

## FOREWORD

The Reserve Bank of India regularly brings out the Report on Currency and Finance, which was traditionally considered as a comprehensive source and record of economic developments. The structure of this Report has been re-oriented since 1998-99 from just documenting the economic developments to a 'theme-based report'. The theme-based Report offers the professional economists working in the Bank, an opportunity to work on relevant topic every year and make incisive analysis of the theme both in the global and the Indian context and come out with an analytical Report offering possible policy solutions to the issues examined. The dissemination of these Reports to a wider section of the user-community is an important exercise. The Report pertaining to the period between 1935-36 and 1998-99 are available only in printed form. The Reports from 1999-2000 have been placed on the Reserve Bank's website. In these days of widespread use of information technology, it is felt useful to bring out the Reports in a single DVD. I hope this will be an invaluable collector's item among the policy makers and academia.

The digitization process of the Reports was undertaken by Shri Ashok Kapoor, Chief Archivist, Reserve Bank of India Archives and supported by the services of Smt. Sandhya Dhavale, Assistant Librarian, under the guidance of Shri K.U.B. Rao, Adviser, Department of Economic Analysis and Policy and Shri Sandip Ghose, Principal and Chief General Manager, College of Agricultural Banking, Pune. I place on record my deep appreciation of their efforts.

Mumbai  
April 1, 2009

(Rakesh Mohan)  
Deputy Governor  
Reserve Bank of India

**Reserve Bank of India**

**REPORT**

**ON**

**CURRENCY and FINANCE**

**FOR THE YEAR**

**1944-45**

**BOMBAY**

**THE TIMES OF INDIA PRESS**

**1945**

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## INTRODUCTORY

*General Features of the Year.*—With the announcement on the 8th May 1945 of unconditional surrender by Germany to the Allied Expeditionary Force and the Soviet High Command, the European—and major—phase of the Second World War came to an end. The war with Japan in the Pacific was by progressive stages carried closer to the enemy's home territory, while on the Burma front, after their ejection from India's eastern frontier, the Japanese were successively forced out of Northern and Central Burma and with the entry of the Allied forces into Rangoon early in May 1945, their expulsion from that country was nearing completion.

The policy of pooling the financial, material and shipping resources of the Allies, through agencies like the Combined Raw Materials Board, the Combined Food Board and the Combined Production and Resources Board initiated earlier during the war, was continued during the year. As indicated in the second year's Report of the Production and Resources Board issued in 1944, the services of these agencies were increasingly utilised for releasing supplies to afford relief to the peoples of the liberated areas, for devising measures for increases in their civilian production, and for working out systems of priorities for these purposes. The task of allocating supplies, particularly of food and clothing, has been rendered peculiarly difficult by acute shortage of supplies, current world production of cotton goods, for instance, in all but the Japanese controlled areas being estimated at 24 billion yards as against 35 billion yards before the war. The services of the UNRRA were also utilised in supplying food, farm machinery, wearing apparel, coal, medical supplies, etc. The flow of lend-lease aid from the United States increased in volume, and the value of goods and services supplied to the Allies at \$15.4 billion during 1944 touched a new record. According to the 19th Report on Lend-Lease released by the U.S. Administration in May 1945 the total lend-lease aid since March 1941 up to the end of March 1945 aggregated \$39 billion. The total lend-lease exports from the United States to the various United Nations are shown below :—

**TABLE 1. EXPORTS UNDER LEND-LEASE SINCE MARCH 1941.**

		(\$ million)	
Countries		During 1944	Upto 31st March 1945
			Percentage of col. (3) to total lend-lease aid at 39 billion dollars
(1)	(2)	(3)	(4)
1 United Kingdom .. .. .	5,097	12,775	33
2 Soviet Russia .. .. .	3,429	8,410	22
3 Africa, the Middle East and the Mediterranean area .. .. .	1,195	3,813	10
4 China and India .. .. .	835	2,023	5
5 Australia and New Zealand .. .. .	366	1,257	3
6 Latin America .. .. .	82	227	1
7 Others .. .. .	282	805	2

On the other hand, the amount of Reciprocal Aid furnished to the U.S. forces also showed a progressive increase. The total value of such reverse lend-lease up to the end of 1944 was \$5 billion. A British Government White Paper places the value of the United Kingdom's aid to Allied Governments up to June 1944 at £1,080 million of which the U.S. forces received £605 million. The value of supplies made by India under reciprocal aid rose from Rs.35 crores in 1943-44 to Rs.76 crores in 1944-45.

Conditions of full employment, Governmental expenditure on an unprecedented scale, diversion of productive capacity to war purposes and reduced imports continued to impose a severe strain on national cost and price levels, and everywhere called for considerable efforts to sustain economic and financial stability. A large measure of stability had, however, already been achieved in most countries and the problem was how to safeguard it. To this end, the physical and financial controls already instituted were maintained and intensified. Some idea of the relative measure of economic and financial strain imposed by the war on the economies of principal belligerent and Empire countries can be had from the proportion of the national incomes or national budgets devoted to defence expenditure and the reduction in civilian standards of consumption and in private capital investment during recent years.

2. *International Conferences.*—The war has brought a wide realisation of the close inter-dependence of nations in the social, economic and political spheres and of the need for the setting up of functioning institutions to form the nuclei of international organisations in various phases of international life. A series of international conferences have accordingly been called, mostly at the instance of the United States Government or business circles, besides group and regional conferences, e.g., among members of the Commonwealth or areas such as the Americas and the Middle East, to deliberate upon matters of common interest and formulate concrete lines of international action or policy towards their treatment. India was represented at all the important world conferences. The International Labour Conference held at Philadelphia in April 1944 unanimously adopted a social charter of rights for the common man, embodying the right to freedom of association and collective bargaining and minimum safeguards for employment. Problems connected with post-war trade and commerce, currency relations, trade barriers, etc., were discussed by representative businessmen at another non-official conference held at Rye in the United States in November 1944. The Conference advocated free enterprise as a necessary condition of progress. The International Civil Aviation Conference held at Chicago early in the same month devoted itself to questions such as the setting up of an International Convention and an interim agreement for the regulation of world air traffic and established an Interim Council on which India has a seat. A series of conferences of the representatives of the Governments of the members of the Commonwealth were held during the year, at which questions connected with the prosecution of war, international security, aviation and migration within the Empire were discussed and decisions taken to enable the Commonwealth to formulate its general views on international problems. Guarantee of peace and freedom from aggression being the necessary basis of all ordered human progress and international economic collaboration, the organisation of world security in the post-war period occupied a prominent place in international discussions. The spirit of the United Nations' resolve embodied in Article 4 of the Moscow Agreement which recognised the necessity of establishing at the earliest possible date a general

international organisation based on the sovereign equality of all peace loving States was carried a step further by the tentative decisions on the question of world security taken at the Dumbarton Oaks Conference in October 1944. These decisions related to the institution of a General Assembly, a World Security Council and an International Court of justice. The World Security Council was to be primarily responsible for ensuring security, and an international military staff committee was envisaged to assist the Council in its task. The decisions were reaffirmed at the Yalta Conference in the Crimea in February 1945, at which it was decided to call a representative international conference of the United Nations at San Francisco on the 25th April to give shape to the Dumbarton Oaks decisions. The San Francisco Conference, which concluded its session on the 27th June 1945, adopted a Charter, proposing the setting up of an international organisation known as the United Nations primarily to safeguard peace and assure world security.

The Yalta Conference which met on the eve of the collapse of Germany, also dealt with problems arising out of the implications of Germany's unconditional surrender, occupation of the enemy territory, resettlement of liberated areas and reparations by Germany. Germany was to be obliged to make compensation in kind to the greatest extent possible for the damage caused to the Allied Nations, and a Commission for the compensation of damage was to be established. Mention may also be made of the Pacific Relations Conference in January 1945 at which the economic and political future of territories in the Pacific was discussed, and of the World Trade Union Conference held in London in February 1945 at which proposals for setting up a new World Trade Union Organisation were debated.

Of particular monetary significance among the international conferences held during the year was the United Nations Monetary and Financial Conference held at Brettonwoods (N.H.) in July 1944 at which a concrete programme for international monetary and financial co-operation was worked out. This included Articles of Agreement representing the consensus of conclusions of the experts of the forty-four nations represented in the Conference, relating to an International Monetary Fund and an International Bank for Reconstruction and Development. A main object of the International Monetary Fund is to provide member countries with short-term resources (based on the quotas allotted to each country) to enable them to tide over temporary deficits in their balances of payments and thereby to promote stability of exchange, which is essential to the balanced growth of international trade. The aggregate of all member quotas in the Fund will be composed of gold, member countries' currencies and securities totalling \$8.8 billion in all, of which India's quota is \$0.4 billion; the quota is a measure of a country's subscription, as well as of its borrowing rights, voting rights and share in the management. The purpose of the International Bank is to promote the flow of long-term international capital to assist in the reconstruction of economic life, the reconversion of productive resources and the economic development of member countries; the Bank may also thus contribute to long-term equilibrium in international balances of payments. The Indian delegation to the Monetary Conference pressed for some provision for a partial multilateral clearing of the wartime sterling balances through the machinery of the Fund in the interests alike of the economic development of the backward countries and the expansion of multilateral trade, thereby assisting the broad objectives of the Fund. The proposal, however, was rejected by the Conference on the ground of the limited size of the Fund in relation to the magnitude of the war balances. The Conference also rejected the Indian delegation's claim for the



allotment of a larger quota and for a permanent seat on the Executive Committee of the Fund and of the Bank, though her quota is large enough to assure her continuous election to the Executive Committee of the two institutions. The Articles of Agreement await ratification by the Governments of the participating countries and will come into force when the Agreement is signed on behalf of Governments having 65 per cent. of the total quotas.

3. *Wartime Finances.*—The table on pages 5 and 6 gives figures of revenue, defence and total expenditure and public debt since 1938-39 in respect of the principal belligerent countries excepting Germany (for which figures are not available). The table brings out a few striking similarities in trends in the general pattern of public finance operations of the various countries, though there are important differences in the individual characteristics of the series included. Column 7 showing the percentage increase in total expenditure from year to year indicates that the largest relative increase in expenditure took place in the United Kingdom and the Dominions in 1940-41; this was the year of maximum tempo of financial war effort in all these countries when the most considerable part of the shift of their economics from a peace to wartime basis occurred. The corresponding year or years in the case of the United States were 1941-42 and 1942-43 owing to its later entry into the war. In India, the year of largest increase in budgetary expenditure was 1942-43, suggesting that the heaviest direct financial burden was related to the Japanese phase of the war. These, it would appear, were also the respective years of maximum strain on the economic and financial equilibrium of the different countries. One evidence of this is afforded by the figures (in column 8) relating to the ratio of total revenue to total expenditure, which showed the largest dip in these years in the respective countries. This indicated the inability of revenue resources to expand in proportion to the large increase in expenditure, rendering necessary the largest relative annual rise in public debt in the same year or years (as would appear from column 9). After the respective year or years of maximum percentage increase in expenditure in each country, the curve of rising expenditure in the several countries gradually tapers off and during the last year or so there has been either a small rise or decline in the level of expenditure in all countries. Meanwhile, the revenue receipts, as well as their proportion to total expenditure, have continued to increase, the lag between expenditure and revenue being correspondingly reduced; the largest increase in revenue occurred generally in the year or two following the heaviest increase in expenditure. The process of expansion of tax resources was slower as compared with the sudden and immediate increase in expenditure, and borrowing of varying degrees of inflationary potential filled the gap (as reflected in the indices of money circulation in the next paragraph). Attempts have, however, been made to reduce recourse to inflationary forms of borrowing by increasing as far as possible the flow of savings from individual and institutional investors. Broadly, from 42 to 65 per cent. of the expenditure is met from revenue in the several countries,\* and the rest from borrowing.

The national patterns of wartime borrowing disclose interesting features as regards the types of issues outstanding, maturities, interest rates and groups of holders.

\* In the case of India, where this percentage is 62, the large expenditure on Allied account vitiates any direct comparison based on budgetary figures alone, and the real inflationary impact of public finance operations is far larger than the direct gap between expenditure and revenue; on the other hand, the significance of the gap which is relatively about the smallest in the United Kingdom (excepting South Africa) is further reduced by the practical immobilisation of large balances owned abroad and compulsorily invested in British treasury bills.

TABLE 2. ANNUAL REVENUE, EXPENDITURE AND DEBT OF THE EMPIRE COUNTRIES, THE UNITED STATES AND JAPAN DURING THE WAR

Country.	Years	Total Revenue	Taxes on Income	Percentage of 3 to 2	Defence Expenditure	Total Expenditure	Percentage Increase in 6	Percentage of 2 to 6	Public Debt (year-end figures)
	1	2	3	4	5	6	7	8	9
United States (In millions of \$)	July-June								
	1938-39	5,165 <sup>a</sup>	2,189	42	1,206	8,707	—	59.3	40,440
	1940-41	7,607 <sup>a</sup>	3,470	46	6,301	12,711	+ 41	59.8	48,961
	1941-42	12,799 <sup>a</sup>	7,960	62	26,011	32,397	+ 155	39.5	72,422
	1942-43	22,282 <sup>a</sup>	16,094	72	72,109	78,189	+ 141	28.5	136,896
	1943-44	41,200 <sup>a</sup>	34,855	84	88,600	96,300	+ 23	42.8	201,003
	1944-45 (Estimates)	40,800 <sup>a</sup>	34,646	85	88,200	93,000	+ 2	41.6	258,000
a. Net revenue.									
United Kingdom (In millions of £)	April-March								
	1938-39	927	420	45	400 <sup>b</sup>	941	—	98.5	8,163
	1940-41	1,409	686	49	3,220 <sup>b</sup>	3,819	+ 110	36.9	11,399
	1941-42	2,175	1,114	51	4,085 <sup>b</sup>	4,840	+ 27	45.0	14,074
	1942-43	2,820	1,460	52	4,840 <sup>b</sup>	5,433	+ 12	51.9	16,855
	1943-44	3,039	1,760	58	4,950 <sup>b</sup>	5,799 <sup>c</sup>	+ 7	52.4	19,593
	1944-45 (Estimates)	3,238	1,901	59	5,125 <sup>b</sup>	6,063 <sup>c</sup>	+ 5	53.4	22,398
	1945-46 (Estimates)	3,265	1,930	59	4,500 <sup>b</sup>	5,565	— 8	58.7	—
b. The figures are approximate estimates. 1938-39—Navy, Army, Ordnance and Air votes and Issues under the Defence Loans Act. The Defence expenditure was entirely met from votes of credit from 1940-41 onwards. c. Exchequer Issues.									
Canada* (In millions of Canadian \$)	April-March								
	1938-39	499	142	28	34	573	—	87.1	3,638
	1940-41	857	272	32	1,394	1,888	139	45.4	4,737
	1941-42	1,469	645	44	2,387	2,939	56	50.0	6,609
	1942-43	2,272	1,365†	60	4,102	4,756	62	47.8	8,893
	1943-44	2,814	1,620‡	58	5,029	5,826	22	48.3	—
	1944-45 (Estimates)	2,702†	1,582‡	59	4,450	6,000	3	45.0	—

\* Defence Expenditure includes War Advances and financing Allied War Expenditure in Canada including the Gift to the United Kingdom of 1,000 million dollars in 1942-43. † In addition to the 800 million dollars appropriated for Mutual Aid in 1944-45 an unexpected balance of 87.4 million dollars was carried over from the 1943-44 appropriation of 1,000 million dollars. ‡ Includes 70,000,000 dollars in 1942-43, and 1,55,000,000 dollars in 1943-44 and 85,000,000 dollars in 1944-45 of Income Taxes and Excess Profit Taxes refundable after the war.

Country	Years	Total Revenue	Taxes on Income	Percentage of 3 to 2	Defence Expenditure	Total Expenditure	Percentage Increase in 6	Percentage of 2 to 6	Public Debt (year-end figures)
	1	2	3	4	5	6	7	8	9
Australia (In millions of Australian £)	July-June								
	1938-39	95	12	13	14	99	—	96.0	397
	1940-41	151	43	29	170	256	+ 83	59.0	510
	1941-42	210	86	41	320	421	+ 64	49.9	718
	1942-43	267*	151	57	562	670	+ 59	39.9	1,107
	1943-44	309*	194	62	544	686	+ 2	45.0	1,476
	1944-45	325*	211	65	505	653	+ 5	49.8	—
	(Estimates)								
* Excludes grants to States for income-tax reimbursements and entertainment tax reimbursements.									
South Africa† (In millions of South African £)	April-March								
	1939-40	45.5	18	40	3.8	71.3	—	63.8	291
	1940-41	62.9	33	52	60.0	128.2	+ 80	49.1	336
	1941-42	79.5	43	54	72.0	131.5	+ 3	60.5	381
	1942-43	94.5	58	61	96.0	166.0	+ 26	56.9	430
	1943-44	107.5	61	57	102.5	173.5	+ 5	62.0	478
	1944-45	116.0	60	51	101.3	181.0	+ 4	64.1	532
	1945-46	123.5	65	53	82.5	189.0	+ 4	65.3	588
	(Estimates)								
† Including expenditure on Loan Account.									
India (In millions of Rs.)	April-March								
	1938-39	845	173	20	462	852	—	99.2	12,058
	1940-41	1,077	259	24	736	1,142	+ 21	94.3	12,477
	1941-42	1,346	440	33	1,039	1,473	+ 29	91.4	12,092
	1942-43	1,769	858	49	2,671‡	3,416	+ 132	51.8	13,891
	1943-44	2,521	1,291	51	3,959‡	4,793	+ 40	52.6	15,653
	1944-45								
	(Revised)	3,569	2,100	59	4,566‡	5,721	+ 19	62.4	18,485
	1945-46								
	(Budget)	3,623	1,903	53	4,120‡	5,354	+ 6	67.7	22,066
The figures of public debt represent the total interest-bearing obligations. ‡ Including expenditure on Capital Account.									
Japan¶ (In millions of Yen)	1938-39	1,814	1,118	62	6,097	8,064	—	22.4	17,837
	1940-41	3,168	2,545	80	6,764	10,034	+ 12	31.6	30,895
	1941-42	3,868	2,973	77	15,730	20,253	+ 102	19.1	41,677
	1942-43	5,767	3,944	68	18,079	24,311	+ 20	23.7	45,333
									(June)

¶ The figures of total revenue represent tax receipts only, while those of expenditure include Capital account.

The national debt of the United States in 1944 showed a rise of about three and a half times over the 1939 level as against an increase of more than one and a half times in the United Kingdom and Canada, though the debt-to-national income ratio in the United States was about equal to that of Canada and far below that of the United Kingdom. Short-term borrowing has generally predominated during the war period: about 54 per cent. of the United States public marketable debt is covered by loans maturing within five years against 44 per cent. in the United Kingdom and 45 per cent. in Canada; in India, however, the percentage of total debt maturing within five years is 22 per cent., both institutional and other investors favouring a longer term investment.

According to an analysis of the tax revenue during the period 1938-39 to 1944-45, taxes on income have increased by more than sixteen-fold in Australia, nearly fifteen-fold in the United States, eleven-fold in India, ten-fold in Canada and three and a half fold in the United Kingdom; on the other hand, receipts from customs and excise have risen by about three-fold in Canada, two-fold in the United Kingdom and India and by less than one-half in Australia. In consequence the proportion of taxes on income (direct taxation) to total revenue has increased substantially in all countries, thus making for better-balanced tax systems.

4. *Money Circulation and Wholesale Prices.*—The table on page 8 gives comparative indices of note circulation, sight deposits of commercial banks and wholesale prices since the war for the United States, certain Empire countries and India. The graphs on page 9 show the relative trends of the various series in the different countries.

Following the adoption of stabilisation measures earlier, there was only a moderate expansion in currency in most of the countries during the year under review, while the rate of increase in deposits has also somewhat slackened. Thus in the United Kingdom note circulation in 1944 rose only by 13 per cent. as against 18 per cent. in the previous year and in the United States the corresponding increases were 29 per cent. and 38 per cent. Deposits in the two countries increased by 12·7 and 13·9 per cent. in 1944 as against increases of about 11·1 and 20·9 per cent. respectively in 1943. The trends are similar in respect of Canada, Australia and South Africa. Prices showed only minor variations in most of the countries included in the statement. In India, the rate of note expansion in 1944-45 showed a considerable decline, being 23 per cent. as against 37 per cent. in 1943-44; general prices remained comparatively stable at the levels attained during the last quarter of 1943-44 after their decline from the peak level of the second quarter of that year. An analysis, denomination-wise, of note circulation in most countries appears to show a relatively larger increase in issues of notes of larger denominations, such denominations being mainly used for making payments in black markets and for hoarding purposes.

It is interesting to note that since the withdrawal of notes of larger denominations in the United Kingdom, black marketeers are reported to have increasingly resorted to diamonds as a means of payments; in less advanced countries such payments are often made through the medium of gold.

5. *United States.*—The table on page 10 shows certain essential monetary, production and price indices bearing on the trends in the United States' economy. The second year after the entry of the United States into war, viz., 1943, marked

TABLE 3. QUARTERLY INDICES OF AVERAGE MONTHLY NOTE CIRCULATION, DEMAND DEPOSITS AND WHOLESALE PRICES IN THE EMPIRE COUNTRIES AND THE UNITED STATES.

(July 1939 = 100)																
			1939	1940	1941	1942	1943				1944				1945	
			III	Annual Average			I	II	III	IV	I	II	III	IV	I	
INDIA .. ..	{	N	102	132	152	258	356	405	437	464	505	530	542	567	(+22)	613 (+21)
		D	101	113	144	207	273	299	335	367	390	414	441	458	(+25)	455 (+17)
		P	105	120	139	185	258	312	342	316	299	296	299	299	(- 5)	301 (+0.7)
UNITED KINGDOM ..	{	N	103	113	128	159	180	185	191	202	212	221	224	234	(+16)	240 (+13)
		D	101	120	152	173	189	192	199	211	212	218	224	237	(+12)	237† (+12)
		P	102	139	165	162	165	166	166	165	168	169	170	170	(+ 3)	170 (+ 1)
CANADA .. ..	{	N	110	163	240	337	410	442	468	502	517	539	567	600	(+20)	..
		D	104	126	157	193	221	230	235	247	256	266	273	279	(+13)	..
		P	103	114	124	132	134	137	138	141	141	141	140	140	(- 1)	..
SOUTH AFRICA..	{	N	103	114	134	173	205	225	238	255	257	271	280	292	(+15)	293† (+14)
		D	99	117	150	189	226	239	247	257	259	267†	281	293	..	..
		P	98	114	124	140	149	150	153	156	158*	158	157	156	(+1)	..
AUSTRALIA ..	{	N	103	128	156	229	284	307	325	352	377	414	438	445	(+26)	..
		D	100	122	139	172	213	221	220	238	265	274	269	288	(+21)	..
		P†	97	110	117	131	135	138	139	138	137	138	140	..	..	..
UNITED STATES	{	N	102	116	151	217	277	300	328	360	382	409	436	472	(+31)	491 (+69)
		D	103	118	137	152	177	179	190	189	189	198	199	212	(+12)	209† (+11)
		P	102	104	116	131	136	138	137	137	138	139	139	139	(+ 1)	..

N—Note Circulation.

D—Demand Deposits.

P—Wholesale Prices.

† (Provisional) for two months only.

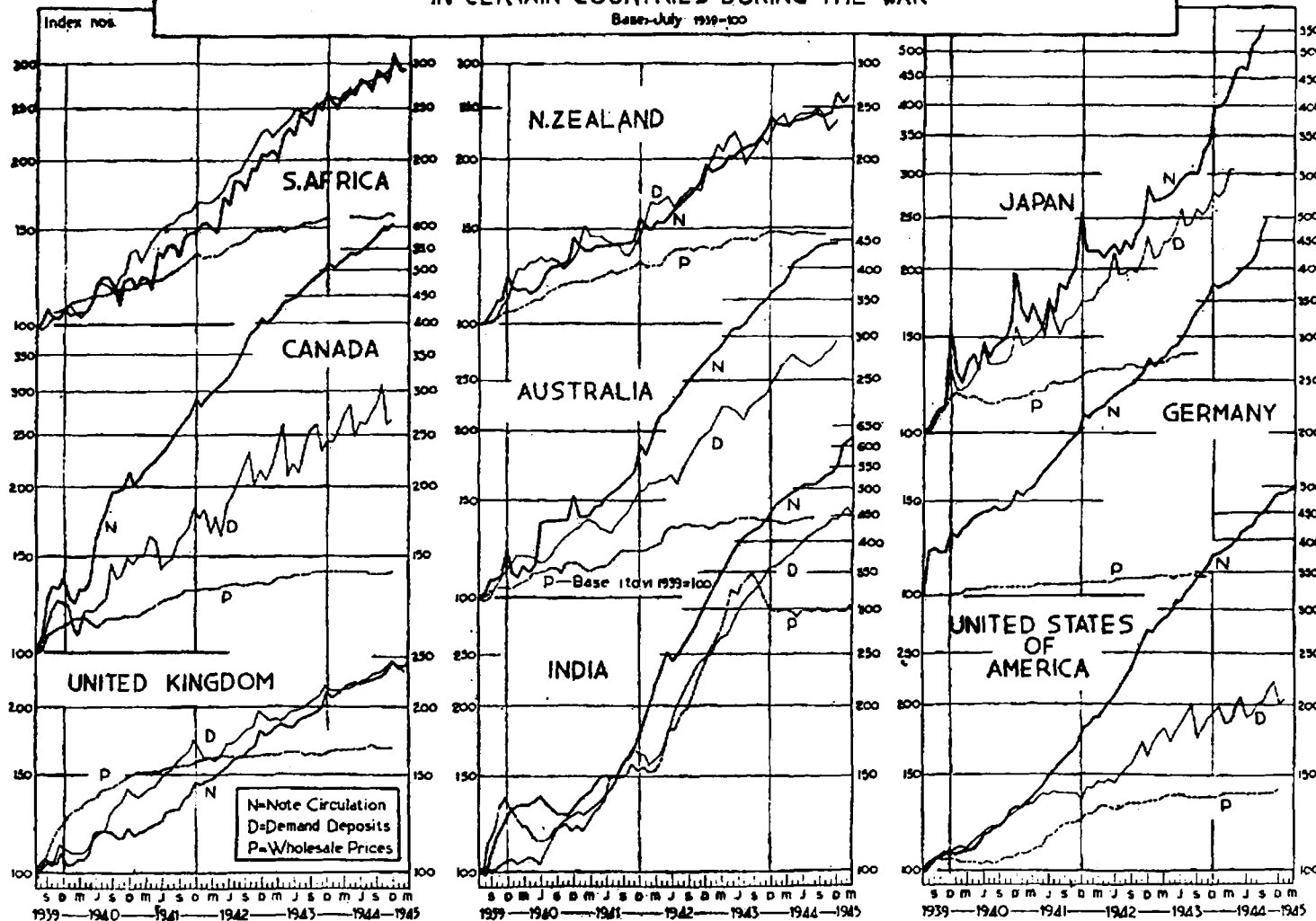
\* For one month only.

† January to June 1939 = 100.

Figures within brackets indicate the percentage change in the quarter over the corresponding quarter of the previous year.

# INDICES OF NOTE CIRCULATION, DEMAND DEPOSITS AND WHOLESALE PRICES IN CERTAIN COUNTRIES DURING THE WAR

Base: July 1939=100



the approximate completion of industrial mobilisation and the attainment of maximum wartime output, the Federal Reserve Board index number of industrial production (1935-39=100) touching its peak of 249 in October 1943 as against 218 a year before. Productive capacity is estimated to have increased by about 50 per cent. during the war. The over-all picture of the third year, viz., 1944 has been one of gradual curtailment of war economic activity, planned initiation of reconversion programmes and the achievement of a fuller measure of economic and financial equilibrium. The index of total industrial production declined slightly from 239 at the end of 1943 to 229 a year later. The various price control measures, originally embodied in the Stabilisation Act of October 1942, were extended for a further period of one year to the 30th June 1945, subject to certain increases in ceiling prices of farm products, with corresponding increases in a few cases in the ceiling prices of finished products. These changes in the stabilisation policy did not, however, have any material effect on the general price level, the indices of cost of living and wholesale prices rising only by 1.5 per cent. and 1 per cent. respectively during the whole of 1944. The United States has been comparatively successful in countering the powerful inflationary flood of purchasing power mainly by a plentiful flow of goods for civilian consumption: the country's standard of living during wartime has risen markedly above the pre-war level. The enforced reductions in the supplies of certain durable consumer goods such as motor cars, tyres, refrigerators, etc., have been more than compensated by a great expansion in other civilian industries covering durable as well as non-durable goods. The index number of Department Store Sales which has been on an upward trend since 1942 increased further by 11 per cent. during 1944 and averaged 186 in 1944 as against 133 in 1941.

	1938	1939	1940	1941	1942	1943	1944
Money in circulation (million dollars) (End of year) ..	6,856	7,598	8,732	11,160	15,410	20,449	25,307
Gold Stock (million dollars) (End of year) ..	14,512	17,644	21,995	22,737	22,726	21,938	20,619
Demand Deposits (million dollars) (End of year) ..	25,986	29,793	34,945	38,992	48,922	60,815	66,900*
Time Deposits (million dollars) (End of year) ..	26,305	27,059	27,738	27,729	28,431	32,736	39,700*
Stock Prices (1935-39=100) ..	88.2	94.2	88.1	80.0	69.4	91.9	99.8
Income payments (1935-39 = 100) ..	98.5	105.4	113.5	138.0	174.6	213.0	233.3*
Industrial Production Total (1935-39 = 100) ..	89	109	125	162	199	239	235*
Department Store Sales (1935-39 = 100) ..	99	106	114	133	150	168	186
Factory Pay Rolls (1939=100) ..	84.2	100.0	114.5	167.5	245.2	330.4	334.2
Factory Employment (1939 = 100) ..	91.0	100.0	107.4	132.1	152.3	168.7	159.1
Cost of Living (1935-39 = 100) ..	100.8	99.4	100.2	105.2	116.5	123.6	125.6
Wholesale prices All commodities (1926=100) ..	78.6	77.1	78.6	87.3	98.8	103.1	104.0
Wholesale Prices of farm products (1926 = 100) ..	68.5	65.3	67.7	82.4	105.9	122.6	123.3

\* Preliminary

Among the measures instituted to facilitate the transition to peace may be mentioned the announcement by the War Production Board early in July 1944 of a full programme to prepare industry for civilian production. Four specific orders were issued in execution of the programme, the most important relating to the "Spot Authorisation Plan" initiated during the middle of August 1944, under

which controls over materials such as carbon steel, alloy steel and other metals including copper and aluminium were relaxed, and manufacturers were to be assisted in resuming production of articles of civilian consumption; the sale of surplus aircraft was started in July with the initial disposal of over 2,000 planes by the Defence Plant Corporation; by the 15th November 1944, the total dollar value of authorisations for reconversion under the Plan had reached \$422 million, and the number of approved applications was 3,240. Legislative action was taken to give effect to Government's plans about other phases of reconversion. A set of four laws was passed in October 1944 viz., the Contract Termination Act, the Veterans' Benefit Act, the Surplus Disposal Act and the General Reconversion Act. These plans, however, received a temporary setback in December 1944, while the Spot Authorisation Scheme had to be suspended for the time being, owing to military exigencies resulting from a protraction of war in Europe and its intensification in the East. Meanwhile, manpower shortages and shortfalls in essential supplies continued to claim attention and the Administration adopted the new Manpower Referral System under which assignment and distribution of industrial workers in the United States were brought under centralised control.

Long-term programmes of post-war reconstruction engaged the attention of official, semi-official and non-official bodies in the country. The major problem of post-war reconstruction in the United States is the provision of full employment and formulation of a post-war programme to avoid unemployment. It is estimated that there would be 60 million people available for work in the first year after the post-war transition; to maintain full employment will require a volume of production, taking account of normal population increase and expected increase in output per worker, equivalent to a gross national income at 1943 prices of \$170 billion as compared with the wartime peak income of \$200 billion and with \$108 billion in 1939. As such an unprecedented production effort will be required and also the fullest development of export markets. A United States Commerce Department forecast places the expected output in the first full peace-time year at 40 per cent. above the previous peace-time record of 1940: if this materializes the problem of oversupply in the U.S.A. will constitute an important post-war economic problem for the world. A special Senate Committee Report on post-war problems, particularly employment, outlines a sixteen point programme which has been officially approved. The principal features of the programme relate to demobilisation; termination of war contracts and disposal of surpluses; construction projects on the termination of war; relaxation of price controls and rationing; post-war budgetary policy; refinancing of treasury obligations, revision of the tax structure to promote production and consumption; expansion of foreign trade and prevention of monopolies and trade barriers. Action has already been taken on some of the recommendations of the Committee connected with contract termination, procurement by Government agencies, available plant capacity for civilian goods production and, lastly, preparation of a revenue bill designed to encourage private enterprise in the transition period.

6. *United Kingdom.*—The magnitude of Britain's war effort or war damage during the five years of war is indicated in a White Paper issued in November 1944. During this period the available manpower rose from 18½ million to 22 million; over 4.5 million houses were destroyed or damaged out of a total of 13 million in the country, and 12.5 million tons of shipping were lost; Britain's food production was raised with a view to economising shipping by increasing the total land under



plough from 12.9 million acres in 1939 to 19.4 million acres in 1944 ; overseas assets valued at £1,065 million were sold, and new overseas liabilities totalling £2,300 million were incurred. The value of British exports shrank from £471 million during 1938 to £232 million in 1943 and the volume in the latter year was only 29 per cent. of pre-war. It is estimated that 80 per cent. of the nation's war potential will have to be directed to the task of fighting against Japan.

The year under review has been one of continued stabilisation of financial and economic indices such as currency circulation, cost of living, savings, wages and industrial relations. The following table gives various indices relating to the main features of Britain's wartime economy :

	1938	1939	1940	1941	1942	1943	1944
Wholesale prices (1930=100) (average of months) ..	101.4	102.8	136.6	152.6	159.4	162.8	166.2
Cost of living (July 1914=100) (average of months) ..	156	158	184	199	200	199	201
Note circulation (£ million) (average of Wednesdays) ..	485.6	507.3	574.7	652.2	808.3	966.3	1,135.7
Bank deposits (£ million) (average of months) ..	1,244	1,252	1,487	1,885	2,148	2,455	2,765
Clearings (average of working days) (£ million) ..	133.1	124.3	133.6	144.4	163.3	189.8	207.8
Retail sales (average daily sales) (1942=100) ..	95	98	101	98	100	98	105
Wages rate (Prof. Bowley's index) (December 1924= 100) (average of months) ..	104.3	106.0	117.0	127.5	136.3	143.0	151.3
Unemployment (succeeding January figures) (thousands).	2,133.8	1,602.6	764.3	195.1	121.0	96.3	122.2
Capital flotations (thousands of £) .. .. .	118,098	66,294	4,096	2,326	3,907	8,583	7,576

Problems of reconversion and rehabilitation such as those connected with demobilisation, housing, full employment, land improvement, civil aviation, control of industry and development of exports received the attention of the authorities during the year and several important pronouncements of policy were made. A British Government White Paper issued at the end of September 1944, following the main outlines of the Beveridge plan, embodies 'a victory charter' of security. It proposes to replace the several schemes of insurance for specific purposes like health, sickness etc., by a general scheme of social security for all purposes and to provide for every person in consideration of a single weekly payment varying from 1*sh.* 10*d.* to 4*sh.* 2*d.* a wide range of benefits such as family allowances, free health services, unemployment and sickness benefits, retirement pensions, widows' pensions, and maternity and death grants as well as orphans' and guardians' allowances ; besides the scheme proposes to add 27½ million to the 20 million already insured under the various existing insurance schemes. It is estimated that these proposals which will be operated by a new Ministry of Social Insurance will cost a minimum of £650 million a year rising to £831 million by 1975. Government's policy on the control of land-use was announced in a White Paper released in June 1944 ; the White Paper examines the findings of the Barlow, the Uthwatt and the Scott Committees, and proposes the levy of a Government betterment charge, fixed at 80 per cent., on the development value of land. A four-year plan for British farming announced early in the year proposes the continuance of the wartime policy of production of the maximum quantity of foods, lays special stress on ensuring the quality, economy and efficiency of British agriculture in the post-war period and guarantees to certain sections

of producers prices not below the present level. Another White Paper issued in September 1944 on partial demobilisation after the defeat of Germany, details the scheme of re-allocation of manpower between the armed forces and industry and the financial and technical facilities to be provided for reconversion of industry to a peacetime basis. As announced in January 1945, financial assistance to industry, including small and medium-sized industries, is to be provided through two special institutions *viz.*, the Finance Corporation for Industry Ltd., and the Industrial and Commercial Finance Corporation Ltd., with a capital of £25 million and £15 million, and with powers to borrow upto £100 million and £30 million respectively; the institutions will supplement and not displace private investment. The Wages Council Bill of January 1945 proposes orderly wage regulation throughout industry and the establishment of a system of standard wage rates through either a voluntary or statutory machinery, thus assuring to industry the continuance of the benefits of wartime controls, unlike after the last war. Industries to receive special rehabilitation facilities are primarily those connected with the country's export trade *e.g.*, the cotton textile industry. Pre-war facilities for export credits as provided through the Export Credit Guarantee Fund are also proposed to be expanded by raising the limit of credits from £75 million to £200 million. It is estimated that an expansion of 50 per cent. over the pre-war level in the country's export trade will be required to make up for the change in the balance of payments position as a result of the loss of British overseas investments and of the income from invisible services on this and other accounts, over and above the liquidation and servicing of the accumulating overseas balances in London. According to an estimate private consumption relatively to national income in Britain in the immediate post-war period at 63 per cent. though it may be higher as compared with the 50 per cent. in 1943, will have to be below the pre-war level of nearly 80 per cent., if the country is to balance its international accounts and make provision for domestic investment.

7. *Other Empire Countries.*—The wartime economy of the different Dominions presents a similar pattern of development. War has provided a great fillip to their industrial and economic development, led to conditions of full employment and substantial increases in national income, and laid the foundations for a broadened and diversified post-war economy. These countries have largely maintained their economic and financial equilibrium as a result of increased production and rigid control of wages and living costs, mainly through rationing and subsidies. Subsidies have been utilised to promote agricultural production, to stabilise wages as in Australia and to reduce the incidence of the rise in import prices. Rationing has had to be resorted to on occasions not to meet local shortages but to provide *e.g.*, in Canada, for the increasing demand of the Allied Governments, particularly the United Kingdom. The standards of consumption in most cases showed marked improvement; in Canada the index number of Department Store Sales (1935-39=100) averaged 165 in 1944 as against 151 in 1943 and 104 in 1939.

By 1943 about half of Canada's national income was being devoted to direct war uses, as against a maximum of 12 to 15 per cent. during the fourth year of the last war. During 1944, industrial and business activity continued to be on an upward grade as judged from the latest available indices of employment, pay rolls, car-loadings and of trade. The index number of aggregate pay rolls (June 1, 1941=100) averaged 148·2 in 1944 as against 144·9 in 1943 and 128·3 in 1942. A study of Canada's balance of international payments for the period 1938 to 1943, features

some important wartime developments: the balance of trade in merchandise rose from \$195 million to \$1,471 million mainly as a result of larger expansion of exports; total current credits showed a rise from \$1,361 million in 1938 to \$4,064 million in 1943, as against a comparatively smaller increase in total current debits from \$1,261 million to \$2,858 million. The effectiveness of the Canadian stabilisation measures is reflected in the tenacity with which the living costs have been held in face of the marked increase in national income, the index numbers of cost of living (1935-39 = 100) being 117, 118 and 119 for 1942, 1943 and 1944 respectively. Subsidies have been the linchpin of the Canadian stabilisation programme and have been increasingly resorted to during 1943 and 1944, the total payments amounting to \$65 million from December 1941 to March 1943, to \$130 million in 1943-44 and to \$227 million according to the budget provision for 1944-45; savings to the consumer as a result of the subsidies were officially estimated at \$850 million in 1944. Among the problems of post-war reconstruction and maintenance of full employment those of providing intermediate credit to industry and extension of financial guarantees to export trade engaged attention during the year, and two new institutions, viz., the Industrial Development Bank of Canada (a subsidiary of the Bank of Canada) and the Export Credits Insurance Corporation were set up in August 1944.

Typical instances of war-induced industrialisation in Australia are furnished by the promotion of engineering, machine-tool and aircraft manufacturing projects. Under the Mutual Aid Agreement concluded between Australia and the United States in September 1942, reciprocal lend-lease aid totalled £198 million by the end of September 1944 and is placed at £110 million for the financial year ending June 1945, representing 22 per cent. of Australia's total war expenditure during the current year, as against 20 per cent. in 1943-44. Australia's food production was affected by a severe drought, and wheat production during 1944-45 was placed at 50 million bushels as against the pre-war average of 155 million bushels. The Commonwealth Government's attempt to centralise certain essential economic and financial powers in the Federal Government during the first five years after the war was defeated at a referendum in August 1944. Government's plans for post-war industrial development include the adoption of a £153 million national works programme and another £20 million of loans to States and local Government bodies in 1944-45. According to an agreement concluded in September 1944 between Australia and Great Britain, the latter is to purchase from Australia exportable surpluses of meat and dairy products for the four years ending the 30th June 1948.

South Africa has witnessed during the war a considerable degree of diversification of its economy through the development of manufacture of industrial equipment and many previously imported types of consumer goods e.g., small steel ingots, paper and chemicals. Prices in the Union rose by 4 per cent. in 1944 as against a rise of 9 per cent. in 1943 and stood at 54 per cent. above the 1939 level. Reports of investigations made by the Industrial and Agricultural Requirements Commission provide the basis of general economic reconstruction after the war. A report by a Parliamentary Committee on Social Security favoured the creation of a Social Security Fund on a contributory basis. It is not proposed, however, to undertake immediately a full-fledged programme of social security, the complete implementation of which will require an increase of at least 50 per cent. in the country's national income by 1955; to start with, a modified scheme of monetary benefits and pensions is proposed to be introduced which will cost Government £52 million by 1947.

8. *Middle Eastern Countries.*—Owing to their geographical and strategic position the countries of the Middle East were drawn early in the war into the orbit of the Allied war effort, serving as bases of supply for the African theatre and Russia. This along with the presence of large numbers of Allied forces resulted in heavy local Allied expenditures in these countries often exceeding the expenditures of their Governments. Industrially undeveloped, administratively ill-equipped and cut off from their normal supplies of imports, the countries of the Middle East have developed inflationary tendencies of a serious type. The inflationary spiral reached its peak with the rising tempo of war in 1943 as evidenced by indices of note circulation, wholesale prices and cost of living in countries like Egypt, Palestine, Iran and Iraq. Wartime expansion of currency has been the largest in Iraq, showing an increase of nearly 600 per cent. followed by Iran where the circulation rose fivefold. Price levels and living costs also have shown a correspondingly big upward surge in these two countries. Inflation in the Middle Eastern Countries has not been the outcome of unbalanced budgets. The second Anti-Inflation Conference held at Cairo in April 1944, consisting of representatives of eleven of the Middle Eastern Governments and the Governments of the United States, the United Kingdom and India, passed a number of resolutions recommending action to arrest the progress of inflation during the war and to counteract it in the post-war period. The resolutions emphasised the need for measures such as increased taxation, loans and savings, and price controls as also for the development of production to supplement the financial programme. Palestine, where the cost of living has risen the least, has attempted to combat inflation through adoption of food rationing, "utility" clothing and subsidies. Rationing was also introduced in Iraq in the middle of 1943 and was further extended in 1944 to cover tea, coffee and cotton textiles. Sales of gold have been resorted to in most of these countries to withdraw the excess purchasing power. A mitigating factor in the case of Egypt has been, as announced in September 1943, the replacement largely by internal loans of the country's sterling debt of approximately £90 million. In Iran, the measures taken have included a monopoly procurement of foodgrains, rationing, state control and distribution of cotton piece-goods, sugar, tea etc.; a committee has also been appointed to watch over trends in prices. The strain on the economy of the Middle Eastern countries was appreciably relieved with the cessation of hostilities in Africa about the end of 1943. With a view to promoting the development of agriculture, the Middle East Council of Agriculture was set up during 1944, under the ægis of the Middle East Supply Centre. The decision of the Middle East Supply Centre to relax controls over a wide range of imported articles with effect from January 1945, is expected to ease the supply situation in these countries.

9. *The Union of Soviet Socialist Republics.*—The main pre-occupation of the Union for years before the war had been the raising of its productive capacity and the building up of its capital equipment through a severe restriction on the output of consumer goods. This process was intensified after the outbreak of the war with Germany in June 1941. Strict Governmental control and planning of all economic activity rendered the task of diverting the economy to a wartime basis comparatively easier. The rise in income through wartime increase in employment has been absorbed mainly through increase in the rates of pre-war sales taxation amounting in certain cases to a half of the retail prices, State loans subscribed out of excess consumer purchasing power and a 10 per cent. surtax on all incomes. During the first two years of its war with Germany, the Soviet Union suffered a loss estimated

at 20 per cent. of its national income. The country's defence expenditure, however, increased by more than 75 per cent. during that period; three-quarters of this increase came from the diversion of resources from industrial development and the remainder from reduction in social and cultural developments, as would appear from the following figures :—

	1941 (Pre-war estimates)	1943	(£ millions) Percentage Increase (+) or Decrease (—)	
Defence .. .. .	2,830	5,000	+	77
National Economy .. .. .	2,050	870	—	58
Social Development .. .. .	2,000	1,500	—	25
Administration .. .. .	800	800	....	
Civilian Consumption .. .. .	4,500	3,000	—	33
<b>Total National Income ..</b>	<b>12,180</b>	<b>11,170</b>	<b>—</b>	<b>8</b>

The budget for 1945 provides for the largest military expenditure in Russia's history viz., 137,900 million roubles or 45 per cent. of the total budget estimated at 305,000 million roubles. The budget also provides 40,100 million roubles for capital investment as against 29,000 million roubles in the previous year, nearly half of the former sum being earmarked for rehabilitation work in the liberated regions.

As available reports show, Russia's post-war economy would appear to involve a shift in economic balance in favour of Asiatic Russia, mainly in consequence of the war experience.

10. *Burma*.—The picture of conditions in the liberated parts of Burma, as portrayed in the British Government's White Paper of May 1945 on the country's future constitution, is one of shattered political, economic and social life and of dislocated trade and communications. The re-occupied areas have been placed under the military administration of the South East Asia Command, and Civil Affairs Officers have been appointed to undertake the task of rehabilitation. Preparatory to their return to the country, the Government of Burma in India have taken measures such as registration of firms, traders and individuals who may be allowed to accompany the civil authorities on their return to Burma; Burma had more than a million of Indian population before the war. The status of Indians in Burma and questions of emigration, citizenship rights and movement of labour formed the subject of discussions between the Government of India and the Government of Burma during the year under review. The Japanese occupation of the country meant inflation and wholesale requisitioning of labour, cattle and material. The first tasks of rehabilitation, before any long-range reconstruction programme can be undertaken, will, therefore, have to be confined to the more immediate needs such as food, clothing, medicine and cattle, the re-equipment of agriculture and restoration of transport. According to a communique issued by the South East Asia Command, the Japanese occupation currency (which an estimate has placed at Rs. 300 crores) was not to be recognised with effect from the 1st May 1945. According to a statement made by the Secretary of State the pre-invasion rights of companies operating oil-fields in Burma will remain unaffected.

11. *India*.—The scope of remedial measures instituted by Government since May 1943 to deal with the serious inflationary forces at work in the country's economy was widely extended during the year to provide for larger supplies of essential goods

through freer flow of imports, partial diversion to other sources of supply of the heavy defence requirements and allocation for civilian use of a part of the productive capacity reserved for defence requirements. Increased taxation and larger borrowing, sales of bullion and extension of commodity and price controls also assisted in establishing a measure of comparative equilibrium as reflected in the trends of prices, currency circulation and security and share values (*vide* table on page 18). A vital factor in holding the inflationary spiral was the rapid return of confidence accompanying successive Allied victories. The prospects of an early successful termination of the war had favourable reactions on wide sectors of the economy. The stimulus of war has led to some industrial advance in the country and expansion of existing capacity in many industries, but the over-all measure of industrialisation secured and the durable gain of productive capacity have been small relatively to many other Empire countries. Industrial and economic activity during the year under review was fairly well maintained, although expansion was restrained by shortages of transport, coal and skilled labour.

The food situation showed a marked improvement during the year, owing to a fuller implementation of the main recommendations of the Foodgrains Policy Committee relating to imports of foodgrains, extension of rationing, statutory price control and larger production; Governmental monopoly procurement of grain, and co-ordinated purchases of military requirements also helped to relieve the position. While the object underlying the Central Government's food price policy has been to ensure adequate production at fair prices to the consumer, the authorities do not intend to allow prices to decline to the pre-war levels. Instructions have been issued to support the market *e.g.*, in the case of wheat, whenever prices show a tendency to decline unduly. Following the recommendation of the United Kingdom Fertiliser Mission which visited India in August 1944, it is proposed to manufacture in India 350,000 tons of sulphate of ammonia. Emergency irrigation schemes, expected to come into operation by the end of 1946 also aim at increasing the total area under food crops. The same objectives of increased production, controlled distribution and regulated prices have been pursued in the field of other consumer goods. The distribution among provinces of available supplies of mill-made cloth amounting to 4,800 million yards per annum as against 3,500 million yards before the war, and of handloom production, has been effected on the basis of pre-war rates of consumption. Shortage, particularly of the finer varieties became, however, accentuated as the year progressed. The general consumer goods position was alleviated by increased imports of a wide range of goods in common use such as bulbs, bicycles, stationery, drugs, light cars and locomotives and of limited supplies of textiles, and by releases by Government, of brass utensils, woollen textiles, footwear, paper, silk yarn, textiles of finer varieties, toilets, liquors etc. The over-all supply position also benefited from receipts of materials under lend-lease and under the Mutual Aid Agreement concluded in August 1944 between India and Canada; under the terms of the latter, India was to receive railway equipment including locomotives, rolling stocks and a large quantity of component parts. The supply position is expected to improve further as a result of the institution in March 1945 of the system of open general licence for imports, liberalisation of quotas, and further prospects of betterment in the shipping and exchange situation. Meanwhile, the steady extension of the scope of the Hoarding and Profiteering Prevention Ordinance of October 1943 to cover additional commodities or bring about revisions in ceiling prices fixed earlier, and the issue in July 1944 of the Consumer Goods (Control of

TABLE 4. STATISTICS (QUARTERLY) OF ECONOMIC AND FINANCIAL TRENDS IN INDIA.

I. PRICE INDICES (Quarter-end figures)			1939-40	1942-43				1943-44				1944-45				
			II	I	II	III	IV	I	II	III	IV	I	II	III	IV	
1.	All primary commodities	.. ..	111.9	156.3	163.3	177.0	218.0	238.3	237.5	232.2	226.8	236.0	238.5	247.8	246.8	
2.	Manufactured articles	.. ..	116.5	167.4	182.3	222.2	227.9	263.6	252.3	251.6	259.8	259.6	258.1	257.8	252.8	
3.	General Index	.. ..	112.9	159.6	167.3	186.0	220.1	244.0	240.6	235.3	233.5	240.9	242.6	250.0	243.1	
4.	Bombay cost of living	.. ..	108	152	170	138	208	236	245	247	220	230	239	236	225	
5.	Exports	.. ..	61	95	99	111	120	129	132	126	123	145	131			
6.	Imports	.. ..	66	130	132	120	135	137	136	150	139	125	125			
7.	Fixed yield Government Securities	.. ..	103.8	113.1	116.1	116.2	116.1	116.1	117.3	117.6	117.7	118.1	118.0	118.1	117.6	
8.	Preference shares	.. ..	127.8	137.0	147.7	163.5	157.1	160.2	164.1	165.7	171.6	173.0	174.4	178.2	181.2	
9.	Variable yield securities	.. ..	111.4	124.3	136.3	143.7	162.8	174.8	176.8	183.8	195.3	198.9	187.7	202.8	199.9	
10.	Bullion :—															
	(a) Gold (Bombay spot)	.. ..	110.7	137.0	165.3	*178.2	191.9	222.4	203.4	191.3	193.3	193.3	190.1	199.0	194.6	
	(b) Silver "	.. ..	123.3	176.1	136.7	*207.9	230.3	264.4	253.7	240.9	277.1	272.0	256.1	269.4	265.9	
II. FINANCIAL STATISTICS (In crores of rupees)																
1.	Scheduled Banks†															
	(a) Demand Deposits	.. ..	133.1	243.2	293.2	330.8	357.9	390.9	433.7	482.4	512.6	545.7	580.1	606.5	606.8	
	(b) Time Deposits	.. ..	101.6	95.8	98.0	105.6	117.4	126.2	134.9	143.9	165.9	175.2	186.8	199.5	216.0	
	(c) Cash and Balance with the Reserve Bank of India	.. ..	28.4	60.0	75.8	74.3	64.5	66.2	81.4	100.9	87.0	113.9	124.3	121.6	106.4	
2.	Cheque clearings (Total) ‡	.. ..	490.6	570.2	591.5	749.0	935.0	939.0	1019.6	1083.4	1236.0	1193.1	1335.9	1324.9	1455.6	
3.	Notes in circulation, excluding Burma notes (Quarter-end)	.. ..	192.8	443.2	492.6	570.4	643.6	723.4	759.7	840.8	882.5	931.4	941.3	1009.6	1084.9	
4.	Absorption (+) or Return (—) of Notes and Rupees ¶	.. ..	+12.7	+63.4	+50.2	+100.3	+92.3	+89.1	+37.7	+89.0	+48.8	+53.6	+7.7	+70.4	+31.0	
5.	Sterling Holdings of Reserve Bank (Quarter-end)	.. ..	78.1	322.6	410.1	475.8	509.1	641.7	750.0	855.4	946.1	1032.1	1139.2	1246.7	1363.4	
6.	Tax Revenue (April to Quarter-end)	.. ..	34.8	19.5	42.9	77.3	134.5	28.9	66.3	112.4	191.1	42.6	100.6	181.0	293.4	
7.	Defence Expenditure (April to Quarter-end)	.. ..	21.0	34.6	84.5	138.3	214.6	43.0	104.1	183.8	358.4	72.4	161.0	272.0	397.2	
8.	Rupee debt of Government of India :—															
	(a) Rupee loans (Quarter-end)	.. ..	427.7	620.4	630.9	667.2	751.6	783.7	834.3	905.6	1002.6	1078.8	1106.5	1174.6	1219.0	
	(b) Treasury bills outstanding (Quarter-end)	.. ..	69.8	166.3	191.2	189.1	204.7	240.1	162.3	112.8	110.6	84.4	97.6	104.8	86.7	

\* Based on closing quotations of the 10th September.

† Average of weekly figures (excluding Burma).

‡ Excluding Burma from December 1941.

¶ Excluding Burma from April 1942.

Base :—

Items 1 to 3 : Week ended 16th August 1939=100.

Item 4 : July 1933—June 1934=100.

Items 5 to 9 : 1927-28=100.

Item 10 : June—August 1939=100.

Distribution) Order to regulate supplies, distribution and prices of consumer goods including imported commodities, continue to restrain the price situation. Early in 1945, an official mission was sent to the United Kingdom to explore ways and means of reducing the strain on the country's civilian economy in view of the expected intensification of military operations in 1946. On the return of the Mission in April, arrangements were announced under which relief is proposed to be afforded in the form of additional imports from the United Kingdom and reduction in the demand of defence services on India's production.

Other important problems which engaged the attention of the authorities during the year under review concerned short-term objectives of rehabilitation and long-term projects of reconstruction after the war. The former comprised questions connected with orderly disposal of surplus military stores, re-settlement and re-employment of ex-servicemen, conversion of industry from war to peace, and relaxation or re-adjustment of controls to suit peace conditions. The latter included schemes of post-war reconstruction involving large scale capital expenditure for the development of the country as a whole such as the expansion of hydro-electric projects as the basis of industrial and agricultural development, production of capital and consumer goods, betterment of transport services and improvement of agriculture, particularly through irrigation. A number of blue prints were issued by the Central, Provincial and State Governments detailing plans of reconstruction. The Provincial and State authorities devoted attention mainly to problems of rural reconstruction including re-settlement of soldiers, development of small scale industries, communications, education, health, etc. The Central Government has indicated in broad outline the extent of the financial help the provinces might expect to receive, mainly on a population basis. The Department of Planning and Development of the Central Government, under the separate charge of a Member of the Viceroy's Executive Council, began to function from August 1944. The Second Report on the progress of reconstruction issued in November 1944 by the Reconstruction Committee of the Viceroy's Executive Council envisaged a fifteen-year programme of reconstruction in general, classified into three five-year periods. It also emphasised the principle of regionalisation, *e.g.*, in regard to hydro-electric development for which inter-provincial co-operation was essential, and dealt with questions of financial assistance, priorities, procurement of plant and machinery and capital goods and the formulation of a common policy on subjects of nation-wide importance. The ultimate objective of planning was recognised to be a simultaneous reorganisation and development of industry, agriculture and commerce, equitable distribution, and extension of social services. Essential central co-ordination is proposed to be provided through the establishment of bodies like the Central Technical Power Board, the Central Road Board and the proposed permanent Tariff Board. Over-concentration of industry in particular areas was to be avoided. For working out blue prints for industrial development industrial panels have been set up for individual industries, charged with the task of formulating targets for the first post-war five-year period and, wherever possible, for the entire fifteen-year period, and reporting on the scope and extent of development of the particular industries they deal with, on problems relating to their control and ownership, and on measures required for their promotion. A Rs.1,000 crore plan for the development of agriculture and animal husbandry prepared by the Special Committee of the Imperial Council of Agricultural Research aims at increasing the production of farm products by 50 per cent. in the next ten years, the highest increase aimed at being in milk. A seven year programme of railway reconstruction estimated to cost Rs.320 crores covers rehabilitation and



replacement of machinery, locomotives, wagons, etc., improvement in organisation and personnel and evolution of a new rate structure, and manufacture of locomotives and participation by the railways in road and air transport. The construction of 5,000 miles of new lines is projected in the programme, about half being expected to be laid down in the first seven years. A departmental memorandum on shipping outlines proposals for developing an Indian mercantile marine and securing an increased share of the coastal traffic and an adequate participation by India in the world's carrying trade. It is recognised by Government that in the task of post-war planning and reconstruction, limitations of personnel and capital equipment will be more of a handicap than finance.

## II. PRICES AND TRADE

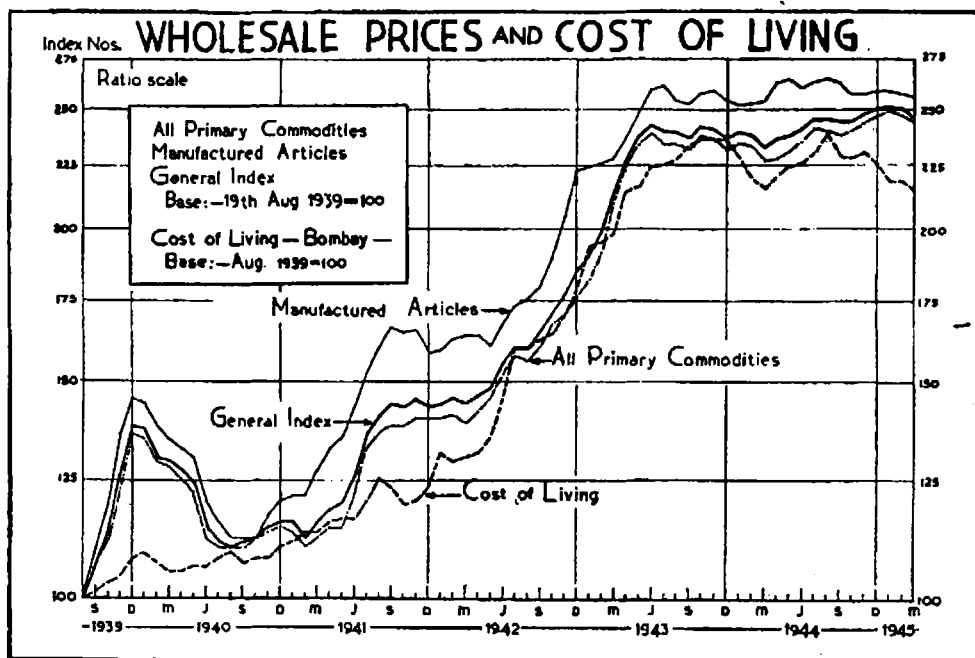
12. *Price Trends in India and certain other Countries.*—More and more inclusive price control programmes have come to replace earlier selective price controls in countries where price levels have been more or less stabilised, *e.g.*, Canada, the United Kingdom, the United States and Australia. Amongst the Allied Nations, Canada was the first formally to adopt an over-all system of price control early in 1942 followed by the institution of a general price ceiling in the United States in May 1942, though farm products were brought under the general control only at a later stage in that country. A rigid over-all ceiling was imposed in Australia in April 1943. In the United Kingdom, where control measures were introduced piecemeal after many prices had reached high levels, price control now approaches in effect a general price freeze. In Germany, where the first general price control was put into effect as early as 1936 the ceiling was rigidly held, the official wholesale price and the cost of living indices showing each a rise of about 10 per cent. between 1939 and 1944. These international comparisons require to be qualified, as official indices in most cases do not reflect the actual rise in prices during wartime, taking into consideration the commodities included, the price data collected and the methods of computation, over and above the exclusion of black market dealings. The United Kingdom cost of living index does not reflect the entire rise in retail prices of goods and services: it is estimated that the price of household furnishings, clothing, drugs, toiletries and other articles has risen from 75 to 100 per cent. over the pre-war level as against a 30 per cent. increase in the cost of living index. In the United States, according to a report submitted in November 1944 by a special committee appointed by the President, the cost of living index should be marked up by 3 to 4 per cent. to allow for the "hidden increases" in a seller's market.

Price movements during 1944 (*vide* Statement I) in the United States, the United Kingdom and Canada were narrow. The wholesale price index in the United Kingdom averaged 171 in 1944 as against 167 in 1943. There was a rise of 1 point in the wholesale price index of the United States to 136 and of 2 points in the cost of living index to 127. The Canadian wholesale price index averaged 140 as against 136 in 1943 while the cost of living index remained unchanged at 118. The relatively greater wartime increases on the whole in the price indices of the United Kingdom reflect the larger British war effort as compared with Canada and the United States: in Canada and the United States, national income in dollar terms has been more than doubled largely as a result of increased production with civilian consumption of goods and services above the pre-war level. On the other hand, in the United

Kingdom the rise in the production of war materials has been brought about by cutting deeply into the production of consumption goods and civilian supplies. In almost all the countries relatively greater stress has been laid on holding the cost of living, e.g., through subsidies, than the wholesale price level as the changes in the former are linked up with movements in wage rates and affect more directly the prices and costs structure of a country.

In India, the measures adopted by the authorities in 1943-44 to check the upward spiral of prices were further extended during 1944-45. Reductions in officially fixed prices were effected in a number of commodities and the supply position was sought to be improved through increased imports. The Calcutta index number of wholesale prices after touching the peak of 353 in September 1943 gradually declined to 304 by March 1944, moving thereafter within a comparatively narrow range of 295 in May 1944 and 310 in March 1945; the average for 1944-45 stood lower at 303 compared with 321 in the previous year. The Economic Adviser's index number of wholesale prices, however, averaged 244.2 in 1944-45 as against 236.5 in 1943-44 (*vide* Statement II); the rise of 3 per cent. during the year compares with the increase of 38 per cent. and 25 per cent. respectively in 1943-44 and 1942-43. While the index generally maintained a rising tendency during the first ten months of the year under review a fall occurred from February 1945. From 234.6 in April 1944 the index rose to 250.3 in January 1945 and stood lower at 247.8 in March 1945 as against 232.1 in March 1944. Amongst primary commodities, though the average for Agricultural Commodities worked out lower at 265.4 compared with 268.7 in 1943-44, the index number rose from 247.8 in April 1944 to 275.3 in January 1945 and stood at 273.6 in March. According to a new index issued by the Office of the Economic Adviser since February 1944 (base: week ended the 26th August 1939=100), the wholesale price of food comprising eleven important articles moved within a range of 9 points between 228 in May and 237 in August 1944 and stood at 235 in March 1945. Raw materials which showed an average increase of 11 per cent. to 206 over the 1943-44 level moved between 199.4 in April 1944 and 211.6 in January 1945. The index number of Manufactured Articles tended downwards after reaching the highest level touched during the war at 262.5 in May 1944 and stood at 253.7 in March 1945 as against 252.3 in March 1944. The decline in Cotton Manufactures which set in in June 1943 continued during the year under review, the average index number falling from 422 in 1943-44 to 293 in 1944-45, thus receding to the level of 1942-43. The fall accompanied a lowering of the costs of production: the cost of stores to Indian cotton mills (January-March 1941=100) reached a peak of about 275 by the end of 1942 but fell thereafter to about 175; the cost of raw cotton reached a peak of about 250 in the first half of 1943 but has fallen since to about 150; the wage cost steadily rose to a peak of over 230 by the end of 1943 falling slightly to 220 by the middle of 1944. Jute Manufactures (*vide* Statement II), the maximum prices of which were fixed in April 1944, averaged 252 during 1944-45 as against 249 in the previous year. Cement prices after rising suddenly to 212 in April 1944 from 189 in March preceding remained at that level upto November and averaged 208 during the last four months of the year. The Bombay cost of living (*vide* Statement I) tended downwards after reaching a peak of 241 in August 1944 and stood at 217 in March 1945; it averaged 228 during 1944-45 compared with 229 in 1943-44 and 168 in 1942-43. While the food articles fluctuated between 259 in August 1944 and 228 in March 1945 generally with a falling tendency, clothing

after reaching the peak of 459 in March 1943 showed a steady decline to 295 in October 1944 and remained about that level thereafter; fuel and lighting which reached the record level of 300 in January 1944 also came down to 278 and 228 respectively in January and March 1945; in contrast to these, the miscellaneous group underwent a rise, the index ranging between 256 in May 1944 and 238 in February 1945 as against 237 in July 1943 and 227 in February 1944. The following graph depicts the wartime trends in the (1) Economic Adviser's Index Numbers of Wholesale Prices by groups of articles and (2) Bombay Cost of Living.



A White Paper embodying the report of the Parliamentary Select Committee on British expenditure in India, issued in May 1945, gives an outline of the basic allocation of defence costs as between the British and Indian Governments and refers to terms including prices of purchases in India of military requirements of the two Governments. According to the White Paper fair prices have on the whole been secured by the authorities for war stores and for food bought in India. Comparative figures in India and the United Kingdom for a wide range of stores including textiles, general stores and munitions indicate that Indian prices were seldom higher and were generally appreciably below the United Kingdom prices. The bulk of military orders both for India and the United Kingdom were negotiated at contract prices as against Indian commercial prices; these "war contract prices" particularly in the case of steel, which represented 50 per cent. of the Indian Supply Department's expenditure were appreciably below the British and United States prices. Prices in respect of cloth were also appreciably below market levels, the maximum rise in these being 100 per cent. during the first half of 1943 as against the record increase of over 400 per cent. for civilian supplies.

13. *Trends in International Trade.*—As mentioned in earlier reports, war severed the principal arteries of trade and led to new alignments canalising trade into blocs or groups more or less conditioned by military developments and the availability of trade routes. Moreover, the restriction of the civilian economy at the expense of war economic activity affected foreign trade even more than internal trade owing to the need to conserve foreign exchange and available tonnage for essential war uses. The exchange position was, however, eased by lend-lease and various mutual and reciprocal aid agreements, which ensured supplies, including essential civilian supplies, without international financial complications. Altogether, war has severely limited the scope of international division of labour and fostered greater self-sufficiency: in the United Kingdom production of food has increased by 70 per cent., and large new manufacturing industries have been set up in countries like Canada, Australia and South Africa, though the progress of industrialisation in backward areas has been handicapped by lack of machinery, materials and skilled manpower.

The table on page 24 gives recorded figures of exports and imports of merchandise during the war in respect of the United Kingdom, the United States, Canada, India, New Zealand and Australia.

The upward trend of the value of trade is particularly marked in respect of Canada and the United States, the shipments from the latter showing a phenomenal rise from \$3.1 billion in 1938 to \$14.2 billion in 1944. Making allowance for lend-lease shipments the United States had had, however, a negative balance of trade for some time resulting in an outward movement of gold particularly to the countries of South America. In many countries, rise in the value of foreign trade has been accounted for mainly by inflated prices; also the goods exchanged internationally contained large amounts of munitions. The value of exports from the United Kingdom in 1942 and 1943 showed declines of 42 per cent. and 51 per cent. respectively over 1938. Excluding munitions, the decline in the two years is of the order of 64 per cent. and 71 per cent. Export prices in the United Kingdom increased respectively by 20 per cent., 38 per cent., 57 per cent. and 71 per cent. in 1940, 1941, 1942 and 1943 over the 1938 level, the volume of exports including munitions showing a fall of 70 per cent. by 1943. In India, where the rise in export prices has been greater than in import prices, the quantum of exports declined by nearly 50 cent. while that of imports dropped to less than half.

Special arrangements for larger imports into countries like India, China and those of the Middle East have helped towards combating inflation. The Canadian budget for 1944-45 has a provision for the repeal of Schedule I to the War Exchange Conservation Act of 1940, which prohibited or restricted imports of several goods from non-sterling countries. Special assistance to export industries and export trade has been planned for the immediate post-war period in several countries. The Export Credit Insurance Corporation of Canada established in August 1944 seeks to provide assistance to Canadian exporters and to extend loans to Governments of importing countries. In the United Kingdom, under the revised lend-lease agreement of November 1944, restrictions have been relaxed with effect from January 1945 in respect of exports of a wide range of goods such as iron, steel and certain non-ferrous metals. Also according to an amendment of the Export Guarantees Act of 1939 the limits of guarantees against bad debts etc., to exporters are to be raised from £75 million to £200 million. In the United States,

TABLE 5.—MERCHANDISE EXPORTS FROM AND IMPORTS INTO EMPIRE COUNTRIES AND THE UNITED STATES DURING THE WAR.

		(In Millions)							
Country		1938	1939	1940	1941	1942	1943	1944	1945
UNITED KINGDOM £									
Imports (retained) (a)	.. ..	858.0	839.5	1,126.1	1,132.4	1,194.9	1,664.6	....	....
Exports .. ..	.. ..	470.8	439.5(a)	411.2(a)	365.4(a)	270.9	232.8	258.1	....
Excess of Imports	.. ..	387.2	400.0	714.9	767.0	924.0	1,631.8	....	....
UNITED STATES \$									
Imports (b)	.. ..	1,960	2,318	2,625	3,345	2,742	3,372	3,911*	....
Exports (incl. re-exports)	.. ..	3,094	3,177	4,021	5,147	8,035	12,714	14,240*	....
Excess of Exports	.. ..	1,134	859	1,396	1,802	5,293	9,342	10,328*	....
CANADA \$									
Imports (retained)	.. ..	666	739	1,043	1,346	1,579	1,871	1,699	....
Exports .. ..	.. ..	835	897	1,186	1,638	2,364	2,971	3,440	....
Excess of Exports	.. ..	169	158	143	292	785	1,300	1,741	....
INDIA (c) Rs.									
Imports (d)	.. ..	1,733	1,518	1,648	1,567	1,729	1,104	1,191	2,010
Exports (incl. re-exports)	.. ..	1,892	1,692	2,136	1,987	2,529	1,950	2,100	2,271
Excess of Exports	.. ..	159	174	488	420	800	846	909	261
NEW ZEALAND £NZ									
Imports (e)	.. ..	55.4	49.4	49.0	49.2	53.7	95.1	86.7	....
Exports .. ..	.. ..	58.4	58.0	73.7	67.5	81.3	71.8	77.7	....
Excess of Imports (—) Exports (+)	.. ..	+ 3.0	+ 8.7	+ 24.7	+ 18.3	+ 27.6	— 23.3	— 9.0	....
AUSTRALIA (f) £A									
Imports .. ..	.. ..	140.0	124.4	145.0	136.2	187.1	265.7	187.3(g)	153.0(g)
Exports .. ..	.. ..	141.7	121.5	149.7	135.0	159.3	123.1	93.5(g)	100.3(g)
Excess of Imports (—) Exports (+)	.. ..	+ 1.7	— 2.9	+ 4.7	— 1.2	— 27.8	— 142.6	— 93.8(g)	— 52.7(g)

(a) Including imports or exports by Government Departments of aircraft and other vehicles (except tyres and tubes for road vehicles) and arms, ammunition, and military and naval stores. (b) General imports, including merchandise entered for immediate consumption and that entered for storage in bonded warehouses. (c) Year ended 31st March. (d) Excluding value of railway materials imported direct by State Railways working under company management which are not paid for in the ordinary way. (e) Including defence materials and equipment, also lend-lease supplies. (f) Year ended 30th June. (g) Eight months: July to February. \* Preliminary.

there is a proposal to raise the capital of the Export-Import Bank from \$700 million to \$3,500 million. A delegation of Indian businessmen visited Australia and New Zealand in February 1945 with a view to promoting trade with these countries, while another delegation has been to the United Kingdom and the United States to contact businessmen in these countries. According to a Chinese Government estimate, China will have to import 10 million tons of supplies for relief and rehabilitation purposes. This will be the largest single programme of relief to be undertaken by the UNRRA, which also estimates the needs of the European countries in the first six months following their liberation at 46 million tons of food, raw materials, seeds, fuel, machinery, medical supplies etc. A likely outcome of the post-war period may be the progressive reduction in export surpluses in countries such as India and those of South America and possible emergence of import deficits as during the last war.

The proposed international monetary institutions, the Fund and the Bank, seek to clear part of the monetary obstacles in the way of a balanced growth of multilateral international trade, while some progress is recorded towards the formulation of suitable commercial and commodity policies by the principal trading countries. The various mutual aid and lend-lease agreements concluded by the United States emphasise the need for non-discrimination in international trade; reduction in tariffs on imports *pari passu* with relaxation of discriminatory restrictions and preferences on trade abroad, has come to be an accepted principle with the United States authorities. A bill has been passed by the Congress empowering the President to reduce tariff rates by 50 per cent. below the level of January 1945 and extending for three years the Reciprocal Trade Agreements Act calculated "to place the United States squarely behind the principles of international co-operation." Mention may also be made of some of the financial and trade agreements concluded during the year *e.g.*, those between the United Kingdom and the countries of continental Europe such as France, Belgium and Sweden aiming at the stabilisation of exchanges and encouraging the reciprocal expansion of trade. On the other hand, the need for protection of the new industrial structures of the under-developed countries will involve some natural limitations of the scope of the general trend of commercial policy towards greater freedom, while the existence of large wartime debts to be settled through bilateral channels may prove a serious impediment to the growth of multilateral international trade. One of the most difficult problems will be the adjustment of domestic or national price levels in different countries, which have been subjected to varying degrees of inflation, and this will delay the removal of direct wartime restrictions on trade. In this respect countries where the wartime price increases have been moderate *e.g.*, Canada and the United Kingdom will have an advantage in competition over countries with relatively inflated price levels.

14. *India's Balance of Trade in Merchandise (Private).*—The value of the published returns of India's foreign sea-borne trade for drawing up a balance of payments statement for the country is impaired by the exclusion of the trade on Defence account, which partly involves financial payments as between Governments and by the inclusion in the trade returns of lend-lease imports and reciprocal lend-lease exports on non-defence account which do not result in money transfers. Movements in the recorded foreign sea-borne trade continued during the year under review to be governed by war conditions modified by the recent policy of the Central Government which aims at larger supplies of consumer goods and of

essential raw materials and machinery. The rising trend in imports which set in with November 1943 was reinforced during the year and values of monthly imports exceeded those in the corresponding months of 1943-44 and 1942-43; the total value of imports during the year was the largest since 1930-31. Liberalisation of the terms of import licences and increases in quotas of goods available from supply sources like the United States and the United Kingdom with the improvement in the shipping and exchange position contributed to the notable rise in imports. With a comparatively moderate rise in exports of 8 per cent. from 209.99 crores in 1943-44 to Rs.227.07 crores as against an increase in imports of 69 per cent. from Rs.119.05 crores to Rs.200.99 crores (*vide* Statement III), the balance of trade in merchandise declined sharply to Rs.26.08 crores from the highest wartime figure of Rs.90.94 crores in 1943-44 and earlier levels of Rs.84.61 crores in 1942-43 and Rs.80.02 crores in 1941-42. Imports in the first half of the year were Rs.93.74 crores as against Rs.52.17 crores during the corresponding period of 1943-44 and rose further to Rs.107.25 crores during the second half as compared with Rs.66.88 crores in the previous year. On the other hand exports during the first and second halves of 1944-45 were practically of the same order being Rs.114.35 crores and Rs.112.72 crores respectively, the corresponding figures for the previous year being Rs.96.48 crores and Rs.113.51 crores. The average monthly imports amounted to Rs.16.75 crores in 1944-45, Rs.9.92 crores in 1943-44 and Rs.9.20 crores in 1942-43, the corresponding figures for exports being Rs.18.92 crores, Rs.17.50 crores and Rs.16.23 crores. The total value of India's foreign trade on the basis of the published figures rose to a new wartime record of Rs.428.06 crores during the year as against Rs.329.04 crores in the previous year, Rs.305.32 crores in 1942-43 and Rs.425.74 crores in 1941-42. The trends noticed during the current year are likely, unless restrained, to continue following the authorities' efforts to stabilise India's economy and the institution in March 1945 of the Open General Licence for importation of several classes of consumer goods and arrangements for larger imports of consumer goods and essential raw materials; imports of consumer and capital goods into India are also likely to expand with the gradual conversion of a portion of the industrial capacity of the United Kingdom, the United States and Canada from wartime to peacetime requirements.

On the basis of available figures, an analysis of the foreign sea-borne trade of India as regards its direction and composition for the year ended December 1944 is given in paragraphs 15 to 17. The favourable balance of trade was further reduced to Rs.50.65 crores in 1944 as compared with Rs.86.17 crores in 1943 and Rs.101.40 crores in 1942 mainly as a result of a relatively larger increase in imports. While imports showed a substantial increase to Rs.180.88 crores in 1944 from Rs.110.74 crores in 1943, the rise in exports (including re-exports) was relatively small, the figures for 1944, 1943 and 1942 being Rs.231.53 crores, Rs.196.91 crores and Rs.214.93 crores respectively. Re-exports in 1944 stood at Rs.12.68 crores compared with Rs.10.60 crores in 1943 and Rs.9.18 crores in 1942.

15. *Direction of Trade (Excluding Re-exports).*—The table on page 27 shows the more important changes in the direction of India's trade and the balance of trade with important countries and groups for the three years 1942 to 1944 and compares them with the pre-war position in 1938.

During 1944, India's favourable trade balances were considerably reduced, particularly with countries outside the Empire. Amongst the Empire countries imports from the United Kingdom rose by Rs.14.11 crores from Rs.24.49

TABLE 6. DIRECTION OF INDIA'S SEA-BORNE TRADE.

(In lakhs of rupees)

		1938			1942			1943			1944			
		Imports	Exports (excluding re-exports)	Balance (excl. re- exports)	Imports	Exports (excluding re-exports)	Balance (excl. re- exports)	Imports	Exports (excluding re-exports)	Balance (excl. re- exports)	Imports	Exports (excluding re-exports)	Balance (excl. re- exports)	
I.	British Empire													
	1. United Kingdom	48,12	55,14	+ 7,02	33,86	63,29	+29,43	24,49	54,42	+29,93	38,60	65,66	+27,06	
	Percentage	..	31.4	34.1	..	29.8	30.8	..	22.1	29.2	..	21.3	30.0	..
	2. Burma	..	22,73	10,13	— 12,60	6,06	65	— 5,41	11	..	— 11	12	..	— 12
	3. Ceylon ..	..	1,09	5,06	+ 3,97	4,27	12,70	+ 8,43	3,70	15,31	+11,61	3,50	18,23	+14,73
	4. Australia ..	..	2,04	2,95	+ 91	3,56	16,30	+12,74	4,70	14,28	+ 9,58	8,09	13,68	+ 5,59
	5. Canada ..	..	70	2,04	+ 1,34	6,38	3,64	— 2,74	2,92	5,07	+ 2,15	3,02	5,65	+ 2,63
	6. South Africa ..	..	27	1,41	+ 1,14	1,71	9,60	+ 7,79	2,87	10,35	+ 7,48	2,67	12,67	+10,00
	7. Other countries.	..	12,93	8,48	— 4,45	13,84	24,46	+10,62	13,72	24,81	+11,09	17,92	25,01	+ 7,09
	Total British Empire ..	..	87,83	85,21	— 2,67	69,63	1,30,54	+60,86	52,51	1,24,24	+71,73	73,92	1,40,90	+66,98
Percentage to Total Trade	..	57.3	52.7	..	61.3	63.5	..	47.4	66.7	..	40.9	64.4	..	
II. Foreign Countries														
1. United States ..	..	11,41	13,43	+ 2,02	20,45	33,86	+ 13,41	17,70	32,82	+15,12	39,14	48,20	+ 9,06	
Percentage	..	7.4	8.3	..	18.0	16.5	..	16.0	17.6	..	21.6	22.0	..	
2. Japan ..	..	15,53	14,53	— 1,05	4	..	— 4	..	..	..	..	..	..	
3. Egypt ..	..	2,60	1,31	— 1,29	3,86	5,27	+ 1,41	14,42	1,90	—12,52	13,59	4,35	— 9,24	
4. Iran ..	..	3,41	66	— 2,75	14,51	4,23	—10,28	22,50	1,38	—21,12	47,57	3,09	—44,48	
5. Other Foreign Countries ..	..	32,54	46,55	+ 14,01	5,21	31,72	+ 26,51	3,71	25,98	+22,27	6,68	22,30	+15,62	
Total Foreign Countries	..	65,54	76,48	+ 10,94	44,07	75,08	+ 31,01	58,33	62,03	+ 3,75	1,06,98	77,94	—29,04	
Total Trade	..	1,53,42	1,61,69	+ 8,27	1,13,75	2,05,62	+ 91,87	1,10,84	1,86,32	+ 75,48	1,80,90	2,18,84	+37,94	



crores in 1943 to Rs.38.60 crores in 1944 as against an increase of Rs.11.24 crores in exports of Indian merchandise, resulting in a decline of the favourable balance from Rs.29.93 crores to Rs.27.06 crores. Likewise, India's trade balance with Australia declined from Rs.9.58 crores to Rs.5.59 crores exclusively due to the increase in imports from that country, exports showing a slight decline. The wartime trend of increasing exports to Ceylon and South Africa was maintained resulting in a rise in the trade balance respectively to Rs.14.73 crores and Rs.10 crores as against Rs.11.61 crores and Rs.7.48 crores in 1943. While imports from Empire countries increased by 41 per cent. from Rs.52.51 crores in 1943 to Rs.73.92 crores in 1944 exports showed a smaller relative increase of 13 per cent. from Rs.124.24 crores to Rs.140.90 crores. During 1944 imports from and exports to Empire countries respectively accounted for 40.9 per cent. and 64.4 per cent. of the total as against 47.4 per cent. and 66.7 per cent. in the previous year, the corresponding figures for 1938 being 57.3 per cent. and 52.7 per cent.; the Empire's share of India's total trade stood at 54 per cent. as against 59 per cent. in 1943 and 55 per cent. in 1938.

While India's favourable balance of Rs.71.73 crores in respect of the Empire countries was slightly reduced to Rs.66.98 crores in 1944 India's export surplus of Rs.3.75 crores in respect of the non-empire or foreign countries was turned into an import balance of Rs.29.04 crores. Imports from foreign countries rose by 83 per cent. from Rs.58.33 crores in 1943 to Rs.106.98 crores in 1944 as against an increase of 26 per cent. in exports of Indian merchandise from Rs.62.08 crores to Rs.77.94 crores. Imports from the United States more than doubled, rising from Rs.17.70 crores in 1943 to Rs.39.14 crores in 1944, while exports went up from Rs.32.82 crores to Rs.48.20 crores, the favourable balance of trade declining from Rs.15.12 crores in 1943 to Rs.9.06 crores in 1944. The largest increase in imports from any country was in respect of Iran, the value of shipments from which rose from Rs.22.50 crores in 1943 to Rs.47.57 crores in 1944 as against an increase of Rs.1.71 crores in India's exports to that country from Rs.1.38 crores to Rs.3.09 crores thus further raising the import deficit to Rs.44.48 crores in 1944 compared with Rs.21.12 crores in 1943 and Rs.10.28 crores in 1942. In the case of Egypt, however, the negative balance of trade declined from Rs.12.52 crores to Rs.9.24 crores in 1944 mainly as a result of larger exports of Indian merchandise to that country.

Developments in trade during the war disclose some striking features in regard to its direction. Of the Empire countries, while the total value of India's trade with the United Kingdom in 1944 stood at about the same level as in 1938 (Rs.103 crores) that with Ceylon, Australia, South Africa and Canada showed a marked expansion during the period. The total value of trade between India and South Africa rose nine-fold from Rs.1.68 crores to Rs.15.34 crores while that between this country and Australia rose more than four-fold from Rs.4.99 crores to Rs.21.77 crores between 1938 and 1944. The growth in the trade with Ceylon has been equally shared between imports and exports, the total value rising from Rs.6.15 crores to Rs.21.73 crores. There has been more than a three-fold increase in the trade with Canada from Rs.2.74 crores to Rs.8.67 crores. Amongst the non-empire countries, noticeable increases have taken place in respect of the United States, Iran and Egypt; the total value of the trade with the United States rose more than three-fold from Rs.24.84 crores to Rs.87.34 crores, with Iran more than twelve-fold from Rs.4.07 crores to Rs.50.66 crores and with Egypt more than four-fold from Rs.3.91 crores to Rs.17.94 crores.

16. *Composition of Trade.*—The following table gives the composition of India's imports and exports (including re-exports) according to the main commodity groups during the years 1942 to 1944. Although the exclusion of trade on Government account detracts from the value of these figures, they serve as a comparative guide to the distribution of trade over the constituent categories during the period under review.

	1938		1942		1943		1944	
	Rs. crores	Percent- age	Rs. crores	Percent- age	Rs. crores	Percent- age	Rs. crores	Percent- age
<b>IMPORTS</b>								
Food .. ..	20.70	13.5	10.89	9.6	7.00	6.3	16.21	9.0
Raw Materials ..	36.62	23.9	43.39	38.2	61.90	55.8	104.86	58.0
Manufactured Articles .. ..	93.61	61.0	57.82	50.8	40.53	36.6	57.64	31.9
<b>EXPORTS (Including re-exports)</b>								
Food .. ..	39.65	23.5	50.49	23.5	43.90	22.3	51.99	22.5
Raw Materials ..	74.70	44.3	53.42	24.9	49.46	25.1	57.19	24.7
Manufactured Articles .. ..	51.34	30.5	107.74	50.1	101.39	51.5	119.33	51.6

The most pronounced increase in imports occurred under raw materials and food; the percentage share of raw materials to total imports being 58.0, 55.8 and 38.2 during the last three years. The proportion of manufactured goods to total imports showed a continuous decline from 61.0 per cent. in the pre-war year to 31.9 per cent. in 1944. As regards exports, the variation in their value during the last two years was more or less uniformly distributed over the three groups, their relative proportions remaining almost unaltered, after the initial rise in the importance of manufactured articles and decline in that of raw materials during the first three years of war.

17. *Imports and Exports.*—The table below shows changes in the value of important commodities entering into the foreign sea-borne trade of India during 1942-44 and compares them with the pre-war year 1938.

**TABLE 7. INDIA'S IMPORTS AND EXPORTS OF CERTAIN COMMODITY GROUPS.**

	1938	1942	1943	1944	(In lakhs of rupees) Increase (+) or decrease (—) over 1943
IMPORTS					
Grain, pulse and flour .. ..	10.83	2.72	1	6.93	+ 6.92
Oils—vegetable, mineral and animal .. ..	16.28	23.77	31.90	71.09	+ 39.19
Cotton, raw and waste .. ..	11.07	11.17	19.93	22.14	+ 2.21
Wool, raw .. ..	72	2.53	4.19	2.47	— 1.72
Chemicals, drugs and medicines .	5.73	7.23	5.60	10.35	+ 4.75
Dyes and colours .. ..	3.79	5.92	7.30	7.94	+ 64
Machinery .. ..	19.81	11.54	10.23	14.83	+ 4.60
Cotton yarns and manufactures .	14.61	2.06	1.09	1.52	+ 43
EXPORTS (Including re-exports)					
Grain, pulse and flour .. ..	8.16	8.48	3.21	70	— 2.51
Tea .. ..	23.47	31.62	33.44	40.65	+ 7.21
Oils—vegetable, mineral and animal .. ..	1.08	1.73	76	1.24	+ 48
Seeds .. ..	15.94	10.38	10.26	11.25	+ 99
Cotton, raw and waste .. ..	23.93	7.74	6.29	9.01	+ 2.72
Jute .. ..	12.24	10.13	7.37	7.95	+ 58
Hides and skins, raw, tanned or dressed and leather .. ..	11.58	11.45	13.85	14.04	+ 19
Metals .. ..	3.56	2.02	1.65	3.47	+ 1.82
Cotton yarns and manufactures	8.03	49.67	42.91	40.80	— 2.11
Jute manufactures .. ..	26.18	42.20	44.43	60.59	+ 16.16

### III. BULLION

18. *Production and Stocks of Gold.*—The main trends in the world production and distribution of gold noticed in 1943 continued during 1944. The production of gold which had been rising, particularly since 1934 partly as a result of the rise in its dollar value from \$20·67 to \$35 an ounce in February 1934, reached the peak of 41 million ounces in 1940 and stood at 40 million ounces in 1941; during the seven years 1934 to 1940, production had expanded by about 50 per cent. There has been a continuous decline in production during the three years ended 1944 owing mainly to the need to divert manpower and equipment from gold mines to the more pressing requirements of the war. The total world output as shown in the table below declined by 10 per cent. in 1942, 17 per cent. in 1943 and 7 per cent. in 1944.

TABLE 8. PRODUCTION OF GOLD.

		(In thousands of ounces)					
		1939	1940	1941	1942	1943	1944
I.	BRITISH EMPIRE ..	22,471	24,053	24,200	22,550	19,150	17,657
	(a) Union of S. Africa ..	12,822	14,047	14,386	14,121	12,800	12,343
	(b) Canada ..	5,094	5,311	5,345	4,841	3,650	2,943
	(c) Australia ..	1,646	1,644	1,503	1,164	750	571
	(d) New Zealand ..	179	186	186	180	150	(a)
	(e) India ..	317	289	286	260	252	188
II.	UNITED STATES ..	4,621	4,863	4,832	3,619	1,350	1,000
III.	ALL COUNTRIES ..	39,038	40,810	40,100*	36,800*	29,600*	27,400*

\* The production figures of the U.S.S.R. and certain enemy countries have not been available since 1940 and their production in subsequent years has been estimated on 1940 figures. (a) Not available.

As will be seen from the above table, production in 1944 was lower than the record output of 1940 by about 32 per cent., the largest decline occurring in the United States where the output fell to as low a level as 20 per cent. of 1940. Production in South Africa showed a relatively small decline of about 14 per cent. compared with the country's record output in 1941. The estimated production of gold in India in 1944 amounted to 187,918 ounces valued at Rs.3,54,12,357 as compared with 252,228 ounces of the value of Rs.5,08,45,266 in the previous year. The total production of gold in India during the ten years ended 1944 amounted to 2,905,000 ounces or one per cent. of the total world production (excluding U.S.S.R.) of 316,427,000 ounces during the same period.

The last three years have witnessed a redistribution of the monetary stocks of gold following a reversal of the earlier trend towards a continued inflow of the metal into the United States, particularly between 1934 and 1941. The stock of gold in the United States with the Federal Reserve Banks and the Government increased from \$6·8 billion (at \$35 an ounce) in January 1934 to \$22·8 billion in October 1941 or by 235 per cent. After lend-lease went into operation in March 1941 the accounts of American exports were mainly settled by book entries; the balance of the United States' international trade outside lend-lease became adverse in 1942 and considerable payments in gold were made to foreign countries including Latin America. Gold was also released to countries of the Middle East, China and India with a view to meeting the expenses of the United States forces stationed in these countries and assisting in countering inflationary tendencies there. Besides, certain foreign countries were allowed by the United States authorities to convert their dollar holdings into gold. As a consequence of these developments, stocks of gold

in the United States declined by \$788 million to \$21,938 million at the end of 1943 and by \$1,319 million to \$20,619 million at the end of 1944. It is estimated that of the gold losses in 1944, about two-thirds were accounted for by exports while the balance represented an increase in the earmarked gold in the United States. Earmarked gold held by the Federal Reserve Banks increased from \$2,673.8 million at the end of 1942 to \$3,477.4 million at the end of 1943 and to \$3,937.2 million at the end of 1944. Unlike in previous years the entire output of newly mined gold in 1943 and 1944 was retained outside the United States, which during most of the pre-war years had absorbed considerable quantities of gold in addition to the current output. The table on page 32 gives an idea of the measure of re-distribution of the world's stocks of gold brought about by the war, and compares the position in 1944 with 1938, 1929 and 1913. Among the countries which have added to their stocks of gold are Switzerland, South Africa, the Latin American group, Egypt and Turkey. According to an estimate published in the November 1944 issue of the Federal Reserve Bulletin, world central gold reserves at the end of September 1944 totalled \$35,210 million of which the United States held \$20,825 million or about 59 per cent.

19. *Price of gold.*—The table below shows the highest, lowest and average prices of gold in Bombay for each of the seven years 1938-39 to 1944-45. The price of gold in New York has remained unchanged at \$35 per fine ounce since February 1934 and in London has continued without alteration at 168*sh.* (with sovereigns at 39*sh.* 3*d.*) during the last five years.

Year	Spot						Settlement					
	Highest			Lowest			Average			Highest		
	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.
1938-39 .. ..	37	10	6	34	12	3	35	10	3	37	10	6
1939-40 .. ..	43	8	0	36	9	0	39	13	11	43	8	0
1940-41 .. ..	48	8	0	40	2	6	42	6	0	48	8	0
1941-42 .. ..	57	12	0	41	9	6	44	7	11	56	12	0
1942-43 .. ..	72	0	0	44	12	0	57	10	10	71	15	0
1943-44 .. ..	96	4	0	65	4	0	76	11	6	95	0	0
1944-45 .. ..	76	12	0	61	2	0	71	7	4	77	12	0

The bullion market in India continued to be relatively free though segregated from the rest of the world. With a world shortage in the supplies of the precious metals resulting from reduced production and dislocation of communications, many of the so-called free markets have been dominated by speculators, *e.g.*, in Syria, China and to an extent in India.

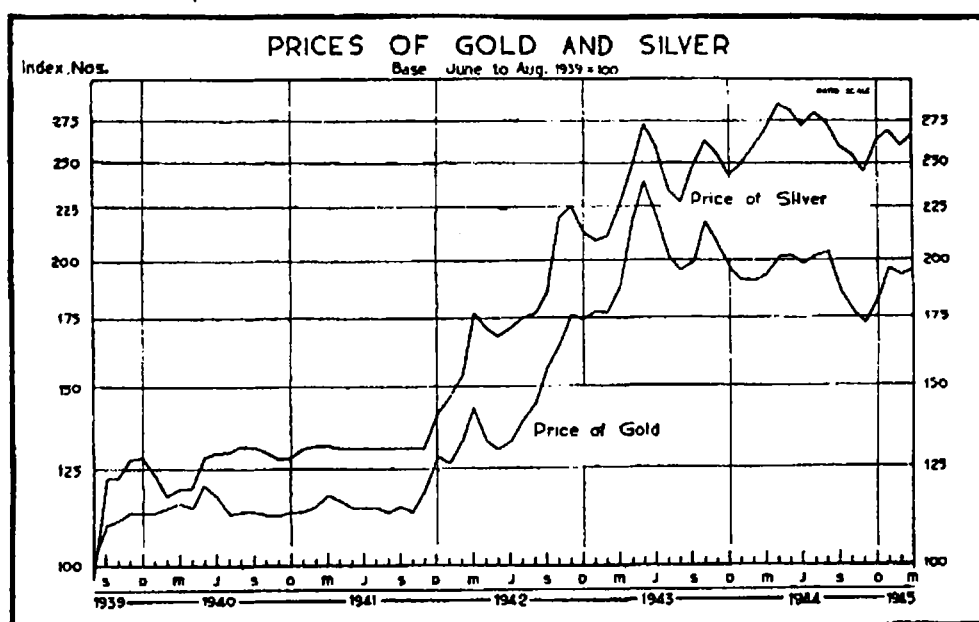
Statement V shows the highest, lowest and average prices of gold, both spot and forward, and of sovereigns as well as the estimated average stocks of gold in the Bombay market for each month of the year under review; trends in the spot prices of gold and silver during the years 1926-27 to 1944-45 are shown in Statement IV; Statement VI shows the weekly movements of prices, spot as well as forward and stocks in the Bombay bullion market during the year of both gold and silver. The graph on page 33 shows the war-time trends in spot prices of gold and silver. During 1944-45, the main factors governing the technical position in the Bombay bullion market were more or less the same as in the previous year. A sustained demand by the public, owing

TABLE 9. MONETARY STOCKS OF GOLD IN CERTAIN COUNTRIES.

													(Quantity in million ounces) (Value in million dollars)		
				1913		1929		1938		1942		1943		1944	
				Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
United States	..	..		62.4	1,290	188.7	3,900	414.6	14,512	649.3	22,726	626.8	21,938	589.1	20,619
United Kingdom	..	..		8.0	165	34.3	710	76.9	2,690	..	1	..	1	..	1
France	..	..	..	32.8	679	79.0	1,633	69.4	2,430	57.1	2,000	57.1	2,000	50.8	1,777
Switzerland	..	..		1.6	33	5.6	115	20.0	701	23.5	824	27.5	964	30.1	1,052
India	..	..	..	6.0	124	6.2	128	7.8	274	7.8	274	7.8	274	7.8	274
South Africa	..	..		1.7	34	1.8	37	6.3	220	18.1	634	20.2	706	23.3	814
Argentina	..	..	..	12.4	256	21.0	434	12.3	431	18.8*	658*	26.8*	939*	11.7*	409*
Belgium	..	..	..	2.3	48	7.9	163	16.6	581	21.0	735	21.0	734	20.9 (Jan. '45)	732 (Jan. '45)
Brazil	..	..	..	4.3	90	7.3	150	0.9	32	3.3	115	7.3	254	9.4	329
Mexico	..	..	..	..	..	0.3	7	0.8	29	1.1	39	5.8	203	6.3	222
Netherlands	..	..		3.0	61	8.7	181	28.5	998	14.5	506	14.3	500	14.3 (Oct.)	500 (Oct.)
Rumania	..	..	..	1.4	29	2.7	55	3.8	133	6.9	241	9.0	316	10.5 (June)	369 (June)
Sweden	..	..	..	1.3	27	3.2	66	9.2	321	9.6	335	11.1	387	13.2	463
Turkey	..	..	..	..	..	..	..	0.8	30	3.3	114	4.6	161	6.3 (Nov.)	212 (Nov.)

\* Includes in addition to gold of the Central Bank held at home, gold of the Central Bank held abroad and gold belonging to the Argentine Stabilization Fund.

to idle funds seeking investment in precious metals as a hedge against inflation and to the attraction of gold as a medium of storage for black market or other illicit earnings (for evasion of taxation or avoidance of detection), paucity of supplies and exploitation of the situation by speculators, were the usual wartime features which continued to characterise the market. The situation was relieved to an extent by continued official offerings of the metal and by the favourable progress of the war as a result of which the upward trend in prices noticed earlier in the year was checked. The undertone, however, continued to be markedly steady almost throughout the year and, following continued manipulations by bull interests, quotations tended to firm up during the closing months of the year.



The price of gold, ready, in Bombay attained its highest level during the year at Rs.76-12-0 on the 24th April 1944, after which the market displayed a weak tendency as a result of a shrinkage in the upcountry demand and continued offerings by the Bank which included sales of small five tola bars. The small bars were offered at the counter of the Bank's offices as well as in places such as Agra, Benares, Bangalore, Coimbatore, Patna, Poona, Vizianagram and Raipur. Prices tended to sag after the middle of May, and in June the quotation was marked down in sympathy with silver. During the subsequent two months, i.e., in July and August a partial recovery was in evidence mainly owing to a renewal of demand in the face of shortage of stocks. The price for ready gold which had declined to Rs.72-1-0 on the 23rd June rose to Rs.75-12-0 on the 8th July and averaged Rs.75-4-11 for the month of August, being the highest monthly average for the year. A reaction set in thereafter as a result of heavy liquidation induced by the continued Allied successes and expectations of an early peace. The quotation touched Rs.63 on the 21st September. The bearish trend continued in October and with the resumption of official sales on the 24th of that month, the quotation sank to Rs.61-2-0 on the 26th, being the lowest for the year. Following the lead of silver, a steady tone characterised

the movement in gold rates from the middle of November, and the trend remained generally upward in December, the quotation rising to Rs.76-5-0 on the 2nd January 1945. A reversal of trend followed and ready gold dropped to Rs.64-8-0 on the 30th of the month following renewed peace reports. A good demand for the metal developed, however, and a distinctly firm trend was in evidence in February accompanied by the cornering by bulls of a large part of the available market stock in spite of very encouraging war news, and the price touched the high level of Rs.75-4-0 by the 7th March, closing at Rs.72-5-0 on the 31st as compared with Rs.73-12-0 in the previous year.

The official offerings by tender continued to be made during the greater part of the year at rates varying from Rs.80 on the 7th April 1944 to Rs.61 on the 3rd November 1944. They were temporarily suspended on the 23rd May but were resumed on the 11th July and continued upto the 6th September 1944. Except on the 3rd October there were no sales till the 24th of that month after which the offerings were maintained for the rest of the year. Official sales of small bars which were made in February 1944 at various upcountry centres and on the 29th March at Bombay, continued upto the 5th May; no such offerings were made during the remainder of the year except on the 3rd August.

With a view to preventing possible smuggling of gold across the borders of Assam to China and Burma, the Government of Assam issued, under sub-rule (2) of Rule 81 of the Defence of India Rules, an order called the Assam Acquisition, Keeping and Disposal of Gold Order, 1945 under which no person can acquire, keep or dispose of gold in excess of five tolas (1- $\frac{7}{8}$  fine ounces) except under a licence issued by the Licensing Authority. The order which came into force on the 1st February 1945 applied in the first instance to the Lakhimpur District of the Province.

20. *Assaying and Refining of Gold.*—During the year under review, the Bombay and Calcutta mints received from the public, 343,801 tolas and 10,105 tolas respectively for melting and assaying as against 1,148,117 tolas and 51,916 tolas in 1943-44. The Bombay mint received 642,788 tolas of raw gold for refining as against 941,673 tolas in the previous year.

21. *Production and Stocks of Silver.*—The history of silver during the last decade bears a marked parallel to that of gold; the output and movements of the white metal were increasingly dominated by the acquisition programme under the United States Silver Purchase Act of 1934 according to which one-fourth of the total monetary value of gold and silver stocks was to be in silver. While the domestic production was purchased at a specially favourable price by the United States Treasury, the country's stocks of the metal progressively increased till they reached 3,343 million ounces in 1942. Between 1934 and 1940 China, usually a buyer, lost large quantities of silver to the United States estimated at about 1,200 million ounces; India which had always been a major consumer of the metal could import on an average only 20 million ounces per year under the stress of the World Trade Depression during the thirties as against 97 million ounces during the quinquennium ended 1930-31, while the Government of India had been a consistent seller since 1927. Wartime trends in the stocks of silver, particularly after America's entry into the war, have been very similar to those in respect of gold. The United States stocks of silver declined by 340 million ounces during the two years 1943 and 1944 at the end of which they stood at 3,003 million ounces. A considerable and widespread demand for silver for coinage has sprung up during the war, while direct

demands of the metal for use in war industries have been heavy. To meet these wartime contingencies the United States Treasury under the operation of the Green Act of July 1943 has lend-leased large amounts of silver to domestic industries and to foreign countries such as the United Kingdom, Australia and India. The metal sold to the United States war industry has been subject to the limiting factor that the amount of silver under the ownership and control of the Treasury within the United States should at no time fall below the face value of the outstanding silver certificates, which stood at \$1,802 million at the end of 1944. The total releases of the United States Government have been placed at 255 million ounces during 1944 as against 91 million ounces in 1943. Of these, lend-lease and sales to industry accounted for 203 million ounces and 44 million ounces respectively during 1944, the corresponding figures for 1943 being 41 million ounces and 21 million ounces. The Green Act was renewed for a further period of one year on the 20th December 1944. During 1944 less than 200,000 ounces of the United States production were reported to have been acquired by the Treasury Department under the Domestic Silver Purchase Act of 1939, while the rest of the newly mined metal was bought by industry for limited civilian uses as permitted by the War Production Board.

The production of silver, which had declined during the years of Depression from 261 million ounces in 1929 to 164 million ounces in 1932 registered a steady increase thereafter upto 1940 when at 277 million ounces it rose above the level of 1929. During the war the output has been on a downward grade having been placed at 266 million ounces in 1941 ; 237 million ounces in 1942 ; 210 million ounces in 1943 ; and 191 million ounces in 1944. During the period 1941-1944 production in Mexico, the largest single producer fell by 20 per cent. to 63 million ounces, in the United States by about 50 per cent. to 35 million ounces and in Canada by 34 per cent. to 15 million ounces. Consumption in arts and industries in the United States attained a new record level in 1944 at 125 million ounces as against 120 million ounces (revised) in 1943. Of these 125 million ounces, war and other essential requirements amounted to approximately 65 per cent. The production of silver in India in 1944 is placed at 16,285 ounces valued at Rs. 47,902 as compared with 18,611 ounces valued at Rs. 58,528 in the preceding year.

22. *Price of Silver.*—In the table below are given the highest, lowest and average prices of silver in Bombay, London and New York during the seven years 1938-39 to 1944-45.

Year	Spot			Settlement		
	Highest	Lowest	Average	Highest	Lowest	Average
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
1938-39 .. ..	53 1 6	48 2 0	51 11 3	52 15 6	48 2 0	50 14 8
1939-40 .. ..	66 4 0	44 7 6	55 4 9	67 0 0	43 13 6	55 6 5
1940-41 .. ..	64 13 0	54 10 0	62 8 0	65 2 0	54 13 0	62 0 5
1941-42 .. ..	97 6 0	61 12 6	66 11 4	91 6 0	61 12 6	65 0 0
1942-43 .. ..	116 8 0	75 4 0	94 2 6	112 14 0	72 4 0	90 4 6
1943-44 .. ..	141 8 0	101 8 6	120 7 11	137 0 0	98 4 0	120 2 5
1944-45 .. ..	143 4 0	113 10 0	128 10 9	141 4 0	111 12 0	127 2 7



Year		Highest d.	Lowest d.	Average d.	Highest Cents	Lowest Cents	Average Cents
1938-39	.. ..	21½	18½	19½	42½	42½	42½
1939-40	.. ..	23½	16½	20½	42½	34½	37½
1940-41	.. ..	23½	20½	22½	35½	34½	34½
1941-42	.. ..	23½	23½	23½	35½	34½	34½
1942-43	.. ..	23½	23½	23½	44½	35½	40½
1943-44	.. ..	23½	23½	23½	44½	44½	44½
1944-45	(Apr.-Dec.) (Jan.-Mar.)*	{ 23½ 25½ }	{ 23½ 25½ }	{ 23½ 25½ }	44½	44½	44½

\* Per fine ounce.

Statement VII shows the highest, lowest and average prices of silver in Bombay, London and New York and the stocks in Bombay for each month during 1944-45. The London silver market continued to be featureless except for a formal change in the basis of the price from 23½d. per standard ounce troy .925 fine to 25½d. per fine ounce .999 fine effective from the 2nd January 1945. Though the exact rise in the quotation demanded by the change would have been to 25.380d. the price was fixed to the nearest half penny at 25½d. The London market has been actually dealing in fine silver, while all lend-lease silver received from the United States of America is also .999 fine. Apart from the need to bring the practice in the London market into conformity with international usage, a justification for the change has been the reduction under the Coinage Act of 1920 in the silver content of British coins which before that date were .925 fine (viz., standard). Substantial quantities of silver were imported on Government account under lend-lease from the United States, while the industrial consumption of silver placed between 14 million and 18 million ounces for 1944 was entirely restricted to war purposes. In the United States the Treasury's purchasing price for newly-mined domestic silver remained unchanged at 71.11 cents per fine ounce, at which rate silver is released under the Green Act. The price for foreign silver also remained unchanged at 45 cents per fine ounce with the New York official market price for such silver at 44½ cents. Imports of foreign silver in 1944 showed a decline as compared with 1943.

Silver dominated the Bombay bullion market during the greater part of the year, mainly because it offered a comparatively larger scope for manœuvring by speculators as a result of the unsatisfied wartime demand for the metal. The rising trend in the ready price of silver noticed at the end of 1943-44 continued during the greater part of April 1944 and the quotation reached Rs.143-4-0 on the 24th, being the highest recorded. An easier feeling prevailed from the middle of May till about the end of June, the downward trend being intensified by reports of release to India of lend-lease silver by the United States and the Allied landing on the coast of Normandy. The market, however, continued to be manipulated by bull interests and owing to the scarcity of supplies, the price which had declined to Rs.126 on the 20th June firmed up to Rs. 139-8-0 by the 26th July. The carry-over or budla charges during this period registered a sharp increase from about Rs.1-4-0

to Rs.4. The tussle between the bears and the bulls which emerged as a marked feature of the year came to a head over the practice of permitting the carry-over of unfulfilled contracts and led to the institution of legal proceedings in August 1944 by some of the dealers and the closing of the market for settlement business for some time. The resumption of official sales on the 8th August (after they were closed on the 14th October 1942) coupled with the news of Allied victories in France, Belgium and in the Balkans had a restraining effect on bullish fervour. In the course of the downward trend that followed, ready silver dropped to Rs.113-10-0 on the 7th November 1944. The acuteness of the supply position coupled with the emergence of the usual seasonal demand, however, steadily forced up the quotation thereafter, despite official sales which were readily absorbed by speculative interests, to Rs.135 on the 22nd December. During January 1945 the market evinced an uncertain tone fluctuating erratically and towards the end the price sagged to Rs.119-7-0 on the 31st. Prices recovered soon after and touched Rs. 129-10-0 on the 22nd February and Rs.131-12-0 on the 5th March, closing for the year with Rs. 128-9-0 on the 31st as against Rs.134 in the previous year.

Official offerings of silver were made during the period 8th August to 18th September 1944; they were resumed on the 20th October and continued till the end of the year. The sales were made by tenders and the rate of accepted tenders varied between Rs.134-8-0 on the 25th August and Rs.113-4-0 on the 10th November.

23. *Assaying and Refining of Silver.*—The Calcutta mint received no silver for purposes of melting and assaying during the year as against 255,807 tolas in 1943-44. The receipts by the Bombay mint were lower at 378,021 tolas as compared with 1,407,968 tolas in 1943-44. The quantity of silver received for refining during 1944-45 at the Bombay mint declined to 4,310,278 tolas from 10,834,938 tolas in the previous year.

#### IV. FOREIGN EXCHANGE AND EXCHANGE CONTROL

24. *Purchases of Sterling and Remittances.*—Statement VIII shows the net purchases of sterling by the Reserve Bank month by month during 1944-45. With a fall in the favourable balance of trade resulting from an increase in imports during the year, the net purchases\* of sterling by the Reserve Bank of India showed a decline to £91.8 million from the previous year's record figure of £105.3 million. The monthly net purchases during the first quarter of the year were on a moderate scale and averaged £6.8 million. The purchases during the first half of the year at £50.1 million were, however, larger than in the second half at £41.7 million, the highest monthly acquisition being £12.4 million in July 1944. Unlike those in preceding years the monthly net purchases in the last quarter of 1944-45 were smaller than in previous quarters owing to larger sales by the Bank and were the lowest in February 1945 at £3.6 million. The rate of purchase continued to be 1s. 6d. at which level it has remained unchanged since January 1940. The total net amount of sterling purchases by the Bank from the 1st September 1939 to the end of 1944-45 aggregated £483.9 million. During the year the Bank sold sterling amounting to £14,457,633 as compared with £3,312,683 in 1943-44.

\* Purchases of sterling represent deliveries during the period under both ready and forward contracts.

Broadly, the net accretion of sterling assets during the war has resulted from (1) the favourable balance of payments on private account, and (2) the expenditure incurred in India on account of other Allied Governments and recoverable from the British Government; and the disposal of sterling assets is indicated by the amounts utilised for the repatriation of debt, the other sterling commitments of the Secretary of State and the additions to the sterling balances with the Reserve Bank, as in the following table.

**TABLE 10. ACQUISITION AND DISPOSAL OF STERLING**

(In crores of rupees).

Sources	Sept. 1939 to March 1940	1940-41	1941-42	1942-43	1943-44	1944-45	Sept. 1939 to March 1945
1. Sterling assets held by the Reserve Bank at end of the previous period .. .. .	64	142	144	284	511	945	64
2. Sterling purchased by the Reserve Bank ..	86	76	98	122	140	122	644
3. Sterling payments by His Majesty's Government .. .. .	16	43	201	310	365	357	1,292
<b>Total amount of sterling available for disposal and disposed .. .. .</b>	<b>166</b>	<b>261</b>	<b>443</b>	<b>716</b>	<b>1,016</b>	<b>1,424</b>	<b>2,000</b>
<b>DISPOSAL</b>							
4. Sterling amounts utilised for repatriation schemes .. .. .	22	89	110	160	16	14*	411
5. Other sterling commitments (derived figure) ..	2	28	49	45	55	47	226
6. Sterling holdings of the Reserve Bank at end of the period .. .. .	142	144	284	511	945	1,363	1,363
7. Total Net Sterling Acquisitions since the beginning of war to the end of each period excluding the ordinary annual liability in respect of 'Other sterling commitments.' (2+3-6, progressive)	100	191	441	828	1,278	1,710	1,710

\* Includes Rs. 13.53 crores being the amount paid on purchase of M. & S. M., S. I. and B. N. Railways.

Payments in sterling amounting to £267 million (Rs.356 crores) were received from His Majesty's Government during 1944-45 as against £274 million (Rs.365 crores) in 1943-44 and £233 million (Rs.311 crores) in 1942-43. The sales of gold on official account as a means of meeting a part of the Allied war expenditure in the country

restrained the rise in the accumulations of sterling with the Bank. It may be expected that with a diversion of some of the demands made on India to other sources of supply and an increase in compensatory imports, the rate of accrual would be further slowed down in future. The total sterling holdings of the Bank at the end of March 1945 stood at £1,022 million or Rs.1,363 crores as against £709 million or Rs.945 crores at the end of March 1944 and £48 million or Rs.64 crores at the end of August 1939. 'Other sterling commitments' is a derived figure, being the total sterling receipts minus sterling holdings of the Bank and the sterling amounts utilised for repatriation schemes. The figure in recent years has comprised such items as transfers to the Secretary of State and the High Commissioner for India and Burma on account of home charges etc. and remittances to meet the cost of overseas purchases on Government account.

25. *Exchange.*—In the sterling exchange market banks' quotations to the public for ready T.T. remained unchanged throughout the year at 1s.5 31/32d. selling and 1s.6 1/32d. buying. Owing to the improvement in the air mail service between India and the United Kingdom, banks found it possible to reduce their buying rate for demand drafts from 1s.6 5/32d. to 1s.6 1/8d. in August 1944 and by a further one-thirty-second to 1s.6 3/32d. in February 1945. Corresponding reductions were also made in the buying rates for usance bills. A feature of the inter-bank market was the shortage of sterling for ready delivery which first became apparent about July and which increased to such an extent that by the end of the year it was difficult to find any sellers of ready sterling even at rates below 1s.5 63/64d. This shortage was not the result of the value of imports exceeding exports, although the former showed a greater proportionate increase than the latter compared with the previous year, but to the unbalanced position of the exchange market due to the public demand being almost entirely for ready sterling, while the main supply was for forward delivery. The reason for this was that it is now the general practice of importers not to fix their exchange until the actual time of payment arrives, probably owing to shipping uncertainties while shippers still continue the pre-war practice of selling their export bills to banks for forward delivery, as soon as they have made contracts for shipments with overseas buyers. As these shipping contracts were usually made at irregular intervals and for very large amounts, banks were forced to cover a considerable proportion of their purchases of export bills by forward sales to the Reserve Bank, and later found difficulty in meeting the steadily increasing demand for ready sterling to pay for imports. To relieve the position the Reserve Bank in October commenced selling limited amounts of sterling for ready delivery at 1s. 5 63/64d. to those banks, who were unable to meet the demands from their constituents. During the same period however the Reserve Bank was continuing to buy large amounts of sterling for forward delivery. There is little doubt that the position was aggravated by the higher return obtainable on treasury bills in London, which led to those banks which had surplus sterling preferring to retain it in London for the interest yield, rather than make sales to other banks less fortunately situated.

The London-New York cross rate remained unchanged during the year at \$4.02½ selling and \$4.03½ buying. In India, banks' rates for Telegraphic Transfers on New York were unaltered at Rs.332½ selling and Rs.329½ buying. Owing to the improvement in mail communications banks found it possible to raise their demand buying rate from Rs.326½ to Rs.327 in November. A corresponding rise of ½ point was also made in their buying rates for usance bills.

26. *Developments in Exchange Control.*—There were no changes during the year in the existing system of exchange control. Sales of the currencies of countries outside the sterling area continued to be restricted while exports to these countries were only permitted provided the foreign currency proceeds were sold to authorised dealers in foreign exchange thus ensuring the full conservation and mobilisation of the country's foreign exchange resources. Although the system was unaltered, there were modifications in the policy adopted towards demands for foreign currencies and a more liberal allotment of foreign exchange was made for purposes which were considered, owing to recent developments, to be of high value and importance to the country.

Firstly, the Government of India under their import licensing system substantially increased the quotas for the import of consumer goods even from countries outside the sterling area, as a means of combating inflation and of meeting the extreme shortage arising from the severe restrictions on imports that had to be imposed during the previous four years. As this relaxation in the import licensing system was accompanied by an improvement in the shipping position, a far greater volume of goods arrived in India particularly from the United States during the year. This led to an increased expenditure of U.S. dollars and India's favourable balance of payments with the United States showed a sharp decrease in spite of a slight rise in the value of exports.

Secondly, the Government of India decided to allow greater facilities for journeys for business purposes to countries outside the sterling area. Previously such journeys had only been sanctioned in cases where the travellers could show that their presence in the foreign country was necessary in order to procure vital supplies for the direct furtherance of the war effort. These rigid conditions were relaxed and sanction is now given for the sale of foreign exchange for business journeys provided the applicant is able to satisfy Government that the results likely to accrue from the journey justify the expenditure of foreign exchange. These business journeys were mainly to the United States. Sanction for travel was usually given in cases where the object of the journey was the expansion of India's exports or for the purchase of special and essential supplies, and, in the case of holders of import licences for large amounts, to procure and expedite the shipment of goods. Sanction was also given in certain cases for visits to the United States to examine the possibility of obtaining machinery and plant for post-war development schemes. Prospective travellers had in all cases to apply to Commerce Department through the Reserve Bank and applications were examined with a view to ensuring that they were *bona fide*, that the journeys were necessary, and that the advantages claimed were substantial and likely to be realised. A large number of Indian businessmen took advantage of these concessions and proceeded to the United States during the course of the year both by air and sea.

There was also a large increase in the number of students proceeding to take courses, in American Universities. Applications from students were examined by the Educational Adviser to the Government of India and exchange facilities were granted where the Educational Adviser was satisfied firstly, that the student had acquired an educational standard that would enable him to take an advanced course in an American University with advantage, secondly, that a similar course was not available in India or the sterling area, thirdly, that the course was a useful one of practical value, and fourthly, that the student would return to India after the comple-

tion of his course, so that this country would obtain the benefit of his training. Travel facilities are also freely given to persons proceeding to the United States for special training in specific branches of industry or manufacture, provided they are able to show that they have made arrangements to receive instruction and the course they intend taking is likely to be of value to the country.

Permission continued to be refused for British subjects to travel outside the sterling area for reasons of personal convenience whether involving immediate or deferred disbursements of foreign exchange and journeys except by persons proceeding on official business, were only sanctioned for reasons of health, education and business, subject in all cases to examination to ensure that the applications were *bona fide* and complied with the conditions laid down by Government.

27. *Liberated Territories.*—During the year the successful military operations in Europe resulted in the liberation of several European countries and preliminary arrangements were made for the resumption of commercial and financial transactions with them when the relaxation of the vesting orders and the Trading with the Enemy Regulations made this possible. The position with regard to the various liberated territories at the end of the year was as follows :—

i) *Belgium.*—A Monetary Agreement between the British Government and the Belgian Government was signed on the 5th October 1944 under which Belgium, Luxembourg, the Belgian Congo and Ruanda-Urundi became a single currency area known as the "Belgian Monetary Area." As the enemy was still in occupation of Luxembourg and parts of Belgium the Agreement only came into immediate force in respect of transactions with the Belgian Congo and Ruanda-Urundi. These territories left the sterling area and became part of the Belgian Monetary Area. The Sterling accounts of residents in the Belgian Monetary Area were designated "Belgian Accounts." Transactions between residents in the sterling area and residents in the Belgian Monetary Area could be made either by payments through the medium of Belgian accounts or in any currency of the Belgian Monetary Area. The main features of the Agreement were that the exchange rate between sterling and the Belgian franc was fixed at 176·625 to the pound sterling and the British and Belgian Governments agreed to hold each others currencies to the extent of Belgian francs 883,125,000 and £5,000,000 sterling respectively ; the settlement of amounts outside these figures having to be made in gold. A further article provided for the revision of the terms of the Agreement in the event of a general international monetary agreement and in addition both Governments undertook to make Belgian sterling and sterling area francs available for payments outside the Belgian and sterling monetary areas. In accordance with the last provision merchants in the United Kingdom have now been allowed to finance trade between the Belgian Monetary Area and certain other countries in sterling. The agreement was to remain in force for three years.

On the 1st February 1945 the agreement came into operation in respect of financial transactions with Belgium, following the withdrawal of certain provisions of the United Kingdom Trading with the Enemy Act, so far as they applied to Belgium. The United Kingdom Vesting Order was relaxed so that the property of persons who had returned to Belgium after the 8th September 1944 no longer became payable to the Custodian of Enemy Property and monies becoming payable after the 1st February 1945 to persons who were resident in Belgium prior to the 8th September 1944 were also exempted from payment to the Custodian. This relaxation made

possible the resumption of financial transactions through normal banking channels between the sterling area and Belgium, although commercial transactions were still subject to special licence.

On the publication of the Monetary Agreement in October, the Reserve Bank of India issued a notification under the Defence of India Rule 92A(1) (i) excluding the Belgian Congo, and Ruanda-Urundi from the sterling area and on the 16th November 1944 the Central Government issued a notification including the Belgian Congo and Ruanda-Urundi in the list of countries to which exports were only allowed provided the foreign exchange proceeds were surrendered to an authorised dealer in foreign exchange.

Upto the end of March 1945, the Government of India had not issued any orders relaxing the provision of the Trading with the Enemy regulations in respect of Belgium or of the Vesting Order over Belgian assets, as had been done in the United Kingdom and consequently direct financial and commercial transactions between India and Belgium were not permissible. Arrangements have been made however for remittances on a limited scale to be made through banks in London for the support of close personal relatives and dependants of residents in India who are in Belgium.

ii) *France*.—Although the liberation of the greater part of France had taken place by the end of 1944, it was not found possible to complete a financial agreement between the British Government and the French Provisional Government until the 27th March 1945. The agreement was similar in form to that completed with Belgium and covered financial transactions between the sterling area and the French franc area consisting of Metropolitan France, the French Overseas Empire and Monaco. The sterling accounts of residents in this area became known as "French Accounts." Transactions between the sterling area and the French franc area could be made through the medium of French accounts or in any of the currencies of the French franc area. The agreement provided for the fixing of the sterling/franc rate at 200 francs to the pound sterling and for the British and French Governments to hold each others currencies to the extent of 20 milliard francs and £100 millions respectively.

On the publication of the agreement, the Trading with the Enemy regulations and the Vesting Order in the United Kingdom were relaxed so as to exempt from payment to the Custodian monies and properties of persons who had returned to France since the 25th August 1944 and monies becoming payable on and after the 28th March 1945 to persons who were resident in France prior to the 25th August 1944. This made possible the resumption of financial transactions with France through normal banking channels.

Although the Anglo-French Financial Agreement was not signed till the end of March 1945, arrangements were made at the beginning of December 1944, for remittances to be made to France from the sterling area through the medium of franc accounts opened by certain London banks under special licences from the British and French authorities. Remittances were limited to payments, on a specified scale for the support of close personal relatives of residents in the sterling area, for travelling expenses and for the upkeep of property. These facilities were also made available to residents in India.

The Anglo-French Financial Agreement is also intended to cover transactions between India and France, but no financial transactions beyond remittances for the purposes stated were immediately permissible, as the Trading with the Enemy regulations and the Vesting Order in India had not been relaxed. These Trading with the Enemy restrictions however only apply to dealings with Metropolitan France as financial and commercial transactions with the French Overseas Empire have been permissible since August 1943. The new financial agreement supersedes the financial agreement entered into between the British Government and the French Committee of National Liberation in February 1944.

iii) *Greece*.—No details of any monetary agreement between the British Government and the Government of Greece have been published but facilities were established in March 1945 for the making of remittances on a limited scale for the support of the close personal relatives in Greece of residents of the sterling area. These remittances have to be made through the medium of sterling accounts opened by the Bank of Greece with certain banks in London under special licence. These accounts are designated "Greek Accounts." The Trading with the Enemy restrictions in the United Kingdom in so far as they apply to Greece, are still fully operative, but the Vesting Order has been relaxed in respect of balances of British subjects resident on the mainland of Greece. In India, Greece has been declared as being no longer enemy territory which will enable financial and commercial transactions with that country to be resumed when the necessary banking facilities are re-established. In the meantime remittances for the support of relatives and dependants are being made through London.

iv) *Liberated Italy*.—The Trading with the Enemy regulations in the United Kingdom are still fully operative in so far as they apply to liberated Italy. Arrangements have been made, however, for the Bank of Italy to open sterling accounts with certain banks in London designated "Italian Accounts" and for remittances to be made to Italy through the medium of these accounts for the support of close personal relatives, similar to the arrangements for remittances to Greece. The accounts of British subjects resident in liberated Italy and the accounts of residents in the Vatican City have been freed from the operation of the Vesting Order and such accounts are designated as "Italian Accounts."

In India, the Trading with the Enemy regulations are still fully operative over transactions with Italy but permission has been granted for remittances for the support of close personal dependants on the same scale as in the United Kingdom and the Vesting Order has been relaxed in respect of assets of British subjects resident in liberated Italy where application for release is made to the Custodian of Enemy Property through British Consuls. The Vesting Order does not apply to the assets of residents in the Vatican City.

v) *Sweden*.—A new Monetary Agreement was completed on the 6th March 1945 between the Governments of the United Kingdom and Sweden in supersession of the previous payments agreement. The agreement was similar in form to the Anglo-Belgian and Anglo-French Agreements but wider in scope as each country agreed to hold each others currencies without limit during the period of the agreement which was for five years. The sterling accounts of residents in Sweden including Swedish Special accounts were designated "Swedish Accounts." Transactions



between the sterling area and Sweden could be made through the medium of these accounts or in Swedish kroner. The rate of exchange was unchanged at 16·9 kroner per £1 sterling.

vi) *French Establishments in India.*—The status of French India was not affected either by the financial agreement of February 1944 with the French Committee of National Liberation or by the new Anglo-French Financial Agreement. The accounts of residents in the French Establishments with banks in India were still treated as resident and no restrictions were placed on the export of money or remittances to French India. As the Customs Union between British and French India completed in February 1941 remained in force, licences for the import of goods into French India continued to be issued by Import Trade Controllers in British India and holders of such licences were permitted to buy foreign exchange from authorised dealers on the same terms and conditions as holders of licences covering the import of goods into British India.

vii) *Switzerland.*—With the liberation of France the encirclement of Switzerland by enemy countries came to an end, and it was consequently found possible to relax certain of the restrictions on financial transactions with that country. Since 1940, importers of Swiss goods had only been permitted to make payment to Switzerland on actual arrival of goods at a neutral port or in India. Banks were permitted during the year, to resume opening letters of credit in favour of Swiss exporters authorising payment against on-board bills of lading, and later, the ban on the despatch of drafts and cheques by post to Switzerland which had been imposed owing to the danger of the enemy acquiring foreign exchange by interception of mails was lifted. Unfortunately, owing to the breakdown in communications in France following the retreat of the Germans and the closing of the Balkan routes due to the spread of fighting to this area, great difficulty was experienced in exporting any goods from Switzerland to India either by parcel post or by sea.

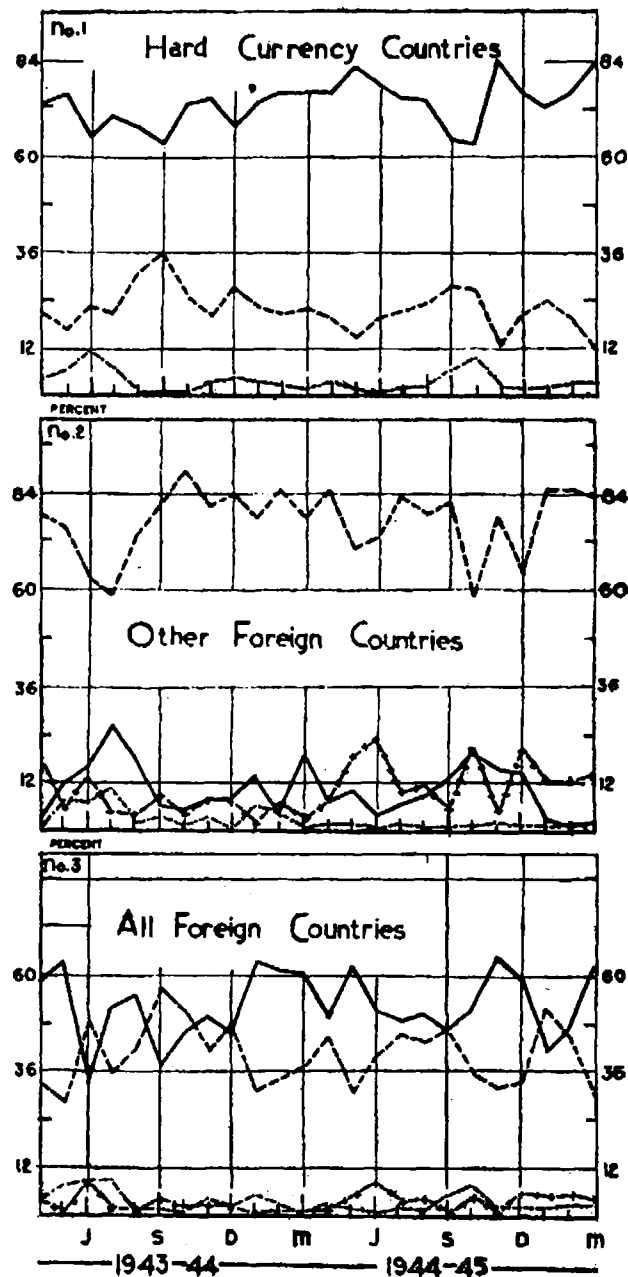
viii) *Cyrenaica, Tripolitania, Ethiopia, Eritrea and Somalia.*—With the issue of notifications by the Government of India that the former Italian territories in Africa were no longer enemy it became possible to resume financial and commercial transactions with these countries although trading with Italian persons and concerns was still prohibited. A considerable volume of trade developed between India and Ethiopia particularly in textiles through Aden and Port Sudan.

28. *Methods of Export Finance.*—Three graphs are given on page 45 showing the different methods used to finance exports to countries outside the sterling area governed by the Export Control Regulations, on a percentage basis.

Graph I covers shipments to the United States and Graph II shipments to other countries. The proportion of trade financed by different methods remained unchanged from the previous year.

# METHODS OF EXPORT FINANCE ON PERCENTAGE BASIS

- 1—1 BILLS DRAWN OR REMITTANCES RECEIVED IN CURRENCY OF COUNTRY OF DESTINATION  
2---2 BILLS DRAWN OR REMITTANCES RECEIVED IN RUPEES  
3--3 BILLS DRAWN IN STERLING ON LONDON  
4+-4 BILLS DRAWN IN STERLING ON THE COUNTRY OF DESTINATION



## V. PUBLIC FINANCE

29. *General.*—The outstanding features and phases of war finance in India are brought out in the table on page 47 giving the figures for the period from 1938-39 to 1945-46 (budget) relating to the Central Government's budgetary position, the defence expenditure on Indian and Allied accounts, the Central Government's debt and the Provincial revenues, expenditure and debt.

The aggregate Governmental outlay on defence totalled at the end of 1944-45, Rs.2,741 crores, of which Government of India's share was Rs.1,347 crores or 49 per cent. As the percentage figures in the table indicate, the volume of expenditure on the Allied account has in the years since 1941-42 substantially exceeded or nearly equalled the total Indian defence expenditure on revenue and capital accounts. While the recoverable war expenditure has placed increasingly severe strain on the country's economy, the considerable Allied disbursements in the country have tended somewhat to relieve the Government of India's budgetary position by improving their receipts from taxation and borrowing. The table indicates that the war period is divisible into two distinct parts, preceding and following the Japanese entry into the war. During the first period, defence expenditure expanded at a comparatively moderate rate, though faster than revenue; during the second period, it increased rapidly and soon outstripped revenue. The percentage of revenue to expenditure on revenue account remained above 90 upto 1941-42, but fell to 61·2 in 1942-43 and to 57·0 in the following year, recovering, however, with the expansion of tax resources to 69·6 by 1944-45. The more significant ratio of revenue to total Governmental outlays dropped more sharply each year from 95·9 per cent. in 1939-40, to 64·4 per cent. in 1940-41 and 26·5 per cent. in 1942-43, recovering thereafter to 29·4 per cent. in 1943-44 and 35·3 per cent. in 1944-45. A comparison of the figures relating to the Central Government debt with the progressive deficit on revenue account and the defence capital expenditure suggests that borrowing by Government has tended to exceed the deficit on Indian account and to cover a part of the expenditure on Allied account. The budgetary deficits from 1940-41 to 1944-45 amounted to Rs.476·94 crores and the defence expenditure on capital account during the period to Rs.149·38 crores, making a total deficit of Rs.626·32 crores; against this, total rupee loans rose from Rs.437·87 crores in 1938-39 to Rs.1,190·98 crores in 1944-45 or by 753·11 crores, while the amount of small savings through the post-office also increased.

### A. BUDGETS

#### CENTRAL GOVERNMENT :

30. *Finance Accounts, 1943-44.*—With the revenue at Rs.252·06 crores and the expenditure at Rs.441·84 crores as compared with the revised estimates of Rs.254·50 crores and Rs.346·93 crores, the accounts of the financial year 1943-44 showed an unexpected deficit of Rs.189·78 crores as against Rs.92·43 crores in the revised estimate. The heavy increase of Rs.97·35 crores in the actual deficit resulted from the larger defence expenditure on revenue account, which rose by Rs.95·76 crores from Rs.262·64 crores to Rs.358·40 crores, the capital portion of the expenditure declining slightly from Rs.38·30 crores to Rs.37·46 crores. The growing defence outlays during the year on revenue account were caused by unforeseen commitments arising out of the Japanese invasion of the country about the close of

TABLE 11. INDIA'S PUBLIC REVENUE, EXPENDITURE AND DEBT SINCE 1938-39.

	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45 (Revised)	Total 1939-40 to 1944-45	1945-46 (Budget)
I. CENTRAL GOVERNMENT BUDGET—									
(1) Revenue .. .. .	84.52	94.57	107.65	134.57	176.88	252.06	356.88	1,122.61	362.34*
(2) Expenditure .. .. .	85.15	94.57	114.18	147.26	289.05	441.84	512.65	1,599.55	517.63
(3) Surplus (+) or Deficit (—) ..	—0.63	..	—6.53	—12.69	—112.17	—189.78	—155.77	—476.94	—165.29
(4) Percentage of (1) to (2) .. ..	99.3	100.0	94.3	91.4	61.2	57.0	69.6	70.2	70.0
II. TOTAL GOVERNMENTAL OUTLAYS .									
85.15	98.57	167.18	341.26	667.04	857.17	1,011.59	3,142.81	1,024.19	
Percentage of I (1) to II .. .. .	99.3	95.9	64.4	29.4	26.5	29.4	35.3	35.7	35.4
A. ON INDIA'S ACCOUNT .. .. .									
85.15	94.57	114.18	147.26	341.56	479.30	572.06	1,748.93	535.39	
(1) Civil Expenditure .. .. .	38.97	45.03	40.57	43.33	74.43	83.44	115.42	402.22	123.40
(2) Defence Expenditure .. .. .	46.18	49.54	73.61	103.93	267.13	395.86	458.64	1,346.71	411.99
(a) On Capital account .. .. .	..	..	..	..	52.51	37.46	59.41	149.38	17.76
(b) On Revenue account .. .. .	46.18	49.54	73.61	103.93	214.62	358.40	397.23	1,197.33	394.23
(i) Basic Normal Budget .. .. .	38.07	36.77	36.77	36.77	36.77	36.77	36.77	220.62	36.77
(ii) Rise in Prices .. .. .	..	1.19	2.57	4.39	7.97	14.44	16.92	47.48	19.76
(iii) War Measures (Net) .. .. .	..	3.52	25.90	54.44	161.63	298.75	334.22	878.46	328.51
(iv) Non-effective charges (Net) .. .. .	8.11	8.07	8.38	8.33	8.26	8.44	9.32	50.80	9.19
(3) Percentage of Defence Expenditure (revenue account) to Expenditure ..	54.2	52.4	64.5	70.6	74.3	81.1	77.5	74.9	76.2
B. RECOVERABLE WAR EXPENDITURE ..									
4.00	53.00	194.00	325.48	377.87	439.53	1,393.88	488.80		
Percentage of B to A (2) .. .. .	8.1	72.0	186.7	121.8	95.5	96.3	103.5	118.6	
¶ III. CENTRAL GOVERNMENT DEBT AT END OF YEAR—									
(1) Sterling Loans .. .. .	464.94	439.10	341.11	206.93	50.56	34.70	34.10	—430.84†	34.04
(2) Rupee Loans .. .. .	437.87	450.23	574.55	611.85	748.74	1,006.55	1,190.98	+753.11†	1,484.43
(3) Small Savings‡ .. .. .	141.45	135.35	108.79	95.56	92.77	118.47	157.25	+15.80†	205.75
(4) Treasury Bills and Ways and Means .. .. .	46.30	54.70	84.90	136.98	264.70	110.61	86.61	+40.31†	86.61
(5) TOTAL INTEREST-BEARING OBLIGATIONS (INCLUDING UNFUNDED DEBT AND DEPOSITS) .. .. .	1,205.76	1,203.86	1,247.67	1,209.21	1,353.13	1,532.47	1,819.02	+613.26†	2,180.57
IV. PROVINCES—									
(1) Revenue .. .. .	84.74	90.83	97.48	107.41	124.31	163.31	200.78	784.12	188.17
(2) Expenditure .. .. .	85.76	89.22	95.18	103.48	118.18	153.85	208.05	767.96	191.74
(3) Surplus (+) or Deficit (—) ..	—1.02	+1.61	+2.30	+3.93	+6.13	+9.46	—7.27	+16.16	—3.57
(4) Debt Position (Gross Total Debt)§	163.20	167.61	169.91	169.15	170.26	196.28	215.49†	+52.29	..

\* Including new taxation.

¶ Items (1) and (5): Capital portion of Railway Annuities is excluded from 1942-43.

† Includes (1) Post Office Cash Certificates, (2) Savings Bank Deposits (3) Defence Savings Certificates since 1940-41, (4) Defence Savings Bank Deposits since 1941-42 and (5) National Savings Certificates since 1943-44. ‡ Variation between 31st March 1939 and 1945. § Includes (1) Permanent debt, (2) Floating debt, (3) Unfunded debt and (4) Loans from Central Government.

the year and by heavy adjustments in the year's accounts on account of provision for equipment, etc., for the forces in India. The shortfall of Rs.2.44 crores in revenue was mainly the outcome of a deterioration of Rs.8.86 crores under Taxes on Income from Rs.138 crores to Rs.129.14 crores, offset by an increased contribution of Rs.5.37 crores from the Railways and larger receipts of Rs.1.77 crores under Excise.

Tax revenue retained by the Centre (*viz.*, excluding the provincial share of income tax and jute duty) expanded from the pre-war level of Rs.72.34 crores in 1938-39 to Rs.123.57 crores in 1942-43 or by 71 per cent. and to Rs.172.34 crores in 1943-44. Taxes on Income (including the provinces' share) increased between 1938-39 and 1943-44 by over six-fold from Rs.17.28 crores to Rs.129.14 crores. During the same period receipts from Customs declined from Rs.40.51 crores to Rs.26.20 crores, the decrease being more than counter-balanced by an increase of Rs.18.76 crores under Central Excise Duties. Receipts under Currency and Mint during the same period increased by more than sixteen-fold from Rs.58 lakhs to Rs.9.97 crores. Additions to the debt on account of budgetary deficits amounted to Rs.321.17 crores by the end of 1943-44 as against Rs.131.39 crores by the end of 1942-43.

31. *Revised Estimates, 1944-45.*—As in 1943-44, developments in the military situation on India's north-eastern frontier combined with improvements in the terms of service of all Arms and an increase in civil estimates mainly incidental to the war were the major factors responsible for an unexpected deficit of Rs.155.77 crores in the revised estimates for 1944-45 as against Rs.54.70 crores budgeted. The revised figures of receipts and expenditure on revenue account for 1944-45 were placed higher at Rs.356.88 crores and Rs.512.65 crores respectively as against Rs.308.28 crores and Rs.362.98 crores in the budget, the increase of Rs.48.60 crores in revenue being more than offset by a rise in expenditure of Rs.149.67 crores.

The total increase of Rs.149.67 crores in expenditure is mainly the result of increased defence outlay which, in the revised estimates, is placed considerably higher at Rs.397.23 crores as compared with Rs.276.61 crores in the budget estimates. This increase of Rs.120.62 crores in the defence expenditure on revenue account is almost wholly accounted for by a rise of Rs.118.63 crores under the category of India's War Measures. Defence expenditure on capital account registered an increase of Rs.34.81 crores from Rs.24.60 crores to Rs.59.41 crores, mainly as a result of demands for new airfields and the lump sum payment of Rs.20 crores under the Agreement relating to 'Non-effective Charges' with His Majesty's Government, referred to later. Total Governmental outlays on war are placed at Rs.896.17 crores, including Rs.439.53 crores recoverable from the British Government under the Financial Settlement of 1940. The revised defence estimates on revenue account provided for larger costs during the year on account of reciprocal aid to the United States. As a result of particularly heavy demands from the United States forces in India for goods and services, the value of such aid amounted to Rs.76.33 crores as against Rs.35.11 crores in 1943-44 and Rs.12 crores in 1942-43, the progressive total to the end of 1944-45 being estimated at Rs.124 crores; provision for Rs.70.34 crores towards the cost of such aid is made in the budget for 1945-46. As against these commitments, the value of total receipts by India under lend-lease arrangements to the end of 1944-45 is estimated at Rs.515 crores; the portion of the lend-lease aid for which India would have had to provide at her own expense (under

the Financial Settlement of 1940) is placed at Rs.150 crores. As explained by the Finance Member during the discussion of the budget for 1945-46, the principle adopted in allocating lend-lease aid (received in India, as between the U.K. and this country) was that the allocation went to the Government to which the financial benefit accrued. India thus incurred the obligations associated with lend-lease only in respect of supplies for which, but for lend-lease, she would have had to pay. The value of lend-lease aid to be received by India during 1945-46 on her own account is expected to approximate to the amount of reciprocal aid to be extended to the United States.

During the year, as a result of negotiations with His Majesty's Government an agreement was reached in regard to the allocation during the war of 'Non-effective Charges' in respect of pensions and gratuities paid to personnel of the defence services and to their dependants. This agreement provides for a lump sum payment on its termination of £15 million in respect of India's liability on 'Non-effective' account as on the 1st April 1939, and for an annual payment of £1.35 million from that date. The 'Non-effective' agreement is to be co-terminous with the main Financial Settlement of 1940, and a provision has been made for the negotiation of a fresh agreement thereafter. India has, however, made the lump payment of £15 million in advance on the 1st February 1945, and in consideration of this, the country's annual liability of £1.35 million has been reduced by £450,000 to £900,000 from that date.

Civil expenditure showed an increase of Rs.29.05 crores from Rs.86.37 crores to Rs.115.42 crores mainly as a result of (1) the grant by the Government of India of an *ex-gratia* subvention to the Government of Bengal of half of the direct cost of the famine, subject to a maximum of Rs.10 crores of which Rs.3 crores had already been adjusted in 1943-44; (2) provision of Rs.10.25 crores for paying compensation for damages resulting from the explosions in the Bombay Docks in April 1944 (the question of allocation of this expenditure between the Government of India and His Majesty's Government is under consideration); (3) increased expenditure resulting from the adoption of measures of stabilisation of prices; (4) increases in dearness and other allowances and (5) contribution of Rs.1.10 crores to UNRRA during the year out of India's total contribution of Rs.8 crores, the balance being provided for in the budget for 1945-46.

The improvement in revenue receipts is mainly accounted for by larger collections under Taxes on Income, higher receipts under Customs and continued rise in the receipts under Currency and Mint. Total collections under Taxes on Income (including provinces' share) rose by Rs.27.50 crores from Rs.182.50 crores to Rs.210 crores. This increase was entirely the result of larger collections under the Excess Profits Tax which expanded, following the speeding up of assessments, by Rs.32 crores from Rs.78 crores to Rs.110 crores, while ordinary collections under Corporation Tax and the Surcharge under Income Tax showed declines respectively of Rs.1.97 crores and Rs.3 crores. In assessing the anti-inflationary effect of the wartime increases in income taxation, it should be remembered that the budget figures do not include the various compulsory deposits under the Excess Profits Tax and Income Tax, and collections under the "Pay-as-you-earn" scheme, the last being placed approximately at Rs.60 crores for the year. The improvement under Customs of Rs.12 crores from Rs.28 crores to Rs.40 crores resulted mainly from the larger importation of consumer goods and railway plant and rolling stock,

the latter accounting for Rs.2·80 crores of the increase. As against this, there was a shortfall of Rs. 1·83 crores under Central Excise, the receipts from which declined from Rs.40·90 crores to Rs.39·07 crores mainly under tobacco. Another head to register a decline was Posts and Telegraphs, whose net revenue was placed at Rs.9·32 crores against Rs.11·31 crores in the Budget. The contribution by Railways to general revenues has been placed at Rs.32 crores (*vide* para 33) as against Rs.31·18 crores in the budget.

32. *Budget Estimates, 1945-46.*—With the defence expenditure on revenue account at about the same level as in the revised estimates for 1944-45, the budget estimates of revenue and expenditure for 1945-46 do not show any marked variations from the revised figures, being placed at Rs.353·74 crores (excluding new taxation) and Rs.517·63 crores respectively as against Rs.356·88 crores and Rs. 512·65 crores in the revised estimates. The prospective deficit of Rs.163·89 crores is proposed to be met to the extent of Rs.8·60 crores by additional direct and indirect taxation and the rest by borrowing.

Estimates of defence expenditure on revenue account amount to Rs.394·23 crores, and account for 76 per cent. of the total expenditure compared with 78 per cent. in the previous year. As compared with the revised estimates, the budget provision under India's war measures at Rs.328·51 crores shows a decline of Rs.5·71 crores, partly as a result of a decrease in the "ceiling" forces necessary for the defence of the country. Against this, there is an increase of Rs.2·84 crores under rise in prices due to the grant of increases in pay and allowances sanctioned in the previous year. The total defence expenditure including the capital portion is placed at Rs.411·99 crores against Rs.456·64 crores revised. The lower costs of defence in 1945-46 are mainly accounted for by a reduction under the capital portion from Rs.59·41 crores in 1944-45 to Rs.17·76 crores in 1945-46. Of the decrease of Rs.41·65 crores in the budget for 1945-46, Rs.20 crores is accounted for by the non-recurring lump sum payment under the Non-effective Agreement included in the revised estimates for 1944-45 (*vide* para 31), and the rest is mainly accounted for by the practical completion in 1944-45 of the programme of airfield construction. The particulars of defence capital expenditure since this head was first introduced in 1942-43 are shown below.

TABLE 12. COMPOSITION OF DEFENCE EXPENDITURE ON CAPITAL ACCOUNT.

	(In crores of rupees)			
	Actuals 1942-43	Actuals 1943-44	Revised Estimates 1944-45	Budget Estimates 1945-46
1. Air Force—Airfields .. .. .	23·34	14·67	15·89	2·42
2. Capital Outlay on Industrial Expansion ..	5·71	3·32	3·34	1·55
3. Reciprocal Aid—Airfields .. .. .	8·66	15·34	15·20	10·74
4. New Constructions for the Royal Indian Navy .. .. .	3·38	0·52	1·00	0·50
5. Capital Outlay on Tele-communication scheme .. .. .	0·08	3·61	3·98	2·55
6. Capital Outlay on Chatfield Modernisation Plan .. .. .	11·44	..	..	..
7. Lump sum payment to H. M. Government under the "Non-effective" Agreement ..	..	..	20·00	..
<b>Total ..</b>	<b>52·51</b>	<b>37·45</b>	<b>59·41</b>	<b>17·76</b>

The civil expenditure at Rs.123·40 crores shows an increase of Rs.7·98 crores. This is principally due to a rise of Rs.11·34 crores from Rs.22·61 crores to Rs.33·95 crores under Interest. Interest on rupee loans shows an increase of Rs.9·15 crores over the revised and reflects the full year's effect of borrowings in 1944-45 while allowing for further net borrowings next year anticipated to amount to Rs.350 crores.

The variations in the important heads of revenue (including new taxation) are indicated below.

TABLE 13. IMPORTANT HEADS OF REVENUE OF THE GOVERNMENT OF INDIA.

Heads of Revenue	(In crores of rupees)					Increase(+) Decrease(—) in 1945-46 over revised estimates for 1944-45
	1938-39 Accounts	1943-44 Accounts	1944-45 Budget	1944-45 Revised	1945-46 Budget	
Customs .. .. .	40·51	26·20	28·00	40·00	55·25	+15·25
Central Excise Duties .. .. .	8·66	27·42	40·90	39·07	48·59	+ 9·52
Corporation Tax .. .. .	2·04	51·45	81·61	106·11	89·67	—16·44
(Excess Profits Tax) .. .. .	..	(39·86)	(65·00)	(91·50)	(75·50)	— (16·00)
Taxes on Income other than Cor- poration Tax* .. .. .	15·24	77·69	100·89	103·89	100·83	— 3·06
(Excess Profits Tax) .. .. .	..	(13·71)	(13·00)	(18·50)	(14·50)	—(4·00)
Currency and Mint .. .. .	0·58	9·97	9·99	12·55	12·28	— 0·27
(Profits of the Reserve Bank) ..	(0·20)	(7·50)	(7·50)	(10·07)	(10·07)	..
Railways' Contribution .. .. .	1·37	37·64	31·18	32·00	32·00	..
Posts and Telegraphs .. .. .	0·19	9·03	11·31	9·32	11·85	+ 2·53
Total tax revenue* .. .. .	76·35	193·22	262·45	300·58	305·79	+ 5·21
Percentage of Taxes on Income to total tax revenue .. .. .	22·6	66·8	69·5	69·9	62·3	..

\* Including provinces' share.

The lower estimates of collections under Taxes on Income in the budget are counter-balanced by improvement in the expected yield under Customs and Excise. Total receipts from Taxes on Income at Rs.190·50 crores are lower by Rs.19·50 crores; Customs are placed higher by Rs.15·25 crores and Central Excise Duties by Rs.9·52 crores, receipts from these in the budget estimates being placed respectively at Rs.55·25 crores and Rs.48·59 crores. The entire loss of Rs.19·50 crores under Taxes on Income has been on account of lower yield at Rs.90 crores under the Excess Profits Tax as a result of the operation of various control measures introduced to curb excessive profits. The higher estimates under Customs are based on the expectation of larger imports, and improvement in Excise is accounted for mainly by an increase of Rs.3 crores anticipated under tobacco. The contributions from Railways and Posts and Telegraphs are placed respectively at Rs.32 crores and Rs.11·85 crores.

The Indian Finance Act of the 31st March 1945 provides for the following new measures of taxation.

- (1) an increase in surcharge on slabs of income above Rs.15,000 and on incomes taxable at the maximum rate, estimated to bring Rs.1·25 crores. (This represents the net yield out of a total estimated yield of Rs.4 crores after deduction of the estimated loss in revenue on account of the exemption from income-tax of one-tenth of earned income referred to later),



- (2) an increase in the excise duty on the highest class of flue-cured tobacco and also an increase in the rate of duty on flue-cured tobacco intended for any purposes other than those specified in the excise tariff, estimated to yield Rs.3.6 crores,
- (3) an increase in the standard rate of customs duty on unmanufactured tobacco and the rates for related items--cigars, cigarettes and manufactured tobacco, the estimated addition to revenue being Rs.2.4 crores, and
- (4) an increase in the rate charged on postal parcels, in the surcharge on telephone rentals and that on trunk call fees, and in the surcharge on ordinary and express telegrams, with an expected return of Rs.1.35 crores.

It is proposed to continue the excess profits tax at the existing rate of 66½ per cent. together with the scheme of compulsory deposits, for a further year upto the 31st March, 1946.

A feature of the budget was the recognition of the practice prevailing in countries like the United Kingdom and the United States of differentiating, for income tax purposes, between earned and unearned incomes. The Finance Act provides for an exemption of one-tenth of earned income, subject to a maximum reduction in the amount of taxable income of Rs.2,000, and the Income Tax Act of 1922 has been amended accordingly. The exemption is only in respect of income tax and not super tax and is limited to income derived from personal exertion. Further measures of relief from income tax were also proposed to help re-equipment and rehabilitation of industry on the general lines of the provisions in the United Kingdom Finance Act of 1944 in respect of current expenditure on scientific research, and research expenditure of a capital nature over a maximum period of five years.

As regards reconstruction finance it was pointed out by the Finance Member in his Budget Speech that the first year or two at least after the termination of the war will be for the Centre years of heavy deficit on revenue account; post-war planning on the requisite scale would involve huge outlays, and the fullest development of taxation resources, both Central and Provincial, was the first pre-requisite of sound reconstruction finance. Some of the possible sources of additional revenue in the post-war period mentioned by the Finance Member are death duties, taxation of agricultural incomes by the provinces, development of the sales or turnover tax on a country-wide basis and increasing reliance on Central Excise as an instrument of commodity taxation, higher receipts under which will partly compensate a possible shortfall under Customs after the initial post-war years.

In the last year's Report a reference was made (*vide* para 11, p. 18) to an arrangement under which the British Government had agreed to set aside for purposes of India's post-war development from 1944-45 onwards each year a part of the United States dollars accruing from the excess of India's exports over imports from the United States. It has since been decided, on the basis of current figures and tendencies, to accept on this account an amount of \$20 million for the calendar year 1944 and a similar amount for 1945.

33. *Railway Budget.*—The following table compares the budget estimates of State-owned Railways including worked lines, for 1945-46 with the budget and revised estimates for 1944-45 and the actuals for 1943-44 and the pre-war year 1938-39.

**TABLE 14. REVENUE, EXPENDITURE AND RESERVES OF INDIAN RAILWAYS.**

					(In crores of rupees)				
					1938-39	1943-44	1944-45		1945-46
							Budget	Revised	Budget
<b>I. Receipts and Expenditure.</b>									
Gross Traffic Receipts .. .. .					99·62	1,85·43	1,82·00	2,14·30	2,20·00
Total working Expenses .. .. .					69·18	1,08·84	1,14·28	1,47·49	1,59·87
a. Net Traffic Receipts .. .. .					30·44	76·59	67·72	66·81	60·13
b. Net Miscellaneous Receipts .. .. .					0·23	2·78	3·05	3·01	3·77
Net Revenue (a + b) .. .. .					30·67	79·37	70·77	69·82	63·90
Interest charges .. .. .					29·30	28·53	28·75	27·81	27·39
<b>II. Surplus .. .. .</b>					<b>1·37</b>	<b>50·84</b>	<b>42·02</b>	<b>42·01</b>	<b>36·51</b>
Contributions to General Revenues .. .. .					1·37	37·64	31·18	32·00	32·00
Contributions to Railway Reserve Fund .. .. .					..	13·20	10·84	10·01	4·51
Total expenditure charged to capital .. .. .					2·33	8·71	28·70	20·88	9·50
Total expenditure charged to Depreciation Fund .. .. .					7·08	0·64	23·00	12·30	22·50
<b>III. Capital at charge at the end of the year.</b>					<b>7,55·26</b>	<b>7,80·73</b>	<b>8,06·04</b>	<b>7,89·59</b>	<b>7,99·09</b>
<b>IV. Depreciation Reserve Fund .. .. .</b>					<b>19·61*</b>	<b>82·07</b>	<b>87·93</b>	<b>92·30</b>	<b>98·09</b>
Net accretions during the year .. .. .					5·48	10·23	—5·88	5·79	—5·38
Closing Balance .. .. .					25·09*	92·30	82·05	98·09	92·71

The accounts for 1943-44 showed a record surplus of Rs.50·84 crores which was higher than the revised estimates by Rs.7·07 crores, due mainly to increased receipts during the last quarter of that year under passengers and parcels traffic. Out of the surplus, Rs.37·64 crores went to general revenues and Rs.13·20 crores was transferred to the Railway Reserve Fund, raising the balance in that Fund to Rs.22·55 crores.

The year's working during 1944-45 disclosed a further increase under both receipts and expenses. The rate of increase in coaching (mainly passenger) traffic earnings continued to be considerably higher than in goods earnings. As compared with 1943-44, the former showed, according to the revised estimates, a rise of 25 per cent. against 8 per cent in the latter, the percentage increases in them over the earnings of the pre-war year 1938-39 being 214 and 66 respectively. The revised estimates for 1944-45 placed total traffic receipts higher at Rs.214·30 crores as against Rs.182·00 crores in the budget, larger earnings from coaching traffic

\* Includes Rs. 9 lakhs on account of loans to branch line companies and also Rs. 31 lakhs on account of investments in branch line shares. In 1942-43 these amounts were transferred to the Railway Reserve Fund Investment Account.

estimates, the increases being most marked in Bengal, Madras and Bombay. Receipts and expenditure under the revised were higher by Rs.13·68 crores and Rs.16·57 crores respectively in Bengal, by Rs.10·16 crores and Rs.10 crores in Madras and by Rs.7·22 crores and Rs.6·34 crores in Bombay. The continued rise in provincial revenues is accounted for by higher tax revenues resulting from enhancement of existing rates of taxes and new wartime levies, improved receipts under land revenue and a rise in the provincial share of the divisible pool of income tax under the Niemeyer Award. New taxation measures introduced during 1944-45 included a Sales Tax in Bihar and an Agricultural Income Tax in Bengal, while there have been enhancements in rates of registration fees and stamp duties in Bombay and excise duties in Bengal, the United Provinces and Madras. The Sales Tax was introduced in Madras in October 1939, in Bengal in July 1941, in the Punjab in October 1941 and in Bihar in October 1944. In Madras, the increased receipts under Excise from Rs.7·38 crores in the budget to Rs.12·87 crores in the revised estimates accounted for more than half of the rise in revenue. The commodity and consumption taxes have imparted a measure of resiliency to provincial revenues, the proportion of total provincial land revenue receipts, marked by comparative rigidity, to aggregate revenue declining from 31 per cent. in 1938-39 to 15 per cent. in 1944-45. Provincial expenditures have increased in part as a result of higher costs of administration and outlays in respect of dearness allowance, grow more food campaign and other stabilisation measures; the principal elements of the rise in provincial expenditure, however, have been the enhanced provisions for nation-building activities and the earmarking, particularly during the last two years, of large sums for post-war reconstruction.

Except in the case of Bengal, the budget estimates for 1945-46 more or less follow the revised estimates for 1944-45. In Bengal, revenue and expenditure are budgeted lower at Rs.28·79 crores and Rs.37·39 crores respectively as against Rs.35·66 crores and Rs.47·01 crores in the revised. The deficit of Rs.8·60 crores in Bengal for 1945-46 is to be ascribed largely to losses amounting to Rs.2·27 crores on subsidised sales and to heavy expenditure on relief measures. Allocations in the provincial budgets for 1945-46 for beneficent departments total Rs.43 crores against Rs.40 crores revised for 1944-45 and Rs.19 crores in the pre-war year, with a fall in Bengal to Rs.7·53 crores from Rs.8·69 crores. In Madras, the budget provides for the introduction of an Agricultural Income Tax on incomes over Rs.5,000, estimated to yield Rs. 50 lakhs. Bullion and specie which were included under the Madras General Sales Tax as amended on the 1st April 1944 have been exempted with effect from the 1st April 1945. The United Provinces budget proposes the imposition of a Sales Tax.

The total of the various types of provincial reconstruction funds is expected to aggregate more than Rs.60 crores at the end of March 1946, of which Rs.20 crores is provided for in the budgets for 1945-46, including Rs.10 crores in Madras, Rs.4·0 crores in Bombay and Rs.2·56 crores in the United Provinces.

35. *Subventions and Payments from the Centre.*—The table on page 56 shows the subventions and other payments made by the Central Government to the Provinces since 1937-38 in terms of the Government of India (Distribution of Revenues) Order of 1936 as amended in February 1940 and subsequently. The amended Order enabled the Centre to retain from the provincial moiety, for each of the three years beginning with 1939-40, a sum of Rs.4½ crores in addition to its own share of the

accounting for over 50 per cent. of the entire increase. Total working expenses (including depreciation and payments to worked lines) are placed at Rs.147.49 crores against Rs.114.28 crores in the budget estimates. The steep rise here is mainly the result of a special wartime arrangement under which a major portion of expenditure of a capital nature, which had hitherto been debited to 'Capital' and 'Depreciation Fund' accounts is to be debited from 1944-45 onwards to current revenues. Thus, out of a total estimated expenditure of Rs.94.75 crores in respect of wagons and locomotives in the years from 1943-44 to 1946-47, there will be a debit of Rs.61½ crores to working expenses; there will be another debit against current revenue of Rs.4½ crores on account of military sidings and other works. Of the total debit of Rs.66 crores to working expenses, Rs.24 crores will be in 1944-45, Rs.30 crores in 1945-46 and Rs.12 crores in 1946-47. To enable the Railways to finance this special liability and with due regard to the needs of both the general revenues and Railways, it has been decided to stabilise the Railways' contribution to the general revenues at Rs.32 crores in 1944-45 and in 1945-46, instead of dividing the surplus in the proportion of 3 : 1 in terms of the resolution passed by the Central Assembly in March 1943. The net surplus for 1944-45, after payment of interest charges, is estimated at Rs.42.01 crores of which general revenues will receive Rs.32 crores; the balance of Rs.10.01 crores (of which Rs.5 crores is earmarked for arrears of maintenance) is proposed to be carried to the Railway Reserve.

The budget estimates for 1945-46 place total traffic receipts and total working expenses at Rs.220 crores and Rs.159.87 crores respectively, as compared with Rs.214.30 crores and Rs.147.49 crores in the revised estimates for 1944-45. The net surplus after payment of interest charges is placed at Rs.36.51 crores of which Rs.32 crores will accrue to general revenues and the remaining Rs.4.51 crores to the Railway Reserve Fund which is estimated to amount to Rs.29.10 crores at the end of March 1946.

34. *Provincial Budgets.*—Statement IX shows receipts and expenditure on revenue account of the provinces for the years 1943-44, 1944-45 and 1945-46. The following table contains a comparison of the combined results for all provinces:—

						(In lakhs of rupees)			
						1944-45		1945-46	
						Budget	Revised	Budget	
						Estimates	Estimates	Estimates	
						1938-39	1943-44		
Revenue	..	..	..	..	..	84.74	1,63,31	1,56,21	2,00,78
Expenditure	..	..	..	..	..	85.76	1,53,85	1,58,40	2,08,05
Total surpluses	..	..	..	..	..	62	13,04	6,60	4,56
Total deficits	..	..	..	..	..	1,64	3,58	8,69	11,83
Total net surpluses (+) or deficits (—)	..	..	..	..	..	—1,02	+9,46	—2,19	—7,27
									—3,57

As the above table shows, revenue receipts for all provinces rose by 137 per cent. between 1938-39 and 1944-45 from Rs.84.74 crores to Rs.200.78 crores. Under conditions of wartime affluence resulting from higher prices and ampler taxable capacity, provincial budgets continued to show expansion in revenue and surpluses in most cases, with the notable exception of Bengal. The revised estimates for 1944-45 of revenue and expenditure were in all cases higher than under the budget

divisible pool of income tax. This arrangement was continued by amendments to the Order in April 1943 and each of the following years. Statement X shows fuller particulars of the payments in respect of each province.

(In crores of rupees)

					Income tax	Jute Duty	Subventions	Other grants-in-aid	Total
1937-38	..	..	..	..	1.25	2.65	3.12	....	7.02
1938-39	..	..	..	..	1.50	2.51	3.03	....	7.04
1939-40	..	..	..	..	2.79	2.56	3.03	....	8.38
1940-41	..	..	..	..	4.16	1.85	3.03	....	9.04
1941-42	..	..	..	..	7.39	1.95	3.03	....	12.37
1942-43	..	..	..	..	10.90	1.40	2.75	0.01	15.06
1943-44	..	..	..	..	19.50	1.38	2.75	3.00	26.63
1944-45 (Revised)	..	..	..	..	26.56	1.40	1.70	7.00	36.66
1945-46 (Budget)	..	..	..	..	23.29	1.40	1.70	....	26.39

The steep rise in the share of income tax accruing to the provinces since the outbreak of war continued during the year under review. The divisible pool of income tax and the share of the provinces estimated at Rs.56.38 crores and Rs.23.69 crores respectively in the budget for 1944-45 were higher at Rs.61.13 crores and Rs.26.56 crores (including Rs.49 lakhs on account of the previous year's arrears) in the revised estimates. Owing to an expected decline in income tax receipts (*vide* para 32), the divisible pool at Rs.57.07 crores in the budget for 1945-46 shows a decrease of Rs.4.06 crores over the revised receipts during 1944-45, and the upward trend in provincial income tax receipts appears to be arrested, these receipts being placed lower at Rs.24.04 crores as compared with Rs.26.56 crores, as detailed below.

TABLE 15. DIVISIBLE POOL OF TAXES ON INCOME AND DISTRIBUTION BETWEEN THE CENTRE AND THE PROVINCES.

(In lakhs of rupees)

	1944-45 Budget	1944-45 Revised	1945-46 Budget
Total taxes on income other than Corporation Tax, excluding Central Surcharge .. .. .	62,39	68,39	64,33
Deduct-Portion attributable to taxes on federal emoluments and to Chief Commissioners' Provinces and miscellaneous receipts .. .. .	5,36	6,87	6,83
Deduct share of cost of collection .. .. .	65	39	43
Divisible Net proceeds of Income Tax .. .. .	56,38	61,13	57,07
Deduct amount retained by the Central Government .. .. .	32,69	35,06	33,03
Amount payable to provinces .. .. .	23,69	26,07	24,04
Add previous year's arrears .. .. .	....	49	....
	23,69	26,56	24,04

In view of the cost (part of which will be passed on to the provinces) of exemption from income tax in respect of earned income (*vide* para 32), the provinces are expected to receive actually Rs.23.29 crores instead of the amount budgeted.

The share of the jute export duty assigned to the jute producing provinces remains unchanged at Rs.1.40 crores in the budget estimates for 1945-46 as in the revised estimates for 1944-45. The grants of Rs.3 crores in 1943-44 and Rs.7 crores in 1944-45 represent the *ex-gratia* subvention to Bengal to enable the province to meet the heavy expenditure on famine relief.

## B. PUBLIC DEBT

36. *General.*—The outstanding features of the public debt of India brought out by the table at the beginning of this chapter are a 51 per cent. increase in the total interest bearing obligations of the Government of India (including unfunded debt and deposits); a steady rise upto 1942-43 in the amount of terminable and non-terminable loans, partly issued in connection with the repatriation of sterling loans, followed by a markedly quicker increase in the subscriptions during the last two years; a very considerable increase upto 1942-43 in the volume of floating debt represented by treasury bills outstanding to about six times their pre-war amount, largely issued on account of the repatriation of sterling debt, and a heavy decline in that volume during the last two years *pari passu* with the large increase in the volume of funded debt; a decline upto 1942-43 in the amount of small savings in Post Office savings bank deposits, cash and savings certificates, etc., followed by a relatively rapid recovery during the last two years (primarily owing to the introduction of national savings certificates). The practical elimination of sterling loans, which before the war actually exceeded the volume of rupee loans, is also indicated in the above table.

### (a) GOVERNMENT BALANCES AND SHORT-TERM BORROWING.

#### CENTRAL GOVERNMENT :

37. *Balances.*—Statement XI shows the balances of the Central and Provincial Governments separately with the Reserve Bank of India and at Government Treasuries at the end of each month during 1944-45. The marked rise in the Central Government's balances during the year under review reflects the increased extent to which the expenditure on Allied account is covered by the proceeds of local borrowing. It also results from the advance payments of income tax, the deposits in respect of the excess profits tax and of some imported commodities on Government account against debits in sterling and the proceeds of sale of lend-lease silver. The trend towards a rise in the average level of month-end balances maintained by Government noticed during 1943-44 became considerably pronounced in 1944-45, when the balances throughout stood at a far higher level than during the corresponding months of the previous year and maintained a consistently upward trend during most of the year. The amount of balances increased from the previous year-end level of Rs.83.49 crores to Rs.108.37 crores at the end of July, Rs.184.80 crores at the end of September, and Rs.250.83 crores at the end of December, closing with a record position of Rs.268.79 crores on the 31st March 1945. The average of monthly balances during the year was Rs.173.69 crores being nearly six times the average for 1943-44 at Rs.30.25 crores. The highest, lowest and average month-end

balances of the Central Government for the last six years together with the closing balances are shown in the table below :—

				(In lakhs of rupees)			
				Highest	Lowest	Average	Year-end
1939-40	..	..	..	15,65 (March)	5,03 (July)	8,29	15,65
1940-41	..	..	..	23,08 (February)	3,97 (April)	10,19	13,57
1941-42	..	..	..	58,68 (February)	5,49 (June)	15,77	15,15
1942-43	..	..	..	25,88 (February)	1,57 (August)	12,10	17,41
1943-44	..	..	..	83,49 (March)	8,39 (June)	30,25	83,49
1944-45	..	..	..	270,54 (January)	56,27 (May)	173,69	268,79

38. *Treasury Bills.*—Details of the transactions in Central Government treasury bills since 1918 are given in Statement XII. Particulars of the weekly and monthly transactions in these bills during 1944-45 are given respectively in Statements XIII and XIV. The main trends in treasury bill finance noticed during 1943-44 were projected into the year under review as shown by the continued reduction in outstandings, comparatively larger response to tenders and further easing of the rate offered on these bills. From Rs.282.29 crores on the 19th March 1943, the total outstanding treasury bills declined by Rs.171.68 crores to Rs.110.61 crores at the end of 1943-44 and further by Rs.23.90 crores to Rs.86.71 crores at the close of 1944-45; the amount of treasury bills outstanding with the public at the close of 1944-45 stood at Rs.36.83 crores compared with Rs.76.07 crores at the end of 1943-44 and Rs.123.98 crores at the end of 1942-43. The total sales by tender during 1944-45 of Central Government treasury bills to the public (there being no sales of intermediates) stood at Rs.229.28 crores as against Rs.396.19 crores (including Rs.36.48 crores by intermediates) in 1943-44. The amount offered weekly for tender by the Bank averaged lower at Rs.4.85 crores per week during the year compared with Rs.7.25 crores during 1943-44, while the ratio of applications to amounts offered worked out higher at 219 per cent. during 1944-45 as compared with 164 per cent. in the previous year. The weekly offer which was successively reduced from Rs.8 crores to Rs.6 crores on the 29th February 1944, and to Rs.4 crores on the 22nd March was further lowered to Rs.2 crores on the 11th April. It was raised to Rs.4 crores on the 2nd May and to Rs.6 crores on the 30th at which level it was maintained till about the end of January 1945, except for a period of six weeks from the 4th July to the 8th August when it was lower at Rs.4 crores. The offer was reduced to Rs.4 crores on the 30th January followed by a further reduction to Rs.2 crores in the next week; it was raised to Rs.4 crores on the 6th March at which it remained till the end of the year. A greater advantage was taken during the year under review of the option given in July 1942 to subscribers to tender in lieu of payment in cash against allotment such treasury bills in their

possession as matured between the day on which the tender result was published and the day preceding the next publication; the amount of maturing treasury bills so offered in 1944-45 aggregated higher at Rs.20·80 crores as against Rs.16·50 crores in 1943-44 and Rs.8·31 crores in 1942-43.

The amount of Central Government treasury bills sold in favour of the Issue Department of the Reserve Bank of India during the year aggregated Rs.144·81 crores compared with Rs.275·73 crores in 1943-44. The requirements of the provinces in regard to the investment of their surplus funds in Central Government treasury bills continued to be met from the holdings of the Issue Department, the amount thus sold being replaced by purchases from the Central Government at tap. Similar facilities were also extended to the Government of Burma, Custodian of Enemy Property and the Board of Commissioners of Currency, Ceylon. All the provinces except Assam and Bengal invested in the Central Government treasury bills and the total of their investments which remained at about the same level as in 1943-44, amounted to Rs. 89·28 crores during the year, the shares of the Punjab, Bombay and Sind being respectively Rs.21·80 crores, Rs.20·20 crores and Rs.17·95 crores. The provinces held at the end of the year bills of the value of Rs.44·19 crores as against Rs.28·86 crores at the end of 1943-44.

Easier money conditions than during 1943-44 characterised the year under review with larger amounts of floating funds seeking investment. Applications aggregated Rs.551·49 crores in 1944-45 as against an offer of Rs.252 crores, the corresponding figures for the previous year being Rs.628·59 crores and Rs.384 crores. Except in the first two weeks of April 1944 and again in the four weeks of January 1945 when the bidding at the weekly auction fell short of the amount offered, the applications remained markedly above the tender limits. The particularly low level of sales during the last week of December 1944 and three weeks of January 1945 is partly accounted for by the rejection by the Bank of the greater part of tenders which it regarded as unduly low, with a view to preventing a temporary rise in the treasury bill rate. For example, on the 28th December, out of applications of Rs.8·58 crores as against an offer of Rs.6 crores, bills of the face value of Rs.44·50 lakhs were sold, tenders below Rs.99·13·9 being rejected. Similarly on the 9th and 16th January 1945, when applications at Rs.1·39 crores and Rs.3·28 crores respectively fell short of the weekly offer of Rs.6 crores, tenders below Rs. 99·13·9 were rejected and bills worth Rs.91·75 lakhs and Rs.141 lakhs only were sold.

The weekly average rate of discount of accepted tenders was lower throughout the year than in 1943-44 and worked out at the record low figure of Rs.0·7-10 for the year as against Rs.0·14-5 per cent. per annum for the previous year. The spread between the highest and lowest rates during the year further narrowed down to Rs.0·8-0 from Rs.0·9-5 in 1943-44 and Rs.0·14-6 in 1942-43. The accepted tender rate rose from Rs.0·12-9 per cent. at the end of 1943-44 to Rs.0·13-0 on the 14th April, the highest for the year. With the advent of the slack season the rate steadily declined, falling to Rs.0·5-11 on the 2nd June. It moved up to Rs.0·8-4 on the 23rd June and fluctuated around Rs.0·7-10 upto the middle of December. With the commencement of the busy season, the rate rose to Rs.0·9-0 on the 19th January 1945. It remained at this level till the 9th February after which a declining trend set in and the rate slumped to Rs.0·5-0 on the 23rd March, the lowest on record remaining at this level at the close of the year. The following table gives



comparative treasury bill rates for the seven years ended 1944 in India and certain other empire countries.

TABLE 16. TREASURY BILL RATES IN THE EMPIRE COUNTRIES.

				United Kingdom	Canada	Australia	(per cent. per annum) South Africa*	India
1938	Average	..	..	0.61	0.59	1.75	0.75	1.30
1939	"	..	..	1.19	0.71	1.75	0.75	2.01
1940	"	..	..	1.03	0.70	1.58	0.75	1.21
1941	"	..	..	1.01	0.58	1.50	0.75	0.74
1942	"	..	..	1.00	0.54	1.50	0.75	0.86
1943	"	..	..	1.00	0.48	1.46	0.75	0.96
1944	"	..	..	1.00	0.39	1.25	0.75	0.57

\* Six months bills.

39. *Yield on Treasury Bills.*—The following table shows the average true yield per cent. per annum on Central Government Treasury Bills sold to the public during each month of 1944-45 and 1943-44.

TABLE 17. AVERAGE YIELD (MONTHLY) ON CENTRAL GOVT. TREASURY BILLS.

Month.	1944-45		1943-44	
	Sales. (000s omitted)	Average yield.	Sales. (000s omitted)	Average yield.
April .. ..	5,93,25	0.79	40,08,25	1.10
May .. ..	16,00,00	0.54	43,74,50	1.06
June .. ..	30,00,00	0.45	47,10,50	1.04
July .. ..	16,00,00	0.49	35,19,25	1.01
August .. ..	20,00,00	0.49	32,00,00	0.93
September .. ..	30,00,00	0.49	39,06,50	0.85
October .. ..	24,00,00	0.50	32,03,50	0.76
November .. ..	24,00,00	0.51	26,00,00	0.85
December .. ..	26,53,25	0.51	24,00,00	0.75
January .. ..	8,94,25	0.56	28,00,00	0.58
February .. ..	9,87,00	0.51	24,89,50	0.75
March .. ..	18,00,00	0.32	23,16,75	0.81
<b>Total ..</b>	<b>229,27,75</b>	<b>0.49</b>	<b>396,18,75</b>	<b>0.90</b>

The total realisations in respect of treasury bills during the year amounted to Rs.229 crores as against the aggregate face value of sales of bills of Rs.229.28 crores, the corresponding figures for the previous year being Rs.395.30 crores and Rs.396.19 crores. The monthly yield, which was markedly lower throughout the year than in the previous year, averaged 0.49 per cent. as against 0.90 per cent. in 1943-44. It fell from 0.79 per cent. in April, the highest for the year, to 0.54 per cent. in May and further to 0.45 per cent. in June. During the following eight months, the yield moved within a comparatively narrow range of 0.49 and 0.56 per cent. and declined sharply to 0.32 per cent. the lowest on record, in the closing month of the year.

40. *Ways and Means Advances.*—With the great improvement in the Government's ways and means position as reflected in the high level of their balances, they had no need to approach the Bank for temporary advances during the year under review; the total amount of such borrowings from the Bank had been Rs.31 crores in 1943-44 as against Rs.162 crores in 1942-43.

#### PROVINCIAL GOVERNMENTS:

41. *Balances and Ways and Means Advances.*—Except for the month of October 1944, the aggregate balances of the provincial Governments with the Bank in 1944-45 were on a higher level than in the previous year (*vide* Statement XI). The average of the month-end balances for the year was higher at Rs.17.52 crores as compared with Rs.12.86 crores in 1943-44 and Rs.8.13 crores in 1942-43. The year-end balances of the provinces aggregated Rs.29.90 crores of which Bengal accounted for Rs.14.06 crores. The average of the month-end balances held in treasuries during the year was also higher at Rs.1.65 crores as against Rs.1.14 crores in the previous year. The month-end balance with the Bank of the Government of Burma averaged Rs.94 lakhs as compared with Rs.69 lakhs in 1943-44.

During the year all the provinces, with the exception of the United Provinces, Sind and the North-West Frontier Province, had recourse to ways and means advances from the Bank. The advances aggregated Rs.13.01 crores as compared with Rs.12.42 crores in 1943-44. Of the total advances to provinces, Assam availed of the largest portion *viz.*, Rs.9.35 crores, of which Rs.1.15 crores remained outstanding at the end of the year. The balance of Rs.3.66 crores representing borrowings by other provinces was repaid by the end of the year. The Government of Burma borrowed Rs. 1.35 crores during the year as against Rs.3.94 crores in 1943-44, and there were no outstandings at the end of the year.

42. *Treasury Bills.*—Statement XV shows the sales of treasury bills by Provincial Governments during the year under review. The total sales of treasury bills by the provinces showed a further increase and amounted to Rs.53.50 crores as against Rs.45.65 crores in 1943-44. Of the four provinces which resorted to short-term borrowing, Bengal issued Rs.35 crores of bills, Assam Rs.16.50 crores and Madras and Orissa Rs.1 crore each. As against Rs.17.30 crores in 1943-44, the total outstandings at the end of the year amounted to Rs.10 crores of which Assam accounted for Rs.4.50 crores, Bengal for Rs.5 crores and Orissa for Rs. 50 lakhs. The average yield on provincial bills during the year was lower at 0.56 per cent. compared with 0.98 per cent. in 1943-44 and 0.82 per cent. in 1942-43.

#### (b) LONG TERM DEBT AND OTHER BORROWING.

43. *Government of India Loans.*—While Government have financed the war mainly on a 3 per cent. basis, improvement in the terms of borrowing has been secured through raising the periods of maturity of successive fresh issues. Thus there has been practically a switch over from a relatively short-dated loan, *e.g.*, the 3 per cent. 1946 Bonds issued in 1940 to a longer-dated loan *viz.*, the 3 per cent. 1959-61 Second Victory Loan issued in March 1945; Government's ability to float loans on progressively favourable terms has contributed to the steadiness of the gilt-edged market and reinforced the policy of cheap money. Considerable reliance has been placed by the Central Government on borrowing during the last two years, the total of rupee loans having risen from Rs.749 crores in 1942-43 to Rs.1,007 crores in 1943-44 and Rs.1,219 crores in 1944-45. In the borrowing programme, defence loans have been supplemented by the issue of rupee counterparts of repatriated sterling loans; of the sterling loans repatriated between 1937-38 and 1944-45 amounting to Rs.431 crores, rupee counterparts were issued to the public in respect of Rs.224 crores or 52 per cent. During the year under review the additional securities made available to the public included issues of two Victory Loans, Five Year Interest-Free Prize

Bonds first issued on the 15th January 1944 and the 3½ per cent. Rupee Counterparts, the sale of which was resumed in October 1944. Besides, the National Savings Campaign started last year was actively pursued with the co-operation of the Provincial authorities and resulted in increases in the various forms of small savings (*vide* para 48).

The 3 per cent. Loan 1953-55 (the Fourth Defence Loan) which had been on tap since the 3rd July 1943 was closed on the 31st March 1944, after the total subscriptions had reached Rs.114.55 crores. In accordance with the Government's announcement of the 25th March 1944, a new 3 per cent. Victory Loan repayable at par on the 1st September 1957, was issued with effect from the 1st April 1944. Subscriptions to the Loan were to be received in cash without limit of amount. The issue price for every Rs.100 nominal was fixed at Rs.100-2-8 during the first week, increasing thereafter at 8 pies per cent. weekly, approximating to the net weekly interest accruing. The loan continued to be on tap until the 17th February 1945 when it was closed, the total subscriptions amounting to Rs.112.82 crores.

In view of the strong demand, especially on the part of banks for a short-term investment, the Central Government announced on the 2nd June 1944 the creation of a special issue of the existing 2½ per cent. Loan 1948-52 to the extent of Rs.50 crores. Similarly, the requirements of institutional investors for a long-term security were met by the creation early in October of a third issue of the 3 per cent. Funding Loan 1966-68 to the extent of Rs.35 crores. Both these issues continued to be available for sale on Government account by the Bank according to the usual procedure for the sale of counterparts and special issues.

Following the closure of the 3 per cent. First Victory Loan 1957 on the 17th February 1945, Government announced on the 13th March 1945 the issue of the 3 per cent. Second Victory Loan redeemable at par not earlier than the 15th August 1959 and not later than the 15th August 1961, the other terms of the loan being the same as for the First Victory Loan. The list was opened with effect from the 19th March, and the total subscriptions upto the 31st March 1945 amounted to Rs.6,14,55,200.

In response to the demand mainly of institutional investors, rupee counterparts of repatriated sterling loans were also sold to the extent of Rs.14.95 crores between the 23rd October 1944 and the 9th January 1945. Outstandings (with the public and the Bank) of the various counterparts as at the end of each year since 1940-41 are shown below.

TABLE 18. OUTSTANDINGS OF RUPEE COUNTERPARTS OF REPATRIATED STERLING LOANS.

				(In crores of rupees)				
				1940-41	1941-42	1942-43	1943-44	1944-45
3	per cent.	Paper	.. ..	2.89	3.39	3.07	5.28	5.28
3½	"	"	.. ..	9.38	17.26	55.73	133.78	148.73
5	"	1942-47	.. ..	7.45	0.29	..	..	..
4½	"	1950-55	.. ..	18.72	8.08	8.08	6.73	6.74
4½	"	1958-68	.. ..	7.27	5.84	5.84	5.85	5.85
4	"	1948-53	.. ..	6.36	4.72	5.02	5.02	5.02
3½	"	1954-69	.. ..	3.96	12.24	12.32	12.35	12.37
3	"	1949-52	.. ..	5.24	7.28	7.48	7.48	7.48
3	"	1951-54*	.. ..	..	10.05	16.79	16.79	16.79
3	"	1963-65†	.. ..	..	13.05	16.01	16.01	16.01
Total				61.27	83.10	131.24	209.29	224.26

\* Created against conversion of 4½ per cent. Loan 1950-55 for Rs. 15,16,37,400.

† Created against conversion of 4½ per cent. Loan 1958-68 for Rs. 13,40,10,200.

The following table shows the total subscriptions to various Defence Loans, different kinds of Postal and other small savings, and issues of counterparts made in connection with the financing of the repatriation operations during each of the years 1940-41 (the Defence Loan programme having been started in June 1940) to 1944-45. Investments during 1944-45 amounted to Rs.265·30 crores as against 341·49 crores in the preceding year and accounted for 30·9 per cent. of the aggregate investments at Rs.857·75 crores during the whole period of the programme. The lower figure for 1944-45 should be regarded in the context of other anti-inflationary measures newly introduced during the year such as the 100 per cent. immobilisation of excess profits, "Pay-as-you-earn" income-tax collections and the sales of gold and silver.

TABLE 19. SUBSCRIPTIONS TO INDIAN DEFENCE LOANS INCLUDING SMALL SAVINGS.

(In lakhs of rupees)						
	1940-41	1941-42	1942-43	1943-44	1944-45	Total
3 per cent. Six Year Defence Bonds :—						
(a) First series .. .. .	71	..	..	..	..	71
(b) Second series .. .. .	44·43	..	..	20·00*	..	64·43
3 per cent. Second Defence Loan 1949-52.	3·47	55·69	..	..	..	59·16
Three Year Interest Free Bonds .. ..	2·34	34	32	—1	—9	2·90
3 per cent. Loan 1951-54 (Third Defence Loan) .. .. .	..	..	40·01	14·79	..	54·80
Rupee Counterparts (Net Investments) ..	61·27	21·83	48·14	78·05	14·97	224·26
3 per cent. Loan 1963-65 (Special Issue) ..	..	..	15·00	15·21	..	30·21
3 per cent. Funding Loan 1966-68 .. ..	..	..	..	75·12*	35·00*	110·12
3 per cent. Loan 1953-55 (Fourth Defence Loan) .. .. .	..	..	..	110·85	3·73	114·58
Five Year Interest Free Prize Bonds .. ..	..	..	..	1·81	2·34	4·15
3 per cent. Victory Loan 1957 .. .. .	..	..	..	..	112·82	112·82
3 per cent. Second Victory Loan 1959-61 ..	..	..	..	..	6·15	6·15
2½ per cent. Loan 1948-52 .. .. .	..	..	..	..	50·00*	50·00
Post Office Cash Certificates .. .. .	—10·04	—7·97	—4·44	7	1·17	—21·21
Defence Savings Certificates .. .. .	2·29	2·06	1·21	1·41	—56	6·42
National Savings Certificates .. .. .	..	..	..	8·65	19·38	28·03
Post Office Savings Bank .. .. .	—18·81	—7·44	15	11·96	16·03	1·69
Post Office Defence Savings Bank .. ..	..	11	29	3·58	4·35	8·33
<b>Total</b> .. .. .	<b>85·66</b>	<b>64·62</b>	<b>100·68</b>	<b>341·49</b>	<b>265·30</b>	<b>857·75</b>

44. *Repayment of Loans.*—No Central Government loans matured for redemption during the year 1944-45.

45. *Provision for Reduction of Debt.*—Since 1934-35 a provision of Rs.3 crores has been made annually from revenue for reduction of debt. Particulars for the last three years are given below :—

(In lakhs of rupees)			
	1943-44	1944-45	1945-46
		Revised	Budget
1. Sinking Fund .. .. .	95·04	95·04	95·04
2. Other appropriations .. .. .	2,04·96	2,04·96	2,04·96
<b>Total</b> .. .. .	<b>3,00·00</b>	<b>3,00·00</b>	<b>3,00·00</b>

\* Includes amounts taken up by the Government of India in their Cash Balance Investment Account.

46. *Composition of Total Rupee and Sterling Debt since 1913-14.*—Statement XVI gives the outstandings of the rupee and sterling debt of the Government of India as at the end of each quinquennium from 1913-14 to 1938-39 and as at the end of each financial year thereafter. The terminable part of the funded debt is classified according to the period of maturity.

The total public debt of India rose from Rs.1,381·83 crores at the end of 1943-44 to Rs.1,609·65 crores at the end of 1944-45, of which the sterling debt accounted for Rs.37·80 crores or 2·3 per cent. against Rs.39·14 crores at the end of the preceding year. The entire sterling debt at the end of 1944-45 comprised Rs.34·20 crores of loans (including Rs.20·62 crores of British War Loan 1929-47 on account of war contribution) and Rs.3·60 crores of service funds.

The total interest bearing obligations (*vide* the Explanatory Memorandum on the Central Government Budget for 1945-46) increased by Rs.642 crores from Rs.1,206 crores at the end of 1938-39 to Rs.1,848 crores at the end of 1944-45 (revised). These figures include liabilities in respect of the British War Loan which remains suspended since 1931-32 and for accounting reasons the capital portion of the Railway annuities which were funded in 1942-43. Similarly the balances of depreciation and reserve funds of Railways, Posts and Telegraphs and certain other deposits mainly in respect of the excess profits tax and the income tax are also included. Deducting liabilities in respect of these items, the total regular interest bearing debt may be placed at Rs.1,558 crores at the end of 1944-45 (revised) as compared with Rs.1,158 crores at the end of 1938-39; according to the budget estimates it is expected to amount to Rs.1,915 crores at the end of 1945-46. The total interest bearing obligations *including deposits* increased to Rs.1,512 crores at the end of 1943-44 and to Rs.1,798 crores at the end of 1944-45 compared with Rs.1,185 crores at the end of 1938-39 or by Rs.327 crores and Rs.614 crores respectively. As against the total debt of Rs.1,848 crores at the end of 1944-45, the assets held by Government totalled Rs.1,316 crores, made up of (1) the capital outlay on Railways Rs.788 crores, (2) capital advance to other Commercial Departments of the Central Government, Provinces and States Rs.138 crores, (3) debt due from Burma Rs.48 crores, (4) deposits from His Majesty's Government for redemption of Railway annuities Rs.29 crores and (5) cash and securities held on treasury account Rs.312 crores.

47. *Conversion of Government Promissory Notes into Stock Certificates, and Subsidiary General Ledger Accounts.*—The investing public continued to avail themselves of the facilities extended under the scheme introduced on the 1st March 1942 for conversion (without charge) of Government Promissory Notes into Stock Certificates and *vice-versa*. Conversions of Promissory Notes into Stock Certificates during 1944-45 amounted to Rs.44·95 crores compared with Rs.50·23 crores in 1943-44, the total amount converted since the introduction of the scheme being Rs.276·33 crores. Reconversions of Stock Certificates into Promissory Notes during the year amounted to Rs.18·44 crores as against Rs.18·66 crores in 1943-44 and the aggregate of Rs.49·76 crores since the 1st March 1942. The facility allowed by the Bank for holding securities on Subsidiary General Ledger Accounts also continued to be availed of by institutional investors. The distribution according to the form in which the total rupee debt is held by the public is indicated in the table below:—

Percentage to Total Rupee Debt.

As on	G. P. Notes	Stock Certificates	S.G.L. A/o.	Misc. (i.e., G. P. Notes & Stock held in London)
31-3-1942 .. .. .	53.69	15.40	30.57	0.34
31-3-1943 .. .. .	25.60	31.28	42.85	0.27
31-3-1944 .. .. .	32.65	28.88	38.27	0.20
31-3-1945 .. .. .	37.05	25.95	36.85	0.15

The initial preference shown by many investors after the introduction of the free conversion scheme for holding Government debt in the form of Stock Certificates as against Promissory Notes appears to have worn off during the succeeding years. The percentage of G.P. notes to total Rupee Debt which stood at 25.60 at the end of 1942-43 has gone up to 37.05 by the end of 1944-45, while that of Stock Certificates has declined from 31.28 to 25.95.

48. *Post Office Certificates and Savings Bank Deposits.*—Statement XVII shows the transactions in Post Office Five Year Cash Certificates since their inception in 1917-18, Ten Year Defence Savings Certificates first introduced in June 1940 and Twelve Year National Savings Certificates issued from the 1st October 1943 to replace the Ten Year Defence Savings Certificates. Statement XVIII gives information regarding the Post Office Savings Bank since 1913-14 and the Defence Savings Bank which started operations from the 1st April 1941. Particulars of monthly transactions in the various types of small savings are given in Statement XIX.

The net investment in all these forms of savings averaged Rs.3.37 crores per month in 1944-45 as against Rs.2.14 crores in the previous year. In December 1944, with a view to liberalising the terms of issue of the National Savings Certificates, Government revised the rules first framed in September 1943 in regard to subscriptions to these certificates. Under the new rules, the limit of joint holdings was raised from Rs.5,000 to Rs.10,000, minors and charitable bodies of the nature of Trusts were allowed to invest and holders were allowed to tender the certificates in payment of Government dues. The new rules also provided for the issue of two fresh denominations, viz. Rs.5,000 to meet the convenience of the large investor and Rs.5 to encourage the small saver; maximum holding in respect of the Rs.5 denomination was limited to Rs.125 and the period of non-encashability was fixed lower at 18 months against 36 months in respect of other denominations. An amendment to the rules of the Post Office Savings Bank in February 1945 raised the maximum limit of deposits from Rs.1,500 to Rs.5,000 during any financial year. The total net accrual of various forms of small savings during 1944-45 was Rs.40.38 crores as against Rs.25.67 crores in 1943-44, detailed as follows.

		(In lakhs of rupees)				
Outstandings of		1940-41	1941-42	1942-43	1943-44	1944-45
Cash Certificates .. .. .	..	46.98	39.01	34.57	34.64	35.81
Defence Savings Certificates .. .. .	..	2.29	4.35	5.56	6.97	6.42
National Savings Certificates .. .. .	..	....	....	....	8.65	28.03
Savings Banks Deposits .. .. .	..	59.57	52.13	52.28	64.24	80.27
Defence Savings Bank Deposits. ....	..	....	11	40	3.98	8.33
<b>Total</b> ..	..	<b>108.84</b>	<b>95.60</b>	<b>92.81</b>	<b>118.48</b>	<b>158.86</b>

The yield on the Post Office Five Year Cash Certificates, the Ten Year Defence Savings Certificates and the Twelve Year National Savings Certificates continued unchanged at  $2\frac{1}{2}$ ,  $3\frac{1}{2}$  and  $3\frac{1}{2}$  per cent. (compound interest) respectively. New investments in Post Office Cash Certificates during the year remained practically unchanged at Rs.5.48 crores, while withdrawals at Rs.4.31 crores showed a decline of Rs.1.12 crores over the previous year; the amount outstanding at the end of March 1945 at Rs.35.81 crores was higher than at the end of March 1944 by Rs.1.17 crores. As regards Defence Savings Certificates, repayments during the year under review amounted to Rs.55 lakhs and their outstanding amount decreased to Rs.6.42 crores at the end of 1944-45. Investments in National Savings Certificates during the year amounted to Rs.19.39 crores or 48 per cent. of the aggregate net accrual of Rs.40.38 crores under the various forms of small savings, receipts during the last quarter being nearly Rs.10 crores; the outstandings at the end of March 1945 stood at Rs.28.03 crores as against Rs.8.65 crores at the end of 1943-44. Deposits during the year in the Post Office Savings Bank at Rs.43.76 crores were the largest of all years during the war period and their total amount outstanding rose to Rs.80.27 crores compared with Rs.64.24 crores at the end of 1943-44. Deposits in the Post Office Defence Savings Bank also increased to Rs.4.37 crores in 1944-45 as against Rs.3.59 crores in 1943-44 and Rs.29 lakhs in 1942-43, the year-end outstandings being Rs.8.33 crores. Of the aggregate small savings during the year the United Provinces accounted for Rs.6.8 crores or 17.1 per cent., Bombay for Rs.6.2 crores or 15.5 per cent., the Punjab for Rs.6.1 crores or 15.3 per cent. and Bengal for Rs.5.0 crores or 12.7 per cent., while the share of the Indian States amounted to Rs.4.2 crores or 10.5 per cent.

49. *Provincial Loans.*—On the 8th August 1944 six Provincial Governments, viz., the United Provinces, Bombay, the Punjab, Sind, Madras and the Central Provinces and Berar, notified simultaneously the flotation of 3 per cent. medium dated loans of the aggregate value of Rs.13.28 crores repayable at par on the 15th August 1958, the respective amounts issued being Rs.3,50 lakhs, Rs.3,44 lakhs, Rs.2,70 lakhs, Rs.2,00 lakhs, Rs.1,10 lakhs and Rs.53½ lakhs. The Bombay, Madras and the Central Provinces loans were issued at par and the remaining three loans at Rs.98-8-0 for every Rs.100 nominal. The loans were open for one day only viz., the 15th August 1944, and were fully subscribed after a call on underwriters. The object of the loans, as in the case of those floated during the previous two years, was to make advance repayment of a part of the loans carrying a higher rate of interest taken from the Central Government to finance remunerative capital expenditure prior to the inauguration of Provincial Autonomy in April 1937. The total amount thus raised during the three years 1942-43 to 1944-45 aggregated Rs.28.78 crores. During the year the  $3\frac{1}{2}$  per cent. United Provinces Encumbered Estates Act Bonds of the aggregate nominal value of Rs.79,61,400 were also issued as against Rs.91,03,900 during 1943-44.

The 5 per cent. United Provinces Loan 1944 fell due for redemption on the 1st October 1944 and was notified for repayment at par on the 30th September 1944 (the 1st October 1944 being a Sunday). Of the total outstandings before repayment viz., Rs.2,57,89,100, the amount paid off to the end of March 1945 came to Rs.2,29,66,300. The  $3\frac{1}{2}$  per cent. United Provinces Encumbered Estates Act Bonds of the total nominal value of Rs.11,50,000 were drawn for redemption during the year under Section 30 of the Act out of which Bonds of Rs.2,46,700 have been paid off in cash up to the 31st March 1945.

50. *The Debt Position of Provinces.*—Statement XX shows the consolidated debt position of the provinces as at the end of each of the years 1936-37 to 1944-45. The debt owed by the provinces to the Centre has declined progressively throughout the period of war, and particularly during the last two years and stood at Rs.66·48 crores at the end of 1944-45 as against Rs.111·11 crores at the close of 1942-43, the repayment of Rs.22·43 crores of the Lloyd Barrago Debt in April 1944 being a principal item of the reduction during the period. The increase in the gross total debt from Rs.166·72 crores at the end of 1942-43 to Rs.189·24 crores at the end of 1944-45 is primarily accounted for by larger floating debt. This rose from Rs.82 lakhs at the close of 1942-43 to Rs.29·44 crores at the close of 1943-44 and further to Rs.68·23 crores at the close of 1944-45, of which Bengal alone accounted for Rs.23·75 crores, and Rs.62·41 crores respectively during the last two years. The closing cash balances of the provinces rose during the war from Rs.9·59 crores in 1939-40 to Rs.19·11 crores in 1941-42, and Rs.30·44 crores in 1942-43 and stood at Rs.36·96 crores at the end of the year under review.

51. *Repatriation of Sterling Debt.*—Of the total interest bearing sterling obligations of the Government of India at the end of 1936-37 of £356·05 million comprising loans £291·53 million, Railway annuities £39·86 million and Railway debentures £24·66 million, the debt outstanding at the end of 1944-45 stood at £10 million (excluding the liability of £15·47 million in respect of the British Government 5 per cent. War Loan 1929-47 which remains suspended since the 1st July 1931). The debt paid off during the period totalled £322·84 million (Rs.430·46 crores) including additions to debt in respect of Railway debentures offset by cancellations under the East India Loans Act 1937 and by payments on account of Railway annuities till the 1st October 1942 when these were funded. Of the total debt of Rs.430·46 crores discharged, Rs.3·99 crores was repaid in 1937-38; Rs.22·79 crores in 1939-40; Rs.95·05 crores in 1940-41; Rs.132·05 crores in 1941-42; Rs.158·67 crores in 1942-43; Rs.17·36 crores in 1943-44 and Rs.0·55 crores during the year under review. With the virtual completion in 1943-44 of the various schemes of repatriation, the debt repaid during 1944-45 related to cancellations of repatriated stocks not surrendered earlier. In addition (1) the Madras and Southern Mahratta, (2) the South Indian and (3) the Bengal Nagpur Railways were acquired respectively at a cost of £5·28 million, £1·11 million and £3·60 million, due notice having been given for the premature termination of the contracts. The total cost of purchase of various railways acquired during the war amounted to £30·7 million (Rs.41 crores).

The total liabilities repatriated during the eight year period 1937-38 to 1944-45 included Rs.119·87 crores of terminable stocks, Rs.231·34 crores of non-terminable stocks, Rs.36·08 crores of Railway annuities and Rs.43·17 crores of Railway debentures. Of the total loans repaid, Rs.71·32 crores was repatriated under open market operations between 1937-38 and 1943-44, Rs.2·69 crores under the Licence Scheme of February 1940, Rs.99·77 crores under the Vesting Order of February 1941 in respect of terminable loans, Rs.106·19 crores under the Vesting Order of December 1941 in respect of 2½ per cent. and 3 per cent. sterling stocks and Rs.75·93 crores of 3½ per cent. stock under the notice of redemption of December 1941. The funding of the Railway annuities involving a transfer of Rs.40 crores to His Majesty's Government was put through on the 1st October 1942. Railway debentures of Rs.26·60 crores were repatriated under the Vesting Order of January 1943, while of the balance of Rs.16·57 crores, Rs.11·87 crores was redeemed on the 4th February 1944 after the necessary one year's notice, and Rs.4·70 crores was



purchased in the open market. The particulars of debt cancelled year by year under the various schemes of repatriation are shown in the following table.

TABLE 20. AMOUNTS OF STERLING DEBT REPATRIATED UNDER VARIOUS SCHEMES SINCE 1937-38.

Manner of Repatriation.	Face Value	Purchase Value	Amount of Rupee Counterparts created	
	(£ million)	(£ million)	(Rs. crores)	(Rs. crores)
1937-38 Open market purchase .. ..	2.99	3.04	4.05	1.12
1939-40 " " " .. ..	17.09	16.54	22.05	22.79
1940-41 1. " " " .. ..	9.22	8.52	11.36	12.10
2. Licence scheme of 22nd February 1940 .. ..	2.02	2.02	2.69	2.69
3. First compulsory scheme of 8th February 1941 .. ..	60.05	64.70	86.27	80.07
1941-42 1. Open market purchases .. ..	12.11	12.36	16.48	16.14
2. First compulsory scheme of the 8th February 1941 .. ..	13.08	14.14	18.85	17.44
3. Second compulsory scheme of the 24th December 1941 .. ..	73.85	65.78	87.71	....
1942-43 1. Open market purchases .. ..	10.48	10.40	14.00	11.40
2. First compulsory scheme of 8th February 1941 (including special arrangement) .. ..	1.45	1.13	2.02	1.29
3. Second compulsory scheme of the 24th December 1941 (including special arrangement) .. ..	5.22	4.31	6.12	2.30
4. Redemption of 3½ per cent. sterling stock 1931 or after .. ..	56.21	56.21	74.95	67.63*
5. Funding of Railway annuities .. ..	27.06	30.05	40.07	....
6. Repatriation of Railway debenture stocks .. ..	18.58	18.38	24.51	....
1943-44 1. Open market purchases .. ..	1.60	1.63	2.17	....
2. First compulsory scheme of the 8th February 1941 (including special arrangement) .. ..	0.16	0.16	0.22	0.04
3. Second compulsory scheme of the 24th December 1941 (including special arrangement) .. ..	0.32	0.28	0.37	30.38†
4. Redemption of 3½ per cent. sterling stock 1931 or after .. ..	0.71	0.71	0.94	8.00*
5. Redemption of 3½ per cent. debenture stocks of E.I. & C.I.P. & B.B. & C.I. Rlys. ..	8.90‡	8.90‡	11.87	....
6. Repatriation of Railway debenture stocks .. ..	1.33	1.29	1.72	....
1944-45 1. First compulsory scheme of the 8th February 1941 (including special arrangement) .. ..	0.09	0.09	0.12	0.02
2. Second compulsory scheme of the 24th December 1941 (including special arrangement) .. ..	0.25	0.21	0.28	0.15
3. Redemption of 3½ per cent. sterling stock 1931 or after .. ..	0.03	0.03	0.04	....
4. Repatriation of Railway debenture stocks .. ..	0.04	0.04	0.05	....
<b>Total ..</b>	<b>322.84</b>	<b>320.92</b>	<b>428.91</b>	<b>273.56</b>

\* Created against cancellation of £56.72 million of 3½ per cent. Sterling Stock 1931 or after.

† Includes counterparts for Rs.30 crores created against cancellation of £26.25 million of 3 per cent. Sterling Stock 1948 or after during the period 2nd March to 16th June, 1942. ‡ Provisional.

TABLE 21.—DISPOSAL OF REPATRIATED STERLING DEBT.

(In lakhs of rupees)

Year	Amount Repatriated		Rupee counterparts created	Additions to Rupee Debt (Permanent Debt); Holdings of Rupee Counterparts				Reduction in Debt		
	Face value	Market value		Public	Bank	Government	Total	Debt cancelled on repatriation	Rupee counterparts cancelled	Total
1937-38 ..	3,99	4,05	1,12	....	....	1,12	1,12	2,87	....	2,87
1939-40 ..	22,79	22,05	22,79	....	....	22,79	22,79	....	....	....
1940-41 ..	95,05	100,32	94,86 <sup>a</sup>	10,21	37,23	47,42	94,86	19	....	19
1941-42 ..	132,05	123,04	37,10 <sup>b</sup>	41,42	—5,77	—46,28	—10,63	98,47	47,73	146,20
1942-43 ..	158,67	161,67	82,62	45,85	2,30	33,46	96,62 <sup>d</sup>	61,05	1,01	62,06
1943-44 ..	17,36	17,29	38,42 <sup>c</sup>	79,37	—1,33	—40,96	37,08	—21,06	1,34	—19,72
1944-45 ..	55	49	18	23,20	—8,22	—14,80	18	37	....	37
<b>Total</b>	<b>430,46</b>	<b>428,91</b>	<b>277,09</b>	<b>200,05</b>	<b>24,21</b>	<b>2,75</b>	<b>242,01</b>	<b>141,89</b>	<b>50,08</b>	<b>191,97</b>

a. Differs from the face value by Rs.19 lakhs due to 3½ Rupee Paper being created against a portion of 2½ per cent. sterling stock 1926 or after.

b. Includes an additional Rs.3,52 lakhs on account of conversion of (1) 4½ per cent. Loan 1950-55 into 3 per cent. Loan 1951-54, (2) 4½ per cent. Loan 1958-68 into 3 per cent. Loan 1963-65 and (3) 3 per cent. Paper into 3½ per cent. Paper.

c. Includes 3½ per cent. Paper of the value of (1) Rs.8 crores created in lieu of the redemption of 3½ per cent. Sterling Stock 1931 or after and (2) Rs.30 crores created in lieu of cancellation of 3 per cent. stock 1948 or after.

d. Includes Rs.15 crores of 3 per cent. Loan 1963-65 (special issue) in connection with the funding of the Railway annuities.

The table below shows the manner of disposal of the stocks repatriated year by year.

TABLE 22. AMOUNTS OF LOANS AND OTHER STERLING DEBT REPATRIATED SINCE 1937-38.

(In lakhs of rupees)

Year	Terminable Loans								Non-Terminable			Total	Total			
	3% 1949-52	3½% 1954-59	4% 1948-53	4½% 1950-55	4½% 1958-68	5% 1942-57	Total	2½% 1926	3% 1948	3½% 1931	Total	Railway Debentures				
1937-38	..	..	87	..	86	66	..	68	2,87	..	32	80	1,12	3,90	..	3,99
1939-40	..	..	55	20	1,03	2,86	1,39	4,31	10,34	..	4,95	7,50	12,45	22,79	..	22,79
1940-41	..	..	9,96	10,66	10,95	34,39	14,25	6,03	86,24	66	3,18	4,97	8,81	95,05	..	95,05
1941-42	..	..	97	1,39	1,64	8,73	4,26	1,17	18,16	13,23	85,33	15,33	113,89	132,05	..	132,05
1942-43	..	..	25	7	56	65	40	..	1,93	99	5,98	86,35	93,32	95,25	27,35	158,68*
1943-44	..	..	1	3	2	10	5	..	21	5	38	94	1,37	1,58	15,77	17,35
1944-45	..	..	4	2	..	6	..	..	12	19	15	4	38	50	5	55
Total Face Value	..	12,45	12,37	15,06	47,45	20,35	12,19	119,87	15,12	100,29	115,93	231,34	351,21	43,17	430,46	

\* Includes Rs.36.08 crores of the capital portion of the Railway annuities funded on the 1st October 1942.

The following table shows the progress of repatriation year by year in respect of individual loans as well as Railway annuities and Railway debentures.

The total amount of rupee counterparts created in lieu of the loans repaid was Rs.277·09 crores. Of these, Rs.50·08 crores or 18 per cent. were cancelled while the remaining are held by the public, the Bank and in the investment portfolio of the Government, the respective amounts at the end of 1944-45 being Rs.200·05 crores, Rs.24·21 crores and Rs.2·75 crores. No counterparts were created either in respect of the funding of Railway annuities or the purchase of the Railway debenture stocks. The creation of counterparts was not always resorted to as a mode of financing the repatriation operations in respect of loans and in certain cases counterparts were subsequently created. Counterparts were issued on repatriation in respect of the loans repaid under the first Compulsory Scheme of February 1941 *viz.*, 5 per cent. Loan 1942-47, 4½ per cent. Loan 1950-55, 4½ per cent. Loan 1958-68, 4 per cent. Loan 1948-53, 3½ per cent. Loan 1954-59 and 3 per cent. Loan 1949-52. As against the total open market purchases of Rs.17·36 crores of terminable stock, rupee counterparts of the face value of Rs.14·49 crores were created while the balance was cancelled by Government; counterparts amounting to Rs.49·61 crores were also created in respect of the entire amount of the non-terminable loans similarly acquired. The conversions into rupee counterparts under the Licence Scheme of February 1940 aggregated £2·02 million (Rs.2·69 crores) made up of £1·85 million of terminable loans and £0·17 million of non-terminable loans. In respect of the non-terminable loans repatriated under the second Compulsory Scheme of December 1941 and under the notice of redemption of the same date, total counterparts of the face value of Rs.108·46 crores were created. Apart from the creation of counterparts on repatriation, Government financed the repatriation operations either through their own balances or ways and means advances from the Bank or through the issue of *ad hoc* treasury bills to the Bank. Of Rs.40 crores (£30 million) transferred to His Majesty's Government in respect of the Railway annuities in October 1942, Rs.30 crores was provided in the first instance through the issue to the Bank of *ad hoc* treasury bills and Rs.10 crores from ways and means advances. Against this temporary debt the Bank was reimbursed to the extent of Rs.15 crores by a special issue of the 3 per cent. Loan 1963-65 in October 1942. Against Rs.430·46 crores of sterling debt wiped out, additions to the rupee debt by the end of 1944-45 accounted for Rs.242 crores or 56 per cent., while the total cancellations aggregated Rs.191·97 crores, made up of Rs.50·08 crores of rupee counterparts (including the repayment on maturity of 5 per cent. Loan 1942-47), and Rs.141·89 crores of debt cancelled on repatriation (*vide* table No. 21). The cost of acquisition of terminable stocks of the face value of Rs.119·87 crores amounted to Rs.129 crores or 108 per cent., all loans excepting one *viz.*, 3 per cent. Loan 1949-52 having been purchased at a premium ranging from 12·6 per cent. in the case of 4½ per cent. Loan 1958-68 to 2·5 per cent. in the case of 3½ per cent. Loan 1954-59. As against this, non-terminable stocks of the face value of Rs.231·34 crores were acquired at a cost of Rs.216·87 crores or 94 per cent., the discount varying from 22·5 per cent. in the case of 2½ per cent. stock to 0·7 per cent. in the case of 3½ per cent. stock.

## VI. CAPITAL MARKETS, MONEY AND BANKING

52. *Government Securities Market.*—The history of the long-term interest rate since the early 'thirties, particularly the rate of long-term Government borrowing, is one of steady decline in most or all countries. The yield on Government bonds has been gradually falling in most countries particularly during the period of war, accompanying an appreciation in Government security values; the trend may be

ascribed generally to the deliberate policy of central banks, through low discount rates and open market operations, to ensure conditions of cheap and abundant credit in the first place as a basis of recovery from depression and latterly with a view to holding down the financial costs of war. Statement XXI gives the highest and lowest prices of representative rupee securities of the Government of India since 1914-15, while statement XXII shows their highest, lowest and average prices and average yield during each month of the year under review.

The gilt-edged market maintained a firm tendency during the greater part of the year, being mainly influenced by the favourable developments in the war situation. The continued abundance of short-term funds seeking investment in liquid form led to general improvement in prices, the closing quotations of most of the loans at the end of March 1945 showing gains over the previous year. The Economic Adviser's Index Number of the prices of Government Securities (1927-28 = 100) averaged higher at 118.0 during 1944-45 compared with 117.2 in the preceding year. After closing at 117.7 in March 1944, it temporarily receded to 117.5 in April and steadily advanced thereafter to 118.2 in July, remaining round about that level upto December. During the last quarter, however, it slightly eased, and stood at 117.6 in March 1945.

The easier feeling noticed towards the close of March 1944, following the developments on the Assam-Burma front, continued during the early part of April, partly as a result of selling by speculative holders. The 3½ per cent. undated Rupee Paper, which had declined from Rs.99-6-0 on the 4th March 1944 to Rs.98-3-0 at the close of last year, fell further to Rs.96-2-0 by the 10th April, the lowest level reached during the year under review. The terminable loans, particularly the longer-dated, also showed a steep decline, the 3 per cent. Loan 1963-65 and the 4 per cent. Loan 1960-70 touching their lowest levels of the year at respectively Rs.96-8-0 and Rs.110-4-0 on the 11th April. A recovery followed, and, by the end of April, most of the scrips had made up a large part of their early losses. The circular letter issued by the Reserve Bank of India to scheduled banks on the 22nd April, advising them to refrain from extending credit against Government securities for speculative purposes appeared to have had the desired effect. The 3½ per cent. undated Rupee Paper improved from Rs.96-2-0 on the 10th April to Rs.98-5-0 by the 29th. Between May and December, the market was generally active and the creation of two special issues, one short-term viz., the 2½ per cent. Loan 1948-52 and one long-term viz., the 3 per cent. Funding Loan 1966-68 (*vide* para 43) imparted further strength to the market. The 3½ per cent. undated Rupee Paper was continually marked up until, for the first time since the 4th January 1937, it touched par on the 16th November, and stood at Rs.100-1-0 on the 18th of that month. In view of the widening demand for this scrip the sales of rupee counterparts of 3½ per cent. undated Paper which had been discontinued on the 16th October 1943, were resumed from the 23rd October 1944, and Paper worth Rs.14.95 crores was sold till the 9th January 1945 when the sale was discontinued. The market in terminable loans showed a steady rise and some of the loans, e.g. the 3 per cent. Loan 1951-54 and the 3½ per cent. Loan 1947-50, touched their highest levels in November at Rs.101-3-0 and Rs.104-4-0 respectively. The quotations were well maintained till the close of December when, owing mainly to year-end selling, a slight reaction set in, and the market was inclined to be quiet for the rest of the year, the closing quotations of the representative loans receding from the higher levels reached earlier. The 3½ per cent. undated Rupee Paper continued to be quoted at about par till the close of December when it receded to Rs.99-13-0, and, after fluctuating between Rs. 99-14-0

and Rs.99-6-0, closed at Rs.99-9-0 or Rs.1-6-0 higher than the previous year's closing price. The 3 per cent. undated Rupee Paper also showed a substantial rise during the year and closed higher at Rs.90-12-0 on the 31st March 1945 as against Rs.89-8-0 at the end of the previous year. Most of the loans in the terminable section closed higher on balance, the 3 per cent. Loan 1949-52 and the 4½ per cent. Loan 1955-60 finishing at Rs.101-9-0 and Rs.117-4-0 respectively showing gains of Rs.1-0-0 and Rs.1-6-0 as compared with the previous year's closing prices.

The Provincial Loans generally followed the trend of the Central Loans. After an initial set-back in the year, the loans tended to show a steady improvement, some registering substantial gains by the end of March 1945. The 3 per cent. Punjab Loan 1949 and the 3 per cent. Central Provinces and Berar Loan 1949, stood at Rs.101-1-0 on the 31st March 1945 or higher than the previous year's closing prices by about annas 13 in each case.

The table below gives the average face value and market value of rupee securities of the Government of India for each of the nine years 1936-37 to 1944-45, and for each of the months of the year under review.

**TABLE 23. FACE VALUE AND MARKET VALUE OF RUPEE SECURITIES OF THE GOVERNMENT OF INDIA**

Year (1)	Face Value (2)	Market Value (3)	(In crores of rupees)	
			Percentage of (3) to (2)	
1936-37 .. .. .	437.33	470.86	107.7	
1937-38 .. .. .	437.39	463.86	106.0	
1938-39 .. .. .	447.92	471.23	105.2	
1939-40 .. .. .	457.56	454.59	99.4	
Five pre-war months to August 1939	441.86	453.78	102.7	
Seven war months to March 1940 ..	441.32	426.53	96.6	
1940-41 .. .. .	502.73	496.73	98.8	
1941-42 .. .. .	587.92	589.26	100.04	
1942-43 .. .. .	663.84	660.10	99.44	
1943-44 .. .. .	873.08	878.58	100.63	
1944-45 .. .. .	11,28.28	11,40.09	101.23	
April .. .. .	10,14.44	10,15.34	100.07	
May .. .. .	12,21.29	10,30.97	100.95	
June .. .. .	10,78.81	10,92.11	101.23	
July .. .. .	10,86.53	11,02.04	101.43	
August .. .. .	10,99.41	11,15.87	101.50	
September .. .. .	11,06.48	11,21.76	101.38	
October .. .. .	11,61.61	11,67.77	101.40	
November .. .. .	11,64.36	11,82.07	101.52	
December .. .. .	11,74.59	11,92.33	101.51	
January .. .. .	11,86.36	12,02.03	101.32	
February .. .. .	12,12.50	12,25.26	101.05	
March .. .. .	12,18.97	12,33.53	101.19	

53. *Industrial Share Market.*—Prices in the industrial share market generally remained on a higher level during the year under review. The improvement registered, however, was much less marked than in the preceding year, owing mainly to the bearish view taken by the market of the favourable trend of war developments. The Economic Adviser's Index Numbers of variable yield securities and fixed yield securities rose by 8 per cent. and 7 per cent. respectively as against 30 per cent. and 13 per cent. in 1943-44 (*vide* Statement XXIV). Compared with the somewhat irregular movement in the variable yield section, the quotations in the fixed yield section showed a consistently upward trend: a majority of these scrips being tax-free in this country investors have switched over to them to avoid taxation on dividends during the war and capital depreciation during the post-war period.

The following table based on the indices compiled by "Capital" (August 1939 = 100) shows the general trends in price movements during the last four years of the various groups of variable yield industrial securities.

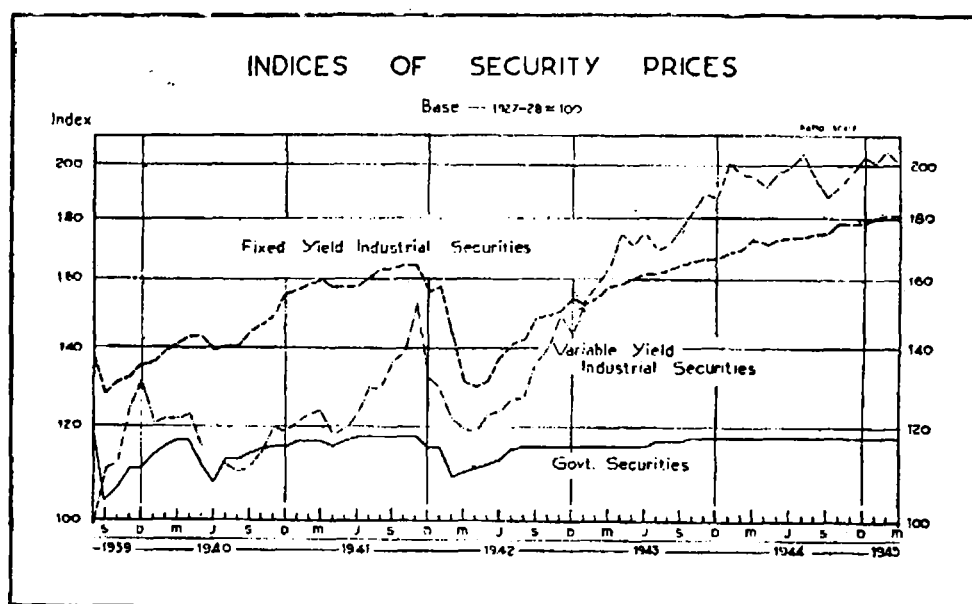
**TABLE 24. TRENDS IN VARIABLE YIELD INDUSTRIAL SECURITIES**

	1939 September	1941-42	1942-43	1943-44	1944-45
Banks .. .. .	86.6	110.8	117.5	155.5	162.6
Cotton Mills .. .. .	121.4	177.2	213.5	289.5	245.7
Coals .. .. .	120.9	125.3	133.8	190.4	280.8
Jute Mills .. .. .	130.7	129.8	131.9	170.0	206.6
Mining and Oil .. .. .	131.2	104.6	106.8	155.2	163.4
Cement, Lime, etc. .. .. .	103.7	125.7	158.1	200.0	210.5
Engineering and Metal Works .. .. .	126.9	144.5	149.7	196.6	230.5
Tea shares .. .. .	101.1	136.3	159.1	226.4	241.7
Paper Mills .. .. .	138.9	251.4	291.1	398.3	410.9
Sugar shares .. .. .	129.2	153.3	189.3	265.4	299.7
Others .. .. .	122.4	156.1	167.8	199.6	242.6
Combined Index .. .. .	122.4	145.2	159.3	210.1	239.1

As will be seen from the above table, all the groups, with the exception of cotton mill shares, showed increases in values during the year, the improvement being most marked in coal shares. The recession in cotton mill shares—the index number for which showed a decline of 9 per cent.—was influenced by a further tightening during the year of the Cotton Cloth and Yarn (Control) Order of 1943. Continued shortage of coal accounted for a large rise of 47 per cent. in the value of coal shares. Jute and engineering shares were next in order, with increases respectively of 22 per cent. and 17 per cent., while sugar and tea moved up by 13 per cent. and 7 per cent. respectively, the increases under the remaining groups ranging from 5 per cent. in bank shares to 3 per cent. in paper shares.

In April, the Japanese infiltrations into Assam accounted for a general decline in the share market, Tata Deferreds (which is one of the leading scrips illustrative of the general market movements) dropping from the high level of Rs.2,252-8-0 on the 20th March 1944 to Rs.1,967-8-0 by the middle of April. Insurance and bank shares showed a steep decline, following the accidental explosions and fires in the Bombay dock area on the 14th April. The latter half of April witnessed a general recovery, and during the succeeding three months up to July, the market assumed a distinctly upward trend. Tata Deferreds moved up to Rs.2,290 by the 3rd July, while insurance and bank shares also made up most of the early losses, confidence having been restored by the Government's announcement of a scheme of compensation in respect of the damage caused by the Bombay explosions. During August and September, prices suffered a general setback on news of continued Allied successes. The heavy selling pressure was particularly noticeable on the Madras stock exchange where the authorities, in order to avert a crisis, had to fix minimum prices for most of the scrips. Tata Deferreds which had closed at Rs.2,236-4-0 on the 31st July declined to Rs.2,018-12-0 by the 8th September. From October the quotations resumed their upward trend, the market appearing to have modified the peace psychology which had been dominating the trends earlier. Tata Deferreds after fluctuating widely touched a new high level of Rs.2,422-8-0 on the 9th January. A relapse soon followed and during the rest of the year the trend was bearish, apart from fluctuations about the time of the Central Budget proposals. Tata Deferreds declined sharply to Rs.2,240 on the 1st March and to Rs.2,028-12-0 on the 28th March,

closing for the year at Rs.2,082-8-0 as compared with the previous year's closing price of Rs.2,125-8-0. As already observed, the textile section did not follow the general trend of the market. Bombay Dyeings, one of the leading scrips in this section, was continually marked down during the first half of the year, the quotation dropping from Rs.2,122-8-0 at the end of 1943-44 to Rs.1,740 by the end of September 1944. A substantial improvement was in evidence during the third quarter, and the scrip recovered to Rs.1,907-8-0 by the end of December, but in January 1945 it again recorded a sharp decline, the quotation touching Rs.1,772-8-0 at the end of that month. The last two months of the year, however, witnessed a partial recovery, and the scrip closed for the year at Rs.1,833-12-0. The following graph based on the indices compiled by the Economic Adviser's Office depicts the movements during the war period in the prices of Government Securities, Fixed Yield Industrial Securities and Variable Yield Industrial Securities.



54. *Money Rates and Conditions.*—The changes in central bank discount rates reported during 1944 were reductions in Canada from  $2\frac{1}{2}$  per cent. to  $1\frac{1}{2}$  per cent. with effect from the 8th February 1944, in Portugal from 3 to  $2\frac{1}{2}$  per cent. on the 12th January 1944 and in Italy from  $4\frac{1}{2}$  to 4 per cent. on the 11th September 1944,\* and increases in Rumania from 3 to 4 per cent. from the 8th May 1944, and in Greece from 6 to 11 per cent in December 1944. During the five years from 1939-1943, bank rates were lowered in twelve countries including the United States, Germany, France, Norway, Belgium, Hungary, Portugal, New Zealand, South Africa, Rumania, Peru and Costa Rica, while an increase was made only in three countries viz., Sweden,

\* The Commonwealth Bank of Australia issued on the 9th August 1944 an Order under the National Security (Economic Organisation) Regulations, reducing certain rates of interest. The maximum rate of interest on trading banks' advances was reduced from 5 to  $4\frac{1}{2}$  per cent. Rates of interest on fixed deposits for 12 months or more were reduced by  $\frac{1}{4}$  per cent. and on deposits for less than 12 months by  $\frac{1}{8}$  per cent. Rates on savings bank deposits over £500 were reduced by  $\frac{1}{8}$  per cent. Reductions were also made in the maximum rates of interest on loans to local authorities, loans by building societies and loans by life assurance companies against life policies.



Netherlands, and Czechoslovakia. The trend towards cheap money conditions in the short-term loan markets therefore persists. The British and some Allied Governments have expressed their determination to continue to maintain cheap money after the war. The Canadian authorities while announcing the reduction of the rate explained that easy money policy pursued since 1935 had assisted recovery and facilitated adjustments required by the war and that the Bank intended to continue this policy.

In the United Kingdom, money conditions continued to be easy throughout the year. Day to day loans were available at  $\frac{3}{4}$  per cent. while the average British Government treasury bill rates remained practically fixed during 1944-45, the minimum and maximum being 1.0 and 1.01 per cent. ; and the rate for three months commercial paper (bank bills) also remained unchanged at 1.03 per cent.

Statement XXIII gives various money rates in India on the first day of each month of the year under report. Money conditions continued to remain easy throughout the year as in the previous year, with the inter-bank call money rate, for dealings between certain larger and particularly Exchange banks, in Calcutta and Bombay remaining unaltered at  $\frac{1}{4}$  and  $\frac{1}{2}$  per cent. respectively except for a brief period at the beginning of the financial year. The heavy demand for short-term funds which developed at the close of the last year partly on account of E.P.T. payments and partly owing to speculative activity following the developments on the Assam-Burma border, continued during the first half of April, and the call rate in Bombay rose to  $\frac{1}{2}$  per cent. in the middle of that month. The temporary stringency was relieved, however, during the latter half of the month and the rate receded to  $\frac{1}{4}$  per cent. in the first week of May and remained unchanged thereafter. The three and six months fixed deposit rates which were quoted by the larger scheduled banks at  $\frac{1}{2}$ — $\frac{3}{4}$  per cent. and 1— $1\frac{1}{4}$  per cent. respectively at the end of the last year eased to  $\frac{1}{4}$ — $\frac{1}{2}$  per cent. and  $\frac{1}{2}$ — $\frac{3}{4}$  per cent. in the last week of May but firmed up to  $\frac{1}{2}$ — $\frac{3}{4}$  per cent. and  $\frac{3}{4}$ —1 per cent. respectively at the beginning of October owing to the seasonal demand for funds, and continued at those levels till the end of the year. The twelve months' rate which was quoted at  $1\frac{1}{2}$ — $1\frac{3}{4}$  per cent. in the beginning of the year moved in a somewhat parallel manner to the shorter-term rates ; it declined to  $1\frac{1}{4}$ — $1\frac{1}{2}$  per cent. in May but rose to  $1\frac{1}{2}$ — $1\frac{3}{4}$  per cent. in October, falling again to  $1$ — $1\frac{1}{2}$  per cent. towards the close of the year. The average rate of three months Central Government treasury bills further declined from 0.90 per cent. in 1943-44 to 0.49 per cent. during the year. It touched the lowest level of 0.32 per cent. in March 1945.

55. *Consolidated Position of Scheduled Banks.*—Statement XXV shows the consolidated position of scheduled banks in India (excluding Burma) during the year under review and Statement XXVI gives the indices in respect of all the items of assets and liabilities included in Statement XXV.

On the liabilities side, the index of total demand and time liabilities (with the average of 1938-39=100) stood at 348 in February 1945, time liabilities having increased to 200 and demand liabilities to 471 and the ratio of demand to total liabilities having accordingly advanced from 55 per cent. on the average of 1938-39 to 74 per cent. in February 1945. The indices also bring out the interesting fact that during the first three years and a quarter to December 1942, while demand deposits rose by over 160 per cent., time deposits hardly registered any increase

at all, their index being 97 during 1942-43 and 102 in December 1942. A perceptible rise in time liabilities started from December 1942, though the rise in demand liabilities also continued at an equal or somewhat larger rate until October 1943, when the highest proportion of demand to total liabilities was reached at 77·3. During the last one year and a half this proportion declined and was 73·3 in March 1945, the rate of increase of time liabilities being greater than of demand liabilities, the index of the former having advanced from 127 to 204, and that of the latter from 358 to 465. These trends suggest that, for the first time since the beginning of war, a preference of time over demand liabilities has been at work during recent months, and the rate of growth of inflationary potential has been reduced. The tendency would appear to show an increasing public confidence in the general economic situation and financial and economic stability.

On the assets side, the two groups of items in regard to which information is available are cash and balances with the Reserve Bank and advances and bills discounted. As regards the group of cash and balances, it appears generally that the rate of increase in balances with the Bank has been larger, and more erratic and that in cash steadier. The peak points of the scheduled banks' balances with the Bank were touched in December 1943 and May and October 1944, with balances at Rs.92·84 crores (index 582), Rs.100·79 crores (index 632) and Rs.102·59 crores (index 644). The relative proportion of cash and balances to total demand and time liabilities which was 9·5 per cent. on an average during 1938-39 almost doubled and touched its highest point at 17·9 per cent. during December 1943. The rise started in the last quarter of 1942, when the usual seasonal ups and downs were replaced by an almost consistent upward trend, the decline in the busy seasons being smaller and the rise in the slack season becoming more pronounced than normally. The reflex of the movements in cash and balances was for a long time represented by advances and bills discounted. As will appear from the figures and the graph on page 78 advances and discounts showed converse movements to those of cash and balances until September 1942, superposed over a falling general trend of the former and a rising tendency in the latter. By then the decline in advances and discounts was definitely over and a continuous upward trend started, which was arrested or slightly reversed only for brief periods. Altogether, advances and bills discounted rose from Rs.80·12 crores in September 1942 to the considerable level of Rs.287·72 crores in March 1945, a rise of 259 per cent., their percentage to total demand and time liabilities increasing from 19·6 to 34·9. The average percentage for the year, however, was 30·2 in 1944-45 as against 27 in 1943-44 and 23·8 in 1942-43, and was still far below the pre-war percentage of 50·8 or the percentages during the early war years. The rise was largely a part of the general inflationary marking up of values (including the rise of prices) and of all monetary indices (including currency and bank deposits) since the definite intensification of the war economic effort in 1942; by then, also, the decline in private and civilian sectors of the economy leading to a contraction in the civilian demand for advances may have touched the bottom, while the rate of such demand on account of industrial and commercial activity associated with the prosecution of war entered upon a definitely ascending phase.

56. *Clearing House Statistics.*—Statement XXVII shows the amount of cheques cleared through the more important Clearing Houses in India and Burma since 1918-19. The total amount of cheques cleared increased from Rs.45,79 crores in 1943-44 to Rs.56,15 crores in 1944-45. Out of the increase of Rs.10,36 crores



currency had occurred by 1942-43, since when no appreciable further fall in the multiple of clearings to demand deposits has taken place.

Year		Average Demand Liabilities of Scheduled Banks*	Indices	Total Clearing House Returns*	Indices	Number of times 4 to 2
(1)		(2)	(3)	(4)	(5)	(6)
1938-39	..	123.8	100	1,893	100	15.3
1939-40	..	132.6	107	2,221	117	16.7
1940-41	..	155.8	126	2,030	107	13.0
1941-42	..	200.1	162	2,575	136	12.9
1942-43	..	306.3	247	2,816	149	9.2
1943-44	..	456.0	369	4,281	226	9.4
1944-45	..	584.8	472	5,279	279	9.0

\* In crores of rupees.

57. *Internal Remittances.*—Statement XXIX(A) shows remittances during the year by telegraphic transfers both issued and encashed at the offices and branches of the Reserve Bank of India according to circles. Statement XXIX(B) gives the transfers of funds by demand drafts, telegraphic transfers and mail transfers through the Imperial Bank of India on their own account. Statement XXIX(C) shows the share of the general public, the scheduled and non-scheduled banks, the co-operative banks and societies and Government in the remittances by telegraphic transfers, drafts and mail transfers effected through the Reserve Bank of India, the Imperial Bank of India and Treasury agencies together for each of the half-years ended September 1943, March 1944 and September 1944.

(A) Telegraphic transfers issued at the offices of the Reserve Bank of India increased during the year by 5.3 per cent. only as against an increase of 45.6 per cent. last year. (B) The total remittances through the Imperial Bank of India declined by 5 per cent. largely due to a fall in the remittances between Bombay and Bengal and within the Bombay circle, as a result partly of the restrictions imposed by the Central Government on the movement of cotton cloth and yarn and partly of the increase in the number of other banking institutions and keen competition from them. Remittances within the Bengal and Madras circles, however, showed an increase over the previous year. (C) The total remittances through the Reserve Bank of India, Imperial Bank of India and Treasury agencies during the half-year ended 30-9-44 on account of the general public showed a decline over the two previous half-years while those on account of co-operative banks and societies showed a decline as compared with the second half of the previous year but an increase over the corresponding period of the previous year. Remittances on account of the Government continued to increase as in the previous year. The aggregate number of transactions showed a decline. The amount of remittances by telegraphic transfers during the half-year ended 30-9-44 showed an increase as compared with the two previous half-years while the amount of remittances by drafts and mail transfers during the first half of the year was lower than during the latter half of 1943-44 but was higher than during the corresponding period of the previous year. The total amount of remittances during this period stood higher at Rs.607.89 crores as compared with Rs.579.53 crores during the previous half-year and Rs.579.36 crores during the corresponding period, last year. Of the total remittances during the first half of 1944-45, the shares of the scheduled banks, general public, Government and Co-operative banks and societies were 59.1 per cent., 20.2 per cent., 7.8 per cent. and 2.3 per cent. respectively.

It appears that the new scheme of remittance facilities is being availed of by the scheduled banks to a larger extent than by either the public or the co-operative societies or by other banks on the approved list (*vide* Appendix). Since the rates are more favourable for remittances of over Rs.5,000, the largest number and amount of drawings are in the form of telegraphic transfers, mail transfers and demand drafts for amounts over Rs.5,000. The increase in the issue of Government drafts is explained by the growing military expenditure, the Government's compulsory levy and purchase of foodgrains and the discontinuance of the issue of cash orders.

58. *Encashment of Foreign Circle Notes.*—Statement XXX shows the encashment of foreign circle notes in 1944-45. The total encashments during the year were higher at Rs.38·24 crores as against Rs.23·96 crores in 1943-44. As pointed out in last year's Report, the increase in the amount of foreign circle notes encashed this year also appears to be due to an increased volume of commercial transactions effected on a cash basis, the large scale purchases by army contractors, and transfers of funds from one centre to another by military field cashiers.

59. *Reserve Bank of India : Banking Department.*—Statement XXXI shows the monthly averages of the liabilities and assets of the Banking Department of the Reserve Bank of India for each month during the year along with their annual averages for the ten years 1935-36 to 1944-45. Statement XXXII gives weekly (Friday) figures for 1944-45.

The average deposits of banks with the Reserve Bank of India in 1944-45 advanced further to Rs.90·57 crores from Rs.64·69 crores in 1943-44. The minimum and maximum deposits during the year stood higher at Rs.51·26 crores on the 7th April 1944 and Rs.113·10 crores on the 3rd November 1944 respectively as against Rs.41·08 crores on the 2nd April 1943 and Rs.98·16 crores on the 17th December 1943 respectively. The balances which amounted to Rs.49·92 crores on the 31st March 1944, rose almost continuously till they reached Rs.113·10 crores on the 3rd November 1944. Owing partly to the seasonal trade demand for funds, they declined thereafter to Rs.67·27 crores at the end of January 1945, but rose again to Rs.85·46 crores by the close of the year.

The deposits of the Central and other Governments with the Reserve Bank were considerably higher on an average during the year at Rs.179·50 crores as against Rs.42·47 crores in 1943-44, and reached the record figure of Rs.294·20 crores on the 26th January 1945. The highest and the lowest balances of the Central Government during the year were Rs.272·35 crores on the 26th January 1945 and Rs.56·79 crores on the 9th June 1944. The reasons for the remarkable increase in the amount of Government deposits have been indicated in paragraph 37 on Government balances.

On the assets side, the average cash balances rose from Rs.10·67 crores last year to Rs.11·19 crores. The average balances held abroad including cash and short-term investments in sterling securities showed a further steep rise from Rs.111·72 crores to Rs.277·28 crores. The increase represented the excess of receipts of sterling from the Central Government over the transfers to the Issue Department as cover for increases in the note issue.

The average of loans and advances to Governments declined further, from Rs.49 lakhs to Rs.43 lakhs, the highest amount under this head being Rs.1·61 crores on the 21st April 1944. The average investments of the Banking Department increased from Rs.7·61 crores to Rs.13·13 crores being the highest since 1935. The average of other loans and advances, comprising advances to scheduled banks and co-operative banks, dropped from Rs.15 lakhs to Rs.11 lakhs during the year under review, the highest amount reached being Rs.93 lakhs on the 7th April 1944. The average of bills purchased and discounted, mainly treasury bills, on the other hand rose from Rs.91 lakhs in 1943-44 to Rs.1·46 crores in 1944-45, the highest amount being Rs.6·60 crores on the 2nd February 1945.

60. *Reserve Bank of India : Issue Department.*—Statement XXXIV shows the monthly averages of the liabilities and assets of the Issue Department of the Reserve Bank of India for each month of the year together with their annual averages since the commencement of the operations of the Bank in 1935, while Statement XXXIII gives weekly (Friday) figures in respect of these for 1944-45. Statement XXXV shows notes in circulation in India and Burma as on the last Friday of each month since April 1939.

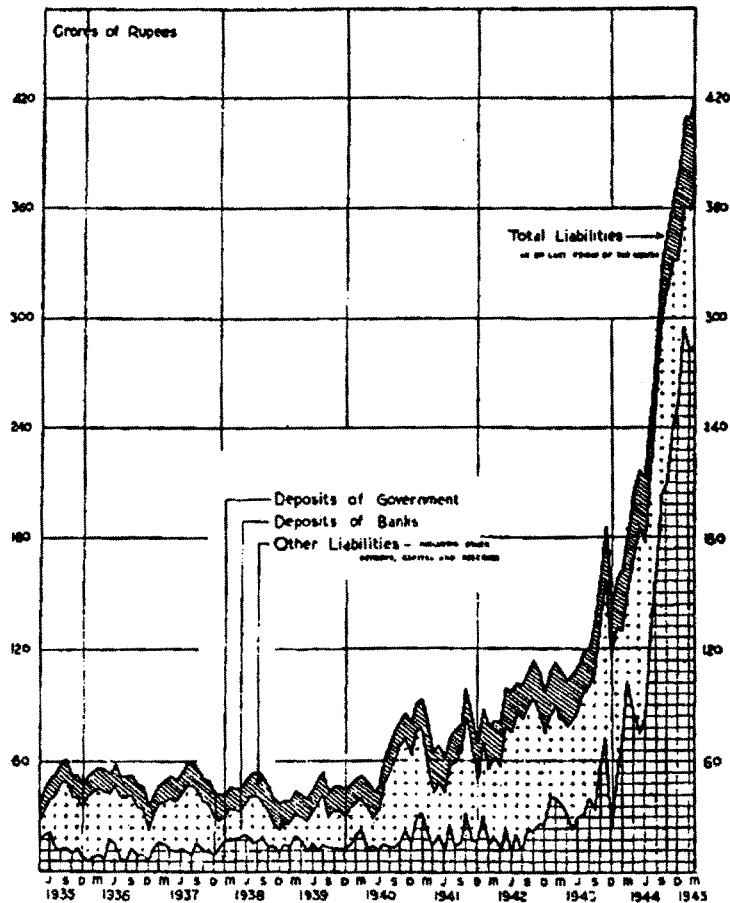
Notes in circulation (excluding Burma notes) increased further by Rs.202·39 crores or by 22·93 per cent. from Rs.882·49 crores on the 31st March 1944 to Rs.1,084·88 crores on the 30th March 1945. The total notes issued stood at Rs.1,094·66 crores at the end of 1944-45 as compared with Rs.894·84 crores at the end of the previous year, showing an increase of 22·33 per cent.

On the assets side, gold coin and bullion remained unchanged at Rs.44·42 crores, their percentage to total notes issued further declining from 4·96 to 4·05. The valuation of the gold holding continued to be based on the statutory rate of Rs.21-3-10 per tola while the market rate for gold stood at Rs.75-5-0 on the 31st March 1945. As in the previous year the Bank's holdings of the sterling securities increased continuously and stood at Rs.978·32 crores on the 30th March 1945 as compared with Rs.779·83 crores on the 31st March 1944. The percentage of sterling securities to total notes issued rose to 89·37 at the end of the year from 87·15 at the end of 1943-44 ; the percentage of gold and sterling securities together to total notes issued stood at 93·43 at the end of the year as compared with 92·11 on 31st March 1944.

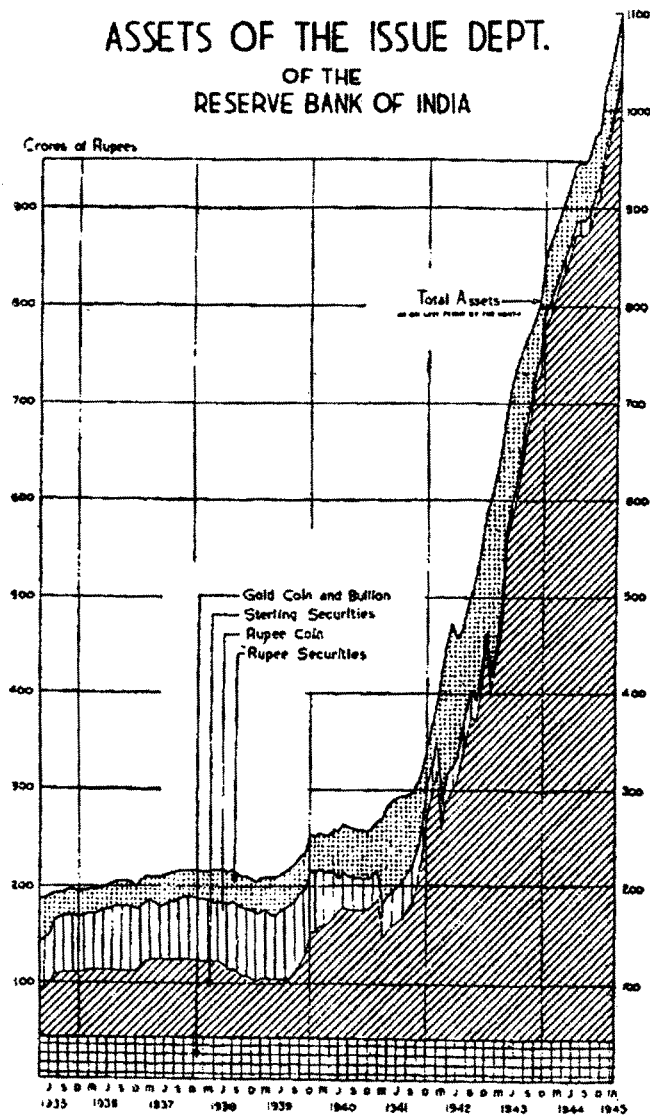
Rupee securities which stood at Rs.58·33 crores on the 31st March 1944 recorded a slight decline to Rs.57·84 crores on the 30th June 1944 and remained unchanged at that level thereafter. The holding of rupee coin (including one rupee notes) fluctuated between Rs.16·15 crores and Rs.10·47 crores and stood at Rs.14·08 crores on the 30th March 1945.

The graphs on page 82 illustrate the relative movements in the various components of the assets of the Issue Department and the liabilities of the Banking Department of the Reserve Bank of India ; the liabilities of the Issue Department are made up entirely of notes issued and the assets of the Banking Department are composed mostly of (sterling) balances held abroad ; a graph of combined assets and liabilities of the Bank is also given on page 83 for studying the Bank's over-all position. The figures below bring out the direction and extent of changes in the principal items of liabilities and assets of the Bank on a combined basis.

# LIABILITIES OF THE BANKING DEPT. OF THE RESERVE BANK OF INDIA

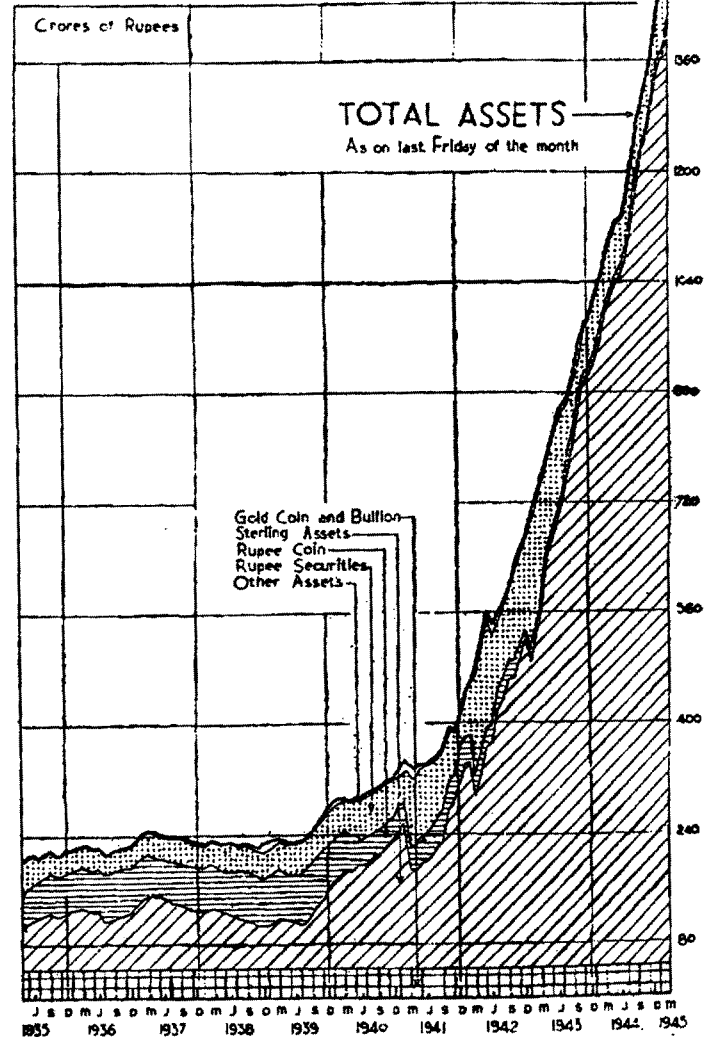
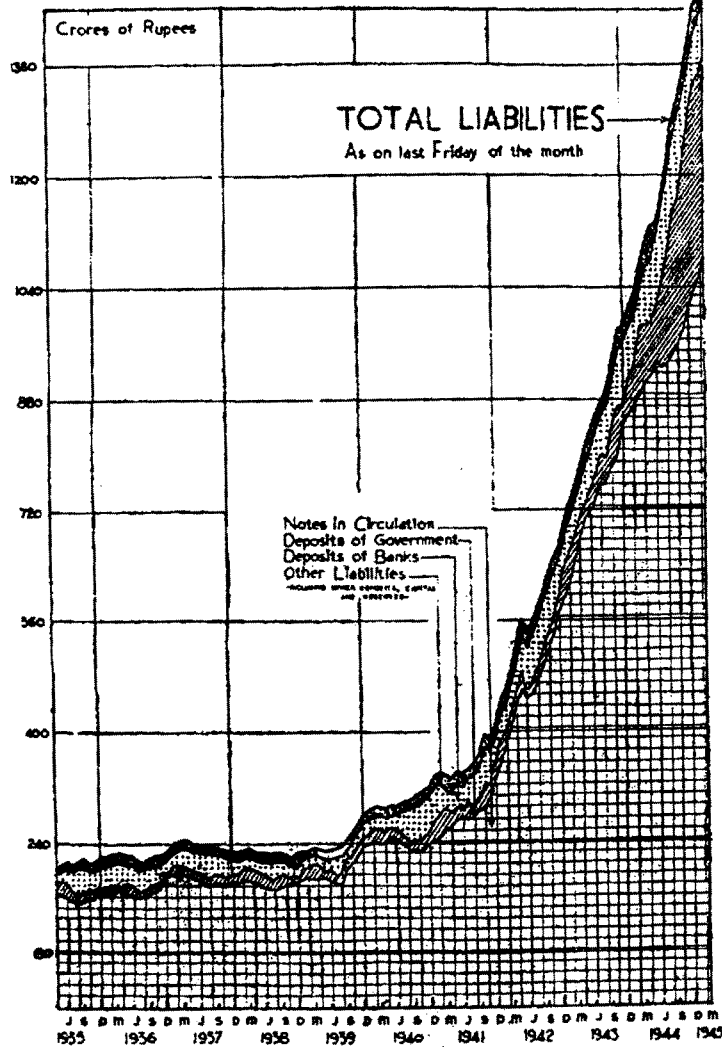


# ASSETS OF THE ISSUE DEPT. OF THE RESERVE BANK OF INDIA



# LIABILITIES AND ASSETS OF THE RESERVE BANK OF INDIA

ISSUE AND BANKING DEPTS. COMBINED





**TABLE 25. RELATIVE CHANGES (INCREASE OR DECREASE) IN CERTAIN ITEMS OF ASSETS AND LIABILITIES OF THE RESERVE BANK**

(In crores of rupees)

End of month : change over previous date

	March 1940*	March 1941	March 1942	March 1943	March 1944	March 1945
<b>Note circulation :</b>						
Increase over previous date ..	+60	+19	+152	+234	+239	+202
Progressive increase .. ..	..	+79	+231	+465	+704	+906
<b>Deposits :</b>						
Increase over previous date ..	— 2	+23	..	+24	+79	+226
Progressive increase .. ..	..	+21	+21	+46	+124	+350
<b>Total Sterling Assets :</b>						
Increase over previous date ..	+75	+3	+104	+261	+437	+417
Progressive increase .. ..	..	+77	+182	+443	+880	+1,297
<b>Total Rupee Coin :</b>						
Increase over previous date ..	—20	—21	—7	—13	—2	+2
Progressive increase .. ..	..	—41	—48	—61	—63	—61
<b>Total Rupee Securities :</b>						
Increase over previous date ..	+2	+49	+53	+32	+113	+9
Progressive increase .. ..	..	+51	+104	+136	+23	+32

\* Change over August 1939.

Upto the end of 1941-42, the addition to the note circulation was greater than the net accumulation of sterling assets, and was partly backed by additions to rupee securities rendered necessary by the utilisation of considerable amounts of sterling in debt repatriation. During 1942-43 the accumulation of sterling assets began to outpace the progressive net increase in note circulation while the amount of rupee securities held also continued to increase. By the end of 1942-43, the progressive addition to the note circulation (since the beginning of war) corresponded more or less to the net accretion of sterling. During the last two years the additions to the note circulation are considerably less than the net additions to sterling assets, and there has been appreciable replenishment of the (cash) balances of the Government and the banks with the Reserve Bank.

61. *Banking Legislation.*—A bill to consolidate and amend the Law relating to banking companies, the Banking Companies Bill, 1945, was introduced in the Legislative Assembly by the Finance Member on the 16th November 1944 and a motion for the reference of the Bill to a Select Committee of the Legislative Assembly, was adopted by the Assembly on the 11th April 1945. In addition to the provisions (with certain modification) of Part XA of the Indian Companies Act the Bill includes several new provisions designed to safeguard the interests of the depositors and to ensure the development of banking on sound lines. Fuller information on the subject is given in the Annual Report of the Directors for the year ended the 30th June 1945.

## VII. CURRENCY

### A. CIRCULATION AND ABSORPTION

62. *Circulation and Absorption of Notes.*—Statement XXXVI shows the year-end figures and annual averages of the total notes (excluding Government of India one rupee notes) issued and in circulation since the quinquennium ended 1913-14 together with the percentage annual rise or fall in the circulation. Burma notes have been shown separately for the years 1937-38 to 1941-42. Note circulation registered a further increase in 1944-45, though the rate of expansion declined as in the last year despite the sustained tempo of the country's war effort. The annual rate of increase fell to 23 per cent. as against 37 per cent. in 1943-44 and 69 per cent. in 1942-43, which was the highest rate of rise in note circulation. The circulation increased from Rs.882·49 crores at the end of 1943-44 to Rs.1,084·88 crores at the end of 1944-45. The total amount of notes legal tender in India stood at Rs.1,094·66 crores at the end of 1944-45 compared with Rs.894·84 crores at the end of the previous year, while the average circulation for the year worked out at Rs.968·69 crores as against Rs.777·17 crores during 1943-44. Of the total absorption of Rs.912·52 crores of notes since the 1st September 1939, when the circulation in India stood at Rs.172·36 crores, the year under review accounted for Rs.202·39 crores or 22 per cent. as compared with 26 per cent. in 1943-44 when Rs.238·91 crores of notes were absorbed.

There was a net absorption of notes during all the months of 1944-45 except in July when for the first time since July 1941 a net return (of Rs.9·41 crores) was recorded. The average monthly absorption declined to Rs.16·87 crores from Rs.19·91 crores in 1943-44 and Rs.21·82 crores in 1942-43, the peak year of absorption. As usual the maximum absorption occurred in December at Rs.36·51 crores as against Rs.46·43 crores in December 1943 and Rs.30 crores in December 1942. During the first half of the year the increase in circulation was relatively moderate averaging Rs.9·79 crores per month as against Rs.19·35 crores during the corresponding period of 1943-44; the second half or the busy season, however, witnessed a pronounced rise in the absorption with a monthly average of Rs.23·94 crores, which was nearly two and a half times that in the first half and compared with Rs.20·47 crores and Rs.25·17 crores respectively during the corresponding halves of 1943-44 and 1942-43. The slower rate of expansion as a whole during the year under review may be attributed to vigorous loan and taxation programmes (cf : reasons for high Government balances) and official sales of bullion.

63. *Absorption of Rupees.*—The demand for rupee coin (including Government of India one rupee notes) showed a further fall during the year under review, the decline in the rate of absorption being more marked than in the case of notes : the absorption stood at Rs.10·05 crores compared with Rs.25·60 crores in 1943-44 and the record figure of Rs.44·93 crores in 1942-43. There was a return of rupee coin during July, August and November 1944 of Rs.1·65 crores, Rs.1·29 crores and Rs.0·75 crores respectively as against a return of Rs.12 lakhs for the single month of September 1943 during the previous year. The increase in circulation during the first half of the year amounted to Rs.2·35 crores and during the second half to Rs.7·70 crores, the corresponding figures for 1943-44 being Rs.10·68 crores and Rs.14·92 crores respectively.

With the cessation of the legal tender character of the standard coin with effect from the 1st November 1943, the quaternary rupees and Government of India one rupee notes constitute as from that date the total amount of rupee coin in circulation. The aggregate amount in circulation of Government of India one rupee notes and quaternary rupees (first issued in July and December 1940 respectively) stood at Rs.123·81 crores at the end of October 1943. The circulation of rupee coin rose to Rs.137·33 crores at the end of 1943-44 and to Rs.147·38 crores at the end of 1944-45.

While the metallic coin continued to be in demand in the interior, a marked partiality for the more convenient and handy one rupee note was in evidence in urban areas and to an extent in certain mofussil parts; with restricted issues of one rupee notes, however, the demand for quaternary rupees stopped up from about the middle of the year.

During the year the Bank received from the Government of India, one rupee notes and coin on three occasions to the extent of Rs.15 crores in all under Section 36 of the Reserve Bank of India Act as amended in July 1940 against credits to Central Government.

In order to remove possible misapprehension in regard to demonetisation of standard silver coin, Government issued a press note in November 1944 stating that as standard silver rupees and half rupees of 11/12th fineness had ceased to be legal tender it was neither illegal nor improper to hoard them or to melt them for sale as bullion; the selling of these coin at a value other than the face value was likewise not an offence. Standard silver coin which have ceased to be legal tender are accepted at the Bombay mint for refining like other silver bullion, and fine silver bars (999 fineness) issued in exchange after payment of the usual refining charges of Rs.2-8-0 per 100 tolas gross weight, the minimum quantity for acceptance being 3,500 tolas.

64. *Absorption of Small Coin.*—Statement XXXVII shows the annual absorption of small coin by denominations for each of the years 1919-20 to 1944-45 and average annual absorption for the last war and pre-war quinquenniums. Unlike notes and rupee coin, the demand for small coin continued unabated during 1944-45 and greater quantities were absorbed than in any previous year. It was possible to meet the steady and persistent demand in a fuller measure owing to larger and more regular supplies from the mints. The maintenance of adequate balances of small coin at the several depots, Treasuries and branches of the Imperial Bank of India and ampler issues to banks, institutions and the public generally ensured a free flow of small change in circulation during the year. The position was thus restored to normal excepting in some outlying parts of the country like Cutch and Kathiawar without small coin depots or Treasuries. The absorption of small coin during the year under review stood at the record figure of Rs.19·20 crores as compared with Rs.18·46 crores in 1943-44, Rs.11·64 crores in 1942-43, Rs.5·06 crores in 1941-42 and Rs.2·21 crores in 1939-40, and accounted for 31·3 per cent. of the total absorption of Rs.61·28 crores since the 1st September 1939. The absorption during the second half of the year, which generally coincides with the busy season, was for the first time during the war smaller at Rs.8·64 crores as against Rs.10·56 crores in the first half, the figures for 1943-44 being Rs.10·28 crores and Rs.8·18 crores for the second and first halves respectively; this possibly indicates the beginning of a decline in the rate of absorption. The monthly absorption ranged between Rs.2·05 crores in May 1944 and Rs.1·33 crores in February 1945. The following table gives the absorption of small coin by denominations during the war as compared with the pre-war year 1938-39.

TABLE 26. WARTIME ABSORPTION OF SMALL COIN BY DENOMINATIONS.

(In lakhs of rupees)

Denominations	1938-39	1939-40	Sept. 1939 to March 1940	1940-41	1941-42*	1942-43†	1943-44†	1944-45†	Sept. 1939 to March 1945
<b>I SILVER</b>									
8 annas .. ..	2	60	77	1,53	1,57	3,82	5,41	5,51	18,61
4 " .. ..	—	5	31	43	1,02	1,29	2,97	5,19	16,31
Total Silver Coin.	—	3	91	1,20	2,55	2,86	6,79	10,60	34,92
<b>II NICKEL</b>									
4 annas .. ..	—	4	8	15	..	2	—	2	..
2 " .. ..	..	4	48	58	72	88	2,22	3,34	10,81
1 anna .. ..	..	6	51	53	76	99	2,02	3,11	10,84
½ " .. ..	..	..	..	..	..	4	57	1,14	3,05
Total Nickel Coin	6	1,07	1,26	1,48	1,89	4,71	7,57	7,79	24,70
<b>III COPPER</b>									
Pice .. ..	14	21	16	23	29	13	29	49	1,59
Half Pice .. ..	1	1	1	1	1	..	..	..	3
Pie Pieces .. ..	1	1	1	1	1	1	..	..	4
Total Copper Coin	16	23	18	25	31	14	29	49	1,66
<b>IV Total Small Coin</b>	<b>19</b>	<b>2,21</b>	<b>2,64</b>	<b>4,28</b>	<b>5,06</b>	<b>11,64</b>	<b>18,46</b>	<b>19,20</b>	<b>61,28</b>

\* Excluding Burma for February and March 1942.

† Excluding Burma.

With the exception of pice pieces whose absorption increased by 69 per cent. from Rs.29 lakhs to Rs.49 lakhs, the absorption of small coin of most denominations during the year was only slightly greater than in 1943-44; the only denomination which showed a smaller absorption than during the previous year was the nickel 2 anna piece, net issues of which were Rs.3.07 crores during the year as compared with Rs.3.34 crores in 1943-44. Silver accounted for 56.9 per cent., nickel for 40.6 per cent. and copper for 2.5 per cent. of the issues respectively during the year.

Although the total output and issues of small coin during 1944-45 exceeded those of the previous year, there were signs of a gradual falling off in demand during the closing months of the year. The mintage of small coin amounted to 2,143 million pieces in 1944-45 as against 1,836 million pieces in 1943-44 and 963 million pieces in 1942-43. By the end of the financial year the mints were able to curtail production as they held fairly adequate stocks of most denominations. As compared with the peak of 219 million coins in August 1944, the combined output of the three mints declined to 190 million in February 1945 and was 199 million in March 1945.

The issues of small coin in the different circles during the last three years are shown in the table below.

TABLE 27. ABSORPTION OF SMALL COIN BY CIRCLES.

(In thousands of rupees)

Circle	1942-43	1943-44	Percentage increase over 1942-43	1944-45	Percentage increase (+) or decrease (—) over 1943-44
Bombay .. ..	3,61,11	5,82,85	+61.4	4,67,75	—19.7
Calcutta .. ..	4,36,53	6,43,36	+47.4	7,60,81	+18.3
Cawnpore .. ..	1,35,34	2,50,27	+84.9	3,06,94	+22.6
Karachi .. ..	20,42	33,94	+66.2	26,71	—21.3
Lahore .. ..	71,48	1,37,13	+91.8	1,69,24	+23.4
Madras .. ..	1,38,70	1,98,71	+43.3	1,88,93	—4.9
<b>Total .. ..</b>	<b>11,63,58</b>	<b>18,46,26</b>	<b>+58.7</b>	<b>19,20,38</b>	<b>+4.0</b>

Of the total absorption of Rs.19·20 of crores small coin Bombay and Calcutta accounted for Rs.12·29 crores or 64 per cent. the share of Calcutta being the largest at 39·6 per cent. The intensity of demand varied as between different circles, the absorption in Karachi, Bombay and Madras circles being lower and in Lahore, Cawnpore and Calcutta higher than in the previous year.

65. *Total Absorption of Currency.*—Statement XXXVIII gives the annual absorption of notes, rupee coin and small coin since 1914-15. Statement XXXIX gives similar figures on a monthly basis for 1944-45 and 1943-44. The total absorption of currency including small coin during the year was lower at Rs.231·64 crores as against Rs.282·97 crores in 1943-44 and compared with the aggregate total absorption of Rs.199·10 crores during the whole of the last war period between 1914-15 and 1918-19. The following table gives the wartime absorption of currency since September 1939.

**TABLE 28. WARTIME ABSORPTION OF CURRENCY.**

						(In lakhs of rupees)				
						Notes	Rupee Coin	Small Coin	Total	
September 1939 to March 1940						..	59,66	19,55	2,64	81,85
April 1940 to March 1941						.. ..	19,11	33,23	4,28	56,62
..	1941	..	1942	..	..	152,40	7,18	5,06†	164,64	
..	1942	..	1943*	..	..	261,85	44,93	11,64	318,42	
..	1943	..	1944*	..	..	238,91	25,00	18,46	282,97	
..	1944	..	1945*	..	..	202,39	10,05	19,20	231,64	
Total						..	934,32	140,54	61,28	1,136,14

\* Excluding Burma. † Excluding Burma for February and March 1942.

Of the total wartime absorption of currency of Rs.1,136·14 crores to the end of 1944-45, notes accounted for Rs.934·32 crores or 82 per cent., rupee coin for Rs.140·54 crores or 12 per cent. and small coin for Rs.61·28 crores or 6 per cent.

The accompanying two graphs bring out the trends in the wartime absorption of currency referred to above. The graph at page 89 shows absorption during the years 1942-43 to 1944-45 separately for (i) notes, (ii) rupees and (iii) small coin. The linear diagram in the second graph at page 90 shows the progressive absorption of notes, rupees and small coin since the beginning of the war, while the bar diagram depicts the absorption month by month, for the entire period of the war, of notes, rupees and small coin separately.

66. *Seasonal Movements of Currency.*—The normal seasonal variations in the absorption of currency reflect the incidence of the busy and slack seasons. Under prevailing conditions, the seasonal ebb and flow of currency has, however, been appreciably smoothened out and occasionally overborne by the steady demand for additional currency arising from the sustained level of Governmental expenditure and war economic activity. The table on page 91 shows the seasonal fluctuations in the demand for currency from 1939-40, the period September to February being regarded as the busy season and March to August as the slack season.

# ABSORPTION OF NOTES, RUPEES AND SMALL COIN

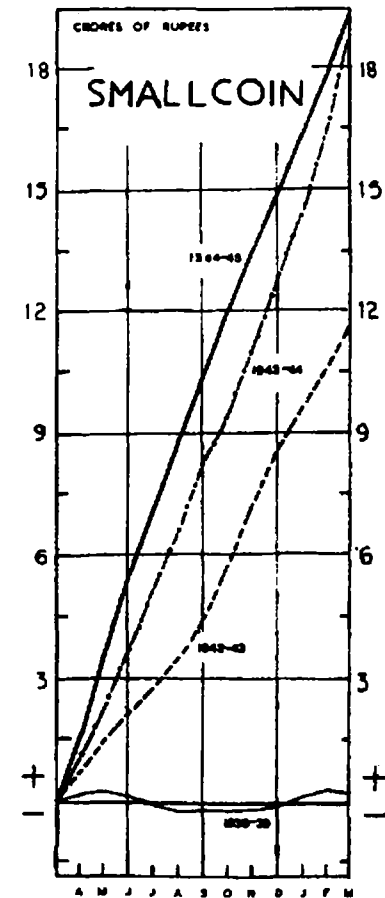
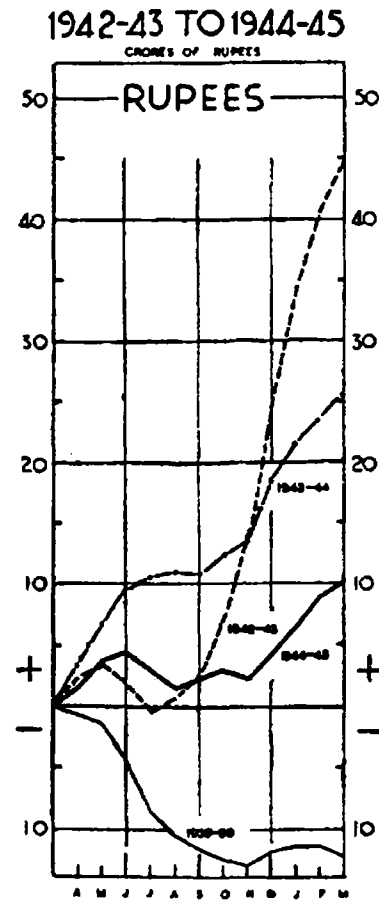
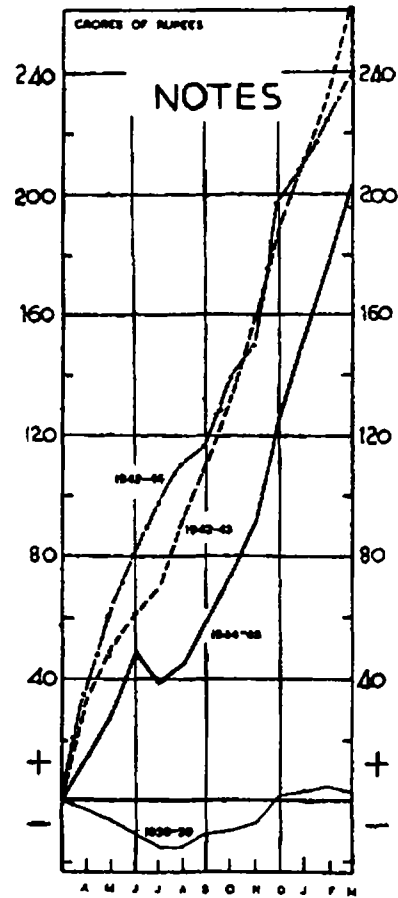




TABLE 29. SEASONAL DEMAND FOR CURRENCY.

(In lakhs of rupees)								
Slack Season (March to August)					Busy Season (September to February)			
	Notes	Rupee Coin	Total		Notes	Rupee Coin	Total	
1939-40 .. ..	12,32	—10,74	— 23,06		60,66	17,21	77,87	
1940-41 .. ..	8,06	35,52	27,46		17,99	2,32	20,31	
1941-42 .. ..	27,11	6,08	21,03		103,09	8,99	112,08	
1942-43* .. ..	122,91	2,73	125,64		140,10	40,04	180,14	
1943-44* .. ..	140,28	14,91	155,19		112,86	12,79	125,65	
1944-45* .. ..	58,51	3,64	63,15		132,33	7,35	139,68	

\* Excluding Burma figures from April 1942.

It will be seen that except in 1940-41 and 1943-44 the demand for currency was lower in the slack season than in the busy season; the panicky demand for silver rupee coin in the summer of 1940-41 partly accounted for the larger absorption in the slack season during that year; the cumulative effect of the various stabilisation measures adopted early in 1943-44 explained the relatively smaller absorption in the busy season of that year.

The following table gives a comparison of the expansion in note circulation with the changes in scheduled banks' demand deposits during the war on a half-yearly basis.

TABLE 30. CHANGES IN NOTE CIRCULATION AND DEMAND DEPOSITS OF SCHEDULED BANKS.

(In crores of rupees)												
	1939-40	1940-41		1941-42		1942-43		1943-44		1944-45		
	Sept.-Mar.	April to Sept.	Oct. to March	April to Sept.	Oct. to March	April to Sept.	Oct. to March	April to Sept.	Oct. to March	April to Sept.	Oct. to March	
1 Note circulation at the end of period	225	217	241	270	388	498	651	764	882	941	1,085	
2 Increase during the period .. ..	53	8	24	29	118	110	153	113	118	59	144	
3 Percentage increase .. ..	31	4	11	12	44	28	31	17	15	7	15	
4 Demand Deposits at the end of period .. ..	143	158	172	209	227	318	370	460	524	588	597	
5 Increase during the period .. ..	9	15	14	37	18	91	52	90	64	64	9	
6 Percentage increase .. ..	6	10	9	22	9	40	16	24	14	12	2	

Under normal conditions opposite trends were witnessed in the movements in the volume of currency circulation and of demand deposits in the busy and slack seasons, note circulation tending to rise and demand deposits to contract in the busy season and *vice versa* in the slack season. During the war both deposits and currency circulation have continued to expand, the incidence of the seasons being reflected in their varying rates of expansion: during the first half of the year corresponding generally to the slack season in trade there has been usually a greater relative increase in demand deposits than in notes issued, while a larger comparative expansion in note circulation than in deposits has occurred in the second half of the year which corresponds to the busy season. These trends have been observed to be in evidence throughout the war period except in the second half of 1943-44 when there was a smaller expansion in note circulation than in the first half.



67. '*Total Money Supply*' in India (*Excluding Rupee Coin*).—Under this head is given a somewhat closer analysis of the trends during the course of war in the 'total money supply' in the country and in its main constituents, with a view to indicating the fundamental factors underlying the process of monetary expansion during wartime.

The table on page 93 shows the composition of the 'total money supply' in the country since the beginning of war at annual intervals and for the last half-year to March 1945 and on a monthly basis during the last year. Note circulation (excluding notes held by banks) plus demand deposits of banks (scheduled and non-scheduled) may be said to represent the cash balances of the public; deposits with the Reserve Bank consist of two main items: the cash balances of banks (including a certain necessary amount of reserve balances) and the cash balances of Government (including balances held by the Government on account of certain classes of tax payers and refundable to the latter). Underlying the rising general trend of 'total money supply,' there is a measure of compensatory movements in the cash balances of the public and the cash balances of Government: a detailed comparison of the figures (not given in the table) shows that heavy increases in note circulation (and/or bank deposits) have been accompanied by decreases in the amount of Government balances; on the other hand, during the last year or so, the restrained rise in currency circulation and deposits has been associated with considerable additions to Government balances. The aggregate of the two kinds of balances may be said to represent the total volume of ready purchasing power available to the community at any time, though the two kinds differ greatly as regards the measure of control exercised by Government over their rate of turn-over.

Confining attention to the part of money supply which represents the public's cash balances and which is customarily regarded as the whole of money supply, it will be noticed from the table that there has been a perceptible deceleration in its rate of increase during recent months. The percentage monthly rate of increase of note circulation went up from 2.0 in the twelve months ended September 1941 to 7.0 in the following twelve months and declined thereafter to 4.5 during October 1942–September 1943, 2.0 during October 1943–September 1944 and 2.6 in October 1944–March 1945. The percentage monthly rate of increase of demand deposits of banks was 2.6, 4.3, 3.8 and 2.4 during the twelve month periods given in the table and 0.4 during the last six months.

As regards the sources of additions to money supply during wartime, the total net accrual of sterling from the surplus balance of payments on private as well as Governmental account *i.e.* including the supply of goods and services to His Majesty's and Allied Governments in India against recoverable war expenditure, is the largest part of what may be termed as the inflationary potential; the budget deficit on revenue account and the defence expenditure on capital account are other constituents of this inflationary potential; the addition to the internal (rupee) debt of the country acts *largely* as a deflationary influence, (*viz.*, a factor tending to reduce the volume of money supply in the hands of the public) but has been reflected partly in the high and rising level of Government balances recently; the expansion of the public's cash balances given by the addition to the aggregate amount of note circulation, rupee coin and small coin and of deposits of banks, scheduled and non-scheduled, measures the extent of monetary inflation (the term to be understood in its context). The progressive series of each of these factors since 1939-40 are given in the table on page 94.

TABLE 31. 'TOTAL MONEY SUPPLY' IN INDIA (Excluding Rupee Coin Circulation).

Rupees in Crores)

	Last Friday of	August 1939	Sept. 1940	Sept. 1941	Sept. 1942	Sept. 1943	Sept. 1944	March 1945	April† 1944	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Jan. 1945	Feb.	March
1. Note circulation	.. ..	169	217	268	498	760	941	1,085	897	910	931	922	927	941	957	973	1,010	1,034	1,059	1,085
Increase	.. ..	..	+ 48	+ 51	+225	+267	+181	+144	+ 15	+ 13	+ 21	— 9	+ 5	+ 14	+ 16	+ 16	+ 37	+ 24	+ 25	+ 26
Average monthly increase	.. ..	..	+ 4	+ 4	+ 19	+ 22	+ 15	+ 24	+ 15	+ 13	+ 21	— 9	+ 5	+ 14	+ 16	+ 16	+ 37	+ 24	+ 25	+ 26
Percentage monthly rate of increase	.. ..	..	2.2	2.0	7.0	4.5	2.0	2.8	1.7	1.4	2.3	—1.0	0.5	1.5	1.7	1.7	3.8	2.4	2.4	2.5
2. Demand Deposits of Banks (Scheduled and Non-Scheduled)	.. ..	141*	163	213	324	473	610	597‡	554	574	586	596	606	610	626	634	641	608‡	612‡	597‡
Increase	.. ..	..	+ 22	+ 50	+111	+149	+137	— 13	+ 11	+ 20	+ 12	+ 10	+ 10	+ 4	+ 16	+ 8	+ 7	— 38	+ 4	— 15
Average monthly increase	.. ..	..	+ 2	+ 4	+ 9	+ 12	+ 11	— 2	+ 11	+ 20	+ 12	+ 10	+ 10	+ 4	+ 16	+ 8	+ 7	— 33	+ 4	— 15
Percentage monthly rate of increase	.. ..	..	1.2	2.6	4.3	3.8	2.4	—0.4	2.0	3.6	2.1	1.7	1.7	0.7	2.6	1.3	1.1	—5.1	0.7	—2.5
3. Deposits of Reserve Bank	.. ..	43	63	68	91	118	313	393	184	191	181	226	266	313	325	343	351	383	380	393
4. Notes held by Scheduled Banks	.. ..	7	7	7	11	19	25	25	23	23	28	23	23	25	25	26	30	25	26	25
5. Total Money supply excluding Rupee Coin (1+2+3+4)	.. ..	346	436	542	897	1,332	1,839	2,050	1,612	1,652	1,670	1,721	1,776	1,839	1,883	1,924	1,972	2,000	2,025	2,060
6. Index	.. ..	100	126	157	259	385	532	592	466	477	483	497	513	532	544	556	570	578	586	592
7. Percentage monthly rate of increase	.. ..	..	2.0	2.1	5.4	4.1	3.2	1.9	2.6	2.4	1.3	2.9	3.2	3.7	2.3	2.2	2.5	1.4	1.2	1.2

\* The figures of non-scheduled banks included herein relate to December 1939. ‡ Excludes deposits of non-scheduled banks. † The increase shown in this column is over the previous month *i.e.*, March 1944.

Note :—The demand deposits of non-scheduled banks at the end of December 1939, Sept. 1940, 1941, 1942, 1943 and 1944 were Rs.5 crores ; Rs.5 crores ; Rs.7 crores ; Rs. 10 crores ; Rs. 16 crores ; and Rs.22 crores respectively.

TABLE 32. GENERAL ANALYSIS OF SOURCES OF MONEY SUPPLY.

	(In crores of rupees)					
	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45
(1) Total net accrual of sterling to end of period since the beginning of war .. ..	100	191	441	828	1,278	1,710
2) Budget deficit including Defence Capital expenditure, progressive* .. ..	..	7	19	184	411	626
(3) Total of (1) and (2) .. ..	100	198	460	1,012	1,689	2,336
(4) Increase in note circulation, rupee coin and small coin circulation, and in total deposits of banks .. ..	83	167	373	868	1,358	1,733
(5) Increase in deposits with the Reserve Bank, progressive † (of which addition to Central Government balances, progressive) .. ..	9 (4)	46 (11)	34 (19)	58 (13)	112 (50)	346 (255)
(6) Total of (4) and (5) .. ..	92	213	407	926	1,470	2,079
(7) Increase in the Rupee debt of the Central Government since 31st March 1939, progressive	18	152	231	497	623	860

\* The actual figures of budget deficit are nil, 8·5, 12·7, 112·2, 189·8 and 155·8 crores respectively for the six years from 1939-40 to 1944-45 (revised) and of defence capital expenditure 52·5, 37·5 and 69·4 crores during the last three years. † Increase in the average of the last quarter of each year.

The direct and close correlation of the first and fourth series is readily apparent : during the first three years the net progressive amount of accrual of sterling is somewhat larger than the degree of increase in monetary circulation, and during the last three years it is somewhat smaller. During the last three years, the ' budget deficit ' has increased somewhat rapidly and added another element to the inflationary potential. But the simultaneous larger increase in the rupee debt of the Central Government has substantially neutralised the inflationary impact of the budget deficit on the public's cash balances, though in the process the Government's cash balances have appreciably increased. Some part of the increase in bank deposits (and therefore in total money supplies) must be assigned to secondary expansion as reflected in the appreciable rise in bank advances since the last quarter of 1942 (*vide* para 55), but for the greater part the increase is primary in character, and derives from the same factors as the increase in currency circulation.

#### B. MISCELLANEOUS MATTERS CONNECTED WITH CURRENCY AND COINAGE

68. *Changes in the form of Notes.*—During the year under review Bank notes of the denominations of Rs.100 and Rs.5 bearing the signature of Sir Chintaman D. Deshmukh, the present Governor of the Bank, were issued, the design of the notes remaining unaltered. The first issues of these were made from the Karachi and Delhi offices respectively on the 5th May and the 2nd June 1944. The design of Rs.10 notes was altered, the new notes being first put into circulation from the

Bombay office on the 5th October 1944. A new series of Government of India one rupee notes with the serial prefix and the number printed in green instead of in black were also issued from the Bombay office on the 1st December 1944.

69. *Encashment of Burma Notes.*—The stringent restrictions on the import of Burma notes into India and on their encashment detailed in previous years' Reports continued to be enforced. The total amount of Burma notes encashed during the year under review was only Rs.9,33,305 as against Rs.38,64,535 in 1943-44 and Rs.5,29,20,095 in 1942-43. The total value of notes thus tendered since the 5th January 1942 when the Bank was first authorised to encash Burma notes aggregated Rs.6,82,57,715.

70. *Circulation of Notes by Denominations.*—Statement XL shows the relative popularity of the different denominations of notes. Notes of all denominations, excepting the Rs.50 and Rs.500 issues of which further declined from Rs.37 lakhs and Rs.60 lakhs to Rs.30 lakhs and Rs.32 lakhs respectively, contributed in a greater or less degree to the large expansion of paper currency during 1944-45. The proportion of Rs.2 denomination which was introduced in February 1943 to relieve the strain on one rupee notes stood at 1 per cent. of the total notes issued at the end of December 1944 as compared with 0.7 per cent. a year before. During the war the circulation of notes of higher denominations has expanded to a relatively larger extent in India as in other countries. The proportion of Rs.100 and Rs.1,000 notes to total notes issued rose from 32.1 per cent. and 5.9 per cent. respectively in 1939 to 34.9 per cent. and 10.9 per cent. in 1943. During the year, Rs.100 denomination rose further to 38.0 per cent. while the Rs.1,000 notes slightly declined to 10.1 per cent. It may be added that the proportion of the Rs.100 denomination during the last war continued to be the highest and rose steadily from 35.0 per cent. at the end of 1913-14 to 38.0 per cent. at the end of 1917-18 while Rs.10 notes declined from 34.9 per cent. to 31.9 per cent. during the same period; the Rs.1,000 denomination in contrast to the trends during the present war, showed a decline from 18.0 per cent. at the end of 1913-14 to 16.1 per cent. at the end of 1917-18 after a temporary rise to 20.0 per cent. at the end of 1914-15. Together these two denominations accounted for 48 per cent. in 1944 as against 46 per cent. in 1943 and 38 per cent. in 1939 while the combined circulation of Rs.5 and Rs.10 notes dropped to 51 per cent. as against 53 per cent. in 1943 and 61 per cent. in 1939.

Similar trends in the composition of note circulation during wartime are noticeable in other countries. In the United States, larger denomination notes comprising of \$50 to \$10,000 increased respectively by 45 per cent. and 39 per cent. in 1943 and 1944 compared to increases of 30 per cent. and 19 per cent. respectively during the same period in small denomination notes comprising of \$1 to \$20. In Australia, denominations of £10 and £5 notes from the outbreak of the war upto the end of 1944 increased by more than eight-fold and nearly six-fold respectively as against a four-fold increase during the same period in total note circulation. During the war, notes of large denominations have come in almost every country to be utilised as a means of payment in black markets or for the purposes of hoarding. With a view to discouraging such practices the authorities in Britain announced in March 1945 that notes of denominations from £10 to £1,000, issues of which were stopped in 1943, would cease to be legal tender with effect from the 1st May 1945. The Australian Government have announced their intention

to adopt similar measures, with the result that considerable quantities of notes of larger denominations have begun to return to the Commonwealth Bank from hoarders and others.

71. *Old Notes.*—Section 34 of the Reserve Bank of India Act provides that any currency note or bank note which has not been presented for payment within 40 years from its date of issue shall be deemed to be no longer in circulation. The value of currency notes written off under this section during 1944-45 amounted to Rs.1,29,180 compared with Rs.2,11,260 in the previous year. Notes amounting to Rs.8,840, which had been previously written off under this section, were presented for payment and were paid by the Banking Department during the year. The following table gives the value of notes written off and refunded for the past three years.

	1942-43	1943-44	1944-45
Value of Notes written off at the end of the year ..	122,740	211,260	129,180
Value of Notes refunded during the year ..	7,180	900	8,840

72. *Lost, Destroyed and Mutilated Notes.*—The table below gives the details of lost or wholly destroyed, half and mutilated notes in respect of which claims were admitted in India during the year under review.

	No. of claims admitted	No. of pieces	Amount of claims admitted	Amount paid against claims
Lost or wholly destroyed notes ..	297	677	1,43,800	19,800*
Half notes .. .. .	1,216	3,406	6,65,380	87,665
Mutilated notes .. .. .	59,188	2,96,083	30,12,250½	24,80,318

\* Represents amount paid during 1944-45 in respect of claims admitted in previous years.

73. *Note Forgeries.*—The total number of forged notes (including Government of India one rupee notes) received during the year further declined to 12,675 compared with 13,239 in 1943-44 and 14,566 in 1942-43 and was distributed as follows.

Year	Rs. 1 Old Notes	Rs. 1 Government of India Notes	Rs. 2	Rs. 2½	Rs. 5	Rs. 10	Rs. 50	Rs. 100	Rs. 1,000
1944-45 .. ..		4,820	2,599	..	352	4,894	1	9	..
1943-44 .. ..	1	8,560	1,280	1	210	3,140	..	17	30
1942-43 .. ..		11,580	..	..	40	2,803	2	138	3

There has been a progressive increase in the number of forgeries in respect of Rs.10 notes and a continued decline in the case of Government of India one rupee notes, the forgeries in these two denominations being respectively 39 per cent.

and 38 per cent. compared with 24 per cent. and 65 per cent. in 1943-44. The number of forged notes of Rs.2 denomination was also higher during the year at 2,599 and was 20 per cent. of the total. The number of cases of forgery detected in Calcutta was 6,493, in Bombay 2,611, in Cawnpore 1,939 and in Lahore 1,183. The following table gives certain particulars regarding prosecutions on account of forgeries for the past three years.

Year		Fresh prosecutions	Pending at the end of the previous year	Total trials	Discharges	Convictions	Pending
1944-45	..	51	15	66	15	15	36
1943-44	..	23	13	36	11	10	15
1942-43	..	47	7	54	22	19	13

74. *Coinage*.—Statement XLI gives mintage of rupee coin since 1835. Rupees were not minted between 1922 and 1940. Rupee coin minted during 1944 amounted to Rs.23·76 crores against Rs.6·70 crores in 1943. The following table gives the total mintage of rupee coin and the various denominations of small coin during 1944-45 at the Bombay, Calcutta and Lahore mints.

**TABLE 33. MINTAGE OF RUPEES AND SMALL COIN BY DENOMINATIONS.**

Denomination	Bombay Mint		Calcutta Mint		Lahore Mint		Total	
	Rs.	a.	Rs.	a.	Rs.	a.	Rs.	a.
Quaternary Rupees ..	15,88,00,000	0	....		10,66,00,000	0	26,54,00,000	0
„ Half Rupees ..	2,25,00,000	0	....		3,95,00,000	0	6,20,00,000	0
„ Quarter Rupees.	4,22,00,000	0	....		2,15,25,000	0	6,37,25,000	0
Nickel 2 annas ..	3,73,00,000	0	....		7,94,000	0	3,80,94,000	0
„ 1 anna ..	1,32,18,750	0	2,78,26,500	0	....		4,10,45,250	0
„ ½ anna ..	....		1,64,92,250	0	....		1,64,92,250	0
Single Pice ..	32,20,600	0	2,77,000	0	7,97,262	8	42,94,862	8
<b>Total ..</b>	<b>27,72,39,350</b>	<b>0</b>	<b>4,45,95,750</b>	<b>0</b>	<b>16,92,16,262</b>	<b>8</b>	<b>49,10,51,362</b>	<b>8</b>

Of the total mintage of Rs.49·11 crores during the year under review small coin accounted for Rs.22·57 crores or 46 per cent. as against 73 per cent. out of an aggregate mintage of Rs.27·87 crores in 1943-44. The mintage of quaternary rupee coin since December 1940 when they were first minted upto the end of March 1945 amounted to Rs.88·30 crores.

75. *Withdrawal of Silver Coin*.—All Victoria and King Edward VII rupee and half rupee coins were withdrawn with effect from the 1st April 1941 and the 31st May 1942 respectively and King George V and King George VI standard silver rupees and half rupees were called back with effect from the 1st May 1943. The

amount of silver coin including half rupees, quarter rupees and one-eighth rupees withdrawn from circulation during 1944-45 is given below.

(In lakhs of rupees)

William IV 1835 .. .. .	0.01
Queen Victoria 1840 .. .. .	0.07
Standard Silver Rupees .. .. .	50.25
Other uncurrent coin .. .. .	0.80
Defective Quaternary Rupees .. .. .	0.27
<b>Total ..</b>	<b>51.40</b>

Under the Indian Coinage Amendment Act, 1918, silver two anna pieces are no longer coined and issued, but coin previously issued continue to be legal tender. The standard silver four anna pieces also continue to be legal tender.

76. *Withdrawal of Nickel and Copper Coin.*—Eight anna nickel coin were withdrawn under section 15A of the Indian Coinage Act, 1906, with effect from the 1st October 1924, and are now received at Issue Offices only. Double pice coin are also being withdrawn from circulation but are still received at Treasuries and Issue Offices. The total nominal value of uncurrent coins and badly worn and defaced nickel, copper and bronze coins withdrawn from circulation during the year was as follows.

					Rs.	a.	p.			
Uncurrent coin	..	..	{	Nickel eight anna	..	..	..	188	0	0
				Bronze double pice	..	..	..	499	1	0
Badly worn and defaced nickel, copper and bronze coin.			{	Nickel -/4/-	..	..	..	43,085	8	0
				Nickel -/2/-	..	..	..	19,769	6	0
				Nickel -/1/-	..	..	..	36,870	14	0
				Nickel -/½/-	..	..	..	515	1	0
				Single Pice	..	..	..	4,647	9	0
				Half Pice	..	..	..	3	13	10
			{	Pie Pieces	..	..	..	9	12	2
				Total	..			1,05,389	1	0

77. *Counterfeit Coin.*—The following table gives the number of counterfeit coin by denominations cut at treasuries and railway stations during the three years 1942-43 to 1944-45.

	1944-45		1943-44		1942-43	
	Silver	Nickel	Silver	Nickel	Silver	Nickel
Rupees .. ..	7,143	..	39,223	..	3,39,141	..
Half Rupees ..	4,881	28	7,365	96	18,386	118
Quarter Rupees ..	7,113	1,406	7,363	3,605	17,832	6,534
Eighth Rupees ..	93	18,300	151	9,400	836	29,254
One Anna .. ..	..	3,241	..	4,307	..	10,987
Half Anna .. ..	..	..	..	..	..	1
<b>Total ..</b>	<b>19,230</b>	<b>22,975</b>	<b>54,102</b>	<b>17,408</b>	<b>3,76,195</b>	<b>46,894</b>

# STATEMENT I

## INDEX NUMBERS OF WHOLESALE PRICES AND COST OF LIVING IN INDIA AND CERTAIN OTHER COUNTRIES SINCE 1938.

(JANUARY—JUNE 1939=100)

(Reference paragraph 12)

Year and month	India		U.K.		U.S.A.		Canada		Germany		Japan	
	Calcutta	Bombay	P	C	P	C	P	C	P	C	P	C
	P	C	P	C	P	C	P	C	P	C	P	C
	July 1914	July 1933 to June 1934	1939	July 1914	1938	1935-39	1928	1935-39	1913	1928-39	Oct. 1900	July 1916
1938 .. .. .	96	102	104	101	103	102	107	102	90	100	85	82
1939 .. .. .	100	102	106	104	101	101	103	101	100	100	100	104
1940 .. .. .	121	100	140	121	103	101	113	105	103	103	117	120
1941 .. .. .	141	110	157	129	114	106	123	112	106	106	124	122
1942 .. .. .	187	151	164	130	129	118	130	116	108	108	134	125
1943 .. .. .	211	223	167	129	138	125	136	118	100	110	142	133
1944 .. .. .	302	229	171	131	136	127	140	118	112	112	142	133
1939 September ..	116	102	109	107	104	102	107	108	100	100	100	108
December .. ..	139	100	126	118	104	101	111	103	101	100	118	111
1940 March .. ..	122	106	132	116	108	101	114	104	108	102	117	118
June .. .. .	115	107	138	122	101	101	111	105	103	104	116	122
September .. ..	120	108	145	123	102	101	118	106	104	104	116	122
December .. ..	121	111	162	127	105	102	115	104	104	104	118	121
1941 January .. ..	122	113	154	128	106	102	116	108	104	104	118	120
February .. ..	120	115	151	128	105	102	117	108	104	105	119	120
March .. .. .	124	116	155	129	107	102	117	108	104	105	122	121
April .. .. .	129	117	156	130	100	103	114	109	105	105	122	121
May .. .. .	132	118	155	130	111	104	121	110	105	106	123	122
June .. .. .	139	118	167	129	114	106	123	111	105	106	125	122
July .. .. .	162	122	167	129	116	106	124	112	105	108	126	122
August .. .. .	163	126	157	130	118	107	126	114	105	108	125	122
September .. ..	151	124	159	129	120	109	127	115	105	109	127	121
October .. .. .	153	121	159	130	121	110	128	116	105	105	127	122
November .. ..	159	122	160	131	121	111	128	115	105	105	128	122
December .. ..	150	124	160	130	128	112	128	116	105	105	131	124
1942 January .. ..	167	132	161	130	126	113	129	115	106	106	132	124
February .. ..	165	130	163	130	127	114	129	115	106	107	132	124
March .. .. .	165	132	163	129	128	115	130	115	106	107	133	124
April .. .. .	150	133	164	130	130	116	130	115	106	109	133	124
May .. .. .	171	137	165	129	129	117	130	116	106	109	133	124
June .. .. .	184	147	164	130	129	118	131	117	106	110	133	125
July .. .. .	184	162	164	131	120	118	131	117	108	111	133	125
August .. .. .	194	162	163	130	130	119	130	117	108	110	135	125
September .. ..	200	161	163	130	130	119	131	117	108	107	135	124
October .. .. .	211	166	164	130	131	120	132	118	108	107	134	126
November .. ..	230	172	165	130	131	121	132	118	108	107	135	127
December .. ..	241	181	166	129	132	122	132	116	108	107	135	127
1943 January .. ..	253	190	167	129	133	122	132	116	109	108	136	127
February .. ..	256	198	167	129	134	122	132	117	109	109	137	129
March .. .. .	275	201	167	129	135	124	134	117	109	109	138	130
April .. .. .	296	217	167	129	136	125	135	117	109	110	141	133
May .. .. .	320	219	168	129	136	126	136	118	109	110	141	132
June .. .. .	323	227	168	130	136	126	136	118	109	111	142	133
July .. .. .	336	228	169	129	135	125	137	118	110	112	143	133
August .. .. .	349	230	167	129	135	125	137	119	110	112	143	133
September .. ..	353	236	167	129	135	125	138	119	109	109	144	135
October .. .. .	358	239	167	129	135	125	139	119	109	109	145	136
November .. ..	318	239	167	129	135	125	140	119	109	110	146	137
December .. ..	305	236	168	129	135	126	140	118	109	110	147	137
1944 January .. ..	301	230	169	130	136	126	140	118	109	111	149	139
February .. ..	304	222	169	130	136	125	140	118	109	111	150	139
March .. .. .	304	216	169	130	136	125	141	118	110	111	150	141
April .. .. .	301	223	170	130	136	126	140	118	110	112	150	141
May .. .. .	305	227	171	130	136	126	140	118	110	112	151	146
June .. .. .	304	228	171	131	137	127	140	118	110	113	157	146
July .. .. .	303	232	172	131	136	127	140	118	111	113	158	147
August .. .. .	302	241	172	131	136	128	140	118	111	115	159	148
September .. ..	305	231	172	131	136	128	140	118	110	112	164	155
October .. .. .	301	231	171	131	136	128	140	118	110	111	165	157
November .. ..	303	233	172	131	137	128	140	118	111	112	167	161
December .. ..	305	226	172	131	137	128	140	118	112	112	167	161
1945 January .. ..	303	221	172	131	137	128	140	118	112	112	167	161
February .. ..	303	221	172	131	138	128	140	118	112	112	167	161
March .. .. .	310	217	172	131	138	128	141	118	112	112	167	161

P—Wholesale Prices. C—Cost of Living. Sources: Calcutta—Indian Trade Journal (P); Bombay—Labour Gazette (C); U.K.—Board of Trade (P); Ministry of Labour (C); U.S.A.—Bureau of Labour Statistics (P.C.); Canada—Dominion Bureau of Statistics (P.C.); Germany—Monthly Bulletin of Statistics, League of Nations (P.C.); Japan—Bank of Japan (P.C.).



# STATEMENT II

INDEX NUMBERS OF WHOLESALE PRICES IN INDIA BY GROUPS OF ARTICLES SINCE 1939-40

(Average of weekly figures)

(Week ended 19th August 1939=100; Source: Economic Adviser to the Government of India)

(Reference paragraph 12)

Year and Month	Agricultural Commodities	Raw Materials	Primary Commodities	Manufactured Articles	Chief Articles of Export	General Index	Sugar	Kerosene	Petrol	Certain Industrial Articles		Cement	Food Articles †
										Cotton Manufactures	Jute Manufactures		
1939-40* ..	127.5	118.8	124.2	131.5	130.5	125.6	121	109	109	117	178	109	
1940-41 ..	108.6	121.5	113.4	119.8	114.1	114.8	100	122	125	118	186	114	
1941-42 ..	124.2	146.9	132.5	154.5	137.3	137.0	102	133	135	173	181	118	
1942-43 ..	166.2	165.9	166.0	190.4	161.7	171.0	127	185	163	232	183	136	
1943-44 ..	258.7	185.0	232.5	251.7	236.4	236.5	146	186	167	422	249	175	
1944-45 ..	255.4	206.0	240.5	258.3	243.9	244.2	158	176	170	293	252	211	
April 1942	129.9	162.3	141.7	162.5	139.5	146.0	126	167	162	193	169	133	
May "	137.5	158.1	145.2	160.0	139.2	148.3	128	177	163	199	163	133	
June "	146.3	162.1	162.3	166.5	147.2	155.2	120	177	163	212	163	133	
July "	153.0	162.3	156.5	172.7	152.1	159.9	120	177	163	242	161	134	
August "	152.4	162.4	156.2	174.6	151.0	160.0	120	177	163	258	169	133	
September "	156.3	163.1	159.0	179.2	152.6	163.1	120	188	163	282	163	133	
October "	164.6	165.3	164.9	188.5	159.5	169.7	120	194	163	300	181	133	
November "	171.2	168.6	170.2	203.6	163.3	176.9	120	194	163	300	181	133	
December "	178.7	171.3	175.8	221.5	171.6	184.9	120	194	163	414	219	137	
January 1943	189.2	171.5	182.2	224.1	177.4	190.5	138	194	163	415	226	146	
February "	203.6	172.0	190.6	225.5	187.8	197.7	143	194	166	427	222	146	
March "	238.4	172.0	210.0	227.0	210.4	213.5	143	194	166	437	220	146	
April "	265.7	174.2	225.4	235.6	229.4	227.6	143	194	166	469	232	145	
May "	282.6	173.4	233.7	246.8	240.8	236.4	143	194	166	505	255	145	
June "	284.1	178.4	237.1	257.6	243.2	241.4	143	198	166	513	252	162	
July "	273.0	182.8	233.7	259.5	236.3	239.0	143	203	166	493	237	166	
August "	273.3	183.8	234.3	251.6	239.3	237.9	143	194	166	426	246	185	
September "	272.0	181.4	232.4	251.3	238.2	236.3	143	177	166	417	247	182	
October "	277.5	184.6	235.8	255.8	243.6	240.8	143	178	166	417	253	182	
November "	268.5	189.1	234.3	256.9	239.3	239.1	149	178	166	405	252	186	
December "	261.0	189.3	230.3	251.8	234.2	234.8	151	178	166	381	251	182	
January 1944	262.7	193.4	233.2	251.3	234.0	237.0	151	178	166	381	252	182	
February "	258.4	194.8	231.8	251.0	232.4	235.7	151	178	168	350	254	182	243.4
March "	248.4	196.7	226.9	252.3	226.7	232.1	151	178	176	328	255	189	236.2
April "	247.8	199.4	227.7	261.2	229.8	234.6	151	178	176	324	258	212	233.7
May "	250.6	203.1	231.0	262.5	235.9	237.4	151	178	176	321	256	212	228.3
June "	256.1	204.3	234.5	259.4	239.3	239.7	151	180	176	300	256	212	232.1
July "	268.5	203.8	241.2	260.7	246.7	245.3	151	181	176	295	256	212	236.9
August "	268.8	201.5	240.3	262.5	246.9	245.0	151	175	168	295	256	212	237.3
September "	265.3	203.2	239.2	259.0	244.5	243.3	151	175	168	290	250	212	234.2
October "	262.7	208.3	240.1	255.8	242.4	243.4	159	175	168	285	249	212	233.9
November "	268.9	209.5	244.1	255.7	245.2	246.5	167	175	168	285	242	212	236.4
December "	273.8	210.2	247.1	266.8	248.0	249.2	167	176	168	285	246	209	231.4
January 1945	275.3	211.6	248.5	257.1	249.7	250.3	167	175	168	285	248	208	233.5
February "	274.5	209.0	246.9	255.7	249.1	248.8	167	175	163	278	252	208	231.3
March "	273.6	208.7	246.2	253.7	249.8	247.8	167	175	161	274	255	208	234.9

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# STATEMENT III

## BALANCE OF TRADE IN MERCHANDISE OF BRITISH INDIA, 1944-45

(Reference paragraph 14)

(In lakhs of rupees)

1943-44							1944-45							
Imports*	Import Price Indices†	Exports	Export Price Indices†	Re-exports	Total Ex-ports	Balance of trade	Imports*	Import Price Indices†	Exports	Export Price Indices†	Re-exports	Total Ex-ports	Balance of trade	
9,37	164	15,37	118	51	15,88	+ 6,51	April	12,59	142	16,23	135	76	16,99	+ 4,40
8,04	117	16,39	125	36	16,75	+ 8,71	May	17,06	123	15,97	133	28	16,25	— 81
8,67	137	18,01	128	27	18,28	+ 9,61	June	14,21	125	18,94	145	28	19,22	+ 5,01
7,62	105	12,66	142	1,17	13,83	+ 6,21	July	19,26	133	21,37	132	56	21,93	+ 2,67
9,56	159	16,77	126	50	17,27	+ 7,71	August	17,26	136	18,21	140	47	18,88	+ 1,42
8,91	136	13,98	132	49	14,47	+ 5,56	September	13,36	125	18,53	131	2,75	21,28	+ 7,32
8,35	145	18,38	124	2,65	21,01	+ 12,66	October	16,86	120	18,26	130	3,03	21,29	+ 4,43
9,76	134	19,97	126	3,03	23,00	+ 13,24	November	18,54	113	17,10	132	75	17,85	— 69
12,80	150	11,85	126	35	12,20	— 60	December	16,13		18,56		2,17	20,73	+ 4,60
11,85	119	16,53	132	53	17,06	+ 5,21	January	18,20		18,07		1,40	19,47	+ 1,27
11,75	108	23,10	116	56	23,66	+ 11,91	February	17,84		15,91		2,45	18,36	+ 5,2
12,37	138	16,04	123	54	16,58	+ 4,19	March	19,68		13,24		1,78	15,02	— 4,66
1,19,05	132	1,99,03	125	10,96	2,09,99	+ 90,94	Total	2,00,99		2,10,39		16,63	2,27,07	+ 26,08

\* Excluding value of railway materials imported direct by State Railways working under company management which are not paid for in the ordinary way and not therefore taken into account in arriving at the balance of trade. † Base 1927-28 = 100.

# STATEMENT IV

## HIGHEST, LOWEST AND AVERAGE (ANNUAL) PRICES OF GOLD AND SILVER IN BOMBAY AND IMPORT DUTY ON SILVER SINCE 1926-27

(Reference paragraph 19)

Year	Gold (per fine tola)			Silver (per 100 tolas gross)			Import duty
	Highest Rs. a. p.	Lowest Rs. a. p.	Average Rs. a. p.	Highest Rs. a. p.	Lowest Rs. a. p.	Average Rs. a. p.	
1926-27 .. ..	21 11 6	21 4 6	21 7 8	72 0 0	55 8 0	63 1 5	Nil
1927-28 .. ..	21 11 3	21 4 9	21 7 6	81 2 0	56 8 0	59 3 7	"
1928-29 .. ..	21 11 6	21 4 6	21 6 10	66 6 0	58 2 0	60 9 2	"
1929-30 .. ..	22 0 0	21 5 3	21 7 5	59 7 0	46 14 0	53 9 11	"
1930-31 .. ..	21 13 3	21 3 6	21 12 6	57 4 0	39 0 0	46 15 1	9 6 0
1931-32† .. ..	31 2 0	21 3 6	24 4 3	66 8 0	41 12 0	50 3 11	14 1 0
1932-33† .. ..	32 1 6	26 10 0	29 5 2	60 0 0	48 14 0	52 11 4	14 1 0
1933-34† .. ..	34 12 0	28 11 0	32 4 5	59 14 0	52 15 0	56 0 10	17 9 3
1934-35† .. ..	36 13 3	33 3 0	35 15 8	69 0 0	50 7 0	60 13 5	11 11 6
1935-36† .. ..	36 12 0	31 3 6	35 4 11	87 0 0	46 12 0	65 1 1	4 11 0
1936-37† .. ..	35 8 0	33 15 3	34 12 6	56 2 0	47 0 0	50 5 8	4 11 0
1937-38† .. ..	35 2 9	34 3 6	34 7 10	55 15 6	46 1 6	51 4 1	7 0 6
1938-39† .. ..	37 10 6	34 12 3	35 10 3	53 1 6	48 2 0	51 11 3	7 0 6
1939-40† .. ..	43 8 0	36 9 0	39 13 11	66 4 0	44 7 6	53 4 9	7 0 6
1940-41† .. ..	48 8 0	40 2 6	42 6 0	64 13 0	54 10 0	62 8 0	7 0 6
1941-42 .. ..	57 12 0	41 9 6	44 7 11	97 6 0	61 12 6	66 11 4	8 7 0
1942-43 .. ..	72 0 0	44 12 0	57 10 10	116 8 0	75 4 0	94 2 6	8 7 0
1943-44 .. ..	96 4 0	65 4 0	76 11 6	141 8 0	101 8 6	120 7 11	8 7 0
1944-45 .. ..	76 12 0	61 2 0	71 7 4	143 4 0	113 10 0	128 10 9	8 7 0

† Gold exported from India.

# STATEMENT V

HIGHEST, LOWEST AND AVERAGE (MONTHLY) PRICES OF BAR GOLD AND SOVEREIGNS IN BOMBAY, 1944-45

(Reference paragraph 19)

102	Month	Gold (per fine tola)						Sovereigns			Average estimated stocks of gold during each month in Bombay		
		Spot			Settlement			Highest	Lowest	Average			
		Highest	Lowest	Average	Highest	Lowest	Average						
		Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.						
1944-45											(Tolas)		
April	..	..	..	76 12 0 (24 & 27)	71 7 0 (4)	74 13 10	77 12 0 (26)	71 10 0 (4)	74 14 2	52 12 0 (26)	49 12 0 (4)	51 9 0	7,50,000
May	..	..	..	75 12 0 (10)	73 13 0 (23)	74 14 11	76 1 0 (3)	73 8 0 (3)	74 14 11	52 2 0 (3)	50 14 0 (23)	51 10 0	3,37,500
June	..	..	..	74 10 0 (1)	72 1 0 (23)	73 8 2	74 10 8 (1)	71 0 0 (23)	73 6 8	51 6 0 (1)	50 0 0 (26)	50 10 7	1,50,000
July	..	..	..	75 12 0 (8)	73 9 0 (3)	75 0 9	76 2 0 (31)	73 5 6 (4)	74 11 11	51 12 0 (8)	50 12 0 (3)	51 6 6	56,250
August	..	..	..	75 12 6 (18)	74 12 0 (24)	75 4 11	75 10 0 (7 & 21)	74 6 0 (24)	75 2 5	52 2 0 (17)	51 6 0 (7 & 8)	51 10 11	1,25,000
September	..	..	..	75 5 6 (1)	63 0 0 (21)	68 14 2	75 2 6 (1)	61 14 0 (21)	68 6 8	51 10 0 (1)	40 12 0 (20)	45 10 1	1,05,000
October	..	..	..	69 4 0 (3)	61 2 0 (26)	66 4 0	68 5 0 (6)	59 8 0 (26)	65 3 11	47 0 0 (21)	43 4 0 (28)	45 2 5	75,000
November	..	..	..	66 0 0 (17 & 18)	61 8 0 (1)	64 4 1	66 8 0 (17)	60 8 0 (1)	63 10 11	45 12 0 (23)	44 0 0 (4 & 7)	44 13 10	95,000
December	..	..	..	74 12 0 (29)	63 15 0 (4)	67 15 4	76 4 0 (26)	63 11 0 (4)	67 13 4	51 8 0 (29)	45 0 0 (2 & 4)	47 6 9	2,10,000
January	..	..	..	76 5 0 (2)	64 8 0 (30)	72 13 6	76 8 0 (2)	63 2 0 (30)	72 13 1	51 12 0 (4)	45 0 0 (30)	50 4 4	2,87,500
February	..	..	..	74 12 0 (28)	66 15 0 (1)	71 15 2	74 1 0 (28)	66 6 0 (1)	71 8 3	51 6 0 (28)	47 8 0 (3)	49 5 0	1,43,750
March	..	..	..	75 4 0 (7)	68 6 0 (15)	72 8 11	75 2 0 (5)	67 14 0 (15)	72 1 3	51 10 0 (5)	47 8 0 (15)	49 14 11	1,30,000

Figures within brackets refer to dates of quotations. The price of gold in the United States was unchanged at \$35 per fine ounce.

# STATEMENT VI

PRICES OF GOLD AND SILVER (WEEKLY) AND ESTIMATED STOCKS IN BOMBAY, 1944-45

(Reference paragraph 19)

		Gold (per fine tola)			Silver (per 100 tolas gross)		
Friday		Spot Settlement	Premium of ready over settlement rate	Estimated Stocks (Tolas)	Spot Settlement	Premium of ready over settlement rate	Estimated Stocks (Bars)
1941-45		Ra. a. p.	Ra. a. p.	Ra. a. p.	Ra. a. p.	Ra. a. p.	Ra. a. p.
April	7	74 0 0	74 0 0	10,00,000	133 8 0	131 8 0	500
"	14	75 8 0	75 8 0	7,00,000	139 12 0	137 2 0	500
"	21	75 5 0	75 6 0	7,00,000	140 4 0	137 8 0	450
"	28	75 8 0	75 8 0	6,00,000	138 8 0	137 2 0	350
May	5	75 9 0	75 9 0	4,50,000	138 12 0	136 12 0	450
"	12	75 5 0	75 5 0	4,00,000	139 1 0	137 5 0	500
"	19	74 9 0	74 9 0	3,00,000	134 0 0	133 0 0	600
"	26	74 8 0	74 8 0	2,00,000	131 0 0	129 12 0	450
June	2*	74 10 0	74 10 0	2,00,000	135 10 0	134 10 0	500
"	9	73 11 0	73 10 0	1,50,000	133 6 0	132 2 0	500
"	16	73 13 0	73 11 0	2,00,000	127 12 0	126 8 0	700
"	23	72 1 0	72 0 0	1,50,000	126 2 0	122 10 0	700
"	30	73 12 0	73 10 0	50,000	131 8 0	128 0 0	500
July	7	75 2 0	74 12 0	50,000	134 2 0	130 6 0	500
"	14	75 4 0	75 0 0	75,000	134 12 0	131 12 0	500
"	21	75 5 0	75 0 0	50,000	135 12 0	132 8 0	500
"	28	75 5 0	75 3 6	50,000	139 2 0	135 2 0	400
August	4	..	..	2,00,000	..	..	350
"	11*	75 4 0	75 1 0	1,00,000	131 14 0	..	800
"	18	75 9 6	75 9 0	1,00,000	134 0 0	..	500
"	25	75 0 0	74 13 0	1,00,000	130 12 0	129 8 0	500
September	1	75 5 0	75 0 6	50,000	132 4 0	131 0 0	500
"	8	72 0 0	72 8 0	1,00,000	127 8 0	126 8 0	500
"	15	68 11 6	68 3 6	1,00,000	127 5 0	125 1 0	400
"	22	64 4 0	63 10 0	1,75,000	120 14 0	119 2 0	700
"	29	70 11 0	69 13 0	1,00,000	123 13 0	122 5 0	700
October	6	67 15 0	67 7 0	1,00,000	124 5 0	122 1 0	500
"	13	67 10 0	66 10 0	75,000	126 0 0	123 0 0	300
"	20	68 14 0	67 2 0	75,000	124 10 0	122 10 0	500
"	27	64 10 0	63 4 0	50,000	119 0 0	117 0 0	500
November	3	63 8 0	62 8 0	80,000	114 8 0	113 8 0	600
"	10	63 9 0	62 6 0	50,000	114 12 0	113 4 0	650
"	17	66 0 0	65 14 0	1,00,000	120 0 0	118 10 0	650
"	24	65 5 0	65 1 0	1,50,000	122 12 0	121 12 0	750
December	1	64 14 0	64 11 0	2,00,000	120 12 0	120 0 0	1,200
"	8	65 0 0	64 14 0	2,00,000	121 10 0	121 8 0	1,000
"	15	66 12 0	66 9 0	2,00,000	126 0 0	125 12 0	550
"	22	74 1 0	74 0 0	2,50,000	135 0 0	134 0 0	550
"	29	74 12 0	74 11 0	2,00,000	131 12 0	131 8 0	1,500
January	5	75 3 0	75 3 0	3,00,000	129 14 0	129 12 0	1,500
"	12	75 2 0	75 2 0	3,50,000	130 10 0	130 8 0	1,500
"	19	73 5 0	73 5 0	2,50,000	130 14 0	130 12 0	1,200
"	26*	69 15 0	69 15 0	2,50,000	130 8 0	128 8 0	4,000
February	2	69 8 0	69 1 0	1,50,000	123 4 0	123 0 0	4,000
"	9	71 5 0	71 0 0	1,00,000	124 4 0	124 0 0	3,000
"	16	73 0 0	72 8 0	1,75,000	125 0 0	124 12 0	3,000
"	23	73 6 0	73 2 0	1,50,000	128 1 0	127 12 0	3,000
March	2	74 10 0	74 3 0	1,75,000	128 7 0	128 4 0	2,500
"	9	72 6 0	72 4 0	1,50,000	126 10 0	126 6 0	1,500
"	16	69 0 0	68 12 0	1,75,000	125 1 0	124 13 0	1,500
"	23	72 15 0	72 7 0	75,000	129 14 0	128 14 0	2,000
"	30	73 4 0	72 11 0	75,000	128 6 0	128 2 0	2,000

\* Market closed ; preceding working day's quotations given.

**STATEMENT VII**  
**PRICE OF SILVER IN LONDON, NEW YORK AND BOMBAY (MONTHLY), 1944-45**  
*(Reference paragraph 22)*

Month	Price in London (per standard ounce)			Market price in New York (per fine ounce)		Price in Bombay (per 100 tolas gross)						Average estimated stocks during each month in Bombay (in bars of 2,800 tolas)
	Highest, Lowest, Average.	d.		Highest, Lowest, Average.	Cents.	Spot				Settlement		
						Highest Rs. a. p.	Lowest Rs. a. p.	Average Rs. a. p.	Highest Rs. a. p.	Lowest Rs. a. p.	Average Rs. a. p.	
1944-45												
April .. ..	23½			44½		143 4 0 (24)	132 6 0 (4)	137 10 10	141 4 0 (26)	129 4 0 (1)	135 4 8	450
May .. ..	23½			44½		139 12 0 (10)	129 6 0 (23)	135 12 7	137 13 0 (10 & 15)	127 10 0 (23)	134 6 4	500
June .. ..	23½			44½		135 10 0 (1)	126 0 0 (20)	130 14 8	135 0 0 (1)	122 6 0 (20)	128 11 7	580
July .. ..	23½			44½		139 8 0 (26)	130 9 0 (3)	135 0 3	138 0 0 (31)	127 4 0 (3 & 4)	131 10 9	475
104 August.. ..	23½			44½		135 0 0 (21)	129 0 0 (24)	132 2 9	134 2 0 (21)	127 11 0 (24)	130 1 5	538
September .. ..	23½			44½		132 4 0 (1 & 2)	119 12 0 (23)	125 6 7	131 8 0 (1)	117 4 0 (21)	123 14 4	560
October .. ..	23½			44½		126 0 0 (13)	116 0 0 (27)	122 5 10	123 5 0 (13)	113 8 0 (27 & 31)	120 7 3	450
November .. ..	23½			44½		124 8 0 (28 & 29)	113 10 0 (7)	118 1 6	123 2 0 (24)	111 12 0 (7)	116 12 10	653
December .. ..	23½			44½		135 0 0 (22)	119 2 0 (4)	125 15 8	135 8 0 (26)	118 2 0 (5)	125 10 3	960
January .. ..	25½*			44½		133 4 0 (23)	119 7 0 (31)	128 15 0	132 12 0 (22)	117 4 0 (30)	128 10 4	2,050
February .. ..	25½*			44½		129 10 0 (22)	119 6 0 (5)	124 14 1	128 2 0 (23)	119 0 0 (5)	124 7 6	3,250
March .. ..	25½*			44½		131 12 0 (5)	124 6 0 (16)	127 15 9	132 0 0 (5)	123 12 0 (16)	127 9 0	1,900

Figures within brackets refer to dates of quotations. \* The price was changed from 23½d. per standard ounce to 25½d. per fine ounce from 2nd January 1945.

# STATEMENT VIII

## PURCHASES OF STERLING BY THE RESERVE BANK OF INDIA SINCE 1937-38

(Reference paragraph 24)

								(In thousands of £ and rupees)			
Not purchases †		Average rate of purchases*						Not purchases †		Average rate of purchases*	
£	Rs.	s.	d.					£	Rs.	s.	d.
25,140	33,28,87	1	6½	1937-38		1938-39		25,468	34,06,19	1	5½
72,596	96,85,20	1	5½	1939-40		1940-41		57,083	76,10,90	1	6
73,319	97,75,72	1	6	1941-42		1942-43		91,673	122,22,43	1	6
1943-44				Months				1944-45			
9,219	12,29,25	1	6	..	..	April	..	8,793	11,70,85	1	6
8,721	11,62,79	1	6	..	..	May	..	4,865	6,47,11	1	6
6,338	8,45,08	1	6	..	..	June	..	6,824	9,09,74	1	6
7,008	9,34,17	1	6	..	..	July	..	12,400	16,53,09	1	6
8,546	11,39,46	1	6	..	..	August	..	10,218	13,62,18	1	6
8,371	11,16,08	1	6	..	..	September	..	7,037	9,38,23	1	6
8,947	11,02,89	1	6	..	..	October	..	9,285	12,37,98	1	6
7,476	9,96,78	1	6	..	..	November	..	9,407	12,54,21	1	6
9,573	12,76,30	1	6	..	..	December	..	9,731	12,97,40	1	6
11,130	14,84,03	1	6	..	..	January	..	4,447	5,92,61	1	6
5,595	7,45,88	1	6	..	..	February	..	3,601	4,70,58	1	6
14,388	19,18,41	1	6	..	..	March	..	5,220	6,95,38	1	6
105,310	140,41,12	1	6			Total	..	91,908	122,38,36	1	6

† Represent excess of deliveries under ready and/or forward contracts over sales. \* Nearest to ½ d.

# STATEMENT IX

## PROVINCIAL GOVERNMENT BUDGETS, 1945-46

(Reference paragraph 34)

(In lakhs of rupees)											
			Accounts 1943-44			Revised Estimates 1944-45			Budget Estimates 1945-46		
Province	Revenue		Expen- diture	Surplus + Deficit —	Revenue	Expen- diture	Surplus + Deficit —	Revenue	Expen- diture	Surplus + Deficit —	
Madras .. ..	20,84	29,84	..		40,37	40,20	+ 17	41,25	40,45	+ 80	
Bombay .. ..	25,21	21,50	+ 3,71		32,12	31,23	+ 89	29,09	29,09	..	
Bengal .. ..	23,72	26,75	— 3,03		35,66	47,01	— 11,35	28,79	37,39	— 8,60	
United Provinces ..	24,26	24,24	+ 2		27,53	27,38	+ 15	27,52	27,37	+ 15	
Punjab .. ..	21,20	16,84	+ 4,36		22,49	21,10	+ 1,39	21,17	19,25	+ 1,92	
Bihar .. ..	10,31	10,86	— 55		11,99	10,12	+ 1,87	11,31	8,97	+ 2,34	
Central Provinces and Berar .. ..	8,56	8,55	+ 1		9,49	9,45	+ 4	9,48	9,46	+ 2	
Assam .. ..	5,16	4,45	+ 71		5,81	6,13	— 32	5,38	5,40	— 2	
North-West Frontier Province .. ..	2,55	2,35	+ 20		2,76	2,92	— 16	2,67	2,79	— 12	
Orissa .. ..	2,56	2,54	+ 2		3,13	3,11	+ 2	2,94	3,03	— 9	
Sind .. ..	9,94	5,93	+ 4,01		9,43	9,40	+ 3	8,57	8,54	+ 3	
Total .. ..	1,63,31	1,53,85	+ 9,46		2,00,78	2,08,05	— 7,27	1,88,17	1,91,74	— 3,57	

## STATEMENT X

### SUBVENTIONS AND OTHER PAYMENTS MADE BY THE CENTRE TO THE PROVINCES UNDER THE GOVERNMENT OF INDIA (DISTRIBUTION OF REVENUES) ORDER AS AMENDED

(Reference paragraph 35)

(In lakhs of rupees)

				INCOME-TAX				JUTE DUTY				SUBVENTIONS			
Paid to				1938-39 Accounts	1943-44 Accounts	1944-45 Revised	1945-46 Budget	1938-39 Accounts	1943-44 Accounts	1944-45 Revised	1945-46 Budget	1938-39 Accounts	1943-44 Accounts	1944-45 Revised	1945-46 Budget
901	Bengal	..	..	30·00	3,90·00	5,31·20	4,65·80	2,21·27	1,16·82	1,20·51	1,21·22	..	3,00·00	7,00·00	..
	Bombay	..	..	30·00	3,90·00	5,31·20	4,65·80	..	..	..	..	..	..	..	..
	Madras	..	..	22·50	2,92·50	3,98·40	3,49·35	..	..	..	..	..	..	..	..
	United Provinces	..	..	22·50	2,92·50	3,98·40	3,49·35	..	..	..	..	25·00	..	..	..
	Punjab	..	..	12·00	1,56·00	2,12·48	1,86·32	..	..	..	..	..	..	..	..
	Central Provinces and Berar	..	..	7·50	97·50	1,32·80	1,16·45	..	..	..	..	..	..	..	..
	Bihar	..	..	15·00	1,95·00	2,65·60	2,32·90	17·12	9·68	7·90	7·80	..	..	..	..
	Assam	..	..	3·00	39·00	53·12	46·58	11·69	11·01	10·72	10·08	30·00	30·00	30·00	30·00
	Orissa	..	..	3·00	39·00	53·12	46·58	0·92	0·80	0·87	0·90	43·00	40·00	40·00	40·00
	N. W. F. P.	..	..	1·50	19·50	26·56	23·29	..	..	..	..	1,00·00	1,00·00	1,00·00	1,00·00
	Sind	..	..	3·00	39·00	53·12	46·58	..	..	..	..	1,05·00	1,05·00	..	..
	<b>Total</b>	..	..	1,50·00	19,50·00	26,56·00	23,29·00	2,51·00	1,38·31	1,40·00	1,40·00	3,03·00	5,75·00	8,70·00	1,70·00

## STATEMENT XI

GOVERNMENT BALANCES IN INDIA WITH THE RESERVE BANK OF INDIA AND AT GOVERNMENT TREASURIES, 1944-45

(Reference paragraphs 37 & 41)

(In lakhs of rupees)

Reserve Bank of India								Government Treasuries			
Central Government		Provincial Governments		Last day of the month				Central Government		Provincial Governments	
1943-44	1944-45	1943-44	1944-45					1943-44	1944-45	1943-44	1944-45
12,67	67,66	15,25	22,20	..	..	April	..	— 26	— 29	83	1,59
9,68	56,27	8,28	13,97	..	..	May	..	4	— 29	92	1,20
8,39	70,90	10,03	16,54	..	..	June	..	20	9	1,00	1,20
18,99	1,08,37	9,14	17,71	..	..	July	..	6	— 3	89	1,38
21,25	1,34,42	7,77	16,41	..	..	August	..	— 22	33	1,11	1,59
21,52	1,84,80	12,44	13,72	..	..	September	..	2	50	37	1,19
26,74	1,92,06	12,62	11,72	..	..	October	..	5	6	1,03	1,47
56,80	2,28,82	9,48	12,78	..	..	November	..	13	17	1,09	1,46
12,59	2,50,83	9,90	14,19	..	..	December	..	19	— 22	1,04	1,49
39,75	2,70,64	18,13	22,66	..	..	January	..	— 19	45	1,63	2,09
51,14	2,49,91	16,56	18,42	..	..	February	..	— 40	7	1,70	1,94
83,49	2,68,79	24,72	29,90	..	..	March	..	— 14	— 20	2,10	3,20
30,25	1,73,69	12,86	17,52	..	..	Average	..	— 4	5	1,14	1,63



## STATEMENT XII

### GOVERNMENT OF INDIA TREASURY BILLS SINCE 1918-19

(Reference paragraph 38)

									(In thousands of rupees)
YEAR				Amount offered for tender	Amount tendered	Amount sold	Amount of inter- mediates sold	Total amount sold	Amount outstanding at end of year*
1918-19	..	..	..	....	....	87,09,05	....	87,09,05	49,24,30
1919-20	..	..	..	....	....	102,48,00	....	102,48,00	52,98,00
1920-21	..	..	..	....	....	139,18,00	....	139,18,00	104,93,10
1921-22	..	..	..	....	....	139,26,00	....	139,26,00	111,85,70
1922-23	..	..	..	....	....	95,84,00	....	95,84,00	71,23,90
1923-24	..	..	..	....	....	50,68,00	....	50,68,00	51,77,20
1924-25	..	..	..	....	....	....	....	....	49,65,40
1925-26	..	..	..	....	....	....	....	....	49,65,15
1926-27	..	..	..	....	....	....	....	....	41,47,15
1927-28	..	..	..	33,75,00	53,62,30	25,86,90	4,50,45	30,37,35	39,52,55
1928-29	..	..	..	31,75,00	38,19,60	20,48,75	1,89,25	22,38,00	43,14,80
1929-30	..	..	..	65,00,00	93,85,25	44,73,00	20,00,75	64,73,75	65,25,45
1930-31	..	..	..	98,00,00	107,22,50	69,11,00	89,91,75	159,02,75	61,26,50
1931-32	..	..	..	104,00,00	107,60,75	75,00,00	126,25,50	201,25,50	97,19,85
1932-33	..	..	..	81,00,00	139,32,00	65,97,00	55,60,25	121,57,25	61,57,20
1933-34	..	..	..	80,00,00	120,95,00	76,14,25	35,98,75	112,13,00	59,23,70
1934-35	..	..	..	61,50,00	103,65,25	59,47,50	29,35,00	88,82,50	54,34,25
1935-36	..	..	..	58,00,00	113,51,50	57,76,75	12,73,75	70,50,50	32,13,00
1936-37	..	..	..	83,00,00	125,99,00	80,98,50	....	80,98,50	28,53,75
1937-38	..	..	..	72,00,00	117,86,00	71,99,25	....	71,99,25	38,00,50
1938-39	..	..	..	83,50,00	128,90,25	82,13,25	15,35,75	97,49,00	46,30,00
1939-40	..	..	..	71,50,00	116,96,50	70,50,00	49,93,00	120,43,00	54,70,50
1940-41	..	..	..	84,00,00	162,48,00	84,00,00	17,32,75	101,32,75	68,90,25
1941-42	..	..	..	81,00,50	140,27,00	81,00,50	37,59,50	118,60,00	138,97,75
1942-43	..	..	..	317,00,00	527,43,50	309,42,00	62,50,75	371,92,75	264,69,50
1943-44	..	..	..	384,00,00	628,59,00	359,71,25	36,47,50	396,18,75	110,61,25
1944-45	..	..	..	252,00,00	551,48,50	229,27,75	....	229,27,75	86,70,50

\* Including holdings in the Currency Reserve up to 1934-35 and in the Issue Department of the Bank thereafter.

**STATEMENT XIII**  
GOVERNMENT OF INDIA THREE MONTHS TREASURY BILLS, 1944-45  
(Reference paragraph 38)

SALES TO PUBLIC						(In thousands of rupees)	
						Total amount out- standing including amount outstanding on account of Issue Department, Provinces and others	Average rate of discount of accepted tenders
		Amount offered for tender	Amount tendered	Amount sold	Amount discharged	Amount out- standing	Rs. a. p.
1944-45							
Week							
April	7	4,00,00	80,75	80,25	6,00,00	70,87,00	103,90,00
"	14	2,00,00	1,18,00	1,09,00	5,74,75	66,21,25	101,12,25
"	21	2,00,00	3,62,00	1,88,75	7,58,75	60,53,25	96,39,25
"	28	2,00,00	6,01,00	2,07,25	8,43,50	54,17,00	90,78,00
May	5	4,00,00	12,14,50	4,08,00	8,23,25	50,01,75	88,10,75
"	12	4,00,00	13,18,75	4,00,00	8,00,00	46,01,75	82,85,75
"	19	4,00,00	15,22,75	4,00,00	8,00,25	42,01,50	79,65,50
"	26	4,00,00	13,39,00	4,00,00	90,50	45,11,00	81,60,00
June	2	6,00,00	12,40,75	5,75,00	1,25	50,84,75	86,78,75
"	9	6,00,00	11,08,75	6,24,25	9,46,00	47,63,00	80,12,00
"	16	6,00,00	9,42,00	5,05,75	1,14,50	52,44,25	83,88,25
"	23	6,00,00	9,66,75	5,80,75	4,58,25	53,68,75	85,90,75
"	30	6,00,00	8,03,25	6,24,25	7,97,50	51,95,50	84,44,50
July	7	4,00,00	7,42,25	4,00,00	80,25	55,15,25	88,21,75
"	14	4,00,00	8,44,25	3,96,00	1,11,00	58,00,25	91,85,75
"	21	4,00,00	9,07,25	3,88,75	1,83,75	60,05,25	93,27,75
"	28	4,00,00	12,43,00	4,08,25	2,01,50	62,12,00	93,59,50
August	4	4,00,00	12,97,25	4,06,75	15,50	66,03,25	90,90,75
"	11	4,00,00	14,91,25	3,05,25	6,18,25	62,90,25	93,02,75
"	18	6,00,00	19,25,00	6,78,00	2,08,25	67,00,00	98,67,50
"	25	6,00,00	13,32,50	5,69,75	3,80,00	69,49,75	100,17,75
September	1	6,00,00	14,52,50	5,11,50	3,97,00	70,64,25	101,68,50
"	8	6,00,00	14,57,50	7,00,25	10,37,00	67,27,50	97,72,00
"	15	6,00,00	14,61,50	5,77,50	1,63,00	71,42,00	102,46,50
"	22	6,00,00	11,23,75	6,26,75	6,00,00	71,68,75	102,48,25
"	29	6,00,00	10,00,50	6,31,25	6,00,00	72,00,00	103,57,50
October	6	6,00,00	11,31,50	5,72,25	6,20,25	71,52,00	101,44,00
"	13	6,00,00	10,99,00	5,79,50	3,79,75	73,51,75	102,23,75
"	20	6,00,00	12,80,75	48,25	4,00,00	70,00,00	99,65,50
"	27	6,00,00	14,14,50	11,89,00	4,07,25	77,81,75	107,27,25
November	3	6,00,00	15,00,50	6,00,75	7,03,25	76,79,25	105,91,75
"	10	6,00,00	15,78,00	5,21,25	1,65,50	80,35,00	110,74,50
"	17	6,00,00	17,73,50	6,17,00	3,24,00	83,28,00	113,35,50
"	24	6,00,00	9,61,00	6,72,00	6,00,00	84,00,00	112,57,50
December	1	6,00,00	11,28,75	5,80,25	10,64,25	79,16,00	107,58,50
"	8	6,00,00	13,29,50	5,84,25	7,00,00	78,00,25	106,28,75
"	15	6,00,00	10,15,25	5,78,50	5,77,50	78,01,25	108,24,75
"	22	6,00,00	10,30,25	6,26,75	6,25,75	78,02,25	109,67,00
"	29	6,00,00	8,58,25	44,50	6,31,25	72,15,50	103,05,25
January	5	6,00,00	2,31,00	3,70,00	....	75,85,50	105,65,25
"	12	6,00,00	1,39,00	91,75	6,00,00	70,77,25	101,28,00
"	19	6,00,00	3,28,25	1,41,00	6,00,00	66,18,25	97,77,00
"	26	6,00,00	5,55,00	4,92,75	6,00,00	65,11,00	97,93,50
February	2	4,00,00	4,01,00	3,88,50	6,00,00	62,99,50	96,49,00
"	9	2,00,00	7,18,75	1,97,25	6,00,00	58,96,75	93,02,75
"	16	2,00,00	14,25,00	1,59,50	6,00,00	51,56,25	90,58,25
"	23	2,00,00	12,95,25	1,80,00	6,00,00	50,36,25	87,87,25
March	2	2,00,00	9,16,25	2,99,50	12,00,00	41,35,75	81,41,75
"	9	4,00,00	10,89,00	4,00,00	5,93,50	39,42,25	87,68,25
"	16	4,00,00	14,77,25	4,00,00	6,06,50	37,35,75	85,91,75
"	23	4,00,00	12,91,25	4,00,00	6,00,00	35,35,75	83,38,75
"	30	4,00,00	12,83,00	4,00,00	2,53,25	36,82,50	86,70,50
Total		252,00,00	551,48,50	229,27,75	268,52,00	36,82,50	86,70,50
							0 7 10

There were no sales of Intermediates during the year.

**STATEMENT XIV.**  
GOVERNMENT OF INDIA TREASURY BILLS TRANSACTIONS, 1944-45\*  
(Reference paragraph 38)

(In thousands of rupees)

1943-44 PUBLIC				MONTH	1944-45 PUBLIC			
Sales	Dis- charges	Outstand- ings	Total amount outstanding including amount outstanding on account of Issue Department, Provinces and others		Sales	Dis- charges	Outstand- ings	Total amount outstanding including amount outstanding on account of Issue Department, Provinces and others
40,08,25	39,07,25	117,91,50	229,46,00	April	5,93,25	27,83,00	54,17,00	90,43,00
43,74,50	41,89,75	119,76,25	227,70,75	May	16,00,00	25,07,00	45,10,00	81,69,00
47,10,50	35,81,50	131,05,25	240,11,25	June	30,00,00	23,14,50	51,95,50	84,44,50
35,19,25	40,80,25	125,44,25	223,69,25	July	16,00,00	5,92,00	62,03,50	93,21,00
32,00,00	43,04,50	114,39,75	186,63,75	August	20,00,00	16,03,50	66,00,00	97,04,25
39,96,50	48,02,25	106,34,00	162,25,00	September	30,00,00	30,00,00	60,00,00	97,57,50
32,03,50	34,24,75	104,12,75	131,40,00	October	24,00,00	16,00,00	74,00,00	103,93,50
26,00,00	32,12,75	98,00,00	126,35,50	November	24,00,00	20,00,00	78,00,00	106,42,50
24,00,00	39,99,50	82,00,50	112,76,75	December	26,53,25	29,98,75	74,54,50	104,81,25
28,00,00	32,00,50	78,00,00	110,36,50	January	8,94,25	24,00,00	59,48,75	92,68,25
24,89,50	25,97,00	76,92,50	108,45,00	February	9,87,00	24,00,00	45,35,75	84,21,75
23,16,75	24,02,50	76,06,75	110,61,25	March	18,00,00	26,53,25	36,82,50	86,70,50
396,18,75	437,02,50	76,06,75	110,61,25	Total	229,27,75	268,52,00	36,82,50	86,70,50

\* No Ways and Means Advances were taken during the year.

**STATEMENT XV**  
PROVINCIAL GOVERNMENT THREE MONTHS TREASURY BILLS, 1944-45  
(Reference paragraph 42)

(In thousands of rupees)

Week ended	Issuing Government	Amount offered for tender	Amount tendered	Amount sold	Average rate of discount per cent. per annum Rs. a. p.	Amount outstanding with the public
1944-45						
April 28 ..	Assam	1,00,00	1,70,00	1,00,00	0 13 0	2,50,00
May 26 ..	Bengal	4,00,00	7,35,00	4,00,00	0 8 0	10,00,00
June 9 ..	Assam	1,50,00	3,00,00	1,50,00	0 8 0	2,50,00
June 9 ..	Bengal	5,50,00	7,93,00	5,50,00	0 7 9	13,50,00
June 23 ..	Bengal	1,50,00	2,60,00	1,50,00	0 9 4	11,50,00
July 28 ..	Assam	2,00,00	2,70,00	2,00,00	0 8 11	3,50,00
Sept. 1 ..	Bengal	4,00,00	8,60,00	4,00,00	0 9 0	11,50,00
Sept. 8 ..	Bengal	5,00,00	8,25,00	5,00,00	0 8 10	11,00,00
Sept. 8 ..	Assam	1,50,00	1,90,00	1,50,00	0 8 10	3,50,00
Nov. 3 ..	Assam	2,50,00	3,45,00	2,50,00	0 9 0	4,00,00
Nov. 24 ..	Madras	1,00,00	3,10,00	1,00,00	0 9 0	1,00,00
Dec. 1 ..	Bengal	5,00,00	10,35,00	5,00,00	0 9 0	10,00,00
Dec. 8 ..	Bengal	5,00,00	5,80,00	5,00,00	0 9 5	10,00,00
Dec. 8 ..	Assam	2,50,00	3,60,00	2,50,00	0 9 0	5,00,00
Dec. 15 ..	Orissa	50,00	1,20,00	50,00	0 9 0	50,00
Jan. 5 ..	Assam	1,00,00	1,25,00	1,00,00	0 9 9	6,00,00
Jan. 26 ..	Assam	2,50,00	3,40,00	2,50,00	0 10 0	8,50,00
Feb. 2 ..	Bengal	5,00,00	5,10,00	5,00,00	0 10 0	15,00,00
Mar. 9 ..	Assam	1,00,00	4,45,00	1,00,00	0 6 0	4,50,00
Mar. 16 ..	Orissa	50,00	2,20,00	50,00	0 6 0	50,00
Mar. 30 ..	Assam	1,00,00	2,10,00	1,00,00	0 6 5	4,50,00
3 Provinces	Total	1941-42	18,14,25	8,15,00		1,00,00
5 Provinces	"	1942-43	9,67,50	4,35,00		80,00
6 Provinces	"	1943-44	65,63,50	45,65,00		17,30,00
4 Provinces	"	1944-45	89,65,00	53,50,00		10,00,00

# STATEMENT XVI

PUBLIC DEBT OF INDIA SINCE 1913-14

(Reference paragraph 46)

## (A) Rupee Debt

(In crores of rupees)

End of March	Un- dated	Per- cent- age of Total	Over 10 years	Per- cent- age of Total	Between 5 and 10 years	Per- cent- age of Total	Under 5 years	Per- cent- age of Total	Trea- sury Bills	Per- cent- age of Total	Post Office Savings Bank Deposits and Cash Certifi- cates	Per- cent- age of Total	*Other obliga- tions	Per- cent- age of Total	Total	Percent- age in- crease(+) or de- crease(—)
1914	.. 144.52	80.4	1.00	0.6	—	—	—	—	—	—	23.17	12.9	11.08	6.1	179.77	—
1919	.. 143.20	39.9	26.42	7.4	29.44	8.2	59.43	16.5	49.24	13.7	27.03	7.5	24.02	6.6	358.78	+ 29.5
1924	.. 137.25	28.4	29.29	6.1	96.93	20.1	94.45	19.6	51.77	10.7	33.21	6.9	39.62	8.2	482.52	+ 35.5
1929	.. 137.41	24.9	121.03	21.9	50.25	9.2	81.54	14.8	43.15	7.8	56.79	10.3	61.04	11.1	551.21	+ 14.2
1934	.. 126.69	18.3	160.73	23.2	67.93	9.8	79.22	11.4	59.24	8.5	115.94	16.7	83.34	12.1	693.09	+ 25.7
1939	.. 128.46	18.1	113.80	16.0	124.71	17.6	70.89	9.9	46.30	6.5	141.46	19.8	84.34	11.8	709.96	+ 2.4
1940	.. 139.93	19.2	147.24	20.2	113.75	15.6	49.35	6.8	54.71	7.5	135.35	18.6	87.48	12.1	727.79	+ 2.6
1941	.. 148.52	17.3	182.98	21.2	150.31	17.5	95.07	11.0	68.90	8.0	108.80	12.6	106.59	12.4	861.17	+ 18.3
1942	.. 164.18	17.4	261.77	27.8	68.75	7.3	117.16	12.5	136.98	14.6	95.55	10.2	96.61	10.3	941.00	+ 9.3
1943	.. 245.50	20.3	238.68	19.8	91.75	7.6	172.80	14.3	264.70	21.9	92.77	7.7	99.98	8.3	1,206.18	+ 28.2
1944	.. 283.89	21.2	454.43	33.3	85.38	6.4	182.86	13.6	110.61	8.2	118.47	8.8	107.05	8.0	1,342.69	+ 11.3
1945(Preliminary)	284.03	18.1	395.97	25.2	282.42	18.0	249.49	15.9	86.71	5.5	157.52	10.0	115.71	7.3	1,571.85	+ 17.1

\* Includes (1) the unclaimed balance of old loans which have ceased to bear interest from the date of discharge, (2) balance of special loans (the bulk of this relates to endowments made by the late King of Oudh for payment of pensions and stipends or for specific purposes of a religious or charitable character, guaranteed by Government), (3) balances of State Provident Funds, Pension Funds, and other accounts such as General Family Pension Fund, the Hindu Family Annuity Fund, the Postal Insurance and Life Annuity Fund, etc., and (4) the amount of Three-Year Interest-Free Bonds and Five Year Interest-Free Prize Bonds.

# STATEMENT XVI—(continued)

PUBLIC DEBT OF INDIA SINCE 1913-14

## (B) Sterling Debt \*

(Reference paragraph 46)

(In crores of rupees)

End of March				Undated	Percent- age of Total	Over 10 years	Percent- age of Total	Between 5 and 10 years	Percent- age of Total	Under 5 years	Percent- age of Total	† Other obliga- tions	Percent- age of Total	Total	Percent- age in- crease (+) or de- crease (—)
1914	..	..	..	265.57	99.9	—	—	—	—	—	—	0.24	0.1	265.81	—
1919	..	..	..	257.80	84.8	45.96	15.1	—	—	—	—	0.32	0.1	304.08	+ 14.4
1924	..	..	..	366.80	92.2	28.90	7.3	—	—	—	—	2.06	0.5	397.76	+ 30.8
1929	..	..	..	296.61	62.7	169.93	36.0	4.66	1.0	—	—	1.58	0.3	472.78	+ 18.9
1934	..	..	..	269.19	52.6	198.50	38.8	—	—	43.08	8.4	1.38	0.2	512.15	+ 8.3
1939	..	..	..	268.05	57.1	135.11	28.8	29.30	6.3	32.46	6.9	4.18	0.9	469.10	— 8.4
1940	..	..	..	255.63	57.8	115.44	26.1	39.09	8.8	28.15	6.4	4.18	0.9	442.49	— 5.7
1941	..	..	..	246.81	71.6	40.81	11.8	32.87	9.5	20.62	5.9	3.82	1.1	344.93	— 22.1
1942	..	..	..	134.00	63.6	34.66	16.4	17.32	8.2	20.95	9.9	3.77	1.8	210.70	— 38.9
1943†	..	..	..	20.32	36.5	4.06	7.3	6.88	12.4	20.62	37.1	3.71	6.7	55.59	— 73.6
1944†	..	..	..	3.35	8.6	3.97	10.1	5.82	14.9	21.56	55.1	4.44	11.3	39.14	— 29.4
1945† (Preliminary)	..	..	..	2.96	7.8	2.98	7.9	5.81	15.4	22.45	59.4	3.60	9.5	37.80	— 3.4

\* Converted at 1sh. 4d. per rupee up to 1923-24 and thereafter at 1sh. 6d. † Including (1) the unclaimed balances of old loans which have ceased to bear interest from the date of discharge and (2) the balances relating to Service Funds. ‡ Excluding Railway Annuities.

**STATEMENT XVII**  
**(A) POST OFFICE CASH CERTIFICATES \***  
*(Reference paragraph 48)*

(In lakhs of rupees)

			Receipts	Repayments	Net receipts	Amount outstanding
1917-18	..	..	10,00	1,12	8,88	8,88
1918-19	}	..	4,03	7,16	— 3,13	5,75
1919-20						
1920-21	}	..	1,00	2,41	— 1,41	4,34
1921-22						
1922-23	}	..	7,61	3,53	4,08	8,42
1923-24						
1924-25	}	..	15,65	3,10	12,55	20,97
1925-26						
1926-27	}	..	13,61	3,88	9,73	30,70
1927-28						
1928-29	..	..	4,91	3,31	1,60	32,30
1929-30	..	..	7,15	4,45	2,70	35,00
1930-31	..	..	11,78	8,35	3,43	38,43
1931-32	..	..	14,49	8,34	6,15	44,58
1932-33	..	..	15,74	4,68	11,06	55,64
1933-34	..	..	13,31	5,24	8,07	63,71
1934-35	..	..	9,95	7,70	2,25	65,96
1935-36	..	..	13,45	13,43	2	65,98
1936-37	..	..	14,88	16,46	— 1,58	64,40
1937-38	..	..	13,97	18,16	— 4,19	60,21
1938-39	..	..	14,71	16,35	— 64	59,57
1939-40	..	..	10,25	12,80	— 2,55	57,02
1940-41	..	..	4,89	14,03	— 10,04	46,98
1941-42	..	..	3,97	11,94	— 7,97	39,01
1942-43	..	..	3,76	8,20	— 4,44	34,57
1943-44	..	..	5,50	5,43	7	34,64
1944-45	..	..	5,48	4,31	1,17	35,81

\* Figures for Burma are included up to 1936-37.

**(B) POST OFFICE DEFENCE SAVINGS CERTIFICATES †**

			Receipts	Repayments	Net receipts	Amount outstanding
1940-41 ..	..	..	2,41	12	2,29	2,29
1941-42 ..	..	..	2,81	75	2,06	4,35
1942-43 ..	..	..	2,02	81	1,21	5,56
1943-44 ..	..	..	2,43	1,02	1,41	6,97
1944-45 ..	..	..	..	55	— 55	6,42

† Replaced by the Twelve-year National Savings Certificates from the 1st October 1943.

**(C) POST OFFICE NATIONAL SAVINGS CERTIFICATES**

			Receipts	Repayments	Net receipts	Amount outstanding
1943-44			8,66	1	8,65	8,65
1944-45			19,39	1	19,38	28,03

## STATEMENT XVIII

### (A) POST OFFICE SAVINGS BANK \*

(Reference paragraph 48)

(In lakhs of rupees)

			Deposits	Interest	Withdrawals	Net increase in Deposits	Amount outstanding
1913-14 .. ..			10.99	61	9.04	2.56	23.16
1914-15 .. ..			9.07	53	17.88	— 8.28	14.89
1915-16 .. ..			7.73	43	7.73	43	15.32
1916-17 .. ..			8.93	45	8.10	1.28	16.59
1917-18 .. ..			9.72	44	10.17	— 1	16.58
1918-19 .. ..			12.99	46	11.21	2.24	18.82
1919-20 .. ..			17.18	56	15.22	2.52	21.34
1920-21 .. ..			18.22	62	17.33	1.51	22.86
1921-22 .. ..			17.11	61	18.32	— 60	22.26
1922-23 .. ..			17.07	62	16.75	94	23.19
1923-24 .. ..			17.71	67	16.79	1.59	24.78
1924-25 .. ..			17.44	71	17.64	51	25.63
1925-26 .. ..			19.05	73	18.19	1.59	27.23
1926-27 .. ..			20.38	79	18.89	2.28	29.50
1927-28 .. ..			23.14	86	20.84	3.16	32.66
1928-29 .. ..			26.24	97	25.39	1.82	34.49
1929-30 .. ..			26.25	1.02	24.63	2.64	37.13
1930-31 .. ..			24.36	1.04	25.50	— 10	37.02
1931-32 .. ..			27.39	1.08	27.29	1.18	38.20
1932-33 .. ..			30.96	1.15	26.86	5.25	43.45
1933-34 .. ..			36.87	1.28	29.37	8.78	52.23
1934-35 .. ..			38.67	1.34	37.26	2.75	58.30
1935-36 .. ..			46.33	1.60	38.88	8.95	67.25
1936-37 .. ..			43.38	1.45	37.40	7.43	74.68
1937-38 .. ..			43.27	1.46	39.76	4.97	77.56
1938-39 .. ..			44.61	1.42	41.65	4.38	81.94
1939-40 .. ..			40.51	1.15	45.22	— 3.56	78.38
1940-41 .. ..			25.35	93	45.09	—18.81	59.57
1941-42 .. ..			21.91	83	30.18	— 7.44	52.13
1942-43 .. ..			22.26	73	22.84	15	52.28
1943-44 .. ..			35.22	93	24.19	11.96	64.24
1944-45 .. ..			43.76	1.21	28.94	16.03	80.27

\* Figures for Burma are included up to 1936-37.

### (B) POST OFFICE DEFENCE SAVINGS BANK

			Deposits	Withdrawals	Net increase in Deposits	Amount outstanding
1941-42 .. ..			11	..	11	11
1942-43 .. ..			29	..	29	40
1943-44 .. ..			3.59	1	3.58	3.98
1944-45 .. ..			4.37	2	4.35	8.33

# STATEMENT XL

## CIRCULATION OF NOTES BY DENOMINATIONS SINCE 1913-14†

(Reference paragraph 70)

NOTES IN CIRCULATION (in Lakhs of rupees)											Percentage to Gross Circulation of all notes except Rs. 10,000									
Year ended (31st March)	Re.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Re.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	1	2	2-8	5	10	20	50	100	500	1,000	1	2	2-8	5	10	20	50	100	500	1,000
1914	..	..	..	1.61	17.73	8	1.78	17.81	2.84	9.17	..	..	..	3.2	34.9	.2	3.5	35.0	5.2	18.0
1921	..	..	9.52	..	51	14.05	52.67	3	3.84	47.22	2.53	17.81	6.4	..	.4	9.5	35.5	..	2.6	31.9
1922	..	..	9.93	..	27	15.84	57.51	3	4.05	54.28	2.05	14.68	6.2	..	.2	10.0	36.3	..	2.5	34.2
1923	..	..	10.88	..	13	16.27	56.71	2	3.76	59.43	1.74	14.41	6.7	..	.1	10.0	34.7	..	2.3	36.4
1924	..	..	11.39	..	7	15.90	57.18	2	3.12	69.41	1.62	12.87	6.6	..	..	9.3	33.4	..	1.8	40.5
1925	..	..	4.15	..	4	15.83	68.57	2	2.61	63.87	1.32	13.11	2.5	..	..	9.3	40.5	..	1.5	37.7
1926	..	..	72	..	2	15.66	76.88	2	2.23	60.22	1.19	13.20	.4	..	..	9.2	45.2	..	1.3	35.4
1927	..	..	44	..	2	16.49	72.86	2	2.15	60.09	1.10	13.42	.3	..	..	9.9	43.7	..	1.3	36.1
1928	..	..	39	..	1	18.91	76.27	2	2.09	63.07	1.05	14.90	.2	..	..	10.7	43.2	..	1.2	35.7
1929	..	..	36	..	1	23.77	74.55	2	2.01	65.76	.99	12.69	.2	..	..	13.2	41.4	..	1.1	36.5
1930	..	..	35	..	1	20.97	69.08	2	1.60	58.88	.84	10.78	.2	..	..	12.9	42.6	..	1.0	36.3
1931	..	..	34	..	1	18.92	64.20	2	1.53	54.86	.77	10.76	.2	..	..	12.5	42.4	..	1.0	36.3
1932	..	..	34	..	1	22.31	69.55	2	1.51	63.07	.79	11.67	.2	..	..	13.2	41.1	..	.9	37.3
1933	..	..	33	..	1	19.95	61.83	2	1.28	57.65	.68	11.63	.2	..	..	13.0	40.3	..	.8	37.6
1934	..	..	33	..	1	21.53	67.41	2	1.33	64.90	.60	11.31	.2	..	..	12.9	40.2	..	.8	38.8
1935	..	..	32	..	1	23.11	67.83	2	1.26	60.94	.58	17.72	.2	..	..	13.5	39.5	..	.7	35.5
Year ended (31st Dec.)																				
1935	..	..	32	..	1	25.28	69.31	1	1.34	62.35	.53	12.84	.2	..	..	15.0	40.3	..	.7	36.0
1936	..	..	33	..	1	31.71	77.34	1	1.36	69.07	.48	12.11	.2	..	..	16.5	40.2	..	.8	35.9
1937	..	..	32	..	1	32.46	76.08	1	1.25	62.44	.45	11.01	.2	..	..	17.5	41.3	..	.7	34.0
1938	..	..	32	..	1	33.84	77.89	1	1.01	62.81	.37	10.51	.2	..	..	18.1	41.7	..	.6	33.6
1939	..	..	32	..	1	45.63	98.29	1	.92	75.57	.34	13.79	.1	..	..	19.4	41.9	..	.4	32.1
1940	..	..	32	..	1	44.03	97.83	1	.61	80.44	.33	17.64	.1	..	..	18.3	40.6	..	.2	33.4
1941	..	..	32	..	1	62.23	134.89	1	.51	113.13	.36	28.20	.1	..	..	18.3	39.7	..	.2	33.3
1942*	..	..	32	..	1	106.74	218.21	1	.46	202.82	.52	54.07	..	..	..	18.3	37.4	..	.1	34.8
1943*	..	..	32	5.56	1	142.48	302.93	1	.37	291.54	.60	90.99	..	.7	..	17.1	36.3	..	..	34.9
1944*	..	..	32	9.73	1	148.80	363.38	1	.30	382.51	.32	100.93	..	1.0	..	14.8	36.1	..	..	38.0

† Excluding (1) the Government of India one rupee notes introduced in July 1940, which are treated for the purposes of the Bank as rupee coin, and (2) Rs. 10,000 notes which are mainly used by banks for making large adjusting payments. \* India notes only.



# STATEMENT XLI

WHOLE RUPEES COINED AND ISSUED FROM THE INDIAN MINTS SINCE 1835

(Reference paragraph 74)

			Coined in Calcutta	Coined in Madras	Coined in Bombay	Total Coined
			Ra.	Ra.	Ra.	Ra.
William IV, 1835 .. ..			10,90,88,070	11,78,000	5,37,12,502	16,39,78,572
Victoria, 1840, 1st issue ..			17,99,34,670	2,18,98,181	10,98,38,073	31,16,70,924
„ 1840, 2nd „ ..			39,85,53,660	5,50,49,201	31,29,58,076	76,65,60,937
„ 1862 .. ..			26,94,27,222	2,94,81,923	40,80,03,034	70,69,12,179
„ 1874 .. ..			1,50,13,834	.....	2,85,08,566	4,35,22,400
„ 1875 .. ..			1,16,31,951	.....	1,93,59,597	3,09,91,548
„ 1876 .. ..			1,20,01,264	.....	2,89,49,037	4,09,50,301
„ 1877 .. ..			3,92,51,692	.....	9,55,54,320	13,48,06,012
„ 1878 .. ..			3,26,57,837	.....	6,39,27,196	9,65,85,033
„ 1879 .. ..			1,59,28,325	.....	7,27,99,904	8,87,28,229
„ 1880 .. ..			1,83,99,894	.....	5,37,85,624	7,21,85,518
„ 1881 .. ..			24,35,719	.....	31,61,858	56,97,577
„ 1882 .. ..			1,50,90,289	.....	5,63,97,278	7,14,87,567
„ 1883 .. ..			51,23,372	.....	1,80,22,789	2,31,46,161
„ 1884 .. ..			1,16,41,757	.....	3,68,46,570	4,84,88,327
„ 1885 .. ..			3,41,52,203	.....	6,48,78,000	9,90,30,203
„ 1886 .. ..			1,08,78,075	.....	4,11,46,457	5,20,24,532
„ 1887 .. ..			4,02,00,148	.....	4,84,00,000	8,86,00,148
„ 1888 .. ..			75,68,000	.....	6,32,00,000	7,07,68,000
„ 1889 .. ..			93,68,310	.....	6,53,00,000	7,46,68,310
„ 1890 .. ..			2,47,41,865	.....	9,29,00,000	11,76,41,865
„ 1891 .. ..			1,46,69,003	.....	4,95,00,000	6,41,69,003
„ 1892 .. ..			3,24,55,120	.....	7,22,00,000	10,46,55,120
„ 1893 .. ..			91,40,310	.....	6,95,90,000	(a) 7,87,30,310
„ 1897 .. ..			4,70,184	.....	10,54,593	(b) 15,24,777
„ 1898 .. ..			12,50,976	.....	62,68,437	(b) 75,19,413
„ 1900 .. ..			5,29,02,591	.....	6,52,36,908	(c) 11,81,39,499
„ 1901 .. ..			3,37,22,243	.....	7,54,13,718	(d) 10,91,35,961
„ 1901 coined in 1902 ..			3,82,94,644	.....	5,48,44,740	(e) 9,31,39,384
Edward VII, 1903 ditto ..			25,000	.....	.....	25,000
„ „ 1903 .. ..			4,93,78,355	.....	5,29,69,151	(f) 10,23,47,506
„ „ 1904 .. ..			5,83,38,617	.....	10,19,40,291	(g) 16,02,78,908
„ „ 1905 .. ..			5,12,57,883	.....	7,62,02,223	(h) 12,74,60,106

(a) Including Ra. 5,90,000 coined for the Bikaner State

(c) „ „ 2,09,02,414 coined for Indian States

(e) „ „ 2,98,86,014 „ „ „ „

(g) „ „ 59,422 „ „ „ „

(b) On account of Kashmir and Bhopal re-coinage

(d) Including Ra. 1,90,43,904 coined for Indian States

(f) „ „ 11,66,451 „ „ „

(h) „ „ 3,28,000 „ „ „

# STATEMENT XLI—(continued)

## WHOLE RUPEES COINED AND ISSUED FROM THE INDIAN MINTS SINCE 1835

				Coined in Calcutta	Coined in Madras	Coined in Bombay	Coined in Lahore	Total Coined
				Rs.	Rs.	Rs.		Rs.
Edward VII,	1906	..	..	10,47,97,164	....	15,89,53,269	....	(j) 26,37,50,433
"	1907	..	..	8,13,38,000	....	17,09,11,816	....	(k) 25,22,49,816
"	1908	..	..	2,02,17,728	....	1,07,14,770	....	3,09,32,498
"	1909	..	..	1,27,58,580	....	95,38,746	....	(l) 2,22,97,326
"	1910	..	..	85,00,000	....	91,88,673	....	1,70,88,673
"	1910 coined in 1911			41,27,013	....	16,96,273	....	58,23,286
George V,	1911	..	..	42,99,924	....	51,43,125	....	94,43,049
"	1912	..	..	4,51,22,132	....	7,90,67,074	....	(m) 12,41,89,206
"	1913	..	..	7,58,00,163	....	8,74,65,788	....	(n) 16,32,65,951
"	1914	..	..	3,31,00,150	....	1,52,70,000	....	4,83,70,150
"	1915	..	..	99,00,139	....	53,71,979	....	1,52,72,118
"	1916	..	..	11,50,00,210	....	9,79,00,000	....	21,29,00,210
"	1917	..	..	11,32,00,217	....	15,15,82,659	....	26,47,82,876
"	1917 coined in 1918			17,74,025	....	....	....	17,74,025
"	1918	..	..	20,13,20,240	....	21,05,50,363	....	41,18,76,603
"	1918 coined in 1919			40,94,006	....	....	....	40,94,006
"	1919	..	..	19,68,06,224	....	22,87,06,054	....	42,55,12,278
"	1919 coined in 1920			1,44,00,031	....	....	....	1,44,00,031
"	1920	..	..	3,86,00,085	....	5,59,36,544	....	9,45,36,629
"	1920 coined in 1921			64,00,064	....	....	....	64,00,064
"	1920 coined in 1922			5,64,000	....	....	....	5,64,000
"	1920 coined in 1923			49,36,050	....	....	....	49,36,050
"	1921	..	..	....	....	51,15,121	....	51,15,121
"	1922	..	..	....	....	20,51,150	....	20,51,150
George VI,	1938 coined in 1940			....	....	98,02,178	....	98,02,178
"	1940	..	..	....	....	(o) 2,35,00,002	....	2,35,00,002
"	1941	..	..	....	....	(o) 24,11,00,001	....	24,11,00,001
"	1942	..	..	....	....	(o) 23,75,00,001	....	23,75,00,001
"	1943	..	..	....	....	(o) 6,69,94,637	....	6,69,94,637
"	1944	..	..	....	....	(o) 15,22,06,000	(o) 8,54,00,000	23,76,06,000
Total William IV ..		..	..	10,90,88,070	11,78,000	5,37,12,502	....	16,39,78,572
" Victoria ..		..	..	133,69,06,058	10,64,29,305	207,80,44,775	....	352,13,80,138
" Edward VII ..		..	..	39,07,38,340	....	59,21,15,212	....	98,28,53,552
" George V ..		..	..	86,53,23,660	....	94,21,59,857	....	180,74,83,517
" George VI Standard ..		..	..	....	....	98,02,178	....	98,02,178
" " Quaternary ..		..	..	....	....	72,13,00,641	8,54,00,000	80,67,00,641
Total ..		..	..	270,20,56,128	10,76,07,305	439,71,35,165	8,54,00,000	729,21,98,598

(j) Including Rs. 3,90,310 coined for Indian States and Rs. 1,67,00,000 (Calcutta Rs. 32,00,000 and Bombay Rs. 1,35,00,000) coined from silver in Gold Standard Reserve.

(k) " Rs. 94,786 coined for Indian States and Rs. 4,33,00,000 (Calcutta Rs. 1,68,00,000 and Bombay Rs. 2,65,00,000) coined from silver in Gold Standard Reserve.

(l) " Rs. 1,01,459 coined for Indian States. (m) Including Rs. 16,56,250 coined for Indian States.

(n) " " 12,78,441 " " " (o) Quaternary rupees.

## APPENDIX

### **List of Approved Non-Scheduled Banks and Indigenous Bankers eligible for concession rates of remittances under the Reserve Bank Scheme as on 31st March 1945.**

#### *1. Non-scheduled Banks.*

1. Agricultural and Industrial Bank Ltd., Coondapur.
2. Amrit Bank Ltd., Amritsar.
3. Aryan Bank Ltd., Calcutta.
4. Associated Bank of Tripura Ltd., Gangasagar.
5. Balthazar & Son (Bankers) Ltd., Rangoon.
6. Bank of Assam Ltd., Shillong.
7. Bank of Calcutta Ltd., Calcutta.
8. Bank of Citizens Ltd., Belgaum.
9. Bank of the East (1927) Ltd., Gauhati.
10. Bantua Bank Ltd., Panvel.
11. Barcilly Bank Ltd., Barcilly.
12. Belgaum Bank Ltd., Belgaum.
13. Bengal Bank Ltd., Calcutta.
14. Bharat Banking Co., Ltd., Silchar.
15. Bharat Industrial Bank Ltd., Poona.
16. Bharatha Lakshmi Bank Ltd., Masulipatam.
17. Bishnupur Bank Ltd., Bishnupur.
18. Burma Buddhist Orphanage Association Bank Ltd., Mandalay.
19. Calcutta Industrial Bank Ltd., Calcutta.
20. Chawla Bank Ltd., Bannu.
21. Chotanagpur Banking Association Ltd., Hazaribagh.
22. City Bank Ltd., Lahore.
23. Commercial Bank & Trust Ltd., Madras.
24. Commonwealth Bank Ltd., Kumbakonam.
25. Continental Bank of Asia Ltd., Calcutta.
26. Duss Bank Ltd., Calcutta.
27. Dawson's Bank Ltd., Pyapon, Burma.
28. Dinajpur Trading & Banking Co., Ltd., Dinajpur.
29. Dindigul Sri Kannikaparameswari Bank Ltd., Dindigul.
30. Eastern Union Bank Ltd., Chittagong.
31. Federal Bank of India (Punjab) Ltd., Lahore.
32. Frontier Bank Ltd., Dera Ismail Khan.
33. Gauhati Bank Ltd., Gauhati, Assam.
34. Girish Bank Ltd., Calcutta.
35. Himalya Bank Ltd., Kangra.
36. Hira Bullion Bank Ltd., Meerut.
37. India's Ideal Banking Corporation Ltd., Bangalore.
38. Indian National Bank Ltd., Calcutta.
39. Jaya Laxmi Bank Ltd., Mangalore.

40. Karnataka Bank Ltd., Mangalore.
41. Kotagiri Bank Ltd., Kotagiri.
42. Lakshmi Commercial Bank Ltd., Rawalpindi.
43. Laxmi Industrial Bank Ltd., Calcutta.
44. Mannargudi Bank Ltd., Mannargudi.
45. Mayavaram Permanent Fund Ltd., Mayavaram.
46. Melarkodo Bank Ltd., Palghat.
47. Naini Tal Bank Ltd., Naini Tal.
48. National Bank of Sialkot Ltd., Sialkot.
49. National Economic Bank Ltd., Calcutta.
50. National Security Bank Ltd., Calcutta.
51. Pioneer Commercial Bank Ltd., Calcutta.
52. Pollachi Union Bank Ltd., Pollachi.
53. Punjab & Kashmir Bank Ltd., Rawalpindi.
54. Rajapalayam Commercial Bank Ltd., Rajapalayam.
55. Rayalseema Bank Ltd., Bellary.
56. Sahukara Bank Ltd., Ludhiana.
57. Salem Bank Ltd., Salem.
58. Sangli Bank Ltd., Sangli.
59. Satara Swadeshi Commercial Co., Ltd., Satara City.
60. Shillong Banking Corporation Ltd., Shillong.
61. Sind National Bank Ltd., Hyderabad (Sind).
62. Sonar Bangla Bank Ltd., Calcutta.
63. Southern India Apex Bank Ltd., Udipi.
64. Suburban Bank Ltd., Calcutta.
65. Supremo Bank of India Ltd., Belgaum.
66. Surat Banking Corporation Ltd., Surat.
67. Sylhet Industrial Bank Ltd., Sylhet.
68. Tanjore Permanent Fund, Ltd., Tanjore.
69. Tezpur Industrial Bank Ltd., Tezpur.
70. Trichinopoly Bank Ltd., Trichinopoly.
71. Trichinopoly Tannore Hindu Permanent Fund Ltd., Trichinopoly.
72. Tripura Modern Bank Ltd., Akhaura.
73. Union Bank of Bengal Ltd., Calcutta.
74. Union Bank of Bijapur & Sholapur Ltd., Bijapur.
75. United Western Bank Ltd., Satara City.
76. U. P. Industrial Financing Corporation Ltd., Cawnpore.
77. Vijaya Bank Ltd., Mangalore.
78. Vyasa Bank Ltd., Bangalore.

## *II. Indigenous Bankers.*

1. Messrs. Balakram Dwarka Das, Simla.
2. Messrs. Bhau Lal Bankors, Shahjahanpur.
3. Messrs. Durga Sah Mohan Lal Sah, Ranikhet.
4. Mr. Ranchhodbhai Bhaichandbhai Sura, Bombay.

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