificates in order to stimulate further investment. It is too early to assess the results of these measures but Government are doing all in their power, in co-operation with the Provincial Governments, to stimulate and sustain the small savings movement. It is hoped that the budget anticipations in regard to receipts from this source will be exceeded this year by Rs. 1·6 crores. For next year I have allowed for some further improvement and taken credit for a net receipt of Rs. 37·56 crores.

33. I now pass on to my proposals for dealing with the deficit of Rs. 14·79 crores anticipated in the coming year.

34. The prospective deficit for next year is substantial and I am sure that the House will agree with me that in the present inflationary conditions it should not be left uncovered.

35. The problem before me is not merely that of raising the additional revenue to cover this deficit· I have also to consider the adjustments in taxation necessary in the light of the experience of the working of the tax system in the period since the House passed the budget for the current year. Fiscal policy is not an end in itself but has to subserve the ends of national policy and in a transitional period like this it is essential to keep the working of the taxation system under constant review and readjust it in the light of changing circumstances.

Apart from inflation, to which I have referred in detail elsewhere, the most disconcerting element in the economic life of the country today is a deep, underlying fear of the future, of which the stagnation in the capital market is an index. In my view one of the most urgent tasks before a Finance Minister today is to concert measures designed to remove this fear and to secure a revival of confidence. It is clear from recent experience that the formation of capital in this country has been seriously affected, with the result that investments in Government loans and industry have been falling off. Unless this stagnation is checked and conditions are created in which the incentive to save and to invest is revived, the industrial expansion of the country and the execution of the plans for raising the living standards of the people are bound to be delayed. In formulating the proposals which I shall place before the House, I have kept this requirement prominently in mind.

Reliefs in Taxation.

36. I shall now deal with the various measures of relief which I propose to give.

In the field of direct taxation, my first proposal is to abolish the Capital Gains Tax. At the time this tax was introduced it was expected to yield a large revenue, but it synchronised with a period of falling values and the yield from this tax has, in consequence, been small. Its psychological effect on investment has, however, been markedly adverse and it has had the effect of hampering the free movement of stocks and shares, without which it is hardly possible to maintain a high level of industrial development. In present circumstances, I consider the retention of this tax ill-advised. The loss of revenue is estimated at Rs. 1 crore.

My second proposal relates to income-tax. Here I propose to give some relief to income-tax payers in the lowest and medium income groups. The tax on incomes upto Rs. 10,000 will be reduced by a quarter of an anna, from one anna to nine pies in the first slab and from two annas to one anna nine pies in the second slab. This class has been severely hit by the rise in prices and a certain degree of relief in their case is amply justified. The loss is estimated at Rs. 3 crores.

My third proposal relates to super-tax. Here I propose two reliefs designed to meet the criticism that the existing level of taxation leaves little incentive for saving and investment and that it is illogical to ignore the differentiation between earned and unearned income above Rs. 1½ lakhs. In respect of earned income I propose a reduction of an anna and a half in the rates charged on incomes above Rs. 1½ lakhs, leaving the maximum rate of tax for income-tax and super-tax together at 14 annas. For unearned income, I propose a reduction of 6 pies in the maximum rate of super-tax. The cost of the two concessions will be Rs. 2·1 crores.

Of the total loss of Rs. 6·1 crores involved in these concessions, Rs. 3 crores will fall on the Provinces by reducing the divisible pool of income-tax and the balance on the Centre.

37. Before I leave the subject of direct taxation I would like to mention two changes which I propose to make. The House will remember that in the budget for the current year my predecessor gave a concession to companies with an income of Rs. 25,000 and below by reducing their income-tax to half the usual rates. This concession was meant to encourage the growth of smaller companies but the reduction, which was allowed in income-tax, has given rise to considerable administrative difficulties, wholly out of proportion to the amount involved or the benefit accruing to the companies. I have carefully reviewed the position and come to the conclusion that while the concession should be maintained it should take the

form of a rebate of half the Corporation Tax, and should be limited to public-controlled small companies which are not branches or subsidiaries of bigger companies. The result of this change will be that the entire cost of the concession will fall upon the Centre, and the Provinces will not have to share it. The amount involved is likely to be small and I have therefore made no specific provision on this account in the estimates for next year. The second change relates to the taxation of incomes of privately-controlled companies which do not declare their dividends in India. It may be recalled that there was a serious anomaly in the administration of income-tax law relating to the recovery of super-tax from shareholders, in respect of the dividends paid out of Indian profits, by companies incorporated outside this country. It was difficult to obtain from these companies information concerning the names of their shareholders and the amounts of dividends paid out of Indian profits and there was consequently a considerable loss of revenue. The problem of plugging this leakage was considered last year and my predecessor introduced a scheme whereby an extra tax of one anna was imposed on all such companies with a view partially to recouping the loss. As part of the scheme, an amendment was made to the Income-Tax Act so as to confer personal immunity from further taxation upon the shareholders of such companies. The amendment however had the effect of conferring immunity from super-tax not only upon the dividends actually received, but also upon the dividends which under the operation of section 23-A of the Income-Tax Act could be deemed to have been received from privately-controlled companies. Therefore, if the matter had been left there, the profits of these companies would have escaped with an overall impost much lighter than that to which they were subject under the previous law. This point was met by applying to this category of companies the rates of income-tax and super-tax prescribed for individuals or associations and the definition of "company" was altered to permit of this being done by executive action. The arrangement has, however, not been satisfactory, and after a careful review of the matter I have decided that instead of attempting to tax each such privately-controlled company as an individual, the principle of applying an average rate should be adopted. I accordingly propose that all corporations, whether Indian or non-Indian, should continue to be treated as companies but a further super-tax of one anna should be paid by those privately-controlled companies that do not distribute their profits in India. I propose to apply this method commencing with the current year. It will not involve any change in the revenue estimates.

38. There is one aspect of the complaint about the high taxation in relation to industry to which I would like to make a passing reference. Owing to the steep rise in the level of prices of raw materials, wages and working costs, larger amounts of working capital are needed to maintain production. Replacement costs are also higher, and there have been complaints that the calculation of depreciation allowance for purposes of taxation on the original cost of the asset involves great hardship. It has been suggested that industries should be allowed to revalue their existing fixed assets at the present day prices so that future depreciation allowance may be given on the basis of the revaluation. The Government of India considered this problem in all its aspects last October and came to the conclusion that while the difficulty complained of was real the solution proposed was not practicable. It would give no assistance to those who have immediately to replace their worn-out assets and there was no point in giving a concession to others who, at some future date, may not be required to pay the high prices now prevailing. It was however realised that some relief should be given to those who were prepared to renew and re-equip their capital assets immediately, in spite of the prevailing high costs. It was decided that for all new plant and machinery installed during the five years from the 1st April 1948, depreciation allowance at double the ordinary rate will be allowed. It has also been decided that if by 1st April 1953 there is a drop in the general level of prices, the difference between the written down value of the assets and the corresponding value at the reduced price will be allowed as an additional depreciation allowance. For existing plant and machinery, it has been decided to grant extra depreciation allowance for increased wear and tear if triple shifts are worked. I trust that these concessions will go a long way in meeting the complaints of industry in this matter. In addition, the concession given last year of a reduced rate of income-tax to companies which do not distribute a part of their profits as dividends, and the recent limitation, for a temporary period, of the amount that may be distributed as dividends will also enable industrial concerns to accumulate reserves for meeting the increased cost of replacement.

39. I now turn to the reliefs in indirect taxation.

The House will remember that in the budget for the current year an export duty was levied on oil seeds and vegetable oils. This was justified at the time by the wide disparity between the internal prices of these commodities and their export prices and it was then felt that the levy of this duty will not affect our export market. The effect of this duty has since been carefully reviewed and it is now clear that its continuance hampers the maintenance of our exports, particularly to the dollar countries, where we have to meet severe competition. In the interests of the export trade I propose to withdraw this duty. The loss in revenue is estimated at Rs· 1·5 crores.

As a measure of assistance to civil aviation and to foster the development of flying clubs and the training of Indian pilots, it is proposed to give a rebate of half the duty on aviation spirit used by air companies, flying clubs and others. This concession is estimated to cost Rs. 40 lakhs.

Honourable Members are aware that it has been the policy of Government to give relief in respect of customs duty on raw materials imported for industry. In pursuance of this policy it is proposed to give relief next year in the case of a number of imported articles, the total cost of such remissions being estimated at Rs. 35 lakhs.

40. The net effect of all the reliefs mentioned so far is a reduction in revenue of Rs. 5·35 crores, raising the prospective deficit to Rs. 20·14 crores.

New and Additional Taxes.

41. Before I deal with proposals for new taxation I would mention certain changes proposed in the postal rates. With the rapid development of a net work of air services over the whole country, it has been decided to utilise this facility for acclerating the delivery of mails and transmit all first class mails, namely, letter and post cards as far as possible by air. The existing surcharge on air mails will accordingly be abolished and as all mails will be carried over as much of the distance as possible by air, it is proposed to revise the existing rates for letters and post cards. The rate for letters will be raised from 1½ annas to 2 annas for the first tola or fraction thereof, the rate for each subsequent tola or fraction thereof remaining unchanged at 1 anna. For post cards the present charge of six pies will be raised to nine pies, the rate which was in force prior to the 1st July 1946. The net additional revenue from the revision of these rates and the abolition of the surcharge on air mails is estimated at Rs· 2·84 crores.

42. I now come to the problem of covering the remaining deficit of Rs. 17·3 crores. It is obvious that at the present level of taxation there is now no scope for raising additional

revenue by an increase of direct taxes. As regards customs duties, the level of our import duties is, in my opinion, so high that no substantial increase in revenue is likely to result from enhancing them. The levy of export duties has to be carefully regulated with reference, not so much to our revenue needs, as to the need for maintaining and developing the country's export trade which earns the foreign exchange necessary for financing essential imports. While some adjustments may be found possible in respect of import duties, and export duties could be utilised to some extent, we can no longer rely on customs duties for raising substantial additional revenue and we shall have to depend largely on developing excise duties.

43. I shall first deal with customs duties. I propose to retain on the tariff next year the changes made by ordinance in November last as part of the campaign against inflation and complete the process of raising the duties on luxury items, which was then begun, by a number of further minor changes in the tariff. To this effect I propose to levy a surcharge on liquor equivalent to the basic duty, to raise the surcharge from one-fifth to one-half on fabrics containing silk, art silk, woollens and their mixtures and cotton knitted apparel, to double the surcharge on artificial silk yarn and thread, earthenware and china, and to raise the duty on paper (other than newsprint), stationery articles, glass and glassware including sheet and plate glass, cutlery, metal furniture, flashlights, photographic appliances and clocks and watches. The additional revenue from all these changes is estimated at Rs. 2·4 crores.

I also propose to raise the import duty on motor spirit from 12 annas a gallon to 15 annas a gallon. The excise duty will also be similarly raised. This will bring the duty on motor spirit to the level in 1945-46, when consumption of this article was regulated by more severe austerity standards, and bring in an additional revenue of Rs. 2·55 crores, taking Customs and Central Excises together. I have carefully considered the implications of this course on transport and am satisfied that it will not retard the development of transport or add materially to the cost of road transport.

My next proposal is to raise the import duty on betelnuts from 5 annas a lb. to $7\frac{1}{2}$ annas a lb., with the present preference of 6 pies a lb. for imports from British colonies. This will bring in additional revenue and will also be in the interests of the indigenous grower. The yield is estimated at Rs. 1 crore.

In the sphere of export duties I propose a new duty of 15 per cent. *ad valorem* on exports of cigarettes, cigars and cheroots. I am satisfied that this will not affect the export market for these goods. The estimated yield is Rs. 60 lakhs.

44. I now turn to changes in Central Excise Duties. I have already referred to the increase in the excise duty on motor spirit as complementary to the increase in the import duty. I propose further changes in respect of sugar, tyres for motor vehicles and cotton cloth. I propose to increase the duty on sugar from Rs. 3 per cwt. to Rs. 3-12-0 per cwt., to yield Rs. 1·5 crores. The duty on tyres used for motor vehicles will be raised from 15 per cent. *ad valorem* to 30 per cent. *ad valorem*, to bring an additional revenue of Rs. 70 lakhs. As regards cotton cloth, as the House is aware, a duty of 25 per cent. *ad valorem* was levied on superfine cloth with effect from 1st January 1949, as one of the measures against inflation. This duty will be continued next year and in addition, it is proposed to levy a duty of 6¼ per cent. *ad valorem* on fine cloth and a quarter anna per yard on coarse and medium cloth. The duty will be confined to mill-made cloth and will not be applicable to cloth woven on handlooms. The revenue from this additional duty on cotton cloth is estimated at Rs. 9 crores.

45. The excise duty on cloth has a long and bitter history behind it and I must explain to the House my reasons for introducing it. In the first place, the circumstances in which we are levying the duty today are different from those in which it was levied by a foreign Government in the interests of a foreign industry. In the second place, it is necessary to replace the heavy loss in revenue resulting from the abolition of the salt duty by developing some other equally stable source of revenue. Cloth, with a large internal production and as an article of universal consumption, offers itself as the most obvious choice for a tax on consumption. Thirdly, in the present conditions, as the price of imported cloth remains high and the import duties thereon have been enhanced considerably, the proposed excise duty is not likely to affect the indigenous industry. I would also mention that this duty is likely to assist the handloom industry. During the war years when there was no control on handloom cloth and supplies for civilian use were restricted the handloom industry had an assured market for its products. With the Indian mills steadily expanding their production and imports from overseas also tending to increase, the advantages which the handloom industry had during the war years will gradually disappear. The excise duty now proposed,

which adds slightly to the cost of the mill product, will, in some measure, help the handloom industry to retain its market. From the point of view of the consumer the incidence of this duty, particularly on the middle and lower middle classes using coarse and medium cloth, will be negligible and in view of the substantial revenue that is expected from it I trust the House will accord its approval to it.

46. While on the subject of Central excises, I may mention the question of rationalising the duty on matches, which I have had under consideration for some time. The ideal arrangement will be to have one standard size of matches but owing to practical difficulties in production it is not possible to achieve this. I have therefore decided that two sizes, namely, 40s and 60s should continue in production for the home market and I have made some slight readjustment in the rate of the duty. Factories whose annual output is less than 5 lakhs gross boxes will now benefit by the levy of a somewhat lower rate of duty. Necessary amendments to the tariff will be made through the Finance Bill but this will not involve any change in the revenue estimates. With the provision of the two sizes I hope that the retail prices will not exceed 6 pies and 9 pies per box and that the consumer will get the benefit of the partial standardisation without any loss of revenue to the exchequer.

NET RESULT OF PROPOSALS.

47. I may now summarise the net effect of all the proposals that I have placed before the House. The various measures of relief which I have suggested in direct taxes will result in a loss of revenue of Rs. 3·1 crores; the abolition of the export duty on oil seeds and vegetable oils will involve a loss of Rs. 1·5 crores; and the rebate of duty on aviation spirit and industrial raw materials will cost a further sum of Rs. 75 lakhs. As I have already stated, this will bring the total loss of revenue to Rs. 5·35 crores, raising the prospective deficit from Rs. 14·79 crores to Rs. 20·14 crores. The increases in customs duties and, the new export duty on cigarettes and cigars will yield Rs. 6·23 crores, the net increase in Postal rates Rs. 2·84 crores, and the increases in Central Excise Duties Rs. 11·52 crores. The final effect of these proposals is to convert the prospective deficit into a small surplus of Rs. 45 lakhs.

CONCLUSION.

48. Sir, I have come to the end of my story. It is not pleasant for a Finance Minister to appear before the House with a record of deficits and proposals for additional taxation

but a Finance Minister is as much the creature of circumstances as any one else. Part of the heavy expenditure which Government have now to meet is due to extraordinary circumstances and but for these special demands, the budget would have shown a substantial surplus. As I have mentioned earlier, the present economic conditions in the country make it an imperative necessity to balance the budget. In laying fresh burdens of taxation the House will accept my assurance that I have done my best to secure that they are equitable and that no section of the community is made to pay more than its fair share.

49. On a survey of world conditions today, I feel that we have good reason for taking a hopeful view of our financial position. We are not alone in having to fight scarcities and inflation. These problems confront most countries in the post-war world. We can, however, take comfort from the fact that, unlike some other countries, our financial position is intrinsically sound. We have only a moderate public debt in relation to our national income and we have considerable external reserves with practically no external debt. We have weathered the storm and stress of the partition and its terrible aftermath. In spite of the heavy demands on our resources for the relief and rehabilitation of refugees, the import of food on an unprecedented scale from overseas and the defence of Kashmir against aggression, we are in a position to balance our budget, without sacrificing any of our essential schemes of development. We have made some headway in the fight against inflation. The curve of production is slowly rising and we have plans in hand for increasing the food production of the country. I do not wish in any way to minimise our difficulties or suggest that we can take a complacent view of the situation. A balanced national budget may, and often does, cover a multitude of ill-balanced family budgets. In this respect, we have still a formidable task ahead of us, the task of fighting want, sickness and poverty and raising the living standards of the millions to whom the emancipation of the country will be a mockery unless it is translated in terms of opportunities for a fuller, freer and better life. This task is not beyond our resources but it requires the co-operation of all classes and sections of the community in a spirit of partnership in a high adventure. I have no doubt that this co-operation will be forthcoming and I pray that my stewardship of the finances of the country may contribute in some degree to the accomplishment of this task.

SUMMARY OF FINAL ESTIMATES.

Revenue.

(In lakhs of Rs.)

	Revised. 1948-49	Budget. 1949-50
Customs	117,25	107,25 +3,98*
Central Excise Duties	50,25	57,75 +11,52*
Corporation Tax	57,25	41,81
Taxes on Income other than Corporation Tax	100,75	113,19 −6,10*
Opium	1,08	1,18
Interest	1,42	1,19
Civil Administration	7,05	6,78
Currency and Mint	13,05	9,70
Civil Works	1,02	1,02
Pre-partition Receipts	13,40	...
Other Sources of Revenue	6,52	5,37
Posts and Telegraphs Net Contribution	3,73	1,63 +2,84*
Railways Net Contribution	7,34	4,72
Deduct—Share of Income-Tax revenue payable to Provinces	−41,79	−43,85 +3,00*
TOTAL REVENUE ...	338,32	322,98

Expenditure.

	Revised. 1948-49	Budget. 1949-50
Direct demands on revenue	9,88	10,06
Irrigation	8	12
Debt Services	39,91	39,29
Civil Administration	38,35	40,50
Currency and Mint	2,76	2,23
Civil Works	8,15	7,32
Pensions	2,68	2,68
Miscellaneous—		
Expenditure on refugees	19,45	9,85
Subsidy on foodgrains	31,96	32,97
Other expenditure	5,30	5,12
Grants to Provinces, etc.	2,96	2,96
Extraordinary items	2,21	2,06
Defence Services (net)	155,43	157,37
Pre-partition Payments	20,75	10,00
TOTAL EXPENDITURE ...	339,87	322,53
DEFICIT ...	−1,55	SURPLUS +45

*Budget Proposals.

GIPD.—S2—559 M of F—1-3-49—1,000.

BUDGET

of the

GOVERNOR-GENERAL

for

1949-50

(As Laid before the Indian Legislature, 1949)

MINISTRY OF FINANCE :
New Delhi, the 28th February 1949.

K. R. K. MENON,
Secretary to the Government of India.

CONTENTS

I—GENERAL STATEMENT OF THE REVENUE AND

[In thousands of Rupees]

	For details *vide* Statement	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate 1949-5[illegible]
REVENUE—				
Principal Heads of Revenue—				
Customs	A	80,76,00	1,17,25,00	1,07,25,00 3,98,00*
Central Excise Duties	,,	45,97,00	50,25,00	57,75,00 11,52,00*
Corporation Tax	,,	49,80,00	57,25,00	41,81,00
Taxes on Income other than Corporation Tax	,,	51,17,00	58,96,00	69,34,00 —3,10,00*
Opium	,,	1,40,30	1,08,17	1,17,84
Other Heads	,,	3,09,80	3,47,86	3,70,76
TOTAL PRINCIPAL HEADS		2,32,20,10	2,88,27,03	2,81,03,60 12,40,00*
Railways (Net)†	,,	4,50,00	7,34,00	4,71,95
Irrigation : Net Receipts	,,	83	—19	47
Posts and Telegraphs : (Net) †	,,	77,96	3,72,56	1,63,43 2,84,00*
Debt Services	,,	1,17,25	1,41,81	1,18,62
Civil Administration	,,	5,11,60	7,05,09	6,78,04
Currency and Mint	,,	9,40,10	13,05,21	9,69,51
Civil Works and Miscellaneous Public Improvements	,,	81,24	1,01,83	1,02,06
Miscellaneous	,,	1,25,37	2,95,44	1,66,43
Contributions and Miscellaneous Adjustments between Central and Provincial Governments	,,	..		..
Extraordinary Items	,,	..	13,49,33	..
TOTAL REVENUE		2,55,24,45	3,38,32,11	3,07,74,11 15,24,00* 3,22,98,11
DEFICIT		2,13,38	1,55,06	..
TOTAL		2,57,37,83	3,39,87,17	3,22,98,11

* Effect of new proposals.

† Figures shown net ; the expenditure shown in Statement B has been taken in reduction of the receipts shown in Statement A.

Note.—The actuals for 1947-48 (Post-partition) have not been given as the accounts for that period have not yet been finally closed.

EXPENDITURE MET FROM REVENUE OF THE CENTRAL GOVERNMENT

[In thousands of Rupees]

	For details, *vide* Statement	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50
EXPENDITURE—				
Direct Demands on the Revenue .	B	8,98,45	9,88,05	10,06,17
Irrigation	,,	13,49	7,81	12,21
Debt Services	,,	41,16,28	39,90,77	39,29,34
Civil Administration . . .	,,	34,55,85	38,34,63	40,50,22
Currency and Mint	,,	2,19,82	2,76,29	2,22,89
Civil Works and Miscellaneous Public Improvements	,,	7,21,31	8,15,51	7,31,46
Miscellaneous	,,	35,93,20	59,39,61	50,62,17
Defence Services (*a*)	,,	1,21,07,78	1,55,42,80	1,57,36,62
Contributions and Miscellaneous Adjustments between Central and Provincial Governments	,,	2,95,82	2,95,62	2,95,62
Extraordinary Items	,,	3,15,83	22,96,08	12,06,07
TOTAL EXPENDITURE MET FROM REVENUE		2,57,37,83	3,39,87,17	3,22,52,77
SURPLUS . .		..	..	45,34
TOTAL .		2,57,37,83	3,39,87,17	3,22,98,11

(*a*) Figures shown net ; the receipts shown in Statement A have been deducted from the expenditure shown in Statement B.

II.— GENERAL STATEMENT OF THE CAPITAL RECEIPTS

[In thousands of Rupees]

	For details, *vide* Statement	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50
RECEIPTS				
CAPITAL ACCOUNTS NOT MET FROM REVENUE—		..	..	..
TOTAL—CAPITAL ACCOUNTS .		..	..	..
Permanent Debt (net)	C & D	46,22,32	..	13,36,41
Floating Debt (net)	,,	10,00,00	2,74,65,00	5,00,00
Unfunded Debt (net)	,,	32,32,22	33,78,05	39,34,83
Depreciation and other Reserve Funds (net)	,,	..	..	..
Appropriation for Reduction or Avoidance of Debt (net) . . .	,,	5,00,00	5,00,00	5,00,00
Other Deposit Transactions (net) . .	,,	..	..	..
Loans and Advances by the Central Government (net)	,,	..	..	..
TOTAL CAPITAL RECEIPTS .		93,54,54	3,13,43,05	62,71,24
DEFICIT ON CAPITAL ACCOUNT .		1,12,57,14	1,85,09,06	1,34,10,25
TOTAL .		2,06,11,68	4,98,52,11	1,96,81,49

AND DISBURSEMENTS OF THE CENTRAL GOVERNMENT

[In thousands of Rupees.]

	For details, *vide* Statement	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50
CAPITAL ACCOUNTS NOT MET FROM REVENUE—				
Railway Capital (as shown in Railway Budget)	D	24,44,90	27,14,52	28,49,45
Capital Outlay on Vizagapatam Port (as shown in Railway Budget)	,,	19,30	15,08	14,65
Posts and Telegraphs	,,	3,27,53	2,90,89	3,81,91
Salt	,,	..	..	..
Forest	,,	29,26	29,26	34,95
Security Printing Press	,,	42,09	18,96	28,82
Irrigation	,,	56,61	1,16,38	3,22,62
Industrial Development	,,	7,87,60	10,93,74	13,14,62
Civil Aviation	,,	4,08,84	3,00,00	2,92,00
Currency	,,	7,50	5,99,73	4,16
Mint	,,	65,45	80,97	87,95
Civil Works	,,	11,10,53	5,67,96	7,30,62
Agricultural Improvement and Research	,,	41,05	7,05	13,50
Initial Expenditure on New Capital at Delhi	,,	3,24,28	1,76,22	1,50,79
Broadcasting	,,	69,71	69,00	96,00
Payments of Commuted Value of Pensions	,,	—18,41	1,16,37	23
Capital Outlay on Sterling Pensions	,,	..	2,15,67,81	—7,41,79
Payments to Retrenched Personnel	,,	—15	—68	—78
Defence Capital Outlay	,,	14,98,76	91,66,17	3,20,00
Schemes of State Trading	,,	25,97,88	—1,73,30	7,89,60
Grants to Provincial Governments for Development	,,	30,00,00	18,00,00	26,81,00
Payments to Pakistan for Unique Institutions	,,	..	5,07,98	92,02
TOTAL CAPITAL ACCOUNT		1,28,12,73	3,90,64,11	94,62,32
Permanent Debt (net)	C & D	..	49,90,70	..
Floating Debt (net)		..	..	..
Unfunded Debt (net)	,,	..	..	..
Depreciation and other Reserve Funds (net)	,,	11,59,50	6,43,86	15,73,74
Appropriation for Reduction or Avoidance of Debt (net)	,,	..	..	..
Other Deposit Transactions (net)	,,	16,18,12	11,04,05	16,75,82
Loans and Advances by the Central Government (net)	,,	50,21,33	40,49,39	69,69,61
TOTAL CAPITAL DISBURSEMENTS		2,06,11,68	4,98,52,11	1,96,81,49
SURPLUS ON CAPITAL ACCOUNT		..	..	..
TOTAL		2,06,11,68	4,98,52,11	1,96,81,49

III—GENERAL STATEMENT OF THE RECEIPTS AND

[In thousands of Rupees]

	For detail *vide* statement	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50
RECEIPTS				
Revenue Surplus (as shown in Part I) .		..	..	45,34
Surplus on Capital Account (as shown in Part II)		..	..	..
Miscellaneous Deposits and Advances (net)	E	11,35,08	16,84,76	28,21,87
Remittances (net)	,,	75,00	56,51,00	40,00
Transfer of Cash between England and India (net)	,,	..	1,66,67	..
TOTAL RECEIPTS .		12,10,08	75,02,43	29,07,21
OPENING BALANCE .	E	1,59,61,35	2,74,61,00	1,62,99,31
TOTAL :		1,71,71,43	3,49,63,43	1,92,06,52

DISBURSEMENTS OF THE CENTRAL GOVERNMENT

[In thousands of Rupees]

	For details, *vide* Statement	Budget, Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50
DISBURSEMENTS				
Revenue Deficit (as shown in Part I) .		2,13,38	1,55,06	..
Deficit on Capital Account (as shown in Part II)		1,12,57,14	1,85,09,06	1,34,10,25
Miscellaneous Deposits and Advances (net)	E	..	..	..
Remittances (net)	"	..	..	..
Transfer of Cash between England and India (net)	"	..	..	..
TOTAL—DISBURSEMENTS .		1,14,70,52	1,86,64,12	1,34,10,25
CLOSING BALANCE .	E	57,00,91	1,62,99,31	57,96,27
TOTAL .		1,71,71,43	3,49,63,43	1,92,06,52

A.—Statement of the Revenue of the Central Government

[In thousands of Rupees]

Heads of Revenue	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Increase (+) Decrease (—) as compared with Budget, 1948-49	Budget Estimate, 1949-50	Increase (+) Decrea[illegible] as co[illegible]ed with Revised, 1948-49
PRINCIPAL HEADS OF REVENUE					
I.—Customs	80,76,00	1,17,25,00	+36,49,00	1,11,23,00	—6,02,00
II.—Central Excise Duties	45,97,00	50,25,00	+4,28,00	69,27,00	+19,02,00
III.—Corporation Tax	49,80,00	57,25,00	+7,45,00	41,81,00	—15,44,00
IV.—Taxes on Income other than Corporation Tax	51,17,00	58,96,00	+7,79,00	66,24,00	+7,28,00
VI.—Opium	1,40,30	1,08,17	—32,13	1,17,84	+9,67
VII.—Land Revenue	12,77	13,42	+65	13,40	—2
VIII.—Provincial Excise	75,96	93,40	+17,44	93,19	—21
IX.—Stamps	1,38,78	1,54,56	+15,78	1,57,52	+2,96
X.—Forest	60,12	60,97	+85	81,14	+20,17
XI.—Registration	2,50	1,39	—1,11	1,39	..
XII.—Receipts under Motor Vehicles Acts.	7,21	9,66	+2,45	9,66	..
XIII.—Other Taxes and Duties	12,46	14,46	+2,00	14,46	..
TOTAL	2,32,20,10	2,88,27,03	+56,06,93	2,93,43,60	+5,16,57
IRRIGATION—					
XVII.—Works for which Capital Accounts are kept— Gross Receipts	73	74	+1	75	+1
Deduct—Working Expenses	*80*	*1,23*	—43	*85*	+38
Net Receipts	—7	—49	—42	—10	+39
XVIII.—Works for which no Capital Accounts are kept	90	30	—60	57	+27
TOTAL	83	—19	—1,02	47	
POSTS AND TELEGRAPHS—					
XIX.—Posts and Telegraphs Gross Receipts.	26,60,00	29,29,00	+2,69,00	33,10,00	+3,81,00
Deduct—Working Expenses	*24,85,41*	*24,65,78*	+19,63	*27,67,01*	—3,01,23
Net Receipts	1,74,59	4,63,22	+2,88,63	5,42,99	+79,77
DEBT SERVICES—					
XX.—Interest	1,17,25	1,41,81	+24,56	1,18,62	—23,19
Carried over	2,35,12,77	2,94,31,87	+59,19,10	3,00,05,68	+5,73,81

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

[In thousands of Rupees]

Heads of Revenue	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Increase (+) Decrease (—) as compared with Budget, 1948-49	Budget Estimate, 1949-50	Increase (+) Decrease (—) as compared with Revised, 1948-49
Brought forward	2,35,12,77	2,94,31,87	+59,19,10	3,00,05,68	+5,73,81
CIVIL ADMINISTRATION—					
XXI.—Administration of Justice	6,16	7,94	+1,78	7,93	—1
XXII.—Jails and Convict Settlements	44	84	+40	84	..
XXIII.—Police	2,61	4,16	+1,55	2,67	—1,49
XXIV.—Ports and Pilotage	42,16	31,65	—10,51	21,53	—10,12
XXV.—Lighthouses and Lightships	8,49	9,98	+1,49	9,32	—66
XXVI.—Education	2,37	3,52	+1,15	3,52	..
XXVII.—Medical	3,40	4,13	+73	3,92	—21
XXVIII.—Public Health	19,72	8,13	—11,59	8,00	—13
XXIX.—Agriculture	10,02	8,89	—1,13	11,93	+3,04
XXX.—Veterinary	13,50	12,83	—67	13,68	+85
XXXI.—Co-operation	1	3	+2	3	..
XXXII.—Industries and Supplies	2,94,30	4,90,13	+1,95,83	4,60,15	—29,98
XXXIII.—Aviation	18,00	30,04	+12,04	30,00	—4
XXXIV.—Broadcasting	37,00	34,50	—2,50	40,06	+5,56
XXXVI.—Miscellaneous Departments	53,42	58,32	+4,90	64,46	+6,14
TOTAL	5,11,60	7,05,09	+1,93,49	6,78,04	—27,05
CURRENCY AND MINT—					
XXXVII.—Currency	7,80,78	11,04,12	+3,23,34	7,96,04	—3,08,08
XXXVIII.—Mint	1,59,32	2,01,09	+41,77	1,73,47	—27,62
TOTAL	9,40,10	13,05,21	+3,65,11	9,69,51	—3,35,70
CIVIL WORKS, ETC.—					
XXXIX.—Civil Works	81,24	1,01,83	+20,59	1,02,06	+23
Carried over	2,50,45,71	3,15,44,00	+64,98,29	3,17,55,29	+2,11,29

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

[In thousands of Rupees]

Heads of Revenue	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Increase (+) Decrease(—) as compared with Budget, 1948-49	Budget Estimate, 1949-50	Increase (+) Decrease (—) as compared with Revised, 1948-49
Brought forward.	2,50,45,71	3,15,44,00	+64,98,29	3,17,55,29	+2,11,29
MISCELLANEOUS—					
XLIV.—Receipts in aid of Superannuation	11,32	9,06	—2,26	25,13	+16,07
XLV.—Stationery and Printing.	45,33	49,33	+4,00	45,97	—3,36
XLVI.—Miscellaneous	68,72	2,37,05	+1,68,33	95,33	—1,41,72
TOTAL	1,25,37	2,95,44	+1,70,07	1,66,43	—1,29,01
DEFENCE SERVICES—					
XLVII.—Defence Receipts—Effective	8,47,33	9,47,54	+1,00,21	11,01,39	+1,53,85
XLVIII.—Defence Receipts—Non-effective	3,00	4,08	+1,08	1,28	—2,80
TOTAL	8,50,33	9,51,62	+1,01,29	11,02,67	+1,51,05
CONTRIBUTIONS AND MISCELLANEOUS ADJUSTMENTS BETWEEN CENTRAL AND PROVINCIAL GOVERNMENTS—					
L.—Miscellaneous Adjustments between Central and Provincial Governments	..	..		..	..
EXTRAORDINARY ITEMS—					
LI.—Extraordinary Receipts	..	..	..	..	..
LIIB.—Civil Defence	..	9,33	+9,33	..	—9,33
LIIC.—Prepartition Receipts	..	13,40,00	+13,40,00	..	—13,40,00
TOTAL	..	13,49,33	+13,49,33	..	—13,49,33
RAILWAY REVENUES AS PER RAILWAY BUDGET	33,36,72	39,23,59	+5,86,87	41,04,42	+1,80,83
TOTAL REVENUE	2,93,58,13	3,80,63,98	+87,05,85	3,71,28,81	—9,35,17

B.—Statement of the Expenditure met from Revenue of the Central Government

[In thousands of Rupees.]

Heads of Expenditure	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Increase (+) Decrease(—) as compared with Budget, 1948-49	Budget Estimate, 1949-50	Increase (+) Decrease(—) as compared with Revised, 1948-49
DIRECT DEMANDS ON THE REVENUE—					
1.— Customs	1,28,97	1,56,76	+27,79	1,46,74	—10,02
2.— Central Excise Duties	2,97,17	3,33,81	+36,64	3,45,78	+11,97
3.— Corporation Tax	54,63	65,94	+11,31	55,21	—10,73
4.— Taxes on Income other than Corporation Tax	1,18,23	1,14,53	—3,70	1,31,85	+17,32
6.— Opium	1,00,81	84,36	—16,45	1,04,77	+20,41
7.— Land Revenue	2,47	3,12	+65	4,39	+1,27
8.— Provincial Excise	7,17	6,31	—86	7,79	+1,48
9.— Stamps	1,10,49	1,40,98	+30,49	1,09,50	—31,48
10.—Forest	71,60	74,83	+3,23	92,94	+18,11
11.—Registration	19	28	+9	23	—5
12.—Charges on account of Motor Vehicles Acts	6,61	6,98	+37	6,82	—16
13.—Other Taxes and Duties	11	15	+4	15	..
TOTAL	8,98,45	9,88,05	+89,60	10,06,17	+18,12
REVENUE ACCOUNT OF IRRIGATION WORKS—					
17.—Interest on Works for which Capital Accounts are kept	95	91	—4	91	..
18.—Other Revenue Expenditure	7,83	4,96	—2,87	8,09	+3,13
TOTAL	8,78	5,87	—2,91	9,00	+3,13
CAPITAL ACCOUNTS OF IRRIGATION, ETC. WORKS MET FROM REVENUE—					
19.—Construction of Irrigation Works financed from ordinary Revenues	4,71	1,94	—2,77	3,21	+1,27
POSTS AND TELEGRAPHS REVENUE ACCOUNT—					
20.—Posts and Telegraphs— Interest on Debt	96,63	90,66	—5,97	95,56	+4,90
POSTS AND TELEGRAPHS CAPITAL ACCOUNT MET FROM REVENUE—					
21.—Capital Outlay on Posts and Telegraphs	..	..	..	..	..
Carried over	10,08,57	10,86,52	+77,95	11,13,94	+27,42

B.—Statement of the Expenditure met from Revenue of the Central Government—*contd.*

[In thousands of Rupees.]

Heads of Expenditure	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Increase (+) De-crease(—) as compared with Budget, 1948-49	Budget Estimate, 1949-50	Increase (+) creas as compared with Revised, 1948-49
Brought forward .	10,08,57	10,86,52	+77,95	11,13,94	+27,42
Debt Services—					
22.—Interest on Debt and other Obligations . . .	61,81,93	61,41,95	—39,98	63,32,74	+1,90,79
Deduct—Interest transferred to—					
Railways	*22,52,81*	*22,24,38*	+28,43	*22,88,54*	—64,16
Irrigation	*95*	*91*	+4	*91*	..
Posts and Telegraphs . .	*96,84*	*90,86*	+5,98	*95,66*	—4,80
Provincial Governments .	*1,96,02*	*1,96,39*	—37	*2,81,60*	—85,21
Commuted Value of Pensions .	*10,00*	*11,02*	—1,02	*10,24*	+78
Other heads	*9,03*	*1,27,62*	—1,18,59	*2,26,45*	—98,83
Total Transfers .	*25,65,65*	*26,51,18*	—85,53	*29,03,40*	—2,52,22
Net .	36,16,28	34,90,77	—1,25,51	34,29,34	—61,43
23.—Appropriation for Reduction or Avoidance of Debt .	5,00,00	5,00,00	..	5,00,00	..
Total .	41,16,28	39,90,77	—1,25,51	39,29,34	—61,43
Civil Administration—					
25.—General Administration .	6,79,38	7,47,70	+68,32	7,78,38	+30,68
26.—Audit	1,89,58	2,28,88	+39,30	2,34,76	+5,88
27.—Administration of Justice .	16,42	22,24	+5,82	19,10	—3,14
28.—Jails and Convict Settlements	6,22	9,05	+2,83	7,42	—1,63
29.—Police	1,25,59	1,79,63	+54,04	1,48,99	—30,64
30.—Ports and Pilotage . .	54,77	49,92	—4,85	62,99	+13,07
31.—Lighthouses and Lightships	8,49	9,98	+1,49	9,32	[illegible]
32.—Ecclesiastical . . .	2,53	2,69	+16	18	[illegible]
34.—Tribal Areas . . .	71,08	75,75	+4,67	1,10,00	+34,25
35.—External Affairs . .	2,08,81	2,56,42	+47,61	2,59,40	+2,98
36.—Scientific Departments .	3,27,90	3,50,36	+22,46	5,09,16	+1,58,80
37.—Education . . .	1,52,37	1,62,27	+9,90	1,94,59	+32,32
38.—Medical	1,46,22	1,16,63	—29,59	1,12,14	—4,49
39.—Public Healt . . .	62,83	61,59	—1,24	78,37	+16,78
40.—Agriculture . . .	1,92,87	2,66,74	+73,87	1,12,20	—1,54,54
41.—Veterinary . . .	37,39	30,92	—6,47	32,37	+1,45
42.—Co-operation . . .	1,13	1,83	+70	1,19	—64
43.—Industries and Supplies .	6,18,73	7,03,18	+84,45	6,88,23	—14,95
44.—Aviation	2,13,98	1,93,00	—20,98	2,53,00	+60,00
45.—Broadcasting . . .	1,32,57	1,36,11	+3,54	1,82,32	+46,21
47.—Miscellaneous Departments.	2,06,99	2,29,74	+22,75	2,56,11	+26,37
Total .	34,55,85	38,34,63	+3,78,78	40,50,22	+2,15,59
Carried over . .	85,80,70	89,11,92	+3,31,22	90,93,50	+1,81,58

B.—Statement of the Expenditure met from Revenue of the Central Government—*contd.*

[In thousands of Rupees.]

Heads of Expenditure	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Increase (+) Decrease (—) as compared with Budget, 1948-49	Budget Estimate, 1949-50	Increase (+) Decrease (—) as compared with Revised, 1948-49
Brought forward	85,80,70	89,11,92	+3,31,22	90,93,50	+1,81,58
CURRENCY AND MINT—					
48.—Currency . . .	1,05,50	1,20,20	+14,70	94,42	—25,78
49.—Mint	1,14,32	1,56,09	+41,77	1,28,47	—27,62
TOTAL .	2,19,82	2,76,29	+56,47	2,22,89	—53,40
CIVIL WORKS, ETC.—					
50.—Civil Works . . .	7,21,31	8,15,51	+94,20	7,31,46	—84,05
MISCELLANEOUS—					
54.—Famine	..	..		..	
54-A.—Territorial and Political Pensions.	23,40	22,32	—1,08	22,72	+40
55.—Superannuation Allowances and Pensions.	2,46,80	2,46,34	—46	2,45,34	—1,00
56.—Stationery and Printing .	1,65,67	3,02,55	+1,36,88	1,89,20	—1,13,35
57.—Miscellaneous . .	31,57,33	53,68,40	+22,11,07	46,04,91	—7,63,49
TOTAL .	35,93,20	59,39,61	+23,46,41	50,62,17	—8,77,44
DEFENCE SERVICES—					
58.—Defence Services—					
Effective . . .	1,18,33,44	1,52,55,23	+34,21,79	1,54,97,96	+2,42,73
59.—Defence Services—					
Non-Effective .	11,24,67	12,39,19	+1,14,52	13,41,33	+1,02,14
TOTAL .	1,29,58,11	1,64,94,42	+35,36,31	1,68,39,29	+3,44,87
Carried over . .	2,60,[illegible]3,14	3,24,37,75	+63,64,61	3,19,49,31	—4,88,44

B.—Statement of the Expenditure met from Revenue of the Central Government—*concld.*

[In thousands of Rupees.]

Heads of Expenditure	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Increase (+) Decrease (—) as compared with Budget, 1948-49	Budget Estimate, 1949-50	Increase (+) Decrease (—) as compared with Revised, 1948-49
Brought forward	2,60,73,14	3,24,37,75	+63,64,61	3,19,49,31	—4,88,44
CONTRIBUTIONS AND MISCELLANEOUS ADJUSTMENTS BETWEEN CENTRAL AND PROVINCIAL GOVERNMENTS—					
61.—Grants-in-aid to Provincial Governments.	2,95,00	2,95,00	..	2,95,00	..
62.—Miscellaneous Adjustments between Central and Provincial Governments	82	62	—20	62	..
TOTAL	2,95,82	2,95,62	—20	2,95,62	..
EXTRAORDINARY ITEMS—					
63.—Extraordinary Charges	..	..	..	..	..
63. A.—Expenditure connected with Post-War Planning and Development.	3,14,63	2,18,94	—95,69	2,04,33	—14,61
64 B.—Civil Defence	1,20	2,14	+94	1,74	—40
64-C.—Pre-partition Payments	..	20,75,00	+20,75,00	10,00,00	—10,75,00
TOTAL	3,15,83	22,96,08	+19,80,25	12,06,07	—10,90,01
RAILWAY EXPENDITURE AS PER RAILWAY BUDGET.	28,86,72	31,89,59	+3,02,87	36,32,47	+4,42,88
TOTAL—EXPENDITURE MET FROM REVENUE.	2,95,71,51	3,82,19,04	+86,47,53	3,70,83,47	—11,35,57

C.—Statement of the Capital Receipts of the Central Government

[In thousands of Rupees]

RECEIPTS	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50
CAPITAL ACCOUNTS NOT MET FROM REVENUE.	..	..	..
PUBLIC DEBT—			
A.—Debt raised in India—			
I.—PERMANENT DEBT—			
3 per cent. First Development Loan, 1970-75 . . . . . . 2½ per cent. Bonds, 1950 . . . . 3 Do. 2nd Victory Loan, 1959-61 . 3 Do. Conversion Loan of 1946 . 2¾ Do. Loan, 1976 . . . . . 2¾ Do. Loan, 1962 . . . . . 2¾ Do. Loan, 1961 . . . . . 2½ Do. Loan, 1954 . . . . . 2½ Do. Loan, 1955	1,50,00,00	—55,04,36	85,00,00
TOTAL .	1,50,00,00	55,04,36	85,00,00
II.—FLOATING DEBT—			
Treasury Bills	3,61,00,00	11,86,72,00	14,89,29,00
Treasury Deposit Receipts . . .	..	4,00,00	11,55,00
Other Floating Loans	..	..	..
TOTAL .	3,61,00,00	11,90,72,00	15,00,84,00
B.—Debt raised in England—			
Permanent Debt	..	..	..
TOTAL .	..	..	..
UNFUNDED DEBT—			
Deposits of Service Funds	21,99	20,48	18,78
Post Office Savings Bank Deposits . .	74,40,30	86,75,00	87,70,90
Defence Savings Bank Deposits . .	..	..	..
Post Office Cash Certificates . . .	..	..	..
Defence Savings Certificates . . .	..	..	..
National Savings Certificates . . .	22,00,00	22,91,00	25,00,00
State Provident Funds	10,00,65	10,44,67	10,78,56
Other Accounts	1,21,74	1,25,75	1,10,06
TOTAL . .	1,07,84,68	1,21,56,90	1,24,78,30
Carried over . . .	6,18,84,68	13,67,33,26	17,10,62,30

C.—Statement of the Capital Receipts of the Central Government—*contd.*

[In thousands of Rupees]

RECEIPTS	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50
Brought forward .	6,18,84,68	13,67,33,26	17,10,62,30
DEPOSITS AND ADVANCES—			
Depreciation and other Reserve Funds—			
(*a*) *Interest-bearing*—			
Railway Depreciation and Reserve Funds as per Railway Budget. . . .	15,78,54	18,98,14	16,19,33
Railway Betterment Fund as per Railway Budget.	1,16,34	1,25,42	40,33
P. & T. Renewals Reserve Fund . .	71,03	71,03	71,03
Other Reserve Funds	6,55	15,73	10,33
(*b*) *Non-interest bearing*—			
Defence Reserve Fund	..	..	..
Other Reserve Funds	2,73	7,94	10.81
Appropriation for Reduction or Avoidance of Debt—			
Sinking Funds	..	..	..
Other Appropriations	5,00,00	5,00,00	5,00,00
Other Deposits and Advances—			
(*a*) *Interest-bearing*—			
Optional Deposits of Excess Profits Tax under the Indian Finance Act, 1942. .	..	..	..
Compulsory Deposits of Excess Profits Tax under Ordinance No. XVI of 1943. .	3,50,00	5,50,00	3,25,00
Anticipatory Deposits made after provisional assessment of Excess Profits Tax.	22,00	20,00	4,00
Deposits towards payment of Excess Profits Tax.	..	16,00	2,00
Deposit towards payment of Income Tax .	..	2,00,00	26,00
Advance payment of Tax under Section 18-A of the Income Tax Act. . .	40,00,00	40,00,00	26,50,00
Village Collective Savings Accounts . .	..	..	..
Carried over .	66,47,19	74,04,26	52,58,83
Carried over .	6,18,84,68	13,67,33,26	17,10,62,30

C.— Statement of the Capital Receipts of the Central Government—*contd.*

[In thousands of Rupees]

RECEIPTS	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50
Brought forward	6,18,84,68	13,67,33,26	17,10,62,30
Brought forward	66,47,19	74,04,26	52,58,83
(*b*) *Non-interest-bearing*—			
Silver Redemption Reserve	20,00	20,00	20,00
Central Road Fund	2,15,00	2,15,00	2,20,00
Civil Aviation Fund	3,00	3,00	3,00
Fund for Development of Civil Aviation	..	..	..
Fund for Economic Development and Improvement of Rural Areas.	..	..	..
Fund for Development of Broadcasting	..	..	..
Fund for the Benefit of Cotton-growers	..	..	..
Cotton Textiles Fund	..	..	..
Cotton Textiles Equalisation Fund	..	1,64	..
Sugar (Temporary) Excise Fund	..	..	..
Reserve Fund for Protection of Sugar Industry	..	1,33,00	..
Fund for Relief of Ground-nut Cultivators.	..	..	..
Coal Mines Labour Welfare Fund	79,20	..	..
Coal Mines Labour Housing and General Welfare Fund	..	73,00	83,00
Mica Mines Labour Welfare Fund	12,00	15,00	15,00
Coal Production Fund	..	..	..
P. O. Certificate Bonus Fund	2,13,55	1,83,60	1,67,40
Deposits of Local Funds	3,70,76	3,01,00	3,21,94
Civil Deposits	60,80,43	84,99,39	85,00,21
Other Deposits	28,22,99	35,95,28	32,39,70
Carried over	1,64,64,12	2,04,44,17	1,78,29,08
Carried over	6,18,84,68	13,67,33,26	17,10,62,30

C.— Statement of the Capital Receipts of the Central Government—*concld.*

[In thousands of Rupees]

RECEIPTS	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50
Brought forward ..	6,18,84,68	13,67,33,26	17,10,62,30
Brought forward .	1,64,64,12	2,04,44,17	1,78,29,08
Account of Payment in respect of provisional assessment of Excess Profits Tax.	75,00	65,00	15,00
Deposit account of refundable Excess Profits Tax	1,40,00	2,54,00	72,00
Deposit account of refundable Central Income-tax Surcharge	..	..	..
Deposit account of interest on Excess Profits Tax Deposits	20,00	21,00	21,00
Deferred pay of Indian Troops . .	80,00	1,12,00	1,10,00
Post War Reconstruction Fund . .	..	..	..
Other Accounts	1,83,01	4,66,83	5,22,13
Value of One-rupee Notes issued . .	5,00,00	5,00,00	5,00,00
Purchases and Sales of Silver (net) . .	80	1,03	1,00
Sale of lease-lend Silver (net) . . .	..	..	..
Cash Balance Investment Account (net) .	15,00,00	20,75,86	6,00,00
Profit from circulation of nickel, bronze and copper coins (net).	3,20,56	1,05,47	1,05,60
Discount Sinking Fund	1,17,88	1,18,03	1,18,09
Bonus on Loans	..	..	..
Miscellaneous	..	..	..
TOTAL .	1,94,01,37	2,41,63,39	1,98,93,90
Loans and Advances by the Central Government—			
Advances to Provincial Governments .	4,45,13	5,56,55	4,92,32
Other Loans and Advances . . .	1,34,44	6,33,84	1,08,56
TOTAL CAPITAL RECEIPTS .	8,18,65,62	16,20,87,04	19,15,57,08

D.—Statement of the Capital Disbursements of the Central Government

[In thousands of Rupees]

DISBURSEMENTS	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50
CAPITAL ACCOUNT NOT MET FROM REVENUE—			
Railway Capital (as shown in Railway Budget)	24,44,90	27,14,52	28,49,45
Capital Outlay on Vizagapatam Port (as shown in Railway Budget).	19,30	15,08	14,65
Posts and Telegraphs.	3,27,53	2,90,89	3,81,91
Salt	..	..	..
Forest	29,26	29,26	34,95
Security Printing Press	42,09	18,96	28,82
Irrigation	56,61	1,16,38	3,22,62
Agricultural Improvement and Research	41,05	7,05	13,50
Industrial Development	7,87,60	10,93,74	13,14,62
Civil Aviation	4,08,84	3,00,00	2,92,00
Broadcasting	69,71	69,00	96,00
Currency	7,50	5,99,73	4,16
Mint	65,45	80,97	87,95
Initial Expenditure on New Capital at Delhi.	3,24,28	1,76,22	1,50,79
Civil Works	11,10,53	5,67,96	7,30,62
Payments of Commuted Value of Pensions	—18,41	1,16,37	23
Capital Outlay on Sterling Pensions	..	2,15,67,81	—7,41,79
Payments to Retrenched Personnel	—15	—68	—78
Defence Capital Outlay	14,98,76	91,66,17	3,20,00
Schemes of State Trading	25,97,88	—1,73,30	7,89,60
Grants to Provincial Governments for Development.	30,00,00	18,00,00	26,81,00
Payments to Pakistan for Unique Institutions	..	5,07,98	92,02
TOTAL	1,28,12,73	3,90,64,11	94,62,32
PUBLIC DEBT—			
A.—Debt raised in India—			
I.—PERMANENT DEBT—			
5½ per cent. War Bonds 5 per cent. Loans 4 per cent. Loan, 1948-53 4 per cent. Bonds, 1943 3½ per cent. Loans. 3 per cent. Bonds, 1941 Other 3 per cent. Loans 2¾ per cent. Loan, 1948-52 Three-year Interest-free Defence Bonds Five-year Interest-free Prize Bonds, 1949	97,96,82	98,95,78	68,85,00
TOTAL	97,96,82	98,95,78	68,85,00
Carried over	2,26,09,55	4,89,59,89	1,63,47,32

D.—Statement of the Capital Disbursements of the Central Government—*contd.*

[In thousands of Rupees]

DISBURSEMENTS	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50
Brought forward	2,26,09,55	4,89,59,89	1,63,47,32
II.—FLOATING DEBT—			
Treasury Bills	3,51,00,00	9,16,07,00	14,89,29,00
Treasury Deposit Receipts	..	..	6,55,00
Other Floating Loans	..	..	..
TOTAL	3,51,00,00	9,16,07,00	14,95,84,00
B.—*Debt raised in England*—			
PERMANENT DEBT—			
India 5 per cent. Stock, 1932; India 5 per cent. Stock, 1942-47; India 4½ per cent. Stock, 1950-55; India 4½ per cent. Stock, 1958-68; India 4 per cent. Stock, 1948-53; India 3½ per cent. Stock, 1954-59; India 3½ per cent. Stock, 1931; India 3 per cent. Stock, 1949-52; India 3 per cent. Stock, 1948; India 2½ per cent. Stock; Railway Debenture Stocks	2,60,27	2,78,68	54,40
State Railway Annuities	3,20,59	3,20,60	2,24,19
TOTAL	5,80,86	5,99,28	2,78,59
UNFUNDED DEBT—			
Special Loans	11	16	
Deposits of Service Funds	32,04	30,34	28,
Post Office Savings Bank Deposits	54,00,00	64,41,00	63,00,00
Defence Savings Bank Deposits	1,00,00	99,00	80,00
Post Office Cash Certificates	5,00,00	4,50,00	4,40,00
Defence Savings Certificates	65,00	35,00	35,00
National Savings Certificates	4,50,00	6,56,00	6,60,00
State Provident Funds	8,93,02	9,55,74	8,91,35
Other Accounts	1,12,29	1,11,61	1,08,32
TOTAL	75,52,46	87,78,85	85,43,47
Carried over	6,58,42,87	14,99,45,02	17,47,53,38

D.—Statement of the Capital Disbursements of the Central Government—*contd.*

[In thousands of Rupees]

DISBURSEMENTS	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50
Brought forward .	6,58,42,87	14,99,45,02	17,47,53,38
DEPOSITS AND ADVANCES —			
Depreciation and Other Reserve Funds—			
(*a*) *Interest-bearing*—			
Railway Depreciation and Reserve Funds as per Railway Budget.	23,42,90	22,96,33	33,85,90
Railway Betterment Fund as per Railway Budget.	5,22,00	3,79,25	—1,20,43
P. & T. Renewals Reserve Fund . . .	57,38	69,75	41,42
Other Reserve Funds	5,11	11,34	11,98
(*b*) *Non-interest bearing*—			
Defence Reserve Fund	..	..	..
Other Reserve Funds	7,30	5,45	6,70
Appropriation for Reduction or Avoidance of Debt—			
Sinking Funds	..	..	..
Other Deposits and Advances—			
(*a*) *Interest-bearing*—			
Optional Deposits of Excess Profits Tax under the Indian Finance Act, 1942. . .	8,00	..	..
Compulsory Deposits of Excess Profits Tax under Ordinance No. XVI of 1943. . .	19,20,00	9,35,00	3,40,00
Anticipatory Deposits made after provisional assessment of Excess Profits Tax. . .	2,00,00	5,00,00	1,50,00
Deposits towards payment of Excess Profits Tax.	75,00	50,00	13,00
Deposits towards payment of Income Tax . .	50,00	1,98,00	1,00,00
Advance payment of Tax under Section 18A of the Income Tax Act. . . .	55,00,00	60,00,00	55,00,00
Village Collective Savings Accounts . .	..	..	..
(*b*) *Non-interest bearing*—			
Silver Redemption Reserve	20,00	20,00	20,00
Central Road Fund	1,04,00	52,00	1,09,00
Civil Aviation Fund	1,80	1,62	2,42
Fund for Development of Civil Aviation . .	..	..	..
Carried over . .	1,08,13,49	1,05,18,74	95,59,99
Carried over . .	6,58,42,87	14,99,45,02	17,47,53,38

D.—Statement of the Capital Disbursements of the Central Government—*concld.*

[In thousands of Rupees]

DISBURSEMENTS	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimat 1949-5[illegible]
Brought forward	6,58,42,87	14,99,45,02	17,47,53,38
Brought forward	1,08,13,49	1,05,18,74	95,59,99
Fund for Economic Development and Improvement of Rural Areas.	20	25	25
Fund for Development of Broadcasting	..	..	..
Fund for the Benefit of Cotton-growers	24,00	31,80	2,80
Cotton Textiles Fund	18,88	5	..
Cotton Textiles Equalisation Fund	35	1,93	..
Sugar (Temporary) Excise Fund	..	27,00	14,59
Reserve Fund for Protection of Sugar Industry	..	77,24	1,51,00
Fund for Relief of Ground-nut Cultivators	2,30	27	4,14
Coal Mines Labour Welfare Fund	1,30,89	..	..
Coal Mines Labour Housing and General Welfare Fund.	..	1,14,53	1,63,59
Mica Mines Labour Welfare Fund	2,50	2,95	5,00
Coal Production Fund	..	2,12	16
Fund for United Nations Relief and Rehabilitation Administration	..	3,52	..
P. O. Certificate Bonus Fund	..	..	..
Deposits of Local Funds	3,48,24	2,93,54	3,14,15
Civil Deposits	61,98,62	84,54,47	84,60,54
Other Deposits	27,83,91	31,73,53	31,71,67
Account of payment in respect of provisional assessment of Excess Profits Tax.	7,25,00	15,00,00	5,00,00
Deposit account of refundable Excess Profits Tax.	..	..	..
Deposit account of refundable Central Income-tax Surcharge.	15,00	4,00	..
Deposit account of interest on Excess Profits Tax Deposits.	61,00	64,00	5,00
Deferred pay of Indian Troops	15,00	50,00	90,00
Post War Reconstruction Fund	1,25,00	58,00	97,00
Other Accounts	4,14,11	10,10,08	1,03,33
Value of One-rupee Notes issued	..	..	..
Purchases and Sales of Silver (net)	..	..	..
Sale of lease-lend Silver (net)	..	..	..
Cash Balance Investment Account (net)	..	..	..
Profit from circulation of nickel, bronze and copper coins (net).	..	..	..
Discount Sinking Fund	..	22,93	..
Bonus on Loans	50	35	25
Miscellaneous	..	..	..
TOTAL	2,16,78,99	2,54,11,30	2,26,43,46
Loans and Advances by the Central Government—			
Advances to Provincial Governments	38,00,00	38,92,00	58,25,00
Other Loans and Advances	18,00,90	13,47,78	17,45,49
TOTAL CAPITAL DISBURSEMENTS	9,31,22,76	18,05,96,10	20,49,67,33

E.—Statement of the Receipts of the Central Government

[In thousands of Rupees]

RECEIPTS	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50
Revenue (from Statement A) . . .	2,93,58,13	3,80,63,98	3,71,28,81
Capital Receipts (from Statement C) .	8,18,65,62	16,20,87,04	19,15,57,08
MISCELLANEOUS DEPOSITS AND ADVANCES—			
Accounts with the Government of Burma .	11,00	89,00	39,00
Accounts with the Reserve Bank . .	50,70	53,19	53,09
Other Advances	39,25,52	52,61,31	44,01,76
Suspense Accounts (net)	14,09,66	18,89,39	26,86,76
Cheques and Bills (net)	..	6,41	52,67
Departmental and Similar Accounts (net) .	..	..	5,03
Miscellaneous	2,00,42	2,60,69	1,99,54
TOTAL .	55,97,30	75,59,99	74,37,85
REMITTANCES—			
I.—REMITTANCES WITHIN INDIA—			
Inland Money Orders	1,25,00,00	1,60,00,00	1,60,00,00
Other Remittances	4,87,21	3,73,00	3,23,00
Accounts between Civil and other Departments—			
Exchange Accounts between Civil and Posts and Telegraphs. . . .	19,78,38	30,10,48	30,85,04
Exchange Accounts between Civil and Defence Services. . . .	1,12,12,34	1,78,58,14	1,33,91,75
II.—REMITTANCES BETWEEN ENGLAND AND INDIA—			
Remittance Account between England and India—			
Purchases and Sales of Silver . .	..	..	..
Other Transactions . . .	1,68,04,69	2,42,88,13	1,79,76,27
TOTAL .	4,29,82,62	6,15,29,75	5,07,76,06
TRANSFER OF CASH BETWEEN ENGLAND AND INDIA—			
Remittances through the Reserve Bank .	1,86,29,72	1,63,32,29	1,85,21,59
RESERVE BANK DEPOSITS : RAILWAYS .	—29,00,50	—22,01,23	—36,00,43
TOTAL RECEIPTS .	17,55,32,89	28,33,71,82	30,18,20,96
Opening Balance .	1,59,61,35	2,74,61,00	1,62,99,31
GRAND TOTAL .	19,14,94,24	31,08,32,82	31,81,20,27

E.—Statement of the Disbursements of the Central Government

[In thousands of Rupees]

DISBURSEMENTS	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50
Expenditure met from Revenue (from Statement B).	2,95,71,51	3,82,19,04	3,70,83,47
Capital Disbursements (from Statement D)	9,31,22,76	18,05,96,10	20,49,67,33
MISCELLANEOUS DEPOSITS AND ADVANCES—			
Accounts with the Government of Burma	11,00	91,65	39,00
Accounts with the Reserve Bank	46,96	56,88	46,22
Other Advances	41,74,23	54,47,53	43,31,21
Suspense Accounts (net)	..	..	..
Cheques and Bills (net)	4,04	..	..
Departmental and Similar Accounts (net)	25,37	−22,07	..
Miscellaneous	2,00,62	2,57,10	1,99,55
TOTAL	44,62,22	58,75,23	46,15,98
REMITTANCES—			
I.—REMITTANCES WITHIN INDIA—			
Inland Money Orders	1,24,50,00	1,59,50,00	1,59,50,00
Other Remittances	4,62,21	3,23,00	3,33,00
Accounts between Civil and other Departments—			
Exchange Accounts between Civil and Posts and Telegraphs.	19,78,38	30,10,48	30,85,04
Exchange Accounts between Civil and Defence Services.	1,12,12,34	1,78,58,14	1,33,91,75
II.—REMITTANCES BETWEEN ENGLAND AND INDIA—			
Remittance Accounts between England and India—			
Purchases and Sales of Silver	..	..	..
Other Transactions	1,68,04,69	1,87,37,13	1,79,76,2
TOTAL	4,29,07,62	5,58,78,75	5,07,36,06
TRANSFER OF CASH BETWEEN ENGLAND AND INDIA—			
Remittances through the Reserve Bank	1,86,29,72	1,61,65,62	1,85,21,59
RESERVE BANK DEPOSITS : RAILWAYS	—29,00,50	—22,01,23	—36,00,43
TOTAL DISBURSEMENTS	18,57,93,33	29,45,33,51	31,23,24,00
Closing Balance	57,00,91	1,62,99,31	57,96,27
GRAND TOTAL	19,14,94,24	31,08,32,82	31,81,20,27

Explanatory Memorandum

on the

Budget of the Central Government

for

1949-50

(As laid before the Indian Legislature)

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Budget 1949-50
Explanatory Memorandum

CONTENTS

INTRODUCTORY NOTES

The statements in explanation of the revenue and expenditure of the Central Government which are given in Part I of this Memorandum are on the same lines as those of previous years. Unless otherwise stated all amounts are in lakhs of rupees. The expressions "current year" and "next year" stand for the financial years 1948-49 and 1949-50 respectively. The current year's sterling expenditure has been converted at the rate of 1 sh. 5$\frac{31}{32}$ d. on the basis of the actual rates prevailing up to January 1949 but in accordance with the usual practice, the sterling expenditure included in the budget estimates for 1949-50 has been converted into rupees at the standard rate of 1sh. 6d. per rupee. The statements include only the net expenditure on the Defence Services, the net surplus of the Posts and Telegraphs Department and the net contribution paid by the Railways to general revenues. But unless otherwise stated, the cost of collection is treated as expenditure and is not deducted from the figures on the revenue side.

2. Part II gives details of the receipts and disbursements on Capital account. The figures given in this part are also in lakhs of rupees unless otherwise specified. Brief explanations of the more important transactions have been included.

3. Part III gives the economic background. This part includes statements of prices, cost of living indices, trade and industrial returns and currency circulation with notes on the trends indicated by the figures.

4. Part IV contains a statement illustrating the tax payable by different incomes on account of income-tax and super-tax,

5. The accounts for the period 15th August 1947 to 31st March 1948 have not yet been closed and it has not therefore been possible to give the actuals for that period in the various budget documents. In any case, as these figures relate to only a part of the year, they do not furnish any basis for comparison with the estimates or a full year.

6. The usual annexures giving the progress of revenue and expenditure over a period of years have also been omitted as owing to the partition of the country the estimates and actuals of either Dominion after the partition will not be comparable with the past actuals of the undivided Central Government.

PART I

REVENUE BUDGET

REVENUE ESTIMATES

STATEMENT I

	1948-49 Budget	1948-49 Revised	1949-50 Budget
Customs	80,76	117,25	107,25 3,98*
Central Excise Duties	45,97	50,25	57,75 11,52*
Corporation Tax	49,80	57,25	41,81
Taxes on Income other than Corporation Tax	87,58	100,75	113,19 —6,10*
Opium	1,40	1,08	1,18
Interest	1,17	1,42	1,19
Civil Administration	5,12	7,05	6,78
Currency and Mint	9,40	13,05	9,70
Civil Works	81	1,02	1,02
Pre-partition Receipts	..	13,40	..
Other sources of revenue	4,36	6,52	5,37
Posts and Telegraphs :—			
Net contribution to general revenues	78	3,73	1,63 2,84*
Railways :—			
Net contribution to general revenues	4,50	7,34	4,72
Deduct—Share of income-tax revenue payable to Provinces	—36,41	—41,79	—43,85 +3,00*
TOTAL	255,24	338,32	307,74 15,24*

*Budget proposals

A rough distribution of the Customs revenue expected to be collected during the current year and the next year is given below. The estimates do not include the budget proposals.

STATEMENT II

SEA CUSTOMS—IMPORTS

	1948-49, Budget	1948-49, Revised	1949-50, Budget
I.—*Revenue Duties*			
Ale, beer, porter, cider and other fermented liquors	6·00	15·00	10·00
Spirits and liqueurs	2,00·00	1,50·00	1,25·00
Wines	15·00	4·60	5·00
Spices	35·00	80 00	70·00
Tea	1·00	1·00	1·10
Tobacco	5,62·00	8,20·00	6,60·00
Kerosene oil	2,50·00	2,25·00	2,25·00
Motor spirit	9,50·00	8,75·00	8,75·00
Oils, batching, fuel and lubricating	1,00·00	1,50·00	1,50·00
Cotton, raw	2,00·00	2,70·00	2,70·00
Boots and shoes	1·00	1·00	1·00
Motor cars, cycles, scooters, omnibuses, chassis, vans, lorries and parts thereof	3,00·00	7,50·00	5,50·00
Electric lighting bulbs	20·00	40·00	30·00
Wireless reception instruments and apparatus	80·00	50·00	50·00
Dyes derived from coal-tar and coal-tar derivatives	75·00	1,30·00	1,40·00
Machinery	2,50·00	6,90·00	4,50·00
Iron and steel	70·00	1,50·00	1,50·00
Gold bullion, coin, sheets and plates not manufactured	10·00	50·00	25·00
Silver bullion, coin and sheets, plates and other manufactures	30·00	10·00	10·00
Tin, block	·65	5·00	5·00
Metals, other than iron and steel, silver and block tin	1,35·00	1,55·00	1,80·00
Railway plant and rolling stock	1,00·00	75·00	1,50·00
Wood pulp, paper and stationery	75·00	2,25·00	1,50·00
Artificial silk yarn and thread	60·00	3,50·00	3,00·00
Yarn and textile fabrics, others	1,40·00	3,20·00	2,00 00
Cinematograph films	40·00	40·00	40·00
Portland cement excluding white Portland cement	·10	20·00	10·00
Pneumatic rubber tyres and tubes	·25	4·00	4·00
Toys, games and sports goods	10·00	7·00	7·00
Betelnuts	1,50·00	2,55.00	2,00·00
All other articles	16,08·00	26,50·00	26,00·00

STATEMENT II—*contd.*

	1948-49, Budget	1948-49, Revised	1949-50, Budget
II.—Protective Duties			
Sugar	..	·50	1·00
Heavy chemicals	·10	·60	1·00
Iron and steel	42·00	23·00	20·00
Silver wire, thread and other manufactures	·10	..	..
Metals other than iron and steel	4·00	45·00	30·00
Raw silk	50·00	1,10·00	1,00·00
Silk yarn and thread	15·00	12·00	12·00
Silk fabrics	30·00	12·00	10·00
Artificial silk fabrics	2,00·00	65·00	50·00
Fabrics of artificial silk mixed with other materials	10·00	2·00	2·15
Other textile manufactures	30·00	32·00	45·00
Matches, match splints and veneers	..	·30	·40
Sewing machines and parts thereof	10·00	30·00	30·00
Cycles (other than motor cycles) and parts thereof	70·00	70·00	70·00
All other articles	7·25	55·00	40·00
III.—Duties on American Disposals			
Duties on American Disposals	2,20·00	1,00·00	1,00·00
TOTAL IMPORTS	61,62·45	91,25·00	81,54·65
SEA CUSTOMS—EXPORTS			
Jute—			
Raw } Manufactured }	4,75·00	7,50·00	7,00·00
Raw Cotton	2,00·00	1,70·00	2,00·00
Cotton cloth and yarn	3,50·00	4,07·00	3,75·00
Manganese	72·00	33·00	30·00
Tea	7,50·00	11,00·00	11,00·00
Rice	·05	..	..
Other agricultural produce	14·75	15·00	15·35
Coffee	·75	..	..
Mica	12·00	15·00	15·00
Oil and Oil Seeds	2,17·00	1,50·00	1,50·00
TOTAL EXPORTS	20,91·55	26,40·00	25,85·35
Land Customs	40·00	3,45·00	3,40·00
Miscellaneous	75·00	1,15·00	1,15·00
TOTAL GROSS REVENUE	83,69·00	122,25·00	111,95·[illegible]
Deduct—Refunds	*2,00·00*	*3,50·00*	*3,30·00*
Deduct—Share of Jute Export Duty assigned to Provinces	*93·00*	*1,50·00*	*1,40·00*
NET REVENUE	80,76·00	117,25·00	107,25·00

On the trend of actuals the revenue this year is now estimated at Rs. 117·25 crores against the budget estimate of Rs. 80·76 crores. The budget for the current year was framed against the background of the need for conserving all available resources of foreign exchange for financing the imports of food when the position regarding the amount of sterling that would be released from the accumulated sterling balances by the United Kingdom was not also clear. But during the course of the year, import restrictions were considerably relaxed, partly as a measure of anti-inflation to make a larger volume of goods available for consumption. As a result, there was a considerable expansion of imports during the year reflected in increased revenue. The actuals for the first ten months shew a collection of a little over Rs. 99 crores and if revenue continues to come in at the present rate the total for the year should amont to over Rs. 117 crores. During the year as part the measures against inflation the duties on certain luxury items like motor cars ..bacco, ale, beer and spirits, silk and artificial silk fabrics were raised. To stimulate industrial production the duty on industrial machinery was reduced and that on cotton yarn withdrawn. The revised estimate takes into account these changes made during the course of the year.

The budget for next year on the present basis has been placed at Rs. 107·25 crores. It allows for a full year's effect for the changes made during the course of the year and a reduction of revenue from certain commodities the imports of which have been unusually heavy this year.

Central Excise Duties.—Following are the details of revenue from Central Excise Duties.

STATEMENT III

	1948-49, Budget	1948-49, Revised	1949-50, Budget
Motor spirit	1,36	1,30	1,30
Kerosene	24	22	22
Sugar	4,84	5,75	5,90
Matches	5,92	6,50	6,50
Steel ingots	55	45	45
Tyres	1,43	1,75	1,75
Tobacco	26,00	25,35	26,00
Vegetable Products	1,32	1,70	1,75
Betel-nuts	..	..	..
Coffee	45	45	45
Tea	2,95	5,25	5,25
Coal Cess	1,15	1,10	1,30
Miscellaneous	16	15	15
Cotton cloth	..	50	7,00
	46,37	50,47	58,02
Deduct—Refunds	*40*	*22*	*27*
TOTAL	45,97	50,25	57,75

The above estimates include Rs. 40 lakhs this year and Rs. 50 lakhs next year on account of the Coal Mines Safety Stowing Cess and Rs. 70 lakhs this year and . 80 lakhs next year on account of the Coal Mines Labour Welfare Cess. The enue from these cesses does not accrue to Government; the Coal Mines Stowing Cess is paid to the Coal Mines Stowing Board and the Labour Welfare Cess is transferred to an *ad hoc* fund by provision in the expenditure estimates.

The actuals for the first ten months indicate that the revenue from sugar, matches, tyres and tubes, vegetable products and tea will show a substantial increase over the budget while the revenue from tobacco will show a drop of Rs. 65 lakhs. The excise duty recently imposed on superfine cloth is expected to bring in Rs. 50 lakhs this year and Rs. 7 crores in a full year. On the trend of actuals and on the existing basis of taxation the total revenue under this head is estimated at Rs. 50·25 crores this year and Rs. 57·75 crores next year.

The estimates do not include the budget proposals.

	1948-49, Budget	1948-49, Revised	1949-50, Budget
Corporation Tax—			
Ordinary Collections	26,59	30,19	24,18
Surcharge	1	4	2
Excess Profits Tax	10,00	15,79	7,75
Business Profits Tax	13,20	11,23	9,86
TOTAL	49,80	57,25	41,81
Taxes on Income other than Corporation Tax—			
Ordinary Collections	80,53	87,46	103,30
Surcharge	3,25	6,90	4,27
Excess Profits Tax	2,00	5,30	3,47
Business Profits Tax	1,80	1,09	2,15
TOTAL	87,58	100,75	113,19

The increase of Rs. 20·62 crores in the gross collections of Corporation Tax and Income Tax compared with the budget is due to the concerted drive for the collection of arrears during the course of this year. Part of the increase is also due to the collection of tax on the basis of returns submitted by assessees without waiting for the final assessment, for which provision was made in a recent Ordinance. The estimate of income tax for next year includes Rs. 12·5 crores for advance payments of tax under section 18A of the Indian Income-Tax Act, which will be taken direct to revenue instead of being initially treated as a deposit. This change in accounting, which was first introduced this year in respect of advance payments of Corporation Tax, will be phased over a further period of three years. Excluding this special credit the revenue next year shows a drop of Rs. 15·5 crores which is mainly due to a reduction in the collections of Corporation Tax and arrear collections of Excess Profits Tax.

Under section 138 of the Government of India Act, 1935, as amended by the India (Provisional Constitution) Order, 1947, it has been prescribed that during 1949-50 also 50 per cent. of the net proceeds of taxes on income other than Corporation Tax and Central surcharges and the portion of the tax attributable to Chief Commissioners' Provinces and federal emoluments shall be distributed among the Provinces as follows :—

	Per cent.
Madras	18
Bombay	21
West Bengal	12
United Provinces	19
East Punjab	5
Bihar	13
Central Provinces	6
Assam	3
Orissa	3
Total	100

The advance payments of tax which, as expalined above, are being taken to revenue will not, however, form part of the divisible pool until the assessments have been completed and the revenue taken to the final heads.

The share of income tax revenue payable to Provinces is calculated as follows :—

	1948-49, Budget	1948-49, Revised	1949-50, Budget
Total Taxes on Income other than Corporation Tax, excluding Central Surcharge and advance payments .	84,33	93,85	96,42
Deduct—Portion attributable to taxes on federal emoluments and to Chief Commissioners' Provinces and miscellaneous receipts	*5,89*	*4,62*	*4,32*
Share of cost of collection	*1,12*	*1,14*	*1,40*
Balance	77,32	88,09	90,70
Deduct—Amount to be retained by Central Government	*40,91*	*46,30*	*46,85*
Amount payable to Provinces . . .	36,41	41,79	43,85

The amount to be retained by the Centre out of the Provincial moiety will be Rs. 2,25 lakhs this year and Rs. 1,50 lakhs next year.

The estimates do not include the Budget proposals.

Opium— The details of opium revenue are as follows :—

STATEMENT IV

	1948-49, Budget	1948-49, Revised	1949-50, Budget
Sales to Provincial Governments . .	94·35	57·52	54·00
Receipts in England	40·00	15·00	25·00
Miscellaneous	6·06	35·71	38·90
TOTAL .	1,40·41	1,08·23	1,17·90
Deduct—Refunds .	*·11*	*·06*	*·06*
NET REVENUE .	1,40·30	1,08·17	1,17·84

The receipts in England represent recoveries form sales of opium abroad, which are expected to be less than originally anticipated. Sales to Provincial Governments and Pakistan are also expected to be less. Recoveries from Pakistan are now accounted for as miscellaneous receipts.

	1948-49, Budget	1948-49, Revised	1949-50, Budget
Interest Receipts—			
India	53	76	63
England	64	66	[illegible]
TOTAL .	1,17	1,42	1,19

The receipts in India are mainly on account of loans and advances made by the Central Government to Government servants and local bodies while those in England represent mainly the interest portion of the receipts from the Government of the United Kingdom in connection with the funding of liabilities for Railway annuities.

Civil Administration—The revenue is spread over a number of heads the most important of which is "Industries and Supplies.' which accounts for Rs. 490 lakhs this year and Rs. 460 lakhs next year. The improvement of Rs. 2 crores in the revised estimate for the current year occurs almost wholly under this head. The revenue from purchase and inspection fees is expected to show an increase of Rs. 65 lakhs while Rs. 60 lakhs would accrue to Government on account of their share in the recent increase in the price of cloth for which no provision was included in the estimates. Similarly the Delhi Transport Service, which was taken over after the budget was framed, will yield an additional revenue of Rs. 52½ lakhs.

Currency and Mint.—The main items that compose Currency and Mint receipts are as follows:—

STATEMENT V

	1948-49, Budget	1948-49, Revised	1949-50, Budget
(1) Surplus profits of the Reserve Bank . .	7,02·00	10,18·28	7,15·00
(2) Profits from circulation of bronze and nickel coins	1,50·35	1,74·02	1,59·75
(3) Other items	87·75	1,12·91	94·76
TOTAL .	9,40·10	13,05·21	9,6[illegible]1

The surplus profits of the Reserve Bank for the year ended the 30th June 1948 were more than anticipated. The provision for the payment to the Pakistan Government of its share of these profits was not also utilised as under the agreement with that Government it does not fall due this year. The reduction in the Bank's profits next year is due to the transfer to the Pakistan Government of its share of the assets of the Bank following the separation of the currency of the two countries with effect from the 1st July 1948. The budget next year also allows for the payment of Pakistan's shaer of the profits of the Bank for the period 15th August 1947 to 30th June 1948.

Details of the provision included in item (3) are given below :—

	1948-49, Budget	1948-49, Revised	1949-50, Budget
Value of one-rupee note forms	32·00	27·00	26·75
Other receipts from the Currency Note Press	46·00	57·75	53·36
Value of unclaimed Currency Notes, etc.	·78	1·09	·93
Miscellaneous Mint Receipts	8·97	27·07	13·72
TOTAL	87·75	1,12·91	94·76

Pre-partition Receipts.—Under the agreement with the United Kingdom Government reached last July, a sum of Rs. 8·06 crores will be received for meeting the outstanding liabilities relating to the period prior to the 1st April 1947 when the Defence expenditure was shared between the then Government of India and the United Kingdom Government. Credit has been taken for this in the revenue estimates. A sum of Rs. 5·28 crores has also been received from the oil companies in adjustment of prices paid for supplies by the undivided Government. Other miscellaneous receipts are estimated at Rs. 6 lakhs. The receipts under this head will be more than counterbalanced by expenditure for which provision has been made in the expenditure estimates.

Other Sources of Revenue.—The principal heads that come under this description are Land Revenue, Provincial Excise, Stamps, Forest, Registration, Taxes on Motor Vehicles and Other Taxes, Superannuation, Stationery and Printing and Miscellaneous.

Details by the major heads are :—

	1948-49, Budget	1948-49, Revised	1949-50, Budget
Land Revenue	12·77	13·42	13·40
Provincial Excise	75·96	93·40	93·19
Stamps	1,38·78	1,54·56	1,57·52
Forest	60·12	60·97	81·14
Registration	2·50	1·39	1·39
Receipts under Motor Vehicles Acts	7·21	9·66	9·66
Other Taxes and Duties	12·46	14·46	14·46
Irrigation	·83	—·19	·47
Receipts in aid of Superannuation	11·32	9·06	25·13
Stationery and Printing	45·33	49·33	45·97
Miscellaneous	68·72	2,37·05	95·33
Civil Defence	...	9·33	..
TOTAL	4,36·00	6,52·44	5,37·66

No credit has been taken in the estimates either for this year or for the next year for any recovery from the Government of Burma on account of the pre-separation debt. The resumption of payments will be one of the subjects for discussion with the Government of Burma as part of the negotiations for a treaty between the two Governments.

The revised estimate includes a special credit of Rs. 133 lakhs on account of Government's share of the profit on the sale of the stocks of sugar which were frozen in December 1947 and which was not realised in that year as originally anticipated. The balance of the improvement is due to larger collections of revenue in centrally administered areas. The budget for next year follows the revised.

Posts and Telegraphs.—The table below indicates how the net contribution of Rs. 372·56 lakhs this year and Rs. 163·43 lakhs next year has been arrived at.

Next years estimates do not include the Budget proposals.

	1948-49, Budget	1948-49, Revised	1949-50, Budget
Gross Receipts	26,60·00	29,29.00	30,26·[illegible]
Working Expenses	*24,85·41*	*24,65·78*	*27,67·[illegible]*
NET RECEIPTS	1,74·59	4,63·22	2,58·99
Interest	*96·63*	*90·66*	*95·56*
NET REVENUE	77·96	3,72·56	1,63·43

The broad details of the gross receipts are given below :—

Postage and Message Revenue—			
Sale of Stamps	15,15·50	17,64·80	18,14·80
Postal Receipts	1,18·60	89·20	90·30
Telegraph (including Radio) Receipts	1,11·66	1,66·09	1,77·90
TOTAL	17,45·76	20,20·09	20,83·00
Miscellaneous Revenue—			
Interest on Renewals Reserve Fund and fees and other receipts	14·54	16·86	15·61
Postal Receipts (Receipts on account of Money Orders etc.)	2,38·43	2,37·30	2,40·10
Telegraph (including Radio) Receipts (Rent of wires, instruments etc.)	67·94	43·85	44·39
Telephone Receipts (Rent of telephones, telephone call fees, etc.)	3,55·14	3,85·90	4,07·90
	6,76·05	6,83·91	7,0[illegible]
Revenue Receipts of Telephone Districts—			
Rental and call fees and other miscellaneous receipts	2,38·19	2,25·00	2,35·00
TOTAL REVENUE RECEIPTS	26,60·00	29,29·00	30,26·00

Details of expenditure are given in the notes on Expenditure Estimates.

EXPENDITURE ESTIMATES (a)

STATEMENT VI

	1948-49 Budget	1948-49 Revised	1949-50 Budget
Demand or Appropriation—			
1. Customs	1,28·97	1,56·76	1,46·74
2. Central Excise Duties	2,97·17	3,33·81	3,45·78
3. Taxes on Income including Corporation Tax	1,72·86	1,80·47	1,87·06
4. Opium	1,00·81	84·36	1,04·77
5. Provincial Excise	4·22	3·56	3·30
6. Stamps	1,10·15	1,40·55	1,09·07
7. Forest	26·04	24·40	35·10
8. Irrigation (excluding working Expenses) Navigation, Embankment and Drainage Works met from Revenue	13·49	7·81	12·21
10. Cabinet	12·80	12·54	20·42
11. Constituent Assembly of India	12·09	20·18	8·00
12. Constituent Assembly of India (Legislative)	18·65	19·52	20·53
13. Ministry of Home Affairs	34·75	35·47	54·97
14. Ministry of Information and Broadcasting	1,02·69	71·46	98·67
15. Ministry of Law	9·41	8·55	8·24
16. Ministry of Education	29·33	30·18	33·76
17. Ministry of Agriculture	29·42	29·28	24·91
18. Ministry of Health	7·23	6·73	7·82
19. Ministry of External Affairs and Commonwealth Relations	36·04	51·35	51·17
20. Ministry of Finance	80·76	86·16	94·50
21. Ministry of Commerce	45·82	58·67	60·72
22. Ministry of Labour	22·19	21·50	23·97
23. Ministry of Works, Mines and Power	17·95	11·51	12·05
24. Ministry of Communications	5·29	5·46	6·09
25. Ministry of Transport	21·06	25·36	36·91
26. Ministry of Food	32·81	45·88	46·29
27. Ministry of States	7·23	10·84	10·39
28. Ministry of Defence	32·65	36·03	35·82
29. Ministry of Industry and Supply	21·96	23·40	23·57
30. Ministry of Relief and Rehabilitation	13·00	10·00	10·00

STATEMENT VI—*contd.*

	1948-49 Budget	1948-49 Revised	1949-50 Budget
31. Payments to other Governments, Departments, etc., on account of the administration of Agency Subjects and management of Treasuries	10·73	31·30	18·73
32. Audit	1,89·58	2,28·38	2,34·76
33. Administration of Justice	8·70	11·92	10·71
34. Jails and Convict Settlements	·02	·02	·02
35. Police	23·96	35·00	30·64
36. Ports and Pilotage	35·94	29·60	42·73
37. Lighthouses and Lightships	8·49	9·98	9·32
38. Ecclesiastical	2·53	2·69	·18
39. Tribal Areas	62·57	67·03	1,04·00
40. External Affairs	2,08·81	2,56·42	2,59·40
41. Survey of India	60·67	75·72	69·86
42. Botanical Survey	1·66	1·85	1·63
43. Zoological Survey	3·33	3·98	3·56
44. Geological Survey	36·67	24·67	36·65
45. Mines	18·65	15·18	15·38
46. Archaeology	20·83	21·70	28·71
47. Meteorology	81·43	76·00	84·97
48. Department of Scientific Research	..	12·04	85·92
49. Other Scientific Departments	1,03·83	1,18·13	1,81·40
50. Education	86·31	87·05	93·41
51. Medical Services	40·15	32·06	29·59
52. Public Health	53·91	54·87	69·05
53. Agriculture	1,73·08	2,40·26	88·83
54. Civil Veterinary Services	25·47	23·45	26·66
55. Industries and Supplies	3,93·71	4,04·96	3,91·95
56. Salt	1,43·06	1,38·72	1,31·90
57. Overseas Communication Service	68·35	82·18	78·92
58. Delhi Transport Service	..	47·13	65·20
59. Telephone Factory	..	1·54	8·51
60. Aviation	2,13·98	1,93·00	2,53·00
61. Broadcasting	1,32·57	1,36·11	1,82·32
62. Commercial Intelligence and Statistics	42·10	42·44	59·65
63. Census	3·59	9·04	7·00
64. Joint Stock Companies	4·30	3·79	4·57
65. Indian Dairy Department	6·56	7·31	8·17
66. Miscellaneous Departments	1,43·73	1,59·14	1,69·37
67. Currency	1,05·50	1,20·20	94·42
68. Mint	1,14·32	1,56·09	1,28·47
69. Civil Works	5,06·31	6,00·51	5,11·46
70. Central Road Fund	2,15·00	2,15·00	2,20·00

STATEMENT VI—*concld.*

	1948-49 Budget	1948-49 Revised	1949-50 Budget
71. Territorial and Political Pensions	23·40	22·23	22·72
72. Superannuation Allowances and Pensions	2,46·80	2,46·34	2,45·34
73. Stationery and Printing	1,65·46	3,02·34	1,88·84
74. Miscellaneous	21,07·72	33,68·74	35,71·38
75. Expenditure on Refugees	10,03·50	19,45·16	9,85·17
76. Defence Services—Army (net)	65,52·60	82,13·01	122,88·19
77. Defence Services—R. I. N. (net)	5,64·84	4,71·06	8,25·17
78. Defence Services—Air Forces (net)	12,92·94	9,32·39	12,83·21
79. Defence Services—Non-effective charges (net)	11,21·67	12,35·11	13,40·05
80. Grants-in-aid to Provincial Governments	2,95·00	2,95·00	2,95·00
81. Miscellaneous Adjustments between the Central and Provincial Governments	·82	·62	·62
82. Resettlement and Development	4,72·35	3,50·38	3,55·95
83. Civil Defence	1·20	2·14	1·74
84. Pre-partition Payments	..	20,75·00	10,00·00
85. Delhi	1,41·19	2,13·91	1,86·16
86. Ajmer-Merwara	63·05	76·37	66·05
87. Panth Piploda	·24	·28	·30
88. Andaman and Nicobar Islands	95·53	1,03·36	1,08·61
89. Relations with Indian States	71·48	80·27	51·29
Interest on Debt and Other Obligations and Reduction or Avoidance of Debt	*41,16·28*	*39,90·77*	*39,29·34*
Staff, Household and Allowances of the Governor General	*16·00*	*20·73*	*17·85*
Federal Public Service Commission	*9·94*	*14·57*	*15·94*
Ministry without Portfolio	2·85	1·02	...
Defence Services (Supplies and Stores net)	25,75·73	46,91·23	...
TOTAL	257,37·83	339,87·17	322,52·77

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

(1) Token demands and demands relating to capital expenditure not met from 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) 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.

Notes on Expenditure Estimates

Under the financial settlement between India and Pakistan, the Pakistan Government has been given a moratorium of 4 years for the repayment of its partition debt to India. The initial liability for the outstanding debt of the undivided Government has been assumed by the Indian Dominion with the result that while India will be paying interest on its debt to the bondholders, no recovery will be made from Pakistan until 1952.

In respect of certain items of debt like the Postal Savings Bank Deposits, Postal Cash, Defence and National Savings Certificates, Pakistan will take direct liability for outstandings in Pakistan Post Offices, subject to certain adjustments for transfers. On these outstandings India will not be required to pay interest or bonus.

In regard to pensionary liability it has been agreed, both for pensions in payment as well as for pensions earned by serving officers up to the date of partition, that it should be capitalised and divided between India and Pakistan, Pakistan's share being added to its debt to India. Pakistan will take over liability for pensions in payment in its area and receive a credit in its debt on account of the capitalised value of these payments. In other words India is not required to meet these payments.

A lump deduction of Rs. 2½ crores spread over the various demands was made in the current year's budget for the enforcement of such economies as the Economy Committee may recommend. The work of the Committee has taken somewhat longer than was anticipated and it is unlikely that their recommendations would be given effect to in time to affect the expenditure this year. The excess in a large number of grants is due to the non-realisation of this cut.

Customs.—The increase in expenditure is mainly due to the setting up of new customs posts and the strengthening of the customs lines on Pakistan's borders.

Central Excise Duties.—Additional expenditure has been incurred on the reorganisation of the Delhi Collectorate and the strengthening of the preventive staff on the land borders with Pakistan. A provision of Rs. 90 lakhs has been made next year for the payment to the States of their share of the match excise duty against Rs. 60 lakhs this year, the increase being due to the fact that the current year's payment covers the receipts of only the post-partition period of 1947-48 while next year's payment would cover a full year's revenue.

Taxes on Income.—The staff has had to be expanded for expediting the clearance of arrears and for coping with the increased work. The estimates include Rs. 5·53 lakhs this year and Rs. 5·39 lakhs next year for expenditure on the Income-Tax Appellate Tribunals.

Opium.—The demand covers the expenditure of the two factories at Ghazipur and Neemuch and payments to cultivators. Broad details of the expenditure included in this demand are given below:—

(In lakhs of Rupees)

	Revised, 1948-49	Budget, 1949-50
Ghazipur Factory	8·36	8·32
Neemuch Factory	6·12	14·93
Payments to cultivators	63·61	75·80
Other miscellaneous charges	6·27	5·72
Total	84·36	1,04·77

Stamps.—The increase in the revised is mainly due to additional expenditure on the purchase of stores, the provision for which this year is now estimated at Rs. 28·69 lakhs more than was originally anticipated. Next year's budget includes Rs. 76·25 lakhs for the purchase of stores.

Forest.—This demand accommodates expenditure on the Forest Research Institute, Dehra Dun and the Forest College at Coimbatore which the Government of India have recently taken over. Details of the provision are:—

(In lakhs of Rupees)

	Revised, 1948-49	Budget 1949-50
Forest Research Institute, Dehra Dun	19·85	31·85
Forest College, Coimbatore	4·55	3·25

Next year's budget includes Rs. 6·32 lakhs for the purchase of stores overseas.

Irrigation, Navigation, Embankment etc.—The saving in the revised is due to technical posts remaining unfilled for want of suitable personnel.

Indian Posts and Telegraphs Department.—An analysis of the expenditure included in this demand is given in the Profit and Loss Account of the department shown in Statement IX.

Cabinet.—The budget for next year includes provision of Rs. 4·84 lakhs for the Prime Minister's Secretariat, at present included in the grant for the Ministry of External Affairs and Commonwealth Relations.

Constituent Assembly.—A lump sum of Rs.8 lakhs has been included in the budget for next year to meet expenditure on the Constituent Assembly for the period it meets as the constitution making body.

Constituent Assembly (Legislative).—This demand covers the expenditure of the Constituent Assembly functioning as the Dominion Legislature. The revised includes Rs. 5·01 lakhs and the budget Rs. 6·21 lakhs for the Legislative Assembly Department.

Ministry of Home Affairs.—The Ministry proper is estimated to cost Rs. 17·06 lakhs this year and Rs. 18·66 lakhs next year and the Intelligence Bureau Rs. 14·11 lakhs this year and Rs. 32·14 lakhs next year. The revised estimate also includes Rs. 2 lakhs for the training of the All India Administrative Service probationers and Rs. 1·14 lakhs for a new Secretariat Training School. The expenditure next year on these services will amount to Rs. 2·1 lakhs and Rs. 1·6 lakhs respectively.

Ministry of Information and Broadcasting.—The saving in the current year is mainly due to less expenditure in the Advertisement Branch and the Films Division of the Ministry.

Ministry of Education.—In addition to the Secretariat the grant covers the expenditure on the Director of Archives, the Liaison Officer and his establishment in the United States and the All India Council for Technical Education. The increase in the budget for next year is mainly on the expansion of the Directorate of Archives.

Ministry of External Affairs and Commonwealth Relations.—The increase in the expenditure this year is mainly on postage, telegram and telephone charges (Rs. 7 lakhs) and on the external publicity work (Rs.5·93 lakhs) which was taken over during the year from the Ministry of Information and Broadcasting. The expenditure on this next year is estimated at Rs. 11·11 lakhs.

Ministry of Finance.—The increase in the revised estimate and the budget estimate for next year is due to the expansion of the Ministry to cope with the increased work. The estimate also includes the provision for the headquarters organisation of the National Savings Commissioner.

Ministry of Commerce.—In addition to expenditure on the Secretariat of the Ministry the budget includes Rs. 35·76 lakhs for Foreign Trade Control and Rs. 2·04 lakhs for the staff of the Custodian of Enemy Property. The increase in the revised estimate for this year is mainly due to the additional expenditure on foreign trade control which is estimated to cost Rs. 34·01 lakhs against Rs. 25 lakhs provided in the current budget.

Ministry of Labour.—Next year's budget includes Rs. 9·08 lakhs for the Secretariat and Rs. 9·41 lakhs for the Chief Labour Commissioner and Regional Commissioners, Rs. 2·77 lakhs for the Chief Adviser of Factories and Rs. 2·34 lakhs for the Labour Bureau.

Ministry of Works, Mines and Power.—Provision for the Consulting Engineer, Waterways, Irrigation and Navigation and the Electrical Commissioner with the Government of India will not be utilised this year as it has since been decided to book the expenditure against other demands. The demand also includes Rs. 1·14 lakhs in the revised and Rs. 1 lakh in the budget for the Director, Oil Development.

Ministry of Transport.—The budget includes a lump provision of Rs. 10 lakhs for the West Coast Major Port Development Committee. The expenditure on the Roads Organisation next year is expected to be Rs. 3 lakhs more than in the current year. The Railway Priorities Organisation is estimated to cost Rs. 6·08 lakhs this year and Rs. 5·66 lakhs next year.

Ministry of Food.—The expansion of the Secretariat and the Provincial organisations accounts for the increase in expenditure this year. The Budget follows the revised.

Ministry of States.—The estimates include Rs. 1·03 lakhs in the current year and Rs. 0·52 lakhs next year for the States Financial Integration Committee.

Ministry of Defence.—The demand provides for the expenditure on the Ministry proper and the Pensions Branch. The latter is estimated to cost Rs. 17·36 lakhs this year and Rs. 16·89 lakhs next year.

Ministry of Industry and Supply.—The Secretariat of the Ministry is provided for in this demand while the provision for the expenditure on the subordinate organisations is included in the demand for Industries and Supplies.

Ministry of Relief and Rehabilitation.—Provision is made for the Secretariat of the Ministry. Some reduction in the strength of the Ministry is anticipated next year.

Payments to other Governments, Departments etc.—The bulk of the provision in this demand is for the payment to the U.K. Government for the work done for India in the Commonwealth Relations Office. This work, which is mostly in connection with the payment of the leave salary and pensions of military officers, was expected to be taken over by the High Commissioner for India during the course of the year. But as a result of the negotiations in connection with the sterling balances it has been agreed that the work will remain with the Commonwealth Relations Office for a period of three years from the 1st April 1948. The work will gradually decrease and from next year will be mostly confined to work connected with pensions. The actual amount to be paid as agency charges has not yet been decided but a provision of Rs. 30·84 lakhs has been made in the revised estimate for this year, against a tentative provision of Rs. 10 lakhs in the current budget, and Rs. 18 lakhs next year.

Audit.—Expansion of the department to cope with the increasing work and the gradual resumption of audit relaxed during the war years accounts for the increase in expenditure.

Administration of Justice.—The expansion of the Federal Court and increased expenditure on Special Tribunals account for the excess in the revised estimate. Next year's budget includes Rs. 6·36 lakhs for the Federal Court and Rs. 2·91 lakhs for Special Tribunals.

Police.—The special police establishment dealing with anti-corruption measures is expected to cost Rs. 14·12 lakhs this year and Rs. 13·2 lakhs next year. The estimates include a provision of Rs. 3·55 lakhs this year and Rs. 2·75 lakhs next year for the new Central Police Training College at Mount Abu. Payments to Provincial Governments for Agency Police this year are expected to amount to Rs.16·96 lakhs against a provision of Rs. 10·95 lakhs in the budget. Payments next year will be Rs. 4·89 lakhs less. Provision has also been made next year for an inter-provincial wireless scheme estimated to cost Rs. 2·75 lakhs.

Ports and Pilotage.—This demand covers expenditure of the Bengal Pilot Service and the Ports Establishments at the major ports including the Shipping Office, the Ship Survey Department and the Training Ship. The drop in the revised is due to less expenditure on the Bengal Pilot Service, the control of which has been transferred to the Calcutta Port Commissioners from the 16th May 1948. The estimates also include Rs. 1·1 lakhs this year and Rs. 1·92 lakhs next year for a new Nautical College in Bombay and Rs. 16·78 lakhs next year for the purchase of new vessels for the Bengal Pilot Service.

Lighthouses and Lightships.—The working of the lighthouses and lightships is expected to show a surplus of Rs. 2·39 lakhs this year and Rs. 2·44 lakhs next year which will be transferred to the General Reserve Fund by provision in this demand.

Ecclesiastical.—The Ecclesiastical Establishment is being wound up and the provision next year is for the payment of leave salaries to those on leave pending retirement.

Tribal Areas.—The expenditure provided in this demand relates to the North-East Frontier. The budget for next year provides Rs. 80·85 lakhs for the Assam Rifles, Rs. 7·22 lakhs for buildings and communications and Rs. 9·78 lakhs for Political and Administrative charges. The increased provision in the budget is mainly due to the provision for additional battalions of the Assam Rifles. A provision of Rs. 6 lakhs has been included in the demand for Resettlement and Development for the economic development of these areas.

External Affairs.—This demand covers the entire expenditure on External Affairs except that on the Ministry for which provision is made in a separate demand. It includes provision for all embassies and missions abroad, consular and diplomatic representation in foreign countries and all High Commissionerships and agencies in Commonwealth countries, including the United Kingdom. Broad details of the provision included in this demand are given below :—

(In lakhs of Rupees.)

	Revised 1948-49	Budget 1949-50
Embassies and Missions Abroad	84·56	76·37
Consular and Diplomatic Services	33·84	39·46
High Commissionerships etc. in Commonwealth countries	66·00	65·27
Contributions to U.N.O.	35·61	44·81
Other miscellaneous expenditure	36·41	33·49
Total	2,56·42	2,59·40

A provision of Rs. 7·25 lakhs has been included in the budget for next year for new embassies and legations abroad.

Survey of India.—The increase of Rs. 15 lakhs this year is mainly due to increased expenditure on the Map Publication Office and on Survey parties. The expenditure next year is estimated at Rs. 108·08 lakhs of which Rs. 38·22 lakhs will be recovered and taken in reduction of expenditure. Next year the Map Publication Office is expected to cost Rs. 14·51 lakhs, the headquarters organisation Rs. 3·7 lakhs and the various survey parties Rs. 81·41 lakhs.

Geological Survey.—The drop in the expenditure in the current year is mainly due to the saving in the provision for the purchase of stores for which Rs. 13·8 lakhs was included in the budget. The staff of the survey is being strengthened next year but the additional expenditure will be counterbalanced by reduced provision for the purchase of stores.

Mines.—Provision is made in this demand for the Indian School of Mines, the Bureau of Mines and the Chief Inspectorate of Mines. Next year the school will cost Rs. 6·35 lakhs and the Inspectorate Rs. 6·96 lakhs. The saving in the current year's provision is mainly due to less expenditure on the Bureau of Mines and the Chief Inspectorate.

Archaeology.—Next year's budget provides for Rs. 16·84 lakhs for the conservation of the ancient monuments and archaeological explorations and Rs. 1·86 lakhs for Central Archaeological Museums. The increased provision in the next year's budget is mainly for the conservation of ancient monuments.

Meteorology.—The saving this year is mainly in the provision for expenditure on telegram charges.

Department of Scientific Research.—This department was created during the course of the year for coordinating the various research activities. In addition to the expenditure on the department proper, which is estimated at Rs. 2·44 lakhs next year, provision has been made in this demand for the grants to the Council of Scientific and Industrial Research and other scientific bodies. The total provision for such grants included in this demand next year is Rs. 82·5 lakhs.

Other Scientific Departments.—The important items included in this demand are given below.—

	(In lakhs of Rupees.) Revised 1948-49	Budget 1949-50
Anthropological Survey	5·65	5·06
Grants to.—		
National Institute of Sciences, Calcutta	1·67	.. *
Implementation of Scientific Man-power Committee's recommendations	...	50·00
Indian Statistical Institute, Calcutta	5·00	5·00
Indian Institute of Science, Bangalore	59·70	56·00
Ramakrishna Institute of Culture	5·10	2·10
Engineering and Technological Institutions	25·00	60·00
Indian Association for the Cultivation of Science	6·98	.. *
Tamil Academy	·75	·75
Central Museum Calcutta	·52	·61
Bose Research Institute	4·70	..
Paleo-Botanical Society	·75	..
Other miscellaneous purposes	2·31	1·88
	1,18·13	1,81·40

* Provision in the next year's budget has been included in the demand for the Department of Scientific Research.

Education.—The demand provides for expenditure on the grants to Delhi, Banaras and Aligarh Universities, the running of the Delhi Polytechnic and grants to certain schools and institutions in Simla and New Delhi.

The budget next year provides Rs. 10·23 lakhs for grants to the Delhi University, Rs. 16·42 lakhs for grants to the Aligarh and Banaras Universities, Rs. 7·50 lakhs for development grants to Central Universities, Rs. 11·60 lakhs for the Delhi Polytechnic, Rs. 4·65 lakhs for grants to the Visvabharati and Rs. 10 lakhs for scholarships to students of scheduled castes and other backward classes and Rs. 1·1 lakhs for grants to the Indian Women's University.

Medical Services.—In addition to the expenditure on the headquarters organisation and the Central Drugs Laboratory the estimates include Rs. 12·06 lakhs in the revised and Rs. 6·59 lakhs in the budget for grants for medical purposes. The saving in the current year is mainly due to less expenditure on headquarters establishment.

Public Health.—Provision is made in this demand for the All India Institute of Hygiene and Public Health, the Malaria Institute of India, the Central Research Institute, Kasauli, and Port Health and Quarantine establishments. Part of the expenditure on the Malarial Institute of India is met by contribution from the Coal Mines Labour Welfare Fund. The budget for next year includes a provision of Rs. 7·01 lakhs for the manufacture of B. C. G. vaccine in India (expenditure on which is estimated at Rs. 1·85 lakhs this year) and Rs. 5·5 lakhs for the implementation of the programme in India of the World Health Organisation. The headquarters establishment is estimated to cost Rs. 11·23 lakhs next year.

Agriculture.— The more important items of expenditure are set out below:—

(In lakhs of Rs.)

	Revised 1948-49	Budget 1949-50
Indian Institute of Agricultural Research	17·00	19·54
Directorate of Plant Protection, Quarantine and Storage	4·90	11·78
Directorate of Economics and Statistics	...	5·79
Central Ground Water Organisation	12·14	2·32
Agricultural Research Schemes	1·99	1·29
Grants to :—		
Indian Central Jute Committee	10·00	10·00
Indian Central Sugarcane Committee	12·50	..
Indian Central Tobacco Committee	10·00	..
Indian Council of Agricultural Research—		
Administrative Expenditure	6·60	7·10
Payment to I. C. A. R. of the net proceeds of the cess on agricultural produce	17·25	14·00
Agricultural Marketing	10·31	10·79
Fumigation of American cotton	1·04	1·26
Other Miscellaneous Expenditure	3·53	4·96
	1,07·26	88·83

In addition, the revised includes a provision of Rs. 133 lakhs for transfer to an *ad-hoc* fund of the amount received by Government on account of the increase in the price of stocks of sugar frozen by Government, when sugar was decontrolled in December, 1947. The deposits in the fund will be utilised for expenditure on the development of the sugar industry.

The entire expenditure on agricultural research schemes will be recovered from the Indian Council of Agricultural Research and the Indian Central Sugarcane Committee.

Civil Veterinary Services.— Provision is included in this demand for the expenditure on the Research Institutes at Muktesar and Izatnagar and for certain research schemes financed by the Indian Council of Agricultural Research. These schemes are estimated to cost Rs. 2·08 lakhs this year and Rs. 1·88 lakhs next year.

Industries and Supplies.—Provision is made in this demand for all the organisations under the administrative control of the Ministry of Industry and Supply. The more important items of expenditure included in this demand are set out below:—

(In lakhs of Rs.)

	Revised 1948-49	Budget 1949-50
Grant to the Council of Scientific and Industrial Research	43·98	..
Grant to the Textile Research Institute, Ahmedabad	..	·[illegible]
Government Test House	5·46	6·4[illegible]
Central Sericulutral Research Station	1·11	1·11
Director General, Industry and Supply	92·06	88·41
Director General, Disposals	1,19·08	1,18·01
Director of Industrial Statistics	3·06	3·32
Inspectorate of the Director General, Industry and Supply	43·37	48·53
Iron and Steel Control Organisation	10·42	21·10
Coal Commissioner	21·39	20·89
Textile Commissioner	39·31	45·61
Textile Enforcement Directorate	1·76	15·22
Mathematical Instruments Office	15·83	14·28
Indian Supply Mission in U.S.A.	14·81	16·69
India Stores Department, London	31·76	35·27

The revised estimate also includes a sum of Rs. 1·64 lakhs for transfer to the Cotton Textiles Equalisation Fund which will be covered by a corresponding provision in the Revenue Estimates. The amount provided for Director General, Disposals is inclusive of Rs. 57·55 lakhs in the revised and Rs. 59·06 lakhs in the next year's budget for the United States Surplus Stores Organisation.

The total gross expenditure on all the organisations under the Ministry of Industry and Supply is estimated at Rs. 4·56 crores this year and Rs. 4·51 crores next year but this will be partly covered by recoveries of Rs. 50·68 lakhs and Rs. 58·91 lakhs in the two years respectively on account of the surcharge levied on purchases made through the India Stores Department.

Salt.—Provision is made in this demand for the expenditure on the manufacture and sale of salt in Government factories and for certain royalties and compensations, payable mostly to Indian States. The saving in the current year mainly occurs under this head.

Overseas Communication Service.—The expenditure will be more than covered by the revenue from the service.

Delhi Transport Service.—This service was taken over by Government after the budget was framed. The expenditure will be more than covered by the revenue from the service.

Telephone Factory.—Provision is made in this grant for the revenue expenditure on the Government Telephone Factory which is being set up at Bangalore. [illegible] decision to set up this factory was taken after the budget was framed.

Aviation.—The expenditure on the Aeronautical Communication Service and Aeronautical Training and Education this year is expected to show a saving of Rs. 28·15 lakhs while the provision of Rs. 10 lakhs for air transport development will not also be utilised. These savings are partly counterbalnced by increased expenditure on grants for aviation purposes, works and the non-realisation of the deduction of Rs. 8 lakhs made in the current budget for economy. Next year's budget provides for additional expenditure of Rs. 15·13 lakhs on aerodromes and air route service, Rs. 13·31 lakhs more on the Aeronautical Communication Service and Rs. 29·15 lakhs more on Aeronautical Training and Education. The budget also provides Rs. 10 lakhs for air transport development.

Broadcasting.—The budget for next year includes Rs. 25 lakhs for the development of the new Pilot Stations at Vijayavada, Allahabad, Cuttack, etc., Rs.7 lakhs for the opening of the new stations at Dharwar and Calicut, Rs. 5 lakhs for the maintenance of the new high power transmitter and Rs. 3 lakhs for the taking over of stations in the Indian States.

Commercial Intelligence and Statistics.—This demand covers expenditure on the Directorate of Commercial Intelligence and Statistics, the Economic Adviser to the Government of India and his organisation, the Administrative Intelligenee Room, Commissioner General for Economic and Commercial Affairs in Europe and all Trade Commissionerships overseas.

The Trade Commissioners' Service is expected to cost Rs. 16·78 lakhs this year and Rs. 28-13 lakhs next year. There are now Indian Trade Commissioners in London, Paris, New York, Toranto, Buenos Aires, Alexandria, Mombassa, Teheran, Colombo, Sydney, Tokyo, Baghdad, Rangoon, Karachi and Dacca.

Census.—The increase in the expenditure this year is due to additional expenditure on abstraction and compilation. The expenditure on this account will gradually increase with the approach of the coming census.

Miscellaneous Departments.—This demand, as its title implies, covers a number of miscellaneous organisations for which provision cannot conveniently be made in other demands. Provision is also included in this demand for the transfer to the Coal Mines Labour Welfare Fund of the net proceeds of the Coal Mines Labour Welfare Cess and to the Mica Mines Labour Welfare Fund of the net proceeds of the export duty on mica. Details of the provision included in this demand for the more important organisations are given below.

(In lakhs of Rup.es)

	Revised 1948—49	Budget 1949—50
National Library Calcutta	2·18	2·92
Controller of Patents and Designs	3·99	4·25
Chief Inspector of Explosives	3·32	3·53
Superintendent of Insurance	5·25	5·53
Registrar of Trade Marks	6·84	7·51
Seamens's Welfare Organisation	10·99	3·72
Courts of Enquiry and Boards of Conciliation etc., under the Industrial Disputes Act, 1947	1·74	1·01
Central Electricity Commission	13·78	4·96

The payment to the Coal Mines Labour Welfare Fund is expected to amount to Rs. 80 lakhs next year and that to the Mica Mines Labour Welfare Fund Rs. 15 lakhs The Budget also includes Rs. 40 lakhs for payment of net proceeds of excise duty on coal and coke to the Coal Mines Stowing Board. The Central Electricity Commission for which provision is made in this demand has been formed by the amalgamation of the Central Technical Power Board and the organisation of the Electrical Commissioner to the Government of India. Provision for the former used to be made in the demand for Resettlement and Development and for the latter in the demand for the Ministry of Works, Mines and Power. The expenditure on the Commission next year is esitmated at Rs. 16·54 lakhs of which Rs. 11·58 lakhs will be recovered from the Provincinl Governments etc.

Currency.—The increase in the expenditure this year is due to the additional purchase of stores and machinery for the Currency Note Press. The saving next year is mainly in the provision for purchase of stores overseas.

Mint.—Increased expenditure is anticipated this year on purchase of additional stores and machinery. This demand covers the expenditure on the Mints at Calcutta and Bombay.

Civil Works.—The increase in the revised is mainly due to the non-realisation of the cut of Rs. [illegible]5 lakhs for probable savings and to additional expenditure on maintenance tools and plants, grants in aid etc. which is estimated to be Rs. 9 lakhs more than was expected when the budget was framed. Part of this excess will be covered by savings in the provision for suspense transactions (Rs. 42 lakhs) and by less expenditure (Rs. 36 lakhs) on the maintenance of National Highways. Next year's budget includes Rs. 28 lakhs for original works costing less than Rs. 1 lakh, Rs. 208 lakhs for the maintenance of National Highways and Rs. 275 lakhs for repairs etc. The establishment charges next year have been placed at Rs. 164 lakhs next year of which Rs. 144 lakhs will be recovered from other Governments, Departments etc.

Central Road Fund.—Provision has been made for transfer to the Central Road Fund of its share of the customs and excise duties on motor spirit at the rate of $2\frac{1}{2}$ annas a gallon.

Territorial and Political Pensions.—This demand accommodates the Political and Territorial Pensions which used to be included in the late Crown Representative's Budget.

Stationery and Printing.—The expenditure this year on the purchase of paper and other stationery stores in India is now estimated at Rs. 314 lakhs against Rs. 185 lakhs provided in the budget. Demands from the various departments were unusually heavy.

Miscellaneous.—The excess in the revised is mainly due to the increase in the expenditure on the payment of subsidies to Provincial and State Governments on supplies of imported food grains and on the payment of bonus to Provinces on the internal procurement of food grains. The total provision on this account in the current year's budget is Rs. 19·91 crores but this covered subsidies only for the first nine months. In October 1948 it was decided to raise the Central share of the subsidy to Provinces from 2/3rds to $\frac{3}{4}$ths and to meet half the loss sustained by Indian States also. The total expenditure this year, which covers the requirements of a full year, is now estimated at Rs. 31·96 crores. Next year the total expenditure is estimated at Rs. 32·97 crores. The budget for next year includes Rs. 34·16 lakhs for miscellaneous contributions by the various Ministries to international and other organisations, Rs. 6·45 lakhs for Special Commssions of Enquiry and Rs. 11·06 lakhs for the Motor Spirit Rationing Scheme. The rest of the provision is spread over a number of heads.

The grant of an *ad hoc* increase of Rs. 10 in the dearness allowance to Central Govt. employees drawing upto Rs. 250 is expected to cost civil estimates Rs. 2 lakhs this year and Rs. 144 lakhs next year. It was not possible to include provision under the various demands for this expenditure. Provision has therefore been included in this demand and during the course of the year this provision will be surrendered and supplementary grants taken.

The provision of Rs. 25 lakhs for payment to H.E.H. the Nizam as quit rent for Berar has been omitted as this payment will not be made.

Expenditure on refugees.—A provision of Rs. 10·04 crores was made in the current year's budget for expenditure on relief and rehabilitation. The actual expenditure is now estimated at Rs. 19·45 crores the increase being partly due to carry-over of certain liabilities from the previous year, mainly for payments to Provincial Governments, and to increased expenditure on relief, the flow of which has to be regulated with reference to changing requirements. The expenditure next year is expected to be appreciably less with the progress of the various rehabilitation schemes. In addition to the provision in the revenue budget mentioned above, a sum of Rs. 15·26 crores has been included in the capital budget this year and Rs. 21·34 crores next year for advances to the Provincial and State Governments, the Rehabilitation Finance Administration and the refugees. Next year's capital budget also includes Rs. 1·93 crores for construction work in connection with rehabilitation.

Defence Services.—The provision for Defence Services in the current year was made in five demands, one each for the three services, one for supplies and stores and one for non-effective charges. The provision for supplies and stores has now been distributed over the three services and, in consequence, only four demands will be presented for next year. The sub-heads of the demands give broad details of the expenditure and fuller details are given in the separate memorandum circulated with the budget papers. The net expenditure this year is estimated at Rs. 155·43 crores and for next year a total provision of Rs. 157·37 crores has been included. In addition, Rs. 15 crores have been provided in the capital budget for the acquisition of permanent assets particulars of which are given in Part II.

Grants to Provincial Governments.—In addition to the annual grant of Rs. 30 lakhs to Assam and Rs. 40 lakhs to Orissa a provision of Rs. 225 lakhs has been included in the revised and budget for grants to West Bengal and East Punjab.

Resettlement and Development.—The total expenditure on resettlement this year is expected to amount to Rs. 1,52·25 lakhs while a provision of Rs. 1,48·95 lakhs has been made in next year's budget. Next year's budget also includes a sum of Rs. 2,07 lakhs for expenditure on development schemes. In addition a provision of over Rs. 101 crores is also being made in the capital budget for development expenditure and loans. Broad details of the provision for development schemes are given in Statement VIII.

The saving of Rs. 1·22 crores this year is due to the transfer of the provision of Rs. 19·01 lakhs for the Central Technical Power Board to the grant for Miscellaneous Departments, less expenditure on some of the resettlement schemes, notably the scheme for the technical and vocational training of demobilised soldiers and the land settlement scheme, and the recovery from other Departments etc., of the expenditure on the technical and vocational training of adult refugees for which a provision of Rs. 40·67 lakhs was included in the budget. The lump sum provision for schemes under consideration is not also expected to be utilised fully during the year.

Pre-partition Payments.—Provision is made in this demand for expenditure on pre-partition liabilities which are initially met by India. Pakistan's share will be added to its partition debt to India. Provision has also been included in this demand for the payment of the outstanding dues to Provincial Governments which, but for the partition, would have been paid by the undivided Government. India will now make these payments only to Provinces or parts of provinces located in the Indian Dominion. The total payments this year of which Rs. 4·75 crores represent payment to Provinces on account of the provincial share of pre-partition income tax and Rs. 7·11 crores reimbursement to Pakistan of the payments made by it to third parties between the 15th August 1947 and 31st March 1948 are estimated at Rs. 20·75 crores. For next year a lump sum provision of Rs. 10 crore has been made.

Delhi.—Provision is included in this Demand for the Local Administration of the Delhi Province. A broad analysis of the estimated expenditure is given below:—

(In lakhs of Rupees.)

	Revised, 1948-49	Budget, 1949-50
Direct demands on revenue (Cost of tax collection)	10·21	10·0
Civil Administration—		
Administrative Departments . .	98·95	84·01
Beneficent Departments . . .	78·71	65·73
Miscellaneous Expenditure . . .	26·04	26·40
	2,13·91	1,86·16

The increase in expenditure this year mainly occurs under Police (Rs. 33 lakhs). Education (Rs. 17 lakhs), Medical (Rs. 5 lakhs), General Administration (Rs. 5lakhs). Increased expenditure had to be incurred on Police following the large influx of refugees into Delhi, while increased grants had to be made to schools on account of pay and dearness allowance of school teachers. Expenditure on Police and Education together next year is expected to be Rs. 24 lakhs less than in the current year.

Ajmer-Merwara.—The demand provides for the local administration of the Ajmer-Merwara Province. An analysis of the expenditure included in this demand is given below:—

(In lakhs of Rupees.

	Revised, 1948-49	Budget, 1949-50
Direct Demands on Revenue (cost of tax collection)	4·95	8·03
Civil Administration—		
Administrative Departments . .	28·13	24·33
Beneficent Departments . . .	28·71	22·92
Miscellaneous Expenditure (mainly in connection with controls)	14·58	10·77
Total . .	76·37	66·05

Andaman and Nicobar Islands.—A considerable portion of the expenditure incurred in the Andamans is on the exploitation of the forests in the islands and tl provision on this account amounts to Rs. 48·35 lakhs this year and Rs. 54·94 lakl next year. Expenditure on Port Establishments accounts for Rs. 20·32 lakhs this year and Rs. 20·26 lakhs next year. The rest of the expenditure in both the years is on ordinary charges of administration, of which the beneficent departments will absorb Rs. 9·33 lakhs this year and Rs. 10·49 lakhs next year. There is also a special provision of Rs. 5 lakhs this year for compensation for loss of property and Rs. 1 lakh this year and next year for contribution to settlers on land in the islands.

Relations with Indian States.—Provision has been made in this demand for the regional offices under the Ministry of States and the organisations subordinate to them and for the Military Adviser, Indian States Forces. The budget for next year includes Rs. 35·65 lakhs for reserve and other police under the administrative control of the Ministry of States, on which the expenditure this year will be Rs. 51·54 lakhs.

Interest on debt and other obligations.—Under the Indian Independence (Rights, Property and Liabilities) Order, 1947, all liabilities in respect of such loans, guarantees, and other financial obligations of the Governor General in Council outstanding immediately before the date of partition have been placed on the Dominion of India, subject to the recovery of an appropriate contribution from Pakistan. Provision has accordingly been made for interest on all outstanding loans. In regard to the outstandings in respect of Post Office Savings Bank and Post Office Cash, Defence and National Savings Certificates it was agreed that each Dominion should take over liability for the deposits and certificates outstanding in its respective area subject to adjustments for transfers from one Dominion to another till the 31st March 1948. The provision made for interest on Savings Bank Deposits and for bonus on the Certificates takes into account this decision of the Partition Council. It has been assumed that the balances in the Provident Funds of Government servants who opted for either Dominion will be taken over by that Dominion from the date of the partition. Similarly the provision for interest on Depreciation and other Reserve Funds and the recovery of interest on the capital outlay of Commercial Departments allows for the reduction in the outstandings as a result of the partition. As mentioned earlier, a moratorium of four years has been given to Pakistan for the repayment of the partition debt and consequently no credit has been taken in these estimates for any recovery from Pakistan.

The payments on account of rupee and sterling debt (details of which appear in the Demands for Grants) and the transfers on account of interest charged on Commercial Departments are broadly summarised below.

STATEMENT VII

	Budget, 1948-49	Revised, 1948-49	Budget, 1949-50
GROSS PAYMENTS			
A.—Interest on Ordinary Debt.—			
(*i*) Rupee Debt.—			
(*a*) Management of debt	27·50	25·74	26·15
(*b*) Expenditure connected with the issue of new loans	5·70	5·55	7·50
(*c*) Discount written off to revenue	60·15	60·30	62·15
(*d*) Interest on temporary loans	44·50	1,38·75	2,38·00
(*e*) Payment of prizes in respect of 5-year Interest-free Prize Bonds	10·00	10·00	..
(*f*) Interest on all other loans	43,97·77	42,70·35	43,48·06
(*g*) Other items	·30	·30	·30
(*ii*) Sterling Debt.—			
(*a*) Interest on loans contracted in England	19·44	20·28	12·00
(*b*) Interest on Railway annuities	69·15	69·15	58·74
(*c*) Interest on outstanding liabilities of Railway companies taken over on purchase	·32	·35	22
(*d*) Management of debt	·40	·25	·20
(*e*) Other items	58·76	58·76	56·51
TOTAL	46,93·99	46,59·78	48,09·83

	Budget, 1948-49	Revised, 1948-49	Budget, 1949-50
B.—Interest on Unfunded Debt and Other Obligations—			
Bonus on Post Office Certificates	3,14·05	3,02·90	3,31·25
Post Office Savings Bank Deposits	2,40·30	2,30·00	2,70·90
State Provident Funds	3,05·77	3,03·65	3,06·28
Service Funds	17·26	16·79	15·90
Railway Depreciation Fund	2,74·15	3,00·41	2,65·88
Railway Reserve Fund	21·93	19·59	19·99
Railway Betterment Fund	41·12	41·80	40·33
Posts and Telegraphs Renewals Reserve Fund	16·67	17·08	17·58
Other items	2,56·69	2,49·95	2,54·80
TOTAL	14,87·94	14,82·17	15,22·91
GROSS PAYMENTS	61,81·93	61,41·95	63,32·74
C.—Transfers—			
Deduct—Amounts transferred to:—			
Railways	22,52·81	22,24·38	22,88·54
Irrigation	·95	·91	·91
Posts and Telegraphs	96·84	90·86	95·66
Commutation of Pensions	10·00	11·02	10·24
Provincial Governments	1,96·02	1,96·39	2,81·60
Other heads	9·03	1,27·62	2,26·45
Total Deductions	25,65·65	26,51·18	29,03·40
NET INTEREST PAYMENTS	36,16·28	34,90·77	34,29·34

(a) The large increase in the interest charges on temporary loans is due to the issue of *ad hoc* treasury bills for Rs. 296 crores to the Reserve Bank for the purchase of sterling required to pay the U. K. Government for the purchase of annuities for financing the payment of sterling pensions and the acquisition of Defence stores and installations belonging to the U. K. Government and left behind in India. These treasury bills will be gradually cancelled.

(b) The large increase in recoveries under "Other heads" is due to the adjustment under this head of the interest portion of the annuities received from the U. K. Government under the Sterling Balances agreement. The principal portion of this payment will be adjusted in reduction of capital expenditure. The current year's revised includes Rs. 118·27 lakhs and the budget for next year Rs. 212·28 lakhs on account of this recovery of interest.

Staff, Household and Allowances of the Governor General.—The reduction in the budget next year is mainly due to the refixation of the salary of the Governor General.

Federal Public Service Commission.—The appointment of additional members and increased expenditure in connection with examinations account for the increased provision in both revised and budget.

STATEMENT VIII

Provision for Development Expenditure

(In lakhs of Rupees)

Demand	(A) Revenue Budget Particulars	Amount
Forest	Reorganisation of the Forest Research Institute.	6·93
	Forest College, Coimbatore . . .	3·25
Ports and Pilotage . .	Nautical College, Bombay . . .	1·92
Mines	Indian Bureau of Mines . . .	1·80
Meteorology . . .	Development Schemes . . .	43·97
Department of Scientific Research.	Grants to :—	
	National Institute of Sciences, India .	3·47
	Indian Association for the Cultivation of Science.	2·66
	Paleo-Botanical Society . . .	·75
	Bose Research Institute, Calcutta . .	2·00
	Other Research Institutes . . .	5·00
	Department of Scientific Research. .	2·44
Other Scientific Departments.	Grant to :—	
	The Indian Statistical Institute, Calcutta.	5·00
	Tamil Academy, Chepauk . . .	·75
	Ramakrishna Mission	2·00
	Royal Asiatic Society Bengal . .	·77
	Engineering and Technological institutes.	60·00
	Post-graduate grants	50·00
	Indian Institute of Science, Bangalore .	56·00
Education . . .	Taking over of Lawrence Memorial Schools at Lovedale and Sanawar.	16·00
	Scholarships to scheduled castes and backward classes.	10·00
	Grants to :—	
	Institution of Engineers . . .	1·00
	Aligarh University	3·50
	Delhi University.	3·64
	Jamia Millia	·50
	Central Universities	7·50
	Anjuman-e-Tarake-e-Urdu . . .	40·00
	Banasthali Vidya Pith . . .	1·25
	Hindi Sahitya Sammelan . . .	·40
	Tata Institute of Social Sciences . .	2·70
	Indian Women's University . . .	1·00
	Banaras University	4·00
	Vishwabarathi	4·65
	Gurukul, Kangra.	·25
Medical . . .	Grant to Indian Nursing Council . .	·50
	Indian College of Nursing . . .	2·33

(In lakhs of Rupees)

Demand	Particulars	Amount
Public Health	Institute of Hygiene and Public Health	1·70
	Malaria Institute of India . . .	3·24
	Grant to Indian Research Fund Association.	12·00
	Manufacture of B. C. G. Vaccine . .	7·01
	Central Health Education Bureau .	3·15
	Special grants	3·00
	World Health Organisation . . .	5·50
Agriculture . . .	Extension of Agricultural Research Institute.	1·04
	Plant Protection, Quarantine, and storage.	9·29
	Central Groundwater organisation . .	2·32
	Central Vegetable Breeding Station .	·40
Civil Veterinary Services.	Artificial insemination of cattle . .	·50
	Reorganisation of Izatnagar Institute .	1·00
Industries and Supplies .	Cottage Industries Board . .	8·00
Indian Dairy Department	Reorganisation of Dairy Research Institute.	·75
Telephone Factory . .		8·51
Miscellaneous Departments.	Reorganisation of National Library Calcutta.	1·40
Aviation . . .	Development schemes	208·00
Broadcasting . . .	Development schemes	64·00
Civil Works . . .	Maintenance of National Highways .	208·25
	Grant for Tripura access road . .	30·00
Resettlement and Development.		
	Forest :—Schemes in Ajmer-Merwara	1·31
	Tribal Areas :—	
	Economic development . . .	6·00
	Other Scientific Departments :—	
	Central National Museum of Art .	1·00
	Education :—	
	National Cultural Trust . . .	1·00
	Development schemes in Ajmer-Merwara.	5·30
	Basic education	5·00
	Central Institute of Education .	1·50
	Delhi Schemes	17·20
	Preparation of text-books in federal languages.	·50
	Film library of Central Bureau of Education.	·65
	Grants for fundamental research .	4·00

(In lakhs of Rupees)

Demand	Particulars	Amount
Resettlement & Development	Education—	
	Central Institute of Psychology	1·00
	Eastern Higher Technical Education	5·85
	Adult Education	9·00
	Central Board of Physical Education	·25
	Grants for physical education	1·00
	Training Centre for the Blind	1·25
	Introduction of books in braille	·25
	Grants to National Academy of Hindustani Music, Lucknow	·25
	Central College of Karnatic Music, Madras	·25
	Braille Printing Press, Dehra Dun	·86
	Other schemes	·67
	Medical—	
	Bureau of Standards	·70
	Upgrading of Medical Colleges in India	5·60
	Tuberculosis Institute in Delhi University	·60
	Delhi Rural Health Organisation	1·23
	Improvement of drinking wells in Delhi Province	·66
	Medical College and Hospital for Licentiates in Calcutta	25·14
	Taking over of Lady Hardinge Medical College, New Delhi	10·00
	Other schemes	6·68
	Agriculture—	
	Agriculture and Grow-More-Food Schemes, Ajmer-Merwara	5·37
	Central Potato Research Institute	4·07
	Central College of Agriculture	6·16
	Training Centre for Agricultural Machinery operators	·68
	Central Rice Research Institute	2·37
	Poultry Development Scheme, Delhi	·72
	Other schemes	1·00
	Veterinary :—	
	Cattle breeding farm, Jubbulpore	4·10
	Industries and Supplies.—	
	Grant to the Indian Standard Institution	2·00
	Fisheries schemes	10·11
	Other schemes	·75
	Miscellaneous Departments	
	Manufacture of Milk Powder	1·00
	Other schemes	·62
	Planning and Development—	
	Central Waterways, Irrigation & Navigation Commission	20·66
	Advanced studies abroad	22·69
	Agriculture Labour Enquiry Committee	10·00
	Resettlement	148·95
	Total	12,82·94

(In lakhs of Rupees)

(B) CAPITAL BUDGET

Demand	Particulars	Amount
Capital Outlay on Forest	Buildings for Forest Research Institute, Dehra Dun	17·00
	Andaman Forest Department—Buildings and Communications	17·95
Capital Outlay on Development.	Irrigation Projects	
	Kosi	20·26
	Narbada and Tapti	32·00
	Assam Valley	12·00
	Sabarmati	4·00
	Damodar Valley	2,18·91
	Ganga Barrage	6·00
	C. P. & Bastar Investigations	13·00
	Coorg Schemes	2·50
	Land and buildings for CWINC	10·00
	Hirakud	5·00
	Agricultural improvement —	
	Central Potato Research Institute	3·50
	Central Rice Institute	5·00
	Buildings for Agricultural Research Institute	5·00
	Civil Works—	
	Buildings and roads	89·59
	National Highways	2,30·52
	Subsidies for Coal Miners' Houses	3·00
	Industrial Safety Health and Welfare Museum	1·33
	Grants to Provinces—	
	Grants for Development	25,45·00
	Grants for Education schemes	1,36·00
Capital Outlay on Industrial Development	Fertiliser Factory Sindri	4,92·95
	Investment in Shipping Corporation	3,98·00
	Fisheries Research Schemes	19·35
	Govt. Housing Factory	13·0[illegible]
	Construction of National Laboratories	75·0
	Telephone Factory	73·00
	Steel Works	60·00
	Manufacture of synthetic oil	30·00
	Heavy Electrical Equipment Factory	30·00
	Machine Tools Factory	15·00
	Manufacture of Dry Core Cable	30·00
	Manufacture of Wireless Equipment	15·00
	Cement Factory, Sindri	10·00
	Diesel Engine Factory	1·00
	Manufacture of explosives for civilian use	3·00
	Pencillin and Paludrine Factory	8·00

(In lakhs of Rupees)

Demand	Particulars	Amount
Capital Outlay on Civil Aviation.	Civil Aviation	2,92·00
Capital Outlay on Broadcasting.	Broadcasting	96·00
Interest-free and Interest-bearing Advances.	Loans to Provinces including loans for Grow-More-Food	49,25·00
	Loans to Major Port Trusts . .	94·27
	Other loans	45·21
		101,03·34

STATEMENT

Statement showing Profit and Loss of the different

HEADS	Post Office			Telegraphs		
	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50	Budget Estimate, 1948-49	Revised Estimate 1948-49	Budget Estimate, 1949-50
GROSS RECEIPTS						
(*i*) Postage and Message Revenue . .	12,53,65	14,49,20	14,86,30	4.89,71	5,68,35	5,94,16
(*ii*) Miscellaneous Revenue . . .	2,38,91	2,37,92	2,40,75	63,67	5[illegible],83	50,76
(*iii*) Revenue Receipts of Telephone Districts . .	...	..	..	..	..	..
TOTAL .	14,92,56	16,87,12	17,27,05	5,53,38	6,19,18	6,44,92
EXPENDITURE						
Genl. Administration .	11,05	13,38	13,30	51,98	53,96	36,76
Account & Audit .	33,32	40,05	37,16	12,12	17,74	18,15
Control—Circle Office .	51,35	52,47	70,42	13,76	13,05	16,95
Engg. Expenses . .	..	..	..	90,47	81,58	92,96
Pensionary Charges .	1,05,55	1,04,08	1,01,72	29,91	23,67	26,68
Stamps, Postcards, Printing and Stationery . .	1,01,83	1,21,02	1,23,73	7,63	7,43	7,58
Maintenance of Assets .	27,45	24,43	32,11	47,14	41,24	44,93
Postal Expenses (including cost of combined offices) .	14,79,13	14,81,22	16,67,95	..	..	..
Telegraph Traffic Expenses (excluding cost of combined offices) . .	..	..	..	1,70,27	1,66,22	1,80,10
Radio Expenses . .	..	..	..	..	..	..
Telephone Expenses .	..	..	..	..	..	..
Expenses of Telephone Districts . .	..	..	...	..	...	..
Contribution to RRF	3,00	3,00	3,00	27,00	27,00	27,00
Inter-Branch Adjustments . .	—35,89	—25,81	—25,72	+4,16	—3,41	—4,17
TOTAL	17,76,79	18,13,84	20,23,67	4,54,44	4,28,48	4,46,94
Deduct—Credits to Working Expenses .	—61,25	—68,94	—72,08	—48,04	—54,38	—25,16
Net Working Expenses.	17,15,54	17,44,90	19,51,59	4,06,40	3,74,10	4,21,78
Interest on Debt .	94	—1,52	—43	55,73	56,89	54,93
GRAND TOTAL .	17,16,48	17,43,38	19,51,16	4,62,13	4,30,99	4,76,71
Profit (+) or loss (—)	—2,23,92	—56,26	—2,24,11	+91,25	+1,88,19	+1,68,21

IX

Branches of Posts and Telegraphs (In Thousands of Rupees)

Telephones			Radios			Total		
Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50	Budget Estimate, 1948-49	Revised Estimate, 1948-49	Budget Estimate, 1949-50
..	..	..	2,40	2,54	2,54	17,45,76	20,20,09	20,83,00
3,60,05	3,91,60	4,12,86	13,42	3,56	3,63	6,76,05	6,83,91	7,08,00
2,38,19	2,25,00	2,35,00	..	..	..	2,38,19	2,25,00	2,35,00
5,98,24	6,16,60	6,47,86	15,82	6,10	6,17	26,60,00	29,29,00	30,26,00
76,40	80,41	1,04,10	2,48	4,00	3,62	1,41,91	1,51,75	1,57,78
2,47	5,15	5,08	74	69	71	48,65	63,63	61,10
4,40	4,58	6,21	35	42	56	69,86	70,52	94,14
20,99	19,94	22,96	5,82	5,11	5,92	1,17,28	1,06,63	1,21,84
9,82	7,48	9,46	1,32	82	1,11	1,46,60	1,36,05	1,38,97
1,57	1,50	1,55	52	50	52	1,11,55	1,30,45	1,33,38
33,99	32,02	36,91	1,42	2,31	2,50	1,10,00	1,00,00	1,16,45
..	..	..	..	..	..	14,79,13	14,81,22	16,67,95
..	..	..	..	..	..	1,70,27	1,66,22	1,80,10
..	..	..	6,64	8,53	10,44	6,64	8,53	10,44
1,00,33	1,01,26	1,14,21	..	..	..	1,00,33	1,01,26	1,14,21
1,02,49	95,67	1,02,31	..	..	..	1,02,49	95,67	1,02,31
17,50	17,50	17,50	2,50	2,50	2,50	50,00	50,00	50,00
+31,47	+28,69	+29,43	+26	+53	+46	..	..	..
4,01,43	3,94,20	4,49,72	22,05	25,41	28,34	26,54,71	26,61,93	29,48,67
—59,36	—71,54	—83,62	—65	—1,29	—80	—1,69,30	—1,96,15	—1,81,66
3,42,07	3,22,66	3,66,10	21,40	24,12	27,54	24,85,41	24,65,78	27,67,01
38,76	34,09	39,56	1,20	1,20	1,50	96,63	90,66	95,56
3,80,83	3,56,75	4,05,66	22,60	25,32	29,04	25,82,04	25,56,44	28,62,57
+2,17,41	+2,59,85	+2,42,20	—6,78	19,22	—22,87	+77,96	+3,72,56	+1,63,43

PART II

CAPITAL BUDGET

Introductory Notes

The Statement of Receipts and Disbursements on Capital Account is a self-contained Capital Budget. It includes all transactions connected with loans raised by Government, treasury bills, ways and means advances, Post Office Savings Bank, all cash and savings certificates issued through the Post Office, all depreciation reserve and development funds, loans and advances by the Central Government, including loans to Provincial Governments, special deposits like income-tax and excess profits tax deposits and capital grants to Provinces for development. It also includes the receipts and payments on capital schemes financed by the Central Government. The Capital Budget also takes credit for the amount provided in the Revenue Budget for amortisation or reduction of debt. The exhibition of all the capital transactions in one place thus helps to focus attention on the productive and dead-weight debt of Government and the expenditure of loan moneys on productive and unproductive schemes.

Summary of Capital Transactions

The Statement below summarises the estimates of Capital Receipts and Disbursements.

Receipts

(In lakhs of Rupee

	1948-49, Budget	1948-49, Revised	1949-50, Budget
New Loans	150,00	55,04	85,00
Treasury Bills*	10,00	270,65	..
Treasury Deposit Receipts*	..	4,00	5,00
Post Office Savings Bank Deposits*	20,40	22,34	24,71
Defence Savings Bank Deposits*	—1,00	—99	—80
Post Office Cash Certificates*	—5,00	—4,50	—4,40
National Savings Certificates*	17,50	16,35	18,40
Defence Savings Certificates*	—65	—35	—35
Other Unfunded Debt*	1,07	93	1,79
Railway Depreciation Fund*	—12,24	—3,98	—17,66
Railway Reserve Fund*	4,60	..	..
Railway Betterment Fund*	—4,06	—2,54	1,61
P. & T. Renewals Reserve Fund*	14	1	30

* Figures are net.

Receipts—concld.

(In lakhs of Rupees)

	1948-49, Budget	1948-49, Revised	1949-50, Budget
Other Miscellaneous Reserve Funds*	—3	7	2
Appropriation for Reduction or Avoidance of Debt*.	5,00	5,00	5,00
E. P. T. and Income-tax Deposits*	—39,06	—40,82	—35,09
Discount Sinking Fund*	1,18	95	1,18
Payment by Reserve Bank for Rupee coin	5,00	5,00	5,00
Repayment of loans by Provinces	4,45	5,57	4,92
Other Deposits and Advances*	16,70	23,83	12,15
TOTAL	174,00	356,56	106,78
Deficit on Capital Account	112,57	185,09	134,10
GRAND TOTAL	286,57	541,65	240,88
Disbursements			
Capital Outlay :—			
Railways	24,45	27,15	28,49
Vizagapatam Port	19	15	15
Posts and Telegraphs	3,28	2,91	3,82
Irrigation	56	1,16	3,23
Industrial Development	7,88	10,94	13,15
Aviation	4,09	3,00	2,92
Broadcasting	70	69	96
Currency	7	6,00	4
Mint	65	80	88
Civil Works	11,11	5,68	7,30
New Capital at Delhi	3,24	1,76	1,51
Commutation of Pensions	—18	1,16	..
Sterling Pensions	..	215,68	—7,42
Defence Capital Outlay	14,99	91,66	3,20

* Figures are net.

Disbursements—concld.

(In lakhs of Rupees)

	1948-49, Budget	1948-49, Revised	1949-50, Budget
Schemes of State Trading	25,98	—1,73	7,90
Grants to Provinces for Development . .	30,00	18,00	26,81
Payments to Pakistan for Unique Institutions	..	5,08	92
Other Civil heads	1,12	55	76
Discharge of Permanent Debt . . .	103,78	104,95	71,64
Advances to Provincial Governments . .	38,00	38,92	58,25
Other Loans and Advances (Net). . .	16,66	7,14	16,37
TOTAL .	286,57	541,65	240,88
Surplus on Capital Account . . .	..	..	..
GRAND TOTAL .	286,57	541,65	240,88

NOTES ON CAPITAL TRANSACTIONS

New Loans.—Owing to the stagnation of the capital market it has not been possible to borrow more than Rs. 55 crores this year, against Rs. 150 crores provided in the budget. Next year a modest provision of Rs. 85 crores has been taken, but if the market conditions improve the scale of borrowing will be stepped up.

Treasury Bills.—The outstanding debt on the 31st March 1948 was Rs. 98·68 crores. The large net receipt this year represents the outstanding out of the *ad hoc* treasury bills issued to the Reserve Bank for obtaining sterling for payment to the United Kingdom Government for the purchase of annuities for financing sterling pensions and for the Defence stores and installations taken over from th— The net outstanding at the end of the next year on account of this spe issue will be Rs. 281 crores. The budget for next year does not provide for any net expansion. At the end of the budget year the outstanding balance is expected to amount to Rs. 369·33 crores.

Treasury Deposit Receipts.—These were introduced in the course of the year to provide facilities for short term investment on tap by banks and other institutional investors. It is too early to say if these receipts will be a popular feature of Government's borrowing. On the trend of actuals a net credit of Rs. 4 crores has been taken this year and for next year a net receipt of Rs. 5 crores has been provided.

Post Office Savings Bank Deposits.—On the trend of actuals the net deposits this year are expected to be slightly higher than was expected when the budget wa framed. Allowing for some further improvement next year the net credit ha been taken at Rs. 24·71 crores.

Defence Savings Bank Deposits.—This was a war-time creation and was closed for further deposits with effect from the 1st July 1946. The deposits have ceased to earn interest from the 1st April 1947.

Post Office Cash Certificates.—Investments in these certificates had been falling for some time and it was decided to discontinue their issue from the 15th June 1947. The discharges are placed at Rs. 4·5 crores this year and Rs. 4·4 crores next year.

National Savings Certificates.—Sales of these certificates in recent months have averaged Rs. 1·9 crores monthly but there have been considerable premature encashments as well. On the trend of actuals the net receipts this year are now estimated at Rs. 16·35 crores. With the measures that are being taken to develop the small savings movement an increase in the net receipts next year may be expected.

Defence Savings Certificates.—The sale of these certificates was discontinued from October 1943 and provision is now made for the gradual discharge of the outstanding balance.

Other Unfunded Debt.—The transactions mainly relate to the State Provident Funds. The credits next year are likely to be more than this year following the recent order withdrawing the maximum limit for subscriptions as a measure of anti-inflation.

Railway Depreciation, Reserve and Betterment Funds.—Provision has been made for the anticipated transactions.

Appropriation for Reduction or Avoidance of Debt.—Credit is taken under this head for the usual amount provided from revenue for the reduction or avoidance of debt.

E. P. T. and Income-tax Deposits.—The transactions this year and next year are expected to result in a net outgo of Rs. 40·82 crores and Rs. 35·09 crores. The estimates take into account the recent decision postponing the refund, except for approved purposes, of E. P. T. deposits for a further period of three years as a measure of anti-inflation

Discount Sinking Fund.—When the loans are issued the discount is debited to this head and credit for the face value of the loan taken under Permanent Debt. The discount initially taken to this head is written back to revenue and debited to interest over the period for which the loan is issued.

Payment by Reserve Bank for Rupee Coin.—Credit is taken here for the payments made by the Reserve Bank under section 36 of the Reserve Bank Act for rupee coin taken over by it from Government.

Repayment of Loans by Provinces.—The principal portion of all repayments by Provinces is taken here and interest receipts are taken in reduction of expenditure under Interest. Credit has been taken here only for repayments due from the Provinces now in the Indian Dominion. The outstandings from Provinces included in Pakistan will be taken into account in the financial settlement with Pakistan.

Other Deposits and Advances.—The total of all other heads in the Capital Budget is shown here. Full details appear in Statements C and D of the Budget Statement.

Railways.—Details appear in the Railway Budget.

Vizagapatam Port.—Details appear in the Railway Budget.

Posts and Telegraphs.—The distribution of the expenditure is given below :—

(In lakhs of Rs.)

	Revised, 1948-49	Budget, 1949-50
Postal	2·55	7·23
Telegraphs	89·96	52·99
Radios	—0·81	6·41
Telephones	2,00·55	3,21·46
Fair Price Shops	—1·16	—0·68
Stores Suspense	—0·20	—5·50
TOTAL	2,90·89	3,81·91

Irrigation.—The estimates include Rs. 69 lakhs in the revised and Rs. 2, 19 lakhs in the budget for the Central Government's share of the capital outlay on the Damodar Valley project, and Rs. 40 lakhs in the revised and Rs 80 lakhs next year for the various river valley investigation projects. Next year's budget also includes a sum of Rs. 10 lakhs for the Central Waterways, Irrigation and Navigation Research Station at Poona and Rs. 14 lakhs for the purchase of stores in England.

Industrial Development.—Details of the provision for the various undertakings are given in the demand itself.

Aviation.—The provision in both the revised and the budget is for the implementation of the development programme. In view of the urgent need for economy the provision has been restricted to the minimum required.

Broadcasting.—New Stations have been opened this year at Vijayawada, Baroda, Allahabad, Nagpur and Shillong and a station at Ahmedabad will also be opened before the end of the current year. Stations at Calicut and Dharwar are expected o be opened next year.

Currency.—The revised estimate includes provision for Rs. 5·93 crores spent on the acquisition of the shares of the Reserve Bank of India on the nationalisation of the Bank on the 1st January 1949.

Civil Works.—Provision is made in the Capital Budget for all works estimated to cost Rs. 1 lakh or over. The expenditure this year was reduced as part of the campaign for a reduction of expenditure as a measure of anti-inflation and the provision next year has also been reduced to the minimum possible. The estimates include Rs. 5·01 crores this year and Rs. 3·24 crores next year for expenditure on development, such as the construction of National Highways, buildings for development schemes etc. The estimates include Rs. 20 lakhs both this year and next year for a grant to the Government of Orissa for the construction of new capital, for which a grant of Rs. 1·32 crores has been promised. The budget also includes Rs. 1·93 crores for buildings for rehabilitation of refugees.

New Capital at Delhi.—The provision is for the extension of accommodation in New Delhi to meet the growing needs of Government. The expenditure has been restricted to the minimum required both this year and next year.

Commutation of Pensions.—The increase in the revised is mainly due to commutations by European officers who retired as a result of the transfer of power.

Sterling Pensions.—Provision is made under this head for the payment made o the U.K. Government for the purchase of annuities for financing the sterling ensions. The capital portion of the annuities will be taken under this head as a credit. A total sum of Rs. 224 crores was paid this year and by way of annuities Rs. 9·66 crores will be received this year and Rs. 9·54 crores next year. Of these recoveries Rs. 1·18 crores this year and Rs. 2·12 crores next year will be taken in reduction of interest charges and the balance, representing the capital portion of the pensions, taken under this head.

Defence Capital Outlay.—The expenditure this year is made up of Rs. 9·91 crores on the acquisition of capital assets, Rs. 133·33 crores on the purchase from the U.K. Government of the surplus stores and installations of which Rs. 51·57 crores will be recovered from the Pakistan Government and from the sale proceeds of surpluses. Next year's budget includes provision of Rs. 15 crores for expenditure but this will be reduced by Rs. 11·8 crores on account of recoveries from Pakistan and from the sale proceeds of surpluses.

Schemes of State Trading.—This head accommodates the receipts and payments in connection with the various schemes of state trading the most important of which is the purchase of food grains. A saving of Rs. 27·71 crores in the provision under this head in the current year's budget is mainly due to the fact that the reserve stocks of food grains which it was proposed to build up this year could not be built up. The net debit next year largely represents expenditure on the purchase of food grains the cost of which will be recovered in the following year.

Grants to Provinces for Development.—The provision in the current year has been reduced as part of the campaign for the reduction of expenditure. The reasons for this reduction have been explained in the Honourable Minister's budget speech. The provision of Rs. 26·81 crores for the next year includes Rs. 1·36 crores for Basic Education and Teacher's Training Schemes. In view of the budgetary position of Government it is proposed to continue debiting these grants to capital.

Payments to Pakistan for Unique Institutions.—As part of the partition arrangements it was agreed that a total sum of Rs. 6 crores should be made available to Pakistan to cover the expenditure that may be incurred by it on the setting up of ordnance factories and other unique institutions like the Currency Note Press and the Security Printing Press, most of which were located in India and which could not be divided without detriment to their efficiency as working units. Payments are to be made to Pakistan as and when the expenditure is incurred and added to its partition debt to India. It is estimated that payments this year would amount to Rs. 5·08 crores and that the balance of Rs. 92 lakhs would be paid next year.

Of the total expenditure of Rs. 94·62 crores provided in budget for capital outlay next year Rs. 26·81 crores are for grants to provinces, Rs. 7·9 crores on Schemes of State Trading and Rs. 92 lakhs for payment to Pakistan. Of the balance of Rs. 58·99 crores Rs. 49·02 crores are for expenditure on revenue earning departments or on schemes likely to be productive. The details are—

(In lakhs of Rupees.)

	Revised, 1948-49	Budget, 1949-50
Railways	27,15	28,49
Posts and Telegraphs	2,91	3,82
Forest	29	35
Irrigation	1,09	2,99
Industrial Development	10,85	12,18
Currency	6,00	4
Security Printing Press	19	29
Mint	81	88
TOTAL	49,29	49,02

Discharge of Permanent Debt.—Provision has been included in the budget for next year on the assumption that Government would exercise the option of repaying the 3% Loan 1949-52 which could be repaid after due notice next year. Provision has also been made for the discharge of Railway annuities falling due next year.

Advances to Provincial Governments.—Details of the loans are given below:—

(In lakhs of Rs.)

	Revised, 1948-49	Budget, 1949-50
Development Loans	24,33	49,25
Loans for Rehabilitation of Refugees	10,59	9,00
Other Loans	4,00	..
TOTAL	38,92	58,25

Other Loans and Advances.—Loans to local bodies, Indian States, foreign Governments, Port Trusts, etc. are shown under this head. The revised estimate includes Rs. 7·65 crores for loans to Indian States, Rs. 93 lakhs for loans to major Port Trusts, Rs. 1·14 crores for loans to local funds etc and Rs. 3·11 crores for miscellaneous loans and advances, including Rs. 70 lakhs to the Rehabilitation Finance Administration. Next year, the provision for loans to Indian States amounts to Rs. 5·3 crores, for major Port Trusts Rs. 94 lakhs and for miscellaneous loans and advances Rs. 9·49 crores of which Rs. 6·3 crores is for the Rehabilitation Finance Administration.

DEBT POSITION OF THE GOVERNMENT OF INDIA

The outstanding public debt of the Government of India is expected to amount to Rs. 2,030 crores at the end of the current year and Rs. 2,049 crores at the end of 1949-50. A broad analysis of the debt compared with the outstanding debt at the end of 1938-39 is given below:—

(In lakhs of Rupees.)

	As on 31st March 1939	As on 31st March 1949	As on 31st March 1950
India—			
Loans	437,87	1,478,39	1,496,75
Treasury Bills and Ways and Means Advances	46,30	369,33	369,33
Treasury Deposit Receipts	..	4,00	9,00
Special Floating Loan	..	133,58	133,58
Expired Loans	65	5,44	3,23
TOTAL	484,82	1,990,74	2,011,89
England—			
Loans	396,50	3,39	2,87
War Contribution	20,62	20,62	20,62
Capital Portion of Railway Annuities	47,82	15,53	13,29
Expired Loans	1	5	3
TOTAL	464,95	39,59	36,81
GRAND TOTAL	949,77	2,030,33	2,048,70

The liability for the British War Loan included in the above statement remains suspended while against the outstanding Railway annuities an equivalent deposit has been made with the U. K. Government who have undertaken to provide the necessary sterling as the payments fall due. Omitting these items the total outstanding debt will be Rs. 1,994 crores at the end of the current year and Rs. 2,015 crores at the end of 1949-50 representing at the end of the budget year an increase of Rs. 1,086 crores over the corresponding figure in the last pre-war year.

In addition, Government are liable to repay the balances in the various Provident Funds, the Post Office Savings Banks, the Post Office Cash and National Savings Certificates, the Depreciation and Reserve Funds of the Railways, Posts and Telegraphs, etc. and certain other deposits, mainly relating to Excess Profits Tax and Income-tax. These, it is expected, will have grown from Rs. 256 crores on the 31st March 1939 to Rs. 565 crores on the 31st March 1949 and Rs. 556 crores on the 31st March 1950 after making a very rough allowance for Pakistan's probable share in these. Taking the regular debt and these liabilities together there will be an increase at the end of the current year of Rs. 1,374 crores in the debt of the Government of India compared with the debt of the undivided Government of India in the last pre-war year and Rs. 1,386 crores at the end of the next year. At the end of the budget year the total outstanding debt taking the regular public debt and the interest-bearing obligations and excluding the War contribution and the balance of the Railway annuities would stand at Rs. 2,571 crores. The statement at the end of this section analyses the interest-bearing obligations included in this total liability and the interest-bearing assets held against it.

A part of this increase (Rs. 95 crores) is reflected in the Government's cash balances and investments which are expected to amount to Rs. 125 crores on the 31st March 1950 as compared with Rs. 30 crores on the 31st March 1939. The balance of Rs. 1,291 crores will have been utilised towards meeting the revenue deficits of the war and post-war years and the capital expenditure. The actual revenue deficits and capital expenditure for the periods 1st April 1947 to 14th August 1947 and 15th August 1947 to 31st March 1948 are not yet available and it is not, therefore, possible to give the cumulative figures for them. They will, however, be more than the net increase in debt and the excess amount will be covered by the net balance resulting in these years from the other debt head transactions such as issue of rupee coin to the Reserve Bank, small coin profits, etc.

By far the greater portion of this debt of Rs. 2,571 crores is what may be compendiously described as productive. Thus the capital outlay on Railways up to the 31st March 1950 accounts for no less than Rs. 721 crores, on Posts and Telegraphs and other commercial departments Rs. 57 crores, loans and advances (including the debt due from Burma) Rs. 228 crores, purchase of annuities for Sterling Pensions Rs. 208 crores, and cash and investments, including India's subscritpion to the International Monetary Fund and payment for her quota of share in the International Bank for Reconstruction and Development, Rs. 284 crores making a total of Rs. 1,498 crores. Taking a further Rs. 300 crores as the probable debt of Pakistan to India (this figure is only a very rough guess and indicates more the order of the figure than the actual) the total would rise to Rs. 1,798 crores. This leaves an uncovered debt of Rs. 773 crores against the pre-war figure of Rs. 209 crores. The whole of this cannot be called unproductive debt for the large grants to Provinces for development in recent years are not entirely unremunerative and similarly, the large capital outlay on Central property the value of which is either not shown at all in the Government's accounts or is shown as non-commercial (such as the Delhi Capital Outlay and Defence Capital Outlay) is not without value.

Interest-bearing obligations and interest-yielding assets of the Government of India.

(In lakhs of Rupees).

	1938-39, (pre-war year)	1948-49, Revised	1949-50, Budget
In India—			
PUBLIC DEBT—			
Loans	437,87	1,478,39	1,496,75
Treasury Bills and Ways and Means Advances	46,30	369,33	369,33
Treasury Deposit Receipts	...	4,00	9,00
Total—Public Debt (India)	484,17	1,851,72	1,875,08
UNFUNDED DEBT—			
Service Funds	1,03	56	52
Post Office Savings Bank Deposits, including Defence Savings Bank	81,88	156,44	180,35
Post Office Cash and Defence Savings Certificates	59,57	27,16	22,41
National Savings Certificates	...	88,13	106,53
State Provident Funds	72,40	82,30	84,17
Other Items	10,25	11,52	11,54
Total—Unfunded Debt (India)	225,13	366,11	405,52
DEPOSITS—			
Depreciation and Betterment Funds	27,34	116,77	100,99
Other Deposits	...	78,36	46,63
Total—Deposits (India)	27,34	195,13	147,62
Total—Obligations in India	736,64	2,412,96	2,428,22
In England —			
PUBLIC DEBT—			
Loans	396,50	3,39	2,87
War Contribution	20,62	20,62	20,62
Capital portion of Railway annuities created in purchase of Railways	47,82	15,53	13,29
Total—Public Debt (England)	464,94	39,54	36,78
UNFUNDED DEBT—			
Service Funds (England)	4,18	3,30	3,24
Total—Obligations in England	469,12	42,84	40,02
Total-Interest-bearing Obligations (India and England)	1,205,76	2,455,80	2,468,24

(In lakhs of Rupees)

	1938-39, (pre-war year)	1948-49, Revised	1949-50, Budget
INTEREST-YIELDING ASSETS—			
Capital advanced to Railways	725,24	692,47	720,96
Capital advanced to other Commercial Departments	27,42	48,85	57,18
Capital advanced to Provinces	123,28	85,37	138,70
Capital advanced to Indian States and other interest bearing loans	20,71	25,07	41,43
Debt due from Burma	49,73	48,15	48,15
Deposits with the United Kingdom Govt. for redemption of Railway annuities . . .	...	15,53	13,29
Purchase of annuities for sterling pensions. .	...	215,68	208,26
Debt due from Pakistan	...	300,00	300,00
Total Interest-yielding Assets . . .	946,38	1,431,12	1,527,97
Cash and Securities held on Treasury Account .	30,30	235,81	124,78
Balance of total interest-bearing obligations not covered by above assets	229,08	788,87	815,49

NOTE 1.—The outstandings at the end of each year are shown in the statement. The accounts for the period 1st April 1947 to 14th August 1947 and for the period 15th August 1947 to 31st March 1948 have not yet been closed and the figures have, therefore, been worked out on the best information available.

NOTE. 2.—Sterling obligations have been converted into Rupees at 1 *sh.* 6*d.* the Rupee.

NOTE. 3.—Under Unfunded Debt, Deposits and Interest-yielding assets allowance has been made on a rough basis for the share allocable to Pakistan.

NOTE. 4.—The figure entered for debt due from Pakistan is a very rough guess.

PART III

ECONOMIC STATISTICS

STATEMENT I

Index Numbers of Wholesale Prices

Monthly averages or calendar months	ALL-INDIA : (Base : 19th August 1939=100) Food and Tobacco	Other Agricultural commodities	Raw Materials	Primary commodities	Mfd. Articles	Chief Articles of Export	General	Calcutta (Base : July 1914=100) (General)
1939 (Average for five months ending December)	114·5	137·0	113·1	117·4	129·4	122·2	118·7	119·9
1940	110·6	124·0	122·4	116·9	122·2	118·8	118·1	119·9
1941	116·6	124·7*	138·5	126·1	145·7	130·5	129·8	138·4
1942	149·5		163·3	154·7	177·7	151·5	159·4	182·6

	All India: (Base: 19th August 1939=100) Food and Tobacco / Other Agricultural commodities	Raw Materials	Primary commodities	Mfd. Articles	Chief Articles of Export	General	Calcutta (Base: July 1914=100) (General)	All-India Index Numbers of Wholesale prices of Food Articles (Base year ended August 1939=100)
1943	259·5	179·8	225·0	246·2	228·4	218·1	242·6	268·7
1944	261·6	202·7	236·9	258·2	239·7	241·3	298	247·1
1945	269·5	210·2	244·6	244·2	247·1	244·4	288·5	248·0
1946	304·8	225·8	271·2	250·7	231·7	266·7	323·8	262·7

	ALL-INDIA : (Base : Year ended August 1939=100) Food articles	Industrial Raw materials	Semi-Manufactures	Manufactured Articles	Miscellaneous articles	All commodities
1947						
January	290·6	343·3	241·2	272·0	491·5	290·5
February	290·1	352·1	242·2	272·7	497·4	292·2
March	286·2	362·9	248·9	270·9	489·8	293·2
April	279·9	356·2	249·7	270·1	467·6	289·6
May	278·6	352·6	249·0	271·6	453·2	288·5
June	287·4	361·5	250·7	273·5	474·0	294·2
July	291·5	371·0	256·2	274·9	449·3	297·7
August	297·8	366·5	258·3	280·2	456·6	301·2
September	296·2	371·6	258·1	282·6	457·3	302·4
October	295·3	376·6	256·8	283·5	468·2	303·2
November	294·8	377·9	252·5	283·2	460·8	302·0
December	321·1	394·7	259·9	284·0	454·2	314·2

* Amalgamated into one group *viz.* "Agricultural Commodities" since July 1944. The figures have been revised since January 1942.

STATEMENT I—*contd.*

ALL-INDIA : (Base : Year ended August 1939=100)

Monthly averages or calendar months	Food articles	Industrial Raw materials	Semi-Manufactures	Manufactured articles	Miscellaneous	All commodities
948						
January	347·7	403·9	272·9	292·9	455·7	329·2
February	348·5	404·8	293·9	321·3	429·5	342·3
March	347·1	397·7	285·8	324·5	448·7	140·7
April	348·8	414·6	299·8	325·8	478·5	347·9
May	357·6	442·3	317·9	351·0R	504·2	367·2
June	377·0	451·5	323·4	370·1R	520·0	382·2
July	390·7	449·9	338·2	370·2	537·3	389·6
August	397·7	438·1	330·7	353·0	532·6	382·9
September	396·6	435·1	340·2	348·1	531·1	382·3
October	393·1	435·7	340·3	347·7	547·8	381·7
November	394·1	440·3	340·9	346·0	548·0	382·2
December	397·5	457·7	328·5	347·5	535·7	358·6

Wholesale Prices

Statement I shows the trend of wholesale prices till December 1946 as measured by two sets of index numbers (1) the index numbers of wholesale prices in India compiled by the Office of the Economic Adviser to the Government of India (Base 19th August 1939=100), (2) the index numbers of wholesale prices in Calcutta compiled by the Department of Commercial Intelligence and Statistics, Calcutta (Base July 1914=100). These series have, however, been replaced, since January 1947, by a more comprehensive one, *viz.*, General Purpose Index, computed by the Office of the Economic Adviser to the Government of India, with the year ended August 1939 as the base. This latter series relates to the prices of 78 selected commodities in their principal markets in India and comprises 5 important economic groups and 18 sub-groups.

The year 1948 witnessed a rising trend in the general price level in India. The Index Numbers of Wholesale Prices increased continuously and reached a peak level of 389·6 in July 1948. During 1948, the index averaged to 367 or 70 points higher than the average for the previous year.

Food Articles group of the above series covers all the important articles of food that enter into the trade of the country. The general shortage in the food situation in India is well reflected in the Food Index which increased from 321·1 in December 1947 to 397·5 in December 1948. The index showed almost a steady increase since the beginning of 1948.

STATEMENT II

Working Class Cost of Living Index Nos. for certain centres in India

Monthly averages or Calendar months	Bombay (Base : year ending June 1934 = 100)	Madras (Base : year ending June 1936 = 100)	Kanpur (Base : August 1939 = 100)	Delhi (Base : January to December 1944 = 100)
1939 (Average for five months ending December)	108	104	105	...
1940	112	107	111	...
1941	122	112	123	...
1942	157	133	181	...
1943	230	176	306	...
1944	237	203	314	...
1945	235	223	308	103
1946—				
January	242	225	305	100
February	243	227	311	103
March	247	228	309	106
April	248	228	308	106
May	249	232	309	106
June	259	235	321	107
July	268	237	351	107
August	267	237	346	108
September	270	239	346	110
October	264	240	349	108
November	272	243	350	115
December	279	249	345	112
1947—				
January	267	251	343	114
February	263	254	346	113
March	269	267	341	115
April	270	271	342	116
May	271	269	349	117
June	273	269	368	115
July	274	270	401	121
August	284	270	410	124
September	299	275	407	137
October	296	280	420	123
November	287	284	413	132
December	285	299	389	128
1948—				
January	271	306	405	125
February	276	302	391	125
March	284	303	375	120
April	291	301	379	125
May	292	305	442	136
June	307	306	462	141
July	312	314	516	140
August	321	315	534	140
September	323	311	558	135
October	315	310	547	136
November	317	311	534	136
December	...	322	508	..

Statement II gives Cost of Living Indices for Bombay, Madras, Kanpur and Delhi. In all these centres, the cost of living showed a considerable increase during the year 1947 and the year 1948 shows further increase in all these centres. The Bombay Index averaged to 301 for the 11 months ending November 1948, as compared with 279 in 1947. The averages for Madras and Kanpur Indices worked out to 309 and 471 respectively during 1948, as compared with 272 and 378 respectively for the year 1947. The Delhi index is available from January 1945. The index averaged to 133 for the 11 months ending November 1948 as compared with 122 in 1947.

STATEMENT III.—*Foreign Seaborne Trade of India*

[Figures in lakhs of Rupees]

Monthly averages or calendar months	Imports of foreign merchandise: Food, Drink and Tobacco	Raw materials and articles mainly unmanufactured	Articles wholly or mainly manufactured	Total Imports	Exports of Indian merchandise: Food, Drink and Tobacco	Raw materials and articles mainly unmanufactured	Articles wholly or mainly manufactured	Total Exports	Exports of foreign merchandise: Food Drink and Tobacco	Raw materials and articles mainly unmanufactured	Articles wholly or mainly manufactured	Total Re-export
1	2	3	4	5	6	7	8	9	0	11	12	13
1939 (Average for five months ending December)	2,73·4	2,88·0	6,06·6	12,33·1	4,12·4	5,50·5	6,24·2	16,32·2	12·0	37·6	24·2	74·0
1940	2,29·8	3,51·9	7,74·0	13,60·5	3,36·4	6,34·6	7,47·6	17,37·7	4·4	48·9	32·9	86·4
1941	2,41·1	4,21·9	8,47·8	15,25·4	4,31·5	5,19·3	7,86·0	18,31·3	11·8	71·8	52·3	1,36·1
1942	90·8	3,61·6	4,81·5	6,47·3	4,03·2	4,16·6	8,67·5	17,14·6	17·5	28·6	30·3	76·4
1943	58·3	5,16·5	3,36·3	9,23·1	3,61·4	3,37·6	8,35·0	15,52·6	4·5	73·7	9·9	88·3
1944	1,27·0	8,72·5	4,81·3	14,08·9	4,30·8	4,05·1	9,71·2	18,31·1	2·6	73·6	29·2	1,05·8
1945	1,81·8	10,69·5	7,32·1	20,10·7	4,41·5	4,75·8	8,64·9	18,25·4	3·7	1,56·0	19·1	1,79·4
1946—												
January	2,00·8	7,95·1	10,48·2	21,01·9	6,23·8	6,63·0	10,64·0	24,09·7	5·4	40·5	31·3	80·3
February	1,82·3	5,58·5	9,06·9	16,97·7	2,80·4	7,23·2	9,32·4	19,89·5	69·1	35·1	51·2	1,55·4
March	1,86·6	7,79·4	13,91·9	23,92·5	3,27·9	9,76·5	12,38·3	26,01·8	3,15·1	55·5	1,65,0	5,35·8
April	1,46·3	4,03·6	10,03·5	15,97·7	2,17·0	7,04·9	10,07·5	19,44·0	9·8	1,50·9	25·0	1,85·8
May	2,00·3	6,26·2	11,64·2	20,45·0	2,48·5	10,06·3	12,81·8	25,70·3	24·5	4,16·1	85·5	5,25·0
June	1,42·0	4,39·2	10,18·5	16,57·7	2,93·4	8,02·3	10,41·4	21,77·3	13·1	3,01·4	44·1	3,58·6
July	3,28·1	6,11·2	11,36·9	21,75·3	3,56·2	7,54·4	10,81·5	22,10·2	13·2	1,15·5	30·0	1,58·7
August	2,52·1	6,60·6	9,53·4	19,21·5	3,59·9	7,15·6	8,81·3	19,84·5	8·1	61·0	59·8	1,38·5
September	2,86·2	7,83·3	14,87·1	26,42·6	5,63·2	4,29·6	8,57·8	18,79·5	9·5	78·7	35·2	1,24·9
October	2,47·5	8,49·2	14,13·7	25,76·3	6,30·5	7,20·9	10,80·9	24,65·3	5·5	16·4	1,04·2	1,35·5
November	5,53·5	5,30·0	16,44·0	26,98·2	5,67·8	6,41·8	11,43·4	23,93·2	8·4	85·2	42·9	1,36·5
December	6,43·2	6,32·9	16,80·3	29,23·0	8,44·4	9,20·6	14,00·4	32,26·1	7·7	48·4	36·7	93·7

1	2	3	4	5	6	7	8	9	10	11	12	13
1947—												
January	6,33·1	5,64·2	16,66·1	23,27·9	7,89·8	9,32·2	16,90·3	35,00·7	9·1	78·2	64·2	1,52·1
February	5,46·4	6,60·5	17,30·9	25,56·6	4,40·0	5,42·5	14,08·8	24,29·9	4·1	30·0	47·3	87·4
March	4,88·2	6,42·2	17,84·3	29,95·1	5,06·2	10,42·4	13,89·6	29,80·0	5·1	10·5	48·0	64·1
April	3,24·3	8,38·1	29,10·4	32,48·7	5,36·4	8,35·1	10,96·8	25,19·3	12·5	9·8	32·8	55·7
May	3,84·6	7,28·2	25,41·3	37,19·3	5,52·1	14,47·4	15,17·7	35,64·9	5·8	19·0	16·1	42·0
June	5,44·9	8,95·8	19,56·6	35,04·6	5,04·9	10,59·9	18,77·4	34,82·2	4·7	12·1	20·1	38·3
July	4,70·4	9,60·9	24,29·0	39,33·1	5,76·7	9,66·0	12,34·9	28,17·4	5·3	6·6	22·8	34·7
August (*a*)	3,48·9	6,71·1	22,37·8	32,96·1	8,20·5	8,89·6	12,88·1	30,30·0	11·5	6·9	78·1	96·5
September	4,76·2	6,82·4	20,61.6	32,61·5	6,35.6	7,15.2	19,83.7	33,56.2	7.4	7·9	38.9	54.2
October	3,61·2	6,65.0	18,62.3	29,55·7	6,27·6	8,43.7	19,03.4	33,93.8	0.5	4·5	87.6	92.5
November	2,10·2	8,29.2	18,81.0	29,57·5	8,23·2	8,84.2	14,62.0	31,09.1	0.3	7·3	71.7	79.3
December	..	..	..	30,04.1	..	..	..	35,78.0	..	..	..	1.1
1948—												
January	..	..	..	31,17.9	..	..	..	33,89.1	..	..	..	31.1
February	..	..	..	33,07.4	..	..	..	29,70.8	..	..	..	63·7
March	..	..	..	35,03.3	..	..	..	42,42.3	..	..	..	1,69.2
April (*b*)	4,00.0	6,49.0	19,03.0	29,72.3	6,25·7	13,59,1	16,73.8	36,75.3	..	..	..	1,79.8
May	13,55.0	10,08.9	19,42.3	43,32.0	4,46.6	10,99.0	15,15.9	30,79.5	..	..	..	67.7
June	5,45.6	10,80.6	19,34.3	35,75.4	4,48.4	4,74.4	21,63.8	35,96.0	..	..	..	81.5
July	8,79.4	9,56.1	21,83.0	40,56.5	6,66.2	7,96.8	23,38.2	33,25.2	2.4	10.3	38.4	51.2
August	8,68.6	10,89.3	23,96.7	48,89.6	5,56.2	6,55.3	20,97.1	33,22.4	1.1	6.0	52.6	59.6
September	5,78.3	8,65.3	24,54.4	39,25.1	7,55.2	4,78.7	22,35.0	34,79.1	0.7	6.5	28.9	36.1
October	5,01.6	6,56.3	23,06.6	35,13.4	6,76.1	5,12.4	20,21.3	32,25.2	0.8	3.1	22·5	25·9

(*a*) Excludes East Bengal from 15th August and Sind from 1st April 1947.
(*b*) Includes Indo-Pakistan trade as well as Government stores from 1st April 1948.

STATEMENT IV.—*Balance of Trade in Merchandise of India*

(In lakhs of Rupees).

Monthly averages or Calendar months	Exports and Re-exports	Imports.*	Balance
39— (Average for five months ending December)	17,06	12,32	+4,74
40—	18,24	13,58	+4,66
41—	19,68	15,23	+4,45
1942—	17,90	9,46	+8,44
1943—	16,40	9,19	+7,21
1944—	19,33	15,10	+4,23
1945—	20,04	20,84	—80
1946—			
January	24,90	21,02	+3,88
February	21,45	16,98	+4,47
March	31,38	23,92	+7,46
April	21,30	15,98	+5,32
May	30,96	20,45	+10,51
June	25,36	16,58	+8,78
July	23,75	21,75	+2,00
August	21,23	19,22	+2,01
September	20,04	26,43	—6,39
October	26,01	25,76	+25
November	25,30	26,98	—1,68
December	32,20	29,23	+2,97
1947—			
January	36,53	23,28	+13,25
February	25,17	25,57	—40
March	30,44	29,95	+49
April	25,75	32,49	—6,74
May	36,07	37,19	—1,12
June	35,20	35,05	+15
July	28,52	39,33	—10,81
August	31,27	32,96	—1,69
September	34,10	31,61	+1,49
October	34,86	29,56	+5,30
November	32,69	29,57	+3,12
December	36,09	30,04	+6,05
1948—			
January	34,20	31,18	+3,02
February	30,34	33,07	—2,73
March	44,11	35,08	+9,08
April	38,56	29,72	+8,83
May	31,47	43,32	—11,85
June	36,78	35,75	+1,03
July	38,76	40,56	—1,80
August	33,82	43,90	—10,08
September	35,15	39,25	—4,10
October	32,51	35,13	—2,62

*Excludes the value of railway materials imported direct by State Railway working under company management which was not paid for in the ordinary way and not, therefore, taken into account in arriving at the balance of trade.

N. B.—The sign plus (+) indicates net export and minus (—) net import.

(*Foreign Trade Statements III and IV*).—Statement III shows the recorded value of British India's exports, imports and re-exports of merchandise and Statement IV gives the balance of trade of British India in merchandise. These figures do not, however, include transactions on Government account for Defence purposes. During the first seven months of 1948-49, India imported Rs. 268 crores worth of ...eign merchandise as compared with Rs. 267 crores including Govt. Stores ...ring the corresponding period of 1947-48. An increase of Rs. 22 crores, Rs. 9 crores and Rs.21 lakhs was registered under the groups (1) Food, drink and tobacco (2) Raw materials and articles mainly unmanufactured and (3) Articles wholly or mainly manufactured, respectively. The value of exports which amounted to Rs. 242 crores during the seven months ending October 1948 showed an increase of Rs. 20 crores as compared with the corresponding months of 1947. The increase in the imports being greater than the increase in the exports, there was an unfavourable balance of trade of Rs. 21 crores during the period April to October 1948, as against Rs. 38 crores during the corresponding months of 1947.

STATEMENT V.—*Currency circulation in India and Burma.*

(In lakhs of Rupees)

	Increase or decrease in Note circulation (as on last Friday of the month)	Increase or decrease of Rupee Coin in circulation (as on last Friday of the month)	Combined Increase or decrease of Notes and Coin in circulation (as on last Friday of the month)	Combined progressive increase or decrease of Notes and Rupee Coin in circulation from April
1939—				
December	..	..	..	+48,62
1940—				
March	..	..	..	+59,53
December	..	..	..	+40,98
1941—				
March	..	..	..	+52,34
December	..	..	..	+78,47
1942—				
March	..	..	..	+1,59,58
December	..	..	..	+2,15,59
1943—				
March	..	..	..	+3,08,42
December	..	..	..	+2,15,75
1944—				
March	..	..	..	+2,64,51
December	..	..	..	+1,31,47
1945—				
March	..	..	..	+2,12,44
December	..	..	..	+1,28,41
1946—				
January	—11,20	+8,70	—2,50	+125,91
February	—3,79	+5,82	+2,03	+127,94
March	+22,87	+1,43	+24,30	+152,24
April	+13,97	+94	+14,91	+14,91
May	+1,25	+1,63	+2,88	+17,79
June	+3,85	+2,80	+6,65	+24,44
July	—22,38	—1,99	—24,37	+7
August	—8,68	—23	—8,91	—8,84
September	—18,93	—1,56	—20,49	—29,33
October	+7,32	—70	+6,62	—22,71
November	+5,81	—1,01	+4,80	—17,91
December	+23,59	+1,71	+25,30	+7,39
1947—				
January	+1,19	—18	+1,01	+8,40
Febmmry	+3,91	+61	+4,52	+12,92
March	+12,36	—8	+12,28	+25,20
April	—2,22	+27	—1,95	—1,95
May	—12,78	—1,23	—14,01	—15,96
June	—5,52	—1,14	—6,66	—22,62
July	—27,88	—3,02	—30,90	—53,52
August	—13,05	—1,93	—14,98	—68,50
September	—6,99	—2,25	—9,24	—77,74
October	+19,80	—4,86	+14,94	—62,80
November	+6,51	+2,78	+9,29	—53,51
December	+25,46	—1,72	+23,74	—29,77
1948—				
January	+36,83	+1,01	+37,84	+8,07
February	+24,62	+2	+24,64	+32,71
March	+17,55	—27	+17,28	+49,99
April (*a*)	+4,61	—1,33	+3,28	+3,28
May	—8,37	—6	—8,43	—5,15
June	—25,53	—53	—26,06	—31,21
July	—41,09	—1,93	—43,02	—74,23
August	—18,80	—2,16	—20,96	—95,19
September	—10,42	—1,38	—11,73	—106,92
October	+9,44	—76	+8,68	—98,24

ɒ) From April 1948 figures relate to Indian Union.

STATEMENT VI-A.—*The Reserve Bank of India Issue Department*

(In lakhs of Rupees)

	Notes in circulation*	Total Notes issued*	Gold Coin and Bullion	Sterling Securities	Rupee Coin	Rupee Securities	Percentages of Gold and Sterling Securities to Total Notes Issued
1939— December	219,69	233,97	44,42	96,30	66,42	37,73	57·47
1940— December	225,69	243,23	44,42	131,50	29,89	49,61	68·87
1941— December	304,22	314,28	44,42	213,12	35,15	42,75	76·78
1942— December	560,57	573,04	44,42	388,33	14,16	126,13	75·52
1943— December	821,99	830,95	44,42	713,83	14,37	58,33	91·25
1944— December	944,34	1,003,65	44,42	887,92	13,47	57,84	92·89
1945— December	1,200,19	1,210,39	44,42	1,093,07	15,06	57,84	93·98
1946— January	1,220,30	1,240,05	44,42	1,125,32	12,47	57,84	94·33
February	1,194,82	1,242,95	44,42	1,127,82	12,87	57,84	94·31
March	1,216,93	1,238,66	44,42	1,123,32	13,08	57,84	94·27
April	1,235,12	1,245,95	44,42	1,124,07	19,62	57,84	93·78
May	1,237,05	1,249,93	44,42	1,129,32	18,35	57,84	93·90
June	1,241,97	1,254,33	44,42	1,135,32	16,7[illegible]	57,84	94·05
July	1,225,17	1,254,39	44,42	1,135,32	16,81	57,84	94·05
August	1,214,41	1,255,88	44,42	1,135,32	18,30	57,84	93·94
September	1,198,35	1,257,32	44,42	1,135,32	19,74	57,84	93·83
October	1,197,09	1,258,26	44,42	1,135,32	20,68	57,84	93·76
November	1,201,29	1,258,89	44,42	1,135,32	21,31	57,84	93·73
December	1,218,78	1,258,59	44,42	1,135,32	21,01	57,84	93·74
1947— January	1,230,80	1,258,19	44,42	1,135,32	20,61	57,84	93·76
February	1,234,52	1,257,49	44,42	1,135,32	19,90	57,84	93·82
March	1,243,03	1,257,47	44,42	1,135,32	19,89	57,84	93·82
April	1,247,28	1,261,51	44,42	1,135,32	23,93	57,84	93·51
May	1,234,87	1,263,50	44,42	1,135,32	25,92	57,84	93·37
June	1,229,11	1,264,26	44,42	1,135,32	26,68	57,84	93·31
July	1,209,61	1,266,12	44,42	1,135,32	28,53	57,84	93·18
August	1,190,40	1,268,90	44,42	1,135,32	31,32	57,84	92·97
September	1,179,53	1,271,20	44,42	1,135,32	33,62	57,84	92·81
October	1,188,63	1,273,07	44,42	1,135,32	35,48	57,84	92·67
November	1,202,91	1,274,01	44,42	1,135,32	36,43	57,84	92·60
December	1,217,05	1,274,43	44,42	1,135,32	36,85	57,84	92·57
1948— January	1,254,98	1,274,19	44,42	1,135,32	36,61	57,84	92·59
February	1,286,33	1,296,51	44,42	1,135,32	36,42	80,34	90·99
March	1,303,78	1,316,68	44,42	1,135,32	36,59	100,34	89·60
April	1,312,03	1,323,62	44,42	1,135,32	37,88	110,64	88·59
	(8,11)	(8,11)			(3,47)		
May	1,310,46	1,324,96	44,42	1,135,32	38,69	126,84	87·45
	(24,14)	(24,15)			(3,84)		
June	1,292,18	1,312,15	44,42	1,135,32	39,25	127,84	87·36
	(38,27)	(38,27)			(3,59)		
July (*a*)	1,254,03	1,292,30	42,72	1,092,80	42,63	114,15	87·87
August	1,229,36	1,269,53	42,72	938,72	44,35	243,73	77·31
September	1,212,19	1,245,05	42,72	796,64	45,37	360,31	67·42
October	1,214,29	1,239,97	42,72	796,64	46,29	354,31	07·69

* Figures exclude Burma.

(a) Figures from July 1948 relate to Indian Union only.

N. B.—(1) Pakistan notes and Rupeo coin are shown within brackets from April 1948 to June 1948.

(2) Fi gures represent averages of Friday figures.

STATEMENT VI-B.—*The Reserve Bank of India Banking Department*

(In Lakhs of Rupees.)

	Deposits				Balances held abroad	Loans and Advances to Government	Bills purchased and discounted	Investments
	Government	Banks	Others	Total				
1939— December	13,58	16,26	95	30,79	9,71	1,30	7,46	6,7[illegible]
1940— December	16,63	48,91	1,88	67,42	54,40	11	5	7,00
1941— December	20,39	37,61	4,17	62,17	55,58	7	5	8,51
1942— December	24,38	53,49	4,63	82,50	76,83	67	1,00	6,30
1943— December	33,42	93,89	7,33	134,64	133,26	81	33	7,65
1944— December	249,89	83,37	16,97	350,23	344,91	49	60	14,40
1945— December	488,25	75,89	14,41	578,55	558,82	33	2,39	22,28
1946— January	497,25	82,69	12,32	593,26	549,17	21	7,19	32,30
February	521,01	104,18	9,65	634,84	560,21	8	2,90	37,61
March	545,51	82,16	10,38	638,05	597,16	...	1,93	31,92
April	557,46	77,22	10,14	644,82	607,10	...	5,15	35,16
May	534,81	90,02	11,50	636,33	594,27	...	5,57	35,52
June	487,67	105,05	6,46	601,18	574,10	20	55	30,23
July	490,81	107,63	6,18	604,62	562,38	...	15	33,54
August	507,34	87,15	15,33	609,82	564,96	...	69	14,54
September	510,27	86,61	8,88	605,76	530,67	...	2,69	16,22
October	488,04	81,62	11,81	581,47	505,60	18	1,91	16,41
November	469,00	82,35	20,93	572,28	488,34	...	2,21	22,93
December	469,76	77,47	16,53	563,76	485,76	14	51	35,00
1947— January	465,09	77,53	15,79	558,41	478,09	8	2,13	46,37
February	457,85	74,66	17,50	550,02	474,49	1	3,13	48,03
March	450,94	73,97	28,15	553,06	477,54	...	2,92	58,29
April	423,24	89,59	28,81	541,64	475,76	36	3,31	67,18
May	413,91	101,36	24,88	440,15	472,60	82	3,35	58,55
June	408,88	102,19	24,87	535,95	449,46	3,66	1,49	70,39
July	400,36	94,26	35,81	530,43	410,93	6,63	3,73	69,93
August	399,02	107,93	36,68	543,64	388,09	1,22	6,27	80,62
September	373,51 (20,01)	116,77	38,15	548,44	383,39	3	2,76	85,77
October	380,77 (14,85)	111,53	40,38	547,58	388,51	6	87	90,59
November	387,27 (10,76)	102,82	37,41	538,27	388,06	5	24	96,49
December	369,82 (4,35)	111,31	36,18	521,14	386,28	84	80	94,52
1948— January	280,52 (28,00)	100,97	35,86	479,80	378,16	507	2,72	101,
February	276,86 (42,10)	102,63	37,65	459,80	379,08	31	2,52	88,[illegible]
March	278,67 (52,25)	88,34	34,95	451,92	388,06	11	1,40	72,42
April	264,26 (77,13)	88,30	43,07	472,76	411,92	41	7,19	66,49
May	258,04 (69,03)	64,29	44,26	465,61	417,81	5 (9)	3,89	52,64
June	241,22 (66,82)	100,90	46,68	455,64	406,08	1 (3)	1,45	53,25
July	228,92	97,02	49,02	374,97	303,53	10	2,19	50,11
August	242,00	96,25	58,03	396,28	311,15	3	4,41	55,59
September	245,53	95,10	58,66	399,30	307,80	13	3,97	71,48
October	257,26	72,77	63,01	393,03	296,31	95	2,27	82,16

N. B.—(1) Pakistan figures are shown within brackets.
(2) Figures represent averages of Friday figures.

STATEMENT VII.—*Position of Scheduled Banks in India*

(In Lakhs of Rupees.)

	Demand liabilities in India	Time liabilities in India	Cash in India	Balances with Reserve Bank	Advances in India	Bills discounted in India
1939—						
December	137,99	98,96	7,16	15,66	129,60	3,93
1940—						
December	166,84	97,10	8,63	48,17	96,66	2,03
1941—						
December	216,72	103,32	9,92	35,44	113,60	5,83
1942—						
December	339,72	109,94	13,94	53,23	91,18	2,79
1943—						
December	498,91	152,34	23,48	92,84	158,62	6,26
1944—						
December	611,25	203,77	28,83	81,64	222,05	12,67
1945—						
December	681,31	277,04	37,28	77,60	295,02	20,31
1946—						
January	688,49	281,06	40,77	82,87	319,17	20,38
February	705,68	292,98	40,02	102,64	316,11	19,28
March	703,65	296,00	36,27	81,42	341,54	19,45
April	700,91	300,99	36,71	75,01	366,40	21,71
May	707,02	307,01	36,82	87,42	373,44	20,46
June	711,17	310,89	40,47	101,78	394,63	20,39
July	721,89	312,08	41,06	103,95	383,40	18,95
August	740,36	316,29	44,56	80,80	388,36	19,10
September	749,69	320,02	45,06	80,74	395,26	20,26
October	746,51	328,05	40,33	77,90	393,90	20,14
November	751,78	331,11	42,34	78,74	412,89	22,51
December	733,88	330,34	43,53	75,04	431,73	22,68

STATEMENT VII.—*Position of Scheduled Banks in India*—concld.

(In Lakhs of Rupees.)

	Demand liabilities in India	Time liabilities in India	Cash in India	Balances with Reserve Bank	Advances in India	Bills discounted in India
1947—						
January	732,99	334,44	42,81	74,13	454,04	23,
February	712,37	345,22	40,00	79,97	466,06	23,70
March	690,49	346,86	39,04	69,39	465,86	22,07
April	680,69	348,53	39,36	89,53	453,13	20,11
May	667,77	349,51	37,98	100,84	432,51	16,49
June	669,94	348,59	39,73	102,08	416,81	14,85
July	673,71	342,93	40,29	93,86	411,57	16,19
August	686,27	343,16	40,98	107,28	409,11	16,35
September	634,71	306,92	35,67	116,38	359,13	14,35
October	643,93	313,00	35,21	111,73	365,47	13,73
November	650,95	312,45	35,57	101,27	368,78	15,12
December	652,41	314,91	36,19	109,00	374,81	17,09
1948—						
January	660,65	316,16	36,46	95,04	407,62	17,98
February	664,09	317,07	35,99	96,70	426,29	15,97
March	670,35	319,37	36,17	83,10	435,65	16,87
April	688,66	313,60	36,95	84,44	440,60	17,22
May	687,12	313,72	38,30	90,82	435,69	16,73
June	692,55	312,66	39,28	98,18	434,72	15,93
July (*a*)	696,16	311,53	39,19	95,99	421,06	15,86
August	692,44	312,77	38,29	98,64	401,23	15,59
September	689,96	307,62	37,64	93,76	391,17	13,94
October	675,16	301,53	37,16	74,07	397,27	13,62
November	671,24	298,86	38,29	75,98	403,35	16,24
December	664,80	298,28	36,28	71,69	412,47	18,13

(*a*) Pakistan figures excluded from July 1948.

N. B.—Figures represent averages of Friday figures.

FINANCIAL CONDITIONS

Statements V, VIA, VIB and VII

There was an increase in the volume of note circulation from Rs. 1188·63 crores in October 1947 to Rs. 1214·29 crores in October 1948. It will be seen from Statement VI-A (which shows the statistics of the Issue Department of the Reserve Bank) that since June 1946 the value of Sterling Securities held in the Issue Department continued to remain stationary at Rs. 1135·32 crores but with the establishment of the State Bank of Pakistan it dropped to Rs. 1092·80 crores in July 1948 and stood at Rs. 796·64 crores in October 1948, *i.e.* Rs. 736·94 crores more than what it was in August 1939.

The net purchase of sterling by the Reserve Bank of India during the ten months ending October 1948 amounted to 29·0 million as compared with the net sale of sterling of 6·2 million in the corresponding period of 1947 and this latter figure represents joint transactions of India and Pakistan. The balances held abroad by the Reserve Bank of India amounted to Rs. 256·4 crores at the end of December 1948 as compared with 383·1 crores at the end of December 1947 and Rs. 4·44 crores in August 1939.

As regards the general banking situation, reference is invited to Statement VII which shows the statistics relating to the position of the Scheduled Banks in India. The demand liabilities of these banks increased to Rs. 664·80 crores in December 1948 as compared with Rs. 652·41 crores in December 1947. As compared with August 1939 the demand liabilities increased by Rs. 529 crores. The time liabilities of the Scheduled Banks however declined, to Rs. 298·28 crores in December 1948 as compared with Rs. 314·91 crores in December 1947. As compared with August 1939 they showed an increase of Rs. 195·62 crores.

The sources of the supply of the sterling and its disposal up to the end of January 1949, are shown in the following table :—

	Crores of Rs.
1. Sterling assets held by Reserve Bank in August 1939	64
2. Sterling purchased by Reserve Bank—	
September 1939—January 1940	63
February 1940—January 1941	86
February 1941—January 1942	90
February 1942—January 1943	105
February 1943—January 1944	152
February 1944—January 1945	137
February 1945—January 1946	62
February 1946—January 1947	(—)40
February 1947—January 1948	44
February 1948—January-1949	(—)14
3. Sterling Payments by the U. K. Government	1,717
4. Sterling amounts involed in repatriation	409
5. Payments to the State Bank of Pakistan under the Monetary Arrangements consequent on the termination of the common currency system	177
6. Purchase of Annuities for sterling Pensions—Gross	224
7. Other Sterling Commitments	668
8. Sterling holding of Reserve Bank at the end of January 1949	988

STATEMENT VIII.—*Index Number of Prices of certain Industrial Articles*

(Prepared in the Office of the Economic Adviser to the Government of India)
(Figures relate to the last week of the month)

(Base: week ending 19th August 1939—100)

Monthly averages or Calendar Months	Sugar	Kerosene	Petrol	Cotton Manufactures	Jute Manufactures	Cement	Galvanized Corrugated Sheets	Leather	Coal
1939—Average for five months ending December :—	115	105	105	112	170	107	119	126	101
1940 . .	107	120	122	117	139	114	131	115	100
1941 . .	97*	133	130	158*	175	114	199	106	104
1942 . .	120*	176	160	262*	175	134	243*	125	130
1943 . .	144	189	166	439*	241	163	333*	153	197
1944 . .	155	169	171	309*	253	206	349*	203	288
*1945** . .	167	172	165	275*	249	205	270*	226	296
1946—									
January .	167	165	158	262*	251	193	243	251	294
February .	167	165	155	262*	256	193	243	251	294
March .	169	158	139	262*	256	193	243	268	294
April .	169	151	139	262*	256	193	234	270	294
May .	171	151	139	262*	256	182	234	278	294
June .	171	151	139	262*	256	182	229	289	294
July .	171	151	139	262*	256	182	229	374	294
August .	169	151	139	262*	256	182	229	352	294
September	169	151	139	262*	256	182	229	332	294
October .	212	151	139	262*	339	182	229	350	294
November	212	151	139	262*	407	182	229	351	294
December	212	151	139	262*	431	182	229	360	294
1947—									
January .	212	151	151	262*	453	182	229	339	294
February .	212	151	155	262*	460	182	229	320	294
March .	212	151	155	262*	457	197	229	292	294
April .	212	151	161	262*	429	197	229	275	294
May .	212	151	161	262*	437	197	229	287	294
June .	212	140	161	262*	454	197	229	308	294
July .	212	147	166	262*	460	197	229	311	374
August .	212	147	166	262*	507	197	229	322	374
September	212	147	166	262*	507	197	229	306	374
October .	212	147	166	262*	493	197	229	297	374
November	212	147	166	262*	485	197	229	333	374
December	354	147	166	262*	506	197	229	347	374
1948—									
January .	365	147	166	287*	514	265	282	337	374
February .	356	175	179	287*	459	265	282	313	374
March .	360	175	179	292*	462	265	282	297	374
April .	375	190	184	292*	454	265	282	303	374
May .	374	190	184	349*	475	265	282	320	374
June .	382*	190	184	349*	472	260	282	326	374
July .	377	191	184	379*	492	258	282	325	374
August .	374	193	184	383	516	254	282	309	374
September	370	193	184	356*	529	250	282	309	374
October .	367	193	184	356*	538	250	282	311	374
November	333	193	184	356*	520	250	282	308	374
December	319	193	184	356*	550	250	282	309	374

* Estimated.

STATEMENT IX.—*Variable Yield Securities Index for certain Industries* (*Base: 1927-28-100*)

(Prepared in the Office of the Economic Adviser to the Government of India)

Monthly averages or Calendar months.	Cotton (21 shares)	Jute (20 shares)	Coal (13 shares)	Iron and Steel (3 shares)	Tea (19 shares)	Sugar (3 shares)	Cement (3 shares)	Paper (2) shares
939 Average for five months ending December	80·3	62·8	159·3	501·3	65·2	94·5	166·9	204·6
1940	76·2	51·9	139·6	463·1	62·3	78·9	139·8	296·3
1941	107·3	57·7	152·1	537·4	75·0	10·9	188·8	316·7
1942	127·1	52·3	154·1	414·1	82·0	13·6	216·9	360·4
1943	196·7	62·9	205·5	533·8	112·2	193·2	279·3	461·1
1944	191·8	76·5	284·5	583·2	120·0	224·5	289·8	509·9
1945	188·2	92·6	333·9	610·7	126·5	211·4	283·9	540·9
1946—								
January	218·6	111·5	373·8	706·1	147·7*	223·8	304·9	698·4
February	218·2	112·1	363·6	724·8	145·4*	223·3	300·3	701·7
March	241·4	120·4	385·2	789·9	144·0*	230·2	316·5	809·5
April	251·2	125·6	424·1	777·0	148·4*	236·3	317·7	857·0
May	264·7	125·0	419·8	793·8	151·9*	242·0	317·9	869·8
June	277·5	135·5	427·7	881·7	163·7*	260·6	328·4	899.0
July	290·9	155·1	495·8	843 07	8·0*	268·1	331·3	984·0
August	314·1†	163·9†	501·4†	84·8	187·4*	263·6†	341·3†	1101·6†
September	279·6	147·2	437·0	811·8	181·5*	246·5	306·6	972·3
October	276·7	125·3	362·0	777·1	175·1*	234·8	308·0	918·2
November	268·4	134·3	401·6	773·7	171·3*	232·3	302·7	891·4
December	251·0	126·3	377·0	727·6	172·7	223·3	286·1	834·9
1947—								
January	256·3	126·7	376·4	728·6	177·7	222·5	284·7	830·1
February	238·7	118·7	344·4	696·5	170·6	205·2	260·8	749·7
March	235·0	116·4	338·9	685·9	167·6	204·3	255·6	754·6
April	202·8	114·3	232·0	585·8	159·5	200·0	220·8	732·1
May	199·1	114·9	332·0	554·6	157·3	195·3	218·2	732·1
June	202·0	88·2	290·9	552·1	146·9	177·0	217·4	611·3
July	199·4	84·5	283·7	602·7	144·2	169·0	220·6	598·9
August	191·2	87·0	252·4	540·7	145·6	160·0	207·3	610·7
September	185·7	87·8	230·8	484·6	144·4	151·2	201·7	565·6
October	187·7	85·2	208·2	498·2	140·8	142·7	104·9	545·4
November	184·1	79·5	215·0	487·9	139·2	153·8	196·3	543·2
December	194·4	92·5	252·8	551·3	140·7	173·8	233·6	634·1
1948—								
January	200·3	91·0	262·0	523·2	143·8	158·0	231·4	615·7
February	193·7	82·0	238·3	506·4	142·4	151·0	219·4	573·3
March	191·1	80·7	230·6	472·8	140·8	144·5	216·2	549·5
April	187·8	76·4	213·0	440·0	137·1	138·6	215·4	517·6
May	189·9	76·2	222·8	456·5	133·9	138·9	215·9	590·1
June	186·2	73·5	208·6	447·6	127·3	146·2	216·0	562·1
July	180·5	70·7	201·6	436·8	124·3	146·2	210·6	500·8
August	180·5	71·2	214·9	433·4	125·2	147·0	206·5	522·8
September	173·8	70·2	203·3	410·5	124·0	147·4	199·0	513·7
October	178·1	69·8	194·6	411·9	122·1	146·9	201·4	501·9
November	171·5	68·8	190·0	409·3	121·4	143·3	189·8	490·6
December	167·1	68·6	201·2	430·8	119·4	140·2	194·3	494·3

*Estimated.

†Figures relate to only one week ending 10-8-1946.

STATEMENT X.—*Industrial Profits Index*

(*Base : 1928=100*)

Industries

Year	Jute	Cotton	Iron and Steel	Tea	Sugar	Paper	Coal	All Industries
1939 . . .	13·6	154·5	289·3	96·2	179·4	151·8	139·1	72·4
1940 . . .	48·8	220·1	300·7	95·4	180·0	358·7	140·2	99·9
1941 . . .	46·8	489·1	387·3	141·3	247·3	432·2	114·9	135·4
1942 . . .	47·7	758·6	319·0	219·5	227·5	488·4	112·9	169·1
1943 . . .	37·5	988·6	323·8	137·0	283·1	435·8	134·1	170·9
1944 . . .	41·8	760·5	341·4	106·0	232·4	451·4	316·8	162·8
1945 . . .	44·4	681·1	348·3	144·5	193·1	424·5	360·0	163·2
1946 . . .	58·1	680·5	324·7	190·4	175·0	341·7	278·8	159·4

INDUSTRIAL CONDITIONS

Statements VIII to *X*.—Statement VIII shows the trend of prices of industrial articles and it will be seen therefrom that there has been an all round increase in the index numbers of prices all the articles listed there, whereas Statement IX reveals that index numbers of all leading securities showed a marked decline over the previous year's level.

Profits being the main motive force of economic activity, theoretically provide one of the best indicators of business conditions and Statement X contains materials for a review of the progress made by the most important industries during 1939 to 1946.

Statement XI.—Fixed Yield Government Security Index numbers and Yield on 3½ per cent. and 3 per cent. Government Paper (Bombay)

Monthly average or Calendar months	3½ per cent Paper.* Index Numbers (Base : 1927-28=100)	Yield	Yield of 3 per cent. paper
1940-41	114·6	3·80	3·79
1941-42	115·9	3·71	3·69
1942-43	115·0	3·77	3·77
1943-44	117·2	3·62	3·57
1944-45	118·0	3·52	3·33
1945-46	118·6	3·43	3·14
1946-47	121·2	—	2.90
DECEMBER 1945	119·0	3·38	3·06
1946			
January	119·3	3·38	3·07
February	119·2	3·39	3·05
March	119·2	3·41	3·01
April	119.7	3·40	2·97
May	119·4	3·41	2·95
June	120·7		2·88
July	121·9		2·84
August	122·8		2·84
September	121·2		2·88
October	121·5		2·87
November	121·5		2·87
December	120·7		2·89
1947			
January	119·7		2·91
February	117·4		2·96
March	117·8		2·94
April	118·0		2·96
May	117·9		2·95
June	117·5		2·95
July	117·5		2·97
August	117·3		2·99
September	117·4		2·98
October	117.3		2·98
November	115·5		2·93
December	117.4		2·97
1948			
January	117·1		2·98
February	116.8		3·00
March	116.5		3·01
April	114·3		3·05
May	114·9		3·03
June	114·5		3·04
July	114·7		3·03
August	114.9		3·02
September	155.0		3·02
October	155.1		3·01
November	114.8		3·02
December	114.8		

*Substituted by 3% Government Paper with effect from 16-9-46.

STATEMENT XII.—*Monthly Cheque Clearance and Call Money Rate— Bombay and Calcutta*

Monthly averages or calendar months	Monthly cheque clearances in crores of rupees	Inter-Bank Call Rates	
		Bombay Per cent.	Calcutta Per cent.
1939 (Average for five months ending December)	192·5	7/8	1
1940	177·0	11/16	5/8
1941	208·9	¼	½
1942	222·0	¼	½
1943	353·7	¼	½
1944	450.1	¼	½
1945	520.3	¼	½
1946—			
January	673·8	3/8	½
February	[illegible]5·2	7/16	½
March	638·8	3/8	½
April	665·9	½	½
May	661·8	½	½
June	609·3	½	½
July	655·5	7/16	½
August	554·6	½	½
September	555·8	5/8	½
October	529·3	3/8	½
November	582·8	9/16	½
December	600·4	½	½
1947—			
January	656.8	½	½
February	564·0	½	½
March	584·4	7/16	½
April	532·1	½	½
May	521·3	½	½
June	486·0	½	½
July	566·7	½	½
August	493·6	½	½
September	478·9	½	½
October	434·0	½	½
November	472·5	½	½
December	573·7	½	½
1948—			
January	566·9	½	½
February	519·0	½	½
March	624·9	½	½
April	580·5	½	½
May	563·3	½	½
June	543·9	½	½
July	578·5	½	½
August	502·7	½	½
September	562·4	½	½
October	509·2	½	½

SHORT TERM MONEY MARKET

Statements XI and XII.—Statement XI shows the index numbers (1927-28-100) of the prices of Fixed Yield Government Securities and Yield of 3 per cent. Government paper. The yield on the 3 per cent paper which was quoted at 2·97 per cent. in December 1947 rose to 3·05 per cent. in April 1948. There was however, slight set back in the following month and it was quoted at 3·02 per cent. i November 1948.

Statement XII shows the monthly cheque clearances and the inter-bank call rates in Bombay and Calcutta. The total cheques cleared through clearing houses in India during January—October 1948 amounted to Rs. 5,552 crores as compared with Rs. 5,100 crores during the corresponding period of 1947. The money market ruled easy since July, 1947.

PART IV

STATEMENT SHOWING IN SELECTED CASES TAX PAYABLE AND AS A PERCENTAGE OF INCOME ON INCOMES RANGING FROM Rs. 3,000 TO Rs. 30,00,000

	Tax at 1948-49 rates on *Total income				Tax at 1949-50 rates on *Total income			
	Wholly earned		Wholly unearned		Wholly earned		Wholly unearned	
Income Rs.	Rs.	Per cent.	Rs.	Per cent.	Rs.	Per cent	Rs.	Per cent.
3,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
3,500	81	2.3	125	3.6	61	1.7	94	2.7
4,000	106	2.7	156	3.9	80	2.0	117	2.9
4,500	131	2.9	188	4.2	98	2.2	141	3.1
5,000	156	3.1	219	4.4	117	2.3	164	3.3
5,500	181	3.3	281	5.1	136	2.5	219	4.0
6,000	206	3.4	344	5.7	155	2.6	273	4.6
6,500	244	3.7	406	6.2	186	2.9	328	5.0
7,000	294	4.2	469	6.7	230	3.3	383	5.5
7,500	344	4.6	531	7.1	273	3.6	438	5.8
8,000	394	4.9	594	7.4	317	4.0	492	6.2
9,000	494	5.5	719	8.0	405	4.5	602	6.7
10,000	594	5.9	844	8.4	492	4.9	711	7.1
11,000	694	6.3	1,063	9.7	580	5.3	930	8.5
12,000	794	6.6	1,281	10.7	667	5.6	1,148	9.6
13,000	931	7.2	1,500	11.5	798	6.1	1,367	10.5
14,000	1,106	7.9	1,719	12.3	973	7.0	1,586	11.3
15,000	1,281	8.5	1,938	12.9	1,148	[illegible].7	1,805	12.0
18,000	1,806	10.0	2,875	16.0	1,673	9.3	2,742	15.2
21,000	2,563	12.2	3,813	18.1	2,430	11.6	3,680	17.5
24,000	3,500	14.6	4,750	19.8	3,367	14.0	4,617	19.2
27,000	4,688	17.4	6,063	22.5	4,555	16.9	5,930	22.0
30,000	6,000	20.0	7,563	25.2	5,867	19.5	7,430	24.8
33,000	7,313	22.2	9,063	27.4	7,180	21.8	8,930	27.1
36,000	8,625	24.0	10,563	29.3	8,492	23.6	10,430	29.0
40,000	10,375	25.9	12,563	31.4	10,242	25.6	12,430	31.1
50,000	15,375	30.8	18,500	37.0	15,242	30.5	18,367	36.7
60,000	21,000	35.0	24,906	41.5	20,867	34.8	24,773	41.3
70,000	27,250	38.9	31,781	45.4	27,117	38.7	31,648	45.2
80,000	34,125	42.6	39,281	49.1	33,992	42.5	39,148	48.9
90,000	41,156	45.7	47,094	52.3	41,023	45.6	46,961	52.2
1,00,000	48,344	48.3	55,219	55.2	48,211	48.2	55,086	55.1
1,50,000	85,844	57.2	98,969	66.0	85,711	57.1	98,836	65.9
2,00,000	1,31,156	65.5	1,44,281	72.1	1,26,336	63.2	1,44,148	72.1
3,00,000	2,23,344	74.4	2,36,469	78.8	2,09,148	69.7	2,36,336	78.8
4,00,000	3,18,656	79.7	3,31,781	82.9	2,95,086	73.8	3,30,086	82.5
5,00,000	4,15,531	83.1	4,28,656	85.7	3,82,586	76.5	4,23,836	84.8
10,00,000	8,99,906	90.0	9,13,031	91.3	8,20,086	82.0	8,92,586	89.3
20,00,000	18,68,656	93.4	18,81,781	94.1	16,95,086	84.8	18,30,086	91.5
30,00,000	28,37,406	94.6	28,50,531	95.0	25,70,086	85.7	27,67,586	92.2

*Total income here excludes any Income from Capital Gains, and is as reduced by the Business Profits Tax payable, if any.

GIPD—83—334 M of Finance—26-2-49—100.

[TO BE INTRODUCED IN THE CONSTITUENT ASSEMBLY OF INDIA (LEGISLATIVE)]

A

BILL

to give effect to the financial proposals of the Central Government for the year beginning on the first day of April, 1949.

WHEREAS it is expedient to discontinue the duty on salt, to fix maximum rates of postage under the Indian Post Office Act, 1898, to alter certain duties on customs and excise, to levy certain additional duties of customs and excise, to fix rates of, and make certain provisions relating to, income-tax and super-tax, and to continue, for a period of one year, the tax imposed by the Business Profits Tax Act, 1947; (VI of 1898.) (XXI of 1947.)

It is hereby enacted as follows :—

Short title and extent.

1. (*1*) This Act may be called the Indian Finance Act, 1949.

(*2*) It extends to all the Provinces of India.

Discontinuance of salt duty.

2. For the year beginning on the 1st day of April, 1949, no duty shall be levied on salt manufactured in, or imported by sea, or by land into, the Provinces of India.

Inland postage rates.

3. For the year beginning on the 1st day of April, 1949, the Schedule contained in the First Schedule to this Act, shall be inserted in the Indian Post Office Act, 1898, as the First Schedule to that Act. (VI of 1898.)

Alteration of certain duties of customs.

4. In the First Schedule to the Indian Tariff Act, 1934 :— (XXXII of 1934.)

(*a*) in Item No. 9(5), for the entry in the fourth column, the entry "Seven annas and six pies per lb." shall be substituted, and for the entry in the sixth column, the entry "Seven annas per lb." shall be substituted ;

(*b*) in Item No. 24, for the entry in the fourth column, the entry "Rs. 16-4-0 per lb." shall be substituted ;

(*c*) in Item No. 24(1), for the entry in the fourth column, the entry "37½ per cent. *ad valorem plus* Rs. 15-10-0 per lb." shall be substituted ;

(*d*) in Item No. 24(2), for the entry in the fourth column, the entry "37½ per cent. *ad valorem plus* Rs. 39-1-0 per thousand or Rs. 15-10-0 per lb. whichever is higher" shall be substituted;

(*e*) for Item No. 28(14), the following Item shall be substituted; namely :—

"28 (14)	Toilet Requisites not otherwise specified	Revenue	37½ per cent *ad valorem*.	...	...	.. " ;

(*f*) in each of the Items Nos. 34(3), 51, 61(8), 61(9), 78, 82(1) and 85(1), for the entry in the fourth column, the entry "75 per cent. *ad valorem*" shall be substituted ;

(*g*) in each of the Items Nos. 44, 45, 60, 71(2) and 71(3), for the entry in the fourth column, the entry "37½ per cent. *ad valorem*" shall be substituted ;

(*h*) after Item No. 60(5), the following Item shall be inserted, namely :—

"60(6)	Sheet and plate glass	Revenue	45 per cent. *ad valorem*.	...	...	..."

(*i*) in Item No. 73(2), the words "flash lights" shall be omitted;

(*j*) after Item No. 73(13), the following Item shall be inserted, namely :—

"73 (14)	Flash lights	Revenue	37½ per cent. *ad valorem*.	...	...	...";

(*k*) in Item No. 77, the words "including photographic" shall be omitted ; and

(*l*) after Item No. 77(4), the following Item shall be inserted, namely :—

"77 (5)	Photographic instruments, apparatus and appliances	Preferential Revenue	45 per cent. *ad valorem*.	33 per cent. *ad valorem*.	...	...".

Additional duties of customs.

5. When any goods chargeable with a duty of customs under the First Schedule to the Indian Tariff Act, 1934, or under that Schedule read with any notification of the Central Government for the time being in force, are assessed to duty, there shall, up to the 31st day of March, 1950, be levied and collected as an addition to, and in the same manner as, the total amount so chargeable— XXXII of 1934.

(*a*) a sum equal to such amount, in the case of goods comprised in Items Nos. 22 (2) and 22 (4) ;

(*b*) a sum equal to one-half of such amount, in the case of goods comprised in Items Nos. 48, 48(1), 48(2), 48(4), 48(5), 48(6), 48(7), 48(8), 48(10) and 51(2) ;

(*c*) a sum equal to two-fifths of such amount, in the case of goods comprised in Items Nos. 47(2), 59(2), 59(4) and 59 (5) ; and

(*d*) a sum equal to one-fifth of such amount, in the case of goods comprised in any Item of the said Schedule other than those specified in clause (*a*), (*b*) or (*c*) of this section or in the Second Schedule to this Act :

Provided that in the case of goods comprised in Items Nos. 48 to 48(10), both inclusive, if the duty of excise for the time being leviable on like goods exceeds the sum of—

(*i*) the duty of customs chargeable under the First Schedule to the Indian Tariff Act, 1934, or under that Schedule read with any notification of the Central Government for the time being in force, and

(*ii*) the additional duty of customs chargeable under clause (*b*) or (*d*) of this section,

there shall, up to the 31st day of March, 1950, be levied and collected as a further addition to, and in the same manner as, the duties of customs so chargeable an amount equal to the aforesaid excess.

Imposition and alteration of certain export duties.

6. In the Second Schedule to the Indian Tariff Act, 1934,— XXXII of 1934.

(*a*) in Item No. 6, for the entry in the third column, the entry "10 per cent. *ad valorem*" shall be substituted ;

(*b*) Items Nos. 8 and 9 shall be omitted ; and

(*c*) after Item No. 7, the following Item shall be inserted, namely :—

"8.	Cigarettes, cigars and cheroots ..	15 per cent. *ad valorem*.".

I of 1944. 7. In the First Schedule to the Central Excises and Salt Act, 1944,— Impositio[n] alteration [of cer]tain duti[es of] excise.

(*a*) in Item No. 2, for sub-items (1) and (2), the following shall be substituted, namely:—

"(1) Matches, in boxes containing 60 matches on an average, if manufactured in a factory whose output—

(*i*) exceeds five hundred thousand gross of boxes per year.	Three rupees per gross of boxes.
(*ii*) does not exceed five hundred thousand gross of boxes per year, but exceeds one hundred gross of boxes per day.	Two rupees fifteen annas and three pies per gross of boxes.
(*iii*) does not exceed one hundred gross of boxes per day.	Two rupees and fourteen annas per gross of boxes.

(2) Matches, in boxes containing 40 matches on an average, if manufactured in a factory whose output—

(*i*) exceeds five hundred thousand gross of boxes per year.	Two rupees per gross of boxes.
(*ii*) does not exceed five hundred thousand gross of boxes per year but exceeds one hundred gross of boxes per day.	One rupee fifteen annas and six pies per gross of boxes.
(*iii*) does not exceed one hundred gross of boxes per day.	One rupee and fifteen annas per gross of boxes.";

(*b*) in Item No. 4, for the entry in the third column, the entry "Fifteen annas per imperial gallon" shall be substituted ;

(*c*) in Item No. 8, for the entry in the third column against sub-item (1), the entry "Three rupees and twelve annas per cwt." shall be substituted ;

(*d*) for Item No. 10, the following Item shall be substituted, namely :—

"10. TYRES—

"Tyre" means a pneumatic tyre in the manufacture of which rubber is used, and includes the inner tube and the outer cover of such a tyre.

(1) Tyres for motor vehicles . . .	30 per cent. *ad valorem*.
(2) All other tyres	15 per cent. *ad valorem*."

and

(*e*) Item No. 12 inserted by section 2 of the Central Excises and Salt (Amendment) Ordinance, 1949, shall be omitted, and the following item inserted in lieu thereof, namely :— I of 1949.

"12. CLOTH—

"Cloth" means any type of cloth manufactured either wholly from cotton or partly from cotton and partly from any other material, but does not include—

(*i*) ready made cloth other than dhoties and sarees ;

(*ii*) hosiery ;

(*iii*) leather cloth and inferior or imitation leather cloth ordinarily used in book-binding ;

(*iv*) tracing paper ;

(*v*) cloth manufactured partly from cotton and partly from wool and containing 40 per cent. or more of wool by weight ;

(*vi*) rubberised or synthetic waterproof fabrics whether single-textured or double-textured ; and

(*vii*) hand-loom cloth.

(*1*) Superfine cloth—	
that is to say, cloth in which the count of warp yarn (whether single or folded) is 48s or finer.	Twenty-five per cent. *ad valorem*.
(*2*) Fine cloth—	
that is to say, cloth in which the count of warp yarn (whether single or folded) is 35s or finer but does not exceed 47s.	Six and one-fourth per cent. *ad valorem*.
(*3*) Medium cloth—	
that is to say, cloth in which the count of warp yarn (whether single or folded) is 17s or finer but does not exceed 34s.	Three pies per yard.
(*4*) Coarse cloth—	
that is to say, all other cloth in which the count of warp yarn (whether single or folded) does not exceed 16s.	Three pies per yard."

endment of Act . I of 1922.

8. (*1*) The following amendments shall be made in the Indian Income-tax Act, 1922 (hereafter in this Act referred to as "the Income-tax Act"), namely :—

(*a*) for clause (*6*) of section 2, the following clause shall be substituted, namely :—

"(*6*) 'company' means—

(*i*) any Indian company, or

(*ii*) any association, whether incorporated or not and whether Indian or non-Indian, which is or was assessable, or was assessed, as a company for the assessment for the year ending on the 31st day of March, 1948, or which is declared by general or special order of the Central Board of Revenue to be a company for the purposes of this Act" ;

(*b*) in the last proviso to clause (*6A*) of section 2, after the figures "1946", the words and figures "or after the 31st day of March, 1948" shall be inserted ; and

(c) in sub-section (1) of section 12B, after the figures "1946", the words and figures "and before the 1st day of April, 1948" shall be inserted.

(2) The amendment made by clause (a) of sub-section (1) shall be deemed to be operative so as to apply in relation to all assessments subsequent to the assessment for the year ending on the 31st day of March, 1948, whether such assessments have, or have not, been made before the commencement of this Act.

9. (1) Subject to the provisions of sub-sections (3), (4), (5) and (6), for the year beginning on the 1st day of April, 1949,— **Income-tax and Super-tax**

(a) income-tax shall be charged at the rates specified in Part I of the third Schedule, and

(b) rates of super-tax shall, for the purposes of section
XI of 1922. 55 of the Income-tax Act, be those specified in Part II of the Third Schedule.

(2) In making any assessment for the year ending on the 31st day of March, 1950, there shall be deducted from the total income of an assessee, in accordance with the provisions of section 15A of the Income-tax Act, an amount equal to one-fifth of the earned income, if any, included in his total income, but not exceeding in any case four thousand rupees.

(3) In making any assessment for the year ending on the 31st day of March, 1950,—

(a) where the total income of an assessee, not being a company, includes any income chargeable under the head "Salaries" as reduced by the deduction for earned income appropriate thereto, or any income chargeable under the head "Interest on securities", or any income from dividends in respect of which he is deemed under section 49B of the Income-tax Act to have paid income-tax imposed in British India, the income-tax payable by the assessee on that part of his total income which consists of such inclusions shall be an amount bearing to the total amount of income-tax payable according to the rates applicable under the operation
XX of 1948. of the Indian Finance Act, 1948, on his total income the same proportion as the amount of such inclusions bears to his total income;

(b) where the total income of an assessee, not being a company, includes any income chargeable under the head "Salaries" on which super-tax has been or might have been deducted under the provisions of sub-section (2) of section 18 of the Income-tax Act, the super-tax payable by the assessee on that portion of his total income which consists of such inclusion shall be an amount bearing to the total amount of super-tax payable, according to the rates applicable under the operation of the Indian Finance Act, 1948, on his total income the same proportion as the amount of such inclusion bears to his total income.

(4) In making any assessment for the year ending on the 31st day of March, 1950, where the total income of an assessee consists partly of earned income and partly of unearned income, the super-tax payable by him shall be—

(i) on that part of the earned income chargeale under the head "Salaries" to which clause (b) of sub-section (3) applies, the amount of super-tax computed in accordance with the provisions of that sub-section, *plus*

(ii) on the remainder of the earned income, the amount which bears to the total amount of super-tax which would have been payable on his total income had it consisted wholly of earned income the same proportion as such remainder bears to his total income, *plus*

(iii) on the unearned income, the amount which bears to the total amount of super-tax which would have been payable on his total income had it consisted wholly of unearned income the same proportion as the unearned income bears to his total income.

(5) In making any assessment for the year ending on the 31st day of March, 1950,—

(a) where the total income of a company includes any profits and gains from life insurance business, the super-tax otherwise payable by the company on the whole of such total income shall be reduced by an amount which bears to that super-tax the same proportion as the amount of such inclusion bears to its total income or by an amount computed at the rate of two annas in the rupee on the amount of such inclusion, whichever is less;

(b) where the total income of an assessee, not being a company, includes any profits and gains from life insurance business, the income-tax and super-tax payable by the assessee on that part of his total income which consists of such inclusion shall be an amount bearing to the total amount of such taxes payable according to the rates applicable under the operation of the Indian Finance Act, 1942, on his total income the same proportion as the amount of such inclusion bears to his total income, so however that the aggregate of the taxes so computed in respect of such inclusion shall not in any case exceed the amount of tax payable on such inclusion at the rate of five annas in the rupee. XII of 1942.

(6) In cases to which section 17 of the Income-tax Act applies, the tax chargeable shall be determined as provided in that section, but with reference to the rates imposed by sub-section (1), and in accordance, where applicable, with the provisions of sub-sections (3), (4) and (5) of this section.

(7) For the purposes of making any deduction of income-tax in the year beginning on the 1st day of April, 1949, under sub-section (2) or sub-section (2B) of section 18 of the Income-tax Act from any earned income chargeable under the head "Salaries", the estimated total income of the assessee under this head shall, in computing the income-tax to be deducted, be reduced by an

amount equal to one-fifth of such earned income, but not exceeding in any case four thousand rupees ; but no abatement shall be allowed by the person responsible for paying the salary in respect of any donations made by the assessee to which section 15B of the Income-tax Act is or may be applicable.

(8) For the purposes of this section and of the rates of tax imposed thereby, 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 Income-tax Act, and the expression "earned income" has the meaning assigned to it in clause (6AA) of section 2 of that Act.

10. (1) Notwithstanding anything contained in sub-section (1) of section 9 of, or paragraph D of Part II of the Second Schedule to, the Indian Finance Act, 1948, the rate of super-tax for the purposes of section 55 of the Income-tax Act and for the year beginning on the 1st day of April, 1948, shall be four annas per rupee of the total income in the case of any company which— Re-assessment of super-tax in the case of certain companies.

XX of 1948.

(a) was not entitled to the rebate allowed by the proviso to paragraph D of Part II of the Second Schedule to the Indian Finance Act, 1948, and

(b) was not a public company the shares of which were offered for sale in a recognised Stock Exchange at any time during the previous year.

(2) For the purposes of clause (b) of sub-section (1), a company shall be deemed to be a public company only if it is neither a private company within the meaning of the Indian Companies Act, 1913, nor a company in which shares carrying more than fifty per cent. of the total voting power were, at any time during the previous year, held or controlled by less than six persons.

VII of 1913.

(3) Where the assessment for the year beginning on the 1st day of April, 1948, has been made before the commencement of this Act in respect of any company to which sub-section (1) of this section applies, it shall be revised by the Income-tax Officer so as to give effect to the provisions of that sub-section.

11. (1) In sub-clause (a) of clause (4) of section 2 of the Business Profits Tax Act, 1947, for the figures " 1948 " the figures " 1949 " shall be substituted. Business Profits Tax.

XXI of 1947.

(2) The tax imposed by section 4 of the said Act shall, in respect of any chargeable accounting period beginning after the 31st day of March, 1948, be an amount equal to 10 per cent. of the taxable profits.

(3) For the purposes of the said Act, " abatement " shall mean, in respect of any chargeable accounting period beginning after the 31st day of March, 1948, a sum which bears—

(a) in the case of a company not being a company deemed for the purposes of section 9 of the said Act to be a firm, to a sum equal to six per cent. of the capital of the company on the first day of the said period, computed in accordance with Schedule II to the said Act, or two lakhs of rupees, whichever is greater; or

(*b*) in any other case, to two lakhs of rupees,

the same proportion as the said period bears to the period of one year.

Repeals.

12. The Indian Tariff (Amendment) Ordinance, 1948, and the Central Excises and Salt (Amendment) Ordinance, 1949, are hereby repealed. XXXIII of 1948. I of 1949.

THE FIRST SCHEDULE

(*See* section 3.)

V*i* of 1898. *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	Two annas.
For every tola, or fraction thereof, exceeding one tola . . .	One anna.

Postcards

Single	Nine pies.
Reply	One and a half ann

Book, Pattern and Sample Packets

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

Registered Newspapers

For a weight not exceeding ten tolas	Three pies.
For a weight exceeding ten tolas and not exceeding twenty tolas .	Six pies.
For every twenty tolas, or fraction thereof, exceeding twenty tolas .	Six pies.
In the case of more than one copy of the same issue of a registered news-paper being carried in the same packet—	
For a weight not exceeding ten tolas	Six pies.
For every additional five tolas, or fraction thereof, in excess of ten tolas :	Three pies.

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	Six annas.
For every forty tolas, or fraction thereof, exceeding forty tolas . .	Six annas".

THE SECOND SCHEDULE

(*See* section 5.)

Goods on which additional duty of customs is not leviable.

A. Goods comprised in the following Items of the First Schedule to the Indian Tariff Act, 1934, namely :— XXXII of 1934.

2, 4, 4(1), 4(3), 4(4), 4(5), 7(1), 8(1), 8(2), 8(3), 8(4), 8(5), 9(3), 9(5), 9(6), 9(7), 11(4), 11(5), 12(6), 13(4), 13(8), 13(9), 15, 15(5), 15(9), 15(10), 15(11), 15(12), 16, 16(1), 16(3), 20(1), 20(2), 20(3), 20(4), 20(5), 20(6), 20(7), 20(8), 20(9), 21(3), 21(4), 21(5), 21(6), 21(7), 21(8), 21(9), 22(3), 22(5), 24, 24(1), 24(2), 24(3), 25(1), 27(1), 27(2), 27(3), 27(4), 27(5), 27(6), 27(9), 28, 28(8), 28(14), 28(15), 28(16), 28(17), 28(18), 28(19), 28(20), 28(21), 28(22), 28(23), 28(24), 28(25), 28(26), 28(27), 28(28), 28(29), 28(30), 29, 29(1), 30, 30(1), 30(2), 30(9), 30(10), 30(11), 30(12), 30(13), 31(4), 34(3), 40(4), 40(5), 40(6), 40(7), 43, 44, 44(1), 45, 45(3), 46(3), 49, 49(2), 51, 52(4), 53(2), 55, 55(1), 55(2), 55(3), 60, 60(2), 60(3), 60(4), 60(5), 60(6), 61(2), 61(3), 61(8), 61(9), 61(11), 62(1), 62(2), 63(30), 63(31), 63(32), 63(33), 63(34), 63(35), 64, 64(3), 64(4), 65, 67, 67(1), 67(2), 68, 68(2), 69(2), 70, 70(1), 70(2), 70(3), 70(4), 70(5), 70(6), 70(9), 71(2), 71(3), 71(7), 71(8), 71(9), 71(10), 72, 72(1), 72(2), 72(3), 72(4), 72(5), 72(11), 72(12), 72(13), 72(14), 72(15), 72(16), 72(17), 72(18), 72(19), 72(20), 72(21), 72(22), 72(23), 72(24), 72(25), 72(26), 72(27), 72(28), 73(2), 73(4), 73(7), 73(8), 73(9), 73(10), 73(11), 73(12), 73(13), 73(14), 74(2), 74(4), 75(1), 75(5), 75(6), 75(7), 75(8), 77(2), 77(4), 77(5), 78, 78(1), 79, 82(1), 84, 84(1), 85(1).

B. Goods comprised in the following Items of the First Schedule to the Indian Tariff Act, 1934, when the Customs Collector is satisfied that such goods are the produce or manufacture of Burma, namely :—

No. 7 (potatotes and onions only) and Nos. 9, 9(3), 13(2), 17 and 34(4) (a).

THE THIRD SCHEDULE

(*See* section 9.)

PART I

Rates of Income-tax

A. In the case of every individual, Hindu undivided family, unregistered firm and other association of persons, not being a case to which paragraph B or C of this Part applies—

	Rate
1. On the first Rs. 1,500 of total income . . .	Nil.
2. On the next Rs. 3,500 of total income . . .	Nine pies in the rupee.
3. On the next Rs. 5,000 of total income . . .	One anna and nine pies in the rupee.
4. On the next Rs. 5,000 of total income . . .	Three and a half annas in the rupee.
5. On the balance of total income	Five annas in the rupee:

Provided that—

(*i*) no income-tax shall be payable on a total income which, before deduction of the allowance, if any, for earned income, does not exceed Rs. 3,000;

(*ii*) the income-tax payable shall in no case exceed half the amount by which the total income (before deduction of the said allowance, if any, for earned income) exceeds Rs. 3,000;

(*iii*) the income-tax payable on the total income as reduced by the allowance for earned income shall not exceed either—

(*a*) a sum bearing to half the amount by which the total income (before deduction of the allowance for earned income) exceeds Rs. 3,000 the same proportion as such reduced total income bears to the unreduced total income, or

(*b*) the income-tax payable on the income so reduced at the rates herein specified,—

whichever is less.

B. In the case of every company—

	Rate
On the whole of total income	Five annas in the rupee:

Provided that in the case of an Indian company—

(*i*) where the total income, as reduced by seven annas in the rupee and by the amount, if any, exempt from income-tax, exceeds the amount of any dividends (including dividends payable at a fixed rate) declared in respect of the whole or part of the previous year for the assessment for the year ending on the 31st day of March, 1950, and no order has been made under sub-section (*1*) of section 23A of the Income-

.I of 1922. tax Act, a rebate shall be allowed at the rate of one anna per rupee on the amount of such excess;

(*ii*) where the amount of dividends referred to in clause (*i*) above exceeds the total income as reduced by seven annas in the rupee and by the amount, if any, exempt from income-tax, there shall be charged on the total income an additional income-tax equal to the sum, if any, by which the aggregate amount of income-tax actually borne by such excess (hereinafter referred to as " the excess dividend ") falls short of the amount calculated at the rate of five annas per rupee on the excess dividend.

For the purposes of the above proviso, the expression " dividend " shall have the meaning assigned to it in clause (*6A*) of section 2 of the Income-tax Act, but any distribution included in that expression, made during the year ending on the 31st day of March, 1950, shall be deemed to be a dividend declared in respect of the whole or part of the previous year.

For the purposes of clause (*ii*) of the above proviso, the aggregate amount of income-tax actually borne by the excess dividend shall be determined as follows :—

(*i*) the excess dividend shall be deemed to be out of the whole or such portion of the undistributed profits of one or more years immediately preceding the previous year as would be just sufficient to cover the amount of the excess dividend and as have not likewise been taken into account to cover an excess dividend of a preceding year ;

(*ii*) such portion of the excess dividend as is deemed to be out of the undistributed profits of each of the said years shall be deemed to have borne tax,—

(*a*) if an order has been made under sub-section (*1*) of section 23A of the Income-tax Act, in respect of the undistributed profits of that year, at the rate of five annas in the rupee, and XI of 1922.

(*b*) in respect of any other year, at the rate applicable to the total income of the company, for that year reduced by the rate at which rebate, if any, was allowed on the undistributed profits.

C. In the case of every local authority and in every case in which, under the provisions of the Income-tax Act, income-tax is to be charged at the maximum rate—

	Rate.
On the whole of total income	Five annas in the rupee.

PART II

Rates of Super-tax

A. In the case of every individual, Hindu undivided family, unregistered firm and other association of persons, not being a case to which any other paragraph of this Part applies—

	Rate, if income wholly earned	Rate, if income wholly unearned
1. On the first Rs. 25,000 of total income	Nil	Nil
2. On the next Rs. 15,000 of total income	Two annas in the rupee.	Three annas in the rupee.
3. On the next Rs. 15,000 of total income	Three annas in the rupee.	Four and a half annas in the rupee.

	Rate, if income wholly earned	Rate, if income wholly unearned
4. On the next Rs. 15,000 of total income	Five annas in the rupee.	Six annas in the rupee.
5. On the next Rs. 15,000 of total income.	Six annas in the rupee.	Seven annas in the rupee.
6. On the next Rs. 15,000 of total income.	Six and a half annas in the rupee.	Eight annas in the rupee.
7. On the next Rs. 50,000 of total income.	Seven annas in the rupee.	Nine annas in the rupee.
8. On the next Rs. 1,00,000 of total income.	Eight annas in the rupee.	Nine and a half annas in the rupee.
9. On the next Rs. 1,00,000 of total income.	Eight and a half annas in the rupee.	Ten annas in the rupee.
10. On the balance of total income .	Nine annas in the rupee.	Ten annas in the rupee.

B. In the case of every local authority—

	Rate
On the whole of total income .	Two annas in the rupee.

C. In the case of an association of persons being a co-operative society (other than the Sanikatta Saltowners' Society in the Bombay Province) for the time being registered under the Co-
II of 1912. operative Societies Act, 1912, or under an Act of a Provincial Legislature governing the registration of co-operative societies—

	Rate
1. On the first Rs. 25,000 of total income . .	Nil.
2. On the balance of total income . .	Two annas in the rupee.

D. In the case of every company—

	Rate
On the whole of total income . . .	Four annas in the rupee:

Provided that—

(*i*) a rebate at the rate of three annas per rupee of the total income shall be allowed in the case of any company which—

(*a*) in respect of its profits liable to tax under the Income-
XI of 1922. tax Act for the year ending on the 31st day of March, 1950, has made the prescribed arrangements for the declaration and payment in the Provinces of the dividend payable out of such profits and for the deduction of super-tax from dividends in accordance with the provisions of sub-section (*3D*) or (*3E*) of section 18 of that Act, and

(*b*) is a public company with total income not exceeding Rs. 25,000 ;

(*ii*) a rebate at the rate of two annas per rupee of the total income shall be allowed in the case of any company which satisfies condition (*a*), but not condition (*b*), of the preceding clause; and (*iii*) a rebate at the rate of one anna per rupee of the total income shall be allowed in the case of any company which, not being entitled to a rebate under either of the preceding clauses, is—

(*a*) a public company the shares of which were offered for sale in a recognised stock exchange at any time during the previous year, or

(*b*) a company all of whose shares were held at the end of the previous year by one or more such public companies as aforesaid:

Provided further that the super-tax payable by a company the total income of which exceeds Rs. 25,000 shall not exceed the aggregate of—

(*a*) the super-tax which would have been payable by the company if its total income had been Rs. 25,000, and

(*b*) half the amount by which its total income exceeds Rs. 25,000.

Explanation.—For the purposes of this paragraph of this Part, a company shall be deemed to be a public company only if it is neither a private company within the meaning of the Indian Companies Act, 1913, nor a company in which shares carrying more than fifty per cent. of the total voting power were, at any time during the previous year, held or controlled by less than six persons. VII of 1

Declaration under the Provisional Collection of Taxes Act, 1931.

It is hereby declared that it is expedient in the public interest that the provisions of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931. XVI of 1

STATEMENT OF OBJECTS AND REASONS

The object of this Bill is to discontinue the salt duty ; to continue the existing rates of inland postage subject to the enhancement of the rate for letters from one anna six pies to two annas for the first tola and the abolition of the surcharge on air mail letters and post cards; to levy an enhanced duty of customs on betelnuts, motor spirit and certain other commodities ; to continue the additional duties of customs imposed by section 6 of the Indian Finance Act, 1942 as subsequently amended and with some modifications ; to levy a duty of customs on exports of cigarettes, cigars and cheroots ; to raise the excise duty on sugar, motor spirit and tyres ; to make certain changes in the excise duty on matches ; to levy an excise duty on mill made cloth ; to fix rates of income-tax and super-tax and to make certain provisions relating to income-tax, super-tax and Business Profits Tax.

J. MATTHAI

NEW DELHI;

The 28th February, 1949.

NOTES ON CLAUSES.

Clause 2.—Provides that no duty shall be levied on salt manufactured in, or imported into, the provinces of India during the year beginning on the 1st April, 1949.

Clause 3.—Provides for continuance for a further period of one year of the present inland rates of postage subject to the enhancement of the rate for letters from one anna six pies to two annas for the first tola and the abolition of the surcharge on air mail letters and post cards. The reduction in the rate for post cards made by executive order with effect from the 1st July, 1946, will be cancelled.

Clause 4.—Provides for the enhancement of the customs duty on betelnuts and a number of other articles. The enhancement of duty on luxury items is proposed to augment the revenue of Government and as a measure of anti-inflation.

Clause 5.—Provides for the continuance for another year of the additional customs duty imposed by section 6 of Act XII of 1942 subject to certain modifications

Clause 6.—Provides for the reduction of the export duty on cotton cloth from 25 per cent. *ad valorem* to 10 per cent. *ad valorem*, the abolition of the export duty on oilseeds and vegetable oils and the levy of an export duty of 15 per cent. *ad valorem* on cigarettes, cigars and cheroots.

Clause 7.—Provides for certain modifications in the excise duty on matches, the enhancement of the excise duty on sugar, tyres, motor spirit and the levy of an excise duty on cotton cloth.

Clause 8.—Amends the Indian Income-tax Act so as to enlarge the definition of company to include non-Indian private companies which were assessed or assessable as such in 1947-48, and to abolish the tax on capital gains arising after the 31st March, 1948. The amendment made by sub-clause (*1*) (*a*) read with sub-clause (*2*) of this clause and clause 10 of this Bill is designed to apply for the assessment year 1948-49 a flat rate of income-tax at 5 annas in the rupee and a flat rate of super-tax at 4 annas in the rupee on all privately controlled companies incorporated outside the Provinces of India. But for these provisions, such companies would have been treated as individuals or associations and their liability for income-tax would have been less and their super-tax liability would have been more or less than what it would have been if they had been treated as companies.

Clause 9.—Read with the Third Schedule prescribes the rates of income-tax and super-tax for the year 1949-50.

Clause 10.—Read with clause 8, prescribes the rate of super-tax on all privately controlled companies incorporated outside the Provinces of India for the assessment year 1948-49.

Clause 11.—Provides for the continuance of the Business Profits Tax for another year at the existing rates.

Clause 12.—Repeals two Ordinances the provisions of which are included in this Bill.

THE CONSTITUENT ASSEMBLY OF INDIA (LEGISLATIVE)

A

BILL

to give effect to the financial proposals of the Central Government for the year beginning on the first day of April, 1949.

In pursuance of sub-section (1) of section 37 of the Government of India Act, 1935, as adapted by the India (Provisional Constitution) Order, 1947, the Governor-General has recommended the introduction, and has, under sub-section (1) of section 141 of the said Act, given the previous sanction to the introduction, of the Bill in the Constituent Assembly of India (Legislative).

M. N. KAUL,
Secretary,
Constituent Assembly of India (Legislative).

(*The Hon'ble Dr. John Matthai, Minister of Finance.*)

GIPD—S2—552M of F—28-2-49—1,500.

BUDGET SPEECH

Summary of Part "A"

CENTRAL BUDGET, 1949-50

:o:

CONCERTED CAMPAIGN AGAINST INFLATION
RISE OF PRICES HALTED
ALL UNESSENTIAL EXPENDITURE POSTPONED
FOOD POSITION STILL A MATTER FOR ANXIETY
BALANCE OF PAYMENTS WITH HARD CURRENCY COUNTRIES REMAINS DIFFICULT
DEFICIT OF Rs. 14·79 CRORES LIKELY IN NEW FINANCIAL YEAR
CURRENT YEAR'S DEFICIT REDUCED TO Rs. 1·55 CRORES
SUBSTANTIAL PROVISION FOR ESSENTIAL DEVELOPMENT EXPENDITURE

The Hon'ble Dr. John Matthai presented the second annual Budget of the Indian Dominion to the Constituent Assembly (Legislative) on February 28, 1949.

The main problem before the country is that of keeping inflationary trends under control, and the Finance Minister mentioned the various measures taken to fight inflation.

The food position continues to give anxiety, necessitating the import of 4 million tons of food-grains from overseas this year.

The balance of payments position is on the whole satisfactory, but the position with regard to the hard currency areas, from which substantial imports of food have to come, continues difficult.

The current year's deficit is now placed at Rs. 1·55 crores, against Rs. 2·14 crores originally anticipated.

At the existing level of taxation, revenue for next year is estimated at Rs. 307·74 crores and expenditure at Rs. 322·53 crores, leaving a deficit of Rs. 14·79 crores.

Defence Services are estimated to cost Rs. 155·43 crores this year and Rs. 157·37 crores next year. In addition, capital outlay on Defence will cost Rs. 9·91 crores this year and Rs. 15 crores next year.

For relief and rehabilitation of refugees, next year's budget provides Rs. 9·85 crores. In addition, a provision of Rs. 23·27 crores has been made in the capital budget for loans and capital expenditure. Expenditure on relief and rehabilitation this year will amount to Rs. 19·45 crores against Rs. 10·04 crores provided in the budget.

Expenditure on food subsidies in 1949-50 is estimated at Rs. 32·97 crores. The expenditure this year will be Rs. 31·96 crores.

Substantial provision has been included for expenditure on development in the budget for next year, and all productive and essential schemes will go forward.

Borrowings from the market next year are expected to amount to Rs. 85 crores.

Review of Economic Conditions

The Finance Minister began with a review of economic conditions at home and abroad. Although it was the fourth year since the cessation of hostilities, the return of normal conditions, "without which it is impossible to expand production and develop trade", seemed as far off as ever. Over large parts of the world conditions remained disturbed, while the progress of recovery from the ravages of war was painfully slow. "The emergence of two rival camps among the countries that fought the war as allies is symptomatic of the abnormal conditions which still prevail," he added. Other factors retarding economic recovery were the Berlin impasse, civil war in Greece, the Palestine problem, civil strife in China, the disturbances in Burma and the unprovoked assault of the Dutch on the Indonesian Republic.

At home, Dr. Matthai said, the major problem in the year under review had been that of keeping inflationary trends under control. Throughout 1947, he recalled, there had been a steady rise in prices, the general index-number of whole-sale prices rising from 290·5 at the beginning of the year to 314·2 at its close. In the first seven months of 1948, there had been a further steep rise, the index-number rising by 76 points to 390·1. Since then, however, prices had dropped slightly, "and as a result of the various measures taken by Government prices have remained more or less steady".

In the matter of food imports, the position was still difficult. Owing to poor crops in certain parts of the country last year, India had had to import 2·8 million tons of food at a cost of Rs. 130 crores against an estimated import of 2 million tons costing Rs. 110 crores. This year the position was expected to be still more difficult, owing to floods in Bihar and the United Provinces, damage by cyclone in Bombay, and famine in parts of Gujrat, Saurashtra, Rajasthan and Cutch. Imports might amount to 4 million tons.

Internal production of other commodities, however, had been encouraging in recent months, "although it has not been possible in many cases to reach the peak production of the war years or the target that has been set". Last year, the production of coal at 29·73 million tons and of steel at 854,000 tons just fell short of the previous year's figures, while the production of salt rose from 49·6 million maunds to 59·3 million maunds, cotton yarn from 1,315 million lbs. to 1,442 million lbs., cloth from 3,816 million yards to 4,338 million yards and art silk fabrics from 85 million yards to 114 million yards, plywood from 28·6 million sq. feet to 38·63 million sq. feet and soap from 80,000 tons to 1,90,000 tons.

With improvement in the transport position, the flow of materials to industry had improved, the Minister continued, while the relaxation of import controls had resulted in a larger flow of imported goods. Production had also been assisted by the occurrence of fewer strikes and labour disputes. "If the present favourable trends in production continue", he added, "I have no doubt that it will be possible not merely to arrest the rise in prices but to bring them down gradually". The state of the capital market, which in the year under review had been stagnant, was "a matter of concern to Government". This was due to the prevailing uncertainty in regard to industrial development and prospects. "My own view", Dr. Matthai said, "is that with the huge potential demand in this country for both consumer and capital goods there is bound to be for many years a wide field for private enterprise and that in this matter no one who invests money is taking a greater risk than in any other country in the world".

Turning to the campaign against inflation, the Finance Minister listed certain immediate measures taken by the Government—additional duties had been levied on luxury articles such as liquor, tobacco, motor cars, silk and art silk fabrics and an excise duty on superfine cloth. Power had also been taken to make provisional assessments of income-tax on the basis of returns submitted by assesses. The system of interest bearing deposits for income-tax, introduced in 1943, was revived and the refund of E.P.T. deposits, except for approved purposes, had been postponed for a further period of three years. A temporary limit had also been placed on the amount that might be distributed as dividend by public companies. Measures taken to stimulate industrial production included reduction of import duty on machinery and certain industrial raw materials and abolition of the import duty on cotton yarn. New industrial undertakings commencing production in the next three years would be granted exemption from income-tax for the first five years up to a limit of 6 per cent. per annum on their capital. Rules regulating depreciation allowances were also liberalised. In the matter of Governmental expenditure, the provision for capital and development schemes and loans had been substantially reduced and the Provinces informed that in the existing financial situation they should not count on Central assistance for implementing their schemes of social or agrarian reform. "But the need for economy was imperative", Dr. Matthai commented, "and we had to postpone all avoidable expenditure. But this has not led to the slowing down of any productive scheme or any scheme essential for the national interest".

Balance of Payments

Commenting on India's external financial position, the Finance Minister said there had been a sharp decline in the sterling balances held by the Reserve Bank of India. From the peak figure of Rs. 1,733 crores at the end of 1945-46, the balances had declined to Rs. 1,612 crores in 1946-47 and Rs. 1,545 crores in 1947-48, while in the first 10 months of the current year there had been a further drop of Rs. 556 crores. Factors contributing to this fall were the payment to the United Kingdom, in accordance with the agreement reached with them in last July, of Rs. 284 crores for the purchase of annuities for financing the payment of sterling pensions and the acquisition of Defence installations and stores left behind in India by the United Kingdom at the end of the war; payment to the State Bank of Pakistan of Pakistan's share of sterling balances following the separation of its currency from that of India and India's adverse balance of payments on current and capital account. Pointing out that Government's import policy was largely determined by the trend of the balance of payments, the Minister said that the object was so to regulate trade that while it was kept at the highest possible level consistent with the country's needs and requirements, India should not have an overall deficit in her balance of payments on current account during any particular period of time by more than the amount by which it had been agreed with the United Kingdom Government that India's sterling balances should be drawn upon. He recalled that India's No. 1 Account had a balance of £ 80 million at the end of June, 1948 and will be credited with another £ 80 million for the period July, 1949—June, 1951. "In pursuance of this policy and also with the immediate object of reducing the inflationary pressure in the country" he added, "import controls were relaxed during the course of the year, I am glad to say that they have resulted in substantially increasing the available supply of goods into the country".

The balance of payments position was, on the whole, satisfactory, but the position with regard to dollar and hard currency countries gave cause for great concern. India in common with the rest of the world had been running, si[nce] the war, substantial deficits on dollar and hard currency account. This was because India had to turn increasingly to hard currency countries, since those countries whose economies had been disrupted by the war could no longer meet India's requirements. This was particularly so in the matter of food imports. In the past, India's dollar deficit had been financed by the Central Reserves of the sterling area but from January, 1948, the United Kingdom had refused to carry this responsibility any longer and insisted on limiting, very rigidly, the convertibility of India's sterling. These limits (£ 10 million or $ 40 million for January to June, 1948, and £ 15 million or $ 60 million for July, 1948 to June, 1949) bore no relation whatever to the country's needs. Another handicap was the separation of the exchange resources of Pakistan from India's in January, 1948. Many commodities which before partition had earned hard currency, such as raw jute, raw cotton and hides and skins, were largely exported from territories now in Pakistan. Dr. Matthai said that in spite of the utmost possible limitation of imports from hard currency areas and the maximum possible encouragement of exports to those countries, India had a deficit in her balance of payments with hard currency countries in April-September, 1948, of $ 45 million, and preliminary figures for the next 3 months indicated a deficit of $ 48 million, purchases of food-grains being responsible for $ 35 million and $ 40 million respectively. These figures were far in excess of the convertibility that had been allowed to India by the United Kingdom and would have to be met by loans from the International Monetary Fund, from which since Mar[ch] 1948, India had borrowed $ 92 million. "We do [not] favour the idea of borrowing on the present scale from the International Monetary Fund", he declared, "but if the Central reserves of the sterling area, to which we were at one time a source of strength, insist on continuing to limit our claims on them in the same way as at present we shall have no alternative to continuing to borrow". He added, however, that in future years it might be possible to import less food and to divert food purchases to soft currency areas. Also, international prices of food-grains may not remain at their present high levels.

Regarding Pakistan, the Finance Minister explained that there was no exchange control between the two Dominions but an agreement regarding the settlement of balances had been reached. This had been working satisfactorily and currency considerations had not stood in the way of Inter-Dominion trade.

Financial Year 1948-49

Reviewing the financial position in the current year, Dr. Matthai disclosed that Revenue receipts were now estimated at Rs. 338·32 crores against the budget estimate of Rs. 255·24 crores. Expenditure was estimated at Rs. 339·87 crores—an increase of Rs. 82·49 crores over the budget figure, "which nearly wipes out the increase in revenue".

On the Revenue side, customs duties were expected to yield Rs. 36·49 crores more than the budget estimate; Central excises Rs. 4·28 crores more; income-tax an increase of Rs. 20·62 crores (Rs. 5·38 crores of which will accrue to the Provinces as their share); the contribution from Posts and Telegraphs and Railways an increase of Rs. 2·95 crores, and Rs. 2·84 crores respectively; profits from currency, an increase of Rs. 3·65 crores. There were also certain prepartition receipts amounting to Rs. 13·4 crores and a carry-over of Rs. 1·33 crores on account of Government's share of the profits on sugar stocks frozen in December 1947.

eferring to the increase in Expenditure, the Minister said that Defence Services accounted for Rs. 34·35 crores of this increase and civil estimates for the balance of Rs. 48·14 crores.

Expenditure on Defence Services had been affected by the operations in Kashmir and the police action in erabad. The armed forces had to be maintained at a higher strength than was contemplated in the budget, new units had to be raised and, in addition to India's own forces, units from Indian States were taken into service, while the Government of Nepal loaned troops for internal defence. All these measures entailed additional expenditure for which there was no provision in the budget. In regard to Civil expenditure, the increase of Rs. 48·14 crores was mainly due to three causes: First, a new provision of Rs. 20·75 crores for meeting pre-partition liabilities, (the Government of India have agreed to meet these liabilities in the first instance in order to avoid hardship to those who had made supplies or rendered services to the undivided Government); secondly, Rs. 19·45 crores against a budget provision of Rs. 10·04 crores for the relief and rehabilitation of refugees; thirdly, expenditure on subsidising of imported food-grains and payment of bonuses to Provincial Governments on internal procurement now expected to exceed the original budget estimate by Rs. 12·05 crores.

Economy Committee

The Finance Minister recalled that his predecessor had made a lump cut of Rs. 2·5 crores for economies likely to result from implementation of the Economy Committee's recommendations. The work had taken longer than originally expected, and reports concerning a number of Ministries were still under examination. No savings were, therefore, likely to be realised this year, nor was he making any provision at this stage for next year before firm decisions had been taken on the Committee's recommendations. " , I may assure the House", the Minister added, "that this does not mean that I do not expect any economies to result from the Committee's recommendations. On the contrary, it is my intention to secure the utmost economy possible in public expenditure, and the House may rest assured that the recommendations of the Committee will be most carefully and earnestly considered by Government and the resulting economies enforced during the course of the year".

Income-tax Investigation Commission

The Finance Minister then referred to the work of the Income-tax Investigation Commission. The Commission had recently issued a report containing recommendations on many points of income-tax law and administration. These were being examined, and in this connection a bill might be placed before the House at its next session. As regards its other important function—investigation of specific cases referred to it by the Government—the Commission had completed a few cases. Administrative difficulties—now overcome to some extent—the need for collection of facts and figures and the collation of material obtained as a result of a general inquiry had caused a certain amount of delay in the Commission's work. Once these had been completed, however, it was hoped that the disposal of specific cases would be expedited. The possibility of disposing of the referred cases by agreed settlement was being explored and a bill would shortly be placed before the House vesting the necessary powers for the making of such settlements in the Commission's hands.

New Financial Year

Turning to 1949-50, the Finance Minister said that at the existing level of taxation he estimated the total revenue for the year at Rs. 307·74 crores and the expenditure charged to revenue at Rs. 322·53 crores, leaving a deficit of Rs. 14·79 crores.

He detailed the main heads of revenue as: Customs (Rs. 107·25 crores), Central Excises (Rs. 57·75 crores, including Rs. 7 crores from the excise duty on cotton cloth); Income-tax (Rs. 155 crores, including Rs. 11·22 crores on account of E.P.T., Rs. 12·01 crores on account of Business Profits Tax, and Rs. 12·5 crores advance payments of income-tax). He estimated the divisible pool of income-tax at Rs. 90·7 crores, the Centre retaining 46·85 crores and leaving Rs. 43·85 crores as the Provincial share. Profits from Currency and Mint, after allowing for Pakistan's share would amount to Rs. 9·7 crores; Revenue from Posts and Telegraphs to Rs. 30·26 crores and working expenses and interest to Rs. 28·63 crores, leaving a surplus of Rs. 1·63 crores. The Railways' contribution for next year would be Rs. 4·72 crores.

Of the total expenditure of Rs. 322·53 crores, the Defence Services would account for Rs. 157·37 crores and Civil Expenditure for Rs. 165·16 crores. The Finance Minister referred to the increase of Rs. 1·94 crores in the Defence expenditure and said, "The House may well ask why with the cease-fire in Kashmir, there is no decrease in the Defence Budget. The main reason for this is that the reduction in the strength of the Armed Forces cannot be made over-night and the process of demobilisation has necessarily to be spread over a period similar to the recruitment and training of the forces. The current year's revised estimates reflect the expenditure on the gradual building up of our strength, while the budget for next year will reflect the gradual reduction in that strength. Since both the processes take time, the average strength of the troops during the budget year is unlikely to differ materially from that in the current year". He added that in framing the budget for next year he had taken into account the improvement in the Kashmir situation following the cease-fire and the hope that the cease-fire would eventually lead to a peaceful solution of the problem. "The House will naturally not expect me to go into greater details in this matter", he continued, "but I must utter a warning that if for any unforeseen reason these hopes on which we have based our estimates are not realised, it may be necessary to exceed the provision now proposed". The recent grant of *ad hoc* increase in dearness allowance to employees of the Central Government had added Rs. 4 crores to the Defence Budget. Provision had also been included for expansion of the Navy and the Air-Force. "Our Navy", he said, "till recently consisted of only a few sloops and frigates designed primarily for port defence, but with the achievement of independence the Navy has been called upon to shoulder greater responsibilities than before for which it is necessary to have a balanced force, complete with aircraft carriers, cruisers, destroyers and submarines. With this end in view, Government recently approved the first phase of a 10-year plan for the Navy, confined mainly to the recruitment and training of personnel in the various branches of the Navy". A beginning had also been made in the building up of a Fleet Air Arm, for which the budget made provision. It was also hoped to train sufficient technical man-power to make the Air Force a more balanced and effective arm, and plans for its expansion and development were going forward.

Turning to the civil estimates, Dr. Matthai referred to special items such as expenditure on refugees, food subsidies and pre-partition payments. The expenditure on relief and rehabilitation of refugees was estimated to cost Rs. 9·85 crores. In addition, a provision of Rs. 21·34 crores had been made in the capital budget for loans for rehabilitation and Rs. 1·93 crores for buildings. The expenditure on food subsidies, including bonus to provinces on internal procurement, was estimated at Rs. 32·97 crores. A provision of Rs. 10 crores had also been included for the payment of pre-partition liabilities.

Of the total expenditure of Rs. 165·16 crores, the expenditure on refugees, the payment for food subsidies and pre-partition payments would amount to Rs. 52·82 crores and the normal expenditure in the coming year to Rs. 112·34 crores. Included in this was Rs. 24·2 crores for expenditure in the nation building sphere. There was also a provision in the capital budget for a grant of Rs. 26·81 crores to Provincial Governments for development and Rs. 49·25 crores for loans to them.

The Finance Minister also made a reference to Indian States merged in the Provinces. He said that ultimately the revenue and expenditure of these States would be merged in those of the Provinces concerned or the Centre, as the case may be, depending on the subjects to which they relate. "But the process of integration is still incomplete and for the present the transactions of these States have been kept separate in a deposit account and not included in the revenue and expenditure of India. If, as may be hoped, the integration is completed in the course of the coming year, these transactions will be included in the revised estimates for the year".

Post-War Planning and Development

Regarding Post-War Planning and Develpoment, Dr. Matthai said that substantial amounts had been included in the budget for grants to Provincial Governments and Central schemes. It was not the Centre's intention that the scale of assistance promised to the Provinces for development schemes and on which plans had been formulated should be reduced. "All that is happening is that the pace of this assistance is being temporarily slowed down in view of the urgent need for economy and in so doing special care has been taken to see that the progress of productive schemes and schemes of long range importance essential for national development is not held up." Also, in the case of some of the smaller Provinces the condition that the yearly grant from the Centre should be limited to half the amount spent on approved schemes had been waived for this year and the next. A provision of Rs. 26·81 crores for grants and Rs. 49·25 crores for loans had been included in the budget for next year.

For Central schemes of development, including re-settlement, provision of Rs. 12·83 crores had been made in the revenue budget and Rs. 24·97 crores in the capital budget. The preliminary investigations into the various river valley schemes would go forward and a beginning would be made in the starting of basic industries such as the setting up of a Shipping Corporation, new Steel Works and the manufacture of telephone and wireless equipment, synthetic oil, machine tools, cables, Diesel engines and heavy electrical equipment.

Special transactions in the capital budget this year included a payment to the U.K. Government for the purchase of annuities for meeting sterling pensions, accounting for a net debit of Rs. 215·68 crores this year and a recover Rs. 7·42 crores next year for which credit has been tal , payment, again to the U.K. Government, as part of the Sterling Balances Agreement, of Rs. 133·33 crores for Defence stores and installations against which Rs. 51·57 crores would be recovered this year and Rs. 11·8 crores next year from Pakistan and from the sale of surpluses and outlay of Rs. 5·93 crores on the acquisition of shares of Reserve Bank of India this year. There was also provision of Rs. 5·08 crores this year and Rs. 92 lakhs next year for payment to Pakistan for the setting up of Ordnance factories and other unique institutions which were not divided at the time of the partition. Provision for normal capital expenditure was of the order of Rs. 44·09 crores this year and Rs. 62·42 crores next year. Out of a budgeted capital outlay on Defence of Rs. 14·99 crores this year, the actual expenditure was now estimated at Rs. 9·91 crores, the decrease being mainly due to delay in the completion of certain plans for major works and the procurement of aircraft. For next year, a provision of Rs. 15 crores had been included—Rs. 7·24 crores for the Army, Rs. 2·79 crores for the Navy and Rs. 4·97 crores for the Air Force.

Ways and Means

Regarding the ways and means position, the Finance Minister said that owing to the stagnation in the capital market it had not been possible to borrow on the scale originally contemplated. For next year, he had made "a modest provision" of Rs. 85 crores for market loans, but if conditions improved the scale of borrowing would be raised. "In the present inflationary conditions", he added, "it is of the utmost importance for the economy of the country that the community should save as much as possible and lend its savings to the State". There had been in recent months some improvement in net receipts from Savings Banks and the sale of National Savings Certificates. For next year, he had allowed for some further improvement and taken credit for a net receipt of Rs. [illegible] 6 crores.

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BUDGET SPEECH

SUMMARY OF PART "B"

NEW TAXATION PROPOSALS.

SURPLUS BUDGET FOR COMING YEAR

CAPITAL GAINS TAX ABOLISHED

RELIEF IN INCOME-TAX FOR LOWEST AND MEDIUM INCOME GROUPS

REDUCTION IN SUPER-TAX

EXPORT DUTY ON OIL SEEDS AND VEGETABLE OILS REMOVED

RELIEF IN CUSTOMS DUTY ON RAW MATERIALS FOR INDUSTRY

SURCHARGE ON AIR MAILS ABOLISHED

ALL FIRST CLASS MAILS TO BE CARRIED BY AIR

POSTAL RATES REVISED

ADDITIONAL CUSTOMS DUTIES ON LUXURY ITEMS

NEW EXPORT DUTY ON CIGARS AND CIGARETTES

DUTY ON MOTOR SPIRIT RAISED

INCREASE IN EXCISE DUTY ON SUGAR AND MOTOR TYRES

EXCISE DUTY ON COTTON CLOTH EXTENDED

MATCH DUTY RATIONALISED

DEFICIT OF Rs- 14·79 CRORES CONVERTED TO SURPLUS OF Rs. 45 LAKHS.

FINAL POSITION.

	(In crores of Rs.) Revised.	Budget.
Revenue	338·32	322·98
Expenditure	339·87	322·53
Deficit	1·55	
Surplus	—	0·45

The Finance Minister began by saying that in the pre- nt inflationary conditions the substantial deficit for next ar should not be left uncovered. The problem before him as not merely that of raising the additional revenue to ver the deficit. He had also to consider the adjustments taxation necessary in the light of the experience of the rrent year. "Fiscal policy", he said, "is not an end in f but has to subserve the ends of national policy and in ansitional period like this it is essential to keep the rking of the taxation system under constant review and adjust it in the light of changing circumstances".

Dr. Matthai referred to "a deep underlying fear of the ture" as "the most disconcerting element in the economic e of the country today" and said that one of the most t tasks before a Finance Minister today was to con- measures to remove this fear and revive confidence. less this fear was removed and conditions created in ich the incentive to save and to invest was revived the ustrial expansion of the country and the execution of the ns for raising the living standards of the people were und to be delayed. He had kept this requirement in mind formulating his proposals.

RELIEFS IN TAXATION.

In the field of direct taxation the Finance Minister's st proposal was to abolish the Capital Gains Tax. This x was expected to produce a large revenue but it had ynchronised with a period of falling values and the yield rom it had been small. Its effect on investment had been narkedly adverse and it had hampered the free movement f stocks and shares "without which it was hardly possible o maintain a high level of industrial development". The Finance Minister considered the retention of this tax in resent circumstances ill-advised. The loss of revenue was stimated at Rs. 1 crore.

REDUCTION OF INCOME-TAX.

His second proposal was to give some relief to income- ax payers in the lowest and medium income groups, a class which had been severely hit by the rise in prices and to whom a certain degree of relief was amply justified. He proposed to reduce the tax on incomes upto Rs. 10,000 by a quarter of an anna.

CHANGES IN SUPER-TAX.

His third proposal was to give a reduction in super-tax on earned incomes in excess of Rs. 1½ lakhs and in the maximum rate of super-tax on unearned incomes. This was to meet the criticism that the existing level of taxation left little incentive for saving and investment and it was illogical not to differentiate between earned and unearned incomes beyond Rs. 1½ lakhs. The rate of tax on earned incomes above Rs. 1½ lakhs will be reduced by 1½ annas in each slab, leaving the maximum tax taking income and super-tax together, at 14 annas. The maximum rate of tax on unearned incomes will be reduced by half an anna to 10 annas.

The concessions in income-tax and super-tax were esti- mated to cost Rs. 6·1 crores, of which Rs. 3 crores will fall on the Provinces, by reducing the divisible pool of income-tax.

The Finance Minister then went on to refer to two changes which he proposed to make in the field of income- tax. He referred to the concession given in the current year's budget to small companies with an income of Rs. 25,000 and below by reducing the income-tax to half the usual rates. This had created administrative difficulties and he proposed that the rebate of half the tax should be given in Corporation Tax instead of in income-tax. The entire loss will fall on the Centre and the Provinces will not have to share it. The concession will be limited to public-controlled small companies which are not branches or subsidiaries of bigger companies. The second change related to the taxa- tion of incomes of privately-controlled companies which do not declare their dividends in India. These companies had been taxed as individuals, but the arrangement had not been satisfactory. He had reviewed the position and had come to the conclusion that the principle of applying an average rate should be adopted. He proposed to treat them as companies for tax purposes, but charge them a further super-tax of one anna. This change will be applied commencing with the current year and will not involve any change in the revenue estimates.

Dr. Matthai then briefly digressed to review the measures taken by Government to meet the complaint that the existing method of calculating depreciation for income-tax purposes on the original value involved hardship, when replacements had to be made at inflated prices. Government recognised that the difficulty complained of was real but the suggestion that companies should be allowed to revalue their assets at the present prices would not help those who wished to replace the assets immediately. The matter had been carefully reviewed last October and the Minister recounted the measures taken for meeting this complaint. For all new plant and machinery installed in the five years commencing from the 1st April 1948 depreciation allowance at double the ordinary rates would be allowed; if by 1st April 1953 there was a drop in prices the difference between the written down value of the assets and the corresponding value at reduced rates would be allowed as additional depreciation; for existing plant and machinery extra depreciation would be allowed if triple shifts were worked. "I trust" said the Finance Minister "that these concessions will go a long way in meeting the complaints of industry in this matter". The concession allowed in income-tax on undistributed profits and the temporary limitation of dividends would also enable industrial concerns to accumulate reserves for meeting the increased cost of replacement.

Reliefs in indirect taxation.

The Finance Minister then turned to indirect taxation. He proposed the abolition of the export duty on oilseeds and vegetable oils with a loss of revenue of Rs. 1·5 crores. When the duty was levied it was hoped that it would not affect the export market but experience had shown that the existence of the duty hampered the maintenance of the country's export market, particularly in the dollar countries, where India had to meet severe competition. As a measure of assistance to civil aviation and to foster the development of flying clubs and the training of Indian pilots he proposed to give a rebate of half the duty on aviation spirit used by air companies, flying clubs and others. This would cost Rs. 40 lakhs. He also mentioned that in pursuance of the policy of giving relief in respect of customs duty on raw materials imported for industry relief would be given next year on a number of imported articles at a cost of Rs. 35 lakhs.

The net effect of all these reliefs was a reduction in revenue of Rs. 5·35 crores, raising the deficit from Rs. 14·79 crores to Rs. 20·14 crores.

New and additional taxes.

The Finance Minister first referred to certain changes in the postal rates. With the rapid development of a net work of air services over the whole country it was proposed to utilise this facility for carrying letters and post cards as far as possible by air. The existing surcharge on air mails will be abolished and the rate for letters and post cards revised. The rate for letters will be raised from 1½ annas to 2 annas for the first tola, the rate for each subsequent tola or for fractions of a tola remaining unchanged at an anna a tola. The rate for post cards will be raised to nine pies, the rate in force before the 1st July 1946. The net additional revenue from these changes was estimated at Rs. 2·84 crores.

He then turned to the problem of covering the remaining deficit of Rs. 17·3 crores. He pointed out that at the present level of taxation there was no scope for raising additional revenue from direct taxes. Import duties were already so high that no substantial increase in revenue could be expected from enhancing them. Export duties had to be levied with care, with reference not so much to revenue considerations as to the need for maintaining and developing the country's export trade. "While some adjustments may be found possible in respect of import duties, and export duties could be utilised to some extent", Dr. Matthai said, "we can no longer rely on customs duties for raising substantial additional revenue and we shall have to depend largely on developing excise duties".

Increase in customs duties.

The Finance Minister said that the changes made in the customs duties by ordinance last November, as part of the campaign against inflation, will be retained for next year and the process of raising the duties on luxury items then begun will be completed by a number of further minor changes in the tariff. The duty on liquor, fabrics containing silk, art silk, woollens and their mixtures, cotton kni[illegible]d apparel, artificial silk yarn and thread, earthenware, c[illegible], paper other than newsprint, stationery articles, glass and glassware, photographic appliances, clocks and watches, etc., will be increased to bring in Rs. 2·4 crores. The import duty on motor spirit, and with it the excise duty, will be raised from 12 annas a gallon to 15 annas a gallon, bringing the duty to the level in 1945-46. "I have carefully considered", Dr. Matthai remarked, "the implications of [illegible]s course on transport and am satisfied that it will not re[illegible]d the development of transport or add materially to the cost of road transport". The import duty on betelnuts will be raised from 5 annas a lb. to 7½ annas a lb., with the existing preference of half an anna on imports from British colonies, to yield Rs. 1 crore. A new export duty of 15 per cent. *ad valorem* on cigars, cigarettes and cheroots will also be levied to yield Rs. 60 lakhs.

Increase in Central Excise Duties.

Turning to Central excises, the Finance Minister referred to the increase in the duty on motor spirit as complementary to the increase in the import duty. He proposed further changes in respect of sugar, tyres for motor vehicles and cotton cloth. The duty on sugar will be raised from Rs. 3 per cwt. to Rs. 3-12-0 per cwt. to yield Rs. 1·5 crores. The duty on tyres for motor vehicles will be raised from 15 per cent. *ad valorem* to 30 per cent. *ad valorem* to yield Rs. 70 lakhs. In regard to cotton cloth, the duty of 25 per cent. on superfine cloth levied this year will be continued and in addition a duty of 6¼ per cent. on fine cloth and 3 pies a yard on coarse and medium cloth will be imposed. The yield from this was estimated at Rs. 9 crores. Dr. Matthai referred to the "long and bitter history" behind the cotton excise duty and explained his reasons for introducing it. The duty was being levied in circumstances different from those in which a foreign Government had levied it in the interests of a foreign industry. It was also necessary to replace the loss caused by the abolition of the salt duty by developing some other equally stable source of revenue and cloth, wi[illegible] the large internal production and as an article of univer[illegible] consumption, was an obvious choice. The duty was not likely to affect the indigenous industry but would assist the handloom industry to maintain its market by slightly increasing the cost of the mill-made product.

The Finance Minister then went on to refer to the rationalisation he proposed to effect in the duty on match[illegible] He said that the ideal arrangement will be to have one sta[illegible]ard size of matches but owing to practical difficulties in production it was not possible to achieve this. He had therefore decided to have two sizes, namely, 40s and 60s for the home market. Some slight readjustments in the rate of the duty had been made and factories with an annual output of less than 5 lakhs gross boxes would benefit by the levy of a somewhat lower duty. These changes will not however involve any change in the revenue estimates. With the provision of the two sizes it was hoped that the retail prices will not exceed 6 pies and 9 pies per box and that the consumer will get the benefit of the partial standardisation without any loss of revenue to the exchequer.

The Finance Minister then summarised the net effect of all the proposals. The various measures for relief in direct taxation would cost the Centre Rs. 3·1 crores. The abolition of the export duty on vegetable seeds and oils would cost Rs. 1·5 crores and the rebate of duty on aviation spirit and industrial raw materials would cost another Rs. 75 lakhs, raising the prospective deficit from Rs. 14·79 crores to Rs. 20·14 crores. The increases in customs duties and the export duty on cigarettes and cigars would yield Rs. 6·23 crores, the net increase in postal rates Rs. 2·84 crores and the increases in Central excises Rs. 11·52 crores. The final effect is to convert the deficit into a small surplus of Rs. 45 lakhs.

CONCLUSION.

Dr. Matthai concluded his speech on a note of quiet optimism. He pointed out that this country was not alone in having to fight scarcities and inflation; these problems faced most countries in the post-war world. The financial position of the country was intrinsically sound. It had only a moderate public debt in relation to its national income; it had extensive external assets and practically no external ebt; it had weathered the storm and stress of the partition nd its terrible aftermath; in spite of extraordinary demands n its resources for the relief and rehabilitation of refugees, port of food from overseas on an unprecedented scale and e defence of Kashmir, the budget had been balanced withut sacrificing any essential schemes of development; it had ade headway in the fight against inflation; the production curve was slowly rising and there were plans in hand for increasing the food production of the country. Dr. Matthai did not want to minimise the difficulties or suggest that a complacent view should be taken of the situation. "We have still", he said, "a formidable task ahead of us, the task of fighting want, sickness and poverty and raising the living standards of the millions to whom the emancipation of the country will be a mockery unless it is translated in terms of opportunities for a fuller, freer and better life. This task is not beyond our resources but it requires the co-operation of all classes and sections of the community in a spirit of partnership in a high adventure. I have no doubt that this co-operation will be forthcoming and I pray that my stewardship of the finances of the country may contribute in some degree to the accomplishment of this task".