

## 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**

**1948-49**

**BOMBAY**

**G. CLARIDGE & CO., LTD.**

**1949**

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Note :—(1) Where necessary, each figure has been rounded off to the nearest final digit. For this reason, there may be in some Tables and Statements an apparent slight discrepancy between the sum of the constituent items and the total as shown.

(2) The following symbols have been used throughout the Report :

.. = Figure is not available.  
— = Figure is nil or negligible.

(3) A line drawn across a column between two consecutive figures denotes that the figures above and below the line are not comparable. In each case a footnote is added indicating the nature of the difference.

## **PART I**

### **ECONOMIC AND FINANCIAL DEVELOPMENTS ABROAD**



## GENERAL ECONOMIC DEVELOPMENTS

1948 was on the whole a year of fair progress as compared with 1947, though the progress was by no means evenly balanced either as between the different regions of the world or as between the different sectors of economic life. Politically, the year witnessed an intensification of ideological conflict and hence a sharper cleavage between the two major power blocs. In Europe the division between the East and the West—symbolised by the Berlin blockade—appears to have had the effect of bringing the countries within each bloc into closer association with each other and forcing the pace of their economic recovery. This partially mitigated the adverse repercussions of the break-up of the pre-war pattern of production and trade. In Asia the problem was more complicated: unresolved conflicts between colonialism and nationalist ambitions, the struggle between opposing economic ideologies and the very fact of these areas being under-developed, hampered the processes of post-war reconstruction and development in the countries in this region. However, there was some progress in the areas outside the main centres of fighting and economic recovery in the continent as a whole appears to have registered a slight advance in 1948. The United States and Canada, sheltered from the direct impact of ideological warfare, were more than able to maintain their position, but the greatest contribution in the year to world recovery was through the liberal American aid given to the countries of Western Europe. The European Recovery Programme, inaugurated in April 1948, marked a milestone in international economic co-operation.

The nature of the recovery in 1948 is reflected most clearly in the indices of production. On the basis of the data available for the first three quarters of 1948, it has been estimated that the total physical volume of production in 1948 for the world was 10 per cent above the 1947 level and 20 per cent above the pre-war level of 1937. But the most rapid advances were confined to the industrial sector, in which production in the first nine months of the year showed an increase of 11 per cent over the corresponding period of 1947; the annual rate of production was also 32 per cent over the rate in 1937. In the agricultural sector, however, though certain areas registered an improvement, the level of total production in 1947-48 (year ending June) was about the same as in the previous year and 4 per cent below the level in the quinquennium 1934-38. The supply of food available for consumption in 1947-48 was reported by the Food and Agriculture Organisation to be "greater than in 1946-47 in every major region of the world except Western Europe where there was an unfortunate crop failure,"—but, once again, the improvement was not uniform and the largest increases were confined to the U.S.A., Canada, Australia, New Zealand and Latin America. Moreover, since world population was nearly 10 per cent higher than in 1939, the *per capita* food supply in 1947-48 was still 12 per cent below pre-war. The situation improved somewhat towards the latter half of 1948 as a result of the satisfactory harvests in Europe.

The regional differences in recovery, the lag in agricultural production and the continuance of excess purchasing power in the hands of the public tended to keep up inflationary pressures despite the various disinflationary measures undertaken during the year. The main line of attack on inflation was through governmental budgets aimed at reducing the deficits and increasing the surpluses wherever possible. In the United Kingdom, for instance, the true revenue surplus was stepped up from £338 million in 1947-48 to £684 million in 1948-49. Some countries (of which the U.S.A. is an outstanding example) found it expedient to resort to a slight raising of short-term interest rates and selective controls on bank credit. The increased level of production, combined with credit curbs, helped to bring about a distinct disinflationary trend in the United States. In the United

Kingdom also, though the level of wholesale prices was on an average 15 per cent higher in 1948 than in 1947, the line was held with considerable firmness throughout the year under review, and prices at the end of the year were only about 4 per cent above the level at the beginning of the year. But, in general, prices and wages in most countries continued to rise in 1948 and, in many countries, were still rising at the end of the year. In a few cases latent inflation was to some extent activated by the partial relaxation of physical controls. On the whole, however, although the upward pressure on prices persisted, in varying degrees, the stimulants to inflation were markedly less strong than in 1947.

A problem which most countries had to face in this connection related to investment. For attaining higher levels of production it was necessary to step up investment, but the additional savings required were not easily forthcoming. In some countries an adjustment between savings and investment was attempted through budget surpluses. In the United Kingdom, for instance, in 1947 the contribution of these surpluses to the financing of gross capital formation was negligible; but in 1948 it accounted for nearly one-third of the total. In several countries, however, the high rate of capital investment was unaccompanied by savings, either private or public, on a sufficiently large scale. The repercussions of this were not so seriously felt in Western Europe, for the liberal grants and loans from the United States under the European Recovery Programme not only supplemented domestic savings, but by providing fuel, industrial raw materials and machinery, enabled the countries in this region to raise their levels of production. In some of the under-developed countries in Latin America and in the Far East, the financing of intended development programmes was found difficult in view of the limitation of available domestic resources.

The increase in world production was not accompanied by a corresponding rise in the volume of international trade. The *value* of world trade in 1948 was about 6 per cent higher than in 1947 but the *volume* was probably a little lower, allowing for about a 10 per cent rise in prices. The set-back was not evident in all sectors of international trade. It was confined largely to the trade between hard and soft currency countries. In fact, trade in the non-dollar world registered considerable progress during the year. European exports went up in value by 30 per cent, a rising proportion of which went to currency areas affiliated to Western Europe; at the same time, Europe's imports from areas overseas, other than from the U.S.A. and Canada, increased by more than 20 per cent. The quantum of intra-European trade, though still some 30 per cent below pre-war (owing to the low level of German trade), also rose by 25 per cent as compared to 1947.

The excess of exports over imports of the United States showed a phenomenal fall from \$11.3 billion in 1947 to \$6.3 billion in 1948, indicating a decline in the magnitude of the dollar problem in international exchange. But this decline did not reflect corresponding progress in the direction of a more natural equilibrium between the hard and the soft currency countries. A great part of the apparent improvement was on account of the severe measures adopted by several countries to cut down imports from the United States. The reduced dollar deficit of 1948 was financed with the aid of the grants and loans extended under the European Recovery Programme.

The downturn in U.S. prices since September 1948 raises the question whether it is a temporary recession or something more serious. While it is difficult at this stage to foresee what course precisely the U.S. economy will take, it may be noted that several forces are still at work in the U.S. economy and abroad which will tend to keep up the level of aggregate demand for U.S. goods and services. The signs of disinflation so far noticed may perhaps be regarded as in the nature of

correctives to an abnormal situation that has been existing since the end of the war rather than as portents of a drastic slump. But undoubtedly the situation will need to be carefully watched. For, in more ways than one the U.S. economy plays a key role in shaping the world economic situation and the ramifications of any significant set-back to that economy would extend far beyond the frontiers of the U.S.A.

With the progress made in some countries towards internal monetary stability and in view of the brighter prospects for a larger volume of goods and services becoming available for international exchange, the problem of readjustment of exchange rates to more realistic levels is also receiving attention. Post-war stresses and strains having on the whole diminished, the stage is probably set for an adjustment of national economies to a new position of internal and external equilibrium.

## 2. PRICES

The post-war upward trend in wholesale prices continued in most countries during 1948 (*vide* Table 1 and Graph 1), the rise varying from country to country according to the special economic forces, external and internal, operating in each. Except in a few countries like France and Greece in Europe, Peru in Latin America, and China in the Far East, where inflationary forces were relatively more active, there was some abatement in inflationary pressures in most countries, the rate of increase in money supply as well as in the general level of prices during 1948 being lower than in the preceding year. This improvement was due mainly to the overall increase in the world's industrial and agricultural production, the slackening of pent-up demand, the continued drive for balanced or surplus budgets and the continuation or reintroduction of physical and financial controls. A special factor operating in the Western European countries was the substantial flow of U.S. aid under the Foreign Assistance Act of April 1948.

In the U.S.A. the index number of wholesale prices at 188 at the end of 1948, was about the same as the corresponding figure of 1947, although earlier between April and August the index had been moving on a higher level. General price levels registered increases in most other countries and these may be broadly classified into four groups. The first group, where the increase ranged up to 5 per cent, included Norway (2 per cent), Italy (3 per cent), New Zealand (3 per cent), the Netherlands (4 per cent), and Egypt (4 per cent). In the second group, where increases ranged from 6 to 10 per cent, came Mexico (6 per cent), Sweden (6 per cent), Belgium (7 per cent), Turkey (9 per cent) and the U.K. (9 per cent). The third group showing increases from 11 to 25 per cent comprised Canada (11 per cent), Australia (14 per cent), Chile (17 per cent), Peru (18 per cent), and also the Indian Union (22 per cent). France and China came under the last group showing large increases, *viz.*, 62 per cent and 5,553\* per cent respectively.

A feature in the price situation during the year was the continued rise in the prices of raw materials as well as finished products, although the rate of increase in both as compared with that in 1947 slowed down distinctly in a majority of the important countries for which data are available. Thus, the percentage increases in prices of raw materials during 1948 in the U.K., Belgium, Canada, Italy, Sweden, and the Netherlands at 20.2, 15.3, 12.8, 11.4, 4.8, and 1.8 respectively were lower, the corresponding figures for 1947 being 23.1, 17.2, 27.4, 54.3, 8.0 and 11.5. On a similar comparison, the rate of increase in France, however, was higher, being 108.5 per cent as against 40.0 per cent in 1947. In contrast, prices

\* August 1948.

TABLE I.—MONEY SUPPLY AND INDEX NUMBERS\* OF WHOLESALE PRICES AND COST OF LIVING  
OF CERTAIN FOREIGN COUNTRIES SINCE 1944

Year and Month		U.S.A.			U.K.			Canada			Australia			Union of S. Africa			France		
		M \$	P	C	M† £	P	C	M C\$	P	C	M £A	P†	C	M £ S A	P†	C	M (Net) Francs	P†	C**
1944	.. ..	90.4	121	122	4.07	153	151	3.2	121	117	0.81	139	129	0.39	155	133	881	298	319
1945	.. ..	102.3	123	125	4.42	155	152	3.5	122	118	0.65	140	129	0.33	158	137	1,071	421	436
1946	.. ..	110.0	140	136	4.96	181	154	4.0	128	122	0.70	140	131	0.36	161	139	1,426	728	746
1947	.. ..	113.5	176	155	5.04	176	163	3.9	153	134	0.74	148	136	0.41	169	145	1,720	1,110	1,210
1948	.. ..	111.4	191	167	5.12	202	174	4.3	181	153	0.87	169	148	0.41	181	153	2,303	1,920	1,920
January	1948	112.4	192	164	4.89	195	168	3.8	174	147	0.73	182	143½	0.41	175	147	1,741	1,640	1,660
March	..	107.1	187	163	4.73	200	171	3.9	174	149	0.78	163		0.43	174	150	1,874	1,730	1,760
June	..	108.3	193	167	4.89	204	178	4.0	180	152	0.79	166		0.42	184	154	1,920	1,900	1,790
September	..	109.6	195	170	4.89	202	174	4.2	187	157	0.79	174		0.42	186	157	2,130	2,110	2,100
December	..	111.4	188	167	5.12	203	176	4.3	189	157	0.87	182	154½	0.41	184	156	2,303	2,220	2,270
January	1949	110.5	186	166	5.06	203	176	4.2	188	158	0.86	183	..	0.39	185	157	2,270	2,190	2,280
February	..	108.4	183	165	4.84	203	176	4.1	187	158	0.89	..	..	0.38	186	157	2,291	2,130	2,180
March	..	106.0	184	165	4.84	203	176	4.1	186	157	0.91	..	..	0.37	187	..	..	2,100	2,100

\* Base : 1937=100.

† Annual money supply data represent December averages.

‡ Index numbers of home-consumed goods.

M=Money supply : End of Period; figures in billions.

P=Wholesale Prices.

C=Cost of Living.

§ Quarterly Indices.

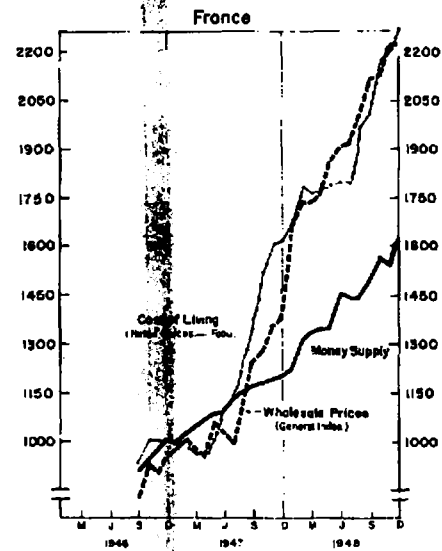
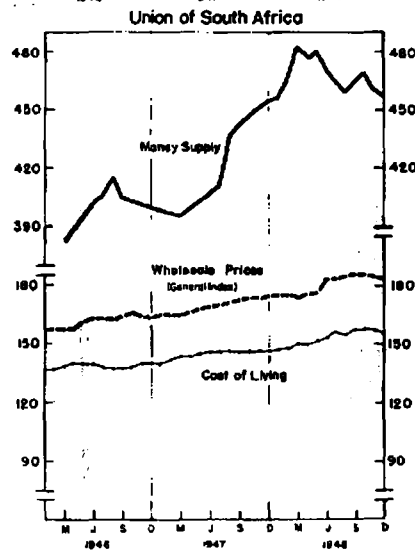
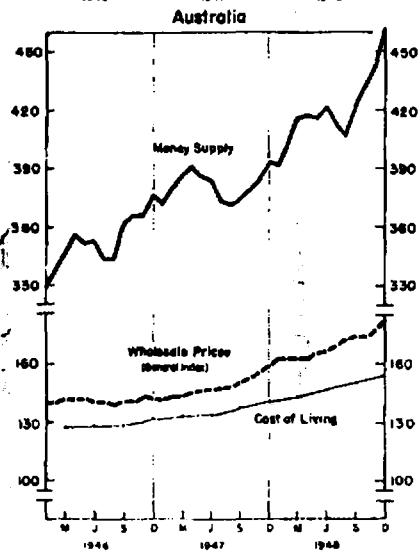
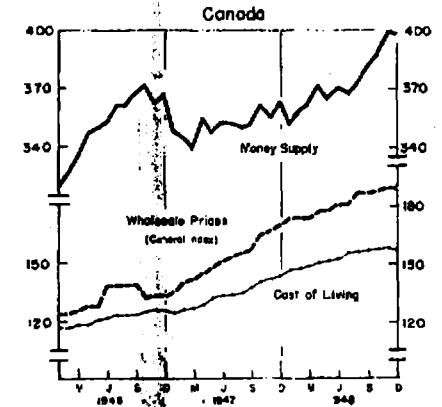
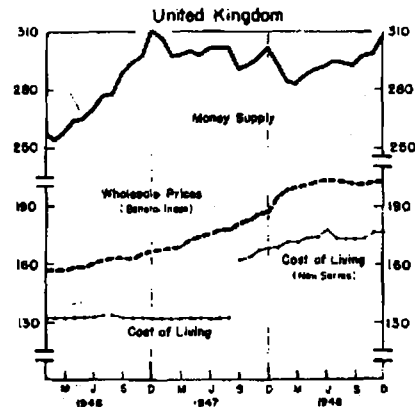
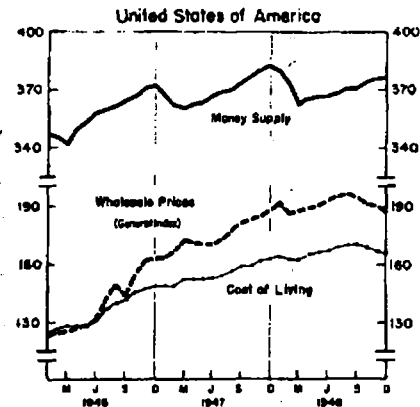
\*\* Retail Prices (Food).

Source : International Financial Statistics issued by the International Monetary Fund.

GRAPH 1

INDICES OF MONEY SUPPLY, WHOLESALE PRICES AND COST OF LIVING IN CERTAIN COUNTRIES

Base:-1937=100



of raw materials in the United States registered a decline of 5.6 per cent in 1948 as against an increase of 18.8 per cent in 1947. As regards finished products, countries which showed a slower rate of increase in 1948 included the U.S.A., Italy, Belgium, Canada and New Zealand, the percentage increases during the year being 1.7, 3.8, 4.1, 9.1 and 1.1\* respectively as against 14.1, 43.9, 11.0, 30.2 and 11.0 in 1947. In the United Kingdom, Sweden and the Netherlands, however, the rates of increase were higher at 9.1 per cent, 7.7 per cent and 5.3 per cent as against 8.6 per cent, 5.6 per cent and 2.7 per cent in 1947.

The upward trend in money supply noticed in 1947 continued during 1948 in most countries. The United States and the Union of South Africa provided two notable exceptions; in the former, money supply showed on balance a decline of 1.9 per cent as against an increase of 3.2 per cent in 1947, while in the latter it remained virtually unchanged as against a rise of 13.9 per cent in the preceding year. In most other countries the uptrend continued but the rate of increase was generally lower than in the preceding year. This, in a good many cases, though by no means always, was more or less in keeping with the general trends in wholesale prices already noticed. Countries showing increases in money supply up to 6 per cent comprised the United Kingdom, Switzerland, Belgium, the Netherlands and Sweden, the respective rates being 1.6, 2.5, 5.4, 5.4 and 5.6 per cent as compared with 1.6, 4.3, 4.9, 12.3 and 4.8 per cent in 1947. On the other side, countries showing larger rates of increase during 1948 included France, Turkey, Canada, New Zealand and Iran, the rates being higher at 33.9, 12.8, 10.3, 10.4 and 6.2 per cent respectively as compared with 20.6, nil, -2.5, 4.1 and 1.5 per cent during 1947.

The developments in the price situation in some of the important countries are noticed below in some detail. In the U.S.A., the index number of wholesale prices, after a temporary fall during the early part of 1948, advanced thereafter to touch 196 in August, but later receded to 188 by the end of 1948, which as already noticed, was about the same level as at the end of 1947. The decline during February and March 1948 followed the decline in farm prices while a strong deflationary pressure was also exerted by the excess of cash receipts over expenditure, the effect of which was reflected in a substantial decline in money supply. Between April and August, the reappearance of inflationary pressures pushed up both wholesale prices and cost of living to their peak levels. The decline between September and December was associated with a number of measures which included the raising of member banks' reserve requirements as well as of the rediscount rates of the Federal Reserve Banks, the reinstatement of the Regulation W involving more restrictive consumer credit terms and lastly the voluntary co-operation of the private banking system in restricting expansion of bank credit. A significant deflationary symptom in the U.S.A. was the decline in the export surplus, the effects of which, however, were partly offset by increased governmental outlay on defence and by a reduction in income taxation. The downward tendency in prices has been more pronounced during the first quarter of 1949. Wholesale prices dropped from 188 in December 1948 to 183 in February 1949 and stood at 184 in March—representing a net decline of about 6 per cent from the peak level of 196 reached in August 1948. The fall in the prices of farm products has been most marked, the decline between August 1948 and March 1949 being 10.4 per cent as compared with 8.4 per cent in raw materials, 7.3 per cent in foods and 6.3 per cent in finished products. Federal support to farm prices showed an appreciable increase, the net loans and purchases from July 1948 to February 1949 amounting to 9 per cent of cash farm receipts as against 2 per cent for the same period a year earlier.

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\* October 1948.

In the United Kingdom wholesale prices at 203 in December 1948 showed on balance an increase of 9 per cent. Despite increases in import prices, elimination of some subsidies and increased indirect taxation, the cost of living index showed on balance an increase of only 5 per cent, reflecting a distinct improvement in the supply position which enabled the authorities to de-ration a number of items like potatoes, bread, jam, boots and shoes and a large number of textiles. As against the inflationary effect of a decline in the import surplus, there was a budget surplus designed to cover not only Government's current expenditure but also that part of the investment programme which could not be left to private hands. Money supply in the United Kingdom declined from £5.04 billion at the end of 1947 to £4.73 billion at the end of March 1948 and, after continuing a shade higher during the succeeding two quarters, stood at £5.12 billion at the end of 1948.

In Canada prices as well as cost of living continued to rise during 1948. Heavy demand for capital replacement and development work pushed up prices in the investment sector, a contributory factor being the sharp rise in the prices of key imports such as coal, oil and steel. The cost of living also rose, mainly on account of a decline in imports, particularly of consumer goods. The index number of wholesale prices advanced sharply from 170 in December 1947 to 180 in December 1948, while during the same period the cost of living index moved up from 144 to 157. The price increases in 1948 reflected partly the effect of the removal of controls and the expansion in money supply in spite of Government's budgetary surplus which was largely absorbed in meeting non-budgetary cash requirements.

In Australia the price situation during 1948 showed a considerable deterioration, particularly during the latter half of the year when Federal rationing except of butter, tea and gasoline was abolished, and price controls were transferred to State authorities. The wholesale price index moved up from 159 at the end of 1947 to 182 by the end of 1948.

Thus, on the whole, in spite of the slowing down in the uptrend in prices in many of the countries mentioned earlier, the prevailing levels as well as structures of prices with their wide disparities constituted a major economic problem. Apart from cases of extreme inflation as in China, where the general price level multiplied many times, the price levels in a number of countries including Belgium in Europe and Turkey, Iran, Iraq and Egypt in the Middle East and Peru in Latin America as at the end of 1948 were about two to three times the corresponding price levels in the U.S.A. and the U.K., while on a similar comparison, those in France were about 11 times and in Italy about 30 times. For ensuring a freer flow of international trade, a correction in these patterns would seem necessary. With the assistance under the European Recovery Programme entering its second year and the possibility of the extension of similar aid to other under-developed countries as envisaged in the programme contained in a resolution adopted by the Economic and Social Council in March 1949, and with substantial additions to food supplies expected in 1949 as a result of excellent harvests in 1948, the prospects of some downward adjustment of world prices would appear to be fairly bright. But it is likely that for evolving an orderly pattern of prices, consistently with the need for maintaining high and stable levels of domestic employment, internal measures may have to be supplemented by measures involving a readjustment of the relative external values of currencies.

### 3. CURRENCY

In 1948, except in the United Kingdom and the United States of America, currency in circulation tended to be on the uptrend in a majority of the important countries of the world. As Table 2 indicates, the rate of expansion varied from country to country. Japan, Italy and Mexico showed increases of 62.2 per cent, 23.2 per cent and 20.3 per cent respectively over 1947, the corresponding figures

for Egypt, Turkey, France and Canada being 11.6 per cent, 8.0 per cent, 7.3 per cent and 6.5 per cent respectively. In Egypt, where note circulation had remained more or less stable since the end of 1946, the expansion of 11.6 per cent in 1948 was due partly to a sharp rise in cotton prices and partly to a tendency to hoard bank notes. The increase in the Union of South Africa and Australia by 4.9 per cent in each, although comparatively small, is significant in view of the fact that these countries had shown declines in 1947. The reversal in trend was accounted for in Australia partly by an increase in income from exports, and in the Union of South Africa by the net influx of capital from the sterling area. In contrast, currency circulation in the United Kingdom and the United States showed decreases during 1948. The former showed a substantial fall of 6 per cent, which enabled the authorities to reduce the fiduciary note issue from £1,450 million in December 1947 to £1,400 million in January 1948 and to £1,300 million by the end of 1948. The decline of 3.4 per cent in the United States was partly due to a decrease in the country's export surplus.

TABLE 2.—CURRENCY CIRCULATION (NOTES AND COIN)

	End of 1945	End of 1946	End of 1947	(In millions) End of 1948
Australia (£A) ..	205	211*	203*	213*
		(+2.9)	(-3.8)	(+4.9)
Canada (\$C) ..	1,055	1,096	1,112	1,184
		(+3.9)	(+1.5)	(+6.6)
Egypt** (£E) ..	141	137	138	154
		(-2.8)	(+0.7)	(+11.6)
Mexico (Peso) ..	1,661	1,732	1,760	2,117
		(+4.3)	(+1.6)	(+20.3)
Turkey** (Liras) ..	917	965	924	999
		(+5.2)	(-4.2)	(+4.0)
Union of South Africa (£SA) ..	68.9	64.3	63.1	66.2
		(-6.9)	(-1.9)	(+4.9)
(In billions)				
France** (Fr.) ..	570	722	921	988
		(+26.7)	(+27.6)	(+7.3)
Japan** (Yen) ..	55.4	93.4	219.1	355.3
		(+68.6)	(+134.6)	(+62.2)
Italy* (Lire) ..	367.7	463.1	720.9	888.5
		(+25.9)	(+55.7)	(+23.2)
United Kingdom † (£) ..	1.34	1.38	1.33	1.25
		(+3.0)	(-3.6)	(-6.0)
United States (\$) ..	26.5	26.7	26.6	25.7
		(+0.8)	(-0.4)	(-3.4)

Note:—In the case of Egypt, France and Japan represent note circulation only. Figures in brackets indicate the percentage rise or fall over the previous year.

\*\*Gross circulation. \* Estimated. † December averages.

Source: International Financial Statistics.

In the last year's Report, mention was made of the currency reforms undertaken by the U.S.S.R., Austria and Rumania. In 1948, the countries in which similar measures were adopted included Germany and China. The Military Governments in the Western and Eastern zones in Germany introduced in June 1948 two new currencies, namely, the Western Mark and the Eastern Mark respectively to replace the existing currency (the Reichsmarks, the Rentenmarks and the mark notes issued by the Allied Military Authorities) at the rate of 10 old marks to one new mark. In China, where note circulation had soared from CN\$5,000 billion at the end of 1946 (being over 2,000 times the 1938 level) to CN\$260,000 billion by the middle of August 1948, the Government announced on the 19th of that month a reform introducing a new currency based on 'gold yuan' with a gold content of 0.22217 gram, the rate of conversion being 3 million



old Chinese dollars to 1 gold yuan. There was no statutory obligation to give gold for the new currency, but the yuan was convertible under Government control into foreign exchange at rates stipulated by them, the rates fixed being 4 yuans for 1 U.S. dollar and 12 yuans for £1 sterling. With a view to securing the necessary backing for the new currency, at least 40 per cent of which was to be in gold, silver and foreign exchange, all private holdings of gold, silver and foreign exchange were required to be surrendered to the Government in exchange for the new currency. The reform brought in hardly any improvement, for continued increases in military expenditure again led to large issues of paper money amounting by the end of September 1948 to  $4\frac{1}{2}$  times the issue in exchange for the old dollars.

The action taken in regard to the exchange value of currencies by countries like France, Colombia and New Zealand has been noticed in detail in para 10. Mention may also be made of the commencement by the State Bank of Pakistan of the issue of Government of Pakistan notes of distinctive design with effect from 1st October, 1948 on which date India notes in circulation in Pakistan ceased to be legal tender. The Provisional Government of Israel issued in August 1948 a new currency in the Jewish-controlled sector of Palestine to replace the existing Currency Board notes, as a sequel to the action taken by the British authorities earlier in February to remove Palestine from the sterling area.

#### 4. MONEY MARKET RATES

The tendency for Central Banks to revise their discount rates, which has been in evidence since the end of the war and which gathered momentum in 1947, was maintained during the year under review when in as many as twelve countries mentioned in Table 3 the rates were revised. Most of these revisions were upward, being associated with disinflationary measures; in some instances, however, such as Bulgaria, Rumania, Yugoslavia, Iran and Bolivia the rates were lowered.

TABLE 3.—CHANGES IN CENTRAL BANK DISCOUNT RATES

Country	Date of last change	Rate per cent		Difference
		Before change	After change	
1. Bolivia .. ..	4th February, 1948	7.00	5.00	—2.00
2. Bulgaria .. ..	1st August, 1948	4.50	3.50	—1.00
3. Ecuador .. ..	May, 1948	7.00	10.00	+3.00
4. Finland .. ..	6th February, 1948	5.25	7.25	+2.00
5. France .. ..	4th September, 1948	2.50	3.50	+1.00
		3.00	4.00	+1.00
		3.50	3.00	—0.50
	30th September, 1948	4.00		—1.00
6. Greece .. ..	12th July, 1948	10.00	12.00	+2.00
7. Iceland .. ..	1st January, 1948	5.00	6.00	+1.00
8. Iran .. ..	23rd August, 1948	5.00	4.00	—1.00
9. Japan .. ..	26th April, 1948	3.20	4.38	+1.18
	5th July, 1948	4.38	5.11	+0.73
10. Rumania .. ..	25th March, 1948	7.00	5.00	—2.00
11. U.S.A.* .. ..	12th January, 1948	1.00	1.25	+0.25
	13th August, 1948	1.25	1.50	+0.25
12. Yugoslavia ..	13th August, 1948	1—4	1—3	—1.00

\* The discount rate of the Federal Reserve Bank of New York.

Source: International Financial Statistics.

In pursuance of the policy, launched in May 1946, of stepping up money rates in the U.S.A. in order to restrict credit, the discount rate of the Federal Reserve Bank of New York was raised twice during the year, first on 12th January from 1 to 1.25 per cent and later on 13th August to 1.50 per cent. In France the discount rates of the Bank of France, which had stood at 2.5 per cent for Treasury bills and short-term commercial bills representing sales and 3 per cent for other commercial bills, were raised on 4th September to 3.5 per cent and 4 per cent respectively. Towards the end of September the French Government intensified their anti-inflationary drive and placed severe selective as well as quantitative restrictions on bank credit. It was, therefore, thought unnecessary to maintain the newly established high rates of discount, and as from 30th September a uniform discount rate of 3 per cent, applicable to all commercial bills, irrespective of whether or not they represented sales, was introduced. A special rediscount rate of 2.5 per cent was, however, fixed for Government securities, mainly Treasury bills and national credit acceptances, maturing within 3 months. The rediscount rate of the Bank of Japan for commercial bills was also raised twice during the year from 3.20 per cent to 4.38 per cent on 26th April and further to 5.11 per cent on 5th July. In Greece the discount rate of the Bank of Greece which since August 1946 had been fixed at 10 per cent was raised to 12 per cent on 12th July in the hope that the new rate would permit of more effective enforcement of interest rates legally fixed. Finland was faced with the problem of fulfilling its reparations obligations while at the same time controlling the expansion of currency and credit. The increase in the discount rate from 4 to 4.50 per cent and later to 5.25 per cent in 1947 was followed by a further rise to 7.25 per cent in February 1948; this was intended to discourage heavy rediscounting by the commercial banks. In Mexico, although the general discount rate remained unchanged at 4.50 per cent, differential rates of 3.50 per cent and 8.00 per cent were fixed for agricultural and commercial paper respectively towards the end of January 1949.

The discount rate in Rumania, which in 1947 had been raised from 4 to 7 per cent, was lowered to 5 per cent in March 1948, for after the monetary reform of 1947, which resulted in a sharp reduction in the money supply, it was felt necessary to reduce the rate in order to avoid hardship to trade and commerce. In Bulgaria, likewise, the rate was reduced, because with the nationalisation of all Bulgarian banks and the concentration of banking in the National Bank and the Investment Bank, the role of the National Bank was extended so as to meet the needs of economic planning, which necessitated low discount rates for selected operations. The range of Yugoslav discount rates was also reduced from 1—4 to 1—3 per cent. The discount rate of the Bank Melli Iran, which had been reduced to 5 per cent towards the end of 1947 from 7 per cent which had prevailed from September 1939, was further lowered to 4 per cent in August 1948.

Treasury bill rates, shown in Table 4, did not record material variations, except in the U.S.A. and the Netherlands. With a view to restricting credit and making the Treasury bill a more attractive investment, the United States monetary authorities allowed the Treasury bill rate to rise from 0.98 per cent in January to 1.15 per cent in December. Other short-term rates in the U.S.A. also hardened in sympathy, the rate for prime commercial paper of 4—6 months maturity being quoted higher at 1.56 per cent in September 1948 as against 1.31 per cent in January 1948. The Netherlands Treasury bill rate fluctuated rather widely during the year: it rose from 1.28 per cent in January to 1.58 per cent in July, declined thereafter to touch 1.04 per cent in October but recovered to 1.24 per cent in December.

TABLE 4.—MONEY MARKET RATES IN SOME IMPORTANT COUNTRIES

1948

(Per cent per annum)

Country		Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Period of currency
United States of America	B1	.. 0.93	1.00	1.00	1.00	1.00	1.00	1.00	1.05	1.09	1.12	1.14	1.15	3 months
	A1	.. ..	..	2.48	..	..	2.59	..	..	2.70	..	..	2.71	..
	C1	.. 1.31	1.38	1.38	1.38	1.38	1.38	1.38	1.44	1.56	1.56	1.58	1.58	4-6 months
United Kingdom	A	.. 0.54	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	3 months
	B2	.. 0.51	0.50	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.52	3 months
	C	.. 0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	..
Union of South Africa	B1	.. 0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	6 months
Canada	B1	.. 0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	3 months
France	C	.. 2.02	2.00	2.09	2.00	2.12	2.02	2.04	1.88	2.84	2.09	2.03	2.00	..
Australia	B1	.. 1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	3 months
Belgium	B3	.. 2.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	..
Indian Union	B1	.. 0.50	0.49	0.50	0.49	0.50	0.49	0.45	0.49	0.53	0.56	..	..	3 months
	D	.. 0.60	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.63	..
Italy	B1	.. 3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3-4 months
Netherlands	B1	.. 1.28	1.38	1.37	1.38	1.32	1.37	1.58	1.34	1.11	1.04	1.10	1.24	3 months
	C	.. 0.87	0.79	0.89	0.93	0.94	0.84	1.35	1.06	0.84	0.78	0.77	0.96	..
Switzerland	B	.. 1.50	1.50	1.50	1.50	1.50	1.50	1.62	1.62	1.62	1.62	1.62	1.62	3 months
Argentina	B1	.. 1.47	1.47	..	..	..	1.48	..	1.47	..	..	..	..	3 months

A = Bankers' acceptances.

A1 = Commercial loan rate in 19 cities.

B = Commercial bills.

B1 = Treasury bills.

B2 = Average discount for Treasury bills at the weekly tender.

B3 = Discount rate of Banque Nationale de Belgique.

C = Day-to-day money.

C1 = Commercial paper rate in New York City.

D = Call money rate in Bombay quoted by larger scheduled banks.

Sources: Monthly Bulletin of Statistics of the United Nations; Federal Reserve Bulletin.

The Treasury bill rates in Canada, Australia, the Union of South Africa and Italy remained unaltered during the year at 0.41, 1.00, 0.63 and 3.75 per cent respectively. In the United Kingdom the rate for 3 months Treasury bills remained generally stable at 0.51 per cent, rising slightly to 0.52 per cent in December.

The rate for commercial bills in Switzerland which had steadied at 1.38 per cent from October 1947 firmed up to 1.50 per cent in January 1948 and further to 1.62 per cent in July, and continued at that level for the rest of the year.

It will thus be seen that while in some countries, particularly the Commonwealth group, money rates have shown little change in 1948 and in fact since the end of the war, in other countries the rates were higher than in 1947 or 1946.

## 5. CENTRAL BANKING

*Central Banks Recently Established.*—The Central Bank of the Philippines was established in June 1948 as a Government-owned institution with a capital of 10 million pesos. Its objectives are (a) to maintain monetary stability within the Philippines, (b) to preserve the international value of the peso and its convertibility into other freely convertible currencies, and (c) to promote a rising level of production, employment and real income in the Philippines. The management of the Bank is vested in a Monetary Board consisting of seven members including three ex-officio members, namely, the Secretary of Finance, who will preside at the meetings of the Board, the President of the Philippine National Bank and the Chairman of the Board of Governors of the Rehabilitation Finance Corporation; the other four members including the Governor are to be appointed by the President of the Republic. At the same time a flexible currency system, with no prescribed minimum reserves, has been introduced in place of the rigid 100 per cent reserve system which had been in operation since the commencement of this century. The Bank has the sole right to issue currency, and powers to control the volume of bank credit through adjustments of reserve requirements of the banking system as well as through selective controls. The constitution of the Bank is so devised as to secure effective integration of the Bank's policies with the financial and economic policies of the Government.

Patterned generally on the Reserve Bank of India, the State Bank of Pakistan with its head office at Karachi, commenced operations on 1st July 1948. Of the Bank's capital of Rs. 3 crores, 51 per cent is subscribed by the Government and the balance by the public; the Government has also provided a sum of Rs. 3 crores in securities towards the reserve fund of the Bank. The Bank's objectives in terms of the State Bank of Pakistan Order 1948, are to secure monetary stability in Pakistan and generally to operate the currency and credit system to the country's advantage. The Bank will function as a bankers' bank and as banker to the Central and Provincial Governments and local authorities in Pakistan. The general superintendence and direction of the Bank's affairs is entrusted to a Central Board of Directors consisting of the Governor, Deputy Governors, if any, and eight directors, five to be nominated by the Pakistan Government and three elected by the shareholders. Provision is also made for an advisory local board in each of the three areas specified in the Order.

A bank of issue and clearing in each of the five Länder of the Soviet Zone of Germany was established in 1946, and towards the end of May 1948 a German Issue and Clearing Bank (*Deutsche Emission und Girobank*) was set up as a central banking agency for the whole of the Soviet Zone. Towards the end of July the same year this was transformed into the German Bank of Issue (*Deutsche*

*Notenbank*). The Bank has a capital of DM. 100 million, of which DM. 55 million have been subscribed by the Finance and certain other departments of the German Economic Commission, which is under the control of the Soviet Military Government, and the balance by the five banks of issue and clearing of the Laender. It is expressly stated that the Bank shall actively assist national economic planning by means of a suitable currency and credit policy, promote capital formation, and direct funds according to economic needs. The Bank has the sole right to issue currency; it has supervisory functions over the Laender banks and acts as a clearing centre for affiliated central financial and credit institutions as well as between these institutions and the clearing institutions in the other zones of occupation of Germany and in foreign countries. The management of the Bank is entrusted to a Board of Directors and a Board of Managers, the former being responsible for policy and general supervision, and the latter for the execution of policy and the day-to-day management. The Board of Directors consists of 17 members, including 8 heads of Government departments, with the Head of the Department of Finance as Chairman. The Board of Managers comprises five members, namely the President and Vice-President of the Bank appointed by the German Economic Commission and three other members appointed by the Board of Directors.

Under an Act passed by the Government of Cuba on 30th December, 1948 a Central Bank (*Banco Nacional de Cuba*) was established to take over the function of note issue so far exercised by the Treasury and to co-ordinate the monetary and credit policies of the country. The Act makes the Cuban peso the only legal currency in the country, though for a period of one year (which may be extended for an additional year) the U.S. dollar will continue to have legal tender status. The exchange value of the Cuban peso has been fixed at par with the U.S. dollar. The capital of the Bank of 5 million pesos has been subscribed partly by the Government and partly by the commercial banks, the share of the Government being larger. The management is entrusted to a Board of five directors, three of whom including the President of the National Bank are to be appointed by the President of the Republic and the other two by the commercial banks.

The Rumanian National Bank was reorganised towards the end of 1948 under the name of "The Bank of the Rumanian People's Republic, State Bank." The new Bank has a capital of Lei 2 milliard and its President has the status of a minister at the Ministry of Finance. It will also control all the enterprises to which it grants credit facilities.

*Nationalisation.*—In July 1948 the capital of the National Bank of Belgium was doubled by law, the new shares being allotted to the State in registered and non-transferable form. The regulations against block voting have been waived in favour of the State; this gives the Government the controlling interest in the Bank. The preamble to the Act, however, states that the Government should exercise its prerogatives in such a manner as to safeguard the independence and liberty of action of the National Bank of Belgium.

The Central Bank of the Netherlands was nationalised on 1st August, 1948. The State took over all the privately held shares amounting to Fl.20 million and compensated the shareholders by issuing 2½ per cent Stock for twice the nominal amount of these shares.

The Reserve Bank of India was transferred to Government ownership with effect from 1st January, 1949; a detailed reference to this is made in para 95.

## 6. COMMERCIAL BANKING

Table 5 gives the amount of commercial bank deposits and loans and advances as at the end of 1947 and 1948 in some selected countries.

TABLE 5.—DEPOSITS AND LOANS OF COMMERCIAL BANKS

	End of 1947			End of 1948		
	Deposits	Loans and Advances and Bills Discounted	Percentage of (b) to (a)	Deposits	Loans and Advances and Bills Discounted	Percentage of (e) to (d)
	(a)	(b)	(c)	(d)	(e)	(f)
United Kingdom £ (1) ..	5,934	2,479*	42	6,200	2,604*	42
Canada \$C (2) ..	7,406	2,394	32	8,002	2,567	32
Australia £A (3) ..	669	336	50	780	372	47
Union of South Africa						
£SA (4) ..	394	117	30	379	156	41
New Zealand £NZ (5) ..	168	87	52	181	80	44
United States of America \$ (6) 120,523†		37,583	31	116,727††	39,372†	34
Indian Union Rs. (7) ..	9,651	4,050	42	9,032	4,421	46
Pakistan Rs. (7) ..	1,073	386	36	1,065	410	39

(1) London Clearing Banks. (2) Chartered Banks. (3) Nine Trading Banks. (4) Commercial Banks. (5) Trading Banks. (6) Insured Commercial Banks. (7) Scheduled Banks.

\* Includes money at call and short notice, bills discounted and advances to customers and other accounts. † End of June 1948. †† Adjusted demand and time deposits.

In 1948 the deposits of commercial banks continued to increase in the U.K., Canada, Australia and New Zealand, while in the U.S.A., the Indian Union, the Union of South Africa and Pakistan there was a noticeable reversal of the wartime and post-war upward trends. Except in New Zealand, loans and advances continued to rise in all the countries mentioned above, indicating the increasing resumption of bank lending to trade and industry. This along with the decline in deposits accounts for the increase in the ratio of loans and advances to deposits in the U.S.A., the Indian Union, the Union of South Africa and Pakistan. In the U.K. and Canada the increase in loans and advances went hand in hand with a rise in deposits. In New Zealand loans and advances declined absolutely and as a percentage of deposits, while in Australia loans and advances increased less than proportionately to deposits.

Graph 2 shows the trend of deposits and of loans and advances and bills discounted as well as the ratio of the latter to the former in six selected countries.

*United States of America.*—The position of Insured Commercial Banks as at the end of June and December 1947 and June 1948 is given below.

TABLE 6.—ALL INSURED COMMERCIAL BANKS IN THE UNITED STATES OF AMERICA

	(In millions of dollars)		
	End of June 1947	End of December 1947	End of June 1948
Demand Deposits† :			
U.S. Government ..	1,247	1,325	2,052
Others ..	97,862	105,589	98,424
Time Deposits† ..	34,550	34,937	35,468
Reserve Balances ..	16,039	17,796	17,355
Loans ..	33,250	37,583	36,372
U.S. Government obligations ..	69,136	67,941	63,490

† Unadjusted.

Deposits other than those of the U.S. Government increased sharply in the latter half of 1947 but fell again in the first half of 1948, the level in June 1948 being nearly \$1.5 billion higher than that in June the previous year. The decline in deposits in the first half of 1948 is attributable to the Treasury cash surplus which drained substantial funds from private accounts. Loans of the Insured Commercial Banks increased by over \$6 billion during the year to June 1948, as a result of inventory accumulation, increased outlays on plant and equipment, higher working capital and increased consumer credit. There was a fall in the banks' holdings of Government securities of about an equal amount reflecting partly the liquidation of securities because of increased reserve requirements for Member Banks which became effective in February and June 1948.

*United Kingdom.*—The following table shows the position of the London Clearing Banks as at the end of 1947 and 1948.

		(In millions of pound sterling)	
		End of 1947	End of 1948
Deposits .. .. .		5,934	6,200
Cash .. .. .		502	501
Call Money .. .. .		480	485
Bills Discounted .. .. .		793	741
Treasury Deposit Receipts .. .. .		1,288	1,397
Investments .. .. .		1,483	1,478
Advances .. .. .		1,206	1,378

The deposits of these banks show an increase of £266 million during 1948 as compared with £249 million in 1947. This rise in deposits took place in spite of a policy of disinflation, and is partly explained by the substantial amounts released by the Treasury in connection with the repayment of the 3 per cent Conversion Loan, 1948-53 and the purchase of Argentine Rails. Advances rose by £172 million in 1948 as against £226 million in the previous year, while Treasury Deposit Receipts and investments increased by £104 million as against a fall of £216 million in 1947. The extension of bank credit to the Government in 1948 was thus on a larger scale than in 1947.

*Reorganisation and Control of Commercial Banking.*—The post-war regulation of commercial banking, which in some countries has gone as far as complete nationalisation, has for its main purpose either the restriction of credit in order to reduce inflationary pressures or the direction of credit along the lines and in the measure indicated by development schemes or full-scale economic planning.

On 27th February, 1948 the Federal Reserve Board increased reserve requirements against demand deposits of Central Reserve City Banks from 20 to 22 per cent. They were raised again to 24 per cent on 11th June. In spite of these increases excess balances of member banks continued to be fairly high. In September, therefore, the Board further raised reserve requirements against demand deposits to 26 per cent for the Central Reserve City Banks and 22 and 16 per cent for Reserve City Banks and Country Banks respectively. Reserves against time deposits were raised to 7½ per cent for all the three classes of member banks. At the same time the Board reissued the regulation on consumer instalment credit which had been allowed to lapse in November 1947; the new regulation, though milder than its predecessor, covered most consumer goods and prescribed minimum down-payments and maximum maturity for credits up to \$5,000. Further, in the middle of August the Federal Reserve Bank of New York raised its rate for discounts and advances against Government obligations to 1½ per cent from 1¼ per cent, to which level it had been raised from 1 per cent in January 1948.

GRAPH 2

# DEPOSITS AND LOANS OF COMMERCIAL BANKS

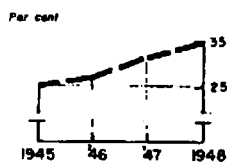
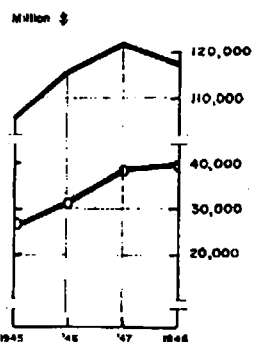
Deposits

Loans and Advances and Bills Discounted

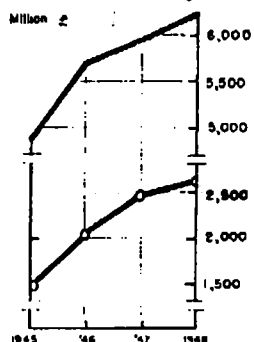
Loans and Advances and Bills Discounted as percentage of Deposits



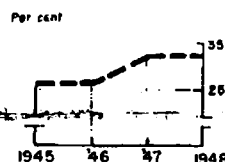
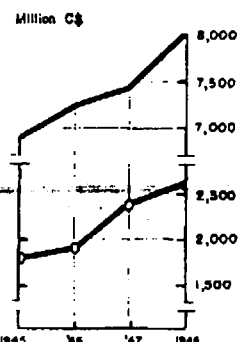
## United States of America



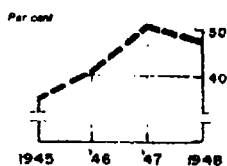
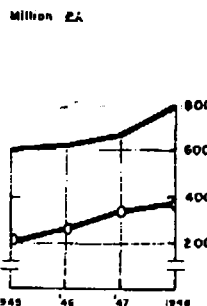
## United Kingdom



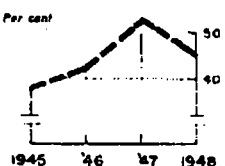
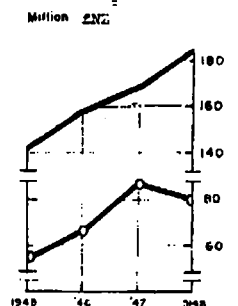
## Canada



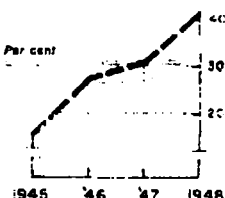
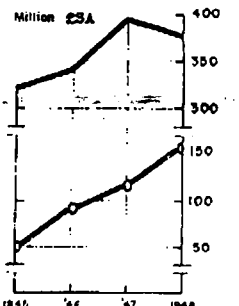
## Australia



## New Zealand



## Union of South Africa





Legislation introduced in the Mexican Senate towards the end of January 1949 provides for a larger proportion of investments of private banks in long-term Government loans and industrial securities. Credit facilities for developmental purposes have been liberalised by extending the currency, fixed by law, of loans for commercial and agricultural purposes and by permitting larger percentages of assets in long-term credit for various classes of banks.

The same law which provided for the establishment of the National Bank of Cuba (*vide* para 5) also dealt with the reorganisation of commercial banks with a view to bringing them under closer supervision of the Central Bank as well as co-ordinating the functions of the banking system as a whole. New regulations have, therefore, been adopted in regard to the organisation, management, minimum capital, reserve requirements, and borrowing and lending operations of the private banks.

By a Decree of 22nd June, 1948 of the Costa Rican Government, all private banking institutions in the country were nationalised, credit and banking institutions being considered public utilities to be controlled by the Government.

The Czechoslovak banking system was reorganised under the Act of 20th July, 1948. Banking institutions are now classified under two broad categories, namely, national corporations (banks) and people's co-operatives (people's banking institutions). The former comprise nationalised commercial banks, the Post Office Savings Bank and the Investment Bank. Though the property of the State, the national corporations are technically independent corporate bodies, functioning on business principles. A bank under this category has a Board of seven directors, the majority of whom are nominated by the Minister of Finance, who also appoints a manager of the bank on the recommendation of the Board of Directors. The manager is subject to the control of a supervisory board, which is in effect a committee of the Board of Directors nominated by the Minister of Finance. As regards people's co-operatives, their main purpose is to encourage savings and accept deposits. The Minister of Finance has complete control over them. The credit activity of the people's co-operative is in principle limited to the area of its operations, there being only one such institution in any town. These co-operatives extend small credits in accordance with the approved financial plans drawn up by the Minister of Finance.

In Poland most of the banks whose operations were spread over the territory of a county or more were converted into State banks, with the exception of the Bank of Foreign Trade which continues to be a joint stock company. The six specialised banks established were the Investment Bank and the Agricultural Bank for the financing and control of investment, the Bank of Handicrafts and Trade for financing private industry, the Popular Savings Bank which replaces the present Postal Savings Bank, the Bank of Foreign Trade and the Municipal Bank.

The National Bank of Hungary has been entrusted, under the laws issued in April and November 1948, with the supervision of the nationalised sector of the economy. There is a growing tendency to bring non-nationalised enterprises under the control of the National Bank, which has the power to refuse or to direct the granting of credit in accordance with the requirements of Hungarian economic planning.

The radical changes in the Rumanian banking system referred to in last year's Report led to the amalgamation and nationalisation of Rumanian banks. By a Government Decree of 13th August, 1948 most Rumanian financial institutions were dissolved, the exceptions being the National Bank of Rumania, the

National Society for Industrial Credit, the State Savings Bank, the People's Bank and banking institutions functioning under special agreements between the Rumanian and other Governments. The National Bank of Rumania has taken over the functions of the dissolved banking institutions, which include fifty large banks, and for that purpose has opened 500 new branches.

In the Philippines, the newly constituted Central Bank is empowered to regulate interest rates, to establish ceilings and maximum maturities for bank loans and investments, to prescribe minimum ratios which the capital and reserves of banks must bear to the volume of their assets or to specified categories of assets, and to regulate minimum cash margins for letters of credit according to the nature of the transactions to be financed.

Under the Pakistan Banking Companies Control Act 1948, the State Bank of Pakistan has wide authority to control bank advances either through a general policy directive regarding advances and/or through specific instructions to an individual bank regarding a particular transaction or group of transactions. The banks are required to maintain at all times specified liquid assets amounting to not less than 20 per cent of their total liabilities, as well as at the end of each quarter 75 per cent of their total liabilities in assets in the Provinces of Pakistan. In November 1948 the restrictions on the opening of new branches and the transfer of existing ones, which previously did not apply to foreign banks, have been extended to all banking companies without exception.

In the Indian Union the Banking Companies Act (detailed reference to which is made in para 95) was made effective from 16th March, 1949. The new Act consolidates and amends the existing legislation relating to banks and extends the control of the Reserve Bank to the entire commercial banking system.

*Establishment of Specialised Banks.*—The Rumanian Government is reported to have created by Decree a new bank for investment credit. This bank, although a State-owned corporation, will function on commercial lines and finance investments, both public and private. It will secure its funds from the Ministry of Finance, from loans from other banking institutions, and from repayments of loans previously granted for investment purposes.

Similar institutions for granting long-term credit were reported to have been established in both the Western and Eastern Zones of Germany. The Reconstruction Credit Bank of the Bizone, reported to have been opened in December 1948, is to make long-term credit available for reconstruction purposes, the present need for which has arisen since the currency reform in the middle of 1948. The Bank is to issue an internal public loan to secure the necessary funds; its sphere of activity will be confined to the territory of the Bizone. A German Investment Bank for the Eastern Zone is reported to have been set up by the Soviet Military Administration with a capital of DM. 200 million, subscribed in part by the Central Departments of the German Economic Commission of the Soviet Zone and in part by the Laender Governments. The funds at the disposal of the Bank include its capital, special funds made available by the German Economic Commission and the Laender Governments, long-term deposits and the proceeds of an issue of 4 per cent bonds. As from 15th October, 1948, other banks in the Soviet Zone have been prohibited from granting large credits.

In Czechoslovakia the new Investment Bank for the purpose of financing and controlling investments commenced its operations on 1st October, 1948. It will derive its funds from deposits or by drawing on the Post Office Savings deposits or by issuing its own bonds. It will also administer the National Economy Fund.

With a view to assisting industrial development in Egypt, the Egyptian Government has decided in favour of establishing an industrial bank for extending

short, medium and long-term credit. The Bank is to have a capital of £E1.5 million, 51 per cent of which will be subscribed by the Government, 30 per cent by banks and other legal entities, and the remainder by private individuals.

## 7. GILT-EDGED AND INDUSTRIAL SHARE MARKETS

*Gilt-edged Markets.*—As compared with the situation during 1947, gilt-edged markets ruled generally steady in most of the leading countries in 1948, although there was an upward pressure on interest rates. There was a general feeling on the part of the authorities in most countries that the maintenance of cheap money policy by artificial devices would create difficulties. On the other hand, there was also a desire not to reverse the policy suddenly. The policy of allowing interest rates to find their own levels was not practicable; it was necessary to work out a compromise between, allowing on the one hand, the rates to rise and, on the other, strengthening inflationary pressures through artificially low rates. The general upward pressure on interest rates was the result of increased demand for funds for replacement and expansion of plant and machinery, and for meeting deferred consumption, the volume of private saving and income being inadequate for these purposes. Hardly any of the Governments of major countries resorted to the market for net fresh borrowing, their operations being generally confined to refunding transactions. This circumstance gave some strength to the gilt-edged market. In the United Kingdom the attempt to establish a 2½ per cent rate had to be given up and was followed by the issue of stocks bearing interest at 3 per cent. In the United States short-term rates were raised partly as an anti-inflationary measure, the long-term rate, however, being maintained at the previous level.

The United Kingdom gilt-edged market ruled generally firm except during the early part of the year when it showed a bearish trend owing to such factors as the uncertain international situation and the announcement of a special levy in April. The issue of the 3 per cent British Transport Stock, 1978-88, on 1st January, 1948, and the 3 per cent British Electricity Stock, 1968-78, in April, both at par, constituted official recognition of the hardening of interest rates, the new rate being in harmony with the then prevailing pattern of yields. These issues caused a slight set-back to the market as the supply of gilt-edged securities increased sizably, but from the second quarter of the year onwards, the Government securities market ruled rather firm on support forthcoming partly from the re-investment of Argentine Rail money as well as the repayment of the £300 million 3 per cent Conversion Loan, 1948-53. Institutional investment demand, it was reported, came partly from the increased reserves of many industrial concerns arising out of voluntary dividend limitation. After the successful issue of the 3 per cent British Electricity Stock, 1974-77 for £100 million on 21st October, 1948, the gilt-edged went further ahead till December to finish only slightly lower than the peak levels reached in November, the improvement being more pronounced in the medium and longer dateds with gains ranging from £0-11-3 to £2-8-9 as compared with the previous year's closing prices. The monthly average price of 2½ per cent Consols declined from about £83 in December 1947 to about £76 in April 1948, but rose subsequently to close at £79½ in December 1948.

In the U.S.A., as in the previous year, the efforts of the authorities were directed towards discouraging the monetisation of the public debt. To secure this end, short-term rates were allowed to rise further during the year, the yield on long-dated securities, however, being held generally stable. Following the lowering of support prices by the Federal Reserve Board towards the end of 1947, referred to in last year's Report, there was for a time uncertainty and confusion but soon the market steadied up, there being even some rise in prices till mid-year,

partly owing to a further rise in short-term rates not materialising and partly to the accumulation of investible funds. But the third quarter of the year witnessed a decline in prices, owing to the increased reserve requirements from Member Banks as well as a further rise in short-term rates, the rate on one-year certificates being raised from  $1\frac{1}{4}$  per cent to  $1\frac{1}{2}$  per cent on 9th August, 1948 and the discount rate of the Federal Reserve Banks from  $1\frac{1}{4}$  per cent to  $1\frac{1}{2}$  per cent. To meet the increased reserve requirements banks had to resort, to some extent, to sales of Government securities. There were also fears in some quarters that Federal Reserve support levels for long-term securities might be removed or lowered further. The continued heavy demand for funds and the higher yields that could be obtained on loans and mortgages led to institutional selling of gilt-edgeds, especially by insurance companies. From November the market once again became steady with even some rise in prices in almost all the issues, the strength of the market being attributed to a combination of factors such as the gradually subsiding inflationary pressure in the economy and weakening demand for credit. There was also a marked falling off in sales of securities by insurance companies and other institutional investors, and indications that there would be no further rise in short-term rates further strengthened the market. At the close of the year the market was firm.

In Canada and Australia the gilt-edged markets displayed generally steady conditions. In the former, the market was considerably weak during January and February, following the lowering of support prices by the Bank of Canada as an anti-inflationary measure, the yield obtainable on the longest term Victory Loan Bonds increasing from 2.60 per cent at the beginning of January to about 2.98 per cent at the end of February. The undertone became subsequently steady, and towards the end of the year prices of the longer term issues strengthened moderately, the 3 per cent Victory Loan, 1966 selling on a yield basis of 2.93 per cent on 31st December, 1948. The Australian gilt-edged market did not record any outstanding developments during 1948. Periodical rumours that the bond rate would be reduced to 3 per cent caused some minor fluctuations in prices but the long-term rate remained unchanged at  $3\frac{1}{4}$  per cent, two cash-cum-conversion loans having been successfully floated during the year.

The gilt-edged markets in other countries such as Belgium, France, Italy, and New Zealand remained generally steady.

*Industrial Share Markets.*—Trends in industrial share markets were influenced by such factors as changes in the international political situation, the growing Communist pressure, the anti-inflationary measures contemplated by Governments and fears regarding the possibilities of a business recession setting in. However, on the whole, the year 1948 was one of comparative stability. Table 7 shows the index numbers of market values of industrial shares in different countries (*vide* Graph 3). Stock markets in Canada, Chile, Denmark, France, Mexico, Norway and New Zealand ruled generally steady. In Belgium the market was firm in the first quarter after which there developed a sharp recession in prices, while in Finland and Sweden a gradual decline was noticeable during the year. In Australia share prices remained generally steady during the year, except for a brief period of decline in the earlier part of the year, owing to the break in commodity prices in the U.S.A.

During 1948, equity prices in the U.S.A. fluctuated rather irregularly owing to changing and at times conflicting views on the probability of an early business recession. The market was weak during the first quarter, it was reported, owing, among other things, to the devaluation of the franc and the fear that some more Western European countries might follow suit, in which case American exports might diminish considerably. The break in farm prices early in February was interpreted as an indication that the post-war boom had passed its crest. But

GRAPH 3

INDEX NUMBERS OF MARKET VALUE  
OF INDUSTRIAL SHARES

Base: — 1937=100

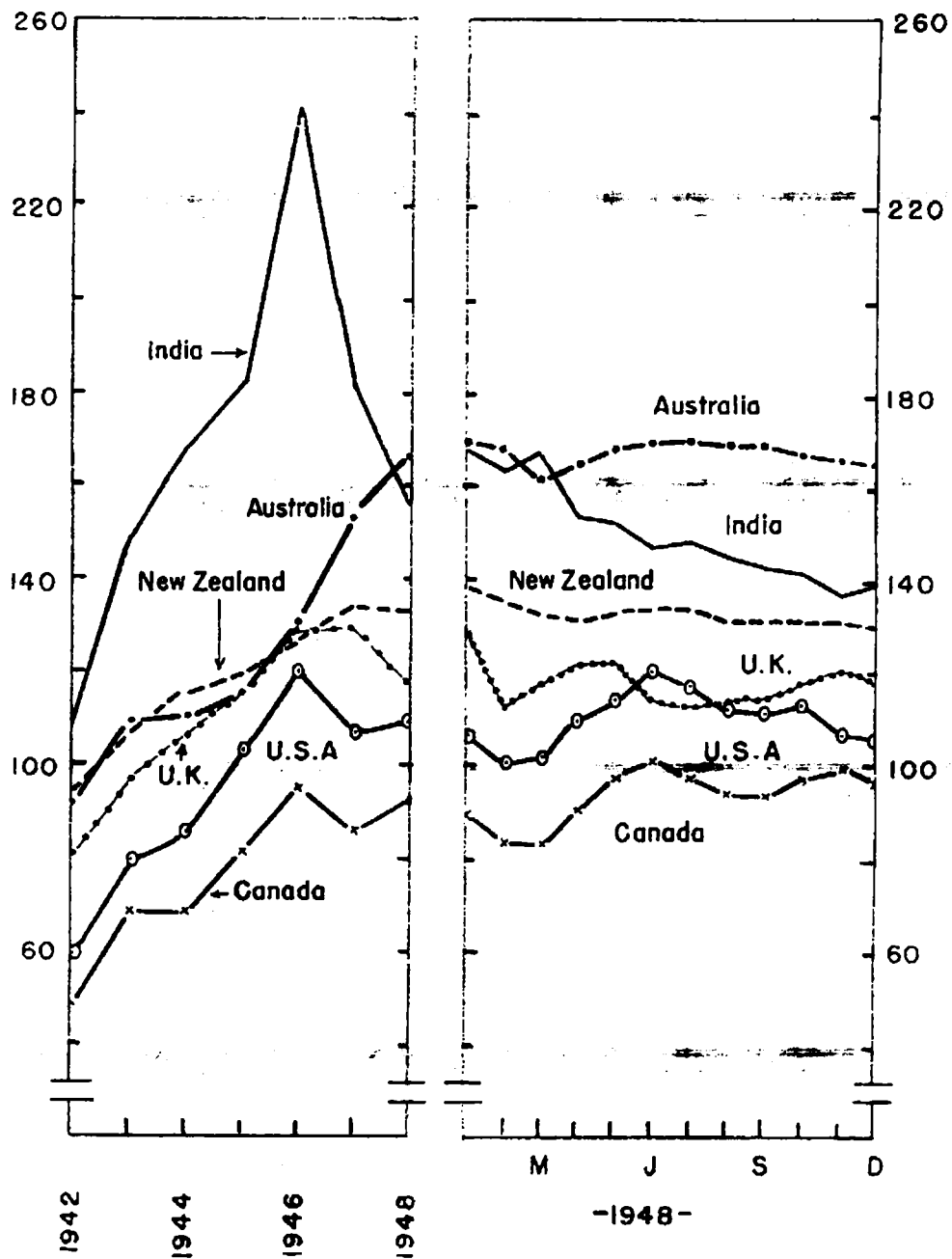


TABLE 7.—INDEX NUMBERS OF MARKET VALUES OF INDUSTRIAL SHARES

(Base: 1937=100)

Country	1942 1943 1944 1945 1946 1947 1948										1948											
											Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Australia .. ..	93	111	112	116	132	155	168	170	169	163	165	169	171	171	170	167*	167	167	166	166	166	166
Belgium (1) .. .					208	187	152	149	170	174	162	159	151	148	142	140	146	140	140	137	137	137
Canada .. .. .	53	69	69	82	96	87	94	90	84	84	91	98	101	98	95	95	98	100	93	93	93	93
Chile .. .. .	88	86	80	81	90	92	90	82	85	87	83	86	80	78	76	76	74	74	74	79	79	79
Denmark (2) .. .	125	136	145	130	132	133	133	134	134	132	132	133	133	135	138	136	133	131	124	124	124	124
Finland .. .. .	196	188	181	346	301	247	203	271	242	201	206	202	211	209	196	186	174	171	166	166	166	166
France (3) .. .	633	605	625	694	897	1,122	1,172	1,178	1,127	1,141	1,124	1,070	1,037	1,166	1,159	1,262	1,334	1,235	1,229	1,229	1,229	1,229
India .. .. .	109	150	169	183	242	183	151	169	164	168	155	153	148	149	146	142	141	138	140	140	140	140
Italy (3) .. .	202	290	609	628	662	2,056																
Mexico .. .. .	208	282	298	314	320	265	251	238	245	247	247	236	234	238	261	260	265	263	268	268	268	268
New Zealand .. .	94	108	116	120	128	135	133	139	136	133	132	133	134	134	132	132	132	132	131	131	131	131
Norway .. .. .	150	150	150	140	134	129	142	138	139	136	137	141	144	143	145	143	145	145	145	145	145	145
Sweden .. .. .	110	110	110	134	142	148	131	138	135	133	135	133	129	133	131	129	126	128	127	127	127	127
Switzerland .. .	128	125	117	121	143	153	145	160	152	144	146	148	147	144	144	144	139	137	139	139	139	139
United Kingdom ..	81	98	107	116	129	131	118	130	113	118	122	122	114	113	114	115	118	120	110	110	110	110
United States of America ..	60	80	86	104	121	108	110	107	101	102	110	116	121	118	113	112	113	107	106	106	106	106

Note:—Annual figures are monthly averages.

(1) Base: 1936-38=100.

(2) Average of highest and lowest rates of month.

(3) Base: December 1938=100.

Source: Monthly Bulletin of Statistics of the United Nations.

\* International Financial Statistics.

during the second quarter, prices rose by about 20 per cent, the favourable influences being the reduction in Federal income tax rates, the increase in Governmental foreign aid and the prospects of higher Federal defence expenditure. Prices, however, receded between June and September owing to the adverse impact of the international situation, further anti-inflationary moves of the monetary authorities, renewed fears of business recession and labour troubles. There was again a fresh advance in October based on an expected Republican victory only to be wiped out soon by the post-election decline arising from fears that the new administration might be less friendly to business. The market continued to remain subdued for the rest of the year.

~~Alternate phases of ups and downs characterised trading in the London~~  
Stock Exchange during the first half of the year under review. The market was hesitant during the first quarter of 1948, owing, among other factors, to voluntary dividend limitation. A sustained rally ensued in April, prompted by the initiation of the ERP and the growing weight of money seeking investment. But in May the sentiment became somewhat depressed on news about the Berlin blockade. Unfavourable reports about the impact of the disinflationary policy on industry had also a sobering effect on the market. In the latter half of the year, there was a gradual and uninterrupted recovery.

*New Capital Issues.*—The issue markets for new corporate securities were active in the United States and the United Kingdom during 1948. The aggregate new capital issues in the United Kingdom, excluding borrowings by the British Government, as compiled by the Midland Bank, amounted to £251.4 million during 1948, as compared with £151.1 million in 1947. The volume of security flotations for new capital, particularly corporate securities, in the U.S.A. this year was about the same as last year, the estimated gross proceeds of actual issues being \$6,509 million for 1948 as against \$6,577 million in 1947 and \$6,900 million in 1946. The shift from equity financing to bond financing which has been observed during the past few years was noticeable in 1948 also. As before, retained earnings constituted the major source of funds for corporations. The capital market in Canada also witnessed active conditions during the year under review, the net new issues of corporation bonds and stocks being \$240 million, as against \$231 million in 1947. However, it was reported that a greater part of the replacement and expansion expenditure of industry was financed out of depreciation allowances and retained earnings, only about one-fifth of the total capital requirements being financed by new security issues.

## 8. BULLION

*Production and Stocks of Gold.*—The Table below gives figures of estimated production of gold in the major producing countries during 1939 and each of the years 1941 to 1948.

TABLE 8.—WORLD GOLD PRODUCTION

Countries	(In thousands of fine ounces)									
	1939	1941	1942	1943	1944	1945	1946	1947	1948	Percentage increase (+) or decrease (—) over 1947
I. British Commonwealth	22,471	24,145	22,468	19,084	17,501	17,225	17,170	16,889	17,686*	+ 5.0
(a) Union of South Africa	12,822	14,408	14,127	12,804	12,280	12,225	11,927	11,200	11,585	+ 3.4
(b) Canada	5,094	5,345	4,841	3,651	2,923	2,607	2,828	3,070	3,500*	+ 14.0
(c) Australia	1,646	1,407	1,154	751	657	657	824	937	885*	— 7.7
(d) New Zealand	179	175	166	140	142	128	110	110*	100*	— 9.1
(e) India	317	286	252	137	137	148	132	172	180*	+ 4.6
II. United States of America	4,621	4,822	3,583	1,381	1,022	915	1,482	2,321	2,099	— 9.6
III. All Countries†	30,088	30,347*	26,427*	20,470*	18,770*	18,067*	19,335*	23,700*	24,200*	+ 2.1
British Commonwealth : percentage	57.6	61.4	65.3	72.1	73.6	74.7	73.6	71.1	73.1	+ 2.8
Union of South Africa : percentage	32.8	36.6	41.0	48.4	51.7	53.0	51.1	47.3	47.9	+ 1.3

\* Provisional.

† Includes tentative figures of Russian production.

As the Table shows, the recovery in gold production noticed since 1946 became more pronounced during 1948, the total estimated world output showing an increase of 0.5 million ounces from 23.7\* million ounces in 1947 to 24.2\* million ounces—a rise of 2.1 per cent. Two of the major producing countries, viz., Canada and the Union of South Africa, showed a rise of 0.4 million ounces each, while the others including the United States, Australia and New Zealand showed a decline. Of the estimated world production, the British Commonwealth's share advanced from 71.1 per cent in 1947 to 73.1 per cent in 1948.

In last year's Report, mention was made of the general tendency for an increase in mining costs and of the action taken by some of the producing countries to grant relief to the industry either through subsidies as in Canada or through the suspension of the gold tax as in Australia. During the period under review, further efforts were made in the same direction. Thus, in March 1948, the Australian Government had proposed to grant temporary assistance to certain gold mines in the desert areas in Western Australia, which were threatened with abandonment. The proposal in terms of which aid was to be determined for each gold mine individually according to its costs, ore reserves, values and dependent population, was referred to the International Monetary Fund which held on 12th March, 1948 that the measure did not violate the Fund's policy regarding gold subsidies enunciated on 11th December, 1947.† According to the Australian Economic Survey dated 10th December, 1948, the Federal Government decided to grant subsidies to four marginal mines to cover legitimate costs and also to provide for a dividend of 4 per cent on paid-up capital. In Southern Rhodesia, a measure granting a general subsidy of £1-7-6 per ounce (in addition to a subsidy limited to £2 per ounce to certain marginal mines) was introduced in May, 1948, to be effective up to March 1949. This was considered inconsistent with the Fund's Policy Statement, and, following discussions between the Fund and the United Kingdom Government (which had signed the Fund Agreement on behalf of the Rhodesian Government), the latter informed the Fund early in October 1948 of the Rhodesian Government's undertaking to modify at the next session of the Southern Rhodesian Parliament their present legislation‡ so as to make it conform to the Fund's policy. In New Zealand, the budget for 1948-49 provided for the removal of the existing gold duty of 12s. 6d. per ounce. It also contained a provision for the purchase by the Reserve Bank of all gold produced in the country at a price based on the ruling price for gold in London, and, in pursuance of this provision, the Government issued a notification on 19th August, calling upon gold producers to sell to the Reserve Bank their entire production.

To meet rising mining costs, the Union of South Africa entered into a deal with a London firm early in February 1949, for the sale of 1,00,000 ounces of semi-processed gold at a price above the official parity. Under Article IV, Section 4 (a) of the Fund Agreement (*vide* para 14 of the Report for 1947-48), the Fund took up the question, and, having satisfied itself that adequate safeguards had not been provided by the Union of South Africa Government to prevent the sales finding their way into private hoards, issued a *communiqué* on 25th February, 1949, signifying its disapproval§ of the transaction and advising the Union Government that future sales, if any, be first referred to it. Earlier, the Fund had reviewed

\* Provisional

† Briefly, according to this Statement, any subsidy on gold production, regardless of its form, is inconsistent with Article IV, Section 4 (a) of the Fund Agreement, if it undermines or threatens to undermine exchange stability.

‡ An amended gold subsidy scheme, as approved by the International Monetary Fund, has since been introduced in the Parliament on 19th May, 1949.

§ In May 1949, the Union of South Africa Government agreed to impose certain safeguards so as to secure that the semi-fabricated gold is sold only to manufacturers for genuine manufacturing purposes, and that the importer of gold has the prior permission of the authorities of his own country to make the purchase for this purpose.



TABLE 9.—VALUE OF MONETARY STOCKS OF GOLD IN CERTAIN COUNTRIES

(In millions of dollars)

				End of										
				1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948
United States of America	..	..		14,592	17,800	22,043	22,761	22,738	21,981	20,631	20,083	20,706	22,868	24,393
United Kingdom :														
Bank of England	..	..		2,690*	1,162†	1	1*	1	1	1	1	1	1	1
Exchange Equalisation Account														
Gold	..	..		759*	876†	292	151*	..	..	..	..	..	..	..
Gold and U.S. \$	..	..		..	..	..	..	..	..	2,354	2,341	2,587	2,035	1,828‡
France	..	..		2,430	2,709	2,000	2,000	2,000	2,000	1,776	1,090	796	548	548
Switzerland	..	..		701	549	502	665	824	965	1,159	1,342	1,430	1,356	1,387
India	..	..		274	274	274	274	274	274	274	274	274	274	256
Union of South Africa	..	..		220	245	357	366	634	706	808	914	939	762	183
Argentina	..	..		..	473	416	497	614	838	992	1,197	1,072	322	142
Belgium	....	..		773	731	751	751	748	748	749	733	735	594	624
Brazil	..	..		32	40	51	70	115	254	329	354	354	354	317
Mexico	..	..		29	28	46	46	37	203	221	294	181	101	45†
Netherlands	..	..		998	689	599	523	435	393	375	270	265	232	167
Rumania	..	..		134	152	158	182	203	260	267	269	267	216	217††
Sweden	..	..		321	308	160	223	335	387	463	482	381	105	81
Turkey	..	..		29	29	88	92	114	161	221	241	237	170	162

Note.—Figures based on rate of \$35 an ounce.

\* 30th September.

† 31st August.

†† 30th June.

‡ Provisional.

Source : International Financial Statistics.

the Gold Certificate System adopted by Colombia and Peru (under which domestic producers delivering gold to the Central Bank received transferable certificates, which might be sold for an amount of local currency which would give a premium above the parity price of \$35 per fine ounce) and decided to take up the matter with these countries later when the question of the eventual removal of multiple currency practices would come up for discussions.

Table 9 shows the changes in the monetary stocks of gold with the Central Banks and Governments of certain countries. In the United States the upward trend in gold stocks noticed since the end of the war continued during 1948, the total stocks rising by \$1,530 million to a record level of \$24,398 million at the end of December 1948 as compared with the previous peak of \$22,868 million reached in 1947. The pace of increase, however, slowed down, particularly in the latter half of the year, owing mainly to the growing volume of U.S. aid under the European Recovery Programme and to the successful efforts of a number of countries in cutting down their purchases of U.S. goods. Gold holdings of Belgium and Switzerland also showed small increases during the year.

Among countries whose gold stocks declined, the most notable was the Union of South Africa, whose holdings recorded in 1948 a net decline of \$579 million from \$762 million to \$183 million. This was attributed mainly to the deterioration in the country's balance of payments position, arising from unfavourable terms of trade with other countries and heavy imports of capital goods, especially for expansion and development of the gold mining industry. In line with the action taken in January 1948 to check re-export, against payment in sterling, of goods which the country had paid for in gold, the Union Government adopted a restrictive import policy in February and March 1949 so as to check further depletion of the country's gold reserves.

The Argentine Government holdings of gold also fell sharply during the year and, with a view to meeting the situation, that Government was reported to have issued an Order in November 1948 calling for a declaration of all gold holdings above 100 grammes excepting manufactured gold; the Order also sought to bring gold transactions within the purview of anti-speculation laws so as to make it penal for any person to deal in gold at prices above those fixed by the Central Bank. Other countries showing declines in gold stocks included Brazil, the Netherlands and Sweden.

*Industrial and Monetary Demand.*—The following Table gives the figures from 1941 onwards of the estimated net consumption of gold in industrial arts, the net private absorption of gold by India and other Middle and Far Eastern countries and the quantity available for monetary use.

TABLE 10. GOLD CONSUMPTION AND DISTRIBUTION

	1941	1942	1943	1944	1945	1946	1947	1948
	(In millions of fine ounces)							
Estimated net consumption in Industrial Arts	2.0	2.7	4.4	5.4	6.3	7.8	8.3	9.0
Net private absorption by India, China, Hongkong and the Middle East	-0.1	0.9	1.6	2.2	2.3	1.6	1.7	2.7
Resulting non-monetary absorption	1.9	3.6	6.0	7.6	8.6	9.4	10.0	11.7
Gold production	39.8	34.4	26.5	23.8	23.1	23.3	23.7	24.2
Balance available for monetary use	37.4	30.8	20.5	16.2	14.5	13.9	13.7	12.5
Resulting world stock of monetary gold at end of year	973.8	1,004.6	1,025.1	1,041.3	1,055.8	1,069.7	1,083.4	1,095.9

Source: Union Corporation Limited, Annual Report for 1948.

The world's industrial demand for gold showed a further expansion during 1948, the total being estimated higher at 9 million fine ounces, representing an increase of 8.4 per cent over 1947. Private net absorption by the Middle and Far Eastern countries increased by about one million ounces to 2.7 million ounces. The balance available for monetary use during 1948 was thus lower at 12.5 million ounces as against 13.7 million ounces in 1947.

*Price Trends.*—The United States Treasury price of gold remained unchanged at \$35 per fine ounce. The London Treasury price of gold also continued unchanged at £8-12-3. In the United Kingdom, sales of processed gold under the Government export scheme, which had been introduced at the end of 1945, were almost wholly stopped early in the year, and since then it has been the policy of the licensing authorities to grant export licences on a very restricted scale. As a result of restrictions in the U.K. and the United States, in conformity with the International Monetary Fund's directive of 18th June, 1947 to discourage sales of gold at premium prices, the bulk of the world's gold business is reported to have flowed through other centres where the regulations were less rigid.

Mention was made in the last year's Report of the re-establishment by some of the continental countries, e.g., France and Italy, of internal free trading in gold. During 1948-49 some other countries also established such free markets. For example, the Government of French Morocco adopted legislation in September 1948, removing restrictions on transactions in gold coin and bullion. In the same month, the Finnish Government also issued a Decree, permitting internal free trading in gold and silver. Proposals were reported to be under way for the establishment of internal free markets in Tunis and Algiers.

*Production and Stocks of Silver.*—The following Table gives figures of estimated production of silver in the major producing countries during the years 1939 and 1941-48.

TABLE 11. WORLD SILVER PRODUCTION

Countries	(In millions of fine ounces)									
	1939	1941	1943	1943	1944	1945	1946	1947	1948	Percentage increase (+) or decrease (-) over 1947
United States of America	57.8	69.1	54.5	41.5	34.9	28.2	21.7	36.1	37.0	+ 2.5
Mexico	81.5	78.4	80.7	71.2	63.0	61.1	48.3	49.2	46.0	- 6.5
Canada	24.2	22.0	22.0	18.2	14.7	13.9	13.7	18.5	16.0	- 18.5
Other Central and South American Countries	30.0	32.4	18.0*	15.1*	25.8	30.5	27.1	23.0	22.0	- 4.3
Total	284.2	281.9	173.2	146.0	138.4	133.7	119.8	121.8	121.0	- 0.7
India†	0.023	0.023	0.020	0.019	0.014	0.014	0.010	0.012	0.015‡	+ 25.0

\* Figures for Peru only. † Exclusive of Burma figures. ‡ Provisional. § Revised.

The recovery noticed in world silver production during 1947 seemed to have spent its force in 1948, the total estimated output of the Western Hemisphere showing a nominal decline of 0.8 million ounces from 121.8 million ounces to 121.0 million ounces. The decline was made up of small increases in the output of Canada and the United States of 2.5 million ounces and 0.9 million ounces respectively, which were more than offset by declines in the rest of the Hemisphere.

As regards the U.S. Treasury stocks of silver, the rising tendency noticed in these from 1946, after three years of successive decline, continued during 1948, the total held, including coins in circulation, showing a further increase of 37 million ounces from 2,746 million to 2,783 million ounces. The increase was due principally to the purchase under the Act of 31st July, 1946 of domestic silver at 90½ cents per fine ounce. Under the same Act, a small quantity of a little over 1,000 ounces from the Treasury's stocks was disposed of during 1948 at 91 cents per fine ounce.

The total of lend-lease silver outstanding as on 31st December, 1948 remained virtually unchanged at 410.6 million ounces, there having been no return against lend-lease in the absence so far of a declaration by the President of the United States regarding the official termination of the emergency.

*Industrial and Monetary Demand.*—The following Table gives the quantity of silver consumed in arts and industry in some principal countries from 1944 to 1948.

	(In millions of ounces)					Percentage increase (+) or decrease (—) over 1947
	1944	1945	1946	1947	1948	
United States of America ..	125.0	140.0	105.0	100.0	110.0	10.0
United Kingdom .. ..	10.0	20.0	15.8	16.3	11.0	15.2
Mexico .. ..	0.5	10.5	5.0	1.0	0.8	20.0
Canada .. ..	5.0	6.0	0.5	3.8	4.5	18.4
<b>Total ..</b>	<b>152.5</b>	<b>176.5</b>	<b>132.3</b>	<b>121.3</b>	<b>129.3</b>	<b>+ 6.6</b>

*Source:* Handy and Harman, Thirty-third Annual Review of the Silver Market.

The down-trend in the world's industrial demand for silver noticed from 1946, appeared to have been reversed during 1948, the total estimated consumption in 1948 rising by 8 million ounces from 121.3 million ounces in 1947 to 129.3 million ounces, as compared with the peak level of 176.5 million ounces in 1945. The increase was accounted for by the United States and Canada, while the United Kingdom and Mexico showed a decline.

As regards the monetary demand for silver, Mexico, under the coinage programme initiated in September 1947, consumed in 1948 as much as 28.4 million ounces as against 18.3 million ounces in 1947, thus bringing the total amount consumed under the programme up to the end of 1948 to 46.7 million ounces as against the originally contemplated limit of 25 million ounces.

Other countries which were reported to have purchased silver for coinage purposes included (1) Turkey which received about 1.24 million ounces of silver being the balance of the order for 2.74 million ounces negotiated in London in December 1947, (2) Cuba which purchased 4 million ounces\* through direct negotiations with the Mexican Government, (3) Saudi Arabia which was reported to have purchased about 3.5 million ounces and (4) Sweden with an estimated purchase of 1 million ounces. China was also reported to be negotiating with the Bank of Mexico for purchase of 16 million ounces of silver for coinage purposes.

The programme of demonetization of silver in general made little progress during 1948. In Britain, it was found necessary to meet temporary shortages by recirculating some silver coins withdrawn earlier.

*Price Trends.*—The post-war isolation of the silver markets of the world continued during 1948, despite signs of a general recovery in world conditions and of an easing of dollar shortage as a result of grants and loans by the United States under the European Recovery Programme. Purchases in New York by foreign

\* This was in addition to 1.4 million ounces purchased from the U. S. A. during the first eleven months of 1948.

buyers were limited by exchange restrictions while foreign sellers willing to accept sterling disposed of considerable quantities in London, being attracted by the higher prices prevailing there. Price movements were also influenced by certain measures affecting silver, adopted by some countries, for example, the decision of the Mexican Government to accelerate its coinage programme and also the imposition by that Government on 26th August of a duty of 15 per cent *ad valorem* on all exports including silver.

The market for foreign silver in the United States evinced an unusual degree of price stability during the year under review. The quotation remained unchanged at the preceding year's closing level of 74½ cents up to the middle of August, when a decline in demand accounted for a sharp drop to 72½ cents on 13th August. But the trend was soon reversed with a revival in demand and this, coupled with the announcement mentioned above, on 26th August by the Mexican Government to have an expanded programme of coinage resulted in a spurt in prices which continued up to 6th October when the year's highest of 77½ cents was reached. The high levels attracted substantial supplies, while there was also a seasonal decline in the industrial demand since the close of October. In the result, the quotation was marked down almost continuously until it touched the year's lowest at 70 cents on 29th November. Thereafter, the market fluctuated within a narrow range, closing on 31st March, 1949 at 71½ cents.

The London silver market continued to function in four distinct categories under essentially the same restrictions as described in the last year's Report, except that the granting of export licences was more strictly controlled in order to direct shipments to those countries making payment in the more desired currencies.

The official price in London was for the most part based mainly on the trends in the New York market. Thus, following the decline in the price in New York on 13th August, the London price for silver—both spot and forward—was lowered, for the first time since November 1947, to 44d. on 16th August, 1948. The rate fluctuated between 44d. and 47d. up to 29th November, declining to 42½d. on 30th November at which level it remained up to 11th February, 1949. The quotation moved up to 43½d. on 16th February and continued to remain at that level for the rest of the year.

## 9. INTERNATIONAL TRADE AND BALANCE OF PAYMENTS

World trade in 1948 recorded an improvement in certain regions but, taken as a whole, there does not appear to have taken place an expansion in its volume as compared to 1947. Faced with large deficits in their hard currency accounts, several countries sought to restrict to the minimum their purchases from the United States and Canada and to shift their demand to areas whose currencies were relatively less scarce. At the same time the desire to avoid large favourable balances in inconvertible currencies led to many bilateral agreements which aimed at balancing trade between pairs of countries rather than at maximising the total turnover. While these policies generally proved effective in meeting the balance of payments difficulties of individual countries and checking the drain on their gold and foreign exchange reserves, their overall effect appears to have been to reduce the volume of international trade. Any increase in its value over 1947 is, therefore, to be attributed largely to the rise in world prices. Though world production in 1948 surpassed its pre-war level by about 20 per cent, world exports had climbed, at the end of the year, to just within 2 per cent of the 1937 volume and, if American exports are left out of account, were only

four-fifths of the pre-war. This was mainly the effect of the shifts in productive capacity brought about by the war as between the Western Hemisphere and the rest of the world. But the stagnation in trade has also to be explained in terms of the severe decline in the exchange reserves of several countries which occurred during 1947, the restricted volume of the international flow of capital resulting from economic uncertainties and political tension and the inflationary pressure in many countries.

In the year under review, countries outside the United States seem to have raised the value of their total exports by about \$6 billion; but only a quarter of this went to the United States. Thus the increase in their exports to one another was much larger than the increase in what they sold to the United States. This rising trend in the value of trade outside the United States—though largely a reflection of the higher prices—is perhaps also evidence of the partial recovery in industrial and agricultural production. Efforts at raising the volume and value of exports from these countries were likely to have been aided by measures of currency manipulation. France and Mexico, for instance, allowed part of their foreign exchange receipts to be dealt with on the free markets, while several Latin American countries persisted in their multiple currency practices which meant, in the last analysis, partial and/or selective depreciation of their currencies.

The inauguration of the European Recovery Programme was an event of outstanding significance in that it not only prevented a severe contraction of world trade in 1948, but indicated the readiness of the United States to assist the countries of Western Europe for a four-year period on condition that they rehabilitated their economies through mutual aid and self-help and brought about the structural adjustments called for by the changed conditions of the post-war world. Another feature of importance for world trade, from the long-term point of view, was the provisional application by 22 countries of a range of tariff concessions, negotiated in Geneva in 1947, though the immediate results of this step were not appreciable in the year under review owing to the continuance of trade and exchange controls.

The effects of the world-wide restrictions on trade and exchange *vis-a-vis* the hard currency countries are clearly reflected in the international accounts of the United States which showed a decline in the excess of exports over imports of goods and services (excluding unilateral transfers) from \$11,278 million in 1947 to \$6,335 million in 1948. That this decline was the result of reduced purchases in the United States by the rest of the world as well as of increased sales to the United States is disclosed by the fact that, while the value of U.S. exports was lower by about 18 per cent, the value of its imports was 23 per cent higher than in 1947. On account of the rise in the export prices of the United States and the larger rise in the import prices, these movements in values do not adequately reflect the changes in the quantities of exports and imports. The fall in the volume of exports was as large as 23 per cent while the increase in the volume of imports was only 13 per cent. The reduction of purchases was facilitated by the progress of economic recovery abroad which lessened the dependence of the rest of the world on the United States for such products as fuel, foodstuffs and manufactures. On the side of imports, the programme of the U.S. Government for stockpiling strategic raw materials appears to have made an important contribution to their rising level as is suggested by the fact that over a quarter of the increase in their value during the year was accounted for by higher purchases of petroleum products and non-ferrous ores and metals. The decline by about one-half in the net foreign dollar requirements for transportation also helped to produce, for the first time since the end of the war, a negative balance on account of service transactions excluding interest, profits and dividends.

The trend which has been noticed since the end of the war for an increasing share of the U.S. trade to be with the rest of the Western Hemisphere was further in evidence in 1948. The share of Europe, as a market for U.S. exports declined from an average of 42 per cent in 1936-38 to 35 per cent in 1948, while that of the other countries of the Western Hemisphere rose over the same period from 34 to 42 per cent. Similarly, the share of the latter as a source for U.S. imports rose from 37 per cent before the war to 58 per cent in 1948 and the corresponding share of Europe declined from about 29 per cent to 16 per cent. The countries of the Near East supplied a larger share at 7.4 per cent of U.S. imports as compared with 3.3 per cent before the war, while only 19 per cent of U.S. imports came from the Far East which before the war supplied about 30 per cent of these imports. Though the number of countries which achieved a trade surplus with the United States rose from 4 in 1947 to 22 in 1948, among the continents, only Australia (including New Zealand) succeeded in turning the previous year's deficit into a surplus.

Of the total exports of goods and services of \$16,826 million in 1948, imports which stood at \$10,491 million helped to finance about 62.3 per cent as against a corresponding share of 42.9 per cent in 1947. The proportion of exports paid for by aid from the U.S. Government rose from 9.2 per cent in 1947 to 25.6 per cent, mainly on account of the \$1,867 million provided under the ERP which raised the total aid under this head to over twice the previous year's level. Foreign lending by the U.S. Government, on the other hand, declined steeply from \$3,901 million in 1947 to \$427 million in 1948 and the dollar disbursements of the IMF and IBRD were also lower by more than one half. Private remittances and outflow of private capital were only slightly larger than in the previous year. The reduced level of the net external surplus and the larger share of Government aid in financing it helped lower the rate of liquidation of gold and dollar assets of the rest of the world from the 1947 level of \$4,513 million to \$861 million. This improvement in the dollar position of the rest of the world is likely to continue in 1949 when the U.S. Government aid to foreign countries will be larger than in 1948 by about \$2,000 million.

Even among countries belonging to the hard currency group, exchange difficulties during the year necessitated some restrictions on trade. This is reflected in the balance of payments of Canada for 1948. Before the war Canada used to balance its international accounts by using its surplus with the countries of Western Europe to finance the deficit with the United States. But when the currencies of these countries became inconvertible into dollars this kind of adjustment was rendered impossible and the result was a serious deterioration in its payments position with the United States, leading to a large drain on its gold and U.S. dollar reserves during 1947. Several measures were, therefore, taken in November 1947 to reduce its expenditure of U.S. dollars and to increase its earnings of that currency. These measures proved successful and the deficit with the United States was reduced from \$1,135 million in 1947 to \$401 million in 1948. This deficit was more than met by the off-shore purchases of nearly \$600 million which were made in Canada under the ERP. The reduction in the deficit with the United States was accompanied by a decline of \$347 million from the 1947 level in Canada's favourable balance with the rest of the world, its receipts in this sector having fallen from \$2,035 million to \$1,899 million and its payments having risen from \$815 million to \$1,026 million. These developments resulted partly from the fact that the lower volume of export credits granted by Canada in 1948 made it more necessary for foreign countries to restrict imports from Canada despite the off-shore purchases that could be made with the funds received from the Economic Co-operation Administration. The fall in the country's favourable balance with

the rest of the world was also on account of the concerted and many-sided efforts of Canada to shift sales to and purchases away from the United States.

Europe's international accounts registered a marked improvement in 1948. According to preliminary estimates, its deficit on current account, was reduced from \$7.6 billion in 1947 to \$5.6 billion in 1948. A much larger increase in exports than in imports and a rise in income from shipping seem to account for this substantial improvement which has taken the shape mainly of a reduced deficit on current account with the United States. In 1947, grants and loans made available by the U.S. Government (which amounted to \$5.4 billion), together with Europe's own dollar resources and those granted by the IMF and the IBRD, helped finance its deficit of \$5.7 billion with the United States as well as the dollar payments for purchases outside the United States. Though payments of the latter kind continued on a substantial scale in 1948 and the grants and credits of the U.S. Government were lower at \$4.4 billion, Europe did not need to make much use of its own gold and dollar resources in view of the reduced size of its deficit with the United States on current account which stood at \$3.6 billion.

The general economic recovery of Europe, of which the above figures give some evidence, was greatly assisted in the case of the countries of Western Europe by the aid provided under the ERP. These countries were able to reduce their overall trade deficit from \$6.2 billion in 1947 to \$5.0 billion in 1948 and their trade deficit with the United States from \$4.6 billion to \$3.2 billion in 1948. An elaborate machinery has been brought into existence to co-ordinate the policies and programmes of the countries participating in the ERP. The combined national programmes announced by the Organisation for European Economic Co-operation (OEEC) in January 1949, estimate the dollar deficit of these countries to be about \$4.7 billion in 1949-50 as against \$4.9 billion in 1948-49.

While there was some success in the collective efforts of these countries to reduce their external deficits, their attempts at expanding intra-European trade did not come up to expectations; the volume of such trade in 1948, though higher than in 1947 by 25 per cent was still only 70 per cent of its pre-war level. The absence of more rapid progress in this sector was due partly to restrictions on imports of non-essential goods, the high levels of export prices resulting from heavy production costs and inflation, and the failure of Germany (Bizone) to buy more from its neighbours as its recovery progressed and total trade rose from less than \$1,000 million in 1947 to over \$2,000 million in 1948. Though the financial bottlenecks were to some extent eased by the institution of the Intra-European Payments Scheme, which came into operation in October 1948, the exports of several hard currency countries in Europe like Switzerland, Belgium and Portugal have been handicapped by the inability of foreign countries to buy their products and necessitated the making of bilateral arrangements in several cases to promote purchases from one another. The experience of Switzerland was perhaps unique in that, faced with a large influx of gold and U.S. dollars from transactions of a capital nature, the Swiss authorities were forced to restrict their convertibility into local currency at the official exchange rate and foster a free market where dollars would be exchanged at a less favourable rate.

Commerce between Western and Eastern Europe gained in importance, on account of the dollar-saving programmes of these countries and the efforts of the United Nations Economic Commission for Europe (ECE). The conclusion of bilateral agreements between pairs of these countries helped to increase the trade between the two regions (excluding Germany and Austria) from 40 per cent of its pre-war level in 1947 to 63 per cent of that level in 1948. A survey dealing with the problems of European Economic Co-operation,



published by the ECE at the end of August 1948, described the main problem of the western group of countries, with their highly developed industries, as being the deficit in their balance of payments, particularly with the dollar area; on the other hand, the main problem of the eastern group, still in the process of industrial development, it observed, was that of achieving rapid industrialisation. The survey went on to point out that the twin objectives of a reduced dependence on overseas supplies for food and raw materials and the optimum development of European resources could best be achieved by a further expansion of trade between Eastern and Western Europe. However, while the need for the exchange of primary products and industrial equipment between the two halves of Europe gained increasing recognition, the trend in the direction of trade of the countries of Eastern Europe towards the U.S.S.R. and towards one another, which began to be noticed last year, gathered further momentum in 1948. A Council for Mutual Economic Aid on the model of the OEEC, was formed on 25th January, 1949, by these countries for the purpose of speeding up their reconstruction and development through the exchange of economic experience and technical aid and speedier deliveries of raw materials, foodstuffs and industrial equipment. The series of trade agreements concluded during the year provides for a considerable expansion of commercial relations among these countries, the contemplated expansion in 1949 of the trade of Bulgaria, Czechoslovakia, Hungary, Poland and Rumania with the U.S.S.R. being 58 per cent over 1948.

The preliminary estimates of the United Kingdom's balance of payments for 1948 are an instance of the successful pursuit of the new objectives of trade policy in Western Europe. The unfavourable trade balance of the country was reduced from £441 million in 1947 to £218 million in 1948, while the previous year's deficit on service items of £189 million was turned into a surplus of £98 million, thus cutting down the total deficit on current account from £630 million to £120 million. The lower trade deficit was the result of an increase of about 41 per cent in the value of exports (whose volume also rose to 136 per cent of the 1938 level from 109 per cent of that level in 1947), which more than offset the rise in the value of imports over the previous year, and the improvement in the invisible sector was due to a reduction in Government expenditure abroad and increase in miscellaneous receipts (including non-recurrent items like the £45 million received from India in August 1948) together with increased earnings from travel and shipping.

As regards the regional distribution of the deficits and surpluses of the United Kingdom in 1948 compared to 1947, the deficit with the Western Hemisphere fell by about one-half to £340 million, the surplus with the rest of the sterling area registered a four-fold increase to £225 million, the deficit of £25 million with the OEEC countries was converted to a surplus of £80 million, and the deficit with other countries (mainly of the Middle East and Eastern Europe) deteriorated from £5 million to £85 million. The improvement in the Western Hemisphere position was brought about by an expansion of exports (particularly to Canada), a reduction of imports and a decline in the invisible deficit by about one-third. The lowering of imports by about one-fifth over the last year (achieved in the face of an increase in the value of total imports) was the result of the concerted efforts of the United Kingdom to switch its imports away from hard currency sources, as evidenced by the reduction of the country's imports from Canada following an agreement with Poland for supplies of food and timber over the next five years.

This success of the United Kingdom in easing its dollar position was helped to an extent by the restriction of their dollar imports by the other members of the sterling area and the liberalisation of controls in relation to trade among themselves.

The gold and dollar deficit of the rest of the sterling area was reduced to £45 million (nearly one-sixth of the 1947 deficit) which, together with the deficit on the United Kingdom's own account, and gold and dollar payments of £86 million to other countries (compared to the previous year's high payment of £167 million resulting from the short-lived operation of convertibility), accounted for a total gold and dollar deficit of £423 million which was less than half of the last year's drain of £1,024 million. The deficit was met by receipts of £169 million under the European Recovery Programme, £80 million from the Union of South Africa gold loan, £87 million by the utilisation of the U.S. and Canadian lines of credit, £32 million purchased from the International Monetary Fund (of which £17 million was on account of India) and only £55 million by actual drawings on gold and U.S. dollar reserves. The sterling liabilities of the United Kingdom fell during the year by £211 million. A large fall in the liabilities owed to non-sterling area countries (arising apparently from reduced liabilities to Argentina and France) was only partly offset by a small rise in those owed to the sterling area countries, resulting probably from the capital outflow from the United Kingdom and the trade surpluses of the rest of the sterling area with the OEEC countries. There was an increase of only £92 million in the net external capital assets of the United Kingdom, compared to the increase of £252 million in 1947, involving a lower rate of depletion of exchange reserves on account of capital movements. The smaller rate of increase in 1948 was due mainly to a decline of £100 million in assets outside the sterling area and an increase of £192 million in assets in the rest of the sterling area. A flow of capital from the United Kingdom to the Union of South Africa appears to have been the chief factor explaining the increase in assets. There was, however, a marked fall in the rate of the total net outflow from £142 million in the first half of the year to £50 million in the second half.

Among the countries of the sterling area, only the Union of South Africa (which has held a special position in the sterling area and maintained its own reserves of gold and dollars) was able to do without import controls after the end of the war. During 1948, the Union had an average monthly deficit on current account with non-sterling area countries of £15 million as against £13 and £8 million in 1947 and 1946 respectively. With the rest of the sterling area, the Union had a current account deficit of about £7 million per month in 1948, compared with £5 million during the years 1946 and 1947. This led to a steep decline in its gold and foreign exchange reserves from the equivalent of \$1,007 million at the end of 1947 to the equivalent of \$327 million at the end of 1948; and the Union was compelled to introduce measures involving the prohibition of certain imports from all sources and the restriction of some imports from non-sterling sources to one-half of their 1947 level.

Australia, on the other hand, showed a remarkable improvement in its foreign exchange position, the Commonwealth Bank's gold and foreign exchange assets having risen from \$574 million to \$1,130 million during the year. The improvement was due to an inflow of capital rather than to a favourable balance of trade which had in fact declined from its 1947 level. Australia succeeded in turning its trade deficit with the United States of \$110.3 million in 1947 to a small surplus of \$15.6 million. New Zealand also registered some progress during the year; its deficit on current and capital accounts declined from £NZ26.0 million in 1947 to £NZ5.2 million in 1948. The dollar deficit of New Zealand was also reduced from \$50.0 million in 1947 to \$8.6 million. Apart from the help rendered by those Commonwealth countries towards conserving dollars, the sterling area benefited substantially also from the contribution of the primary producing countries of the sterling area such as British Africa, British Malaya and Ceylon which registered substantial trade surpluses with the United

States. The British colonies, as a whole, are estimated to have converted their trade deficit of £5 million in 1947 with the United States and Canada into a trade surplus of £9 million in 1948.

Egypt, which left the sterling area during the year, appears to have had a substantial surplus in its balance of payments with the sterling area; but in spite of severe trade restrictions the trade deficit with the hard currency countries was doubled mainly owing to large purchases from Canada. The trade deficit with the United States, however, was reduced from \$32 million in 1947 to about \$6 million in 1948.

The progress in the restoration of Asia's international trade to its pre-war importance in world commerce continued to be impeded during the year by the prevalence of disturbed conditions over a large part of this region. There was a general, if slow, recovery of trade, and export levels in particular rose in a number of countries. Ceylon, for instance, raised the value of its exports from \$269 million in 1947 to \$306 million in 1948, mainly by increased sales of tea, rubber and copra. Exports from Indonesia, at \$392 million in 1948, were slightly over thrice their value in the previous year, but only tin exports had succeeded in surpassing the pre-war volume. Increased exports were also achieved by Burma, Hongkong, British Malaya and the Philippines. But the outstanding feature in Asia's foreign trade during the year was the maintenance at a high level of the demand for imports into the region. This high level of demand for imports is due partly to the need for replenishing the stocks depleted during the war years and partly to changes in the pattern of demand itself following certain fundamental changes in the economy brought about during this period. It is not possible at this stage to assess the relative magnitude of these two factors. The Philippines which had not operated any import controls since the end of the war found that abnormal imports of luxury goods were taking place to satisfy the pent-up demand of the war period. Numerous import control measures were therefore introduced towards the end of 1948 for protecting domestic industries and conserving the country's foreign exchange resources, which had been augmented by record earnings from copra exports and war-damage payments received by it. Import controls continued in operation in other Asian countries and were aimed at restricting imports of consumption goods while permitting those of machinery and equipment which were required for developmental purposes.

The trade of Japan has not been restored to its pre-war position of importance in the economy of this region, though 1948 witnessed an increase by 49 per cent in its exports (from \$174 million to \$259 million) and by 30 per cent in its imports (from \$526 million to \$683 million). The conclusion of trade agreements between the SCAP authorities in Japan and several countries including those of the sterling area, France, Egypt, the Netherlands, Indonesia, Sweden and Siam providing for a larger exchange of goods and the possibility of increased American assistance to Japan, are likely to aid substantially the expansion of Japanese foreign trade in 1949, for which year an export target of \$450 million has already been set.

This region was also faced, at the end of the war, with an acute problem of balancing its payments with the United States because of its reduced capacity to export to that country and the replacement of Japan by the United States as the principal supplier to this area, as reflected in the fact that the United States was the source of 43 per cent of Far Eastern imports in 1948 as compared with 18 per cent in 1937. The favourable balance of trade of Asia with the United States which had stood at an annual rate of \$249.6 million in 1936-38 was converted

TABLE 12.—MERCHANDISE EXPORTS FROM AND IMPORTS INTO SOME COMMONWEALTH COUNTRIES AND THE U.S.A.

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										(In millions)			
Country				1938	1939	1941	1942	1943	1944	1945	1946	1947	1948
UNITED KINGDOM (a) £—													
Imports (retained)	..	..	..	858.0	840.0	1,131.6	991.2	1,226.4	1,291.2	1,053.6	1,250.8	1,734.7	2,015.0
Exports	..	..	..	470.8	439.2	364.8	271.2	232.8	266.4	399.6	914.7	1,138.2	1,583.3
Excess of Imports	..	..	..	387.2	400.8	766.8	720.0	993.6	1,024.8	654.0	336.1	596.5	431.7
UNITED STATES \$—													
Imports (b)	..	..	..	1,060	2,318	3,345	2,745	3,381	3,919	4,147	4,909	5,733	7,070(p)
Exports (including re-exports)	..	..	..	3,094	3,177	5,147	8,079	12,965	14,259	9,806	9,740	14,430	12,014 (p)
Excess of Exports	..	..	..	1,134	859	1,802	5,335	9,584	10,339	5,659	4,831	8,696	5,544 (p)
CANADA C\$—													
Imports	..	..	..	677	750	1,366	1,600	1,701	1,743	1,646	1,864	2,570	2,636
Exports (including re-exports)	..	..	..	846	908	1,657	2,386	3,001	3,483	3,267	2,379	2,796	3,124
Excess of Exports	..	..	..	169	158	291	786	1,300	1,740	1,721	515	226	488
INDIA (c) Rs.—													
Imports	..	..	..	1,772	1,556	1,613	1,748	1,150	1,328	2,317	2,921	3,356	4,459
Exports (including re-exports)	..	..	..	1,898	1,698	2,004	2,544	1,949	2,105	2,290	2,664	3,208	4,082
Excess of Imports (—)	..	..	..	..	..	..	..	..	..	..	..	..	..
Excess of Exports (+)	..	..	..	+125	+143	+391	+797	+800	+777	— 28	—258	—148	—376
CEYLON Rs.—													
Imports	..	..	..	236.3	242.5	287.2	296.1	447.0	517.7	621.3	695.6	970.1	994.4
Exports	..	..	..	284.9	328.1	439.0	530.7	570.0	680.0	665.8	764.7	889.2	1,011.2
Excess of Imports (—)	..	..	..	..	..	..	..	..	..	..	..	..	..
Excess of Exports (+)	..	..	..	+ 48.6	+ 85.6	+151.8	+234.6	+123.0	+162.3	+ 44.5	+ 69.1	— 80.9	+ 16.8
AUSTRALIA (d) £A—													
Imports	..	..	..	140.0	113.1	136.2	187.1	265.7	263.1	233.0	176.9	208.3	338.2
Exports	..	..	..	141.7	121.5	135.0	159.3	125.6	140.7	155.3	196.4	308.9	406.2
Excess of Imports (—)	..	..	..	..	..	..	..	..	..	..	..	..	..
Excess of Exports (+)	..	..	..	+ 1.7	+ 8.4	— 1.2	— 27.8	—140.1	—116.4	— 77.7	+ 19.5	+100.6	+ 68.0

(a) Figures for 1938-45 have been worked out from monthly averages; those for 1943-45 exclude munitions, imported or exported by Government Departments. (b) General imports including merchandise entered for immediate consumption and that entered for storage in bonded warehouses. (c) Year ended 31st March. Include transactions on Government account. (d) Year ended 30th June. Include transactions on account of the Commonwealth Government. (p) Preliminary.

into a deficit of \$1,279.4 million in 1947. This trade deficit was, however, brought down to \$761.7 million in 1948 by contracting imports to the extent of \$235.4 million and expanding exports by \$282.2 million.

Table 12 gives data on the foreign trade of some Commonwealth countries and the United States: the figures shown in the Table, however, do not agree with those referred to earlier which, unlike the former, have been suitably adjusted for balance of payments purposes.

#### 10. FOREIGN EXCHANGE AND THE INTERNATIONAL MONETARY FUND

In the sphere of foreign exchange, the problem of meeting the deficits in the hard currencies presented itself in an intensified form during 1948 for a variety of reasons. Even by the middle of 1947, the gold and dollar reserves of countries other than the United States and the U.S.S.R. had reached a low ebb. There were few, if any, countries outside Switzerland, Portugal, Turkey, the Philippines, the Union of South Africa and some Latin American countries that were still in a position to make further drafts on their gold and dollar reserves without serious danger to their financial stability. By the end of 1947 the credit secured by the United Kingdom under the Anglo-American Agreement of July 1946 had also been all but exhausted. Canada, faced with its own peculiar exchange problem, was compelled, early in 1948, to block its loan to the United Kingdom. Thus almost every major source of finance, that was available in 1947 for meeting the hard currency needs of countries with the largest deficits, was fast drying up. The Marshall Plan which was then in the process of formulation could not legitimately be expected to replace these sources to the full extent.

As a natural consequence most countries continued, and some reinforced, their already elaborate restrictions on transactions with the hard currency countries. Only Canada, whose exchange-saving programme introduced in November 1947, showed quick and encouraging results, was in a position to relax controls on hard currency expenditure during the year under review. With the tightening of measures to conserve hard currencies, it became essential for the soft and medium currency countries to develop closer trade relations among themselves. This was attempted through a network of payments, clearing and financial agreements, some of which were strictly bilateral.

In the new scheme that emerged, the pound sterling has been playing an increasingly important role. This development was assisted to a substantial extent by the numerous agreements concluded by the United Kingdom in 1948. While they shared the common objective of extending the area over which sterling would be acceptable for current payments without entailing further losses of gold and dollar reserves, they differed widely in form depending on the circumstances in each case. For instance, the payments agreements with Argentina, Chile and Peru were confined largely to providing for the settlement of payments between these countries and the United Kingdom in sterling. In the case of Turkey, a special arrangement allowed the use of its sterling balances for payments to the sterling area and to countries which were prepared to accept sterling. The financial agreement with Italy brought it back into the Transferable Account Area in December 1948. Agreements were also concluded afresh with Switzerland, Belgium, Spain, Sweden and Norway, primarily to avoid or minimise losses of gold by the operation of agreements already existing. Among these, Switzerland and Belgium being hard currency countries, represented a class by themselves; and the agreements with them, therefore, reflected a greater eagerness on the part of the United Kingdom to bring the respective trade accounts into better balance. Switzerland agreed to increase its imports from the sterling area and control the

volume of its exports within the necessary limits. Belgium, in addition to giving a similar assurance, also undertook to restrict drastically the acceptance of sterling from non-sterling sources. Lastly, an agreement with the Netherlands on the settlement of wartime debts, entered into in March 1948, protected the United Kingdom from all obligations to pay gold as long as any part of the debt of £45 million owed by the Netherlands to the United Kingdom remained outstanding.

In most of the above cases, the United Kingdom was the contracting party representing the sterling area. But towards the latter part of the year, five countries of the sterling area, namely, the United Kingdom (and its colonies excepting Hong Kong), Australia, the Indian Union, New Zealand and the Union of South Africa, concluded a joint trade and payments agreement with Japan. The agreement, while providing for a two-way flow of trade between Japan and these countries totalling to a minimum value of £55 million during the year ending June 1949, also envisaged an approximate balance in their commercial relations with Japan. Superseding the arrangement concluded in May 1948, for the financing in sterling of the trade between Japan and the United Kingdom (excluding that in Japanese cotton goods), the new agreement provided for the financing in sterling of all trade between Japan and the countries mentioned above.

The use of sterling by countries within the sterling area was regulated by a series of financial agreements with the U.K. Details of the agreement with the Indian Union are given in para 36. The agreement with Pakistan, signed in July 1948, was to cover the period ending June 1949, and provided for the release of a maximum of £10 million. Pakistan agreed to limit its expenditure in hard currency areas in 1948-49 to £5 million over and above its own earnings. An agreement was signed with Ceylon in April 1948 to cover the period ending December 1948; it provided for a release of £3.5 million, but also carried a provision for the release of £4 million as a working balance which might be increased by a further £1 million under certain circumstances. Ceylon, in turn, agreed to limit its dollar expenditure to Rs. 100 million as against its estimated dollar earnings of Rs. 180 million. The agreement was later extended to be in force till 30th June, 1949, providing for a further release of £1.75 million. An agreement with Iraq, entered into in July 1948, permitted the conversion of its sterling holdings upto £6.25 million for payments to hard currency countries (including Sweden) during the year ending 30th June, 1949. Similarly, under an agreement concluded in October 1948, the United Kingdom allowed Burma to draw upon the sterling area dollar pool to the tune of £2 million in the six months ending December 1948, for the financing of essential purchases in hard currency countries, which could not be covered from Burma's own hard currency earnings.

Egypt, which had left the sterling area, concluded a financial agreement with the United Kingdom on 31st March, 1949, replacing the earlier agreement which expired on 31st December, 1948. The new agreement covering the year 1949 provided for the release of £12 million from Egypt's blocked sterling balances, out of which £5 million was to be convertible into dollars, and for the release of £3 million whenever the balances on the No. 1 Account fell below £45 million, the total of such releases, however, being subject to a ceiling of £18 million for the whole period of the agreement.

In addition to the efforts of the United Kingdom, other European countries like France, Switzerland, Italy, Belgium, the Netherlands, Poland and Turkey also entered into a number of payments agreements between themselves as well as with the countries of Latin America and Egypt, with a view to ensuring a smooth flow of international trade in the absence of general convertibility of currencies. As a step in this direction some of them had signed in November 1947,

an agreement for multilateral monetary compensations (*vide* last year's Report, para 11). The volume of transactions, to which the compensation machinery set up under this agreement could be applied, was, however, dependent upon the balance of creditor-debtor relationships between the participants. Consequently, the predominant creditor position of Belgium and the limited number of active participants in the scheme made its scope narrow and the results achieved meagre.

Concerted efforts to improve the system within the framework of the European Recovery Programme were undertaken soon afterwards, culminating in the Intra-European Payments and Compensations Agreement in October 1948. The main feature of this agreement was the role of "conditional" dollar grants in providing to the creditors an additional incentive towards active participation. To begin with, the contracting parties, namely, the members of the Organisation for European Economic Co-operation agreed upon estimates of their respective payments positions on current account as with one another for the period 1st July, 1948 to 30th June, 1949. A country, which was then found to be a net creditor to other OEEC countries, it was decided, should receive aid in dollars from the Economic Co-operation Administration up to the amount of the drawing rights in its own currency which it placed at the disposal of the debtor countries. Correspondingly, a country, which was estimated to be a debtor, would receive, as indirect ECA aid, drawing rights in the currencies of its creditors. Creditor countries would place the drawing rights granted to debtor countries at the disposal of the Compensation Agent (*i.e.*, the Bank for International Settlements) at its request as soon as the equivalent sums of conditional aid were "firmly allotted" to them by the ECA. The Agent would use these funds to cover the actual deficits of the preceding month between pairs of OEEC countries. The debtor countries were free from all obligation to repay the creditors any currency received under drawing rights.

It was, however, agreed that until the financing resources already in the hands of the contracting parties (as, for instance, the sterling holdings of Greece and Italy and the Swedish kronor balances held by the Bizone of Germany) were exhausted, the provisions of the scheme in respect of drawing rights would not be operative. They were free to take advantage of credit facilities available under existing payments agreements simultaneously with the facilities offered under the scheme.

The Council of the OEEC was to make recommendations to the ECA regarding any subsequent revision and redistribution of drawing rights in the Intra-European Payments Scheme. In this way, some changes in the drawing rights and in the distribution of conditional aid were provided for. Drawing rights not used before the termination of the agreement were not to be cancelled, but were to be carried over to the next period. The OEEC would then have to decide also on the future use of the conditional aid granted to the creditors. It was agreed that not more than 75 per cent of the drawing rights established for the year ending 30th June, 1949 could be made available, and used for compensations, in the nine months ending 31st March, 1949. Since the drawing rights established in favour of the debtors had not yet been made available on 1st October, 1948, gold and foreign currency settlements made on or after that date would be repurchasable at the request of the debtors as the drawing rights became available. The Agreement was to remain in force until the completion of the compensation for June 1949.

In the first five months of actual operations under the scheme (October 1948 to February 1949), \$348.3 million of the agreed drawing rights of \$810.4 million for the year ending June 1949 had been used. France used up the largest gross drawing rights, \$159 million, while Italy refrained from using any of her drawing

rights during this period. The United Kingdom and Belgium-Luxembourg allowed the debtor countries to utilise their drawing rights to the extent of \$252 million out of the total of \$348 million provided by all the creditors.

A payments agreement, concluded in November 1948, between Turkey and Italy, followed the general line suggested by the Intra-European Payments and Compensations Agreement, in providing that, at the expiration of the agreement, any balance then existing might be settled by transfer to a third country with prior agreement of all the parties concerned. The credit margin of \$1 million extended by the agreement was to be in addition to the \$5 million drawing rights against Italy provided for by the OEEC for Turkey for 1948-49. Turkey also concluded a trade and payments agreement with the United Kingdom in January 1949, providing for a U.K. grant in sterling of the equivalent of \$8 million under the Intra-European Payments Scheme.

While depending on trade and exchange controls, and payments, clearing and financial agreements to solve their foreign exchange problems, few countries were inclined to consider the adjustment of the par values of their currencies, as a method of balancing their international payments. The Dominican Republic and Brazil established for the first time with the International Monetary Fund the par values of their currencies, but there were few alterations of par values already established. The two changes during the year were in the par values of the Colombian peso which was devalued in December 1948 from approximately 1.75 to approximately 1.95 pesos per U.S. dollar, and of the currency of French Somaliland, the Djibouti franc, which was devalued in March 1949 from 126 to 214.392 francs per U.S. dollar. Perhaps the most outstanding change in exchange rates was that made by New Zealand (which, incidentally, is not a member of the Fund) in appreciating the value of its pound; this action was prompted by the desire to insulate its economy from the inflationary pressures exerted from elsewhere.

But though few formal adjustments were made in the par values of currencies, the depreciation that was required to stimulate exports and to check imports was in many cases achieved on a partial and selective basis through the continuation, modification and extension of multiple currency practices. Although devoted to the ideal of unified exchange rate structures, the Fund was inclined to accept some of these practices as necessary evils under the extraordinary economic conditions prevailing in certain countries. Towards the end of 1947 the Fund had, therefore, worked out certain guiding principles with regard to multiple currency practices and communicated them to its members in a memorandum describing its policy and jurisdiction. The memorandum emphasized that multiple currency practices, besides being in most cases restrictive, constituted systems of exchange rates and that the Fund would, therefore, encourage members engaging in them for balance of payments reasons to establish conditions which would permit their removal as soon as possible. It also drew attention to the more dangerous and undesirable aspects of multiple currency practices which it wished to see removed forthwith.

In the year under review, some members undertook to simplify or modify their practices so as to facilitate the establishment at a later date of unitary rates of exchange. Iran, for instance, introduced in March 1948, new regulations aimed at reducing the gap between the official and free market rates and ensuring an amount of stability in the exchange rates. Similarly, Colombia, while devaluing the peso in December 1948, introduced modifications in its multiple currency system, eliminating certain features introduced earlier in the year and deemed by the Fund to be in conflict with its policies.



The Bank of Mexico, faced with the problem of rapidly depleting exchange reserves and unable to decide on a new exchange rate for the peso, discontinued foreign exchange transactions in July 1948, with the concurrence of the Fund. The understanding was that a new parity would be shortly established and that the free market in the peso would be maintained only till such time as the tendencies in the market could be assessed with a view to fixing a new lower parity. But it soon became evident that it was not possible to have a completely free market without widely fluctuating rates, and so, in the following month, the Bank was authorised to intervene in the market whenever necessary. In September 1948, the Government of Peru also approached the Fund for the approval of certain new measures which would in effect add to the number of the effective exchange rates for the sol. Again the Fund approved the proposals, but recommended, *inter alia*, that a determined effort should be made by the Government to halt inflation through measures such as limiting the expansion of bank credit and securing additional revenue from sources other than exchange taxes.

In 1948, the increasing difficulties in regard to the hard currencies, and the continuing inflationary pressure in the soft currency countries which was in contrast to the disinflationary trend in the United States, gave rise to tendencies some of which were against the fundamental principles and policies of the International Monetary Fund. It will be recalled that France introduced in January 1948, a new system of exchange rates involving the devaluation of the franc and the establishment of "a free market" for certain purchases and sales of U.S. dollars and Portuguese escudos. On 1st April, 1948, this market was extended to include the Swiss franc. These measures, intended to reclaim the gold and dollar hoards abroad of French nationals, gave rise to a pattern of cross-rates in Paris between the U.S. dollar and other member currencies inconsistent with the established par values of the latter. Similarly in Italy, sterling was quoted on the free market for a considerable time at a discount against the U.S. dollar.

The Fund was inclined to consider disorderly cross-rates to be an impediment in the way of achieving a better balance in international payments and a wider convertibility of currencies. In deference to these views France replaced the old system in October 1948 by a new one, eliminating the discriminatory rates quoted for sterling since January 1948. The convertible currencies would continue to be quoted on the free market and the French franc was still to have no agreed par value, but the Fund readily agreed to the change proposed by France in view of the fact that it at least eliminated most of the differential exchange rates for trade transactions caused by disparate cross-rates. In November 1948, Italy followed suit and eliminated the disparate cross rate between sterling and the U.S. dollar on the Italian exchange in terms of a financial agreement between the United Kingdom and Italy which pegged the sterling quotations in the latter to the dollar quotations at the cross-rate of 4.03 dollars to a pound.

The hard currency difficulties in the world at large and the disparate price trends as between the hard and the soft currency countries also exerted considerable pressure on gold in the year under review. On the one hand, rising prices raised the cost of gold production and made it increasingly unprofitable to sell gold at the price fixed by the International Monetary Fund. On the other, the inflationary pressure in the soft currency countries (particularly in the East) placed a growing premium on gold and made it more and more tempting to the gold producers to enter the free markets.

Faced with an imminent fall in gold output, the gold producing countries first attempted to encourage production by paying subsidies to producers. It will be remembered that Canada's proposal in 1947 evoked from the Fund its policy statement of December 1947, strongly discouraging the payment of subsidies

which were likely to undermine exchange stability. The Fund's attitude to the Australian proposal of March 1948, for the grant of temporary assistance to certain gold mines and to the subsidy which was being paid by the Southern Rhodesian Government to gold producers is referred to in para 8.

A more serious problem, however, presented itself towards the end of 1948 when the Union of South Africa made known its intention to sell gold abroad at a premium price over that fixed by the Fund. The Fund was strongly opposed to international transactions in gold at premium prices on two grounds: firstly, since the par values of its members' currencies were expressed in terms of gold, the purchase or sale of the metal at prices above those warranted by monetary parities would cast a reflection on their true values and thus ~~undermine exchange stability~~ which was the Fund's main objective; secondly, it feared that such transactions might involve losses to the monetary reserves of member countries by diverting gold into private hoards, and in consequence reduce the foreign exchange resources at their disposal for meeting any deficits in their balances of payments on current account. To meet these objections the Union claimed that the gold in question was not intended to be sold in the free markets elsewhere but was for specific and customary industrial, professional or artistic purposes to which the Fund's stipulations were not applicable. Since gold was its most important export commodity, the Union contended, it would be unfair to deprive it of its right to enter the market for fully-fabricated gold where enormous transactions were taking place at premium prices. But the Executive Board of the Fund felt that the existence of sources which were prepared to satisfy, at approximately \$35 per fine ounce, all genuine international demands of this character for gold was strong evidence that the gold that was to be sold at a premium of nearly 10 per cent would not be for strictly *bona fide* and customary purposes. It therefore advised the Union to adopt better safeguards on external sales of gold, as in the United Kingdom and in the United States, in order to minimise the likelihood of exports of semi-processed gold finding their way into undesirable channels. But, early in 1949, the Union put the deal through against the Fund's wishes and sold 100,000 ounces of semi-processed gold alloyed to 22 carats at a price of \$38.20 per fine ounce. Defending this action before the House of Assembly, the Union Finance Minister referred to the fundamental disequilibrium between gold and currency values, and remarked that the "unrealistic" price of \$35 per fine ounce could not be maintained without "tremendous facades of exchange controls." The Fund took strong exception to this statement on its gold policy. Coming from the world's greatest producer of gold it was interpreted as a threat whose potential seriousness could not be ignored.

While most countries followed the directive of the Fund with regard to international transactions in gold, the forces on the side of demand and of supply were such that the tendency to trade in gold illegally and outside the official channels persisted during the year. The flow of gold to the free markets, especially in the Middle and the Far East, continued almost uninterruptedly. The prices quoted on the free markets have been rising as a result partly of the diminution of supplies to these markets and partly of the increased demand due to unstable political and economic conditions. In mid-January 1949, the price of gold in Macao, a Portuguese possession in the Far East, reached an all-time peak of \$100 per fine ounce, i.e., nearly three times the official price of \$35 per fine ounce fixed by the Fund.

Thanks to the substantial contribution made by the European Recovery Programme to the foreign exchange resources of Western Europe and of countries in which off-shore purchases under the Programme were permitted, and the stricter vigilance exercised by the International Monetary Fund in regard to its own

exchange transactions, there was a smaller draft on the Fund's resources in the year ended 31st March, 1949 than in the year preceding. The total sales of currencies by the Fund in this period against members' currencies amounted to the equivalent of only \$107.4 million as against \$600.1 million in 1947-48; of this, \$96.0 million was in U.S. dollars and the rest in Belgian francs. In addition, the Fund also sold to Norway, in November 1948, U.S. \$6.1 million against the equivalent in gold.

Among those who had recourse to the Fund during the year the Indian Union made the largest purchases. In the course of the year it bought U.S. dollars to the value of \$72 million, which, together with the \$28 million drawn in March 1948, was the maximum it could purchase in any period of twelve months. The purchase of exchange by Costa Rica, Czechoslovakia, Denmark, Ethiopia, France, the Indian Union, the Netherlands and the United Kingdom resulted in an increase in the Fund's holdings of these members' currencies to amounts in excess of their respective quotas and in consequence they became liable to pay charges due to the Fund in respect of such excesses.

When the Fund started operations in March 1947, it considered worthwhile, under the extraordinary conditions then prevailing, to take the risk of its resources being used for meeting deficits which were not of a strictly temporary character. This attitude was still being maintained but, in considering applications for exchange, the Fund endeavoured to limit this risk to the minimum. It kept the situation of its members under constant review, examined the causes of their balance of payments deficits, and, where it came to the conclusion that the existing situation was not conducive to the proper use of the Fund's resources, asked the members concerned to refrain from making further applications for exchange pending consultations with the Fund. The Fund has frequently cautioned its members that the extension of its resources was to give them time to make necessary readjustments in their economy and not to avoid the necessity of such readjustments.

In view of the availability of U.S. dollars during the year under the European Recovery Programme, the Fund felt that, in the case of the countries participating in the Programme, there would be no urgent needs which could only be satisfied through purchases of dollars from the Fund. Accordingly, it advised its members that, during the first year of the ERP, the members benefiting from the Programme should approach the Fund for U.S. dollars only in exceptional or unforeseen circumstances. This decision had to be taken not only for preserving the Fund's resources at a safe and reasonable level during the period of the ERP so that they might be available for meeting any balance of payments difficulties still persisting at the end of the Programme, but also for preventing undue impairment of the members' access to the Fund by purchases of exchange during the transition period. Following this decision, which was communicated to the members on 20th April, 1948, there have been no sales of U.S. dollars to the ERP countries from 1st May, 1948 to the end of March 1949. The Fund, however, has sold to the ERP countries during this period Belgian francs to the equivalent of U.S. \$11.4 million.

The membership of the Fund increased during the year from 46 to 47, Austria being the latest adherent. In addition, the applications of Siam and Liberia for membership were approved; but these countries have to sign the Articles of Agreement of the Fund before their membership becomes effective. As a result of the admission of new members and the changes in the quotas of certain members (including increases in the quotas of Egypt and Iran and a reduction in that of Honduras), the aggregate quotas of the members of the Fund increased from \$7,961 million at the end of February 1948 to \$8,034 million at the end of March

1949. The payment of part of members' subscriptions and of service charges in gold and the purchase of gold against dollars resulted in an increase in the Fund's holdings of gold from \$1,357.6 million on 31st March, 1948 to \$1,435.9 million on 31st March, 1949. The Fund's holdings of members' currencies on the latter date aggregated \$5,527.1 million. Consequent on the devaluation of the French franc in January 1948, and of the Colombian peso in December 1948, the Fund's holdings of these currencies had to be made up to safeguard the gold value of its assets. Accordingly, the Fund received from France a provisional payment of additional francs based on the new general parity of 214 francs per U.S. dollar in the absence of an agreed par value and from Colombia a payment of additional pesos commensurate with the fall in the gold value of the Fund's holdings.

## 11. PUBLIC FINANCE

For most countries the two basic problems in the post-war period have been, internally, the stabilisation of "full employment" conditions to be attained side by side with a steady increase in productivity and, externally, the restoration of equilibrium in the balance of payments, particularly with the Western Hemisphere. The urgency of finding resources for a high rate of gross capital formation, mainly to make good wartime losses, and the need to conserve foreign exchange, especially dollars, necessitated austerity in consumption. To secure these objectives, it was found necessary to retain and adapt direct quantitative controls, through voluntary agreement or otherwise, in the allocation of available resources. On the financial side efforts were made in all countries to bring about an improvement in the budgetary situation in the direction of achieving a balance, if not a surplus. In 1948-49, the accent in budgetary policies was, therefore, on obtaining revenues adequate to meet not only the ordinary expenditures of the Government but also Government outlays on capital account.

For the United Kingdom, the revised estimate for the year ended March 1949 (*vide* Table 13) places the ordinary budget surplus higher at £831 million as compared with the budget estimate of £789 million, while the U.S. budget (excluding the expenditure of \$3 billion from the Foreign Economic Co-operation Trust Fund) for the year ended June 1949 reveals a revised surplus of only \$2,400 million as against the estimate of \$4,808 million at the beginning of the year. In the U.K. budget, "below-the-line" net expenditure of £479 million is fully met from ordinary revenue. Thus, after covering all Government expenditures including capital outlays, the overall surplus amounts to £352 million as compared with the estimate of £330 million. The higher surplus is due to the increased yield from normal sources and also to the unexpectedly large credits from abnormal sources of revenue such as sales of war stores abroad. The decrease in the budget surplus of the U.S.A. is attributable to higher expenditures on price support of agricultural products, defence, Veterans' Administration and European Recovery Programme together with some decrease in revenues. The five items of national defence, international affairs, Veterans' Administration, interest on debt and refunds aggregate over 80 per cent of all federal expenditures. For the U.S.S.R., in the year ended December 1948 both revenue and expenditure are placed lower at 408 billion roubles and 369 billion roubles respectively, leaving a surplus of 39 billion roubles as against the estimated surplus of 41 billion roubles. The decrease in revenue is accounted for by several reductions in the turnover tax which enabled the Government to decree a series of cuts in retail prices; an almost equal reduction in expenditure is the result of savings on social services and the withdrawal of subsidies and bounties to a number of industries.

In the U.S. budget for 1949-50, according to the President's budget message, net receipts at existing tax rates are placed at \$41 billion on the assumption that

**TABLE 13.—ANNUAL REVENUE, EXPENDITURE AND DEBT OF THE COMMONWEALTH COUNTRIES, UNITED STATES, FRANCE AND THE U.S.S.R.**

Country	Year	Total Revenue	Taxes on Income	Percentage of 3 to 2	Total Expenditure	Defence Expenditure	Percentage of 6 to 5	Surplus (+) or Deficit (—)	Percentage increase (+) or decrease (—) in 5	Percentage of 2 to 5	Floating or Short-term Debt	Public Debt (Year-end figures)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
UNITED STATES OF AMERICA†† (In millions of \$)	July-June											
	1938-39 .. ..	5,103	2,189	43	8,966	1,208	13	— 3,862		57	1,308	40,440
	1944-45 .. ..	44,782	35,173	79	98,703	90,029	91	— 53,941	+ 1,001	45	17,041	258,882
	1945-46 .. ..	40,027	30,895	77	60,703	48,542	80	— 20,676	— 38	66	17,039	269,422
	1946-47 .. ..	40,043	29,306	73	39,289	16,628	42	+ 754	— 35	102	15,775	258,286
	1947-48 .. ..	42,211	31,171	74	36,791	11,364	31	+ 5,419	— 6	115	13,757	252,292
	1948-49 (Revised) ..	39,580	30,239	76	37,180	11,812	32	+ 2,400	+ 1	106	..	251,569†
	1949-50 (Budget) ..	40,985	31,387	77	41,858	14,030	34	— 873	+ 13	98	..	251,925†
Column 2: Net Revenue. Column 11: Treasury Bills only. † Estimated. †† Figures revised according to the new system of accounting.												
UNITED KINGDOM (In millions of £)	April-March											
	1938-39 .. ..	927	420	45	927	272	29	—		100	920	8,163
	1944-45 .. ..	3,238	1,901	59	6,058	5,125	85	— 2,820	+ 554	53	6,116	22,398
	1945-46 .. ..	3,284	1,897	58	5,475	4,410	81	— 2,191	— 10	60	6,487	23,636
	1946-47 .. ..	3,341	1,589	48	3,910	1,653	42	— 509	— 29	35	6,955	25,631
	1947-48 .. ..	3,845	1,570	41	3,209*	854	27	+ 636	— 18	120	6,542	25,621
	1948-49 (Revised) ..	4,007	1,744	44	3,176*	753	24	+ 831	— 1	126	5,897	25,168
	1949-50 (Budget) ..	3,778	1,835	49	3,308*	760	23	+ 470	+ 4	114	..	..
* Includes Sinking Funds.												
CANADA (In millions of Canadian \$)	April-March											
	1938-39 .. ..	502	142	28	553	34	6	— 51		91	..	3,711
	1944-45 .. ..	2,687	1,539	57	5,246	4,418	84	— 2,559	+ 849	61	..	15,712
	1945-46 .. ..	3,013	1,432	48	5,136	4,003	78	— 2,123	— 2	59	..	18,960
	1946-47 .. ..	3,008	1,412	47	2,634	1,316	50	+ 374	— 49	114	..	17,698
	1947-48 .. ..	2,872	1,287	45	2,196	634	29	+ 676	— 17	130	459	17,197
	1948-49 .. ..	2,768	1,344	49	2,193	434	20	+ 575	—	122	459	16,947
	1949-50 (Budget) ..	2,477	1,194	48	2,390	..	..	+ 87	+ 9	104	..	..
AUSTRALIA (In millions of Australian £)	July-June											
	1938-39 .. ..	95	12	13	94	14	15	+ 1		101	59	1,215†
	*1944-45 .. ..	341*	182†	53	607*	480‡	76	— 286	+ 546	56	440	2,550†
	*1945-46 .. ..	355*	181†	51	508*	378‡	74	— 153	— 16	70	440	2,715†
	*1946-47 .. ..	373*	168†	45	411*	233‡	57	— 38	— 19	91	400	2,767†
	*1947-48 .. ..	412*	188†	46	411*	180‡	44	+ 1	—	100	350	2,790†
	1948-49 (Budget) ..	439	193†	44	457*	199‡	43	— 18	+ 11	96	..	..

\* Excluding grants to States for reimbursements under the State Grants (Tax Reimbursement) Act 1942 and 1946.

† Excluding grants to States for reimbursements in respect of income tax under the State Grants (Tax Reimbursement) Act 1942 for 1946-47 and 1947-48 under the State Grants (Tax Reimbursement) Act, 1946. ‡ Includes post-war charges.

‡ Excludes War (1914-18) Debt of £A79,724,220 due to the British Government.

UNION OF SOUTH AFRICA		April-March													
(In millions of South African £)		1938-39	..	..	47	17	36	65	2	3	—	18		72	279
		1944-45	..	..	115	60	52	186	101	54	—	71	+	186	540
		1945-46	..	..	134	68	51	131	83	63	+	3	—	30	583
		1946-47	..	..	139	60	43	132	18	14	+	7	+	1	595
		1947-48	..	..	128	59	46	122	13	11	+	6	—	8	609
		1948-49	..	..	143	59	41	136	..	..	+	7	+	11	659
		1949-50 (Budget)	..	..	139	58	42	140	..	..	—	1	+	3	..

FRANCE		January-December													
(In billions of francs)		1938	..	..	63	..	..	90	..	..	—	27		70	96†
		1944	..	..	138	..	..	372	138*	37	—	234	+	313	613†
		1945	..	..	207	..	..	444	..	..	—	237	+	19	746†
		1946	..	..	373	..	..	534	..	..	—	211	+	32	804†
		1947	..	..	..	..	..	..	..	..	..	..	..	..	..
		1948	..	..	1,021	..	..	1,590	..	..	—	575		64	..
		1949 (Budget)	..	..	1,250	..	..	1,250	..	..	—	..		100	..

\* Occupation costs.

† Including medium-term Debt.

U.S.S.R.		January-December													
(In billions of roubles)		1938	..	..	128	..	..	124	23	19	+	4		103	..
		1944	..	..	269	..	..	264	138	52	+	5	+	113	..
		1945	..	..	302	..	..	299	128	43	+	3	+	13	..
		1946	..	..	325	..	..	308	73	24	+	17	+	3	..
		1947	..	..	385	..	..	361	60	18	+	24	+	17	..
		1948	..	..	408	..	..	369	66	18	+	39	+	2	..
		1949 (Budget)	..	..	445	..	..	415	79	19	+	30	+	12	..

NEW ZEALAND †		April-March													
(In millions of New Zealand £)		1938-39	..	..	37	9	24	36	..	..	+	1		103	17
		1944-45	..	..	54	26	48	53	..	..	+	1	+	47	603
		1945-46	..	..	59	26	44	57	..	..	+	2	+	8	625
		1946-47	..	..	108	32	30	104	..	..	+	4	+	82	636
		1947-48	..	..	117	37	32	115	..	..	+	2	+	11	599
		1948-49 (Budget)	..	..	115	41	36	115	..	..	—	..		100	..

† Revenue and expenditure figures relate to Consolidated Fund.

PAKISTAN		April-March													
(In crores of rupees)		1947-48*	..	..	21	5	24	44	34	77	+	23		48	..
		1948-49 (Revised)	..	..	59	7	12	58	40	69	+	1	+	32	11
		1949-50 (Budget)	..	..	70	9	13	69	47	68	+	1	+	91	..

\* Figures for the 7½ months from 15th August, 1947 to 31st March, 1948.

CEYLON		October-September													
(In millions of rupees)		1938-39	..	..	117	21	18	127	..	..	—	10		92	204
		1947-48 (Revised)	..	..	519	94	16	429	..	..	+	90	+	238	..
		1948-49 (Budget)	..	..	535	114	27	530	..	..	+	5	+	24	..

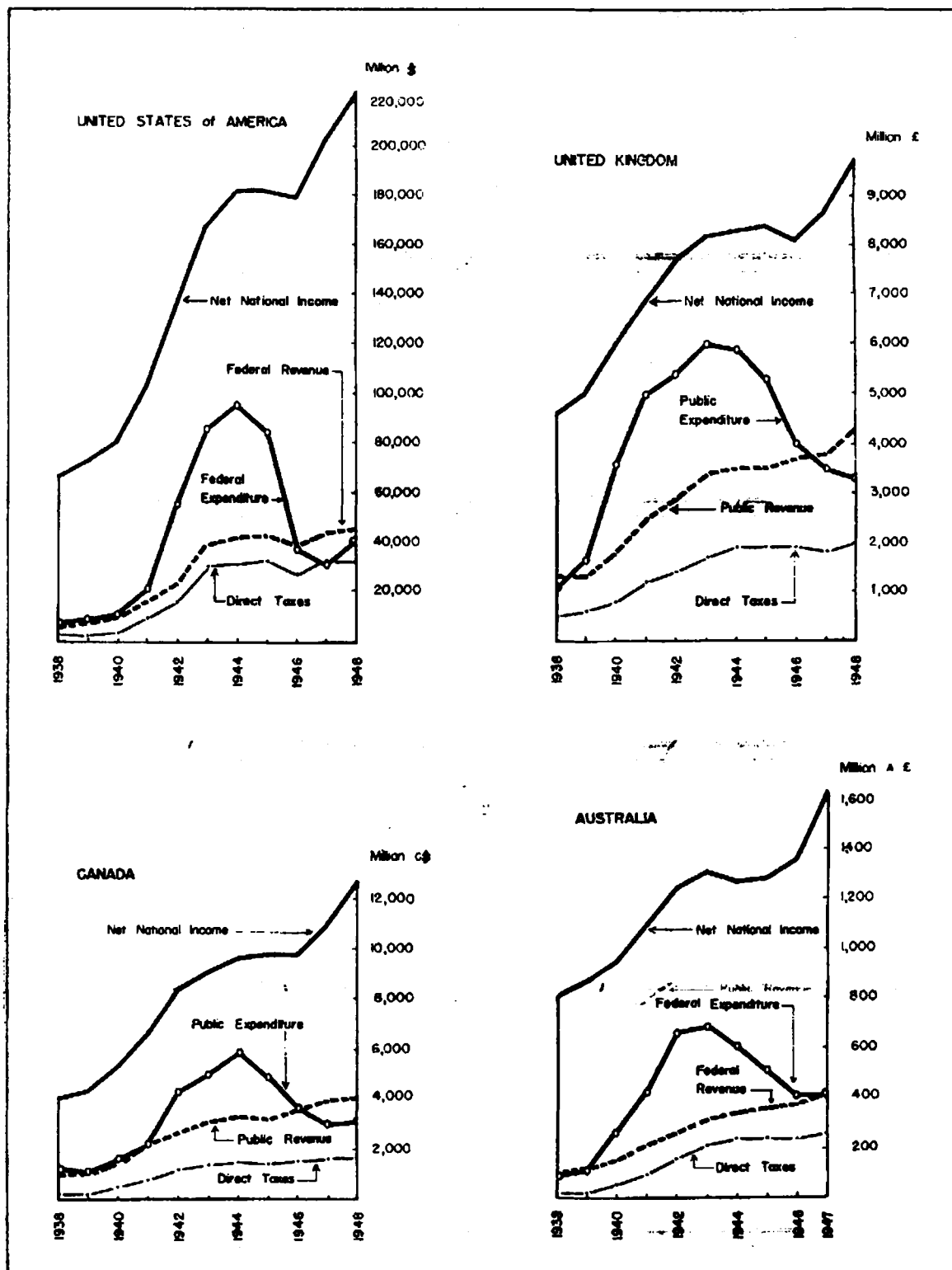
the current levels of economic activity and national income will continue, while expenditure is estimated at \$41.9 billion, leaving a deficit of about \$900 million. In 1949-50 Treasury receipts from income and profits taxes are estimated at \$31.4 billion or 76.6 per cent of total net receipts, as compared to \$30.2 billion or 76.4 per cent of total net receipts in 1948-49. The estimated expenditure for fiscal 1950 is 42 per cent of expenditure in 1945, the peak year of the war, and \$4.7 billion above the estimate for 1948-49. Services and benefits to veterans and interest on public debt, the principal legacies of wartime, take up \$11 billion or over one-fourth of total expenditure. Of the estimated increase in expenditure social welfare, health and security programmes account for \$1.9 billion. As in 1948-49, foreign aid is an important appropriation. The budget provides \$6,709 million or 16 per cent of total expenditure for the international aid programme and \$14,030 million or 34 per cent of the total for defence expenditure, as compared with 10 and 32 per cent respectively of the budget expenditure in 1948-49. Thus these two items together account for half the budget expenditure. To meet the enlarged expenditure, it is proposed to raise an additional \$4 billion from higher taxes on corporate profits and on middle and upper bracket personal incomes and from increased gift and estates taxes. Expenditure may actually be even higher, as estimates do not include the cost of providing defence supplies to Western Europe under the North Atlantic Security Pact.

The 1949-50 budget for the United Kingdom is based on the premise that in 1948-49 a "comfortable but not excessive" degree of disinflation was achieved. Ordinary revenue and expenditure are placed at £3,778 million and £3,308 million respectively, leaving a surplus of £470 million, as against the realised surplus of £831 million in 1948-49. Net expenditure "below-the-line" being placed at £456 million, the "overall" budget surplus, that is, the difference between the totals of the Exchequer return including both current and capital items, is expected to be £14 million. Expenditure would have been even higher but for the decision to limit the cost of living subsidies to £465 million, which, in consequence, has necessitated increases in the price of meat, butter, margarine and cheese. Public expenditure in the U.K. now works out at about 40 per cent of the national income as against 23 per cent in 1938 (*vide* Graph 4). Estimates of expenditure this year include £208 million for education services, £260 million for health services, £208 million for national insurance and £87 million for national assistance. In the United Kingdom, in the decade since 1938, a noticeable redistribution of incomes, both before and after taxation, in favour of wage-earners has taken place, largely due to changes in taxation and the extension of social services. According to the Chancellor of the Exchequer, the limit to this process appears to have been reached and it is felt that it would now be desirable to concentrate on increasing the national dividend.

There has been no general reduction in taxation, but some reliefs are given. These include the abolition of the duty on bonus issues of securities, reduction of duty on beer and table wines, doubling of the initial depreciation allowance on machinery and plant purchased on or after 6th April, 1949 from 20 per cent to 40 per cent. A comprehensive enquiry into the impact of the tax system on industry and business is indicated by the Chancellor. As a first step, a committee is to go into the technical issues which arise in connection with the computation of net trade profits. The tax changes calculated to yield additional revenue are (1) the consolidation of the existing estate duty, legacy duty and succession duty into a single levy by abolishing legacy and succession duties and making good the loss by an increase in the rates of the estate duty, (2) increase from 20 per cent to 30 per cent in the duty on football pools and other forms of pool betting, (3) increases in some postal and telephone charges and (4) higher duties on matches and lighters.

**GRAPH 4**

**Public Expenditure, Public Revenue and National Income  
IN U.S.A., U.K., CANADA and AUSTRALIA**





For 1949 the U.S.S.R. has budgeted for a surplus of 30 billion roubles at the estimated expenditure level of 415 billion roubles, as part of the campaign to strengthen the rouble which was initiated with the currency reform of December 1947. While the estimated revenue for 1949 is 9 per cent more than in 1948, expenditure is placed at 12.5 per cent larger than in 1948. The State's share in industrial profits is placed at 36.5 billion roubles while State loans amount to 23 billion roubles. The receipts from turnover tax and profits tax are expected to be 262 billion roubles and 34 billion roubles respectively, or 14 billion roubles and 7.5 billion roubles more than the actuals for 1948, on the assumptions that output of consumption goods increases by 25 per cent and that profits rise as a result of increased output and higher wholesale prices consequent on the withdrawal of subsidies. On the expenditure side, social services account for an increase of 14 billion roubles and defence for an increase of 13 billion roubles, largely attributable to the expected rise in wholesale prices and tariffs. Expenditure on defence is placed at 79 billion roubles while social services cost 119 billion roubles, that is, 19 per cent and 29 per cent respectively of total expenditure.

The Czechoslovak budget for 1949 shows revenue at kcs. 89,320 million and expenditure at kcs. 89,278 million, leaving a surplus of kcs. 42 million, as against the deficit of kcs. 8,583 million in 1948. This, incidentally, is the first balanced budget after the war. The finances of State and nationalised enterprises and those of local autonomous administrative authorities are included in the State budget. The investment programme will cost over kcs. 24,620 million. Of total expenditure, the Ministry of National Defence has the largest single appropriation of kcs. 8,359 million, while the Ministry of the Interior has kcs. 6,785 million. Thus, the security services take up 17 per cent of the total. The expenditure on social services is substantial, forming 29 per cent of the total budget. Some of the more important provisions are kcs. 8,568 million for education, kcs. 8,183 million on social welfare and kcs. 5,635 million on health.

In France, as compared with the large deficits in Government revenues in the immediate post-war years, there was a noticeable improvement in the budgetary position in 1948 (January to December). In 1946, expenditure and receipts were seriously out of balance necessitating recourse by the State to credit from the Bank of France. By the end of 1947 the ordinary budget was nearly balanced, but extraordinary investment expenditure could not be fully covered by loans and other non-inflationary resources. In 1948 an effort was made to cover a large portion of the "extraordinary" expenditure also from tax revenues. In 1948, public expenditure totalled Frs. 1,596 billion including Frs. 483 billion on reconstruction and re-equipment. Budgetary resources amounted to Frs. 1,021 billion while internal and external loans brought Frs. 558 billion. Advances from the Bank of France were only Frs. 17 billion, as compared with Frs. 119 billion in 1947. The general budget for 1949 is balanced at the expenditure level of Frs. 1,250 billion, including Frs. 750 billion for ordinary civil expenditure, Frs. 150 billion for reconstruction and re-equipment, and Frs. 350 billion for defence. The investment budget, as distinct from the general budget, shows expenditure at Frs. 620 billion. All this expenditure is covered by taxes and loans.

In Canada, for the year ended March 1949, revenue was estimated to total \$2,724 million at the then existing rates of taxation while expenditure was placed at \$2,175 million. Tax reliefs were given in respect of personal income tax and succession duties, particularly to benefit the lower income groups, and all items of food hitherto subject to sales tax were exempted from the levy. The Dominion tax on entertainments was withdrawn. The tax changes and tariff reductions involved a net loss of \$60 million, thus reducing the prospective

surplus from \$549 million to \$489 million. Actually revenue amounted to \$2,768 million and expenditure was \$2,193 million, leaving a surplus of \$575 million, \$86 million more than estimated. The budget estimate for 1949-50 places expenditure at \$2,390 million and revenue, after proposed tax changes, at \$2,477 million, leaving a surplus of \$87 million. The higher expenditure in 1949-50 is accounted for mainly by a rise in defence costs, and estimates of \$50 million in connection with Newfoundland's entry into the Confederation. Proposed tax reductions amount to \$369 million. The main tax changes are (1) higher personal income tax exemptions and lower income tax rates under which three-quarters of taxpayers will pay only 15 per cent on taxable income, (2) reduction in corporation income tax rate on first \$10,000 of income from 30 per cent to 10 per cent and increase in the rate on income over \$10,000 from 30 per cent to 33 per cent, and (3) repeal of excise taxes on certain items and reduction in others.

The Australian budget for the year ended June 1949, besides reducing direct taxation on most categories of taxpayers, provides for increased social service benefits. Actual revenue for 1947-48 was £A457 million while expenditure was £A455.6 million. For 1948-49 expenditure is placed at £A510.6 million while revenue is estimated at £A492.9 million, and the deficit of £A17.7 million, attributable mainly to capital outlays, is to be financed from the Loan Fund. The main tax changes are: (1) reduction in the flat rate of tax on companies from 6s. to 5s. in the £A on the first £A5,000 of taxable income, (2) reduction in rates on the first £A5,000 and £A9,000 of incomes from property and personal exertion respectively and raising the limit from £A5,000 to £A9,000 of income from personal exertion in excess of which the ceiling rate applies, (3) reduction in excise duty on matches and (4) cuts in sales tax ranging from 10 to 25 per cent. The total cash expenditure by way of social service benefits is estimated at £A88.5 million as compared with £A68.6 million in 1947-48 and is met as usual from the National Welfare Fund.

The New Zealand budget for the year ended March 1949 places total revenue of the Consolidated Fund at £NZ114.87 million and expenditure at £NZ113.57 million, the balance of £NZ1.29 million being provided for supplementary estimates and contingencies. The cost of social services, apart from the transfer of £NZ15 million to the Social Security Fund, is placed at £NZ21.79 million, an increase of £NZ2.26 million over 1947-48. The revenue and expenditure of the Social Security Fund are estimated at £NZ45.1 million and £NZ42.7 million respectively. The development programme is estimated to cost £NZ33 million in 1948-49 as against £NZ24 million in 1947-48.

The budget for the year ended March 1949 of the Union of South Africa shows a small surplus of £SA0.7 million at the estimated expenditure of £SA130.6 million. Repeal of surcharges and increased rebates on income tax, reduction of tax on gold mines and other tax remissions involve a reduction in revenue of £SA6.2 million bringing down estimated revenue from £SA137.5 million to £SA131.3 million. The revised estimates disclose a much larger surplus of £SA7.6 million, with revenue at £SA143.4 million and expenditure at £SA135.8 million. The increase in revenue is mainly attributable to larger receipts under customs and income tax. The budget for 1949-50 places revenue, after taking into account the proposed tax changes, at £SA139.6 million and expenditure at £SA140.2 million, leaving a deficit of £SA0.6 million. Minor concessions are given in respect of plantations and certain pension fund contributions. In the interests of gold mining industry, certain customs duties are temporarily suspended. The additional imposts are a 20 per cent surcharge on normal and super tax and the tax on shipping and aircraft, which are expected to yield £SA1.9 million.

As regards the Dominion of Pakistan, the revised estimate for the year ended March 1949 places revenue receipts at Rs. 58.70 crores as against Rs. 52.54 crores in the budget estimate, the increase in revenue being due to larger receipts under customs and excise as a result of larger imports and the excise duty on cotton cloth imposed during the year. The revised estimate of expenditure for 1948-49 is higher by Rs. 5.78 crores at Rs. 58.27 crores, the additional expenditure being mainly attributable to larger interest payments on loans floated, grant of interim relief to staff and larger expenditure on defence services. Thus the year 1948-49 is expected to close with a surplus of Rs. 43 lakhs as against Rs. 5 lakhs anticipated in the budget. The budget for 1949-50 places revenue at Rs. 70.25 crores and expenditure at Rs. 69.26 crores but, after taking into account the cost of implementing the recommendations of the Pay Commission, there is a deficit of Rs. 3.01 crores. Proposals to make good this deficit include higher import duty on manufactured tobacco, increases in the duties on cigars and cigarettes, raising by 15 per cent *ad valorem* the existing import duties on silk fabrics and certain other luxury items, levy of export duties on fish, cement and bamboos, imposition of an excise duty on raw jute, and changes in some postal and telegraph rates. It is also proposed to apply the import tariff, at preferential rates, to certain goods of Indian origin, namely, cotton cloth whose value is more than Rs. 1-8-0 per yard, artificial silk and certain other fabrics and tobacco manufactures. These proposals are expected to yield an additional revenue of Rs. 5.27 crores. On the other hand, there is a loss of Rs. 2.20 crores from tax concessions of which the more important are: remission of sales tax on essential foodgrains, fresh vegetables and milk, increase in the taxable minimum for income tax from Rs. 2,500 to Rs. 3,000, grant of certain additional concessions in respect of depreciation of machinery and plant used in industrial undertakings, reduction of the import duty on machinery from 10 to 5 per cent and remission of import duties on iron and copper scrap. The net result of these proposals is to leave a nominal surplus of Rs. 6 lakhs.

Ceylon's budget for the year ended September 1948 placed revenue at existing tax rates at Rs. 441.5 million and expenditure at Rs. 435.5 million. New tax proposals included the profit tax at 20 per cent, with an exemption limit of Rs. 50,000 or 6 per cent of the capital whichever is higher, to yield an estimated Rs. 25 million in a full year, increase of income tax on companies from 20 per cent to 25 per cent, to bring in Rs. 5 million, higher rates of estate duty on estates valued at over Rs. 20,000 estimated to yield an additional Rs. 4 million in a full year, and increased import duties on certain items with a view to restricting imports of unessential goods and to obtain additional revenue. The total revenue from additional taxation was estimated at Rs. 40 million. According to the revised estimates for 1947-48, the surplus is placed at Rs. 90 million at a revenue level of Rs. 519 million. For 1948-49, revenue and expenditure are placed at Rs. 534.8 million and Rs. 530.3 million respectively, leaving a surplus of Rs. 4.5 million. Certain alterations in import duties are proposed with negligible effect on revenues. There are no important tax changes. Of the total revenue, Rs. 470.6 million or 88 per cent is from taxation. Of the tax revenue, direct taxes contribute Rs. 113.7 million or 21.3 per cent and indirect taxes Rs. 356.9 million or 66.7 per cent. Including the proposed expenditure of Rs. 145 million from Loan Funds, total Government expenditure in 1948-49 is placed at Rs. 675.3 million or about 35 per cent of gross national income. Of the expenditure on current account, the major items are social services Rs. 243.1 million, development of national wealth Rs. 59.1 million, utility services Rs. 86.4 million, administration Rs. 49.7 million, public debt Rs. 33.5 million and pensions Rs. 28.7 million. The appropriation for defence and external affairs is only Rs. 5.9 million.

## 12. PUBLIC DEBT

During the year under review, reduction of public debt was an objective of fiscal policy in several major countries, although the measure of debt retirement effected showed considerable variations. There were also some changes in the composition of public debt, the proportions of bank-held and floating debt to total showing a decline.

In the United Kingdom, during the year ended March 1949, a reduction of £453 million was effected in the national debt. The overall budget surplus of £352 million and the application of £107 million of the sterling proceeds of the Marshall Aid special account to the redemption of short-term debt made this reduction possible. Total outstanding debt at the end of March 1949 was £25,168 million as compared with £25,621 million at the end of March 1948. Of the total debt as on 31st March, 1949, internal debt aggregated £23,571 million and external debt £1,597 million, the corresponding figures as on 31st March, 1948 being £24,066 million and £1,555 million respectively. The total floating debt was reduced by £645 million during the year. On 31st March, 1949, floating debt was £5,897 million, comprising £343 million Ways and Means Advances, £1,136 million Treasury Deposit Receipts and £4,418 million Treasury bills. Outstandings of Treasury bills and Treasury Deposit Receipts decreased during 1948-49 by £492 million and £155 million respectively while Ways and Means Advances were higher by £3 million as against a decrease of £272 million during the previous year. It may be noted that the proportion of floating debt to total debt declined from 27.2 per cent at the end of March 1947 to 25.5 per cent at the end of March 1948 and further to 23.4 per cent at the end of March 1949. Total outstanding debt at the end of March 1949 works out at 260 per cent of national income for 1948. It has been announced that the £714 million 2½ per cent National War Bonds, 1949-51 are not to be redeemed on 1st August, 1949, the first redemption date.

In the fiscal year ended June 1949 the reduction in public debt of the U.S.A. is estimated at \$0.7 billion, as compared with \$11.1 billion in 1946-47 and \$6 billion in 1947-48. Thus, the total reduction in debt was \$27.6 billion as compared with the peak of \$279.2 billion at the end of February 1946. Funds for reduction of debt have come from Treasury surpluses and a drawing down of Treasury cash balances from the high level reached in early 1946 at the end of the Victory War Loan drive. As at the end of December 1948, total public debt was \$252.8 billion of which interest-bearing public debt was \$250.6 billion comprising special issues of \$31.7 billion, marketable public issues \$157.5 billion and non-marketable public issues \$61.4 billion. Thus, as compared with the peak in February 1946, the reduction in marketable debt was \$42.3 billion or \$14.7 billion more than the reduction in total public debt.

In working out the debt retirement programme, the Treasury and the Federal Reserve Authorities have, by mutual agreement, followed a policy, especially since mid-1947, of redeeming issues held by Federal Reserve Banks so as to bring down bank deposits and bank reserves. Thus, during the fiscal year 1948, about \$5 billion of securities held by the Federal Reserve were redeemed for cash, while other investor groups turned in about \$3.4 billion of maturing issues for cash redemption. The U.S. public debt now works out at about 112 per cent of the national income. The computed annual rate of interest on outstanding interest-bearing public debt was 2 per cent, 2.11 per cent and 2.18 per cent at the end of fiscal years 1946, 1947 and 1948 respectively and 2.22 per cent at the end of December 1948. Total public debt at the end of fiscal year 1950 is estimated to rise by \$0.36 billion over the estimated total of \$251.6 billion at the end of June 1949, thus reversing the trend in recent years.

In France, internal debt rose from Frs. 2,118 billion on 1st January, 1948 to Frs. 2,403 billion on 30th September, 1948, and foreign debt from Frs. 381 billion to Frs. 700 billion. Thus, as at the end of September 1948, total debt stood at Frs. 3,103 billion.

The total public debt of Australia as at the end of June 1948 was £A2,790 million as against £A2,767 million at the end of June 1947. Of this amount, debt redeemable in Australia was £A2,352 million and overseas debt £A438 million, the corresponding figures for the previous year being £A2,323 million and £A444 million respectively. Of the total, Commonwealth debt was £A1,825 million and States debt was £A965 million. Public debt as at the end of June 1948 was 171 per cent of national income. Annual interest liability on this debt was £A82.3 million or 5.03 per cent of national income, as compared with £A46.2 million or 5.7 per cent of national income in 1939. Of the internal debt, £A2,002 million formed funded debt which showed an increase of £A79 million over the previous year, while floating debt decreased from £A400 million to £A350 million. During the year 1947-48 four cash and conversion loans totalling £A152 million were raised in Australia, all at the rate of 3½ per cent issued at par with maturities from 1956 to 1960. In addition, two loans were raised in London, one for £12.9 million at 3 per cent due 1963-65, the issue price being 98½, the other for £10 million at 3 per cent par, due 1964-66, for conversion of London loans totalling £32.5 million. Of the balance, £2.6 million was redeemed from the Sinking Fund and £7 million was transferred to Australia by funds provided by the Commonwealth Bank which received in exchange securities redeemable in Australia.

The gross liabilities of the Dominion of Canada as on 31st March, 1949 are estimated at \$16,947 million of which gross direct funded debt outstanding (including deposit certificates, Treasury bills and the estimated refundable portion of excess profits tax) amounts to \$15,585 million: the corresponding totals at the close of March 1948 were \$17,197 million and \$15,957 million respectively. During the year under review, the net retirement of funded debt amounts to \$372 million, while the floating debt has remained unchanged at \$459 million. Of the total funded debt, \$15,278 million or 98 per cent is payable in Canada as compared with \$15,750 million or 98.7 per cent at the close of the previous financial year, while the rest is payable in New York or London. As on 31st March, 1949 the outstanding debt is 132 per cent of national income. The average rate of interest on the Dominion's direct funded debt outstanding as on 31st March, 1949 was 2.64 per cent compared with 2.66 per cent at the close of the last fiscal year and an average rate of 3.52 per cent as on 31st March, 1939.

As on 31st March, 1948 the New Zealand public debt (excluding the funded debt of the 1914-18 war on which payments have been suspended since 1931) including £NZ55 million floating debt in the form of Treasury bills, amounted to £NZ598.88 million. An important development during the financial year 1947-48 was the reduction in the overseas debt by £NZ14.26 million chiefly as a result of the repayment of the 4½ per cent London Loan of £NZ14.03 million matured on 1st November, 1947. Of the total public debt of £NZ598.88 million, internal debt was £NZ494.11 million and the debt held in London and Australia was £103.99 million and £0.78 million respectively. During 1948-49 the conversion offer of a London Loan of £NZ24.03 million into a new 3 per cent Stock 1966-68 of £NZ20.00 million effected a reduction of £NZ4.03 million in the overseas debt. This transaction for the first time in twenty-five years reduced the overseas debt in London below £NZ100 million and considerably lessened the heavy interest commitments which have been a charge against the export credits for a long time.

The outstanding debt of the Union of South Africa as on 31st March, 1948 was £SA609 million, of which £SA219 million was invested in the South

African Railways and Harbours Administration. During the year 1947-48, external debt decreased by a small amount and stood at £SA13 million. Internal debt increased by £SA14 million and was £SA595.5 million, including £SA11.5 million in the Sinking Fund. As on 31st March, 1949 the outstanding debt was £SA659 million. During the year 1948-49 there was a further small decline in external debt, while internal debt rose by £SA50.1 million to £SA645.6 million, including £SA12.6 million in the Sinking Fund.

In the Dominion of Pakistan, the first series of loans were floated on 14th February, 1948 in the form of (i) 2½ per cent Loan, 1953-54, (ii) 3 per cent Loan, 1960, (iii) 3 per cent Loan, 1968 and (iv) 1½ per cent Income Tax Free Bearer Bonds, 1958. The total subscription received for these loans which were closed on 30th September, 1948 amounted to Rs. 49.07 crores. Due to further demand from institutional investors, the following loans were issued on 18th October, 1948, namely, (i) 2½ per cent Loan, 1955-56, (ii) 4½ per cent Loan, 1958-59, and (iii) 3 per cent Loan, 1963. The subscriptions to the first two loans which closed on the same day amounted to Rs. 11.85 crores and Rs. 6.76 crores respectively, while the third loan which remained on tap for some time brought in Rs. 2.89 crores. Total subscriptions to Government of Pakistan loans thus amounted to Rs. 70.57 crores, of which the amount raised in 1948-49 was Rs. 21.50 crores.

### 13. FINANCE FOR RECONSTRUCTION AND DEVELOPMENT

The balance of payments difficulties of most countries since the end of the war have been closely interlinked with the need for reconstruction and development. In the year under review, the inauguration of the European Recovery Programme was a significant recognition of this fact. The purpose of the Programme was to carry out systematically some of the fundamental readjustments that were beginning to appear necessary in a key sector of the world economy. By its magnitude it dwarfed the activities of the other agencies engaged in long-term international financing and transformed the outlook for the future from a state of considerable scepticism to one of sober confidence. The International Bank for Reconstruction and Development, which was thus relieved to some extent from its responsibilities in Western Europe, found itself in a better position to give assistance to under-developed countries. However, as the year progressed, the conviction had grown that undeveloped territories in Africa, Asia and Latin America stood in greater need of technical skill and organising ability than of mere finance, and gave rise last January, to the Point Four Programme of President Truman. Barring the United States, which continued to be the main source of finance for reconstruction and development, there was only an insignificant flow of capital forthcoming from any other country.

The idea of a European Recovery Programme, integrating assistance from the United States with extensive measures of self-help and mutual aid, was first put forward by the U.S. Secretary of State, Mr. George Marshall, towards the middle of 1947. The assistance from the United States was to be largely in the form of free grants but partly also in the form of loans. In furtherance of the scheme thus initiated, the U.S. Congress was called upon to approve a programme of aid to Europe which, over the period 1st April, 1948 to 30th June, 1952, was estimated to require \$17 billion. In April 1948, the Congress responded by passing the Foreign Assistance Act and authorising an expenditure of \$5.3 billion during the year ending 2nd April, 1949. Of this amount \$3 billion was to be provided out of the budget surplus for the year ending June 1948 and \$1 billion from the budget for the next year; in addition, there was also to be made available a sum of \$1 billion from public debt transactions for the purpose of making loans and

guarantees under the Programme. For administering the assistance in consultation with the members co-operating in the Programme, the Congress set up a body called the Economic Co-operation Administration.

Meanwhile, the representatives of the sixteen European countries which participated in the Paris Conference in 1947, and of Western Germany, met again in Paris and signed a convention setting up the Organisation for European Economic Co-operation to act as the co-ordinator of their individual programmes and for dealing with the ECA. The signatories to the agreement undertook to develop production in their metropolitan and overseas territories, to draw up programmes for the production and exchange of commodities and services, to liberalise restrictions on their trade and payments in order to strengthen their economic links, to continue to explore avenues of economic co-operation through customs unions or analogous arrangements, to co-operate with other nations in achieving a system of expanding multilateral trade, to maintain stable currencies, and to make full use of their available man-power. Later, the participating countries signed with the United States separate bilateral agreements intended to promote the general objectives of the plan for European reconstruction and, incidentally, to facilitate the transfer to the United States of strategic commodities required for stockpiling purposes. The Anglo-U.S. zone of Trieste was subsequently admitted as a member of the OEEC, raising the number of the countries participating in the EEP to nineteen.

Under the programme of assistance, upto 31st March, 1949, the ECA had allocated a total amount of \$3,980 million in the form of grants and \$973 million in the form of loans. Part of the grants allocated to some of the countries was conditional on their granting to other participating countries, who are debtors to the former on current account, drawing rights in their own currencies, equivalent to the amount of the grant, under the Intra-European Payments Scheme, details of which have been given in para 10. The allocations to each participating country, representing the amounts which it had been informed it could use during the period, and the procurement authorisations issued against these, representing the obligations incurred by the ECA for the procurement of supplies and services, are shown in the Table below.

Country	(In millions of U.S. dollars)		
	Grants	Loans	Procurement Authorisations
Austria .. .. .	328.7	..	230.1
Belgium-Luxembourg .. .. .	147.2	59.5	199.0
Denmark .. .. .	72.0	31.0	102.0
France .. .. .	889.6	172.0	1,072.8
Germany, Bizone .. .. .	412.6	..	373.8
Germany, French zone .. .. .	94.4	..	89.3
Greece .. .. .	176.8	..	171.1
Iceland .. .. .	7.7	2.3	5.8
Ireland .. .. .	..	89.0	76.9
Italy .. .. .	518.9	67.0	578.6
Netherlands .. .. .	329.4	144.5	468.3
Norway .. .. .	47.8	35.0	82.7
Sweden .. .. .	18.4	22.0	32.5
Trieste .. .. .	13.8	..	12.0
Turkey .. .. .	8.7	38.0	13.9
United Kingdom .. .. .	1,003.0	313.0	1,259.8
<b>Total</b> .. .. .	<b>3,980.4</b>	<b>973.3</b>	<b>4,770.0</b>
Portugal .. .. .	No aid was requested.		
Switzerland .. .. .	..	..	..

\* Comprises direct grants (excluding a sum of \$11.4 million for commodity reserve) and conditional aid.

The entire amount allotted for aid during the first year of the ERP was thus parcelled out among the participating countries and a sum of \$4,770 million committed in specific procurement authorisations. Of the total procurement authorisations (for commodities only) \$2,822 million or 65 per cent of the total was in respect of purchases in the United States and the remainder, \$1,538 million or 35 per cent, was for off-shore purchases. A good portion of the off-shore purchases was from Canada which received \$699 million; and the ERP countries themselves supplied goods worth \$188 million, while Latin America provided goods worth \$442 million. Paid shipments, during the year, representing ECA expenditures, supplemented by movement reports from U.S. Government agencies, amounted to \$3,047 million.

In deciding upon the amount of aid which each country was to be given in the form of loans as distinct from grants during the first year of the ERP, the ECA had to give careful consideration to a wide range of factors including the capacity of the recipient country to repay the loans. It was felt that Portugal and Switzerland were in a position to pay cash for their imports of goods and services and that Iceland, Ireland, Sweden and Turkey should receive their initial allocations entirely on a loan basis. On the other hand, it was decided that Austria and Greece should receive assistance entirely by way of grants. For most other countries, the major part of the aid allotted for the first year was to be given mainly on a grant basis with a portion of the assistance on a loan basis. The Free Territory of Trieste was to receive all assistance provisionally as a grant. As regards Germany, the assistance was subject to such terms of payments as might be determined by the peace settlement.

Since the decisions on the allocation of aid as between loans and grants took account of the differences in the ability of various countries to repay the loans, the terms of repayment have been placed on a uniform basis among the borrowing countries except for some variations in the schedules of amortisation. The loans generally have a maturity of 35 years and carry an interest rate of 2½ per cent. Recognising the need for allowing a period, even after the ERP, during which no payments on principal should be required, in order that the recipient countries might make the adjustments necessary to enable them to begin repaying the loans, the loan agreements have generally provided for a moratorium on repayments of principal till 1956. The loan agreements have also provided for discussions on postponement of interest or principal payments in the event of adverse economic conditions or for any other reason, and, in some cases, even for repayment in local currency at an agreed exchange rate.

The Foreign Assistance Act introduced a new feature in international financing by requiring all countries receiving assistance in the form of dollar grants to keep, in a special account, local currency deposits equivalent to the grants received. These funds might be held or used, by agreement between the country concerned and the United States, for purposes of internal monetary and financial stabilisation, stimulation of productive activity, exploration for and development of new sources of wealth and for such other expenditures as might be deemed consistent with the purposes of the Economic Co-operation Act, including the administrative expenditures of the United States in the local currencies incidental to operations under the Act. Several countries took advantage of this provision and secured releases of their counterpart deposits, mainly for retiring Government securities held by their central banks (e.g., the United Kingdom), for financing projects aimed at expansion of industrial and agricultural production (e.g., France) and for obtaining stocks of strategic materials. The accompanying Table shows



the releases made by the ECA from the counterpart deposits as on 2nd April, 1949.

Country	Amount of release (U.S. dollar equivalent in millions)
Austria .. .. .	12.2
France .. .. .	288.7
Germany, Bizone .. .. .	0.8
Greece .. .. .	63.9
Norway .. .. .	22.2
Trieste .. .. .	6.8
United Kingdom .. .. .	433.2
<b>Total .. .. .</b>	<b>823.1</b>

As an incentive to new private capital from the United States, which, it was hoped, would gradually replace ERP aid as a stable source of long-term finance to Western Europe, the Economic Co-operation Act had authorised the ECA to guarantee the conversion into dollars of the local currency income of approved new investments in the participating countries, or of the amortization or liquidation of such investments. An amount of \$300 million was set apart for expenditure on this account. However, guarantees under the scheme have so far been few in number and meagre in amount, reflecting the reluctance of American private capital to venture abroad even under relatively favourable conditions.

In January 1949, the OEEC submitted to the ECA a report covering the individual programmes of the participating countries for 1949-50, the second year of the ERP. This report estimated the combined dollar deficit at \$4.7 billion but recommended that, through a more modest estimate of improvements in consumption standards and a more complete integration of the various national plans, the request to the ECA might be limited to \$4.3 billion. The ECA allocation for the previous year was \$4.95 billion. The suggestions of the OEEC were accepted by the U.S. Congress which authorised in April 1949 \$1,150 million for the period 3rd April, 1949 to 30th June, 1949 and \$4,280 million for the period 1st July, 1949 to 30th June, 1950. The ECA has fixed tentatively the allocations to be made to each of the participating countries.

Judging from the magnitude of the recovery in industrial and agricultural production in Europe, the achievements of the ERP in its first year are substantial. Production increased in every one of the nineteen participating countries, in some to a remarkable degree. For ten leading member nations as a whole the average index of industrial production rose by 20 per cent over 1947, exceeding in several countries the peacetime peaks reached in 1937; Austria and Germany, the most damaged countries of Europe, achieved the biggest relative gains. The lag in the production of coal was the chief obstacle to still greater recovery. Coal production in most countries recorded only slight increases in 1948 and, in spite of a striking expansion in the German production, the total output remained far short of pre-war. Agricultural production had rallied considerably, the 1948 harvests being in general only about 10 per cent below the average of the mid-thirties.

The emergence of the ERP overshadowed in a sense, the activities of the Export-Import Bank of Washington. In view of its experience in the field of foreign lending, the Export-Import Bank was, however, called upon, during the year, to act as the agent of the ECA in the loans which the latter made as part of the ERP. In addition, the Bank itself advanced loans to certain countries, independently as well as in conjunction with private banks. Most of these loans were advanced to the Latin American Republics either for purposes of industrial and agricultural development or in the form of export credits. During 1948, the

Bank granted new credits to the value of \$138.3 million, of which about \$33 million represented loans for development purposes. About \$26.5 million of the development loans was for financing steel and iron ore projects in Chilo, Mexico and Canada; the remainder was for the purchase of U.S. equipment and services for an agricultural development programme in Haiti, a rayon and staple fibre factory and a metal working plant in Chile, and a paper manufacturing plant in Uruguay. The transactions during the year brought the total of credits authorised since the creation of the Bank in 1934 to \$4,272 million. Outstanding loans at the end of 1948, together with credits not yet disbursed amounted to \$2,533 million; since the Bank had the authorisation of the U.S. Congress to lend up to \$3,500 million, this left uncommitted an amount of \$967 million.

The operations of the International Bank for Reconstruction and Development were directed, during the year under review, more towards the development of backward areas as distinguished from reconstruction of war-torn economies. After making loans to four European countries in 1947 for reconstruction purposes, the Bank withdrew for a time, as it were, from the European picture, due partly to the Bank's decision not to make large loans to Europe till such time as the form and content of the ERP had taken shape. However, in view of the need of ERP countries to maintain as high a rate of investment as was compatible with monetary stability and of the insufficiency of ERP funds to meet all investment requirements, the Bank decided to supplement the ERP to the extent that its resources (in the light of the other demands on them) and the credit standing of the ERP countries permitted, primarily by financing projects which involved permanent additions to productive capacity. In accordance with this policy, the Bank granted in July 1948 a loan of \$12 million to four Dutch shipping companies for financing the purchase of six merchant vessels. The Bank received from the companies  $2\frac{1}{2}$  per cent serial mortgage notes maturing in one to ten years. In addition to the interest on the notes, the Bank stipulated the usual 1 per cent commission to be set aside in its Special Reserve and a service charge of  $\frac{1}{4}$  per cent. Soon after the granting of this loan, the Bank sold \$8.1 million of these notes to a group of banks in the United States, with its guarantee as to principal and interest, thus using its guarantee powers for the first time. In January 1949, the Bank sold a further \$2.2 million of the notes. Another European country, Belgium received a loan of \$16 million, on 28th February, 1949, for financing imports of equipment for the construction of two steel mills and a power plant, the loan being for a term of 20 years and carrying interest at  $4\frac{1}{2}$  per cent including the 1 per cent commission. The Bank sold on 28th March, 1949 under its guarantee the 3 per cent bonds of the Kingdom of Belgium which it had received against the loan.

In the sphere of development, the Bank made two loans totalling \$34.1 million to Mexico in January 1949, for meeting the foreign-exchange costs of certain electric-power development projects. Of the two, one amounting to \$10 million is repayable within one year, but the Bank has undertaken to consider the negotiation of a long-term loan for a larger amount at the expiry of this credit under certain circumstances. The other loan of \$24.1 million is to run for a period of 25 years and bears interest at  $4\frac{1}{2}$  per cent including the 1 per cent commission. On the same terms, Brazil was granted on 27th January, 1949 a loan of \$75 million to assist in financing the expansion of hydro-electric power facilities and telephone installations in the country.

By 31st March, 1949 disbursements totalling the equivalent of \$508.3 million had been made against the Bank's total loan commitment of \$650.1 million. Of this, the commitment during the year ended 31st March, 1949 amounted to \$141.1 million and disbursements to \$105.5 million, while the corresponding figures for the previous year were \$509.0 million and \$402.8 million respectively.

The U.S. banks to whom the International Bank had sold part of the mortgage notes of the Dutch shipping companies received by the Bank against the loan granted to them, were paid a sum of \$0.6 million by the companies on 15th January, 1949. This represented the first repayment of principal by a borrower.

Most of the expenditures financed by the Bank's loans were made in the United States, although certain amounts were also spent in other countries. It is noteworthy that, in spite of the comparatively small volume of loans which the Bank has so far made, its income from these investments has been adequate not only to absorb expenses of organisation and of the bond issues but also to set aside a special reserve against losses and show a net profit. From the beginning of its operations upto 31st March, 1949, there has been a net profit of \$10.4 million over and above the \$6.8 million in its Special Reserve Fund which is available only for meeting the Bank's obligations under its own borrowings or guarantees.

In addition to the loans actually made, the Bank has under consideration the development projects of a number of its under-developed members. During the year, the Bank sent missions to a number of countries, with technical experts from its own staff or recruited elsewhere, to study their economies, to assist in drawing up development programmes adapted to their needs, to select projects suitable for being financed by the Bank and to suggest measures for improving their financial stability and credit standing. A mission, headed by the Bank's Assistant Loan Director and including a railroad technician, visited the Indian Union early in 1949 to make a first-hand appraisal of the economic and financial situation in the country and to study the development programmes with special reference to certain railway and agricultural projects which had been put forward by the Government of India for the Bank's consideration as the basis for a loan.

As in the case of the International Monetary Fund, the membership of the Bank was raised to 47 during the year by the admission to membership of Austria. This, coupled with certain adjustments in the subscriptions of a few members, resulted in increasing the Bank's subscribed capital to \$8,336 million on 31st March, 1949 from \$8,263 million a year before. The Bank's available dollar resources being adequate to meet its needs during the year, it did not have to make any fresh public offerings of its bonds in the U.S. market. The Bank has, however, succeeded in creating a broader base for its bond issues in the United States by inducing legislation in a majority of States to make its securities legally authorised investments for commercial and savings banks, insurance companies and trust funds. It has also obtained rulings from the U.S. Treasury that interest on its securities is exempt from income tax if paid to an alien individual or corporation, unless the corporation is a life insurance company and the interest is attributable to the company's life insurance business in the United States. In May 1948, the Bank sold to the Bank for International Settlements 2½ per cent Swiss franc bonds worth \$4 million, and made the proceeds available to the Netherlands as part of the loan which it had been granted in 1947. The Bank has been exploring the possibilities of floating further bond issues in countries other than the United States according to its needs. It was able to secure the consent of Canada and the United Kingdom to the use in its operations of a part of their subscriptions, viz., C\$8 million and £0.5 million, which the Bank would utilise in its loan to Brazil. The Bank hopes to obtain further authorisations for the use of local currency subscriptions in order to increase the amount and flexibility of its loanable resources and to strengthen the international character of its operations.

While the undeveloped areas of the world received more attention in 1948-49 than in the year preceding, the assistance they actually received was not commensurate with their size or needs. The loans granted by the IBRD and the

Export-Import Bank to some of the Latin American countries, no doubt, reflected a change in the attitude of financial circles in the United States towards this area, but the amount of finance forthcoming was still meagre. The impression appears to have been growing meanwhile in the United States that undeveloped countries are in greater need of technical skill and organising ability than of mere finance, and that these requirements can be met more fully through direct entrepreneurial investment than through portfolio investment.

Though the United States accepted its obligations as the main source of long-term international finance, governmental or semi-governmental bodies continued to be the predominant agencies in the field. The outflow of fresh private capital from the United States for direct investment amounted to only \$1,057 million in 1948, which was in fact slightly lower than the level attained in 1947. Within the sterling area there was a fairly large movement of private capital from the United Kingdom to Australia and to the Union of South Africa. This was partly for genuine investment but partly in the nature of emigrants' transfers and for speculative purposes. The post-war flow to the Union of South Africa—estimated officially at £120 million and unofficially at over £200 million—had been directed largely to the development of gold fields in the Orange Free State, but this movement showed a tendency to wane towards the middle of 1948. No estimate is available of the flow of funds into Australia but there is reason to believe that some of it has been stimulated by the rumours of sterling devaluation coupled with the belief that the par value of the Australian pound will not be altered. On the whole it would be correct to say that the recovery of private investment—the traditional agency in international movements of capital—made little progress in 1948.

#### 14. INTERNATIONAL CONFERENCES

The nations of the world continued to devote their attention to the solution of the outstanding international problems including those which were a legacy of World War II as well as those aiming at economic and social uplift in general. A feature of the conferences held during the year was the emphasis laid on the importance of dealing with developmental problems on a regional basis, while there was also evidence of a growing recognition on the part of industrially advanced countries of the need to extend assistance to under-developed countries not only in Europe and on the American continent but also in South East Asia. The Indian Union continued to participate actively in most of these conferences, and was also the venue of some of these, indicating the country's growing interest in world problems, following the change in its political status.

The various international conferences, held during the year mainly under the aegis of the United Nations Organisation, covered a wide range of subjects relating to the promotion of world peace, human rights, standards of living, organisation of labour and its welfare, trade, transport and food. The third session of the United Nations General Assembly held in Paris during the last quarter of 1948, adopted a plan suggested by the Western Powers for international control of atomic energy. The United Nations Conference on Freedom of Information held at Geneva in March 1948, approved a number of resolutions and conventions covering the rights, obligations and practices germane to the concept of Freedom of Information. The United Nations Economic and Social Council at its eighth session held in February-March 1949 adopted a resolution envisaging a comprehensive programme of technical assistance to promote economic development and to raise the standards of living of under-developed countries. The International Labour Organisation at its 31st session held at San Francisco in June 1948, approved, among other things, a new international treaty on the rights of employers

and employees to form and join organisations of their choice, and also endorsed a resolution envisaging consultations with the United Nations Organisation on problems relating to the improvement of the existing international machinery for safeguarding freedom of association. The Indian Union as one of the chief industrial countries, retains its seat on the Governing body of the ILO which has also recognised the Indian National Trade Union Congress as the most representative body of Indian labour. The ILO also held another conference in October 1948 in Geneva and unanimously adopted a model code of safety regulations in industry. The first meeting of the World Health Organisation at Geneva in June 1948, decided, among other things, to establish a number of regional bureaux, one of which intended for the benefit of South East Asian countries is proposed to be set up in New Delhi. The Conference of Commonwealth Prime Ministers held in London from 11th to 22nd October, 1948 discussed a number of subjects of common interest, including economic affairs, foreign relations and defence. The conference generally agreed on the imperative need (i) for increasing the flow of trade within the Commonwealth and the sterling area and for reducing the dollar deficit by expanding exports rather than by cutting down imports, and (ii) for devising positive means of countering subversive elements by raising the standards of living, especially in the less developed countries. This conference also discussed the Indian Union's future relationship with the Commonwealth with a view to exploring a formula (since evolved in April 1949) for retaining the Indian Union within the Commonwealth after it becomes a Republic. The United Nations Economic Commission for Asia and the Far East, which came into being in March 1947, held its third session at Ootacamund in the Indian Union in June 1948. It adopted four important resolutions, the first recognising the urgent need for the import of capital goods and basic materials from the more advanced industrial countries for the rehabilitation of the ECAFE countries, the second urging the establishment of a trade promotion section to carry out research and investigation on trade problems and to promote collaboration between the member Governments in the solution of these problems, the third recommending careful planning by each of the ECAFE countries of its import needs and export possibilities to facilitate mutual trade arrangements, and the fourth relating to the supply of agricultural requisites, the reduction of prices of essential goods and the inter-relationship between the ECAFE and the FAO. The Commission also decided to set up a working section for technical personnel and a bureau of flood control. The Commission met again for a two-week session at Lapstone in Australia on 29th November, when the Indonesian Republic and the State of Nepal were admitted to associate membership of the Commission. An important resolution passed at this session urged the member countries to encourage their trade with Japan in order to utilise more fully that country's productive capacity for the general economic development of the Far East. The Commission set up a committee with powers to implement its own decisions in respect of the recommendations contained in the reports submitted by the working parties (set up earlier by the ECAFE) on industrial development, trade promotion, utilisation of Japan's industrial potential and others. The International Civil Aviation Organisation which met in Geneva in June approved unanimously a legal convention on international recognition of rights in aircraft, while a regional conference under the auspices of the same Organisation held at New Delhi in November 1948, evolved a plan for the development of ground services in South East Asia.

The subject of food continued to receive high priority. The World Food Council of the FAO met in Washington in April 1948—the third meeting held since its inception in September 1947—and decided *inter alia* upon (i) the retention of the International Emergency Food Committee which had been brought into existence in May 1946 for the purpose of allocation of foodgrains to deficit countries and (ii) the establishment of an International Rice Council on

the lines of the International Wheat Council. Action to expedite the implementation of the second decision was taken by the fourth annual conference of the FAO held in Washington in November 1948. This conference appointed a new committee with the Indian Union as one of its members, for the purpose of studying world supply and distribution of agricultural products and, in particular, for examining the current and future need for international commodity agreements. In July 1948, the International Wheat Council called a conference of the representatives of the nations concerned to discuss the situation arising from non-ratification, by the United States and some of the importing countries, of the International Wheat Agreement of 6th March, 1948. It was decided to restart negotiations for a new agreement, for which another conference was called in Washington in January 1949. This conference which was attended by delegates of 55 nations, announced on 23rd March, 1949 a new four-year agreement which, if ratified\* by the Governments concerned, would come into force on 1st August, 1949. The Agreement fixes the ceiling price of wheat at \$1.80 per bushel while the minimum price would be reduced from \$1.50 in the initial year (i.e., 1949-50) by 10 cents a year to \$1.20 in 1952-53. In terms of this agreement, the Indian Union will be assured of a supply of one million tons of wheat per year at rates within a price-bracket, the maximum and minimum of which have been fixed at levels which would make for an appreciable cut in the country's food bill.

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\* Since ratified by most of the countries.

**PART II**

**INDIAN  
CURRENCY AND FINANCE**

## INTRODUCTORY

15. *General Situation.*—The year 1948-49 was one of comparative peace on the political front, free from communal disturbances such as had dislocated economic life in parts of the country during the first post-partition year. However, a number of issues arising from the Partition of the country still caused anxiety. In the Hyderabad State, conditions of lawlessness internally and serious border incidents necessitated police action by the Government of India in September, the successful outcome of which removed a serious trouble spot from the very centre of the sub-continent. In Kashmir, military operations continued until 1st January, 1949, when the 'Cease-fire' was agreed to by both the parties. A major achievement of the year was the adaptation of the numerous Indian States to the new political set-up. This was accomplished by the integration of as many as 538 States, most of them being grouped into Unions, some being merged with adjoining Provinces and some being taken over as Centrally administered areas.

In the economic sphere, the deterioration in the general situation noticed towards the close of the financial year 1947-48 became more pronounced during the early part of the year under review with inflationary pressures gathering further momentum. The policy of docontrol adopted in December 1947 did not come up to the expectations initially entertained in regard to an improvement in the supply situation through increased production and dehoarding. The general price level, as measured by the Economic Adviser's Index, soared from 302.0 in November 1947 to the peak of 389.6 in July 1948. The progress of industrial reconversion and the solution of other transitional problems left over by the war continued to be hampered by the structural changes brought about by the Partition, the full effects of which appeared to strike the country's economy with delayed impact. The loss to the Indian Union of large resources in raw materials constituted an element of instability in the industrial system, while the limited availability of capital goods for replacement also acted as an adverse factor in the way of the production drive. The slump in the investment market continued, with little money flowing into Government loans and industrial concerns. The stagnant conditions on the stock exchange were partly due to the developments in the internal political situation. For instance, the reorganisation of the Indian States is reported to have resulted in a decline of investible funds coming into the market from this source. There were also some apprehensions in the minds of industrialists regarding the future of private enterprise in the country. The food situation continued to be difficult, the widening gap between the country's requirements and internal supplies necessitating imports on a large scale at heavy cost, involving a great strain on the country's limited foreign exchange resources, particularly of hard currencies. Indices bearing on the general economic situation are given in Table 14.

A major development in the sphere of policy was the formulation in April 1948 of industrial policy. Later during the year the problems mentioned above necessitated a change in Government's policy regarding controls and also the initiation of measures, both monetary and non-monetary, designed to achieve an improvement in production and a diminution in the pressure on limited supplies of the excess purchasing power in the hands of the public. These developments in the field of policy are noticed below in some detail.



TABLE 14.—STATISTICS (QUARTERLY) OF ECONOMIC AND FINANCIAL TRENDS IN INDIA

	1939-40	1946-47				1947-48				1948-49				
	II	I	II	III	IV	I	II	III	IV	I	II	III	IV	
A. PRICE INDICES** (Quarter-end figures)														
1. General index .. .. .	112.9	266.2	270.7	281.3	294.7	297.4	303.3	319.0	342.6	384.8	382.9	382.5	370.0	
2. Bombay cost of living .. .. .	106	259	270	279	269	278	299	285	284	307	323	326	311	
3. Government securities .. .. .	103.8	120.7	121.2	120.7	117.8†	117.9	117.4	117.4	116.5	114.5*	115.0*	114.8*	114.3*	
4. Preference shares .. .. .	127.8	200.5	200.9	197.6	191.6†	169.6	169.3	169.7	167.4	160.6	157.1	155.9	149.7	
5. Variable yield securities .. .. .	111.4	280.9	282.0	252.6	235.6†	200.3	182.4	192.4	178.0	168.9	163.0	157.9	152.0	
6. Bullion :—														
(a) Gold (Bombay spot) .. .. .	110.7	282.7	267.0	277.3	277.7	305.2	293.5	282.0	300.5	300.8	305.9	303.0	295.1	
(b) Silver (Bombay spot) .. .. .	123.3	358.0	357.0	329.4	340.2	359.3	338.4	351.1	351.1	361.8	359.3	369.7	366.0	
B. FINANCIAL STATISTICS (In crores of rupees)														
7. Scheduled Banks (Average of weekly figures)														
(a) Demand Liabilities .. .. .	133.1	706.4	737.5	744.6	713.6	672.4	686.4	721.0	746.8	689.4	693.1	670.3	643.3	
(b) Time Liabilities .. .. .	101.6	306.4	316.1	328.4	341.0	348.9	343.8	343.2	339.6	313.3	310.7	299.6	291.2	
(c) Cash and Balances with the Reserve Bank of India .. .. .	28.4	125.9	131.6	119.5	112.5	136.7	146.5	147.6	132.2	117.4	134.9	110.9	91.9	
8. Cheque clearings (Total) .. .. .	469.4	1,807.2	1,653.9	1,591.6	1,664.4	1,413.5	1,451.2	1,409.9	1,686.7	1,537.4	1,493.7	1,477.3	1,576.6	
9. Notes in circulation†† (Quarter-end) .. .. .	192.8	1,237.8	1,187.9	1,224.6	1,242.0	1,221.5	1,173.6	1,225.4	1,304.4	1,275.1	1,204.8	1,189.2	1,169.4	
10. Absorption (+) or Return (—) of Notes and Rupees .. .. .	+12.7§	+24.4	—53.8	+36.7	—17.8	—22.6	—55.1	+48.0	+79.8	—9.2	—69.5	+24.4	+23.8	
11. Foreign Assets of Reserve Bank (Quarter- end) .. .. .	78.1	1,698.0	1,651.9	1,622.8	1,612.5	1,571.2	1,522.3	1,518.5	1,528.0	1,535.5	1,100.0	1,025.2	944.1	
12. Tax Revenue ‡(April to Quarter-end) .. .. .	34.3	45.7	93.3	171.3	296.4	59.7	27.3†	87.7†	191.1†	58.2	129.1	..	325.5	
13. Defence Expenditure (April to Quarter- end) .. .. .	21.0	63.8	127.0	188.3	238.1	46.4	6.5†	37.1†	86.6†	23.3	55.9	..	155.4	
14. Rupee debt of Government of India (Quarter-end) :—														
(a) Rupee Loans .. .. .	427.7	1,519.3	1,236.8	1,469.0	1,531.8	1,534.4	1,535.5	1,520.4	1,520.7	1,520.6	1,468.6	1,483.7	1,480.0§§	
(b) Treasury bills outstanding .. .. .	59.8	52.4	75.8	63.5	77.6	76.0	60.0	101.3	98.7	75.8	380.5	352.1	360.5	

Note :—Figures for 1948-49 and those in respect of items 1-5 and 12-14 for the last three quarters of 1947-48 relate to the Indian Union only; other figures relate to undivided India. Figures for the last three quarters of 1948-49 in respect of item 11 are exclusive of the assets provisionally allocated to Pakistan.

\*\* Base : Item 1 : Week ended 19th August, 1939=100 up to 1946-47; for 1947-48 and 1948-49 : Year ended August 1939=100; Item 2 : July 1933-June 1934=100; Items 3 to 5 : 1927-28=100, average for the closing month; Item 6 : June-August 1939=100.

\* Estimated.

§§ Provisional.

† Relates to week ended 1st March.

§ Including Burma.

‡ From 15th August, 1947 to Quarter-end.

¶ Includes customs, central excise duties, income tax and salt.

\*\* Figures for 1948-49 are net of adjustments made in respect of India notes returned from circulation in Pakistan.

16. *Industrial Policy*.—The resolution on Industrial Policy adopted by the Indian Parliament on 7th April, 1948 laid down the broad objectives of Government's policy in this field, demarcated the respective spheres of State and private enterprise, and also indicated Government policy in regard to foreign capital.\* The resolution stressed the need for stepping up production of capital equipment, essential consumer goods and export commodities, so as on the one hand to strengthen the economy internally, and on the other to increase foreign exchange earnings. The resolution classifies industries into four broad categories. The first of these, which will be the monopoly of the State, consists of the manufacture of arms and ammunition, production and control of atomic energy and railway transport. The second category covers coal, iron and steel, aircraft manufacture, ship-building, manufacture of telephone, telegraph and wireless apparatus excluding radio receiving sets, and mineral oils. Here the State will be exclusively responsible for the establishment of new undertakings except where, in the national interest, the State itself finds it necessary to secure the co-operation of private enterprise. In this category, private enterprise will be left free to develop the existing units for a period of ten years. During the ten-year period, the Government will afford to the private undertakings the necessary facilities for efficient working and reasonable expansion, and if at the end of that period it is decided that the State should acquire any of these units, due compensation will be paid on a fair and equitable basis. As regards generation and distribution of electric power, the industry will be regulated in terms of the Electricity Supply Act 1948, which represents a compromise between full-fledged State enterprise and unregulated private enterprise. The third category, which will be subject to Central control and regulation in consultation with the Provincial and State Governments concerned, comprises certain basic industries of importance including salt, automobiles and tractors, prime movers, electric engineering, other heavy machinery, machine tools, heavy chemicals, fertilisers and pharmaceuticals and drugs, electro-chemical industries, non-ferrous metals, rubber manufactures, power and industrial alcohol, cotton and woollen textiles, cement, sugar, paper and newsprint, air and sea transport, minerals and industries related to defence. The rest of the industrial field, which constitutes the fourth category, will normally be open to private enterprise, individual as well as co-operative. Here also, the State's policy is to progressively participate (for example, in the mass production of fertilisers, manufacture of essential drugs and of synthetic oil from coal).

The resolution also recognized the important part to be played by cottage and small-scale industries. In matters arising from the problem of labour *versus* capital, the Government accepted the resolution on the subject, passed by the Industries Conference in December 1947, which stated, *inter alia*, that the system of remuneration to capital as well as labour must be so devised that, while in the interest of the consumers and the primary producers, excessive profits should be prevented by suitable methods of taxation and otherwise, both will share the product of their common effort, after making provision for payment of fair wages to labour, a fair return on capital employed in the industry and reasonable reserves for the maintenance and expansion of the undertaking. As regards foreign capital and foreign enterprise, the Government recognised the value of the need for both. A detailed Statement regarding Government's policy in regard to foreign enterprise, repatriation of capital and remittance of profits has since been made on 6th April, 1949. In terms of this Statement, it is not Government's intention to impose on foreign interests any restrictions which are not applicable to similar Indian enterprise. Government also do not envisage any difficulties either in regard to remittance of profits or withdrawal of foreign capital investments, although remittance facilities would naturally depend upon foreign exchange

\* Since clarified on 6th April, 1949.

considerations. In case of compulsory acquisition of companies, compensation will be paid on a fair and equitable basis. Although, as a rule, the major interest in ownership and effective control of foreign undertakings are to be in Indian hands, the Government will not object to foreign capital having control over a concern for a limited period, provided it is found to be in the national interest; also the Government would not object to the employment of non-Indians in technical posts in case Indians of requisite qualifications are not available. But the Government attach vital importance to the training and employment of Indians to replace as soon as possible the non-Indian personnel.

17. *Controls.*—In view of the adverse repercussions of the policy of decontrol adopted towards the end of 1947, a beginning in the direction of a reimposition of controls was made about the end of July 1948 (*vide* Chapter II). Recontrol was first applied to cloth and then to cotton and foodgrains. Earlier in July, steps had also been taken to augment supplies of essential goods by liberalisation of the import policy (*vide* Chapter III). In pursuance of one of the objectives as set forth in the above-mentioned resolution on Industrial Policy, namely, control by the Centre of those industries the development of which is governed by economic factors of all-India import, the Government of India introduced a Bill in the Indian Parliament on 23rd March, 1949 empowering the Central Government to regulate, in respect of 25 groups of industries, the production and use of raw materials, to prohibit practices likely to result in reduced production and to obtain desired statistics and reports.

18. *Food Policy.*—As the year progressed, the overall food position showed a further deterioration, the floods in the United Provinces and Bihar and the drought conditions in parts of Gujarat, Saurashtra, Rajasthan and Kutch being contributory factors. Between April and August 1948, the index of food prices rose by 15 per cent. By September, in some of the areas in West Bengal and Bombay, where rationing had continued to be in force, the quantum of rations had to be reduced. The revised food policy announced on 24th September aimed at reintroduction of controls over prices, procurement and distribution in respect of rice, wheat, jowar, bajra, maize, barley, ragi and gram. It envisaged (1) the cordoning off of surplus, deficit and self-sufficient areas by prohibiting exports from one Province or State to another except on Government-to-Government basis, (2) procuring surplus grains by an agency appointed by Provincial and State Governments at prices approved by the Central Government, (3) licensing of dealers engaged in the purchase, sale or storage of foodgrains and requiring them to submit periodical reports, and (4) extension of rationing. The policy also included provisions for the payment of subsidies to Provinces on imported grains and a bonus to Provinces of 8 annas for every maund of foodgrains procured and an additional 8 annas for every maund made available to deficit areas. In pursuance of this policy, food rationing was reintroduced in varying degrees in most of the Provinces including Madras, Bombay, Bihar, the East Punjab and the United Provinces, and is being steadily extended, the total population already brought under some form of controlled distribution by March 1949 being 126 million as compared with 148 million before decontrol in December 1947. Procurement in a number of Provinces is reported to have yielded satisfactory results, the quantity of foodgrains procured during the first three months of 1949 being 1.4 million tons as against the target fixed for the whole year of 4 million tons. However, the basic problem in respect of food, *viz.*, the continuing gap between the country's total requirements and internal supplies, remains yet unsolved. Food imports from abroad have been rising from year to year. The total of these during 1948 amounted to 2.8 million tons costing Rs. 130 crores; the estimate for 1949 is 4 million tons. Government are determined to see that this state of affairs does not continue long. The country's new food policy, as announced on

19th March, 1949 envisages self-sufficiency by the end of 1951. Under this policy, it has been decided not to import any foodgrains after 1951 except in case of a grave emergency arising from widespread failure of crops or for purposes of building up a central reserve. In order to achieve this goal, Provinces and States have been asked to plan their food production programmes and also to tighten up the enforcement of procurement and rationing orders so as to close all avenues of black-marketing and hoarding. Emphasis is laid on intensive cultivation in selected regions with a view to securing maximum yield, while as much as 8 lakhs of acres of weed-infested and new lands are to be reclaimed within the next two years. Other measures will include (1) a project of tube wells and (2) imports of special fertilisers. It has also been decided to encourage the development and use of high-yielding non-cereal crops like bananas, sweet potatoes and tapioca. These measures together with some adjustments in people's dietetic habits are expected to wipe out in two years the food deficit which is placed at about 10 per cent of the country's total requirements.

19. *Anti-inflation Programme.*—The broad objectives of the Government of India's Anti-inflation Programme as announced on 4th October, 1948, were first to arrest any further rise in prices and cost of living and then to secure a progressive reduction in these to reasonable levels. The measures adopted in pursuance of this policy fall into two categories: (1) those intended to keep Government expenditure—Central as well as Provincial—as low as possible through balanced budgets consistent with efficiency and to reduce excess purchasing power in the hands of the community and (2) those intended to increase the volume of essential goods and services. The more important measures falling under the first category included a cutting down of capital expenditure—both Central and Provincial—on schemes not expected to result in an immediate addition to the supply of essential goods, postponement of repayment of E.P.T. and other deposits, raising of the maximum which a person could hold in Post Office Savings Deposits and National Savings Certificates, the issue of Treasury Deposit Receipts, limitation of dividends payable by public companies and tax on luxuries. The second category comprised measures calculated to increase available supplies, partly by stimulating internal production and partly by allowing a larger flow of imports. The concessions to industry included liberalisation of depreciation allowances, exemption from taxation of new industrial undertakings of specified categories for a specified period, reduction in import duties on plant and machinery as well as on essential industrial raw materials, reduction or abolition of duties on certain exports and top priority for transport facilities to essential key industries, namely, steel, cement and textiles.

The effects of these various measures including those of recontrol, referred to earlier, were reflected in part in a downward tendency in the general price level during the three closing months of the year. The Economic Adviser's general index, which had remained more or less unchanged at around 383 from August to December 1948, declined steadily thereafter and stood at 370.2 in March 1949 as against the peak level of 389.6 in July 1948 and the pre-decontrol level of 302.0 in November 1947. The Bombay cost of living index (Base: July 1933—June 1934 = 100) also tended to decline from 326 in December 1948 to 311 in March 1949.

20. *Planning and Development Policy.*—As part of the campaign against inflation, the Priorities Committee of the Central Cabinet, which was appointed in October 1948, reviewed the whole programme of expenditure on developmental schemes. While Central as well as Provincial outlays were pruned down, wherever possible, in the interests of economy, and the pace of the Centre's assistance to the Provinces by way of grants was slowed down, care was taken to ensure that the progress of essential productive schemes—short-term as well as long-term—

was not held up. In the sphere of industrial development, preliminary steps were initiated during the year by the Government of India to start some of the basic industries essential for national development, such as new steel works for increasing indigenous production by one million tons, a ship-building yard, a telephone factory and factories for the manufacture of wireless equipment, machine tools, diesel engines, heavy electrical equipment, tractors, penicillin, paludrine and sulphur drugs and explosives. Mention may also be made here of (1) the constitution on 1st June, 1948 of the Rehabilitation Finance Administration which advanced loans of the value of Rs. 1.30 crores to displaced businessmen and industrialists and (2) the commencement of operations of the Industrial Finance Corporation from 1st July, 1948.

## II. PRODUCTION AND PRICES

### A. PRODUCTION

21. *Agriculture.*—Table 15 shows the trends in agricultural production in some of the commercial crops and foodgrains in undivided India up to 1947 and for the Indian Union for 1948. The position of the Indian Union in respect of both commercial crops and foodgrains was adversely affected by the Partition. The Indian Union lost 76 per cent of the jute acreage and 23 per cent of cotton acreage, accounting in 1946 for about 80 per cent and 40 per cent of the respective total yields for undivided India. As regards rice and wheat, the Indian Union's production in that year was placed at 69 per cent and 65 per cent respectively of the total for undivided India.

TABLE 15.—TRENDS IN AGRICULTURAL PRODUCTION IN INDIA SINCE 1939

	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948
1. Rice .. ..	23,950	26,716	22,129	25,331	24,876	30,641	28,162	26,672	28,141	19,524
2. Wheat .. ..	9,963	10,767	10,027	10,037	11,032	9,741	10,551	9,038	7,788	5,340
3. Other Cereals†	12,657	13,272	14,628	13,446	15,342	14,938	15,030††	13,566	12,048	12,854
4. Gram .. ..	3,002‡	3,294	3,366	3,131	4,087	3,371	3,869	3,764	3,595	4,310††
5. Raw Sugar (gur)	3,387	4,061	5,794	4,371	5,076	5,848	5,481	5,416	5,576	5,303
6. Tea‡ .. ..	443	464	501	564	574	517	575‡	..	..	..
7. Coffee cured ..	40	35	32	40	36	39	39	56	..	..
8. Jute * † .. ..	9,738	13,172	5,460	9,047	6,990	6,189	7,791	5,352	1,658**	1,982
9. Cotton .. ..	5,051	4,909	6,080	6,223	4,702	5,259	3,580	3,530	3,506	2,116

Note:—Items 1-5: In thousands of tons; Items 6 and 7: In million lbs.; Items 8 and 9: In thousands of bales (400 lbs. per bale). Figures relate to the agricultural year ending June and are for undivided India; 1948 figures relate to the Indian Union only.

† Including jowar, bajra, maize and barley. \* Excluding Nepal. †† Increase due to inclusion of new areas.  
‡ Incomplete. ‡ Calendar year. \*\* Relates to Indian Union only.

Source: Monthly Abstract of Statistics issued by the Ministry of Commerce.

22. *Industry.*—As regards industrial production, the output in 1948 in almost all sectors showed a distinct improvement over 1947, two important exceptions being steel and coal which registered declines (*vide* Table 16). While the overall output in 1947 had gone down by about 5 per cent below the pre-war level, the output in 1948 was estimated at about 15 per cent higher than the pre-war level. Textile production improved from 3,816 million yards in 1947 to 4,338 million yards in 1948. The output of cement moved up from 1.4 million tons to 1.5 million tons, while that of paper advanced from 93,000 tons to about 100,000 tons. Sugar output was higher at 1 million tons as against 925,000 tons in 1947. Soap production recorded a marked increase from 80,000 tons to 190,000 tons, while notable increases were also registered in caustic soda, soda ash and super-phosphates. The output of salt reached a record level of 59.3 million maunds.

TABLE 16.—TRENDS IN INDUSTRIAL PRODUCTION IN INDIA SINCE 1938 †

				1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948
Finished Steel*	..	..	.. (000 tons)	702	731	886	1,000	923	947	934	954	866	893	854
Cotton Yarn ..	..	..	.. (million lbs.)	1,289	1,264	1,276	1,537	1,529	1,685	1,643	1,644	1,398	1,315	1,442
Cotton Piece-goods ..	..	..	.. (million yds.)	4,306	4,116	4,092	4,531	4,025	4,751	4,852	4,711	4,025	3,816	4,338
Jute Manufactures*†	..	..	.. (000 tons)	1,266	1,189	1,234	1,194	1,278	1,084	1,115	1,086	1,088	1,051	1,048
Paper ..	..	..	.. (000 cwts.)	1,164	1,331	1,098	1,854	1,810	1,792	1,927	1,984	1,934	1,862	1,995
Sulphuric Acid ..	..	..	.. (000 cwts.)	485	537	731	874	784	864	804	734	803	694¶	459 (Oct.)
Ammonium Sulphate ..	..	..	.. (000 tons)	14.5	19.7	25.4	29.7	27.3	21.7	23.5	22.0	22.7	22.5¶	12 (Oct.)
Paints ..	..	..	.. (000 cwts.)	572	660	728	1,064	1,055	1,105	1,141	1,030	776	744¶	508 (Oct.)
Matches ..	..	..	.. (million gross)	21.6	21.6	22.8	19.2	14.4	16.8	18.0	22.8	22.8	22.8¶	17.0 (Nov.)
Sugar ..	..	..	.. (000 tons)	994	695	1,182	1,210	886	1,075	1,091	967	901	925	1,000@
Cement ..	..	..	.. (000 tons)	1,404	1,720	1,712	2,083	2,188	2,118	2,048	2,209	2,035	1,441	1,516@
Salt§ ..	..	..	.. (000 mds.)	43,968	43,476	43,093	52,087	50,120	53,519	50,708	54,602	49,250	49,600	59,300
Coal Raisings ..	..	..	.. (000 tons)	28,344	27,768	29,388	29,480	29,436	25,512	26,040	28,716	29,280	30,000	29,730
Electricity ..	..	..	.. (million kilowatts)											
Generated ..	..	..	.. ..	..	2,532	2,808	3,240	3,276	3,576	3,828	4,116	4,032	4,140	4,572
Sold ..	..	..	.. ..	..	2,119	2,341	2,724	2,770	3,012	3,212	3,439	3,348	3,401	3,895
Kerosene ..	..	..	.. (000 gallons)	38,284	29,724	38,413	39,553	25,484	19,894	17,942	11,110	14,486	13,594¶	9,536 (Oct.)

‡ Figures from August 1947 relate to the Indian Union.

@ Approximate figures.

\* Figures relate to the Indian Union.

† Figures refer to production of mills in the membership of the Indian Jute Mills Association.

¶ Data based on the average for last five months.

§ Figures up to 1946 relate to fiscal year beginning April.

Sources: (1) Monthly Abstract of Statistics, (2) Memorandum of the Central Advisory Council of Industries, January 1949 and (3) Monthly Survey of Business Conditions.

an increase of 20 per cent over the 1947 figure. According to a statement made by the Minister for Industry and Supply, Government of India, production in 25 industries during the first quarter of 1949 indicated that not only the increase noticed in 1948 was generally well maintained, but some of the industries actually registered substantial increases.

The main contributory factors accounting for the overall gain during 1948-49 included a distinct improvement in the labour situation, an easing of the transport bottleneck, expansion of existing units as in cement, better utilisation of existing capacity as in cotton textiles and the coming into operation of new units in a number of lines including motor car batteries, electric motors, electric fans, diesel engines and caustic soda.

While, thus, the year under review witnessed a measure of recovery in overall production the output in some of the major industries continued to be below the installed capacity. Cotton manufacture in 1948 is estimated at 4,338 million yards against an installed capacity of 4,737 million yards, the corresponding figures for finished steel being 854,000 tons and 1,264,000 tons and for cement, 1,516,000 tons and 2,115,000 tons. This is attributed to a number of factors including a general lack of incentive among industrialists, the go-slow tactics of labour and, perhaps most important of all, the continued shortage of raw materials and capital equipment. Costs of production have risen partly on account of additions to wages and salaries and partly as a result of the continued rise in the prices of raw materials. This is particularly disquieting in view of the imperative need to step up exports in order to relieve the heavy pressure on the country's balance of payments position. As against these handicaps, there are, however, some redeeming features. The labour situation has shown a distinct improvement, mainly as a result of the action taken in pursuance of the resolution calling for an industrial truce adopted by the Tripartite Industries Conference of December 1947. The total number of man-days lost on account of industrial disputes in the Indian Union during 1948-49 was appreciably lower at 61 lakhs\* as against 147 lakhs in 1947-48. Mention may be made here of the Expert Committee on profit-sharing in industry which the Government appointed and which in its report, submitted in September 1948, has recommended *inter alia* the allocation of 10 per cent of net profits for reserves, a return of 6 per cent on paid-up capital *plus* reserves and the sharing by labour of 50 per cent in surplus profits. The Committee has further suggested the application of its recommendations in the first instance to six industries, namely, cotton textiles, jute, steel (main producers), cement, manufacture of tyres and cigarettes. The report is being considered by the Central Advisory Council. Measures taken by the Government to improve labour welfare included (1) the inauguration of the Employees' State Insurance Corporation on 6th October, 1948, the operations of which will, in the first instance, be confined to Delhi and Ajmer-Merwara, (2) the Coal Mines Provident Fund and Bonus Schemes Act 1948 under which a scheme for the payment of bonus, with retrospective effect from 12th May, 1947, in respect of West Bengal and Bihar mines and from 10th October, 1947 in respect of Central Provinces and Berar and Orissa mines came into force; the provident fund scheme, which is still under preparation, will, when completed, be applied to coal mines in the first instance and extended to other industries in due course and (3) the Indian Factories Act, effective from 1st April, 1949, which, *inter alia*, lays down the minimum requirements regarding health, safety and general welfare of workers. As regards the transport situation, the improvement has been particularly noticeable in respect of despatches of raw materials and finished goods. The daily average coal loadings in 1948 amounted to 4 per cent higher than in 1947, the movement in textiles and cement also showing an improvement of 18 per cent and 9† per cent respectively.

\* Provisional.

† First eleven months of 1948.

## B. PRICES

23. *Trends.*—Price trends during the year under review fall into two distinct phases: first, a continued rise during the first four months of the year, namely, April to July 1948 and, second, a comparative stability during the succeeding five months, August to December with signs of a downward tendency during the three closing months of the year, namely, January to March 1949. Broadly speaking, the upward phase was a continuation of the rise in prices since December 1947 associated with the policy of decontrol adopted in that month. The second phase was associated with the reimposition of controls and adoption of other measures by the Government in terms of their 4th October Anti-inflation Programme.

24. *Decontrol.*—The Economic Advisor's general index which, when decontrol was decided in November 1947, stood at 302.0 (*vide* Statement I and Graphs 5 and 6), advanced continuously until it touched a new peak level of 389.6 in July 1948—an increase of 29 per cent (*vide* Table 17). This rise was all round, all the constituent group indices showing increases. There was a 33.9 per cent rise in semi-manufactured articles, 32.5 per cent in food articles, 30.7 per cent in manufactured articles, 19.1 per cent in industrial raw materials, and 16.6 per cent in the miscellaneous group. The rise was most marked in the case of decontrolled items. Cereals in the food group showed an increase of 49.4 per cent, oilseeds and cotton yarn in the semi-manufactured articles group of 99.1 per cent and 76.3 per cent respectively, textiles in the manufactured articles group of 42.5 per cent and fibres and oilseeds in the industrial raw materials group of 30.5 and 9.9 per cent respectively. The wholesale prices of coarser varieties of cloth in Bombay at their peak levels stood at 100 per cent above the ex-mill price agreed to in January 1948 under the system of voluntary price control, the rise in the finer varieties ranging up to 250 per cent. The rise in the prices of cereals like wheat and rice in some deficit areas ranged from 100 to 250 per cent above the pre-decontrol rates.

25. *Control Measures.*—Decontrol had thus led to an activation of latent inflation and in view of possible adverse repercussions of this activation on the country's economy in the absence of sufficient and regular supplies, especially of articles of mass consumption, the Government of India decided on a gradual reversal of the policy of decontrol. A beginning in this direction was made towards the end of July 1948. This was followed up early in October by the announcement of a full-fledged Anti-inflation Programme.

As the sharpest rise had occurred in cloth prices, recontrol was applied first to this commodity. The Government, in consultation with the interests concerned, announced on 30th July their proposals for (1) the fixation of fair ex-mill prices for cloth and yarn, (2) the stamping of such prices on all cloth and yarn including the existing stocks with the mills which were frozen and (3) the allocation of cloth on a quota basis to Provinces and States subject to a ceiling on the margin to be charged by retailers (since fixed on 1st December, 1948 at 20 per cent). Wholesalers and retailers, however, were allowed to dispose of up to 31st October (subsequently extended up to 30th November, 1948), unstamped cloth lying with them. On 21st August, it was decided to reimpose floor and ceiling prices for raw cotton, the respective rates for *Jarilla* fine cotton 25/32" staple being Rs. 495 and Rs. 620. Later, on the recommendations of the Tariff Board, the prices of cloth were fixed with effect from 1st January, 1949 at levels representing a reduction of about 1 per cent in the case of coarse varieties, 3½ per cent in the case of medium varieties and about 10 per cent in the case of fine and superfine varieties. As regards food, the new policy announced on 24th September aimed at gradual



TABLE 17.—MOVEMENTS IN PRICE INDICES SINCE DECONTROL

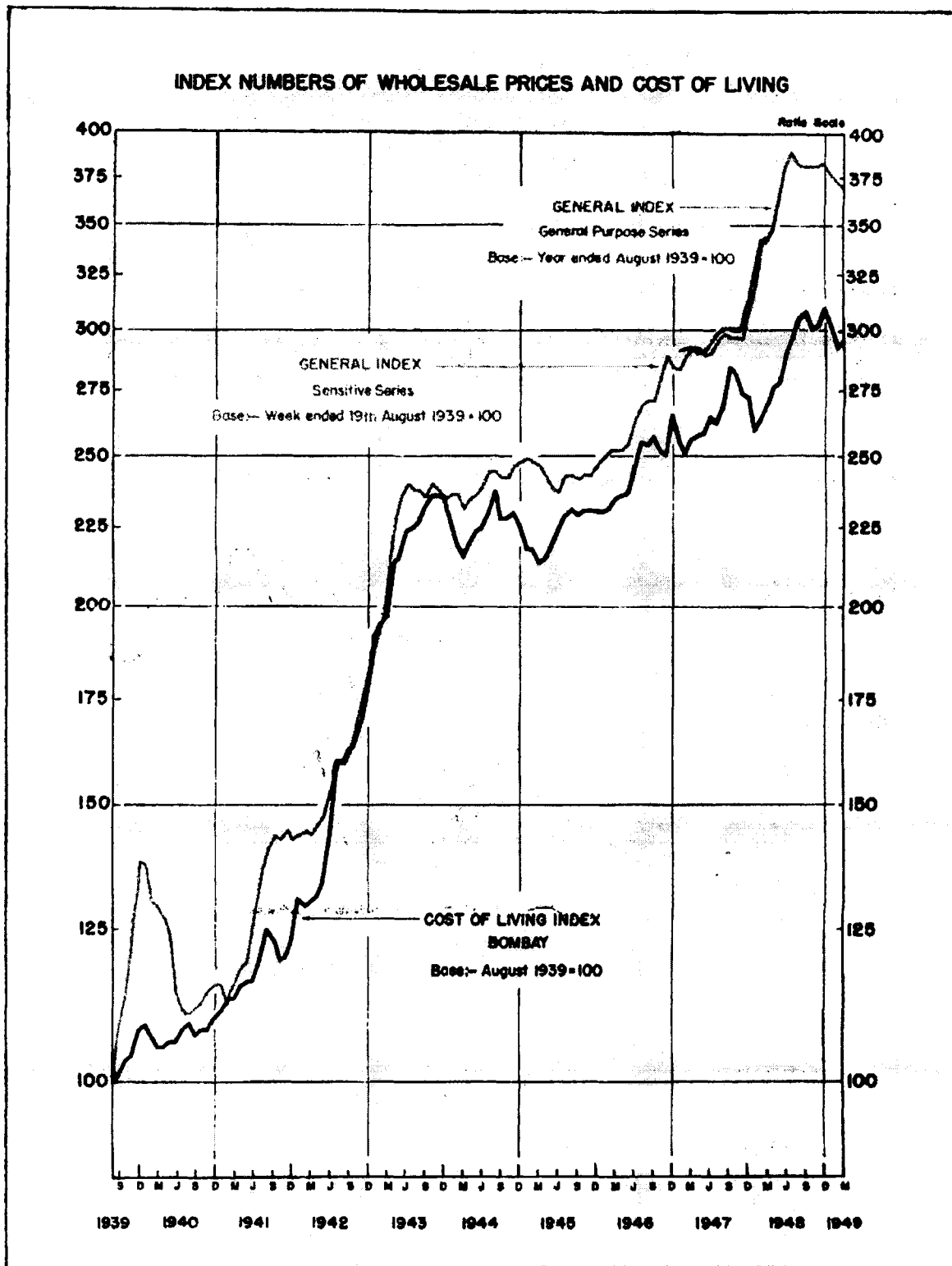
(Base : Year ended August 1939=100.)

Commodity Groups					November 1947†	March 1948†	July 1948†	Percentage increase (+) or decrease (—) of col. (3) over (1)	March 1949†	Percentage increase (+) or decrease (—) of col. (5) over (3)
					1	2	3	4	5	6
<b>I. Food Articles</b> .. .. .					<b>294.8</b>	<b>347.1</b>	<b>390.7</b>	<b>+32.5</b>	<b>376.5</b>	<b>— 3.6</b>
1. Cereals .. .. .					317.0	408.9	473.7	+49.4	466.8	— 1.5
2. Pulses .. .. .					573.5	362.4	440.3	—23.2	445.4	+ 1.2
3. Others .. .. .					220.3	259.5	269.9	+22.5	246.1	— 8.8
<b>II. Industrial Raw Materials</b> .. .. .					<b>377.9</b>	<b>397.7</b>	<b>449.9</b>	<b>+19.1</b>	<b>462.8</b>	<b>+ 2.9</b>
1. Fibres .. .. .					355.5	403.9	464.1	+30.5	458.5	— 1.2
2. Oilseeds .. .. .					474.0	432.8	521.0	+ 9.9	562.6	+ 8.0
3. Minerals .. .. .					292.2	309.6	301.6	+ 3.2	320.5	+ 6.3
4. Others .. .. .					327.5	351.0	335.4	+ 2.4	363.6	+ 8.4
<b>III. Semi-manufactures</b> .. .. .					<b>252.5</b>	<b>285.8</b>	<b>338.2</b>	<b>+33.9</b>	<b>322.4</b>	<b>— 4.7</b>
1. Leather .. .. .					299.6	285.9	313.7	+ 4.7	305.8	— 2.5
2. Mineral Oils .. .. .					147.8	167.0	179.1	+21.2	187.9	+ 4.9
3. Vegetable Oils .. .. .					540.3	430.7	647.9	+ 1.4	577.0	+ 5.5
4. Cotton Yarn .. .. .					294.6	373.4	519.4	+76.3	425.5	—18.1
5. Metals .. .. .					140.8	167.7	169.8	+19.9	170.8	+ 1.2
6. Oilcakes .. .. .					202.8	413.2	403.8	+99.1	394.2	— 2.4
7. Others .. .. .					234.0	225.8	215.2	— 8.0	255.4	+18.7
<b>IV. Manufactured Articles</b> .. .. .					<b>283.2</b>	<b>324.3</b>	<b>370.2</b>	<b>+30.7</b>	<b>329.4</b>	<b>—11.0</b>
1. Textiles .. .. .					319.8	374.3	455.8	+42.5	375.2	—17.7
2. Metal Products .. .. .					217.0	239.5	239.8	+10.5	247.5	+ 3.2
3. Others .. .. .					239.1	261.5	271.0	+13.3	272.4	+ 0.5
<b>V. Miscellaneous</b> .. .. .					<b>460.8</b>	<b>448.7</b>	<b>537.3</b>	<b>+16.6</b>	<b>515.2</b>	<b>— 4.1</b>
<b>VI. All Commodities</b> .. .. .					<b>302.0</b>	<b>340.7</b>	<b>389.6</b>	<b>+29.0</b>	<b>370.2</b>	<b>— 5.0</b>

Source : Office of the Economic Adviser to the Government of India.

† Average of weeks.

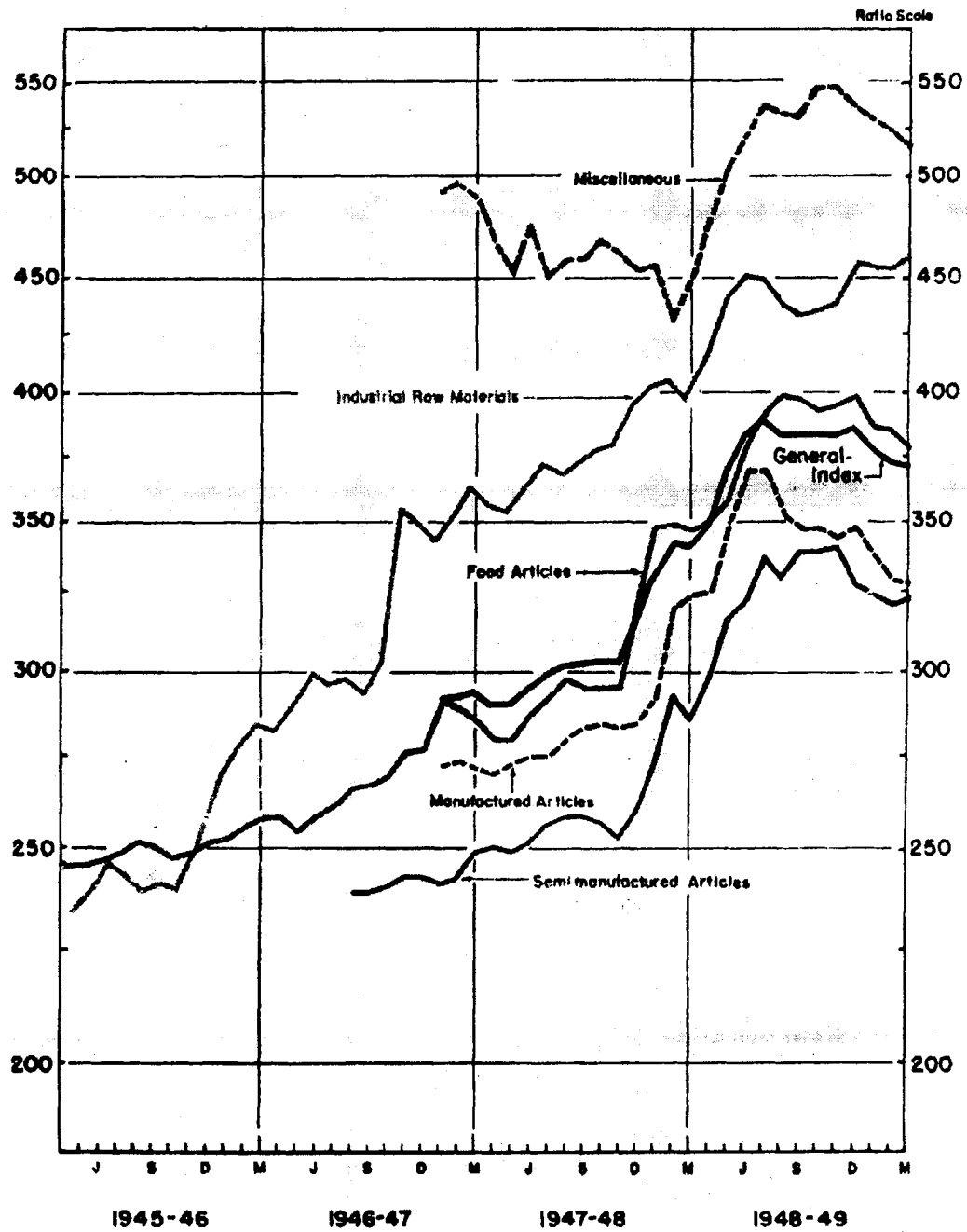
GRAPH 5



GRAPH 6

INDEX NUMBERS OF WHOLESALE PRICES  
GENERAL PURPOSE SERIES

Base:— Year Ended August, 1939=100



reintroduction of controls over prices, procurement and distribution in respect of major foodgrains. In December, the Central Government accepted the recommendations of the United Provinces and Bihar Governments to stabilise sugar prices (D24 Grade) at Rs. 28-8-0 per maund ex-factory as against Rs. 35-7-0 in December 1947.

With a view to counteracting simultaneously the inflationary pressures which were mainly at the back of these price increases, the Government adopted a number of fiscal, monetary and other measures in terms of their 4th October, 1948 Anti-inflation Programme, already referred to earlier in the Report (*vide* para 19). The wholesale price index, which had soared to 389.6 in July 1948, eased to 382.9 in August and, after moving narrowly around this level up to December, tended to decline almost continuously during the succeeding three months, touching 370.2 in March 1949—a decline of 5 per cent over the peak level reached in July 1948.

Table 17 compares the group indices as they stood in March 1949 with the peak levels reached in July 1948. It will be seen from the Table that all the group indices, with the exception of industrial raw materials, showed net declines. Food articles were lower on balance by 3.6 per cent, semi-manufactured articles by 4.7 per cent, manufactured articles by 11 per cent and miscellaneous by 4.1 per cent. The sub-groups contributing to the decline were notably, (1) textiles (in the manufactured articles group) which fell by 17.7 per cent and cotton yarn (in the semi-manufactured articles group) which came down by 18.1 per cent. The closing quarter of the year also witnessed a fall in cost of living, the Bombay Cost of Living Index (*Base*: August 1939=100) standing at 296 in March 1949 as against 310 in December 1948. The measure of disinflation thus achieved was also reflected in the trends in money supply. During the last eight months of the year, i.e., from August 1948 to March 1949, the total money supply showed a net contraction of Rs. 18 crores.

Although as indicated above, the latter part of the year registered some improvement in the price situation, a great deal of leeway would have to be made if, for instance, the pre-decontrol level of 302 for the general index is to be reached. The general index in March 1949 at 370 was higher by 22.5 per cent than the pre-decontrol level and by 8.7 per cent than the level prevailing a year ago. Apart from this, there has also been a considerable widening during the year of the disparities of Indian price levels as compared with those in the U.K. and the U.S.A. Thus, in March 1949 the wholesale price level (*Base*: 1937=100) in India was 171 per cent and 189 per cent respectively of the prevailing levels in the U.K. and the U.S.A., the corresponding percentages a year ago having been lower at 160 and 171.

### **III. FOREIGN TRADE, BALANCE OF PAYMENTS AND EXCHANGE CONTROL**

#### **A. FOREIGN TRADE**

26. *Developments in Trade Policy.*—As in the previous year, controls on imports and exports were the most influential factors in India's foreign trade. In the formulation of their trade policy, the Government were guided on the one hand by the availability of foreign exchange from the different currency areas—particularly from the hard currency sector—and on the other, by the need to integrate commercial policy with their disinflationary programme at home. Hard currency imports were confined to goods which were of the most essential character and which were not obtainable elsewhere. The controls were further tightened as

a precautionary measure against any possible increase in hard currency deficits arising from the higher levels of food and other imports planned for 1949. Some commodities were transferred to the prohibited list while the restrictions on the import of others were further tightened. Some of the more essential imports were sought to be diverted from hard currency areas to soft currency countries, several bilateral trade agreements being concluded for this purpose.

The liberalisation of soft currency imports introduced at this time was made possible by the relatively easy soft currency position resulting from effective import controls in the previous year and the substantial sterling release secured under the Indo-U.K. Financial Agreement of July 1948. Two Open General Licences Nos. XI and XII were introduced in July 1948 covering imports from soft and medium (*viz.*, Switzerland and Sweden) currency areas respectively; the latter licence was valid only up to 31st January, 1949.

The other steps in the direction of liberalisation of import controls taken during the half-year July-December 1948 included (a) the introduction on 22nd September, 1948 of Open General Licence No. XIII covering imports of goods from Japan, for the period up to 31st March, 1949 and on 22nd October, 1948 of Open General Licence No. XIV covering imports from Ceylon, Portuguese possessions in India, Iraq and Persian Gulf Sheikdoms, (b) the extension of the scope of Open General Licences Nos. XI, XII and XIII finally bringing the total number of items placed under them to well near four hundred, (c) the removal of a great many items from the prohibited list for the purpose of licensing from soft currency countries and (d) the addition on 15th November, 1948 of certain luxury items (mainly motor cars, cigarettes and liquors) to the goods under Open General Licence No. XI. The import control policy for January-June 1949 announced on 22nd February, 1949 continued with slight alterations on the lines of the policy adopted during the previous half-year.

The revised scheme of licensing imports of capital goods and heavy electrical plant which was announced on 10th April, 1948 had a provision for extending the period of validity of licences up to three years. The scheme which was slightly amended on 10th November, 1948, formed the basis for licensing of capital goods throughout the year. A noteworthy step towards the smooth and efficient administration of import controls was the establishment of the Import Advisory Council, the first meeting of which was held on 26th February, 1949.

As regards exports, the need for maximising hard currency earnings was of paramount importance. With this came an increased anxiety to preserve the traditional export markets without depriving the domestic consumer of necessary supplies as also the requirements of countries with whom the Government had entered into bilateral agreements for the import of essential commodities. As a first step in canalising exports to hard currency countries, arrangements were made from July 1948 to license exports of jute goods to the full extent of the quantity applied for. The proportion of raw jute allocated to the U.S.A. in the overall quota was much higher in 1948 than in 1947 and raw cotton exports to hard currency areas were generally exempted from the operation of the ban on cotton exports which was imposed towards the close of the year. In regard to commodities like pepper which were no longer subject to export control, it was feared that certain European countries were purchasing such articles for subsequent sales to the U.S.A., thus preventing the dollar proceeds of these exports from accruing to India. Control over pepper was, therefore, reimposed in June 1948. This, however, endangered its exports to hard currency areas as well, and the problem was finally solved in November 1948 by placing pepper (as well as nigerseed and sandalwood oil) on Open General Licence No. 3 covering exports to hard currency countries only.

The serious decline in India's hard currency earnings became obvious in the second quarter of the year and the Export Advisory Council which met on 22nd November, 1948 appointed a committee to suggest measures for the stimulation of exports to hard currency countries. The report of the committee included proposals for (a) the removal of export duties on oils and oilseeds, (b) the provision of special incentives to exporters to hard currency countries by allotment of additional quotas for soft currency destinations as a compensation for lower profit margins realised from exports to the former countries and (c) the placing of items like Indian artware under Open General Licence. Of these, the last suggestion was given effect to in February 1949 by including art brassware in Open General Licence No. 3 and action in respect of the second proposal was taken in March 1949 in respect of cotton piece-goods, while the implementation of the first recommendation was embodied in the 1949-50 budget proposals for the removal of duties on oils and oilseeds.

Concurrently with the special measures adopted for expanding exports to hard currency countries, the Government followed the policy of expanding India's exports to other destinations as well. Since the end of the war, over 250 articles have been freed from export control, among which may be mentioned mica, lac, raw wool, rugs, carpets, coir, coir products, most varieties of raw and tanned hides, cashewnuts, walnuts, sports goods, tobacco, leather manufactures and tea (the last named being subject to an annual quota). Owing to shortages at home it was necessary to reimpose control over the export of manganese ore, iron ore and chromite. With a view to countering the decline in the export of cotton piece-goods which had occurred despite the fixation of relatively large export quotas, the Government announced in November 1948 reductions in the export duty for mill-made varieties and also decided in February 1949 to allow free exports of handloom cloth for a limited period up to 30th June, 1949. The control on export of cotton piece-goods was further relaxed in March 1949 so as to admit new-comers to the export trade and special facilities were provided for exports to hard currency areas. The export trade with Pakistan benefited from a new policy which clearly recognised the need for reducing the formalities associated with controls as much as possible. Control in respect of exports to Pakistan was lifted for a limited period on 22 articles including mustard oil, salt, soap, matches, silk and woollen goods.

The formation of the Jute and Jute Goods Export Advisory Committee in June 1948 indicated that the Government was not unaware of the important role of the jute industry in the export trade of the country. The Committee would advise the Government on the administration of export control. An *ad hoc* committee was appointed in February 1949 to inquire into the problems of the tea industry, particularly the decline in tea exports to hard currency countries noticed during the year and to suggest suitable remedies.

The long-term commercial policy of the country continued to be one of active association with other trading nations (with the exception of the Union of South Africa) in promoting peaceful commercial relations and removing barriers affecting trade by concerted action. While the Havana Trade Charter was under the active consideration of the Government during the year, India's representative signed on 8th June, 1948 the Protocol of Provisional Application to the General Agreement which the Government ratified and necessary amendments to the Indian Tariff Act of 1934 were effected on 3rd February, 1949. The Government's representatives participated in the Second Session of the Contracting Parties to the General Agreement on Tariffs and Trade held at Geneva from 16th August to 14th September, 1948, the First Session having been held at Havana from 28th February to 24th March, 1948. The adoption by the Contracting Parties (in their Second Session) of the principles embodied in the Havana Charter, particularly the provisions representing the substance of Article 13 and parts of Article 14 of the Charter,

was of special interest to India. These provisions of the Charter cover the use by under-developed or war-damaged countries, within specified limits, of protective measures such as import quotas to help the economic development and reconstruction of particular industries or branches of agriculture. India also decided to attend a further meeting which commenced at Annecy (France) on 11th April, 1949 of 36 countries comprising the 23 Contracting Parties and 13 additional countries convened by the Interim Commission of the International Trade Organisation with a view to holding a further series of tariff negotiations and bringing in additional Governments to participate in the General Agreement. An important decision taken by the Government of India soon after the end of the year was to appoint a Fiscal Commission for instituting a detailed inquiry into the policy followed by the Government in regard to protection of industries since 1922, and to consider, in the light of the country's requirements, how far it would be desirable for India to undertake international obligations of the kind involved in the General Agreement on Tariffs and Trade or the Havana Charter.

27. *Trade Agreements and Trade Missions.*—India signed during the year several commercial agreements with foreign countries with a view to conserving hard currencies by securing soft currency sources for the supply of essential commodities like foodgrains, raw materials and capital goods. Of the several agreements detailed below, the most important was the one regulating the exchange of commodities between Pakistan and India. The declaration of Pakistan as a "foreign territory" for the purpose of trade with effect from 1st March, 1948 called for an immediate adjustment of the inter-Dominion trade relations. In order to mitigate the hardships arising from the imposition of control over the movement of commodities between the two Dominions, an agreement was reached in April 1948 between the two Governments which sought to remove restrictions on the movement of and the duties on perishable commodities like fresh fruits, vegetables, etc. This was followed in May 1948 by another agreement which provided for a mutual exchange of essential commodities on a short-term basis up to certain agreed limits. The more important commodities which India agreed to supply included coal (2.3 million tons), cloth and yarn (4 lakh bales), jute manufactures (50,000 tons), iron and steel (80,000 tons) and vegetable oils. In return, Pakistan agreed to supply India mainly raw jute (5 million bales), raw cotton (6.5 lakh bales) and foodgrains (1.75 lakh tons). The agreement was to cover a period of one year from 1st July, 1948 to 30th June, 1949, except as regards cotton, cotton textiles and foodgrains for which different periods were fixed. It was decided that exchange of commodities should take place through ordinary commercial channels. In September 1948 certain items such as goods allowed to be carried by evacuees and the movement of Government stores from one Dominion to the other were exempted from import and export control regulations.

India also concluded several short-term bilateral and barter trade agreements for reciprocal exchange of goods with Western Germany, Japan, Yugoslavia, Switzerland, Czechoslovakia, the U.S.S.R. and Argentina. Agreements with the first two countries were of special significance since they represented an important step in the direction of resuming the pre-war pattern of trade with them. The agreement with Western Germany concluded in July 1948 provided for German deliveries, mostly of chemicals, dyes and capital goods of about Rs. 6.6 crores as against India's exports to the value of Rs. 4 crores between the period July 1948 to June 1949. On 8th November, 1948 India signed, along with four other Commonwealth countries, viz., the United Kingdom and its colonies (excluding Hongkong), Australia, the Union of South Africa and New Zealand, a trade agreement with Japan which provided for exchange of goods worth Rs. 73 crores between the contracting parties. This agreement envisaged imports by India

of the order of Rs. 8.8 crores from Japan and exports of Rs. 5.6 crores during the period July 1948 to June 1949. Imports were to consist mainly of industrial machinery and plants and cotton textiles, while among India's exports were listed raw materials such as cotton, jute and iron ore. An important feature of the trade agreement with Japan is that in spite of the fact that Japan is not a soft currency country all transactions will be in sterling. The Indo-Yugoslav Trade Agreement was signed on 29th December, 1948 and was to be effective for an initial period of one year. This agreement provided for the grant of most-favoured-nation treatment in respect of customs charges, port duties, etc., on the goods and shipping of the two countries on terms of reciprocity. Under the agreement, while India would export to Yugoslavia articles such as jute and cotton manufactures, linseed, tea, coffee, etc., Yugoslavia would supply in return goods mainly maize, newsprint, cement and tea-chests. Towards the close of the year in March 1949, the Government concluded two agreements, one with Switzerland and the other with Czechoslovakia for a period of one year. Under the Indo-Swiss Agreement, Switzerland will export to India principally railway coaches, heavy electrical equipment, electrical and medical apparatus, textiles, watches and chemicals valued at Rs. 7 crores as against Indian exports worth Rs. 1.9 crores. The salient features of the agreement with Czechoslovakia were (a) the provisions made for the export of Rs. 1.7 crores of goods, mainly raw materials, from India as against imports, mostly of capital goods of about Rs. 3.3 crores, and (b) the undertaking by Czechoslovakia to make available to India technical personnel for the establishment of various industries in India besides an assurance that India's ships would be allowed to carry a reasonable proportion of the trade between the two countries. The Indo-Argentine Agreement signed in October 1948 provided for the supply by India of 70,000 tons of hessian in exchange for 385,000 tons of wheat; this agreement was extended in January 1949 to cover additional quantities of 10,000 tons of hessian from India against 95,000 tons of maize and barley from Argentina. The barter deals with the U.S.S.R. concluded in two stages involved exchanges of tea, raw jute and castor oil for wheat.

Apart from the agreements already concluded during the year, negotiations for a number of additional agreements, e.g., with Sweden, France, Poland, Hungary, Finland, Soviet Zone of Germany, Austria, Italy, Belgium, Egypt, Iraq, Iran, Afghanistan, Tibet, Siam, Burma, Ceylon and Australia were still in progress or were under the consideration\* of the Government at the end of the year.

During the year, several Indian Trade Missions visited foreign countries to explore possibilities of expansion of trade and a number of foreign missions also visited India for a similar purpose. An Indian Trade Delegation visiting Germany, Czechoslovakia and France concluded an agreement (referred to earlier) with Western Germany. Another delegation went to Egypt to investigate the possibilities of acquiring Egyptian cotton on a barter basis, which, however, could not materialise pending further negotiations. A third delegation also visited Afghanistan, Iran and East Africa.

Among the incoming trade missions, the most notable was the one sponsored by the SCAP, which visited India in May 1948 and negotiated the purchase of some essential Indian commodities like raw cotton and jute required by Japan. India in return was assured of favourable consideration in respect of its needs of machinery and capital goods. Missions were also sent out to India during the year, from the United Kingdom, Czechoslovakia, Yugoslavia, Belgium, Sweden, Italy and Austria. The British Mission explored the possibilities of joint action in regard to some common problems relating to cotton. An Anglo-Egyptian Sudan Cotton

\* Agreements with Hungary, Poland, Finland and Egypt have since been concluded.



Mission visited India with a view to negotiating the sale of Sudanese cotton in this country, but no agreement was reached. Other trade missions were from Afghanistan, Egypt, Iraq and Tibet. As a result of the negotiations with the Afghan Mission, a Treaty of Commerce and Friendship was signed by the representatives of the two countries. The Trade Mission from Iraq held discussions with the Government of India, among other things, about the expansion and development of Iraq's trade in dates. In this connection it may be noted that the Government of India allocated 2,200 tons of jute and 5 million yards of cotton textiles for the first half of 1949 for Iraq in return for 30,000 tons of barley. The Tibetan Trade Mission which had visited India in the previous year came back to continue the discussions with the Government of India relating mainly to three issues, viz., (i) the release of 2 million dollars for the purchase of gold, (ii) the retention of foreign exchange earned by exports of Tibetan wool to other countries and (iii) the grant of free customs facilities on imports into Tibet through India. In view of the acute shortage of dollars, the Government of India regretted their inability to release dollars to Tibet and the other points were reserved for further consideration.

During the year, India's Commercial Intelligence Service abroad was considerably strengthened and the Government decided to appoint commercial representatives at Karachi, Dacca, Rio de Janeiro, Frankfurt, Berne, Prague, Bangkok, Vancouver, Rome, Baghdad, and Aden. Further, the Trade Commissioners' offices in Rangoon and Tokyo were revived. An important decision taken by the Government related to the appointment of the Commissioner-General for Economic and Commercial Affairs in Europe with headquarters at Paris. The duties of this officer would be to supervise and conduct the work of Trade Commissioners throughout Europe and to submit reports to the Government concerning commercial negotiations and economic affairs.

28. *Direction of India's Sea-borne Trade (Private and Government).*—The recent trade statistics of India are subject to certain important limitations in respect of coverage and valuation. In the first place, the Partition of the country and the declaration of Pakistan as a foreign territory from March 1948 have introduced changes in regard to their scope. While the trade statistics exclude the trade of Pakistan ports from August 1947,\* they include the trade with Pakistan only from 1st March, 1948 when the Standstill Agreement with Pakistan expired. They also give only a partial picture of the external trade of the country as they do not cover the trade across the land frontiers with Pakistan. This limitation on published statistics should be distinctly borne in mind wherever comparisons are made in the paragraphs below with the figures relating to the previous years. They are helpful as indicating broadly the trade trends and actual comparisons are likely to be misleading. Secondly, a departure was made in the presentation of India's trade statistics from 1st April, 1948 by merging together figures on private and Government accounts. For purposes of comparisons, therefore, with the combined figures of private and the Government trade for the year 1948-49, necessary modifications wherever possible in the figures relating to previous years have been effected in the statistics presented in this Report. There is also the further limitation that the valuation of exports and imports of merchandise by the Customs authorities does not strictly correspond with the actual amounts received or paid for them. This is more so in the case of exports since the valuation is based on the wholesale prices in India which in some cases are considerably below the prices received by the exporters. In Table 21 on balance of payments, some adjustment has, therefore, been made, for the years 1946 and 1947, to allow for these differences in valuation and, in the case of 1948, the figures have been extracted from exchange control records. This explains

\* Karachi from 1st August, 1947 and Chittagong from 15th August, 1947.

the discrepancies that may be found between the figures in respect of merchandise given in this paragraph and those shown in paragraph 31 on the balance of payments.

The total value of Indian Union's foreign sea-borne trade during 1948-49, on the basis of published figures (*vide* Statement II) reached a record total of Rs. 940.82 crores showing a rise of 10 per cent over the value of the previous year. While imports moved up from Rs. 445.81 crores to Rs. 518.00 crores exports (including re-exports) showed a moderate rise from Rs. 408.24 crores to Rs. 422.82 crores. As a result, the deficit in the sea-borne trade account increased substantially from Rs. 37.58 crores in the previous year to Rs. 95.18 crores.

Table 18 and Graph No. 7 show the more important changes in the distribution of imports and exports and trade balances with different currency areas for the last two years and compare them with the pre-war position in 1938-39. While the direction of India's trade during 1948-49 was mainly influenced by the control policies of the Government, the outstanding features of the trade were a sharp reduction in the import surplus with hard currency countries, particularly the dollar area, and the emergence of a substantial deficit with the sterling area and other soft currency countries unlike in the preceding and the pre-war years. Under the stimulus of the liberal import policy effective from July 1948, imports from sterling area and other soft currency countries (excluding those from Pakistan) showed a steep rise from Rs. 264.01 crores or 59 per cent of the total in the previous year to Rs. 341.47 crores or 66 per cent, while there was a considerable shrinkage in exports from Rs. 274.46 crores or 67 per cent of the total for 1947-48 to Rs. 250.60 crores or 59 per cent of the total for 1948-49, resulting partly from the reduced export capacity of the country in respect of products, mainly raw jute, raw cotton and raw hides and skins. The net result was a sizable deficit of Rs. 90.87 crores as compared with a surplus of Rs. 10.45 crores in the preceding year.

Imports from sterling area countries (excluding Pakistan) increased from Rs. 187.28 crores to Rs. 230.46 crores, their proportion to total imports also increasing from 42 per cent to 44 per cent. This rise in values was accounted for chiefly by higher levels of imports from the United Kingdom and Australia. While imports from the former increased from Rs. 129.10 crores to Rs. 152.13 crores, those from the latter nearly doubled from Rs. 11.27 crores to Rs. 20.93 crores. In contrast, exports to sterling area countries (excluding Pakistan) fell from Rs. 195.81 crores to Rs. 177.33 crores, the decline having occurred principally in respect of exports to the United Kingdom from Rs. 106.52 crores to Rs. 98.26 crores and Australia from Rs. 24.37 crores to Rs. 20.62 crores. As a result, India accumulated a large trade deficit of Rs. 53.13 crores with sterling area countries (excluding Pakistan), as compared with a surplus of Rs. 8.53 crores in the previous year.

The course of trade in the case of other soft currency countries was similar to that in respect of the sterling area countries. There was an increase in the level of imports from Rs. 76.73 crores to Rs. 111.01 crores and a fall in exports from Rs. 78.65 crores to Rs. 73.27 crores, reversing the previous year's surplus of Rs. 1.92 crores into a deficit of Rs. 37.74 crores. Among the individual soft currency countries, trade with Egypt and Italy showed an appreciable improvement both in respect of imports and exports, but owing to a comparatively greater rise in imports the adverse trade balances with these countries increased respectively from Rs. 15.37 crores to Rs. 25.17 crores and from Rs. 2.34 crores to Rs. 11.69 crores. There was also a marked improvement in the share of the Netherlands but the trade balance was less favourable at Rs. 1.81 crores as compared with Rs. 2.86 crores in the previous year.

TABLE 18.—DIRECTION OF SEA-BORNE TRADE (PRIVATE AND GOVERNMENT) ACCORDING TO CURRENCY AREAS

Area or Countries	1938-39			1947-48			1948-49		
	Imports	Exports (including re-exports)	Balance	Imports	Exports (including re-exports)	Balance	Imports	Exports (including re-exports)	Balance
<b>I. Sterling Area (excluding Pakistan)</b> ..	<b>89,85</b>	<b>89,39</b>	<b>— 26</b>	<b>187,28</b>	<b>195,81</b>	<b>+ 8,53</b>	<b>230,48</b>	<b>177,33</b>	<b>— 53,13</b>
Percentage .. .. .	58	53		42	48		44	42	
The United Kingdom .. .. .	48,73	58,37	+ 9,64	1,29,10	1,06,62	— 22,58	1,52,13	98,26	— 53,87
Australia .. .. .	2,45	3,00	+ 55	11,27	24,37	+ 13,10	20,93	20,82	— 31
Kenya Colony .. .. .	4,89	59	— 4,30	10,24	3,57	— 6,67	10,80	3,61	— 7,19
Others .. .. .	33,58	27,43	— 6,15	36,67	61,35	+ 24,68	46,60	54,84	+ 8,24
<b>II. Pakistan</b> .. .. .				<b>1,18</b>	<b>2,43</b>	<b>+ 1,25</b>	<b>22,37</b>	<b>46,22</b>	<b>+ 23,85</b>
<b>III. Other Soft Currency Countries</b> ..	<b>19,98</b>	<b>30,12</b>	<b>+ 10,16</b>	<b>76,73</b>	<b>78,65</b>	<b>+ 1,92</b>	<b>111,01</b>	<b>73,27</b>	<b>— 37,74</b>
Percentage .. .. .	13	18		17	19		21	17	
Egypt .. .. .	2,21	1,26	— 95	20,88	3,51	— 15,37	31,89	8,72	— 25,17
Iran .. .. .	3,57	85	— 2,72	22,47	3,64	— 18,83	20,09	3,14	— 16,95
Anglo-Egyptian Sudan .. .. .	1,19	35	— 84	4,21	2,34	— 1,87	5,53	1,62	— 3,91
France .. .. .	1,40	6,23	+ 4,83	3,50	10,40	+ 6,90	2,89	7,30	+ 4,41
Italy .. .. .	2,70	2,64	— 6	7,40	5,06	— 2,34	18,24	6,55	— 11,69
Netherlands .. .. .	1,42	4,44	+ 3,01	2,98	5,84	+ 2,86	5,44	7,25	+ 1,81
China .. .. .	1,73	2,50	+ 77	2,42	14,03	+ 11,61	1,20	5,69	+ 4,49
Others .. .. .	5,73	11,85	+ 6,12	12,87	31,63	+ 18,76	25,73	35,00	+ 9,27
<b>IV. Medium Currency Countries</b> ..	<b>2,88</b>	<b>60</b>	<b>— 2,38</b>	<b>12,56</b>	<b>4,06</b>	<b>— 8,50</b>	<b>14,70</b>	<b>3,33</b>	<b>— 11,37</b>
Switzerland .. .. .	1,60	4	— 1,56	9,34	1,46	— 7,88	8,66	1,22	— 7,44
Sweden .. .. .	1,37	57	— 80	3,22	2,60	— 62	6,06	2,12	— 3,93
<b>V. Hard Currency Countries</b> ..	<b>42,92</b>	<b>49,72</b>	<b>+ 6,80</b>	<b>168,07</b>	<b>127,29</b>	<b>— 40,78</b>	<b>139,46</b>	<b>122,67</b>	<b>— 16,79</b>
(a) Dollar Countries .. .. .	<b>17,01</b>	<b>20,76</b>	<b>+ 3,75</b>	<b>1,58,73</b>	<b>1,10,39</b>	<b>— 48,34</b>	<b>1,20,55</b>	<b>106,59</b>	<b>— 13,96</b>
Percentage .. .. .	7	12		36	27		23	25	
United States and Dependencies ..	9,98	14,57	+ 4,59	1,37,73	80,97	— 56,76	104,28	71,89	— 32,39
Other American Account Countries ..	6	1,16	+ 7,10	1,74	6,68	+ 4,94	2,56	2,66	+ 7,40
Canada and Newfoundland .. .. .	95	2,14	+ 1,19	13,03	11,61	— 1,42	8,10	8,39	+ 29
Argentina .. .. .	1	2,88	+ 2,87	6,23	10,99	+ 4,76	6,60	16,76	+ 10,16
(b) Other Hard Currency Countries ..	<b>31,91</b>	<b>28,96</b>	<b>— 2,95</b>	<b>9,33</b>	<b>16,90</b>	<b>+ 7,57</b>	<b>15,90</b>	<b>16,08</b>	<b>— 2,82</b>
Belgium and Luxembourg .. .. .	3,06	4,48	+ 1,42	5,40	10,67	+ 5,27	2,16	5,87	+ 1,29
Japan .. .. .	15,41	14,82	— 59	1,70	3,51	+ 1,81	6,37	4,59	— 1,78
Germany* .. .. .	13,04	8,70	— 4,34	4	90	+ 86	2,25	2,60	+ 35
<b>Total Value of Trade</b> .. .. .	<b>155,51</b>	<b>169,83</b>	<b>+ 14,32</b>	<b>445,81</b>	<b>408,24</b>	<b>— 37,58</b>	<b>518,00</b>	<b>422,82</b>	<b>— 95,18</b>

Note.—*Sterling Area*—All the British Commonwealth countries, Mandated territories and all British protectorates (or protected States viz. Kuwait, Maskat Territory and Trucial coast) excluding Canada, Newfoundland, the Anglo-Egyptian Sudan together with Burma, Iraq, Eire and Iceland. Since the figures of Kuwait (a British Protected State) are not available separately for 1938-39, this country is grouped in "Other Soft Currency Countries" instead of Sterling Area Countries for this year.

*Dollar Area*—The whole of the continent of North, Central and South America and adjacent islands (excluding Brazil, Chile, Uruguay, Peru and European possessions) together with Philippines.

*Other American Account Countries*—Mexico, Cuba, Guatemala, Honduras, Nicaragua, Costa Rica, Panama, Haiti, Dominican Republic, El Salvador, Venezuela, Columbia, Ecuador, Bolivia and Philippines.

*Other Hard Currency Countries*—Belgium and its possessions, Portugal and its possessions (excluding Portuguese India), Germany and Japan.

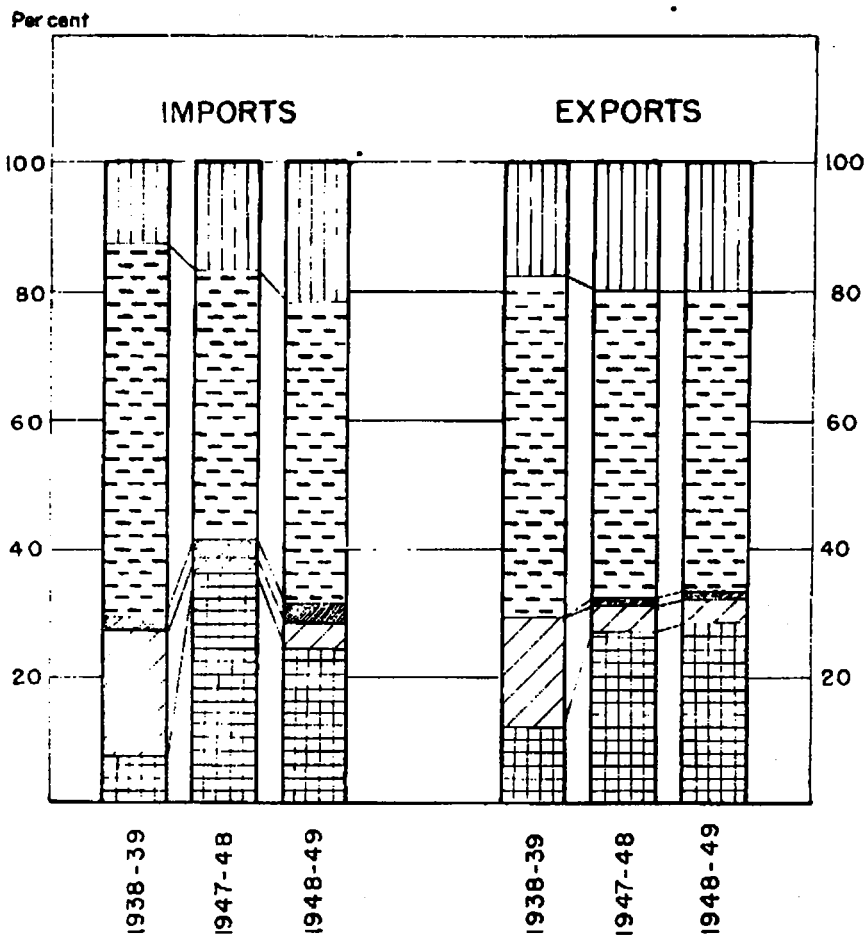
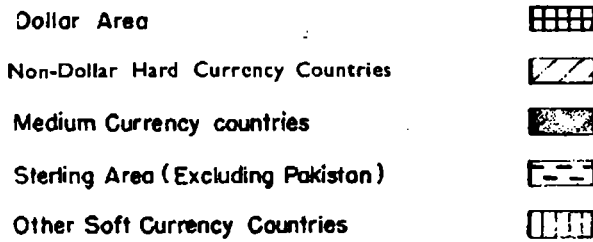
*Medium Currency Countries*—Switzerland and Sweden.

\* Includes the portion of the trade with Soviet Zone of Germany.

GRAPH 7

Percentage distribution of India's Imports and Exports  
by Currency Areas  
(Excluding Pakistan)

AREAS



In view, on the one hand, of the increased draft from soft currency countries and on the other, of the strict control over imports from the dollar area, there was an appreciable reduction in the share of dollar area countries in the import trade from 36 per cent of the total in the previous year to 23 per cent. A marked fall in imports from Rs. 158.73 crores in the previous year to Rs. 120.55 crores, partly offset by a decline in exports from Rs. 110.39 crores to Rs. 106.59 crores, resulted in a substantial reduction of the deficit with those countries from Rs. 48.34 crores to Rs. 13.96 crores. In regard to non-dollar hard currency countries, however, India's imports stood at a high level as compared with the previous year mainly because of the trade agreements which the country has concluded with Western Germany and Japan. Among the dollar countries, trade with the United States and dependencies showed a striking decline during the year. Imports from the United States fell by 24 per cent from Rs. 137.73 crores in the previous year to Rs. 104.28 crores, while exports declined to the extent of 11 per cent from Rs. 80.97 crores to Rs. 71.89 crores. Consequently there was a marked reduction in the adverse balance from Rs. 56.76 crores to Rs. 32.39 crores. Similarly, the balance of trade position with Argentina and Canada (including Newfoundland) showed considerable improvement as compared to the previous year, the surplus with the former increasing from Rs. 4.76 crores to Rs. 10.16 crores, and the deficit of Rs. 1.52 crores with the latter in the previous year being turned into a surplus of Rs. 0.29 crore.

The main changes in the trade with medium currency countries during the year were a slight reduction in the adverse balance with Switzerland from Rs. 7.88 crores to Rs. 7.44 crores and an increase in the deficit with Sweden from Rs. 0.62 crore to Rs. 3.93 crores.

A short reference may be made to the trade with the countries of East Asia since they occupied an eminent position in the pre-war trade of the country both as sources of many essential imports such as rice, timber, and mineral oils and as markets for many Indian exports. Table 19 which compares the values of India's trade with a number of Asian countries during 1947-48 and 1948-49 with those of 1938-39 brings out clearly the changes in the pattern of India's trade with them. While there is a marked reduction in the total volume of trade, as can be seen from the comparatively lower values of imports and exports recorded during 1947-48 and 1948-49 despite the large rise in prices since 1938-39, the decline is particularly striking on the side of imports, the percentage share of which to India's total imports declined to 13 in 1948-49 as against 32 in the pre-war year. As compared with 1947-48, however, the values of imports during 1948-49 showed considerable improvement. Owing to larger rice exports from Burma, the value of imports from that country increased from Rs. 14.31 crores in 1947-48 to Rs. 18.77 crores. Imports from Japan and Thailand increased respectively from Rs. 1.70 crores and Rs. 1.52 crores in 1947-48 to Rs. 6.37 crores and Rs. 4.20 crores in 1948-49. The value of imports from the East Asian countries (excluding Pakistan) rose from Rs. 32.19 crores in 1947-48 to Rs. 46.11 crores. There was a sharp set-back in the value of exports to them (with the exception of Pakistan) from Rs. 55.83 crores in 1947-48 to Rs. 49.49 crores. As a result, the net visible surplus of Rs. 23.64 crores in 1947-48 shrank to Rs. 3.38 crores in 1948-49.

29. *Composition of India's Sea-borne Trade.*—The Table on page 83 gives the composition of India's imports and exports (including re-exports) according to their main commodity groups during the years 1946-47 to 1948-49 and the pre-war

TABLE 19.—SEA-BORNE TRADE (PRIVATE AND GOVERNMENT) WITH EAST ASIAN COUNTRIES

Countries						(In lakhs of rupees)								
						1938-39			1947-48			1948-49		
						Imports	Exports (including re-exports)	Balance	Imports	Exports (including re-exports)	Balance	Imports	Exports (including re-exports)	Balance
Pakistan	..	..	..	..	..				1,18*	2,43*	+ 1,25	22,37	46,22	+ 23,85
Burma	..	..	..	..	..	24,41	11,50	-- 12,91	14,31	12,98	-- 1,33	18,77	10,56	-- 8,21
Hongkong	..	..	..	..	..	35	83	+ 48	2,05	4,16	+ 2,11	2,48	3,16	+ 68
Ceylon	..	..	..	..	..	1,29	5,36	+ 4,07	2,82	11,96	+ 9,14	2,61	12,31	+ 9,70
Malaya	..	..	..	..	..	4,19	2,55	-- 1,64	6,45	4,53	-- 1,92	8,76	5,34	-- 3,42
Philippines	..	..	..	..	..	.6	42	+ 36	46	1,28	+ 82	68	1,99	+ 1,31
Japan	..	..	..	..	..	15,41	14,82	-- 59	1,70	3,51	+ 1,81	6,37	4,59	-- 1,78
Thailand	..	..	..	..	..	9	71	+ 62	1,52	1,03	-- 49	4,20	2,37	-- 1,83
China and Formosa	..	..	..	..	..	1,74	2,58	+ 84	2,42	14,26	+ 11,84	1,20	5,76	+ 4,56
Indo-China	..	..	..	..	..	14	68	+ 54	—	99	+ 99	63	1,78	+ 1,15
British Borneo	..	..	..	..	..	38	—	-- 38	3	10	+ 7	16	10	-- 6
Indonesia	..	..	..	..	..	1,36	93	-- 43	43	1,03	+ 60	25	1,53	+ 128
Total East Asian countries (excluding Pakistan)	..	..	..	..	..	49,42	40,38	-- 9,04	32,19	55,83	+ 23,64	46,11	49,49	+ 3,38
Total (including Pakistan)	..	..	..	..	..	49,42	40,38	-- 9,04	33,37	58,26	+ 24,89	68,48	95,71	+ 27,23
As Percentage of India's Total Trade	..	..	..	..	..	32	24		7	14		13	23	

\* Relates to one month, i.e., March 1948.

year. As mentioned earlier, the comparability of figures relating to the composition of trade is affected by the merging of statistics of Government trade with those of private trade from 1st April, 1948. While the figures for 1948-49 include Government trade, those for the previous years relate only to private trade. It is essential to bear in mind this limitation in drawing conclusions based on the following figures, particularly those relating to import trade for 1948-49 which reflect large imports of food and machinery on Government account.

#### IMPORTS

	1938-39		1946-47		1947-48		1948-49	
	Rs. crores	Percent-age	Rs. crores	Percent-age	Rs. crores	Percent-age	Rs. crores	Percent-age
Food .. .. .	24.00	15.8	38.74	13.4	46.93	11.8	91.98	17.8
Raw materials ..	33.18	21.8	74.96	26.0	92.27	23.1	126.93	24.5
Manufactured articles..	92.75	60.9	167.58	58.1	252.90	63.4	294.52	56.9

#### EXPORTS (including re-exports)

Food .. .. .	39.43	23.3	59.43	18.6	76.98	19.1	87.55	20.7
Raw materials ..	76.28	45.1	106.26	33.3	126.26	31.3	98.64	23.3
Manufactured articles..	50.72	30.9	149.10	46.7	196.64	48.8	234.79	55.5

Although imports of raw materials stood at Rs. 126.93 crores as compared to Rs. 92.27 crores in 1947-48, their proportion to the total showed only a slight increase from 23.1 to 24.5. However, if the large overland imports of raw jute and other primary articles from Pakistan (the statistics of which are not available) were added to the import values, raw materials as a group would have accounted for a much larger share of the total import trade. Imports of manufactured articles during the year 1948-49 showed a large rise in value from Rs. 252.90 crores in the previous year to Rs. 294.52 crores but declined in their proportion to the total from 63.4 to 56.9.

Despite the exclusion of statistics of land frontier trade, exports reflected, on the whole, the changes in the pattern of trade arising from the Partition of the country. While there was a shrinkage in the value and proportion of raw materials, manufactured articles sharply rose in importance in export trade. The loss of raw material producing regions as a result of the Partition of the country and the need for ensuring adequate supplies of raw jute and raw cotton for domestic industry had therefore caused a decline in the value of exports of raw materials from Rs. 126.26 crores to Rs. 98.64 crores, the fall in percentage being from 31.3 to 23.3. Manufactured articles, however, showed an increase from Rs. 196.64 crores to Rs. 234.79 crores, their proportion to the total also advancing from 48.8 to 55.5. The value of articles exported during the year in the group "food, drink and tobacco" showed an increase from Rs. 76.98 crores to Rs. 87.55 crores, the increase in percentage being from 19.1 to 20.7.

Table 20 shows changes in the value of important commodities entering into the foreign sea-borne trade of India during the last three years and compares them with the pre-war year 1938-39. (It may be noted that while the figures for 1948-49 cover trade on both Government and private accounts, those for the previous years relate only to private trade.)

**TABLE 20.—INDIA'S IMPORTS AND EXPORTS OF CERTAIN  
COMMODITY GROUPS**

	(In lakhs of rupees)			
	Private only			Private and Government
	1938-39	1946-47	1947-48	1948-49
<b>IMPORTS</b>				
Grain, Pulse and Flour .. .. .	13,76	19,63	23,00	66,51
Oils—Vegetable, Mineral and Animal .. .. .	15,62	32,55	36,97	37,66
Cotton, raw and waste .. .. .	8,51	25,93	31,20	64,23
Wool, raw .. .. .	62	2,04	2,44	3,17
Chemicals, Drugs and Medicines .. .. .	5,62	13,92	20,04	28,89
Dyes and Colours .. .. .	4,03	11,66	18,04	15,66
Machinery .. .. .	19,72	32,75	59,14	80,87
Vehicles .. .. .	6,68	16,58	26,61	32,68
Cotton Yarns and Manufactures .. .. .	14,15	4,12	9,51	17,06
Metals .. .. .	10,81	20,60	23,03	32,97
<b>EXPORTS (including re-exports)</b>				
Grain, Pulse and Flour .. .. .	7,81	15	13	7
Tea .. .. .	23,29	34,56	54,90	63,71
Oils—Vegetable, Mineral and Animal .. .. .	1,06	5,04	12,40	11,37
Seeds .. .. .	15,10	4,15	9,80	7,21
Cotton, raw and waste .. .. .	24,82	28,04	39,87	19,15
Jute .. .. .	13,40	19,12	25,83	23,89
Hides and Skins, raw, tanned or dressed and leather .. .. .	11,32	37,93	21,98	18,29
Metals .. .. .	3,46	1,27	1,85	3,32
Cotton Yarns and Manufactures .. .. .	7,57	27,72	20,53	41,13
Jute Manufactures .. .. .	26,26	69,88	127,82	146,31

30. *Tariff Board.*—The reconstituted Tariff Board consisting of a President and two members was enlarged during the year by the inclusion of an additional member to cope with the increased functions with which the Board was entrusted by the Government. In addition to its usual functions, the Board was required, as and when called upon, (1) to enquire into the cost of production of a commodity produced in the country and to determine its wholesale or retail price; (2) to recommend to the Government measures necessary for the protection of India's industries from dumping from abroad; (3) to undertake studies on the effects of *ad valorem* and specific duties and tariff valuations on various articles and the effects of tariff concessions granted to other countries; (4) to report to the Government on combinations, trusts, monopolies and other restraints on trade, which may tend to affect the industries enjoying protection by restricting production or maintaining or raising prices and to suggest ways and means of preventing such practices; and (5) to maintain a continuous watch over the progress of protected industries by conducting enquiries, on the effect of the protective duties or other means of assistance granted and advise the Government regarding the necessity or otherwise of modifying the protection or assistance granted, and also to keep a careful watch to ensure that conditions attached to the grant of protection were fully implemented and that the protected industries were being run efficiently. Consequent on representations to the Government from many protected industries that protection granted to them had become inadequate or ineffective due to increased cost of production, the Government desired that enquiries into such industries should be conducted as expeditiously as possible in order to give them some relief and in pursuance of this policy, the Government announced in their resolution dated 26th February, 1949 that protected industries should directly approach the Board whenever the quantum of protection originally granted was found inadequate.



At the beginning of the year, six cases of wartime industries which had been referred to the Interim Tariff Board, were pending before the present Board and the Government referred to the Board, during the year, applications from 22 industries, of which 5 were fresh applications, and the rest were in respect of pre-war and wartime industries which had been granted protection earlier. Of these, the Board completed by 31st March, 1949, its investigation in respect of 13 industries and submitted reports to the Government in respect of 11 industries and forwarded its main conclusions and recommendations in regard to one industry. The Board had also to review the position of some of the industries which had been granted protection on the recommendation of the Interim Tariff Board. As regards other industries, the period of protection for which would expire by 31st March, 1949, the Board recommended one or two years' extension in view of the fact that it was engaged in investigating more urgent and important cases and was unable to investigate all the cases within the short time at its disposal. Two cases relating to the revision of the quantum of protection were also investigated by the Board.

The Government, however, published their orders on the reports of the following industries submitted by the Interim Tariff Board and the Reconstituted Tariff Board.

#### GROUP A

- |                                     |  |
|-------------------------------------|--|
| 1. Steel baling hoops               | 11. Stearic acid   |
| 2. Starch industry                  | 12. Non-ferrous metals                                     |
| 3. Glucose.                         | 13. Pickers  |
| 4. Potassium permanganate           | 14. Sericulture  |
| 5. Plywood and tea chests           | 15. Artificial silk and artificial silk and cotton fabrics |
| 6. Electric motors                  | 16. Sugar  |
| 7. Cotton and hair belting industry | 17. Bicycles and bicycle parts and accessories             |
| 8. Dry battery                      | 18. Alloy tools and special steels                         |
| 9. Ferro-silicon                    |  |
| 10. Oleic acid                      |  |

#### GROUP B

- |                                       |                                     |
|---------------------------------------|-------------------------------------|
| 19. Chloroform                        | 24. Gold and silver thread and wire |
| 20. Ether sulphuric PB and anæsthetic | 25. Magnesium chloride              |
| 21. Steel belt lacing                 | 26. Hydraulic brake fluid           |
| 22. Fire hose                         | 27. Bobbins                         |
| 23. Wire halds                        | 28. Machine tools                   |

#### GROUP C

- |                            |   |
|----------------------------|---|
| 29. Preserved fruits       | 37. Antimony                                    |
| 30. Calcium chloride       | 38. Hurricane lanterns                          |
| 31. Phosphoric acid        | 39. Sewing machines                             |
| 32. Bichromates            | 40. Dry batteries                               |
| 33. Sodium phosphates      | 41. Steel baling hoops                          |
| 34. Potassium permanganate | 42. Motor vehicle batteries and plates therefor |
| 35. Oleic and stearic acid |   |
| 36. Coated abrasives       |   |

The Government accepted the major recommendations for protection of the Interim and Reconstituted Boards in regard to all the industries in Group A. Action taken by the Government in respect of industries in this group included (i) the granting of fresh protection for not more than three years by converting the existing revenue duty into an equivalent protective duty, subject, however, to some industries fulfilling certain conditions, (ii) the raising of the protective

duty for not more than three years in case the landed cost of certain similar foreign products had fallen or the industry could not make any progress owing to circumstances beyond its control as in the case of sericulture, (iii) the undertaking to adjust the protective duty upwards in the event of the *C.I.F.* price or the landed cost of imported industrial products or commodities falling below a certain limit stipulated by the Board. Further measures of assistance to this group of industries accepted by the Government were (a) the assurance to give priority in the matter of allocating scarce domestic raw materials to industries concerned and to grant import licences quickly to industries for importing essential raw materials which are not available in the country, (b) the promise to meet as far as possible the Government's requirements from indigenous products and to facilitate, through administrative measures, increasing offtake of indigenous products by domestic consumers and (c) the offering of other assistance such as making available technical advice for the general improvement of the industry, reduction of railway freight, etc.

As regards the Machine tools and Steel belt lacing industries in Group B, the Board recommended protection, while in respect of the others in this group the Board was averse to the grant of protection, or assistance because either the relevant industry had made considerable progress while under protection, or there was absence of foreign competition, or the industry was able to meet foreign competition on equal terms, or the fair selling price of the indigenous products compared favourably with the landed cost of imported articles without duty, or the industry was inefficient and was dependent absolutely on foreign raw materials. The Government accepted in full the recommendations of the Tariff Board in respect of the latter category of industries. As regards Machine tools, the Government realised the necessity of fostering this key industry by positive State action but were doubtful, whether, considering its present position, the levy of a protective duty as recommended by the Board would prove practicable or result in any material development of the industry. The Government had taken a special note of the Board's recommendation for the creation of a special fund by the Government for the development of the Machine tool industry and were considering alternative methods of developing the industry including the grant of subsidy or other financial assistance to producers. In regard to the Steel belt lacing industry, the question was referred back to the Tariff Board for further investigation as the major sector of this industry is now situated in the Pakistan area.

Included in Group C are industries in respect of which the period of protection was to expire on 31st March, 1949 or the grant of protection was for a longer period subject, however, to a further review of their position by the Board before that date. In view of the Board's other urgent preoccupations, it could not review their position before 31st March, 1949 but recommended the extension of protection for a further period of one year, to which the Government agreed.

Besides the two price enquiries relating to cotton cloth and yarn, and steel which were pending with the Board at the commencement of the year, the Government referred to the Board two more cases relating to paper and superphosphate. The Board was also asked to determine the fair price of "Hot Metal" (iron for steel making) and pig iron (basic and foundry grades). The Board submitted its reports in respect of cotton cloth and yarn, paper and steel respectively in June 1948, November 1948 and March 1949, but the Government passed their orders on the first two reports on 14th December, 1948 and 18th February, 1949 respectively. As regards cotton cloth and yarn, the Government accepted the Board's recommendation that the prices should be fixed at fair levels arrived at with suitable periodical adjustments for fluctuations in the main

elements of cost, namely, raw cotton, manufacturing charges, power and fuel and stores. In fact, the Government adopted the formula for the purposes of fixing prices of yarn which came into effect on 4th August, 1948 and for *ad hoc* prices of cloth subsequently. In regard to paper, the Government accepted all the recommendations of the Board relating to sales to the public, namely, (i) that the selling price of white printing paper should be fixed at Re. 0-10-1 per pound, (ii) that the selling prices of other varieties of paper as well as those of Duplex, Triplex and Ticket Boards should be fixed by applying to the price of white printing paper revised differentials recommended by the Board, (iii) that the proposed prices should remain in force for a period of one year, and (iv) that the existing additional margins or extras allowed for supercalendering, colouring, etc., be retained. In regard to steel prices, the Government announced its decision on the recommendations of the Board to raise the existing retention prices of indigenous steel by about Rs. 18 per ton on an average with effect from 1st May, 1949.

## B BALANCE OF PAYMENTS

31. *Balance of Payments.*—Table 21 presents the balance of payments of India over the period 1946-48.\* The figures for the three years are not strictly comparable with each other or with the data given in Table 18 and Statement II. In the first place, the data for 1946 and 1947 relate to undivided India, while for 1948, they are not only confined in scope to the balance of payments of the Indian Union but exclude its exchange transactions with Pakistan. Secondly, the source of the figures for merchandise is the Customs Returns for the first two years and the records of the Exchange Control Department for the third. Some adjustments have been made in the data derived from each source to allow for the discrepancies in coverage, timing and valuation that have been found to exist between the two, but these adjustments cannot be considered as either exhaustive or final. Service items are also not strictly comparable since the figures for 1946 and 1947 are only rough estimates based on indirect evidence; there is a slight element of conjecture even in the data given for 1948. The figures entered under the Capital Account are more precise but the coverage varies from year to year and the Account is not complete for any of the three years. However, provided all these limitations are borne in mind, the Table can be said to present a rough picture of how India has been balancing its international accounts since the end of the war.

The main feature under the Current Account is the fairly close correspondence that has been maintained between payments and receipts on account of merchandise. In 1946 imports of merchandise (including food imports by the Government) cost Rs. 388.7 crores as against Rs. 337.5 crores received from exports. In 1947, control on imports having been partly relaxed, the payments rose to Rs. 534.7 crores but, since receipts also went up to Rs. 453.7 crores, there was no serious deterioration in the balance of trade. The Partition of the country, and the effect of reimposed import controls towards the latter half of 1947, caused the value of imports of merchandise to fall to Rs. 476.4 crores in 1948. (The figure for Government imports includes an amount of Rs. 60 crores paid by the Government of India to the United Kingdom for the purchase of stores under the terms of the Financial Agreement of July 1948 with the United Kingdom. The fact that this is a payment of an extraordinary nature should be kept in mind in comparing with figures for earlier years). Since the receipts were fairly well maintained at Rs. 433.7 crores the net deficit on trade account appears to have been reduced below the level in 1947. The absolute increase in values between 1946

\* For a detailed study of the Balance of Payments position of India during the period 1946-48 and of the methods used to compile the data, vide the *Reserve Bank of India Bulletin*, July 1949.

TABLE 21.—INDIA'S BALANCE OF PAYMENTS

	1946			1947			(In crores of rupees) 1948@		
	Receipts	Payments	Net	Receipts	Payments	Net	Receipts	Payments	Net
<b>A. Current Account—</b>									
1. Merchandise (including silver): (Exports f.o.b. Imports c.i.f.)									
(a) Private .. .. .	336.0	280.6	+ 55.4	450.9	427.8	+ 23.1	433.7	362.4	+ 71.3
(b) Government .. .. .	1.5	108.1	—106.6	2.8	106.9	—104.1	—	184.0†	—184.0
2. Gold (non-monetary) .. .. .	0.9	1.7	— 0.8	1.0	15.1	—14.1	—	0.1	— 0.1
3. Services:									
(a) Private‡ .. .. .	22.6	49.2	—26.6	31.9	65.6	—33.7	44.6	82.7	—38.1
(b) Government .. .. .	96.0	53.8	+ 42.2	31.7	52.4	—20.7	24.6	45.0	—20.4
4. Unilateral Transfers § .. .. .	..	..	..	..	4.5	— 4.5	16.0	5.8	+ 10.2
5. Unclassified .. .. .	..	..	..	..	..	..	23.2	14.6	+ 8.6
<b>B. Capital Account—</b>									
6. Change in the Assets of the Banking System ¶ .. .. .	56.9	—	+ 56.9	107.5	—	+107.5	327.0	—	+327.0
7. Change in the Liabilities of the Banking System ¶ .. .. .	5.8	—	+ 5.8	4.7	—	+ 4.7	12.0	—	+ 12.0
8. Identified Security Transactions** .. .. .	..	6.5	— 6.5	10.6	12.3	— 1.7	8.3	7.1	— 1.3
9. Contractual Transactions of the Government:									
(a) Purchase of dollars from the IMF. .. .. .	..	—	—	..	..	..	22.8	..	+ 22.8
(b) Others†† .. .. .	..	17.8	—17.8	20.3	9.9	+ 10.5	1.4	224.0	—222.6
10. Private Capital Remittances†† .. .. .	..	..	..	..	64.4	— 64.4	18.0	34.4	—16.4
11. Miscellaneous .. .. .	..	9.3	— 9.3	..	..	..	..	..	..
<b>C. Errors and Omissions .. .. .</b>	7.1	—	+ 7.1	97.5	—	+ 97.5	—	1.5	— 1.5
	526.9	526.9	—	758.9	758.9	—	931.6	931.6	—

Note :—The data for 1946 and 1947 relate to undivided India, while those for 1948 relate only to the Indian Union and also exclude the Union's exchange transactions with Pakistan.

@ The figures for this year exclude transactions in merchandise under Government barter deals.

† Includes Rs. 60 crores paid for stores to the United Kingdom according to the terms of the Indo-U.K. Financial Agreement of July 1948.

‡ Covers foreign travel, transportation, insurance, investment income and other miscellaneous services.

§ Mainly migrants' remittances.

¶ Includes the change in the sterling assets held by the Reserve Bank of India; the amount transferred to Pakistan has, however, not been shown.

¶ In addition to the liabilities of authorised dealers in foreign exchange, this item includes the foreign liabilities of the Reserve Bank representing balances in the current accounts kept by certain foreign institutions with the Bank.

\*\* Includes repatriation of sterling debt, movements in rupee securities held by the Reserve Bank on account of foreigners, rupee securities encased for payment in London re-transferred to India, amortization payments and certain other contractual payments.

†† Covers the transfer of amounts between the Governments of India and Burma, the transactions relating to the loan granted to Siam, subscriptions paid to the International Monetary Fund and the International Bank, and the recent acquisition of the pensions annuity by the Government of India.

‡‡ Includes such items as savings remittances, distribution of capital under trust, repayment of funds, and surplus funds of insurance companies.

and 1947, and the relative increase (taking into consideration the Partition of the country) in 1948, are partly a reflection of larger quantities of goods imported and exported, but there is reason to believe that this is much less true of exports than of imports. In avoiding a serious deterioration in its balance of payments position in the post-war period, India has undoubtedly received considerable help from the improvement in its terms of trade.

Among the service items, the main change noticeable is the fall in Government receipts from Rs. 96.0 crores in 1946 to Rs. 24.6 crores in 1948. This is explained by the fact that, in 1946, the United Kingdom was still incurring a fair amount of civil and military expenditure in India and paying the Government in sterling whatever amount the latter spent on its behalf.

The Capital Account shows the manner in which the deficits on Current Account have been financed. The foreign assets of the banking system (including the sterling assets of the Reserve Bank of India) fell by Rs. 56.9 crores in 1946, Rs. 107.5 crores in 1947 and Rs. 327.0 crores in 1948. The phenomenal depletion of these assets in 1948 is, to a large extent, explained and compensated by the increased assets acquired through the contractual transactions of the Government; the Government of the United Kingdom was paid Rs. 224.0 crores for the purchase of an annuity to meet the annual pension charges due to British nationals by the Indian Union. The outflow of private capital was much smaller in 1948 than in 1947, but the net payment on this account in 1947 might have probably been lower than the figure of Rs. 64.4 crores shown in the Table, had data been available on the side of receipts also.

The surpluses and deficits (under either the Current or the Capital Account) as shown in the Table must be interpreted with caution in the light of the methods of compilation adopted. The balance of payments data for no one of the three years can be considered as exhaustive. The data for 1948, being based on Exchange Control records, are a slight improvement on those of the previous two years. But here again the low figure shown against Errors and Omissions may be explained only by the fact that these are more or less equally distributed as between Receipts and Payments. Allowing for all these considerations, however, it would be correct to say that, compared to 1947, there was no serious deterioration in 1948 in India's balance of payments when the year is taken as a whole. The deficit on Current Account as revealed in the Table is Rs. 122.5 crores, of which Rs. 60.0 crores (as mentioned above) represents an extraordinary item. In the first half of the year there was, in fact, a net surplus on Current Account and it was only the relaxation of import controls that turned the final result into a deficit of Rs. 62.5 crores for 1948 as a whole.

India's balance of payments with hard currency countries showed large deficits on Current Account though the figure was very much smaller in 1948 than in 1947. The import and export of merchandise on private account showed a fairly substantial favourable balance of Rs. 22.4 crores. But the high level of payments made by the Government (including the expenditure on food imports) as well as the expenditure on invisibles contributed to a net deficit of nearly Rs. 50.0 crores. This was financed by the purchase of dollars during 1948 to the value of \$68 million (Rs. 22.8 crores) from the International Monetary Fund and by the utilisation of the convertible sterling released by the United Kingdom.

It is difficult to appraise the balance of payments position between India and Pakistan, in view of the relative freedom which had obtained in the movement of funds between them and the non-availability of statistics of overland trade. It is, however, possible to construct a rough picture of the transactions in merchandise between them during the first nine months of the operation of the

Indo-Pakistan Payments Agreement of 30th June, 1948, which marked a new step in the evolution of their financial relations. As no information on service transactions is available, the trade figures are the only data to be considered under Current Account. Imports into India from Pakistan (mainly purchases of raw jute and raw cotton) might be estimated at about Rs. 100 crores, while exports to Pakistan (of which cotton manufactures constituted a big share) seemed to have lagged far behind at just about one-half of the value of imports. The resulting deficit which was further enlarged by a small outflow of funds through the banking system appeared to have been financed mainly by the transfer of "India" notes and also, in a small measure, by the rise in the rupee balances held by the State Bank of Pakistan with the Reserve Bank of India.

### C. EXCHANGE CONTROL

32. *Sterling Transactions*.--Statement III shows the monthly sterling transactions of the Reserve Bank of India during the years 1947-48 and 1948-49. During 1948-49 total sales of sterling exceeded purchases by £52.66 million or Rs. 70.31 crores on account of the Indian Union as against the excess of purchases over sales in the previous year of £91.48 million or Rs. 121.90 crores relating to pre-partition India. The deterioration in the country's balance of payments position, partly caused by the liberalisation of imports from soft currency countries effected in January 1948 and in a greater measure in July 1948, was reflected in the reversal of the trend, prevailing in the first two months of the year, of sterling purchases exceeding sales. In fact, even at the end of the previous year, there was a sharp decline in the amount of net purchases which continued during the first two months of the year under review. From June 1948 onwards sales invariably exceeded purchases, the peak at £9.59 million or Rs. 12.80 crores having been reached in July. This trend was brought about mostly by movements on the side of sales, which spurted up in June to £8.25 million or Rs. 11.00 crores from a mere £0.80 million or Rs. 1.06 crores in the previous month, while purchases were fairly free from such wide variations. On Pakistan account, there were net purchases of £8.32 million or Rs. 11.10 crores during the first three months of the year as against £14.73 million or Rs. 19.64 crores during the previous three months. With the establishment of the State Bank of Pakistan, the Reserve Bank of India discontinued its transactions on Pakistan account from July.

33. *Exchange*.--The Reserve Bank of India continued to buy sterling T.T. from banks for delivery within six months at 1s. 6d. and to sell for ready delivery at 1s. 5-63/64d. The Bank also sold sterling for delivery up to six months forward at 1s. 5-31/32d. but the demand for forward sterling from banks was negligible.

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. Banks continued to quote forward buying rates for delivery up to one year, the T.T. buying rate for the last three months being quoted at 1s. 6-1/16d. as against the rate of 1s. 6-1/32d. for the first nine months. The forward selling rate for sterling T.T. for delivery up to six months remained unchanged at 1s. 5-15/16d.

The London-New York cross-rate, which was fixed at 4.0275 selling and 4.0325 buying on 13th January, 1947 remained unchanged, the corresponding rupee rates in India being quoted at Rs. 331½ per \$100 selling and Rs. 330 per \$100 buying.

Transactions in other foreign currencies in the Indian market were few, except for a certain amount of business in Canadian dollars for which the rates quoted were the same as for U.S. dollars.

34. *Developments in Exchange Control.*—There was no basic change in the system of exchange control during the period under review except for minor alterations in some of the regulations such as those governing travel abroad and transactions with some foreign countries. The Financial Agreement with the United Kingdom was extended up to 30th June, 1951.

35. *General.*—In view of India's vital interest in the sterling area it may be worth noticing here the changes which took place in the composition and organisation of that system during the year, with particular reference to their effect on India's own foreign exchange mechanism. In April 1948 Syria was excluded from the French franc area and the sterling accounts of residents of Syria began to be designated as Syrian Accounts. Payments by residents of the Scheduled Territories were required to be made to a Syrian Account and proceeds of Indian exports to that country were to be similarly received from a Syrian Account or in rupees from the account of a bank in Syria. Argentina and Brazil ceased to be Transferable Account countries as from 1st June, 1948 and were placed in the group of Bilateral Account countries. The accounts of their residents were designated as Argentine Accounts and Brazilian Accounts respectively. Chile was taken out of the American Account area and included in the Transferable Account group on 30th June, 1948. Payments between Chile and the Scheduled Territories could, therefore, be made in sterling, and proceeds of exports from India to Chile could be received in sterling from a Chilean or any other Transferable Account or from an American Account. Peru was excluded from the American Account area as from 1st August, 1948 and the sterling accounts of residents of Peru were designated as Peruvian Accounts. Payments between Peru and the Scheduled Territories could be made in sterling, but payment from a Peruvian Account to countries outside the Scheduled Territories were to receive the prior approval of the Bank of England. As from 13th August, 1948, Tangier was excluded from the category of Other Countries and grouped among the Bilateral Countries. The sterling accounts of residents in Tangier were designated as Tangier Accounts, and proceeds of exports from India to Tangier had henceforth to be obtained in sterling from a Tangier Account or in rupees from the account of a bank in Tangier. The wartime arrangements under which the Faroe Islands were included in the sterling area were terminated on 10th November, 1948 and these islands were placed in the group comprising Denmark and Greenland, the accounts of residents of the Islands being treated as Danish Accounts. By an agreement between the United Kingdom and Italy, the latter including the Republic of San Marino and Trieste was included in the Transferable Account group on 6th December, 1948. From the same date, the Vatican City ceased to be included in the Italian monetary area and came to be treated as one of the countries to which the bilateral payments arrangements applied.

The administration of exchange control in the Persian Gulf area, which had been in the hands of the Reserve Bank of India till 30th June, 1948, was taken over after that date by the Political Resident, Bahrein. Instructions regarding the conduct of foreign exchange business and the purchase and sale of foreign exchange were since 1st July issued to banks in that area by the Political Resident, Bahrein, under the supervision of the Bank of England, and they were no longer required to submit any returns to the Reserve Bank of India or to complete Indian exchange control forms.

36. *Financial Agreement with the United Kingdom.*—Discussions held in London in mid-1948 at ministerial level between the representatives of the United Kingdom and those of India regarding the utilisation of India's sterling balances resulted in an agreement, signed on 9th July, 1948, which extended the earlier agreement of 14th August, 1947, as extended on 15th February, 1948, to be in

force till 30th June, 1951, with certain modifications. The main objectives of the negotiations were: firstly, to settle the price to be paid for the stores and installations taken over from the Government of the United Kingdom by the pre-partition Government of India in April 1947; secondly, to evolve a scheme for the capitalisation of sterling pensions payable to British nationals who had retired from Government service in India; and, finally, to obtain a further release of sterling and multilateral convertibility of part of such release.

The negotiations relating to pensions and the purchase of stores and installations were taken up jointly with representatives of the Government of Pakistan. A price of £100 million was agreed upon for the stores and installations whose book value had been estimated at £375 million. As a source of funds for meeting the annual liability on account of pensions, the Government of India agreed to purchase from the Government of the United Kingdom, two sixty-year tapering annuities by paying capital sums of £147.6 million and £20.5 million in respect of the pensions payable by the Central Government and those payable by the Provincial Governments respectively. As regards releases, a transfer of £80 million from the Reserve Bank of India's No. II Account to its No. I Account was agreed upon for the period of three years ending 30th June, 1951, to be made in two equal portions during the year ending 30th June, 1950 and the year ending 30th June, 1951. During the year ending 30th June, 1949 no fresh releases were to be made, but the unspent balance of £80 million, standing to the credit of the No. I Account on 30th June, 1948 was to be available for expenditure, thus making a total of £160 million which could be spent for making current payments abroad during the three years of the life of the agreement. It was also agreed specifically that any part of the release to be made in the second year, which was not drawn, could be carried forward and added to the sum available during the third year. The transfers were to be made in multiples of £5 million, only when the balance in the No. I Account was less than £60 million, and to the extent necessary to restore the balance to that level as a minimum. During the first year of the agreement, a maximum amount of £15 million would be made available in hard currencies in addition to the current earnings of such currencies and the purchases from the International Monetary Fund. The hard currencies were defined as those of the whole of North, Central and South America and the adjacent islands (excluding Brazil, Chile, Uruguay and any territories which were part of the sterling area, the Dutch monetary area or the French franc area), the Anglo-American Zone of Germany, the Belgian monetary area, the Portuguese monetary area (excluding Portuguese possessions in India), Japan and the Philippines. The monetary arrangements concluded by the United Kingdom with Switzerland and Sweden, among other countries, enabled India to make current payments to these countries in sterling. In regard to Japan, it was agreed that not more than £3.5 million of any surplus earned by India with that country should be taken into account for the purpose of determining India's hard currency earnings. The amount of releases to be multilaterally convertible during the second and third years of the validity of the agreement was left to be determined by consultation and agreement later. Lastly, the agreement fixed a sum of £55 million as due to India from the United Kingdom in final settlement of all matters arising out of the Defence Expenditure Plan (except for certain terminal benefits which would be separately adjusted).

37. *Travel*.—In view of the then favourable sterling position, the Government of India decided in June 1948 to give greater facilities to Indian nationals to travel to countries in the sterling and other soft currency areas for reasons of pleasure, health or business. The rate of allowance was raised to £300 per month per person available on a calendar year basis to the maximum extent of £3,600 per person in any one year but without any limit on the period of stay abroad, as against the previous rate for pleasure travel of £150 per adult and £75 per minor



per month available once in three years for a period of four months. At the same time, the allowance for travel to countries neighbouring India, i.e., Iran, Iraq, Saudi Arabia, Ceylon, Burma, Malaya and the Dutch East Indies was raised to Rs. 7,500 per adult and Rs. 4,000 per minor per year. The scales of allowances for personal travel abroad were revised again in November 1948, when the distinction, till then drawn between Indian and foreign nationals, was abolished and a uniform scale, based on residence and not on nationality adopted for all those resident in India other than those on temporary visits. Persons travelling for personal reasons to countries in the sterling and other soft currency areas were allowed £200 per month per adult and £100 per month per minor in addition to return fares for a period of four months per year commencing from 1st November, 1948. For travel to Sweden, Switzerland, Portugal and Belgium, and their possessions except Portuguese India, the rate was fixed at £50 per adult and £25 per child per month subject to a maximum of £100 and £50 respectively, to be deducted from a maximum allowance of £800 per adult and £400 per minor per year. This allowance was to cover travel in all or any of the countries specified and could not be availed of for each of the countries separately. No allowance was to be granted for travel on the continents of North and South America (excluding Chile, Peru, Uruguay and Brazil), the Philippine Islands and the Anglo-American Zone of Germany. The allowance for travel to the countries bordering India enumerated earlier was reduced to Rs. 4,000 per adult and Rs. 2,000 per minor per annum plus return fares. This allowance was, however, in addition to the £800 limit for travel to other countries mentioned above. Non-sterling area nationals proceeding on leave to their own countries could receive remittances at the rate of Rs. 5,000 per adult and Rs. 2,000 per child in the currency of their country of domicile. Alternatively, they could have their leave salaries remitted in their own currencies during the period of their stay abroad. They could also avail of the personal travel allowance where permissible, but any amount so availed of would be deducted from their leave salaries unless otherwise instructed by the Reserve Bank of India.

The Government of India raised in April 1948 the period for which foreign exchange might be granted for business travel to Japan from 21 to 60 days. Persons who wished to visit Japan for business reasons had to obtain permits and also arrange for necessary exchange for their maintenance in Japan through the Government of India. This arrangement was modified to permit the grant of foreign exchange on the prescribed scale by the Reserve Bank of India on the production of the necessary authority from the Director-General of Commercial Intelligence and Statistics to show that the individual had been permitted to travel to Japan. Incidentally, the Government of India also decided to give the necessary exchange facilities to persons who wished to open offices in Japan for which applications were received and dealt with by the Reserve Bank in accordance with the policy laid down by the Government. Foreign exchange for opening offices in Japan would be given in the first instance for a period of six months at £250 per month, the office being expected to become self-sufficient within that period.

38. *Capital Transfers*.—Following the reduction by the United Kingdom authorities of their limit for the transfer of assets by emigrants from the United Kingdom to countries outside the Scheduled Territories from £5,000 to £1,000 to be remitted in four equal instalments, the Indian exchange control authorities decided in May 1948 to adopt the same scale in the case of nationals of the United Kingdom and other countries of the sterling area excluding India in order to ensure that they did not receive more than what they would have obtained by application to the United Kingdom authorities.

In June 1948, the Government of India abolished the limit of £5,000 for transfers by foreign nationals other than nationals of hard currency countries retiring from India and decided to allow the transfer of their entire assets by such persons to countries in the sterling area or to their countries of domicile provided they were not hard currency countries. This concession was, however, withdrawn in November 1948 so as to allow remittances by foreign nationals at the time of retirement from India up to £5,000 or its equivalent only to their countries of domicile and in their own currencies. Simultaneously, the concession to transfer up to £5,000 in a lump sum to any country including the United States, which was being enjoyed by *bona fide* Stateless refugees, was also modified to require that the remittance be spread over a period of four years at a rate not exceeding £1,250 per year.

At the request of the Government of the United Kingdom, following an agreement concluded between the United Kingdom and Egypt with regard to mutual capital transfers, the Government of India consented to refer to the Bank of England, for prior consultation and agreement with the National Bank of Egypt, all applications for transfers to Egypt of amounts in excess of £5,000 on account of repatriation of savings belonging to persons of Egyptian nationality, leaving India to take up permanent residence in Egypt, and on account of voluntary repatriation of investments by persons regarded as resident in Egypt irrespective of nationality as well as applications for other transfers of a capital nature.

39. *Pakistan*.—India and Pakistan signed on 30th June, 1948 a payments agreement which precluded exchange control as between the two Dominions and any restrictions on the transfer on current or capital account of funds or securities (particularly evacuee funds in private hands) from one Dominion to the other. Provision was, however, made for consultation between the Reserve Bank of India and the State Bank of Pakistan in respect of the transfer of evacuee funds in the hands of the Custodians of Evacuee Property. The agreement was not to affect the movement of gold or silver between the two Dominions; and, therefore, the ban promulgated by the Reserve Bank of India in May 1948 on the export of bullion to Pakistan continued in force till December 1948 when, as a result of an inter-Dominion conference, the two Governments decided on a reciprocal basis, to permit travellers between the two Dominions to take with them as personal luggage reasonable quantities of jewellery including that made wholly or mainly of gold. The payments agreement provided for the official rate of exchange between the India rupee and the Pakistan rupee to be at par and for due notice and mutual consultation before any alteration in the rate by the Government of either country. Following this the Reserve Bank of India fixed a ready buying rate of Rs. 99-31/32 and a selling rate of Rs. 100-1/32 for Pakistan Rs. 100 for purchases from and sales to scheduled banks, the buying and selling rates of scheduled banks to the public being Rs. 99-15/16 and Rs. 100-1/16. For the settlement of payments between the two Dominions, each Central Bank agreed to sell to the other its own currency to the extent of Rs. 15 crores against the currency of the other; and, beyond this limit, sales could be made against sterling from the No. I Account of the Bank concerned with the Bank of England up to a maximum of £7.5 million while balances still remaining were to be settled by transfers of sterling from the No. II Account. Each Bank had the right to purchase from the other at any time all or part of its own currency held by that Bank by tendering either the currency of that Bank or sterling from its No. I Account. The agreement further provided that, in the event of either Government depreciating its currency in terms of the currency of the other Dominion, the holdings of the former's currency by the latter's Central Bank should be revalued on the basis of the new rate, and that the account of whichever Central Bank

incurred a loss as a result of the revaluation should be written up by the credit of additional amounts of the other's currency.

The Government of India decided in March 1949 to prohibit the bringing or sending into the provinces of India any Government of India one rupee notes from any place in Pakistan except with the general or special permission of the Reserve Bank of India. The Reserve Bank of India also cancelled its general permission for the taking or sending out of Indian currency notes to Pakistan except by *bona fide* travellers who were allowed to carry with them currency notes of the Government of India or notes of the Reserve Bank of India not exceeding Rs. 50 in all.

Exchange control in Pakistan, which was earlier being administered by the Reserve Bank of India was taken over by the State Bank of Pakistan as from 1st July, 1948. The special arrangements which had been made for banks in Calcutta to maintain separate sterling and U.S. dollar Pakistan accounts for negotiating bills covering exports from Chittagong were terminated on 30th June, 1948 and thereafter negotiation of such bills except in so far as this was necessary under commitments entered into prior to that date was strictly confined to banks in Pakistan.

40. *Import Control.*—Nepal and Tibet had been considered part of India for exchange control purposes, but, since they had been exempted from the provisions of the import control notification, no licence had been necessary for importing goods into these territories although the foreign exchange to pay for such imports was being provided by India. The Government of India, in order to regularise the position, issued a notification No. 5/ITC/48 dated 19th June, 1948 amending their notification No. 23/ITC/43 dated 1st July, 1943 so as to exclude from the exemptions granted thereunder goods imported into India for transshipment or re-export to Nepal and Tibet. As a result of this amendment, imports into Nepal and Tibet were made to require licences from the import control authorities similar to imports into India. Banks authorised to deal in foreign exchange were allowed to make remittances or open credits on behalf of importers in Nepal and Tibet against these licences on the usual terms.

The Government of India decided to allow for all import licences a grace period of 15 days from the date of expiry within which shipment could be effected, and authorised dealers were, therefore, permitted to open credits valid up to 30 days after the date of expiry of the relative import licence or make remittances or extend the validity of credits already opened up to a similar period. Formerly no grace period was allowed for making shipments beyond the date of expiry of the licence and credits were permitted to be opened or extended only up to 15 days from the date of shipment.

Remittances of foreign exchange, in payment of private imports of goods for personal use, were not permitted under the regulations as persons making such imports would not be in possession of exchange control copies of import licences; but, in view of the prevalence of the system of open general licences, concession was given to individuals to remit foreign exchange in payment for goods actually imported for their personal use, or against relative negotiable documents, provided such goods were covered by an open general licence. The regulations in respect of payment for goods subject to licence remained unchanged.

41. *Germany.*—Trade with Germany continued to be freely permitted. The Military Government accounts, entitled "The Military Governments for Germany (U.S./U.K.) Joint Export/Import Account" through which all payments in respect of trade with the Anglo-American Zone of Germany were channelled, were closed as from 1st December, 1948, and payments after that date had to be made through the new accounts entitled "Bank Deutscher Lender Export/Import

Accounts" opened with the Bank of England and some of the other banks in the United Kingdom.

42. *Bullion.*—The import of gold and silver from places outside the sub-continent of India and from places in the French and Portuguese territories in India continued to be prohibited. With a view to further reducing the scope for smuggling of gold or silver into India from the French and Portuguese territories in India, the Reserve Bank of India amended its notification No. F.E.R.A. 62/48 RB dated 25th August, 1948 (which gave general permission for the import into any port in India of gold or silver in transit to a place outside India), so as to exclude from the scope of the general permission imports destined to French and Portuguese India. The effect of this amendment was that imports through India of gold or silver into these territories would no longer be permissible.

43. *Methods of Export Finance.*—Graph 8 (A and B) shows on a percentage basis the various methods used to finance exports to countries outside the sterling area subject to the notification requiring the surrender to an authorised dealer in foreign exchange of the export value of goods. Graph A covers shipments to hard and medium currency countries and Graph B shipments to other countries.

Graph A shows that the tendency noticed in previous years for an increasing proportion of trade with hard currency countries to be financed by sterling bills on London continued with a corresponding fall in the proportion of trade financed by bills drawn in the currency of the country of destination of the goods. The proportion of the trade financed in rupees which had recorded a sharp decline towards the end of the previous year when it was about 6 per cent, recovered to about 15 per cent in April 1948, only to recede to the old level which almost steadily persisted till the end of the year. The proportion financed by bills drawn in sterling on the country of destination was relatively unsteady compared with the previous year though at a higher level. Graph B indicates that the proportion of exports to other foreign countries financed in sterling *via* London evinced a tendency to rise with intermittent breaks till about October when, having reached a peak of over 60 per cent, it began to decline gradually. The proportion of trade financed in rupees moved erratically during the year, reaching a peak of about 40 per cent in August 1948 and a trough of about 10 per cent in February 1949. Bills drawn in sterling on the country of destination, declining gradually from over 36 per cent at the beginning of the year to about 12 per cent in August, recovered considerably by February 1949 to fall again in the month following. The proportion of trade financed by bills drawn in the currency of the country of destination of the goods continued, as in the previous year, to be negligible at less than 5 per cent except during the last two months of the year. Graph C shows total exports to the countries covered by Graphs A and B. The trend of exports to hard currency countries during the year was almost identical to the trend in exports to other foreign countries. The rise in exports which took place at the end of the previous year extended into the first month of the year under review when, rising steeply, it almost reached the Rs. 30 crore level for all countries (a record for several years). However, there was a sharp fall in the following months which continued till the end of the year barring a small improvement in December 1948.

#### IV. BULLION

44. *Production of Gold and Silver.*—The recovery in India's gold output (*vide* Table 8) noticed during 1947 continued during 1948, the estimated production further rising to 180,468\* ounces valued at Rs. 5,42,86,476\* from 171,704† ounces valued at Rs. 4,89,54,639† in the preceding year. The output of silver (*vide* Table 11) was also placed higher at 14,997\* ounces valued at Rs. 64,921\* as compared with

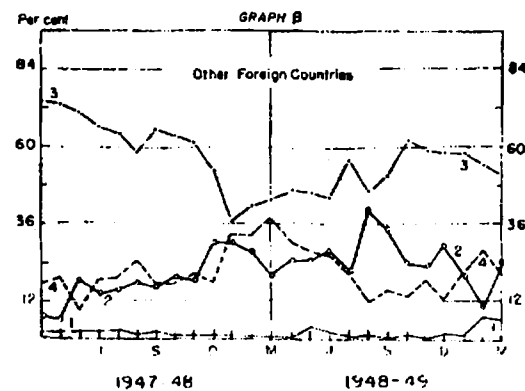
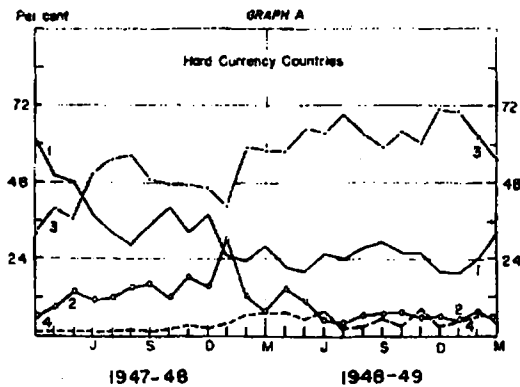
\* Provisional.

† Revised.

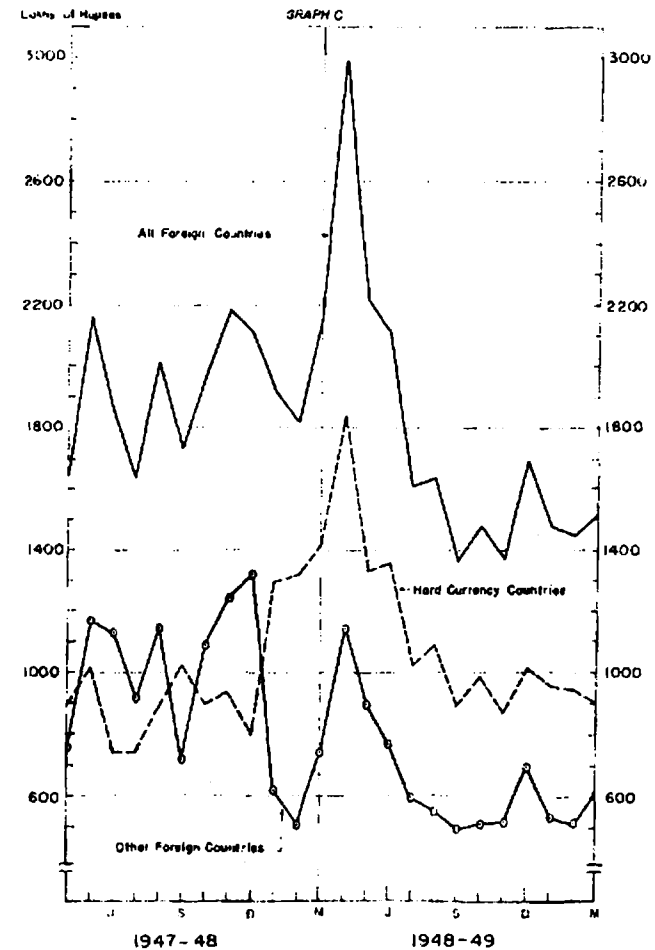
GRAPH 8

METHODS OF EXPORT FINANCE  
ON PERCENTAGE BASIS

- Method 1 — 1 Bills drawn or remittances received in  
currency of country of destination  
Method 2 — 2 Bills drawn or remittances received in  
rupees  
Method 3 — 3 Bills drawn in sterling on London  
Method 4 — 4 Bills drawn in sterling on the country  
of destination



TOTAL EXPORTS  
TO  
Hard Currency Countries, Other Foreign Countries and  
All Foreign Countries



12,422\* ounces valued at Rs. 54,725\* in 1947. However, as will be seen from the Tables, the production of gold was only 56.8 per cent and of silver 65.2 per cent of the 1939 level, the pace of recovery from the wartime levels having been slow in both the metals as a result mainly of shortage of equipment and unsettled labour conditions. India's share in the total world output of gold and silver in 1948 remained virtually unchanged at 0.74 per cent and 0.012 per cent respectively as against 0.73 per cent and 0.010 per cent in the preceding year.

45. *Bombay Bullion Market.*—The chief event in the bullion market was the formation of the Bombay Bullion Association and its recognition by the Government of Bombay as the sole Association for the purpose of forward trading in bullion in the City of Bombay, although the Association actually commenced to function only after the close of the financial year under review. The developments relating to the creation of the new Association are briefly summarised below.

In the last year's Report, mention was made of the Bombay Provincial Cabinet Committee's recommendations for the regulation of forward trading in bullion. It will be recalled that the chief recommendation was that only one Association in the Bombay City should be recognised for the purpose of forward trading in bullion. In pursuance of this recommendation and, at the instance of the Government of Bombay, a new Association called the Bombay Bullion Association was formed in September 1948 to replace the three existing institutions trading in bullion in the City of Bombay, viz., the Bombay Bullion Exchange, the Marwari Chamber of Commerce and the (Silver) *Tukda Bazaar*. As a preliminary to recognising the new Association, the Government of Bombay announced on 10th December their decision to extend the Bombay Forward Contracts Control Act 1947 (referred to in the last year's Report) to the bullion trade in the City of Bombay and followed it up with notifications under the above-mentioned Act prohibiting, with effect from 25th December, forward trading in bullion by any association other than a recognised one and defining the period for ready delivery as one day as against the maximum period of seven days allowed till then. Subsequently, early in January 1949, the Government accorded their recognition to the Association and approved its by-laws in March 1949; they also issued a notification under sub-section (i) of Section 9 of the Bombay Forward Contracts Control Act on 23rd March declaring all options in bullion illegal. As already noticed, forward trading under the auspices of the new Association was inaugurated on 2nd April, 1949 on the basis of monthly settlement under a new contract. The Association has a membership of about 560 and has a governing Board consisting of 20 of whom 16 are elected, 2 nominated by the Government of Bombay and the remaining 2 co-opted.

An important development relating to bullion trade during the year was the extension by the Government of Bombay of the sales tax to bullion with effect from 1st April, 1948, the rate being Rs. 3-2-0 per cent. Later, however, the rate was reduced from Rs. 3-2-0 to Re. 0-4-0 per cent with effect from 1st November, 1948. It may be noted in this connection that the C.P. and Berar Government extended with effect from 1st April, 1949 the sales tax to bullion at a rate which works out at Rs. 1-9-0 per cent, as against Re. 0-4-0 per cent in Bombay. Mention may also be made of the levy by the Government of Bombay with effect from 1st April, 1949 of a stamp duty in respect of forward bullion transactions, the rates being (i) 3 annas for every 2,800 tolas of silver, (ii) 12 annas for every 250 tolas of gold and (iii) 9 annas for every 250 sovereigns.

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\* Revised.

As regards price trends on the Bombay Bullion Exchange, a generally firm tone prevailed during the greater part of the year. There were occasional recessions, for example, towards the latter part of July, early in September and again towards the close of the year. Apart from these recessions, the undertone remained bullish, indicating economic and political uncertainties—at home and abroad—in general and in particular the prevalence of inflationary forces in the country and the continued ban on bullion imports. In the result, the average spot rate of both gold and silver for the year worked out higher at Rs. 114-9-10 and Rs. 177-9-0 respectively as against Rs. 108-0-4 and Rs. 166-12-6 in 1947-48. The trends in the gold section and silver section separately are noticed below in some detail.

46. *Price of Gold.*—The Table below shows the highest, lowest and average prices of gold in Bombay for each of the years 1938-39 to 1948-49.

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 ..	37 10 6	34 12 3	35 10 3	37 10 6	34 12 0	36 4 3
1939-40 ..	43 8 0	36 9 0	39 13 11	43 8 0	36 9 0	39 14 6
1940-41 ..	48 8 0	40 2 0	42 6 0	48 8 0	40 2 0	42 8 3
1941-42 ..	57 12 0	41 9 0	44 7 11	56 12 0	41 10 0	44 9 10
1942-43 ..	72 0 0	44 12 0	57 10 10	71 15 0	45 0 0	56 14 5
1943-44 ..	96 4 0	65 4 0	76 11 6	95 0 0	62 10 0	76 10 6
1944-45 ..	76 12 0	61 2 0	71 7 4	77 12 0	59 8 0	71 2 4
1945-46 ..	97 12 0	63 6 0	80 3 0	89 14 0	62 6 0	77 6 9
1946-47 ..	111 0 0	84 4 0	101 1 2	107 4 0	83 0 0	96 14 0
1947-48 ..	117 12 0	95 14 0	108 0 4	(a)	(a)	(a)
1948-49 ..	121 0 0	103 0 0	114 9 10	118 8 0	109 14 0	113 14 1

(a) Official forward trading remained suspended from 12th May, 1947 to 26th March, 1948.

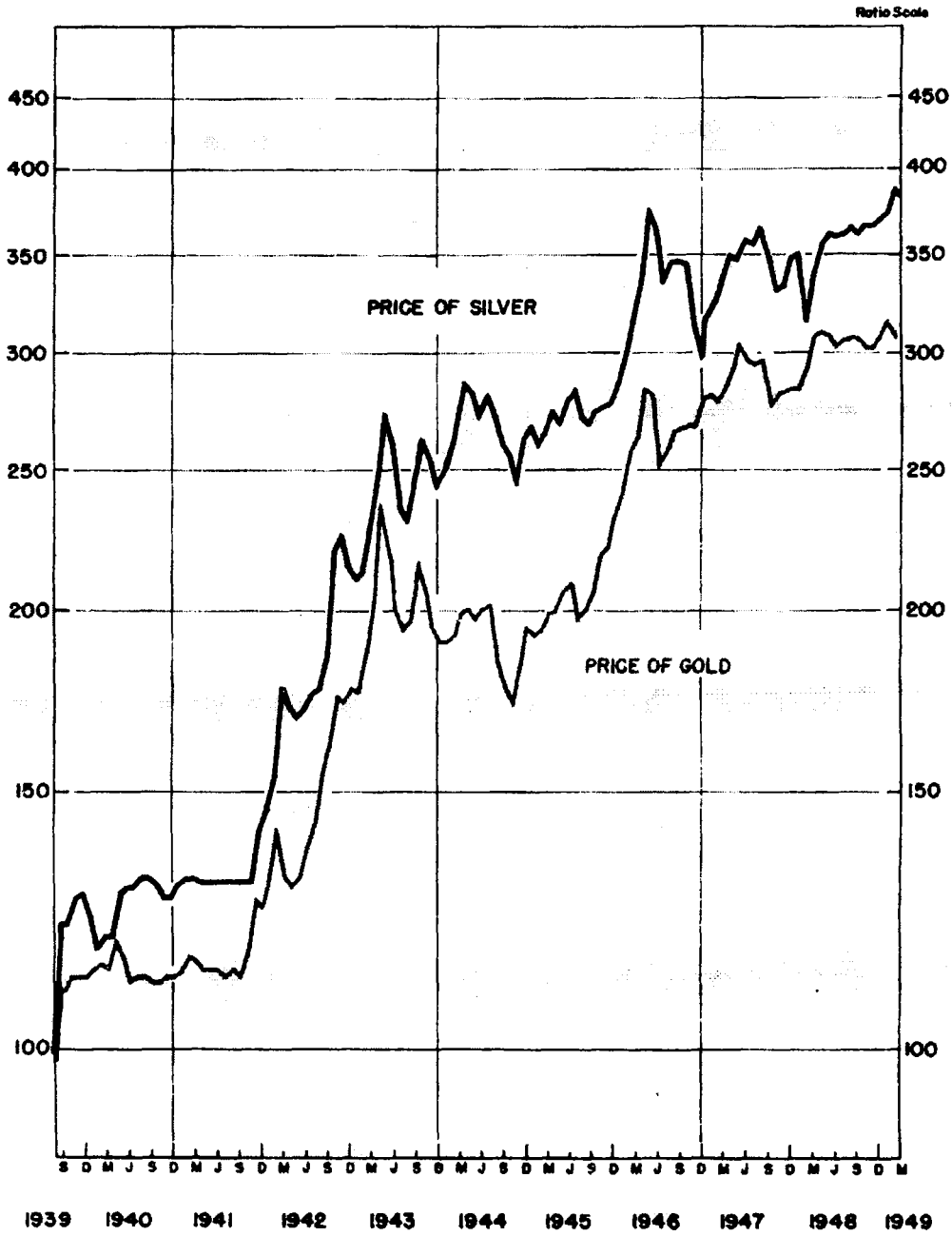
Statement IV shows the highest, lowest and average prices of gold, both spot and forward, and of sovereigns as also the estimated average stocks of gold in the Bombay market for each month of the year under review. Statement VI shows the weekly movements of spot and forward prices and stocks of gold and silver in the Bombay bullion market during the year. Trends in the spot prices of gold and silver during the years 1926-27 to 1948-49 are shown in Statement V. Graph 9 shows the movements in spot prices of gold and silver since the beginning of the war.

The upward trend noticed in gold towards the close of March 1948 continued during the first quarter of the year under review. Despite the action taken by the Government of India on 7th May, 1948 to ban with immediate effect exports of gold and silver to Pakistan, the ready rate for gold moved up from Rs. 111-12 on 31st March to Rs. 117-14 by 12th May and, after a temporary set-back during the third week of May, moved up to Rs. 116-5 by 14th June. After the official denial in mid-June of earlier rumours regarding negotiations by the Union of South Africa with the United States for an increase in gold prices, an easy feeling set in, which was further accentuated by increased arrivals in relation to demand. The ready rate declined to Rs. 110-13 on 20th July. A recovery followed and, apart from temporary reactions on apprehensions of Governmental action to control speculation, the firm tone continued, assisted by reports of a speeding up by Government of the Estate Duty Bill. Following rumours of demonetisation of Rs. 100 notes,

GRAPH 9

INDICES OF BULLION (SPOT) PRICES

Base:- June - August 1939 = 100





there was a heavy rush for the metal from nervous black market operators, and the ready rate touched a new record level of Rs. 121-0 on 31st August, 1948 as against the previous peak of Rs. 117-12 reached on 20th June, 1947. The premium of the ready over the forward (unofficial)\* widened to as much as Rs. 8 on 31st August, and this coupled with the reported disagreement in regard to the carry-over charges resulted in a temporary deadlock. Following this, the bull grip over the market slackened, sentiment being further affected by the Prime Minister's statement in the Indian Parliament on 3rd September that the Government had no intention of demonetising one hundred rupee notes or of freezing a part of the bank deposits. The quotations spurted up temporarily, following the entry of Indian troops into Hyderabad on 13th September, but the downward trend reasserted itself on persistent rumours regarding an early adoption of stringent control by Government. The ready rate was continuously marked down until it touched Rs. 113-4 on 21st September. However, the absence of any reference to the apprehended control of bullion trade in the Government's Anti-Inflation Programme of 4th October, 1948 coupled with the Government's reiteration of their decision to expedite the passage of the Estate Duty Bill seemed to have imparted a steady tone to the market early in October. The market turned quiet from the second week of October on reports of possible imports of bullion for sale by Government, and the quotations generally tended to be on lower levels during November and December 1948. As already noticed, the Government of Bombay prohibited forward trading from 25th December, 1948, but the Bombay Bullion Exchange stopped forward business in gold a little earlier, namely, after 18th December. Trading, therefore, was confined to the ready section for the rest of the year. The middle of January 1949 witnessed a distinct revival, mainly on account of the usual seasonal demand and higher up-country advices, sentiment being further affected by the strike in the Kolar Gold Fields. The ready rate touched Rs. 119-0 on 18th February. This level was more or less maintained up to the beginning of March. The closing month of the year, however, witnessed a sharp reaction, the chief contributory factors being the reported raising by banks of their rates against gold loans and reports of a fall in the price of gold in the free markets abroad. There were also renewed rumours regarding possible imports of bullion on a large scale, but these were denied by the Finance Minister in his reply to a question in the Indian Parliament on 21st March, when he stated that Government had considered the suggestion from some sections of the commercial community for a relaxation of the restrictions on bullion imports, but had decided not to alter their policy at present. The ready rate declined steadily and, after touching the year's lowest level of Rs. 103-0 on 23rd March, closed for the year at Rs. 109-12 as against the preceding year's closing level of Rs. 111-12.

The range of fluctuations in the ready rate for gold in the Bombay market during the year was Rs. 18-0 as against Rs. 21-14 in the preceding year, the highest and the lowest rates during the year being Rs. 121-0 (on 31st August, 1948) and Rs. 103-0 (on 23rd March, 1949), the corresponding rates in the preceding year being Rs. 117-12 (on 20th June, 1947) and Rs. 95-14 (on 14th October, 1947). The premium of the ready over the forward rate varied between Rs. 8-0 (unofficial) and minus Rs. 0-4.

47. *Assaying and Refining of Gold.*—During the year under review, the Bombay and Calcutta Mints respectively received from the public and the banks 33,812 tolas and 72,653 tolas for melting and assaying as against 191,286 tolas and 73,238 tolas in 1947-48. The Bombay Mint received 2,734,610 tolas of raw gold for refining as against 2,935,643 tolas in the previous year.

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\* Official forward business remained at a standstill from 12th June to 12th October.

48. *Price of Silver.*—In the Table below are given the highest, lowest and average prices of silver in Bombay during each of the years 1938-39 to 1948-49.

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 8	55 8 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
1945-46 ..	159 6 0	118 0 0	135 1 11	157 14 0	117 0 0	135 15 4
1946-47 ..	195 0 0	127 0 0*	162 4 10	179 10 0	122 4 0	153 10 4
1947-48 ..	183 13 0*	142 8 0	166 12 6	(a)	(a)	(a)
1948-49 ..	190 8 0	166 8 0	177 9 0	180 10 0	165 14 0	173 13 2

(a) Official forward trading remained suspended from 12th May, 1947 to 26th March, 1948.

\* Unofficial.

Statement VII shows the highest, lowest and average prices of silver in Bombay, London and New York and stocks in Bombay for each month during 1948-49.

The rise noticed in the silver section during March 1948 proved short-lived, the ready rate declining sharply from Rs. 173-6 on 5th April to Rs. 168-12 on the 8th. The fall was due mainly to reports of continued arrivals of the white metal from other centres. From about the middle of April, there was a steady revival, induced mainly by the uncertainties in the internal political situation and partly by a gradual tightening up of the statistical position, the ready rate rising to Rs. 180-8 by 12th May. The next few days witnessed a severe set-back on persistent bull liquidation, the ready rate touching the lowest level of the year on 22nd May at Rs. 166-8. The low levels, however, attracted fresh support from bulls who derived their main incentive from the developments in Hyderabad and also from rumours regarding adoption of a silver standard by China. The ready rate moved up to Rs. 176-8 by 16th June, and despite increased arrivals in relation to demand in Bombay, the undertone continued to be bullish assisted by a number of factors including reports, mentioned above, of a speeding up by Government of the Estate Duty Bill and the disappearance of the fears entertained earlier regarding possible resumption of bullion imports. The ready rate moved up to Rs. 179-2 on 15th September and, after a temporary reaction to Rs. 169-0 on the 21st, moved up again to Rs. 179-10 by 6th October. This level was more or less maintained up to the middle of January 1949, when following a tightening up of the statistical position on account of the expansion in seasonal demand and higher up-country advices, the ready rate soared touching the year's highest level of Rs. 190-8 on 18th February. Thereafter, the market turned bearish, the statistical position having undergone a distinct change in favour of bears on large arrivals from Kutch and Saurashtra and also of imports, on a large scale, of silver nitrate\* from the United Kingdom (the silver content from which could be sold for profit). The ready rate dropped to Rs. 179-14 by 22nd March, and, after a temporary spurt on the 30th, when the price was pushed to a high level of Rs. 190-0 by local bulls who were also interested in the Indore forward market

\* On 30th March, 1949 the Government of India announced their decision not to allow without a licence any further imports of silver nitrate or other silver compounds and mono-cyanide of gold or other gold compounds with the exception of liquid gold.

where the outstanding transactions were being squared up on the basis of ready quotations in Bombay, the rate slipped back to close on 31st March 1949 at Rs. 176-8 as against the preceding year's closing level of Rs. 169-12.

The range of fluctuations in the rates for ready silver during 1948-49 was Rs. 24-0 as against Rs. 41-5 in the preceding year. The premium of the ready over the forward varied between Rs. 8-0 (9th September) and *minus* Rs. 0-12 (21st August).

49. *Assaying and Refining of Silver.*—The Calcutta Mint received 340,551 tolas of silver for melting and assaying during the year as against 3,990,520 tolas in 1947-48. The receipts by the Bombay Mint were 27,962 tolas as compared with 910,959 tolas in 1947-48. The quantity of silver received for refining during 1948-49 at the Bombay Mint decreased to 18,993,932 tolas from 54,982,162 tolas in the previous year.

50. *Imports and Exports of Bullion.*—Statements IX and X give the average quantity and value of imports and exports of gold coin and bullion as also of silver (on both Private and Government accounts) for each quinquennium from 1900-01 to 1934-35 and for each of the financial years from 1935-36. Statement VIII gives monthly figures relating to imports and exports of gold as well as of silver (on both Private and Government accounts) for the year 1948-49. Since April 1948, figures are not available separately for Private and Government transactions.

## V. PUBLIC FINANCE

51. *General.*—The trends in India's public revenue, expenditure and outstanding debt since 1938-39 are shown in Table 22. (See also Graph 10.) Data up to and inclusive of 1946-47 relate to undivided India while the subsequent data are for the Indian Union. In the post-war years, revenues have been buoyant, mainly under customs, income tax and corporation tax, defence expenditures have declined from wartime levels and the deficits on revenue account are small. For the year ending 31st March, 1950 a nominal surplus is budgeted for, for the first time since 1938-39, at an expenditure level of Rs. 322.53 crores for the Indian Union which is a little less than four times the expenditure in 1938-39 for undivided India. Defence expenditure on revenue account absorbs 48.8 per cent of total revenue in 1949-50 as compared with 54.2 per cent in 1938-39. Civil expenditure in 1949-50 is higher than in any war year.

The Partition has aggravated the difficulties of transition from wartime to peacetime economy. To make good wartime arrears of replacement and to secure an increase in production and national income, a high rate of capital formation is necessary. The supply of savings, personal and corporate, has therefore to be stimulated. In the budgets for 1948-49 and 1949-50 concessions are given to industry with this end in view. While, on the whole, it has been possible to balance the budget on revenue account, the problem of finding resources for meeting capital expenditure has remained difficult.

Before the war, the revenue and expenditure of all Provincial Governments were about as large as Central Government revenue and expenditure. In the war years, while expenditures of the Provinces continually increased, there was a corresponding improvement in revenues, so that, in contrast with the Centre, the Provinces had surpluses, though small. In 1948-49, while the revenue of the Central Government was Rs. 338.32 crores, the revenues of the Provincial Governments aggregated Rs. 257.98 crores.

TABLE 22.—INDIA'S PUBLIC REVENUE,

	1938-39	1939-40	1940-41	1941-42
<b>I. CENTRAL GOVERNMENT BUDGET</b>				
A. (1) Revenue .. .. .	84.52	94.57	107.65	134.57
(2) Tax Revenue .. .. .	73.90	80.67	77.14	97.92
(3) (2) as percentage of (1) .. .. .	87.4	85.3	71.7	72.8
(4) Non-Tax Revenue .. .. .	10.62	13.90	30.51	36.65
B. (1) Expenditure .. .. .	85.15	94.57	114.18	147.26
(2) Defence, on Revenue Account (Net) ..	48.18	49.54	73.61	103.93
(3) (2) as percentage of (1) .. .. .	54.2	52.4	64.5	70.6
(4) Civil Expenditure .. .. .	38.97	45.03	40.57	43.33
C. Surplus (+) or Deficit (—) .. .. .	— 0.63	—	— 6.53	—12.69
<b>II. CAPITAL ACCOUNT</b>				
A. Receipts				
Proceeds of loans (Net)† .. .. .	10.41	4.03	23.77	2.40
Repayment of Loans and Advances granted by Central Government (Net). ..	2.53	2.15	1.81	3.16
B. Disbursements				
Recoverable War Expenditure .. .. .	—	4.00	53.00	194.00
Capital Outlay outside Revenue Account ..	9.07	4.62	6.93	0.99
Redemption of Debt (Net)† .. .. .	—	—	—	—
Loans and Advances by Central Government (Net) .. .. .	—	—	—	—
C. Surplus (+) or Deficit (—) on Capital Account‡ .. .. .	+ 3.87	+ 1.56	+18.65	+ 4.57
<b>III. MISCELLANEOUS</b>				
Remittances and Others (Net) .. .. .	—1.41	+1.92	—14.07	+ 9.39
<b>IV. CASH BALANCE</b>				
Opening .. .. .	11.31	13.14	16.62	14.68
Closing .. .. .	13.14	16.62	14.68	15.94
<b>V. CENTRAL GOVERNMENT DEBT AT THE END OF THE YEAR</b>				
(1) Sterling Loans .. .. .	464.94	439.10	341.11	206.93
(2) Rupee Loans .. .. .	437.87	450.23	574.55	611.85
(3) Small Savings   .. .. .	141.45	135.35	108.79	95.56
(4) Treasury Bills and Ways and Means Advances .. .. .	46.30	54.70	84.90	136.98
(5) Total Interest Bearing Obligations (including unfunded debt and deposits) ..	1,205.76	1,203.86	1,247.67	1,209.21
<b>VI. PROVINCES</b>				
(1) Revenue .. .. .	84.74	90.83	97.48	107.41
(2) Expenditure .. .. .	85.76	89.22	95.18	103.48
(3) Surplus (+) or Deficit (—) .. .. .	— 1.02	+ 1.61	+ 2.30	+ 3.93
(4) Debt Position (Gross Total Debt)** ..	163.20	167.61	169.91	169.15

† Loans and debt refer to all forms of obligations, permanent debt, deposits and advances, floating debt, and unfunded debt.

\*\* Includes (1) Permanent debt, (2) Floating debt, (3) Loans from Central Government, and (4) Unfunded debt.

|| Includes since 1944-45 (1) Post Office Cash Certificates, (2) Savings Bank Deposits, (3) Defence Savings Certificates, (4) Defence Savings Bank Deposits and (5) National Savings Certificates.

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

§ Inclusive of miscellaneous deposits and advances (net).

# EXPENDITURE AND DEBT

(In crores of rupees)							
1942-43	1943-44	1944-45	1945-46	1946-47 Revised	1947-48* Revised	1948-49 Revised	1949-50§§ Budget
177.10	249.96	335.71	361.19	336.18	178.77	338.32	323.02
124.85	171.15	253.90	282.14	209.11	162.03	286.58	291.49
70.6	68.5	75.6	78.1	80.0	90.7	84.7	90.2
52.25	78.80	81.81	79.05	67.08	16.72	51.74	31.53
289.87	439.86	496.26	484.61	381.48	185.29	339.87	322.53
214.62	358.40	395.49	360.23	238.11	86.63	155.43	157.37
74.3	81.5	79.7	74.3	68.4	46.8	45.7	48.8
74.25	81.46	100.76	124.38	143.37	98.06	184.43	165.16
-111.77	-189.90	-160.55	-123.43	-45.29	-6.52	-1.55	+0.49
178.05	308.91	456.18	435.27	159.46	—	262.89	58.44
7.08	14.92	22.38	16.82	—	—	—	—
325.48	377.87	410.84	374.54	51.62	—	—	—
78.12	64.51	81.73	57.46	204.67	56.89	390.64	94.62
—	—	—	—	—	27.63	—	—
—	—	—	—	12.75	20.39	40.50	69.70
+106.99	+259.32	+396.83	+394.63	-57.96	-104.91	-168.25	-105.88
+7.08	-4.00	-53.67	-7.95	+1.98	+0.75	+58.18	+0.40
15.94	18.23	83.66	266.28	529.53	270.30	274.61	162.99
18.23	83.66	266.28	529.53	428.27	159.62	162.99	58.00
50.56	34.70	34.19	33.84	32.84	26.42	24.01	23.49
748.74	1,006.55	1,212.14	1,492.20	1,529.73	1,517.09	1,478.39	1,496.75
92.77	118.47	159.18	221.52	273.20	233.10	271.73	309.29
264.70	110.61	86.70	83.33	79.20	86.84	373.33	378.33
1,353.13	1,532.47	1,860.44	2,282.38	2,359.36	2,162.34	2,440.27	2,454.95
124.31	163.31	208.18	229.33	238.80††	202.77†	257.98	275.33
118.18	153.85	204.28	218.14	230.09††	194.19†	271.71	275.76
+6.13	+9.46	+3.90	+11.19	+8.71	+8.58†	-13.73	-0.43
170.28	196.28	174.35	162.97	157.79	118.14	154.92	—

\* For 7½ months from 15th August, 1947 to 31st March, 1948.

†† Accounts except for East Punjab.

† Accounts.

§§ As passed by the Indian Parliament.

## A. BUDGETS

### CENTRAL GOVERNMENT :

52. 1948-49, *Revised Estimates*.\*—The revised estimate for 1948-49 places revenue receipts at Rs. 338.32 crores against the budget estimate of Rs. 255.24 crores and expenditure at Rs. 339.87 crores as against Rs. 257.38 crores originally estimated. Thus, both revenue and expenditure are substantially higher by Rs. 83.08 crores and Rs. 82.49 crores respectively, with the result that the anticipated deficit of Rs. 2.14 crores is only slightly reduced to Rs. 1.55 crores. The improvement in revenue is mainly due to an increase of (1) Rs. 36.49 crores under customs, (2) Rs. 4.28 crores under central excise, (3) Rs. 20.62 crores in income tax receipts, (4) Rs. 5.79 crores in the contribution from the two Government commercial departments, Posts and Telegraphs and Railways, accounting for Rs. 2.95 crores and Rs. 2.84 crores respectively, (5) Rs. 3.65 crores in the Currency and Mint receipts and (6) certain pre-partition receipts amounting to Rs. 13.40 crores. The increase in customs revenue is attributable to a considerable expansion of imports that followed the relaxation of import controls. There is a substantial improvement in the yield from excise duties on tea, sugar, matches and vegetable products, though the revenue from tobacco shows a drop of Rs. 65 lakhs. The yield from customs and central excise duties is revised to Rs. 117.25 crores and Rs. 50.25 crores respectively from the budget estimates of Rs. 80.76 crores and Rs. 45.97 crores. Income tax receipts at Rs. 158.00 crores are higher largely as a result of the intensive drive for the clearance of arrears and the provisional collection of tax on the basis of income returns submitted by assessees without waiting for final assessment. The divisible pool of income tax now works out at Rs. 88.09 crores, of which Rs. 41.79 crores is payable to the Provinces. Thus, of the expected increase in income tax revenue, Rs. 5.38 crores accrue to the Provinces as their share.

On the expenditure side, of the increase of Rs. 82.49 crores, defence services account for Rs. 34.35 crores mainly as a result of the operations in Kashmir and the police action in Hyderabad. The net provision for defence services is now placed at Rs. 155.43 crores or 45.73 per cent of the expenditure on revenue account. Civil expenditure accounts for the remaining increase of Rs. 48.14 crores, chiefly due to (1) a new provision of Rs. 20.75 crores for pre-partition liabilities not included in the budget estimates, (2) an increase of Rs. 12.05 crores in the expenditure on the subsidising of imported foodgrains and the payment of bonuses to Provincial Governments on internal procurement and (3) the higher expenditure on relief and rehabilitation of refugees which is revised from Rs. 10.04 crores to Rs. 19.45 crores. As against a lump sum cut of Rs. 2.5 crores originally provided for on account of economies to be effected in pursuance of the recommendations of the Economy Committee, the revised estimates envisage no savings on this account in 1948-49.

53. 1949-50, *Budget Estimates*.—At the pre-budget rates of taxation, total revenue for 1949-50 is placed at Rs. 307.74 crores and expenditure charged to revenue at Rs. 322.53 crores, the estimated deficit being thus Rs. 14.79 crores. Customs revenue is estimated at Rs. 107.25 crores. Central excises are expected to bring in Rs. 57.75 crores, inclusive of Rs. 7 crores from the excise duty on cotton cloth imposed in December 1948. Receipts from income tax, inclusive of Rs. 11.22 crores on account of collection of arrears of excess profits tax and Rs. 12.01 crores under business profits tax, are placed at Rs. 155 crores. Credit is taken of Rs. 12.5 crores for advance payments of tax under Section 18A of the Indian Income Tax Act, which will be taken direct to revenue instead of being initially treated as a deposit. This change in accounting, first introduced in 1948-49 in respect of advance payments of the corporation tax, will be phased

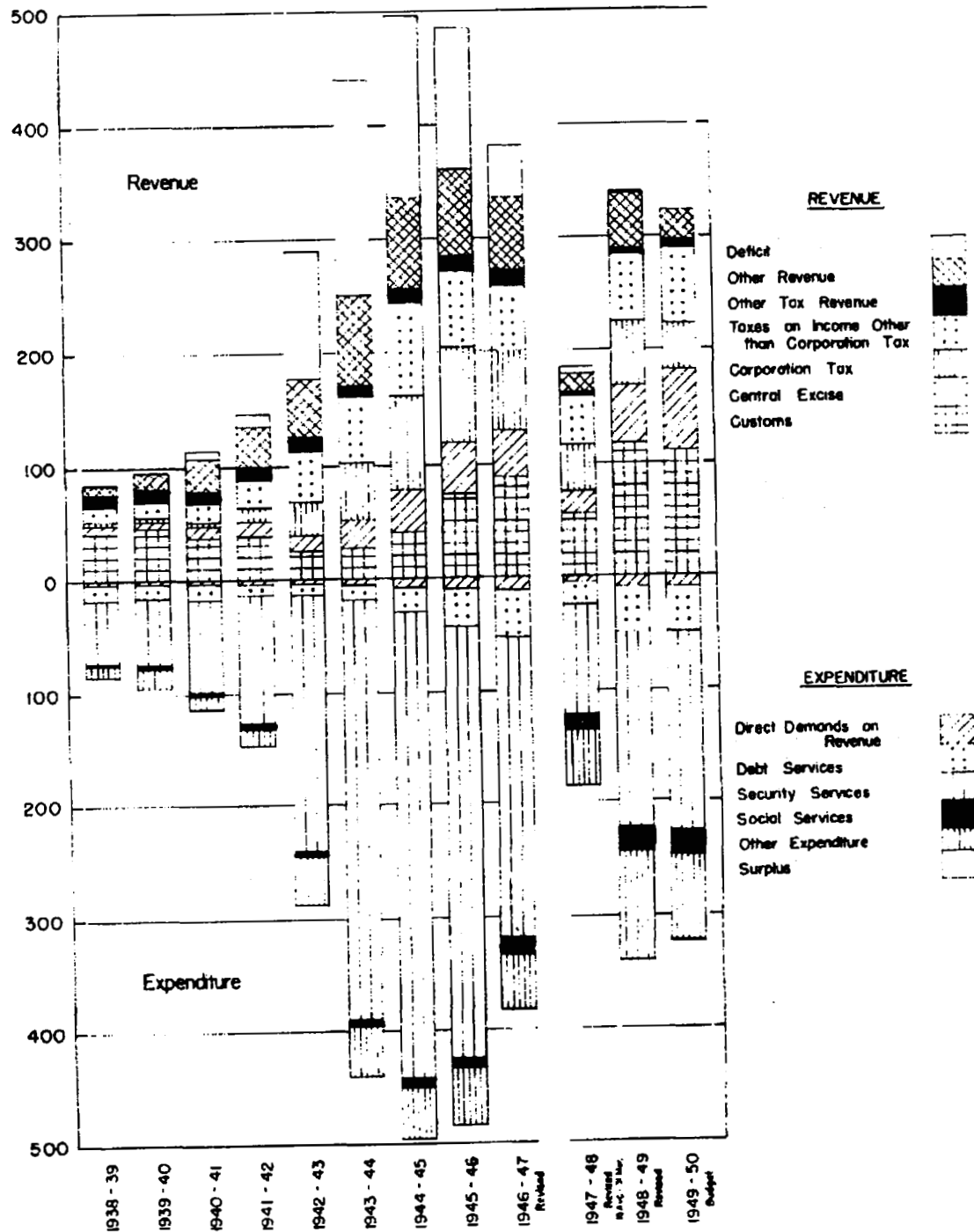
\* Final accounts for the period 15th August, 1947 to 31st March, 1948 are not yet available.

GRAPH 10

# FINANCES OF THE GOVERNMENT OF INDIA

Crores of Rupees

SINCE 1938-39



over a further period of three years. The divisible pool of income tax is Rs. 90.70 crores of which Rs. 43.85 crores will be the Provincial share. Profits from Currency and Mint, allowing for the share of Pakistan, are Rs. 9.7 crores. The contribution from Railways is taken at Rs. 4.72 crores.

Of the estimated expenditure of Rs. 322.53 crores, Defence Services account for Rs. 157.37 crores which is higher by Rs. 1.94 crores than the revised estimate for 1948-49. No reduction in defence expenditure is made in the budget year on account of the 'cease-fire' in Kashmir, because the process of demobilisation will have to be spread over a considerable period. The grant of an *ad hoc* dearness allowance to Central Government employees has added Rs. 4 crores to the defence budget. Also, the budget estimate envisages some expansion of the Navy and the Air Force with a view to making the Forces more balanced and effective. Included in the civil estimates of Rs. 165.16 crores are the following extraordinary items: Rs. 9.85 crores for relief and rehabilitation of refugees, Rs. 32.97 crores for subsidies on imported foodgrains and bonus payments to Provinces on internal procurement and, Rs. 10 crores for meeting pre-partition liabilities. Thus, normal expenditure is Rs. 112.34 crores. Of this, Rs. 24.20 crores are for expenditure in the nation-building spheres such as education, medical and public health, broadcasting, aviation and scientific surveys and institutions in which the Central Government largely supplement the work of Provincial Governments. Obligatory expenditure on payment of interest and pensions and provision for debt redemption is Rs. 41.97 crores. The provision for administration, civil works and others is Rs. 28.89 crores or 17.5 per cent of total civil expenditure. Although every effort is to be made to secure the utmost economy in public expenditure, no provision is made 'at this stage' for savings on this account.

The Finance Minister stated that the problem before him was not merely that of raising additional revenue to cover the budget deficit but also of considering adjustments in taxation necessary in the light of experience. Thus, on the one hand, inflation had to be countered and held in check. On the other, the fears in the minds of businessmen and investors had to be removed. Steps had to be taken to check the stagnation in the capital market and revive the incentive to save and invest. With these ends in view, the budget provides for the following reliefs in taxation:

Reliefs in taxation	Estimated loss in revenue (In crores of rupees)
1. Abolition of the capital gains tax .. .. .	1.00
2. Reduction of the tax on incomes up to Rs. 10,000 by a quarter of an anna, from one anna to nine pies in the first slab and from two annas to one anna nine pies in the second slab .. .. .	3.00
3. (a) In respect of earned income, reduction of an anna and a half in the super tax charged on incomes above Rs. 1½ lakhs, leaving the maximum rate of tax for income tax and super tax together at 14 annas .. .. . (b) In respect of unearned income, reduction of 6 pies in the maximum rate of super tax .. .. .	2.10
4. Rebate of half of the corporation tax to public controlled small companies, with an income of Rs. 25,000 and below, which are not branches or subsidiaries of bigger companies, instead of the present concession of a reduction in the income tax payable to half the usual rates .. .. .	No specific provision
5. All corporations, whether Indian or non-Indian, to continue to be treated as companies but a further super tax of an anna to be paid by those privately-controlled companies that do not distribute profits in the Indian Union. (This is intended to remove an administrative anomaly) .. .. .	No change
6. Withdrawal of the export duty on oil seeds and vegetable oils .. .. .	1.50
7. Rebate of half the duty on aviation spirit used by air companies, flying clubs and others .. .. .	0.40
8. Relief in respect of customs duty on raw materials imported for industry .. .. .	0.35
Less—Provinces' share of loss in income tax .. .. .	—3.00
	<u>5.35</u>



The Finance Minister also referred to the concessions already given to industry in October 1948 as part of the Government's Anti-inflation Programme. For all new plant and machinery installed during the five years from 1st April, 1948, depreciation allowance is allowed at double the ordinary rate. Further, if by 1st April, 1953 there is a drop in the general level of prices, the difference between the written-down value of the assets and the corresponding value at the reduced prices will be allowed as an additional depreciation allowance. For the existing plant and machinery, extra depreciation allowance for increased wear and tear is granted up to a maximum of 100 per cent of the normal if triple shifts are worked. New industrial undertakings of specified categories which commence production in the Indian Union within a period of three years from 1st April, 1948 are exempt from income tax for five years on their profits up to a limit of 6 per cent per annum on the capital employed. The limitation of dividends, as a temporary measure, to the average amount distributed in the two years ended March 1948 or 6 per cent of the paid-up capital of a company, whichever is higher, will also enable concerns to accumulate reserves for meeting the increased costs of replacement and for fresh investment.

From these tax reliefs, there is a reduction in revenue for the Central Government of Rs. 5.35 crores, raising the prospective deficit to Rs. 20.14 crores. To make up for this, the Finance Minister proposed the following tax measures :

	Estimated yield (In crores of rupees)
1. Raising the postal rates for letters from 1½ annas to 2 annas for the first tola or a fraction thereof, the rate for each subsequent tola or fraction thereof, remaining unchanged at 1 anna, and raising the charge for post cards from 6 pice to 9 pice .. .. .	2.84
2. Surcharge on liquor, equivalent to the basic duty; raising the surcharge from one-fifth to one-half on fabrics containing silk, art silk, woollens and their mixtures and cotton knitted apparel; doubling the surcharge on artificial silk yarn and thread, earthenware and china and raising the duty on paper (other than newsprint), stationery articles, glass and glassware including sheet and plate glass, cutlery, metal furniture, flash-lights, photographic appliances and clocks and watches .. .. .	2.40
3. Raising the import duty on motor spirit from 12 annas a gallon to 15 annas a gallon and a similar increase in the excise duty .. .. .	2.55
4. Raising the import duty on betelnuts from 5 annas a lb. to 7½ annas a lb. with the present preference of 6 pice a lb. for imports from British Colonies .. .. .	1.00
5. A new duty of 15 per cent <i>ad valorem</i> on exports of cigarettes, cigars and cheroots .. .. .	0.60
6. Increase in the excise duty on sugar from Rs. 3 per cwt. to Rs. 3-12-0 per cwt. .. .. .	1.50
7. Raising the duty on tyres used for motor vehicles from 15 per cent <i>ad valorem</i> to 30 per cent <i>ad valorem</i> .. .. .	0.70
8. An excise duty of 6½ per cent <i>ad valorem</i> on fine cloth and a quarter anna per yard on coarse and medium cloth (this duty is to be confined to mill cloth only and is in addition to the duty of 25 per cent <i>ad valorem</i> on superfine cloth with effect from 1st January, 1949 which will yield Rs. 7 crores in a year) .. .. .	9.00
9. Rationalising the excise duty on matches .. .. .	No change
	<hr/> 20.59 <hr/>

The tax measures effect an increase in the receipts from Central excise duties of Rs. 11.52 crores and in the receipts from customs duties of Rs. 6.23 crores. While postal rates for letters and cards are enhanced, all first class mails are to be carried over as much distance as possible by air. Of the new tax measures, the excise duty on cloth is the important one which, at varying rates on superfine,

TABLE 23.—IMPORTANT HEADS OF REVENUE OF THE GOVERNMENT OF INDIA

(In crores of rupees)

Heads of Revenue	1938-39 Accounts	1947-48* Revised	1948-49		1949-50 Budget		
			Budget	Revised	As presented to the Legislature		As passed by the Legislature
					On the basis of existing taxation	Including effects of new taxation proposals	
Customs .. .. .	40.51	54.50	80.78	117.25	107.25	111.23	111.47
Central Excise Duties .. .. .	8.86	20.72	45.97	50.25	57.75	69.27	69.27
Corporation Tax .. .. .	2.04	40.43	49.80	57.25	41.81	41.81	41.81
(Excess Profits Tax) .. .. .	—	(20.15)	(10.00)	(15.79)	(7.75)	(7.75)	(7.75)
Taxes on Income other than Corporation Tax† .. .. .	15.24	74.57	87.58	100.75	113.19	107.09	106.69
(Excess Profits Tax) .. .. .	—	(4.90)	(2.00)	(5.30)	(3.47)	(3.47)	(3.47)
Currency and Mint .. .. .	0.58	1.25	9.40	13.05	9.70	9.70	9.70
(Profits of the Reserve Bank) .. .. .	(0.20)	—	(7.02)	(10.18)	(7.15)	(7.15)	(7.15)
Railways' Contribution .. .. .	1.37	—	4.50	7.34	4.72	4.72	4.72
Posts and Telegraphs .. .. .	0.19	2.14	0.78	3.73	1.63	4.47	4.47
Total Tax Revenue† .. .. .	75.40	191.79	266.61	328.37	322.90	332.30	332.14
Percentage of Taxes on Income‡ to Total Tax Revenue. .	22.9	60.0	51.5	48.1	48.0	44.8	44.7

Note :—Figures for 1938-39 relate to undivided India. \* For 7½ months from 15th August, 1947 to 31st March, 1948. † Including Provinces' share—Estimated income tax yield in 1949-50 includes Rs. 12.5 crores for advance payments under Section 18A of the Indian Income Tax Act. These advance payments do not form part of the divisible pool until the assessments are completed and the revenue taken to the final heads. ‡ Including corporation tax.

TABLE 24.—NET RECEIPTS AND DISBURSEMENTS OF THE CENTRAL GOVERNMENT

(In crores of rupees)

Receipts	1948-49 Budget	1948-49 Revised	1949-50 Budget*	Disbursements	1948-49 Budget	1948-49 Revised	1949-50 Budget*
Revenue Surplus .. .. .	—	—	0.49	Revenue Deficit .. .. .	2.12	1.55	—
Surplus on Capital Account .. .. .	—	—	—	Deficit on Capital Account .. .. .	112.57	185.09	134.10
Miscellaneous Deposits and Advances (Net) .. .. .	11.35	16.85	28.22				
Remittances (Net) .. .. .	0.75	56.51	0.40				
Transfer of Cash between England and India (Net) .. .. .	—	1.67	—				
Total Receipts .. .. .	12.10	75.02	29.11	Total Disbursements .. .. .	114.71	186.64	134.10
Opening Balance .. .. .	159.61	274.61	162.99	Closing Balance .. .. .	57.01	162.99	58.00

\* As passed by the Indian Parliament.

fine, coarse and medium cloth, is estimated to yield Rs. 16 crores in a full year. The net result of the proposals is to convert the deficit of Rs. 20.14 crores into a small surplus of Rs. 45 lakhs.

The Report of the Select Committee on the Finance Bill contained the following recommendations: (i) while the Finance Minister's proposal in regard to postal rates is approved, an additional air mail fee of half an anna per *tola* should be charged where the sender desires his letter to be sent by air mail and not by the usual method of transport convenient to the Government, (ii) export duty on jute and jute manufactures is to be extended to Bimlipatam jute and mesta fibre and manufactures thereof which were hitherto exempt and (iii) income tax exemption limit is to be raised from Rs. 3,000 to Rs. 3,500 in the case of Hindu undivided families. The Report was presented to the Indian Parliament on 25th March, 1949 and the Finance Bill was finally passed on 30th March, 1949 with two amendments, one, raising the income tax exemption limit for Hindu undivided families from Rs. 3,000 to Rs. 5,000, which is estimated to reduce revenue under 'taxes on income other than corporation tax' by Rs. 20 lakhs and the other, embodying recommendation (ii) above, which is expected to increase revenue under customs by Rs. 24 lakhs. The recommendation of the Select Committee in regard to postal rates was not adopted. The effect of these amendments is to raise the anticipated surplus of Rs. 45 lakhs to Rs. 49 lakhs. Table 23 shows the receipts under important heads of revenue of the Government of India.

54. *Capital Budget.*—Table 25 gives a summary of the transactions of the Central Government on capital account for the years 1947-48, 1948-49 and 1949-50.

The revised estimates for 1948-49 place receipts at Rs. 356.56 crores and disbursements at Rs. 541.65 crores as against Rs. 174 crores and Rs. 286.57 crores respectively in the original estimates. The revised deficit on capital account is thus Rs. 185.09 crores for 1948-49 as against Rs. 112.57 crores in the original estimates. In 1948-49 the revised totals are much higher because of certain special items. On the disbursements side may be mentioned—(1) payment to the U.K. Government for the purchase of annuities for meeting the sterling pensions which accounts for a net debit of Rs. 215.68 crores; (2) payment to the U.K. Government, as part of the Sterling Balances Agreement, of Rs. 133.33 crores for defence stores and installations taken over from them, against which Rs. 51.57 crores will be recovered from Pakistan and from the sale of surpluses; (3) outlay of Rs. 5.93 crores on the acquisition of the shares of the Reserve Bank of India; (4) provision of Rs. 5.08 crores for payment to Pakistan for setting up Ordnance factories and other unique institutions. On the receipts side, the large total of Treasury bills is on account of the *ad hoc* bills issued to the Reserve Bank for obtaining sterling for the payments to the United Kingdom Government. Under schemes of State trading there is a saving of Rs. 27.71 crores in the provision made in the budget estimates for 1948-49.

Defence capital outlay for which a provision of Rs. 14.99 crores was made in the budget for 1948-49 is revised to cost Rs. 9.91 crores. The sum of Rs. 91.66 crores under defence capital outlay in the revised estimates for 1948-49 is made up of Rs. 9.91 crores for the acquisition of capital assets and Rs. 133.33 crores on the purchase from the U.K. Government of the surplus stores and installations of which Rs. 51.57 crores will be recovered from Pakistan and from the sale proceeds of surpluses. As for post-war planning and development, the Finance Minister stated that as part of the campaign against inflation the Government had reviewed the whole programme of expenditure with a view to reducing outlay. Even so, so far as the Provinces were concerned, he added, it was not the intention to reduce the scale of assistance promised to them by the Centre but only temporarily to

TABLE 25.—RECEIPTS AND DISBURSEMENTS OF THE GOVERNMENT OF INDIA UNDER CAPITAL HEADS

(In lakhs of rupees)

Receipts	1947-48† Revised	1948-49		1949-50 Budget	Disbursements	1947-48† Revised	1948-49		1949-50 Budget
		Budget	Revised				Budget	Revised	
New Loans .. .. .	40,95	150,00	55,04	85,00	Railways .. .. .	16,79	24,45	27,15	28,49
Treasury Bills* .. ..	10,00	10,00	270,85	—	Industrial Development .. ..	6,13	7,88	10,94	13,15
Treasury Deposit Receipts* ..	—	—	4,00	5,00	Currency and Mint .. ..	79	72	6,80	92
Small Savings* .. ..	9,11	31,25	32,85	37,56	Defence Capital Outlay .. ..	—	14,99	91,66	3,20
Other Unfunded Debt* .. ..	20	1,07	93	1,79	Grants to Provinces for Develop- ment .. .. .	20,39	30,00	18,00	26,81
Railway Depreciation and Reserve Funds* .. .. .	7,03	7,64	3,98	17,66	Discharge of Permanent Debt ..	59,57	103,78	104,95	71,64
Railway Betterment Fund* ..	2,57	4,06	2,54	1,81	Other Loans and Advances* ..	2,33	16,66	7,14	16,37
Other Reserve Funds* .. ..	1	11	8	32	Advance to Provincial Govern- ments .. .. .	22,45	38,00	38,92	58,25
Appropriation for Reduction or Avoidance of Debt* .. ..	5,00	5,00	5,00	5,00	Other Items .. .. .	12,79	50,09	236,09	22,05
E.P.T. and Income Tax Deposits* —	61,68	39,06	40,82	35,09	<b>Total Disbursements .. ..</b>	<b>141,24</b>	<b>236,57</b>	<b>541,65</b>	<b>240,88</b>
Repayment of Loans by Provinces	4,39	4,45	5,57	4,92					
Other Items .. .. .	9,87	22,88	29,78	18,33					
<b>Total Receipts .. ..</b>	<b>7,83</b>	<b>174,00</b>	<b>356,56</b>	<b>106,78</b>					
Deficit on Capital Account ..	133,41	112,57	185,09	134,10					
<b>Grand Total .. ..</b>	<b>141,24</b>	<b>236,57</b>	<b>541,65</b>	<b>240,88</b>	<b>Grand Total .. ..</b>	<b>141,24</b>	<b>236,57</b>	<b>541,65</b>	<b>240,88</b>

\* Figures are net. † The budget covers only 7½ months from 15th August, 1947 to 31st March, 1948.

slow it down in view of the urgent need for economy. Special care was, however, taken to see that the progress of productive schemes and schemes of long-range importance essential for national development was not held up.

For 1949-50 the capital budget places receipts at Rs. 106.78 crores and expenditure at Rs. 240.88 crores, the deficit being Rs. 134.10 crores. The net debit under schemes of State trading in 1949-50 largely represents expenditure on the purchase of foodgrains, which will be recovered in the following year. On the receipts side, the negative item of Rs. 17.66 crores under Railway Depreciation and Reserve Funds represents the net withdrawal from the fund for financing railway expenditure not chargeable to railway revenues and is in addition to the provision of Rs. 28.49 crores for railways on the disbursements side. The negative item of Rs. 35.09 crores under E.P.T. and income tax deposits represents refund on this account and is a legacy from wartime. While the provision for defence capital outlay is Rs. 15 crores, there is a reduction of Rs. 11.8 crores on account of recoveries from Pakistan and sale proceeds of surpluses, resulting in a net expenditure of Rs. 3.2 crores. In respect of annuities purchased from the United Kingdom Government, there is a recovery of Rs. 7.42 crores in 1949-50.

The capital budget for 1949-50 provides Rs. 101.03 crores for development expenditure, comprising Rs. 24.97 crores for Central schemes of development, Rs. 49.25 crores in loans and Rs. 26.81 crores as grants to Provinces. Of the grants to Provinces, grants-in-aid in respect of adult (social) education and teachers' training schemes are Rs. 1.36 crores while development grants amount to Rs. 25.45 crores. Of the loans, Rs. 2 crores are in respect of housing schemes for labour and Rs. 47.25 crores are development loans. In addition, Rs. 9 crores are to be advanced to Provinces for rehabilitation of refugees. Thus, the total provision of grants and advances to Provinces in the capital budget is Rs. 85.06 crores.

The provision made in the revenue budget for Central schemes of development including resettlement is Rs. 12.83 crores. The allocation of Rs. 24.97 crores in the capital budget for Central schemes of development includes Rs. 12.73 crores for industrial development, Rs. 2.92 crores for civil aviation, Rs. 3.24 crores for civil works inclusive of Rs. 2.31 crores for National Highways, and Rs. 3.24 crores for irrigation projects of which Rs. 2.19 crores are for the Damodar Valley Corporation as the Centre's share of expenditure. Of the outlay on industrial development, the fertiliser factory at Sindri accounts for Rs. 4.93 crores while investment in the proposed Shipping Corporation is Rs. 3.98 crores. On agricultural and other research schemes, Rs. 1.25 crores are to be expended.

As for the ways and means position, during 1948-49, the gilt-edged market remained inactive with little investment demand. Actual borrowings by the Government were much less than originally contemplated. For 1949-50 only a modest provision of Rs. 85 crores is made for loans from the market, while the provision made for the discharge of permanent debt is Rs. 71.64 crores, including the 3 per cent Loan, 1949-52 with an outstanding balance of Rs. 67 crores. The net receipts of small savings in 1949-50 are placed at Rs. 37.56 crores, that is Rs. 4.71 crores higher than the revised estimate of receipts in 1948-49.

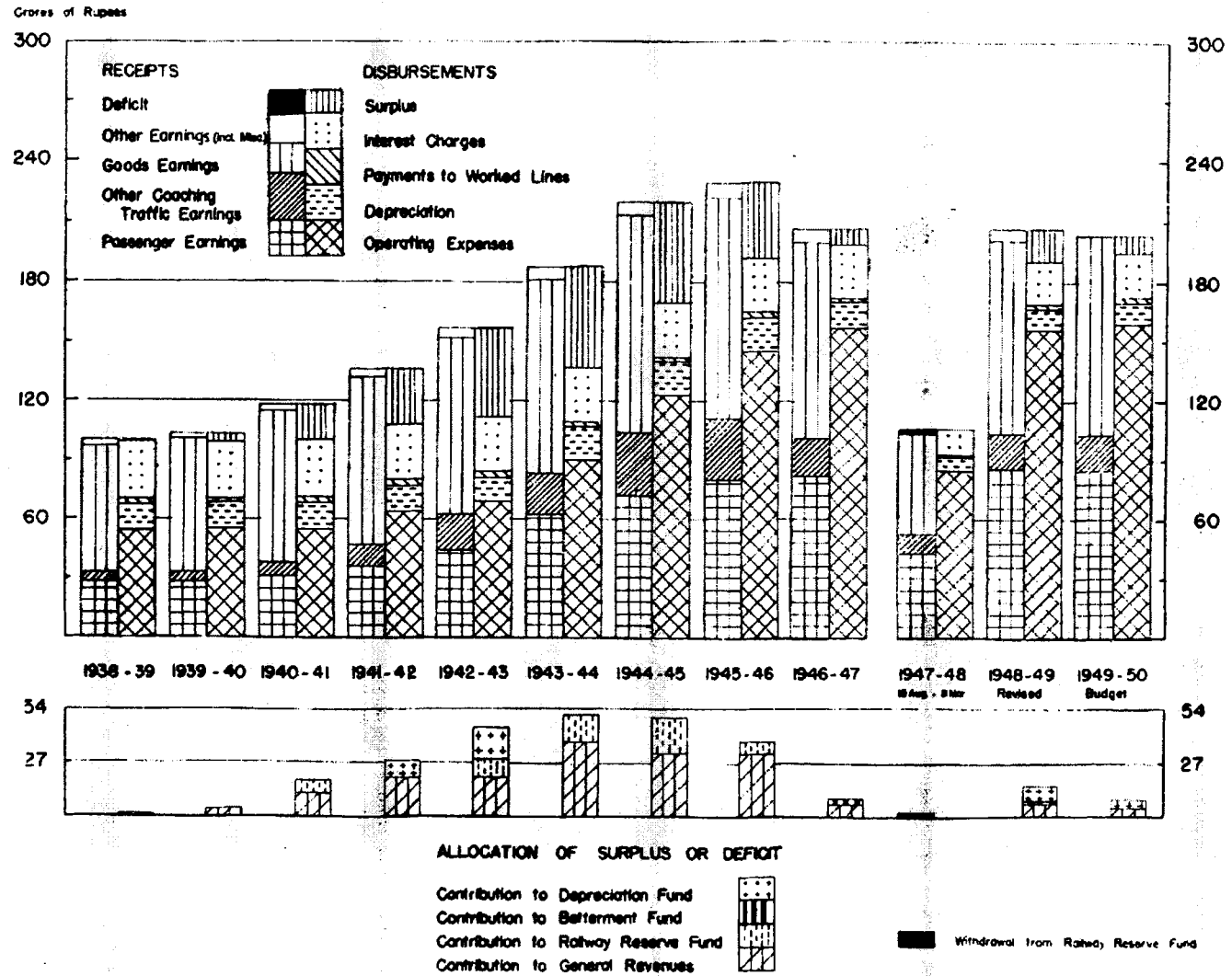
Taking the surplus or deficit on revenue and capital accounts together as also the relevant miscellaneous items, the overall position works out as shown in Table 24.

#### RAILWAY BUDGET :

55. *Financial Position of Railways.*—Statement XI gives the financial position of the railways since 1924-25 and Graph 11 shows their position since 1938-39. Table 26 compares the budget estimates of the State-owned

GRAPH 11

RAILWAY FINANCES 1938 - 39 TO 1949 - 50



railways including worked lines for 1949-50 with the budget and revised estimates for 1948-49 and the revised estimates and actuals for the 7½ months ended 31st March, 1948.

TABLE 26.—RAILWAY FINANCES

(In crores of rupees)

	7½ months ended 31st March, 1948		1948-49		1949-50
	Revised	Accounts	Estimates	Revised	Estimates
<b>Gross Traffic Receipts</b>					
Passenger earnings .. ..	45.28	42.61	79.54	85.40	85.09
Other coaching traffic earnings .. ..	7.87	10.35	13.82	17.73	18.12
Goods earnings .. ..	53.38	51.28	94.16	97.36	103.40
Other earnings .. ..	2.17	2.16	3.44	3.14	3.04
Suspense .. ..	-0.70	-5.40	-0.98	0.87	0.35
<b>Total ..</b>	<b>108.00</b>	<b>101.00</b>	<b>190.00</b>	<b>204.50</b>	<b>210.00</b>
<b>Working Expenses</b>					
Administration .. ..	13.11	10.92	18.98	19.32	22.21
Repairs and Maintenance .. ..	27.99	23.46	41.94	46.37	49.93
Operating Staff .. ..	16.46	14.42	25.20	25.45	33.04
Operations (fuel) .. ..	13.11	12.03	20.78	24.03	24.29
Operations (Other than staff and fuel) ..	4.45	4.16	7.94	7.75	8.65
Miscellaneous .. ..	21.13	22.44	32.66	33.26	20.54
Suspense .. ..	-2.70	-2.64	-0.35	-0.32	-0.23
Depreciation .. ..	6.81	6.81	11.18	11.29	11.47
Payments to worked lines .. ..	0.63	0.63	1.45	1.56	1.62
<b>Total ..</b>	<b>100.99</b>	<b>92.23</b>	<b>159.78</b>	<b>168.71</b>	<b>172.12</b>
(a) Not Traffic Receipts .. ..	7.01	8.76	30.22	35.79	37.88
(b) Net Miscellaneous Receipts .. ..	1.40	1.77	2.15	2.28	-5.56
Net Revenue (a) + (b) .. ..	8.41	10.53	32.37	38.07	32.32
Interest Charges .. ..	13.61	13.27	22.53	22.24	22.88
Surplus (+) or Deficit (-) .. ..	-5.20	-2.74	9.84	15.83	9.44
Contribution to General Revenues .. ..	—	—	4.50	7.34	4.72
Contribution to Railway Reserve Fund ..	-5.20	-2.74	4.50	—	—
Contribution to Railway Betterment Fund ..	—	—	0.84	0.84	—
Contribution to Railway Depreciation Fund ..	—	—	—	7.65	4.72
Capital at charge at the end of the year	677.99	667.43	702.44	694.57	723.07

56. 15th August, 1947 to 31st March, 1948, Accounts.—The actuals for the 7½ months ended 15th March, 1948 disclosed further variations from the revised estimates. Gross traffic receipts amounted to Rs. 101 crores and working expenses to Rs. 92.23 crores as compared with the revised estimates of Rs. 108 crores and Rs. 100.99 crores respectively. Thus, total gross receipts were Rs. 7 crores less than in the revised estimates. Passenger traffic earnings declined by Rs. 2.67 crores while goods earnings were less by Rs. 2.10 crores. Earnings under "other coaching traffic" showed an improvement of Rs. 2.48 crores. The reductions in working expenses were Rs. 2.19 crores under "administration," Rs. 4.53 crores under "repairs and maintenance," Rs. 2.04 crores under "operating staff" and Rs. 1.08 crores under "fuel." These were partly counterbalanced by an increase of Rs. 1.31 crores under "miscellaneous." Net miscellaneous receipts showed a small improvement to Rs. 1.77 crores as against the revised estimate of Rs. 1.40 crores, owing to smaller withdrawals from the reserves and the consequent rise in interest earnings on fund balances by Rs. 26 lakhs combined with a saving of Rs. 10 lakhs under miscellaneous expenditure. As capital expenditure during the period did not reach the estimated amount, there was a saving of Rs. 34 lakhs under "interest charges." In the result, the working of the railways during the period

showed a deficit of Rs. 2.74 crores. This deficit was a little over the original estimate of Rs. 2.69 crores but less than the revised estimate of Rs. 5.20 crores and was met by withdrawal from the Reserve Fund.

57. *1948-49 Revised Estimates.*—The revised estimate for 1948-49 places gross traffic receipts at Rs. 204.50 crores, which exceeds the budget estimate for the year by Rs. 14.50 crores. Passenger earnings account for an increase of Rs. 5.86 crores while "goods earnings" and "other coaching traffic earnings" are higher by Rs. 7.11 crores. The increase of Rs. 3.20 crores in receipts from goods traffic is mainly due to the general revision of the railway rates freight structure carried out in October 1948 with a view to achieving both rationalisation and simplification. The increase of Rs. 3.91 crores under "other coaching traffic earnings" is attributable to the higher parcel rates applied from 1st October, 1948, as also to a larger volume of military traffic.

Total working expenses show a rise of Rs. 8.93 crores to Rs. 168.71 crores due largely to higher expenditure under repairs and maintenance, loss on grainshops, dearness allowance and freight and handling charges on fuel. In accordance with the recommendations of the Grainshops Enquiry Committee, a modified scheme of grainshop facilities was introduced from 1st January, 1949 under which commodities for sale were restricted to five essential articles and the staff were given the option to remain under the modified scheme or elect full cash dearness allowance at civil rates. Also, as from 1st January, 1949, all staff drawing not more than Rs. 250 as basic pay are eligible for an extra dearness allowance at the rate of Rs. 10 for those who are not enjoying grainshop facilities and at the rate of Rs. 5 for others. The additional cost resulting from this in 1948-49 is estimated at Rs. 2.24 crores. These and other increases in the staff bill are partly offset by a saving of Rs. 1.44 crores from the non-utilisation to the full extent of the provision made for the refixation of pay of staff under the Pay Commission scales. "Repairs and maintenance" accounts for an increase of Rs. 4.43 crores, largely due to further rise in prices of stores and in wages, while operating expenses (fuel) are higher mainly due to the application of the public freight rates for coal to loco-coal, payment of sales tax to Provincial Governments and rise in the cost of other fuel. Net miscellaneous receipts are expected to show an improvement of Rs. 13 lakhs while interest charges are less by Rs. 29 lakhs. The revised net surplus for 1948-49 is thus placed at Rs. 15.83 crores, showing an improvement of Rs. 5.99 crores over the original estimate of Rs. 9.84 crores.

Of the estimated surplus, General Revenues and the Railway Reserve Fund were allocated Rs. 4.50 crores each and the excess above Rs. 9 crores was to be credited to the Betterment Fund. But in view of the substantial increase in the surplus as revised, the changes in the scope of the Betterment Fund, and the respective needs of the General Revenues and Railways, the surplus of Rs. 15.83 crores is to be distributed as follows: General Revenues Rs. 7.34 crores, Betterment Fund Rs. 0.84 crores and Railway Depreciation Fund Rs. 7.65 crores. No increase in the original allocation to the Betterment Fund is proposed, as, with the restriction of the scope of the Fund to expenditure relating to the provision of passenger amenities, there is sufficient balance in the Fund to meet current and anticipated demands thereon. The Railway Reserve Fund is not now in need of replenishment and no allocation is made to it. On the other hand, the Railway Depreciation Reserve Fund is to be strengthened to the maximum possible extent.

When the Depreciation Fund was first instituted on 1st April, 1924, no appropriation was made in respect of depreciation accrued prior to 1924-25, which, according to the estimate made by the Depreciation Fund Committee of 1922-23,



amounted to Rs. 20 crores. The Government have now decided to make good the arrears in instalments. There are large arrears of replacement and a wide gap between the original cost on which the annual contribution to Depreciation Fund is based and the replacement expenditure at the present level of prices which has to be met out of the Fund. The flat rate contribution in force from 1935-36, at 1/60th of capital at charge is therefore inadequate. The Indian Railway Enquiry Committee (Kunzru Committee) have recommended that for the next five years an annual contribution of about Rs. 22 crores should be made to the Depreciation Fund. A committee is to review the working of the separation of railway from general finances and also examine the question of annual contribution in respect of depreciation. It is proposed to allocate from the surplus for 1948-49 Rs. 7.65 crores to the Depreciation Fund, in addition to the ordinary appropriation of Rs. 11.29 crores.

58. 1949-50 *Budget Estimates*.—In the budget year 1949-50 there is no enhancement of railway fares or freights. The budget estimate for 1949-50 places gross traffic receipts at Rs. 210.00 crores as against Rs. 204.50 crores in the revised estimate for 1948-49. In estimating traffic receipts, it is assumed that there will not be any substantial change in general economic conditions. An appreciable increase in goods earnings of about Rs. 6 crores is expected mainly from the operation for the whole year of the revised freight structure adopted in October 1948. The estimate takes into consideration the probable loss of revenue in goods earnings from a larger internal movement of foodgrains which is a low-rated traffic, a slight drop of Rs. 31 lakhs in passenger earnings as a result of the introduction of the new three class accommodation in trains since 1st January, 1949 and a fall in the receipts from military traffic. Total working expenses are estimated at Rs. 172.12 crores, as against Rs. 168.71 crores in 1948-49. The budget provides Rs. 1.33 crores for the increase in pay and running allowances of Running Staff. The cost of additional dearness allowance sanctioned by the Government with effect from 1st January, 1949 to all staff drawing not more than Rs. 250 is about Rs. 8 crores. As against this increase in dearness allowance, there is some reduction in the loss on grainshops. Total expense on account of cash dearness allowance is placed at Rs. 28.85 crores to which has to be added the loss of Rs. 12.80 crores on working the restricted grainshops scheme for the benefit of those who have opted for it. In pursuance of the Adjudicator's Award (Rajadhyaksha Award) regarding hours of employment, etc., to be implemented in 1949-50, 74,000 additional hands are to be employed, which will raise the pay bill by about Rs. 4 crores. On periodical overhauls and other repairs to locomotives and other rolling stock, there is an increase in expenditure of Rs. 1.15 crores over the revised estimate for 1948-49. With effect from 1949-50 the Betterment Fund is to be utilised as mentioned above, solely on schemes relating to passenger amenities. Other expenditure charged to the Betterment Fund till now is henceforth to be met from revenue as "miscellaneous railway expenditure." In 1949-50, the net result of miscellaneous transactions is a debit of Rs. 5.56 crores, instead of a credit item of Rs. 2.28 crores in 1948-49. Thus, total receipts work out at Rs. 204.44 crores as against Rs. 206.78 crores in 1948-49. On the other hand, working expenses are slightly higher than in 1948-49. The net surplus for 1949-50 is therefore estimated lower at Rs. 9.44 crores, after deducting interest charges amounting to Rs. 22.88 crores. For the same reasons as in 1948-49, the surplus is proposed to be divided equally between General Revenues and Railways each obtaining Rs. 4.72 crores, the latter's share being appropriated entirely to the Depreciation Reserve

Fund. The ordinary contribution to the Depreciation Fund is Rs. 11.47 crores. The Table below shows the position of the various funds of the railways.

	Railway Depreciation Reserve Fund			Railway Reserve Fund			(In lakhs of rupees) Railway Betterment Fund		
	1947-48	1948-49	1949-50	1947-48	1948-49	1949-50	1947-48	1948-49	1949-50
	Accounts	Revised	Budget	Accounts	Revised	Budget	Accounts	Revised	Budget
Appropriation to the fund ..	6.81	18.94*	16.19†	—	5‡	—	30	1.25	40
Withdrawals from the fund ..	3.06	22.91	33.86	2.74	5	—	50	3.79	—1.20
Net accretions to the fund during the year..	3.75	—3.98	—17.67	—2.74	—	—	—29	—2.54	1.61
Closing balance ..	95.93	91.95	74.28	6.51	6.51	6.51	14.54	12.00	13.61

\* Includes Rs. 7.65 lakhs appropriated from the estimated surplus.

† Includes Rs. 4.72 lakhs appropriated from the estimated surplus.

‡ Represents profit accrued on account of cancellation of investments in Branch Line shares.

Expenditure not chargeable to Revenue is Rs. 54 crores in the revised estimate for 1948-49, while a net provision is made for Rs. 64 crores in 1949-50. Of the 1948-49 expenditure, Rs. 27.30 crores is under Capital, Rs. 3.79 crores under the Betterment Fund and Rs. 22.91 crores under the Depreciation Reserve Fund. The provision of Rs. 64 crores entered in the 1949-50 budget is to be met thus: Rs. 28.64 crores from Capital, Rs. 33.86 crores from the Depreciation Fund and Rs. 1.5 crores from the Betterment Fund. The gross expenditure for the year on the rolling stock programme, which includes 440 locomotives on replacement account, is to be Rs. 36.15 crores.

59. *The Indian Railway Enquiry Committee Report.*—The Report of the Indian Railway Enquiry Committee published on 6th November, 1948 covers the entire field of Railway Administration, particularly from the viewpoint of economy and efficiency. The Committee note that the staff strength on the railways is on the high side while there has been a general deterioration in the efficiency of workers. In place of the present central organisation under which the Railway Board is part of the Secretariat of the Government of India, the Committee recommend the vesting of control and management of Indian Government Railways in a Statutory Authority which should not be a large body but should be composed of a chairman and six members: the setting up of this body is, however, to be deferred for about five years. An important finding of the Committee is that the financial results of the working of Indian Government Railways since 1924 cannot be considered satisfactory. The main recommendations of the Committee, of a financial character, are: (1) the existing method of making *ad hoc* contribution to the General Revenues has to continue until the future position of the railways can be assessed with greater definiteness; (2) for the next five years an annual contribution of Rs. 22 crores is to be made to the Depreciation Fund; (3) it is desirable to have in the Finance Branch of the Railway Board a separate unit primarily concerned with exploring means to improve earnings; (4) no capital outlay should be incurred other than on strictly financial considerations, except when a capital expenditure is justified on other important considerations; (5) an Amortisation Fund should be created (as recommended by the Wedgwood Committee) in respect of intangible assets of the railways amounting to about Rs. 68 crores, the annual contribution to the Fund being one per cent of gross earnings.

#### PROVINCIAL GOVERNMENTS:

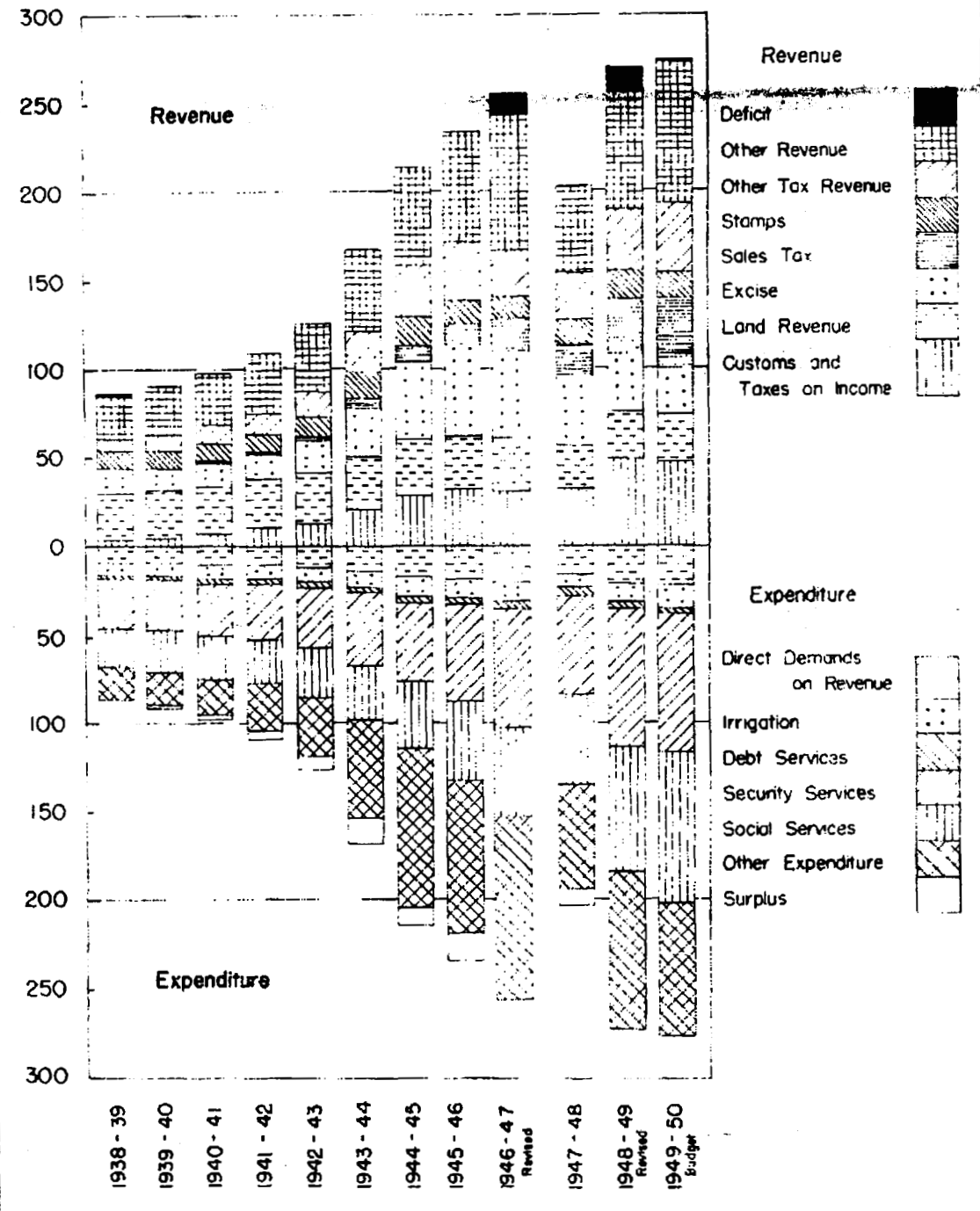
60. *Provincial Budgets.*—Graph 12 depicts the main trends in Provincial finances since 1938-39, while Statement XII gives the breakdown of receipts and expenditures on revenue account for the years 1938-39, 1946-47, 1947-48, 1948-49

GRAPH 12

# FINANCES OF THE PROVINCES

Crores of Rupees

SINCE 1938 - 39



and 1949-50. The following Table presents the consolidated figures of revenue, expenditure and surpluses or deficits of the Provinces of the Indian Union, excluding the East Punjab and West Bengal.

	ACCOUNTS								(In lakhs of rupees)	
	1939-40	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47	1947-48	Revised 1948-49	Budget 1949-50
Revenue .. ..	58,70	70,11	82,40	1,05,90	1,34,14	1,48,86	1,69,78	1,76,59	2,12,93	2,26,57
Expenditure .. ..	57,53	66,74	77,43	1,01,98	1,28,00	1,44,87	1,62,17	1,71,60	2,14,84	2,10,90
Surplus (+) or Deficit (—)	+1.17	+3.37	+4.97	+3.92	+0.14	+3.99	+7.61	+4.99	—1.91	+6.67

The accounts of the Provinces excluding the East Punjab and West Bengal for the year 1947-48 place totals of revenue and expenditure at Rs. 176.59 crores and Rs. 171.60 crores as against the revised estimates of Rs. 181.84 crores and Rs. 181.31 crores respectively, the realised surplus being thus about Rs. 4 crores more than the estimated surplus. For the 7½ months ended 31st March, 1948 the accounts for the two Provinces of the East Punjab and West Bengal together show revenue and expenditure at Rs. 26.18 crores and Rs. 22.59 crores as against the budget estimates of Rs. 24.16 crores and Rs. 24.05 crores. Thus, inclusive of figures for the East Punjab and West Bengal, the anticipated deficit of Rs. 4.04 crores\* is converted into a surplus of Rs. 8.58 crores principally due to larger income tax receipts from the Centre and better yield from sales taxation. The revised estimates for all Provinces for the year 1948-49 place revenue at Rs. 257.98 crores and expenditure at Rs. 271.71 crores, reflecting an increase of Rs. 15.21 crores and Rs. 13.44 crores respectively over the budget estimates. Larger expenditures are incurred mainly under civil administration, social services and food subsidies. In the result, the net anticipated deficit of Rs. 15.50 crores is reduced to Rs. 13.73 crores. Madras and C.P. and Berar budgets are balanced while Bombay, West Bengal, the East Punjab, Bihar, Assam and Orissa have deficits. In the case of U.P. the excess of revenue over expenditure is Rs. 3.07 crores but, as it is proposed to transfer Rs. 1.5 crores to the "Sugar Research and Labour Housing Fund" and Rs. 1 crore to the "Zamindari Abolition Fund," the surplus is reduced to Rs. 0.57 crore only.

The combined budget estimates of all Provinces for 1949-50 place total revenue, inclusive of additional taxation, at Rs. 275.33 crores and expenditure at Rs. 275.76 crores, the prospective deficit being Rs. 0.43 crore. Of the total surplus of Rs. 7.09 crores expected in six Provinces, Bihar alone accounts for Rs. 6.06 crores. Three provinces, namely, West Bengal, the East Punjab and Assam have deficits totalling Rs. 7.52 crores. The East Punjab has apparently a deficit of Rs. 6.99 crores because of the extraordinary expenditure of Rs. 8.30 crores on the relief and rehabilitation of refugees. The Province expects to be reimbursed on this account from the Centre to the tune of Rs. 7 to Rs. 7.5 crores and thus the budget is balanced. The revenue estimates, it may be noted, are inclusive of development grants from the Centre.

In preparing the budget estimates for 1949-50 the Provinces have kept in view the directive from the Centre in October 1948, that efforts should be made as far as possible to present surplus budgets. While the Provinces have sought to balance their budgets accordingly, total expenditure is higher at Rs. 275.76 crores as compared with Rs. 271.71 crores in 1948-49, leaving a deficit of Rs. 11.16 crores at pre-budget taxation levels. The proposed tax increases are estimated to yield Rs. 10.73 crores. Additional taxation is to bring in Rs. 4 crores in Madras, Rs. 4.1 crores in Bombay, Rs. 38 lakhs in C.P. and Berar, Rs. 79 lakhs in Bihar, Rs. 1 crore in West Bengal, Rs. 18 lakhs in Assam and Rs. 28 lakhs in Orissa. While economy committees were appointed in Bombay, Madras, U.P. and the

\* Taking the budget estimate for 1947-48 for West Bengal.

East Punjab to scrutinise expenditure estimates and suggest economies, only Madras has actually taken a substantial credit of Rs. 2.39 crores for economies to be effected in 1949-50. On the expenditure side, as compared with 1948-49, social services show an increase of Rs. 13.13 crores. The share of social services in total expenditure is larger this year in all Provinces except Orissa. The total expenditure of the Provinces on security services is less by Rs. 0.51 crore. U.P., and West Bengal have budgeted to spend a slightly higher proportion of their revenues in 1949-50 on security services. In 1949-50, of the total provincial expenditures, the appropriation for social services is 30.8 per cent and for security services 28.1 per cent as compared with 26.4 per cent and 28.7 per cent respectively in 1948-49.

In pursuance of their anti-inflation policy, the Government of India intimated the Provincial Governments that no assistance would be extended by the Centre for financing Provincial schemes for the abolition of Zamindari and the enforcement of prohibition. However, Madras extended prohibition to the entire Province by 2nd October, 1948 and Bombay hopes to go completely dry by the end of March 1950, while the other provinces have either decided to go slow or to hold the programme in abeyance temporarily. Prohibition reduces provincial excise revenue in 1949-50 by Rs. 5.71 crores, the loss for Madras and Bombay being Rs. 3.41 crores and Rs. 1.41 crores respectively.

As excise revenue is dwindling, the Provinces are increasingly resorting to sales taxation. In the budget estimates for 1949-50 sales tax revenue is estimated at Rs. 38.30 crores as compared with Rs. 30.89 crores in 1948-49 and Rs. 17.27 crores in 1947-48. This is due to a widening of the scope of the tax as also to higher rates. Madras proposes to remove the exemption hitherto allowed on the first sale of certain commercial crops. The tax in respect of groundnut and cashew-nut is increased by 50 per cent and the exemption in respect of tea export is withdrawn. Lastly, cotton which used to be exempt from sales tax, has now to pay three pies in the rupee. Similarly, Bombay proposes to impose sales tax at three pies in the rupee on exports from the Province to a place within the Indian Union, the schedule of exemptions is curtailed, and a few more articles are added to the schedule of special articles on which a tax at the rate of one anna in the rupee is levied. C.P. and Berar proposes to curtail exemption list and also transfer certain articles from the ordinary to luxury list. In Bihar, the exemption to food-grains is to be withdrawn. In the East Punjab a new Sales Tax Act is passed in line with legislation in other Provinces and the rate of tax has been enhanced. In 1949-50 U.P. expects to collect Rs. 6 crores as against Rs. 4 crores in 1948-49.

The taxation of agricultural income is becoming increasingly important in the Provincial tax structure. At present five Provinces, West Bengal, U.P., Bihar, Assam and Orissa levy this tax. Bihar proposes to lower in 1949-50 the limit of taxable income, increase the rates of agricultural income tax and levy a super tax on agricultural incomes over Rs. 25,000 a year. Assam also proposes to raise the rate of agricultural income tax. Other new tax proposals of the Provinces include (1) stamp duty on bullion transactions in Bombay, (2) increase in the rate of sales tax on motor spirit in Bihar, (3) higher rates of entertainment duty in C.P. and Berar and West Bengal, (4) levy of duty on electricity consumed for industrial and domestic purposes in Bombay and for other than power purposes in C.P. and Berar and (5) increase in the rates of profession tax, levy of money-lenders' registration fees and enhancement of duty on private motor vehicles in C.P. and Berar.

Other important proposals of a financial character are : (1) the setting up of industrial finance corporations in Bombay and U.P., (2) creation of trading estates in selected parts of the Province of Bombay and (3) extension of the nationalization of motor transport in Bombay and U.P.

61. *Provincial Reconstruction Finances.*—When the reconstruction schemes of the Provinces were first discussed in 1946 at a conference of Provincial Ministers in charge of reconstruction, it was expected that half the reconstruction finances could be covered by revenue surpluses. Total financial resources, Central and Provincial, available for reconstruction in the five-year period 1947-48 to 1951-52 were assumed to be about Rs. 1,200 crores, comprising Central surpluses of Rs. 500 crores, Provincial surpluses of Rs. 200 crores and loans from the public amounting to Rs. 500 crores. The Provinces were promised more than half the anticipated Central surpluses. The cost of the Provincial plans (excluding N.W.F.P.), as given in the Report of the Advisory Planning Board, was Rs. 776 crores to be financed as indicated below.

		(In crores of rupees)	
<i>Source</i>		<i>Purpose</i>	
Grants from the Centre .. ..	270	Electrical Development and Irrigation ..	210
Provincial funds (Post-war Development Fund, budget surpluses, etc.) ..	193	Industry .. .. .	21
Balance to be met from loans .. ..	313	Roads .. .. .	147
		Agriculture .. .. .	123
		Education .. .. .	93
		Medical and Public Health .. .. .	99
		Miscellaneous .. .. .	83
<b>Total .. ..</b>	<b>776</b>	<b>Total .. ..</b>	<b>776</b>

The anticipated large surpluses have not materialised in respect of either Central or Provincial finances. In the Central budget, deficits persisted till 1948-49 and in 1949-50 only a nominal surplus is expected. Market borrowings have also been much less than anticipated. Provincial plans have therefore been revised, so as to reduce the total estimated expenditure. While the estimates for three Provinces, U.P., the East Punjab and West Bengal are not ready, the total for the other six Provinces shown below works out at Rs. 372 crores.

(In crores of rupees)						
Madras	Bombay	Bihar	C.P. & Berar	Orissa	Assam	Total
80	76	71	66	38	42	372

In some Provinces, during wartime, reserves were accumulated out of revenue surpluses to provide part of the finance for reconstruction schemes but these have been drawn upon also to cover revenue deficits. There are no such reserve funds for Orissa, the East Punjab and West Bengal. The outstanding balances of the other Provinces in the Post-war Reconstruction Funds are given below.

(In crores of rupees)			
At the end of			
	1947-48	1948-49 Revised	1949-50 Budget
Madras .. .. .	32.63	29.66	30.35
Bombay .. .. .	18.96	17.26	17.26
U.P. .. .. .	12.76	12.76	12.76
C.P. and Berar .. .. .	8.33	8.12	8.12
Bihar .. .. .	9.27	12.50	12.50
Assam .. .. .	1.02	1.02	1.02

Since the end of 1947-48, the drawings from these reserve funds for financing reconstruction have been small.

In November 1948, a review of all development schemes including Provincial ones was conducted. An order of priorities was laid down with regard to existing schemes under which expenditure on schemes which were directly productive, that is, schemes productive of food and other essential consumers' goods, especially those which would yield quick results, was to be given high priority in the

provincial reconstruction programmes. In 1948-49 expenditure on Post-war Reconstruction and Development including Grow More Food schemes, under revenue and capital, amounts to Rs. 76.07 crores while the estimated expenditure in 1949-50 is Rs. 116.22 crores as shown below. Figures in brackets relate to expenditure on Grow More Food schemes.

							(In crores of rupees)	
							1948-49 Revised	1949-50 Budget
Madras	..	..	..	..	..	..	13.44 (2.59)	20.80 (4.10)
Bombay	..	..	..	..	..	..	18.71 (1.77)	25.30 (..)
West Bengal	..	..	..	..	..	..	8.60 (1.38)	16.67 (2.03)
U.P.	..	..	..	..	..	..	8.85 (0.49)	11.73 (1.03)
East Punjab	..	..	..	..	..	..	8.45 (0.32)	16.94 (0.71)
O. P. and Berar	..	..	..	..	..	..	8.14 (1.03)	11.71 (0.95)
Bihar	..	..	..	..	..	..	4.01 (0.74)	6.17 (0.86)
Orissa	..	..	..	..	..	..	4.18 (0.46)	4.59 (0.49)
Assam	..	..	..	..	..	..	1.69 (..)	2.15 (..)
Total							76.07	116.22

The Centre's promised contribution by way of grants was originally Rs. 270 crores. After the Partition, for the four years 1948-49 to 1951-52, the outstanding balance that remained to be distributed among the Indian Union Provinces was about Rs. 175 crores. The Provinces were asked to take note that development grants from the Centre would be contingent on the Provinces themselves spending from their own resources at least an equal sum. But in the case of West Bengal and the East Punjab which are particularly affected by the Partition, and Orissa and Assam, which are less developed, the entire expenditure on approved schemes is reimbursed by the Centre for 1948-49 and 1949-50, subject to the maximum amounts stated. The grants to Provinces for Grow More Food schemes are limited to 50 per cent of the expenditure incurred but in the case of Assam and Orissa 66½ per cent of the expenditure on Grow More Food schemes is borne by the Centre. In the budget estimates for 1948-49 development grants to Provinces were placed at Rs. 30 crores while advances were placed at Rs. 35 crores. In view of the need to reduce expenditures as part of the Anti-inflation Programme, these amounts were subsequently reduced. Central grants for development including Grow More Food schemes as shown in the Capital Budget are placed at Rs. 18 crores in 1948-49 (Revised) and Rs. 25.45 crores in 1949-50 (Budget). The loan amounts in 1948-49 (Revised) and 1949-50 (Budget) are Rs. 24.33 crores and Rs. 47.25 crores respectively. The allocation of grants and loans among the Provinces is given below.

TABLE 27.—LOANS AND GRANTS TO PROVINCES FOR DEVELOPMENT, INCLUDING GROW MORE FOOD SCHEMES\*

							(In lakhs of rupees)	
							1948-49 Revised	1949-50 Budget
Province							Loans	Grants†
Madras	..	..	..	..	..	..	3.00	3.10
Bombay	..	..	..	..	..	..	2.00	1.36
West Bengal	..	..	..	..	..	..	2.72	2.00
U.P.	..	..	..	..	..	..	..	3.40
East Punjab	..	..	..	..	..	..	5.36	1.00
Bihar	..	..	..	..	..	..	62	1.10
C.P. and Berar	..	..	..	..	..	..	4.10	1.50
Assam	..	..	..	..	..	..	48	1.60
Orissa	..	..	..	..	..	..	1.99	1.20
Total							20.27	16.26

\* Exclusive of allocations to Coorg.

† An advance of another Rs. 2.00 lakhs is made to Bombay for the Labour Housing Scheme.

‡ Grants-in-aid amounting to Rs. 1.36 lakhs are given for adult (social) education and teachers' training schemes.

62. *Subventions and Payments from the Centre.*—Table 28 shows the subventions and other payments made by the Central Government to Provinces since 1937-38, while Statement XIII gives details of payments to each Province.

**TABLE 28.—ALLOCATION OF TAX PROCEEDS, SUBVENTIONS AND GRANTS-IN-AID TO PROVINCES**

(In crores of rupees)						
Year		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	2.00	26.63
1944-45	.. ..	26.56	1.49	1.70	7.00	36.75
1945-46	.. ..	28.75	1.57	1.70	8.00	40.02
1946-47	.. ..	29.87	2.87	1.70	—	34.44
1947-48*	.. ..	29.74	1.28	0.44	1.40	32.86
1948-49 (Revised)	.. ..	41.79	1.43	0.70	2.25	46.17
1949-50 (Budget)	.. ..	40.65	1.46	0.70	2.25	45.06

Note :—Figures up to and including 1946-47 relate to undivided India.

\* Figures relate to 7½ months from 15th August, 1947 to 31st March, 1948.

The Provincial share of income tax is regulated by the Government of India (Distribution of Revenues) Order 1948 promulgated on 17th March, 1948. The percentage shares of the Provinces are : Madras 18, Bombay 21, West Bengal 12, U.P. 19, the East Punjab 5, Bihar 13, C.P. and Berar 6, Assam 3, and Orissa 3. The amount payable to Provinces in 1949-50 as shown in the following Table is Rs. 40.65 crores as against the revised estimate of Rs. 41.79 crores in 1948-49.

**TABLE 29.—DIVISIBLE POOL OF TAXES ON INCOME AND DISTRIBUTION BETWEEN THE CENTRE AND THE PROVINCES**

	1948-49 Budget	1948-49 Revised	(In lakhs of rupees) 1949-50	
			On the basis of pre-budget level of taxation	As passed by the Parliament
Total Taxes on Income other than Corporation Tax excluding Central Surcharge	84,33	93,85	96,42	89,92
Deduct—Portion attributable to taxes on federal emoluments and to Chief Commissioners' Provinces and miscellaneous receipts	5,89	4,62	4,32	4,22
Share of cost of collection	1,12	1,14	1,40	1,40
Balance	77,32	88,09	90,70	84,30
Deduct—Amount to be retained by Central Government	40,91	46,30	46,85	43,65
Amount payable to Provinces	36,41	41,79	43,85	40,65

## B. PUBLIC DEBT

63. *General.*—The debt position of the Central and Provincial Governments is shown in Table 22, Statements XIV and XXI and in Graphs 13, 14 and 15.

During the year under review the rupee debt of the Central Government increased by Rs. 237.81 crores from Rs. 2,140.01 crores at the end of 1947-48 to Rs. 2,377.82 crores at the end of 1948-49. It may be noted that during 1947-48



there was a decrease of Rs. 1.99 crores, as against increases of Rs. 205.06 crores and Rs. 365.53 crores in 1946-47 and 1945-46 respectively. The amounts of new loans floated and permanent debt discharged in India by the Central Government in each year since 1938-39 are given below.

Year								(In crores of rupees)	
								New Loans	Discharge of Permanent Debt
1938-39	..	..	..	..	..	..	..	26.31	26.61
1939-40	..	..	..	..	..	..	..	38.23	25.94
1940-41	..	..	..	..	..	..	..	143.40	19.54
1941-42	..	..	..	..	..	..	..	125.08	87.58
1942-43	..	..	..	..	..	..	..	139.28	1.16
1943-44	..	..	..	..	..	..	..	276.35	16.68
1944-45	..	..	..	..	..	..	..	207.72	0.30
1945-46	..	..	..	..	..	..	..	335.43	55.59
1946-47 Revised	..	..	..	..	..	..	..	375.09	334.49
1947-48 Revised	..	..	..	..	..	..	..	40.95	57.96
1948-49 Revised	..	..	..	..	..	..	..	55.04	98.96
1949-50 Budget	..	..	..	..	..	..	..	85.00	68.85

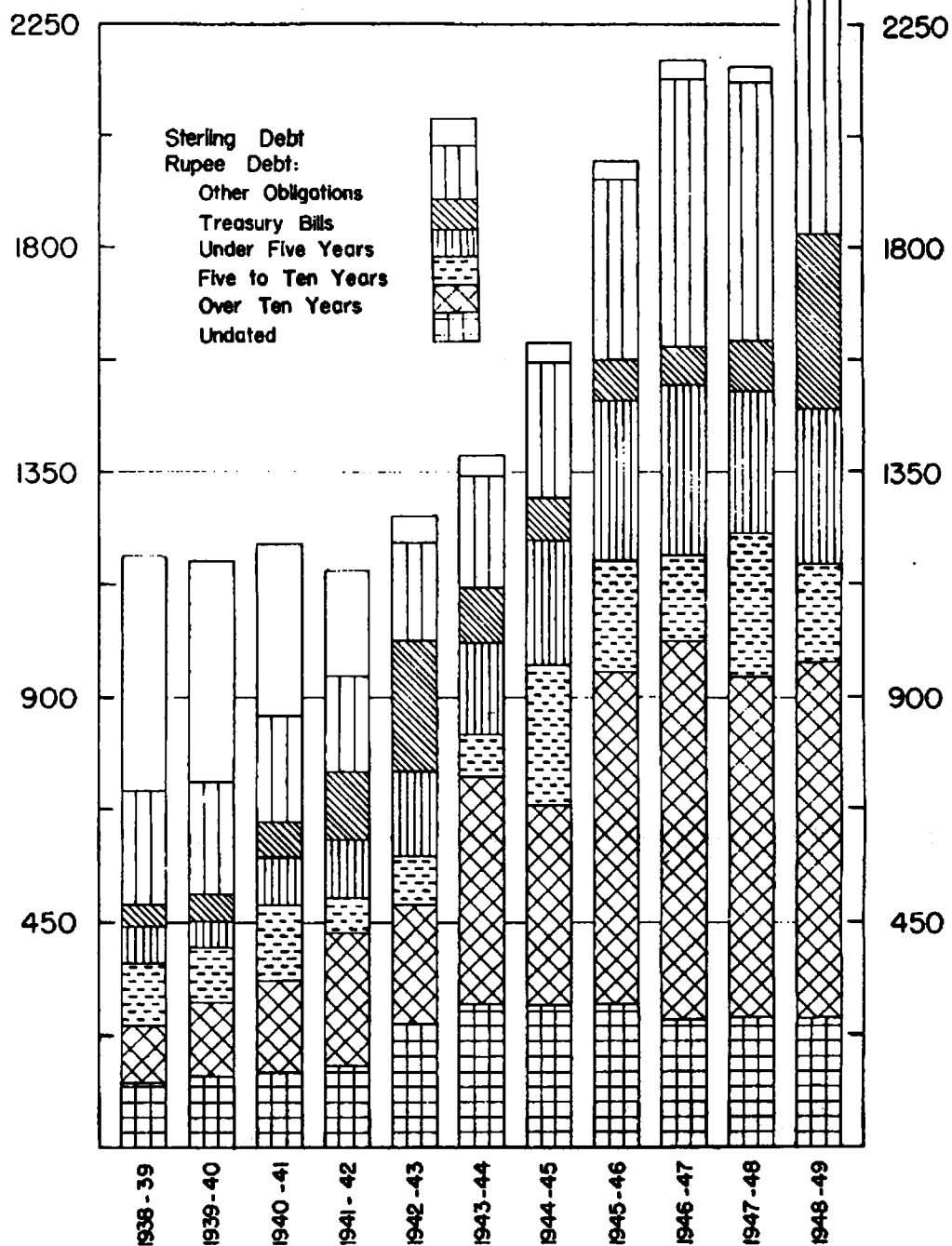
In 1946-47, of the Rs. 375.09 crores shown under new loans, conversion issues amounted to Rs. 261.58 crores and fresh market borrowings were less than anticipated. The deterioration in the Government's borrowings became marked in 1947-48 when only Rs. 40.95 crores were obtained. Again in 1948-49 new loans amounted to only Rs. 55.01 crores as against the original target of Rs. 150 crores, inclusive of the conversion loan for Rs. 35.01 crores. On the other hand, the provision for discharge of permanent debt was as large as Rs. 104.95 crores (inclusive of Rs. 5.99 crores of debt discharged in England). For 1949-50 a modest provision of Rs. 85.00 crores is made for market borrowings while debt due for redemption is Rs. 71.64 crores (inclusive of Rs. 2.79 crores to be discharged in England). A stepping up of the Government's borrowing programme is a matter of primary concern in view of large capital outlays which cannot be met from ordinary revenue. As shown in Table 22, taking all types of debt obligations together, the net proceeds of the Central Government, after providing for debt redemption, were quite large during the war years, particularly from 1942-43 to 1945-46. However, the net receipts in 1947-48 were negative to the extent of Rs. 27.63 crores. In 1948-49 the large net proceeds of Rs. 262.89 crores are accounted for by the *ad hoc* Treasury bills for Rs. 296 crores issued to the Reserve Bank for obtaining sterling for payment to the United Kingdom Government for the purchase of annuities in respect of sterling pensions and for defence stores and installations taken over from them. During 1949-50 the net additions to all kinds of obligations are anticipated at Rs. 58.44 crores.

Interest-bearing obligations of the Government of India (in India and in England) aggregated Rs. 1,205.76 crores at the end of March 1939, and increased to Rs. 2,308.39 crores at the end of 1945-46. As on 31st March, 1949 the total worked out at Rs. 2,455.80 crores, including Rs. 15.53 crores for the capital portion of Railway annuities. At the end of 1938-39, of the total interest-bearing obligations, Rs. 469.12 crores or 38.9 per cent were obligations in England and the rest, Rs. 736.64 crores or 61.1 per cent were obligations in India. At the end of 1948-49 the obligations in England are only Rs. 42.84 crores, inclusive of Railway annuities, while obligations in India amounted to Rs. 2,412.96 crores. Outstanding public debt of the Government of India is placed at Rs. 2,030.33 crores at the end of 1948-49 and at Rs. 2,048.70 crores at the end of 1949-50, as against Rs. 949.77 crores as on 31st March, 1939. Under the Indian Independence (Rights, Property

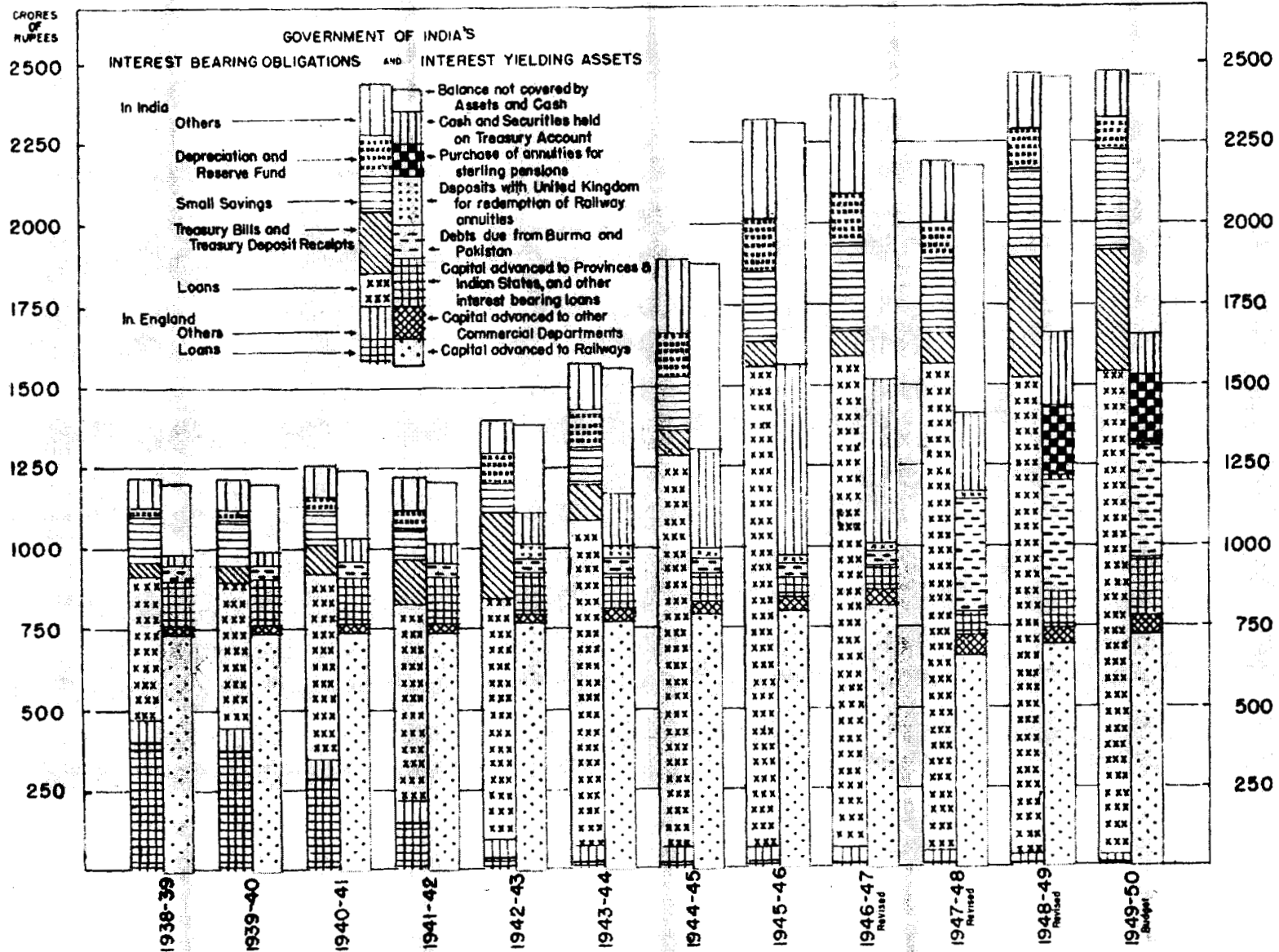
GRAPH 13

# DEBT POSITION OF THE GOVERNMENT OF INDIA SINCE 1938 - 39

Crores of Rupees



### GRAPH 14



and Liability) Order 1947, all liabilities in respect of such loans, guarantees and other financial obligations of the Governor-General in Council outstanding immediately before the date of the Partition were placed on the Indian Union, subject to the recovery of an appropriate share from Pakistan. Under the terms of the Indo-Pakistan Financial Agreement of December 1947, the Pakistan Government are given moratorium for five years in respect of repayment of their debt liabilities to India and repayment is to commence from 15th August, 1952. Pakistan's share of debt of the Government of India is placed roughly at Rs. 300 crores.

While India's interest-bearing obligations have considerably increased since pre-war, it must be noted that about 68 per cent of them are covered by productive assets at the end of 1948-49, as shown in Graph 14. The total of interest-yielding assets which stood at Rs. 946.38 crores at the end of 1938-39 increased to Rs. 972.55 crores at the end of 1945-46; they are placed at Rs. 1,431.12 crores at the end of 1948-49 and Rs. 1,527.97 crores at the end of 1949-50. Cash and securities held on Treasury account were a mere Rs. 30.30 crores at the end of 1938-39 but were Rs. 586.65 crores at the end of 1945-46. They are placed at Rs. 235.81 crores and Rs. 124.78 crores at the end of 1948-49 and 1949-50 respectively. Thus, the balance of interest-bearing obligations not covered by assets (including cash and securities) was Rs. 229.08 crores or 19 per cent of the total at the end of 1938-39 and Rs. 749.19 crores or 32.5 per cent of total at the end of 1945-46. It is placed at Rs. 788.87 crores and Rs. 815.49 crores or 32 per cent and 37 per cent at the end of 1948-49 and 1949-50 respectively.

Gross payments of interest amount to Rs. 61.4 crores and Rs. 63.3 crores in 1948-49 and 1949-50 respectively. Of these amounts, transfers to Railways and others including Provincial Governments, Posts and Telegraphs and commutation of pensions are placed at Rs. 26.5 crores and Rs. 29.0 crores in these two years. Thus, net interest payments chargeable to General Revenues are estimated at Rs. 34.9 crores in 1948-49 and Rs. 34.3 crores in 1949-50.

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

##### CENTRAL GOVERNMENT :

64. *Balances.*—Statement XV shows the respective balances of the Central and Provincial Governments with the Reserve Bank and at Government Treasuries as at the end of each month during 1947-48 and 1948-49 as also on the date of the Partition. The balances of the Central Government which stood at Rs. 274.62 crores at the end of March 1948 showed a continuous decline up to the end of July 1948 when they were Rs. 210.36 crores. However, by August-end they rose to Rs. 237.70 crores and, after declining to Rs. 227.44 crores at the end of September, again increased to Rs. 242.27 crores at the close of October. In November they declined to Rs. 218.90 crores but again rose to Rs. 225.59 crores at the end of December. Thereafter there was a continuous decline to Rs. 184.29 crores at the end of March 1949.

65. *Treasury Bills.*—Statement XVI shows details of transactions in Central Government Treasury bills since 1918-19. Particulars of weekly and monthly transactions in these bills during 1948-49 are given in Statements XVII and XVIII respectively. The year commenced with a weekly offer of Rs. 1 crore which was maintained up to the end of the second week of July. The weekly offer was raised to Rs. 2 crores during the third and fourth weeks of July and to Rs. 4 crores in the last week. During August and the first week of September the offer was further increased to Rs. 6 crores. There was no offer in the second week of September and when tenders were invited the next week, the weekly offer was reduced to Rs. 2 crores and this continued till the first week of October.

As from the second week of October excepting the third week when there was no offer, the weekly offer was again reduced to Rs. 1 crore until 9th November, 1948. Since then the sale of Treasury bills has remained suspended. The amount of Treasury bills tendered during the year and the amount sold were both lower at Rs. 75.71 crores and Rs. 46.01 crores respectively as compared with Rs. 140.31 crores and Rs. 84.56 crores respectively during 1947-48. The percentage of amount sold to amount tendered was slightly higher at 60.77 as compared with 60.27 for 1947-48, while the percentage of applications to amount offered was lower at 120 as compared with 129 in 1947-48 and 131 in 1946-47. The amount of maturing bills offered in lieu of cash under the option given in 1942-43 to subscribers aggregated Rs. 7.01 crores during the year as compared with Rs. 4.13 crores in 1947-48, Rs. 5.22 crores in 1946-47, Rs. 26.59 crores in 1945-46, Rs. 20.80 crores in 1944-45 and Rs. 16.50 crores in 1943-44.

The amount of Treasury bills outstanding with the public rose from Rs. 16.63 crores at the commencement of the financial year to Rs. 33.11 crores for the week ended 24th September which was the highest level for the year as against Rs. 40.47 crores for the week ended 28th November, 1947 in the previous year. Owing to the suspension of sales to the public as from 9th November the amount outstanding with the public declined continually since then and, by the end of the first week of February 1949, there was no amount outstanding with the public. The amount of Central Government Treasury bills sold during the year in favour of the Issue Department of the Reserve Bank of India was considerably large at Rs. 1,117.85 crores as against Rs. 271.33 crores in the previous year. In the week ended 20th August, 1948 the amount sold in favour of the Issue Department was as large as Rs. 290.63 crores. This was for sterling needed by Government for payment to the United Kingdom for the purchase of pensions annuities and for Defence stores and installations taken over from them. As on 31st March, 1949 the amount outstanding with the Issue Department, Provinces and others was Rs. 350.47 crores as compared with Rs. 98.68 crores at the end of the previous year. The requirements of the Provinces in regard to the investment of their surplus funds in the 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 on tap. During the year under review, all Provinces except West Bengal invested in Central Government Treasury bills. The total of their investments showed a decline from Rs. 184.82 crores in 1947-48 to Rs. 119.85 crores in 1948-49; of this Bombay held Rs. 70.85 crores, Bihar Rs. 14.25 crores, C.P. and Berar Rs. 12.75 crores, Madras Rs. 8.50 crores, Assam Rs. 2.50 crores, U.P. Rs. 7 crores and Orissa and the East Punjab Rs. 2 crores each. Total Treasury bills held by the Provinces as on 31st March, 1949 amounted to Rs. 18.26 crores as compared with Rs. 57.63 crores at the end of March 1948.

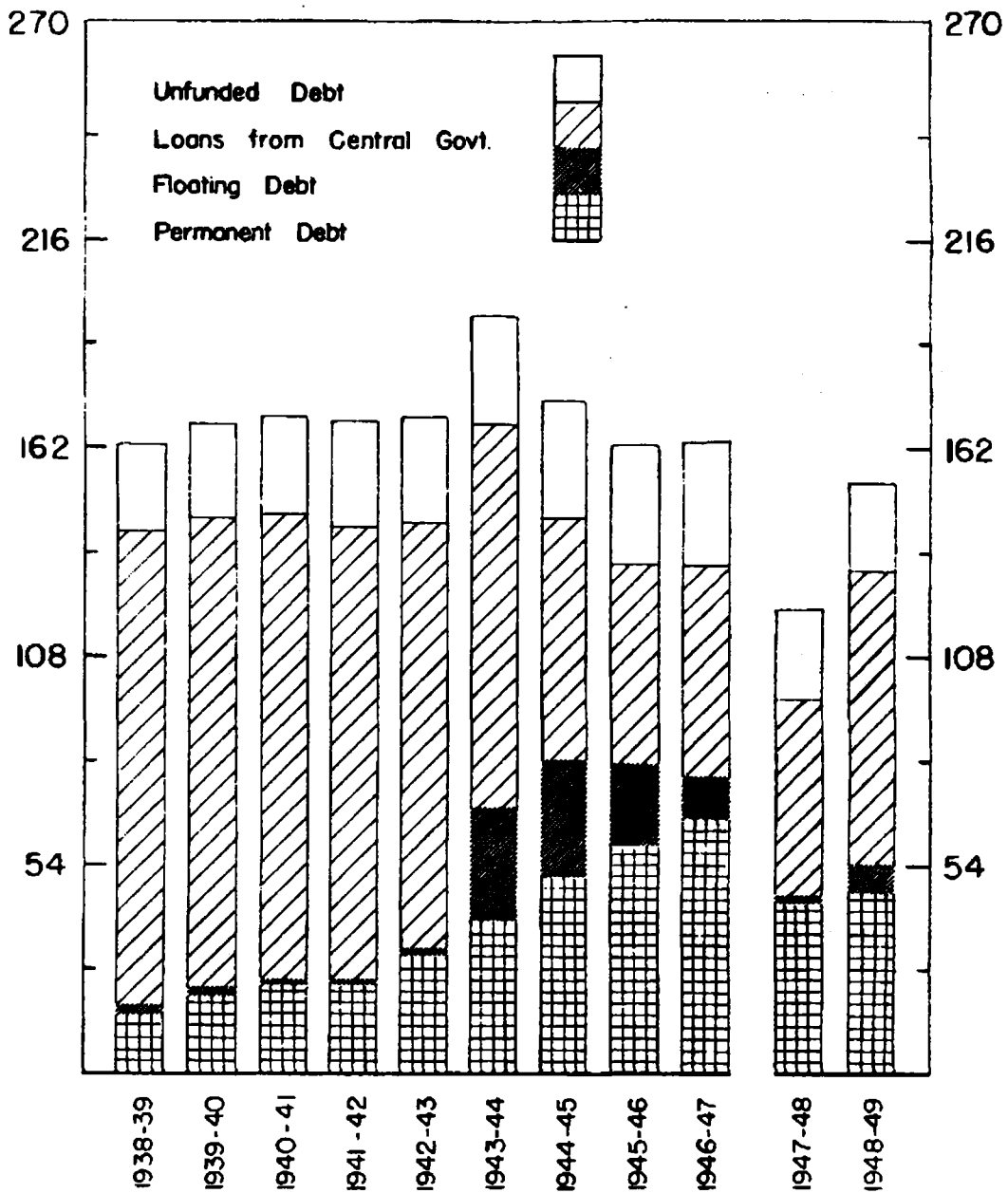
66. *Yield on Treasury Bills.*—Statement XVIII shows the average yield per cent per annum on Central Government Treasury bills sold to the public during each month of 1947-48 and 1948-49. The total realisations in respect of Treasury bills during 1948-49 aggregated Rs. 45.95 crores as against the total sales of the face value of Rs. 46.01 crores, the corresponding figures for the preceding year being Rs. 84.47 crores and Rs. 84.56 crores respectively. The monthly average yield was around 0.49 per cent during the first three months and was lower at 0.45 per cent in July. In August, however, it again rose to 0.49 per cent and continued to increase thereafter reaching 0.56 per cent in October. The annual average of monthly yields showed a slight rise from 0.45 per cent in 1947-48 to 0.49 per cent in 1948-49.

67. *Treasury Deposit Receipts.*—With a view to catering to institutional investors seeking media for short-term investment, the Government of India

GRAPH 15

# DEBT POSITION OF THE PROVINCES SINCE 1938 - 39

Crores of Rupees



decided to issue from 15th October, 1948 Treasury Deposit Receipts in denominations of Rs. 25,000 and multiples thereof at par for periods of six, nine and twelve months bearing interest at 1 per cent, 1½ per cent and 1½ per cent per annum respectively subject to income tax.

The Treasury Deposit Receipts are available on tap to banks only, either on their own account or of their constituents, at the offices of the Reserve Bank of India in Bombay, Calcutta, Delhi, Kanpur and Madras. They are non transferable and cannot be discounted with the Reserve Bank. They are ordinarily repayable only on maturity but may be repaid at any time before the due date without interest, in case of an emergency, on the Reserve Bank being satisfied in this behalf.

The following Table shows the transactions in Treasury Deposit Receipts since their inception in October 1948.

1948-49 End of		Six months		Nine months		Twelve months		(In lakhs of rupees) Total	
		Issued		Issued		Issued		Issued	
		Out-standing	Out-standing	Out-standing	Out-standing	Out-standing	Out-standing	Out-standing	Out-standing
October	.. ..	0.50	0.50	0.25	0.25	2.00	2.00	2.75	2.75
November	.. ..	10.00	10.50	—	0.25	22.00	24.00	32.00	34.75
December	.. ..	75.50	86.00	—	0.25	58.00	82.00	133.50	168.25
January	.. ..	75.50	161.50	2.00	3.25	55.00	137.00	132.50	300.75
February	.. ..	22.00	183.50	1.00	3.25	—	137.00	23.00	323.75
March	.. ..	65.00	248.50	—	3.25	—	137.00	65.00	388.75

The total Treasury Deposit Receipts outstanding at the end of March 1949 was Rs. 388.75 lakhs, of which Treasury Deposit Receipts with a maturity of six months amounted to Rs. 248.50 lakhs and those with a maturity of one year to Rs. 137 lakhs, the outstandings of nine months Treasury Deposit Receipts being Rs. 3.25 lakhs.

68. *Ways and Means Advances.*—Although their balances with the Reserve Bank continued to decline during the year, the Central Government have not had recourse, for the fifth year in succession, to the Bank for accommodation.

#### PROVINCIAL GOVERNMENTS :

69. *Balances and Ways and Means Advances.*—The month-end balances of the Provincial Governments with the Reserve Bank, as shown in Statement XV, averaged Rs. 17.37 crores for the year 1948-49 as compared with Rs. 16.55 crores for the 7½ months ended 31st March, 1948. The balances of the Provincial Governments aggregated Rs. 29.50 crores as on 31st March, 1949 (including balances at the Treasuries) as against Rs. 22.73 crores at the end of March 1948. Of the total amount, West Bengal accounts for Rs. 11.36 crores, United Provinces for Rs. 4.80 crores, Central Provinces and Berar for Rs. 4.18 crores, Bombay for Rs. 3.81 crores and Madras for Rs. 2.24 crores, while the other four Provinces together account for Rs. 3.11 crores.

During the year under review all but three Provinces, namely, West Bengal, Bombay and Bihar, had recourse to ways and means advances, the total amount being Rs. 38.22 crores, of which Madras alone accounts for Rs. 19.48 crores. The largest amount of Rs. 11.35 crores was taken by the Provinces in February 1949 while there was no advance during the month of May 1948. At the close of the year there was no ways and means advance outstanding against any Province.

70. *Treasury Bills.*—Statement XX(A) shows the yearly Treasury bill transactions of the Provinces since 1938-39 when they commenced borrowing in this form and Statement XX(B) shows the sale of Treasury bills by the Provincial

Governments during 1948-49. During the year, two Provinces, namely, Madras and U.P. resorted to the short-term market. Madras sold Treasury bills in October 1948 amounting to Rs. 1 crore, the average rate of discount per cent per annum being 0.63. U.P. offered in December 1948 Treasury bills for Rs. 2 crores, but the amount tendered and sold was Rs. 54 lakhs, the average rate of discount per cent per annum being 0.98.

(b) LONG-TERM DEBT AND OTHER BORROWINGS

71. *Government of India Loans.*—During the year 1948-49 new loans amounted to Rs. 55.01 crores as compared with Rs. 150 crores anticipated in the budget estimate. The outstandings in respect of Central and Provincial Government loans at the end of 1948-49 are shown in Statement XIX.

The Government announced on 22nd May, 1948 the flotation of a conversion loan, 2½ per cent Loan, 1962 (Second Issue) at par for approximately Rs. 35 crores bearing interest at 2½ per cent and repayable at par on 15th November, 1962. The subscriptions were to be only in the form of 2½ per cent Loan, 1948-52, the outstanding amount of which as at the end of 31st May, 1948 was Rs. 87.01 crores. The list was opened for subscription on 1st June, 1948 and was closed on the same day, total subscription amounting to Rs. 35.01 crores of which Rs. 4.07 crores were accounted for by two Provincial Governments, namely, U.P. and Assam. In their announcement dated 23rd September, 1948, the Government invited on 1st October, 1948 subscriptions for a loan of Rs. 20 crores bearing interest at 2½ per cent and repayable at par on 1st October, 1955 at an issue price of Rs. 100 for Rs. 100 nominal. The loan was fully subscribed, the total amount being Rs. 20 crores, inclusive of Rs. 1 crore taken up by the Government of the United Provinces.

72. *Repayment of Loans.*—During the year three loans were due for repayment. The 2½ per cent Loan, 1948-52 matured for repayment on 15th July, 1948 in accordance with the notice of redemption given by the Central Government on 14th April, 1948. The holders were given the option of converting their holdings into the new 2½ per cent Loan, 1962 (Second Issue) (*vide para. 71*). Of the outstanding balance of Rs. 52.00 crores prior to redemption, the amount redeemed up to 31st March, 1949 was Rs. 51.39 crores. The 4 per cent Loan, 1948-53 matured for repayment on 15th December, 1948 as per the notice of redemption given by the Central Government on 14th September, 1948. The total amount outstanding of the loan prior to redemption was Rs. 5.024 crores of which Rs. 5.019 crores were redeemed up to 31st March, 1949. The Five-Year Interest-Free Prize Bonds, 1949 matured for repayment on 15th January, 1949, the amount redeemed up to 31st March, 1949 being Rs. 3.69 crores (Rs. 3.59 crores in India and Rs. 10 lakhs in Pakistan) out of Rs. 5.30 crores outstanding prior to redemption. In view of the wartime growth in public debt, the annual appropriation for reduction or avoidance of debt was raised from Rs. 3 crores to Rs. 5 crores in 1946-47 and remains at that level.

73. *Composition of Total Rupee and Sterling Debt.*—Statement XXI gives the outstandings of the rupee and sterling debt of the Government of India at the end of each quinquennium from 1913-14 to 1938-39 and at the end of each financial year thereafter. The terminable part of the funded debt (excluding the Railway annuities since 1942-43) is classified according to maturity.

Total interest-bearing obligations of the Government of India increased by Rs. 1,250 crores from Rs. 1,206 crores at the end of 1938-39 to Rs. 2,456 crores at the end of 1948-49 (revised). These figures include liabilities in respect of the British War Loan which has remained suspended since 1931-32 and for technical reasons the capital portion of the Railway annuities which were funded in 1942-43



and against which an equivalent deposit was made with His Majesty's Government who have undertaken to provide the necessary sterling as the payments fall due. In addition, they also include the balances in the Depreciation and Reserve Funds of the Railways, Posts and Telegraphs and certain other deposits mainly relating to excess profits tax and income tax. After excluding these liabilities, the total regular interest-bearing debt would amount to Rs. 2,225 crores at the end of 1948-49 (revised) as compared with Rs. 1,158 crores at the end of 1938-39; according to the budget estimates, it is expected to rise to Rs. 2,287 crores at the end of 1949-50. As against the total interest-bearing obligations of Rs. 2,456 crores at the end of 1948-49, the assets of the Government of India aggregate Rs. 1,667 crores made up of (1) capital outlay on Railways, Rs. 692 crores, (2) capital advances to other commercial departments of the Central Government, Provinces and States, etc., Rs. 159 crores, (3) debt due from Burma, Rs. 48 crores, (4) deposits with His Majesty's Government for redemption of Railway annuities, Rs. 16 crores, (5) purchase of annuities for sterling pensions, Rs. 216 crores, (6) debt due from Pakistan, Rs. 300 crores and (7) cash and securities held on Treasury Account, Rs. 236 crores.

74. *Repatriation of Sterling Debt.*—The transactions in respect of the repatriation of sterling stocks during the year related, as during the previous year, to the repayment of stocks not surrendered earlier. Table 30 shows the amounts repatriated and cancelled during each year from 1937-38 to 1947-48 and the particulars of debt cancelled under the various schemes of repatriation during 1948-49.

TABLE 30.—AMOUNTS OF STERLING DEBT REPATRIATED SINCE 1937-38

Year	Face Value (£ million)	Purchase Value		Rupee counterparts created (Rs. crores)
		(£ million)	(Rs. crores)	
1937-38	2.99	3.04	4.05	1.12
1938-40	17.09	16.54	22.05	22.79
1940-41	71.29	75.24	100.32	94.86
1941-42	99.04	92.28	123.04	33.58
1942-43	119.00	120.48	161.67	82.62
1943-44	13.02	12.97	17.29	38.42
1944-45	0.41	0.37	0.49	0.17
1945-46	0.28	0.29	0.37	0.01
1946-47	0.76	0.80	1.06	0.01
1947-48	4.65	5.12	6.83	0.45
<b>Total</b>	<b>328.53</b>	<b>327.13</b>	<b>437.17</b>	<b>274.03</b>
1948-49				
1. First compulsory scheme of 8th February, 1941 (including special arrangements)	0.129	0.136	0.182	0.024
2. Second compulsory scheme of 24th December, 1941 (including special arrangements)	0.030	0.029	0.038	—
3. Redemption of 3½ per cent sterling stock 1931 or after	0.018	0.018	0.024	—
4. Repatriation of railway debenture stocks	0.003	0.004	0.005	—
<b>Total</b>	<b>0.180</b>	<b>0.187</b>	<b>0.249</b>	<b>0.024</b>
<b>Grand Total</b>	<b>328.71</b>	<b>327.32</b>	<b>437.42</b>	<b>274.05</b>

During the year 1948-49 securities of the face value of £0.18 million were repatriated at a cost of Rs. 25 lakhs and rupee counterparts of the face value of Rs. 2.4 lakhs were created. The total amount of sterling debt repatriated since 1937-38 amounts to £328.71 million at a cost of £327.32 million (Rs. 437.42 crores).

75. *Distribution of Rupee Debt: Government Promissory Notes, Stock Certificates and Subsidiary General Ledger Accounts.*—Conversions of Government Promissory Notes into Stock Certificates during 1948-49 amounted to Rs. 24.76 crores as compared with Rs. 28.15 crores during 1947-48 and Rs. 35.32 crores during 1946-47, the total amount converted since 1st March, 1942, when the scheme of conversion (without charge) of Promissory Notes into Stock Certificates and *vice versa* came into effect being Rs. 403.63 crores. Reconversions of Stock Certificates into Promissory Notes during 1948-49 were slightly lower at Rs. 53.86 crores as compared with Rs. 53.97 crores in 1947-48, the aggregate since 1942 being Rs. 204.72 crores. The distribution of the rupee debt, according to the form in which it is held, is given below.

PERCENTAGE TO TOTAL RUPEE DEBT

As on 31st March			G.P. Notes	Stock Certificates	S.G.L. Accounts	Miscellaneous (i.e., G.P. Notes and Stock Certificates held in London)
1942	..	..	53.69	15.40	30.57	0.34
1943	..	..	25.60	31.28	42.85	0.27
1944	..	..	32.65	28.88	38.27	0.20
1945	..	..	37.05	25.95	36.85	0.16
1946	..	..	37.70	22.66	39.53	0.11
1947	..	..	35.90	22.26	41.80	0.04
1948	..	..	33.04	20.94	45.99	0.03
1949	..	..	33.75	19.65	46.57	0.03

The preference on the part of the institutional investors to hold securities in Subsidiary General Ledger Accounts is indicated by the increasing percentage of the rupee debt held in this form for the last four years. While the percentage of holdings in Government Promissory Notes showed a slight increase from 33.04 to 33.75, the percentage of Stock Certificates declined further from 20.94 to 19.65.

76. *Public Debt (Central Government) Amendment Act 1949.*—Under the Government of India Act 1935 the Central Legislature was competent to change only the law in respect of Central Securities. The provisions of the Indian Securities Act 1920 were accordingly replaced, so far as the Central public debt was concerned, by a comprehensive new Act, the Public Debt (Central Government) Act 1944, which was made effective from 1st May, 1946, leaving the provincial securities to be regulated by the Indian Securities Act 1920. In view of the fact that the money market is common to the whole country and also the public debt of the Central and Provincial Governments is managed by a single agency, namely, the Reserve Bank of India, it was deemed desirable to have uniform legislation. With a view to adopting a unified policy the Provincial Governments had already passed resolutions recommending that the securities issued by them and their public debt should be regulated by an Act of the Indian Parliament. Accordingly, the Indian Parliament passed on 8th February, 1949 the Public Debt (Central Government) Amendment Act 1949 amending the original Act of 1944 to include securities issued by the Provincial Governments and their public debt.

77. *The Scheduled Securities (Hyderabad) Act 1949.*—Consequent upon the political developments in Hyderabad, the Government of India, with a view to controlling the transfer of certain securities which was considered to be detrimental to the interests of India, issued the Scheduled Securities (Hyderabad) Ordinance 1948 on 1st July, 1948 in terms of which no transfer of securities held by Hyderabad as defined in clause (iv) of Section 2 thereof was allowed without the approval of the Central Government.

The Scheduled Securities (Hyderabad) Act of 16th February, 1949 repealed this Ordinance and vested in the Government of Hyderabad securities specified in the Schedule to the Act, notwithstanding any transfer made before 31st December, 1948. Further, the Reserve Bank of India was empowered to issue to the Government of Hyderabad duplicate securities in lieu of the scheduled securities as if such securities had been lost. The duplicate securities were to be deemed to have the same effect as if they had been issued under Section 11 of the Public Debt (Central Government) Act 1944.

78. *Small Savings.*—Statement XXII 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 National Savings Certificates issued from 1st October, 1943 to replace the Ten-Year Defence Savings Certificates. Statement XXIII gives information regarding the Post Office Savings Bank since 1913-14 and the Defence Savings Bank which started operations from 1st April, 1941. Particulars of monthly transactions in the various types of small savings are given in Statement XXIV.

From 1st June, 1948, in addition to the Twelve-Year National Savings Certificates, the Government have started the new series of Five-Year and Seven-Year National Savings Certificates. As part of the Anti-inflation Programme of the Government of India, investment facilities for small investors were widened with effect from 23rd October, 1948 by raising the permissible limit for investment in Postal Savings Banks from Rs. 5,000 to Rs. 10,000 and in National Savings Certificates from Rs. 15,000 to Rs. 25,000. The following Table gives particulars of outstandings in the various forms of small savings since 1940-41.

	Outstandings at the end of										(In lakhs of rupees)
	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47	14-8-47	1947-48*	1948-49*	
Cash Certificates .. ..	46.98	39.01	34.57	34.64	35.82	38.76	39.22	37.69	— 3.07	— 7.50	
Defence Savings Certificates .. ..	2.29	4.35	5.56	6.97	6.42	5.92	5.18	4.79	— 40	— 76	
National Savings Certificates .. ..				8.05	28.19	51.30	70.62	74.98	9.21	25.01	
Savings Bank Deposits ..	59.51	52.07	52.22	64.18	80.22	115.04	142.35	146.81	11.03	30.30	
Defence Savings Bank Deposits .. ..		11	41	4.02	8.53	10.50	10.93	6.02	— 3.16	— 4.07	
Total ..	108.78	95.54	92.75	112.47	159.18	221.52	268.30	279.29	13.61	42.98	

\* Figures for the Indian Union only, exclusive of share in the pre-partition outstandings.

It was decided by the Governments of India and Pakistan that facilities for transfer of Post Office Cash, Defence and National Savings Certificates issued before 15th August, 1947 and standing registered at Post Offices in one Dominion to Post Offices in the other Dominion should be allowed up to the 30th June, 1949 after which date no application for transfer would be entertained. Certificates outstanding as on 15th August, 1947 and verified for transfer by the office of issue on or before 31st March, 1949 would be the financial liability of India to be adjusted as part of the general debt settlement and would be treated as if they had been issued before the Partition in a Post Office now located in India. The Certificates transferred after 31st March, 1948 would be the liability of the Dominion in which the original office of issue is located : their discharge value and bonuses thereon would, on payment, be recovered from the Dominion from which they were transferred.

On the basis of agreements reached at the Inter-Dominion Conference held in Delhi in November, 1948, it was decided to allow transfer of Savings Bank Accounts standing open at Post Offices in Pakistan to Post Offices in India and vice versa in respect of applications received up to the 31st March, 1949, irrespective of the date on which the account might actually be transferred.

During the year 1948-49, 7,268 Post Office Savings Bank Accounts amounting to Rs. 35 lakhs were transferred from India to Pakistan while 23,968 accounts amounting to Rs. 109 lakhs were transferred from Pakistan to India. As at the end of the year, Post Office Savings Bank Accounts transferred from India to Pakistan amounted to Rs. 201 lakhs while accounts amounting to Rs. 579 lakhs were transferred from Pakistan to India.

The yield on Post Office Cash Certificates and Post Office Defence Savings Certificates remained unchanged at  $2\frac{1}{2}$  per cent and  $3\frac{1}{2}$  per cent compound interest respectively while the yield on Twelve-Year Defence Savings Certificates stood at  $4\frac{1}{6}$  per cent simple interest.

79. *Provincial Debt.*—The outstanding total debt of the Provinces of the Indian Union increased by Rs. 36.78 crores from Rs. 118.14 crores at the end of 1947-48 to Rs. 154.92 crores at the end of 1948-49, mostly on account of increases of Rs. 15.72 crores, Rs. 6.43 crores and Rs. 5.79 crores in the outstanding obligations of the East Punjab, C.P. and Berar and West Bengal respectively. The total permanent debt at the end of 1948-49 amounted to Rs. 46.49 crores as against Rs. 44.17 crores at the end of 1947-48. Floating debt increased by Rs. 7.30 crores from Rs. 2.56 crores at the end of 1947-48 to Rs. 9.86 crores at the end of 1948-49. Loans from the Central Government stood at Rs. 76.59 crores at the end of 1948-49 as against Rs. 49.98 crores at the end of 1947-48, a rise of Rs. 26.61 crores which accounts for about 72 per cent of the total increase in the debt of the Provinces during the year. Outstandings of unfunded debt increased by only Rs. 0.55 crore from Rs. 21.43 crores at the end of 1947-48 to Rs. 21.98 crores at the end of 1948-49. While total outstanding debt was higher by Rs. 36.78 crores, only Rs. 4.24 crores were provided for the reduction or avoidance of debt in 1948-49 as against Rs. 4.99 crores in 1947-48.

80. *Provincial Loans.*—The Government of the Central Provinces and Berar, in their announcement dated 26th August, 1948 invited on 1st September, 1948 subscriptions for an issue of 3 per cent C.P. and Berar Loan, 1964 of the face value of Rs. 2 crores, the issue price being Rs. 99 for every Rs. 100 nominal and redeemable at par on the 1st September, 1964. The proceeds of the loan were to be utilised for financing productive capital expenditure on electricity projects. The loan was oversubscribed and allotments to the extent of 43 per cent subject to a minimum of Rs. 5,000 on applications above this amount were made. Total subscription for the loan was Rs. 2.03 crores and no contribution was made by the Government Departments to this loan. No loan was floated during the year by any other Provincial Government. During the year no Provincial loan matured for repayment.

## VI. CAPITAL MARKETS, MONEY AND BANKING

81. *General.*—Stagnation in the capital markets in India continued during the year under review, the flotation of new issues remaining difficult. Share prices fell further from the peak reached in August 1946, though at a much slower pace than in the previous year: the Economic Adviser's index number of variable yield industrial securities which stood at 314.9 in August 1946 fell to 235.6 in March 1947, 178.0 in March 1948 and 152.0 in March 1949 (*vide* Statement XXV). The continuance of the decline even after the successful action in Hyderabad, the 'cease-fire' in Kashmir, tax concessions in the 1949-50 budget and clarifications regarding the role of private enterprise, points to the shortage of investible funds. This would appear to be due not only to unwillingness on the part of investors resulting from lower profit expectations, but also to some extent to a diminished capacity to save among certain classes and some redistribution of incomes in

favour of groups unaccustomed to investment or banking habits. Deposit liabilities of scheduled banks fell almost continuously by about Rs. 95 crores from July 1948 to March 1949. In addition, there was for the first time since 1938-39 a contraction in note circulation of about Rs. 8 crores during 1948-49 as a whole. The gilt-edged market remained comparatively steady on account of substantial, though discriminating, official support, yields registering only a mild rise during the year, particularly in the shorter-dateds. The money markets in India after years of easy conditions consequent on growing currency expansion, witnessed unusual stringency in the last quarter of the year, the normal seasonal demand for funds being strengthened by other factors of considerable magnitude. Loans and advances and bills discounted of scheduled banks rose to the high level of about Rs. 498 crores on 18th March. Cheque clearances in 1948-49 in the five main centres also rose by about Rs. 448 crores over the previous year. Sterling balances of the Reserve Bank of India declined substantially during the year as a result of the transfer of about Rs. 191 crores to the State Bank of Pakistan, the payment of Rs. 284 crores to the U.K. for certain transactions in terms of the Indo-U.K. Financial Agreement, and an expenditure of Rs. 109 crores to meet our own needs.

82. *Government Securities Market.*—The Bombay gilt-edged market continued to run generally quiet and on the whole steady during 1948-49, barring a few instances of occasional hesitancy owing to uncertainties in the political situation, apprehensions regarding anti-inflationary measures, especially in respect of interest rates, and acute stringency in the money market in the latter half of the year. Contrary to fears in some quarters, the policy of the authorities in India, as in the case of many other leading countries, continued to be generally one of stabilisation of interest rates, the Reserve Bank of India continuing to support the market.

Statement XXVI shows the average monthly and annual yields and the highest and lowest prices during 1948-49 of all outstanding Government of India securities, while Statement XXVII gives the annual average prices of representative Government of India securities since 1939-40.

The market opened weak at the beginning of April owing to general lack of support, rather heavy sales from Indian States as well as the uncertainty engendered by the delay in notifying the redemption of the 2½ per cent Loan, 1948-52, which fell due for redemption optionally on 1st June, 1948. However, with the announcement of the repayment of that loan on 14th April, steady conditions set in which practically continued till the end of May, the Economic Adviser's index number (*Base: 1927-28—100*) of the prices of Government securities moving up a little from 114.3 in April to 114.9 in May. During the month of June the market experienced some hesitancy mainly owing to the bearish view taken regarding the breakdown of the negotiations between India and Hyderabad State. A notable feature was the second issue of the 2½ per cent Loan, 1962, on 1st June, 1948 which was offered for conversion of the 2½ per cent Loan, 1948-52.

Steadier conditions reappeared in July, the recovery being aided by the promulgation by the Government of India on 1st July, 1948 of an Ordinance restricting the transfer of Government of India securities held by or on behalf of the Nizam of Hyderabad, this step being expected to diminish sales of securities. The reappearance of institutional support arising partly from the repayment of the 2½ per cent Loan, 1948-52 and partly from general investment demand helped to sustain the market sentiment which took a distinctly firmer tone in September as a result of the swift and decisive police action in Hyderabad State and the flotation of a new short-medium-dated loan on 1st October, 1948 for Rs. 20 crores, bearing interest at 2½ per cent and repayable at par on 1st October,

1955. The satisfactory response to the new loan showed that investors seemed to have on the whole been favourably impressed by the terms of the loan, as indicating the Government's decision to adhere to their declared policy of stabilisation in regard to cheap money. Another important event during this period was the announcement on 14th September, 1948 that the 4 per cent Rupee Loan, 1948-53 would be repaid at par on 15th December, 1948 with all interest due up to that date. The Economic Adviser's index number of the prices of Government securities improved from 114.7 in July to 115.1 in October. From November, however, a recession in prices was in evidence presumably as a natural corrective to the earlier overbought position. The weak undertone generally continued during November and December owing to the general dearth of buyers on the one hand and the pre-dominance of sellers on the other. All the same, prices were sustained to a considerable extent by the extension of official support.

The month of January 1949 witnessed initial steadiness prompted by the prospects of a reduction in the Government of India's defence expenditure following the 'cease-fire' in Kashmir. But the undertone became rather easy owing to the prolonged and rather acute stringency in the money market throughout the remaining part of the year. Prices were, however, again stabilised by substantial and continuous official support.

The closing levels of prices for 1948-49 showed moderate losses over those of the previous year in respect of short and medium-dateds ranging from one anna to one rupee and twelve annas. As regards the long-dateds, except the 2½ per cent Loan, 1976 which lost Rs. 2-0 and the 3 per cent Loan, 1963-65, which declined by an anna, the other scrips recorded moderate gains, the 3 per cent Loan, 1970-75, however, appreciating by as much as twelve annas.

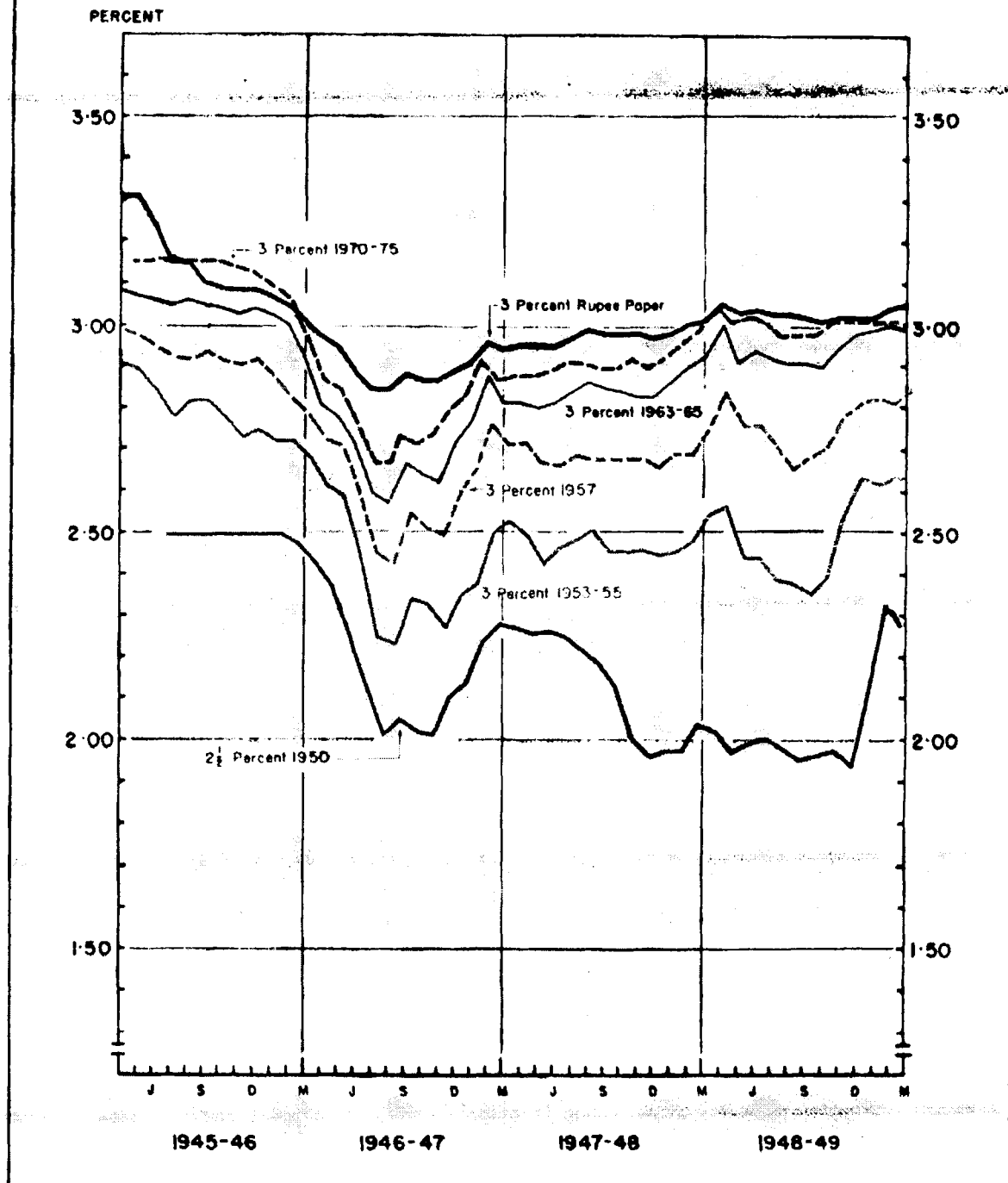
Graph 16 shows the monthly average yields on representative Government of India securities.

83. *Industrial Share Market.* - The decline in share prices which began a couple of years ago showed practically no signs of abatement during the year under review, although the rate of decline in prices was much less than during the previous two years. The principal factors influencing the market were the general economic uncertainty, political developments in Kashmir and Hyderabad States, doubts regarding Government's attitude to private industrial enterprise, anti-inflationary measures of the Government of India and the likely institution of profit-sharing. In the latter part of the year, however, ministerial statements of Government policy as well as some tax concessions in the budget for 1949-50 led to a considerable revival of investment confidence: despite this, there was no improvement in prices, this fact being attributed to the dearth of investible funds. There were also special factors affecting particular types of shares, as, for example, the Tariff Board enquiries into the case for a rise in steel and textile prices, the market being uncertain as to whether and to what extent price rises would be granted.

The market displayed a somewhat quiet and hesitant tone till July. On the one hand, there were such favourable factors as the announcement of the Government's industrial policy which, *inter alia*, indicated the demarcation of industries between private and State enterprise, (Government's intention being that the existing key industries would be allowed to continue under private enterprise for a period of ten years), the rise in textile prices as a result of the removal of cloth control and the Prime Minister's speech at the All-India Congress Committee, stressing the dangers of early nationalization of key industries. On the other hand, there were also bearish influences of the adverse news regarding the Hyderabad situation, rumours regarding the possibility of acquisition of the textile industry by the Government in case the prices did not come down, as well as the news

GRAPH 16

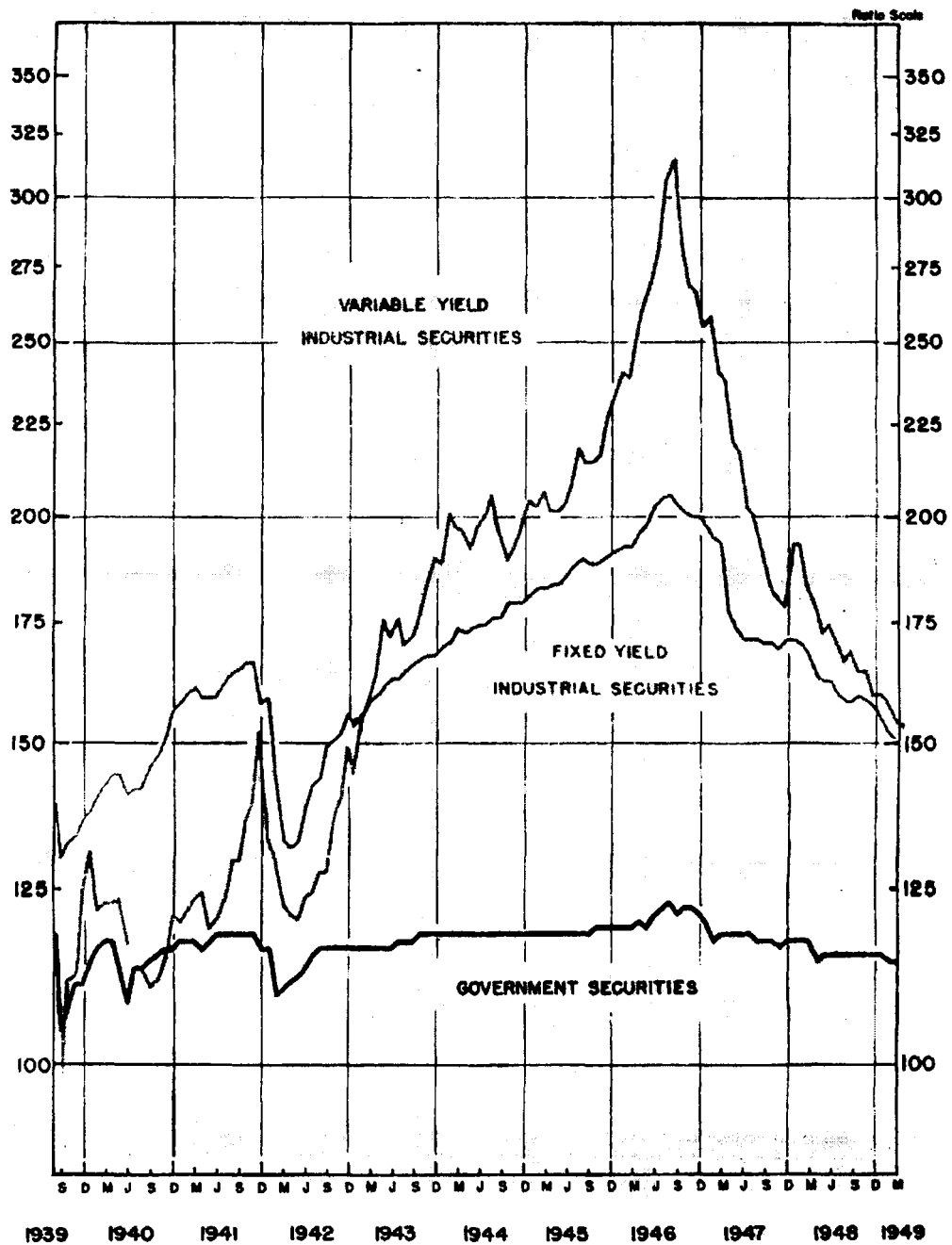
MONTHLY AVERAGE YIELDS ON REPRESENTATIVE  
GOVERNMENT OF INDIA SECURITIES



GRAPH 17

INDICES OF SECURITY PRICES

Base: 1927-28 = 100





regarding the recrudescence of labour trouble at Jamshedpur. The Economic Adviser's general index number of variable yield securities (*Base: 1927-28=100*) declined from 178.0 in March 1948 to 164.9 in July 1948. In the latter part of July and early in August the market remained somewhat steady, but later a slight decline in prices set in as a result of apprehensions regarding anti-inflationary measures, the decline being, however, arrested somewhat by the Prime Minister's denial of rumours regarding the demonetization of Rs. 100 notes and freezing of bank balances. His speech at Bombay indicated that he was not in favour of a sudden change in the present economic set-up which was interpreted to mean that there would be no rapid nationalization of industries. Sentiment was also helped by the successful termination of the Hyderabad 'police action.' The publication on 23rd September, 1948 of the Expert Committee's recommendations regarding profit-sharing in industry also induced operators to extend their commitments, as it was felt that a majority of companies would not be affected adversely.

This sentiment, however, did not continue for a long time as in the following two months, i.e., October and November, the market displayed a quiet tone. Trading was at a low ebb, operators showing disinclination to enter into larger commitments owing to the prevailing uncertainties in regard to labour, industrial earnings and, above all, the Government's anti-inflationary proposals. Even the *moorat* session which was held on 31st October lacked the usual enthusiasm, sentiment having been adversely affected by the Dividend Limitation Ordinance issued on 29th October, 1948 and the notification relating to the restrictions on future bonus issues of companies. In November also, the market sentiment continued to be weak, being adversely affected by the growing threat of communism following the developments in Malaya, China and Burma. Other bearish influences in the market were the probability of All-India Docks and Railways strikes and the apprehension of keen foreign competition following the reported decision of the Government to utilize as fully as possible the amount of sterling available under the Sterling Balances Agreement. As a result of these, persistent all-round selling was in evidence, share values drifting to fresh low levels. The Steel Section, however, displayed a comparatively steady tone owing partly to favourable production reports for October and partly to the announcement of a higher dividend by the Indian Iron and Steel Co. The steadiness in this section was particularly marked in Tata Deferreds owing mainly to reported support by a bull syndicate. Later, the low levels attracted some bear-covering and the selling pressure seemed to abate, presumably owing to a feeling that prices had gone far too low. In fact, a mild recovery was in evidence as a result of the promulgation of the Ordinance on 19th November empowering the Income Tax Investigation Commission to compound cases arising from tax evasion with the approval of the Central Government and also the Transport Minister's announcement assuring top priority in regard to the transport requirements of the steel, cement and textile industries. The upward trend was further assisted by factors such as optimistic expectations in regard to steel prices and the predominance of buying enquiries. Rumours to the effect that the Government would be liberal in granting permissions to issue bonus shares imparted further confidence to the market.

During the first quarter of 1949 the market was on the whole quietly easy. The stringency in the money market, apparently more than seasonal, the deteriorating political situation in the neighbouring countries and the decision of the Government of India to levy an excise duty of 25 per cent *ad valorem* on superfine cloth were the principal factors responsible for an easy feeling, while the usual pre-budget restraint also played its part in determining the trend of the market. Somewhat steady conditions characterised trading during the latter half of February, owing to the surplus railway budget and the Deputy Prime Minister's statement at Madras that the Government of India neither proposed nor had the

TABLE 31.—PRICES OF CERTAIN INDUSTRIAL SHARES, 1948-49

	Opening 1-4-1948 (1) Rs. a.	Highest (2) Rs. a.	Lowest (3) Rs. a.	Closing 31-3-1949 (4) Rs. a.	Previous Closing 31-3-1948 (5) Rs. a.	Percentage increase (+) or decrease (—) of 4 over 5 (6)
Tata Steel Deferred .. .. .	1,480 0	1,752 8	1,430 0	1,472 8	1,542 8	— 4.5
Tata Steel Ordinary .. .. .	314 0	350 0	278 8	284 8	324 0	—12.2
Steel Corporation of Bengal .. .. .	23 14	27 4	17 8	20 8	24 8	—16.3
Indian Iron and Steel .. .. .	28 0	32 1	20 15	24 5	28 11	—15.3
Bombay Dyeings (Textiles) .. .. .	990 0	1,170 0	915 0	957 8	1,035 0	— 7.5
Kohinoor .. .. .	570 0	677 0	268 0	292 8	587 0	—50.2*
Swadeshi .. .. .	605 0	678 0	267 0	303 0	627 0	—51.7*
New Great .. .. .	354 0	380 0	150 0	166 0	356 0	—53.4*
Buckingham .. .. .	330 0 xd	353 8 cr	152 0 xr	153 4 xd	330 0 xd	—53.6*
		179 0 xr	322 8 cr			
Cambodia .. .. .	11 12	12 0	8 14	9 7 cd	11 14	—20.5
Imperial Bank (F.P.) .. .. .	2,010 0	2,120 0	1,072 8	1,877 8	2,040 0	— 8.0
Bank of India .. .. .	249 0	257 8	187 8	193 8	250 0	—22.6
Central Bank of India .. .. .	81 0	95 8	79 12	85 0 xd	82 4	— 3.3
Bank of Mysore .. .. .	327 8	332 8	275 0	286 0	340 0	—15.3
Anglo-India (Jute) .. .. .	327 8	346 0	286 0	283 4 @	532 0	—14.7
Howrah .. .. .	74 4	84 8	27 7 xr	27 7 @	76 0	—63.9*
Kanknarrah .. .. .	514 0	555 0	258 0 xr	258 0 @	514 0	—49.8*
Bengal (Coal) .. .. .	498 0	545 0	428 0	434 0 @	515 0	—15.7
Burrakur .. .. .	19 4	24 14	11 10 xr	12 2 @	21 2	—42.6*
Equitable .. .. .	39 4	43 8	34 4	37 0 @	38 4	— 3.3
Hasimara (Tea) .. .. .	112 8 @	110 8	47 8 xr	47 8 @	112 8	—57.8*
Patrakola .. .. .	1,160 0 @	330 0 xr	247 0	252 8 @	1,160 0 @	—78.2*
Carew Sugar .. .. .	11 0	13 7	7 12	8 6 @	11 4	—25.6
India Sugar .. .. .	17 0	17 0	16 0	16 0	17 0	— 5.9
Chembra Peaks (Plantings) .. .. .	5 6	6 14	4 6	4 14	5 7	—10.3
Cochin Malabar .. .. .	6 12	7 12	4 0	4 1	6 12	—39.8
A.C.C. .. .. .	169 0	178 0	145 0	146 8	170 8	—14.1
F.A.C.T. .. .. .	6 9	6 14	4 1	4 1	6 10	—38.7

\* The high percentage decrease in prices is due mainly to the issue of bonus shares, dividend amounts not being expected to increase at all or to increase proportionately. @ Nominal quotation. xd=Ex dividend; xr=Ex rights; cr=Cum rights.

means to take up large-scale nationalization. During the special session of trading held immediately after the presentation of the Central Government budget for 1949-50, which proposed the removal of the capital gains tax, there was a set-back in prices, owing to dissatisfaction regarding tax concessions, the continuance of business profits tax and the imposition of an excise duty on coarse cloth. On second thoughts, however, the market mildly rallied but only to decline again, owing to the dissolution of the bull syndicate in Tata Deffereds and consequent heavy liquidation and bear hammering.

The Madras and Calcutta markets, following the trend in Bombay, ruled quiet with an easy undertone practically throughout the year. A notable feature of trading in the Madras market was the issue of bonus shares by many tea companies. Owing to the prevalence of extremely weak conditions the Calcutta Stock Exchange found it necessary to reimpose, with effect from July 1948, minimum prices on all shares except those of banks, electrics, rubber, tea, insurance and also preference shares. But on improvement in the situation, minimum prices in respect of 83 less active shares were removed with effect from 1st January, 1949, while those with regard to coal, cotton, engineering and sugar companies were lifted in March 1949.

Graph 17 depicts the movements since August 1939 in the prices of Government securities as well as fixed-yield and variable yield industrial securities. Statement XXV gives the Economic Adviser's index numbers of prices of industrial securities. The index numbers for the closing month of the year were considerably lower than those for the closing month of the previous year, the percentage declines in the case of a few leading groups being as follows :

Coal .. .. .	18.2
Iron and Steel .. .. .	11.1
Jute .. .. .	16.5
Sugar .. .. .	11.6
Paper .. .. .	14.2
Banking .. .. .	9.7
Cotton .. .. .	15.4

The general index showed a decline of 14.6 per cent as against a decrease of 25.6 per cent during the previous year. Table 31 shows the trend in prices of some of the leading industrial shares on the Bombay, Madras and Calcutta share markets during 1948-49.

84. *Control of Capital Issues.*—Control over the issue of capital continued to be exercised during the year under review under the Capital Issues (Continuance of Control) Act 1947. Statement XXVIII gives the details of the working of the control during the year, as also the progressive figures since the inception of the control on 17th May, 1943. During the year sanction was given only in respect of 348 companies for an issue of Rs. 111.93 crores as against 426 companies for an issue of Rs. 162.99 crores in the previous year. As in the past, industrial issues predominated both in respect of the number and amount, constituting as much as 62.36 per cent of the number and 54.78 per cent (*vide* Table 32) of the amount sanctioned. As regards the distribution between the immediate and the long-range schemes, the former accounted for the major share, constituting 86.49 per cent of the number of companies and 65.29 per cent of the amount sanctioned as against 87.56 per cent and 62.45 per cent respectively in the previous year.

Out of the total consents for 348 companies, 103 related to bonus issues amounting to Rs. 21.18 crores, of which 65 related to textile companies, 9 to jute

TABLE 32.—CONTROL OF CAPITAL ISSUES

CLASSIFICATION	From 17-5-1943 to 30-9-1945		From 1-10-1945 to 31-3-1947		From 1-4-1947 to 31-3-1948		From 1-4-1948 to 31-3-1949	
	No. of companies	Amount sanctioned	No. of companies	Amount sanctioned	No. of companies	Amount sanctioned	No. of companies	Amount sanctioned
(A) Percentage Distribution, Group-Wise, of Immediate and Long-Range Schemes Combined								
I. Industrial .. .. .	48.37	61.28	60.25	59.18	65.49	53.75	62.33	54.75
II. Agricultural .. .. .	7.21	5.42	6.58	3.16	5.40	1.70	2.87	3.25
III. Financial .. .. .	13.45	19.50	16.54	11.53	15.26	19.09	21.26	16.90
IV. Trade and Transport .. .. .	25.11	10.57	11.23	21.07	10.33	21.02	10.92	19.59
V. Other Services .. .. .	7.54	3.25	5.40	5.01	3.52	1.44	2.59	3.43
VI. Total Non-Industrial .. .. .	33.23	38.74	30.75	40.82	34.51	43.25	37.94	45.22
VII. GRAND TOTAL—INDUSTRIAL AND NON-INDUSTRIAL .. .. .	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
(B) Percentage Distribution in each Group between Immediate and Long-Range Schemes								
I. INDUSTRIAL:								
Immediate .. .. .	87.77	48.53	56.72	34.07	85.06	62.62	82.05	69.18
Long-Range .. .. .	12.23	51.47	43.28	65.33	14.34	37.38	17.05	30.82
II. AGRICULTURAL:								
Immediate .. .. .	99.63	98.94	91.03	77.62	95.65	92.73	100.00	100.00
Long-Range .. .. .	0.37	1.06	8.97	22.38	4.35	7.27	..	..
III. FINANCIAL:								
Immediate .. .. .	98.92	96.95	90.31	71.49	95.33	93.09	97.30	97.09
Long-Range .. .. .	1.18	3.05	9.69	28.51	4.62	6.91	2.70	2.91
IV. TRADE AND TRANSPORT:								
Immediate .. .. .	93.63	69.24	82.71	41.38	81.82	30.24	84.21	35.43
Long-Range .. .. .	1.37	30.76	17.29	58.62	18.18	69.76	15.79	64.52
V. OTHER SERVICES:								
Immediate .. .. .	96.15	74.03	71.98	48.48	93.33	95.73	77.73	14.36
Long-Range .. .. .	3.85	25.97	28.12	51.52	6.67	4.27	22.22	85.64
VI. TOTAL NON-INDUSTRIAL:								
Immediate .. .. .	93.46	87.75	85.77	53.59	91.16	62.23	92.37	60.63
Long-Range .. .. .	1.54	12.25	14.23	46.41	8.84	37.77	7.63	39.42
VII. GRAND TOTAL—INDUSTRIAL AND NON-INDUSTRIAL:								
Immediate .. .. .	93.47	63.72	64.27	42.40	87.53	62.45	84.49	65.29
Long-Range .. .. .	6.53	36.28	35.73	57.60	12.47	37.55	15.51	34.71

companies, 3 each to sugar, tea and automobile companies, and the remaining 20 to miscellaneous companies.

Although the total consents of capital issues represent a large sum, it is not known to what extent actually the capital has been subscribed and paid up, complete information in this regard not being available.

**85. Industrial Finance Corporation.**—The proposal for the establishment of a corporation to provide assistance to industry, which had been under consideration for quite a long time, took final shape when the Industrial Finance Corporation Bill was passed by the Indian Parliament on 13th February, 1948. Under this Act, the Industrial Finance Corporation was established on 1st July, 1948. Its purpose is to provide medium and long-term finance to public limited companies and co-operative societies registered in India, including the Acceding States, and engaged in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power. Individuals, partnership firms or private limited companies are thus excluded from the purview of the Corporation's operations. The authorised share capital is Rs. 10 crores, divided into 20,000 shares of Rs. 5,000 each, the paid-up capital being Rs. 5 crores in respect of 10,000 shares issued from 9th to 11th August, 1948. To this issue, the Central Government and the Reserve Bank of India subscribed Rs. 1 crore each, the scheduled banks and financial institutions, like insurance companies and investment trusts, Rs. 1½ crores each, and co-operative banks Rs. ½ crore. The paid-up value of the share capital and dividends on it at the minimum rate of 2½ per cent per annum are guaranteed by the Government. Although the minimum rate of dividend has been fixed at 2½ per cent, the gross return to the shareholder is 3.27 per cent, if allowance is made for the incidence of income tax borne by the Corporation itself. The Board of Directors consists of twelve members, of whom four are nominated by the Central Government and two by the Reserve Bank of India, and six are representatives of scheduled banks, insurance companies, investment trusts and other financial institutions and co-operative banks.

The Corporation is authorised to borrow up to five times the amount of its paid-up capital and reserve fund. When the reserve fund equals the authorised share capital of Rs. 10 crores, the borrowing capacity of the Corporation will be Rs. 100 crores. The Corporation may also accept deposits for periods of not less than five years, but the total deposits accepted may not exceed Rs. 10 crores. It is empowered to provide financial assistance in the following ways :

- (i) grant loans or subscribe to debentures of industrial concerns repayable within a period of 25 years secured by sufficient pledge, hypothecation or mortgage of tangible assets ;
- (ii) underwrite the issue of stocks, shares and debentures ;
- (iii) guarantee loans floated in the market repayable within a period not exceeding 25 years.

It is prohibited from subscribing directly to the shares or stocks of companies. The Corporation is thus primarily a lender and not a partner in industry. Its policy, broadly stated, is to finance the acquisition of fixed assets, namely, land, buildings, plant and machinery, or extension of the same ; its aim is thus to supplement rather than compete with the activities of commercial banks. Applications for loans are examined with reference to (a) the financial position of the company as revealed by a study of balance sheets or an inspection of the accounts and assets, (b) the technical soundness of the scheme and competence of the management, and (c) the importance of the industry in the economy of the country and the prospects for the success of the scheme. Further, the concern

applying for assistance would have to provide a reasonable proportion of the required finances through its own capital, before it could receive any aid from the Corporation.

86. *Money Rates and Conditions.*—Statement XXIX shows the various money rates in India since 1935-36 as well as those prevailing on the first day of each month of the year under review. The Bank rate of the Reserve Bank of India remained unchanged at 3 per cent throughout the year. Money conditions were on the whole easy during the first half of the year, inter-bank call money rate being quoted at  $\frac{1}{2}$  per cent both in Bombay and Calcutta. With the commencement of the busy season, the market began to show signs of stringency, which was reflected in the poor response to the Government of India Treasury bills (*vide* para 65). As the busy season progressed, money rates tended to harden and sales of Government of India Treasury bills to the public were suspended in the second week of November. The call money rate in Bombay which had continued unchanged at  $\frac{1}{2}$  per cent since the end of July 1947 was quoted higher at  $\frac{1}{2}$ - $\frac{3}{4}$  per cent from 19th November, 1948, and after a temporary recession to its previous level on 24th November, hardened further to  $\frac{3}{4}$  and 1 per cent respectively on 24th December, 1948 and 21st January, 1949. The call money rate among exchange banks, including some of the larger Indian scheduled banks (available separately from 21st January, 1949) fell to  $\frac{3}{4}$  per cent on 28th January, but firmed up to 1 per cent on 26th March, at which level it closed for the year under review. The call money rate among other Indian banks which was quoted at  $1\frac{1}{2}$ -1 $\frac{3}{4}$  per cent on 21st January, 1949 eased to 1-1 $\frac{1}{4}$  per cent on the 28th but rose again on 26th March to 1 $\frac{1}{4}$  per cent.

Other short-term rates also showed a similar tendency in the first quarter of 1949, the three and six months' fixed deposit rates moving up for the first time since February 1948. Early in January the former hardened from 1-1 $\frac{1}{4}$  per cent to 1-1 $\frac{1}{2}$  per cent and a little later to 1 $\frac{1}{4}$ -1 $\frac{1}{2}$  per cent, but eased to 1-1 $\frac{1}{4}$  per cent towards the end of the month, and the latter rose from 1 $\frac{1}{4}$ -1 $\frac{1}{2}$  per cent to 1 $\frac{1}{2}$ -1 $\frac{3}{4}$  per cent at which level it closed for the year. The twelve months' rate remained unaltered at 1 $\frac{1}{2}$ -2 per cent throughout the year.

The Imperial Bank of India Hundi rate in Bombay, which has not shown any variations for several years past, rose to 3 $\frac{1}{2}$  per cent on 19th January, 1949; likewise, the Bazar Bill rates in Bombay and Calcutta which were steady at 7 $\frac{1}{2}$  per cent and 9-10 per cent respectively since January 1947 rose to higher levels, the former to 8 $\frac{1}{2}$  per cent at the end of January 1949 and the latter to 12-15 per cent in the middle of February. The Bazar Bill rate in Bombay, however, reverted to 7 $\frac{1}{2}$  per cent from 11th February.

The short money rates during the first quarter of 1949, even though still below pre-war levels, show an unusual hardening as compared with the rates which prevailed in the same period of the busy season during and after the war. This was the result of exceptional stringency in the money market, attributable partly to the strengthening of the normal seasonal demand for funds and partly to other factors of considerable magnitude, such as, heavy imports, large tax collections and the locking up of funds in goods which could not be moved owing to transport bottlenecks.

87. *Scheduled Banks.*—Statement XXX shows the weekly consolidated position of the working of scheduled banks in India and Pakistan up to July 1948 and for the Indian Union thereafter. Statement XXXI gives annual statistics of scheduled banks since 1937-38 and monthly statistics during the year 1948-49. The indices in respect of the items included in this Statement are shown in Statement XXXIII; the annual indices up to 1947-48 have the average of 1938-39

as the base, while the monthly indices from September 1947 have the average of 1948-49 as the base. Statement XXXII gives the monthly consolidated position of scheduled banks since 1935-36. Graph 18 shows the consolidated position of scheduled banks since 1935-36.

During the year, two banks, namely, the Bank of Rajasthan Ltd., Udaipur, and the Belgaum Bank Ltd., Belgaum, were added to the Second Schedule to the Reserve Bank of India Act, while the Bank of Commerce Ltd., Calcutta, and the Industrial Bank of Western India Ltd., Ahmedabad (the latter having gone into voluntary liquidation), were excluded from it. The total number of scheduled banks at the end of the year thus remained unchanged at 101.

During the first four months of the year under review the total deposit liabilities of scheduled banks in the Indian Union fluctuated within narrow limits, rising discontinuously from about Rs. 986.63 crores at the end of March 1948 to a peak of Rs. 1,010.53 crores on 23rd July. From that time they fell steeply, though with several breaks, by nearly Rs. 95 crores to Rs. 915.86 crores, at the end of March 1949. Total liabilities at the end of the year were nearly Rs. 71 crores below that at the end of the previous year, the fall in demand and time liabilities over the year being Rs. 38 crores and Rs. 33 crores respectively. Demand liabilities generally maintained an upward trend during the first four months of the year rising from Rs. 668.55 crores on 26th March, 1948 to the peak of Rs. 698.40 crores on 16th July--an increase of nearly Rs. 30 crores. For the rest of the year they displayed a tendency to decline, though not without occasional spurts, and stood at a low of Rs. 630.58 crores on 25th March, 1949. Of the fall of nearly Rs. 68 crores over these 8½ months more than half, that is, about Rs. 36 crores, occurred in the first quarter of 1949 and was due to the exceptionally heavy demands for funds for reasons mentioned earlier. Time liabilities, on the other hand, started declining right from the commencement of the year and showed a drop of Rs. 9 crores to Rs. 309.47 crores between 26th March, 1948 and 16th July, 1948. The downward trend continued throughout the year. On 25th March, 1949 time liabilities stood at Rs. 285.27 crores, being Rs. 33 crores less than at the end of the previous year.

On the assets side the variations in cash were within a narrow range, rising from Rs. 35.89 crores on 26th March, 1948 to Rs. 40.16 crores on 2nd July and finally closing at Rs. 35.26 crores on 25th March, 1949. Balances of scheduled banks with the Reserve Bank, on the other hand, increased rapidly from Rs. 72.55 crores on 2nd April, to Rs. 112.75 crores in the first week of August. The excess over the statutory minimum touched the peak of over Rs. 70 crores at the end of July 1948. However, from September, with the start of the busy season, the balances of scheduled banks with the Reserve Bank declined rapidly to Rs. 49.94 crores on 18th March, 1949, the excess over the statutory minimum falling likewise to Rs. 12.48 crores on the same date. The percentage of cash and balances with the Reserve Bank to total deposit liabilities, after rising steadily from 11.24 in April to 13.62 in August, declined continuously with a break in November to 9.60 in March, which was the lowest cash ratio recorded by the scheduled banks since the end of the war.

Owing to the prolongation of the previous year's busy season, advances and bills discounted continued to remain rather high till about the end of June 1948. During the second quarter of the year, however, they fell rapidly from Rs. 451.31 crores on 25th June to Rs. 402.86 crores on 24th September which is in conformity with the usual slack season pattern. With the onset of the busy season, advances and bills discounted rose rapidly from Rs. 402.86 crores at the end of September 1948 to Rs. 496.46 crores at the end of March 1949. This represents an expansion of nearly Rs. 94 crores over a period of six months, the major portion of which,

namely, over Rs. 54 crores, occurred in the first quarter of 1949. With this pronounced growth in advances and bills discounted and the sharp fall in total deposits, noticed above, the ratio of the former to the latter moved rapidly to the pre-war level; at the end of March 1949 the ratio was 53 per cent, which was only 1 per cent less than the average ratio for the year 1939-40 but 7 per cent more than the highest monthly ratio in the previous year.

The trend of total deposit liabilities of scheduled banks for 1948-49 thus shows a reversal of the trend noticeable during and since the war. Over 1948-49 as a whole total deposit liabilities fell by Rs. 71 crores which is in sharp contrast to the average annual rate of increase of about Rs. 98 crores for the war years (1939-40 to 1945-46). It is also interesting to note that during this year the decline in the busy season (October 1948 to March 1949) in deposit liabilities at Rs. 77 crores was the largest on record. The distribution of assets, in common with most other countries of the world, also indicates a pronounced tendency to return to the pre-war pattern, with loans and advances and bills discounted resuming their previous importance.

There was an addition of 208 during the year to the list of offices of the scheduled banks in India. Of these 166 were new offices opened by the existing scheduled banks, and 42 were offices of the two banks newly included in the Second Schedule. On the other hand, 163 offices were deleted from the list, 156 of these being closed down and 7 being struck off following the exclusion of two banks from the Second Schedule. There was thus a net addition of only 45 offices during the year, the number of offices on 31st March, 1948 and 1949 being 2,963 and 3,008 respectively.

88. *Non-Scheduled Banks.*—The Table below shows the demand and time liabilities and cash balances of the non-scheduled banks on the last Friday of each year.

**TABLE 33. DEMAND AND TIME LIABILITIES AND CASH BALANCES OF NON-SCHEDULED BANKS**

(Rupees in lakhs)								
Last Friday of	No. of banks submitting returns	Total Demand and Time Liabilities	Demand Liabilities	Percentage of 4 to 3	Time Liabilities	Percentage of 6 to 3	Cash Balances	Percentage of 8 to 3
1	2	3	4	5	6	7	8	9
1939	689	15,96	4,87	30.5	11,09	69.5	1,10	6.9
1940	604	18,74	5,26	31.4	11,48	68.6	1,30	7.8
1941	601	19,54	7,06	36.2	12,47	63.8	1,64	8.4
1942	534	24,64	11,06	44.9	13,59	55.1	2,63	10.7
1943	530	34,79	17,52	50.4	17,27	49.6	4,88	14.0
1944	613	53,13	24,84	46.8	28,29	53.2	6,04	11.4
1945	632	73,64	33,92	46.1	39,71	53.9	9,24	12.6
1946	650	78,44	33,79	41.8	46,65	58.2	6,59	8.4
1947*	439	47,83	20,13	42.1	27,70	57.9	3,44	7.2
1948*†	360	38,50	15,88	41.2	22,61	58.8	3,39	8.8

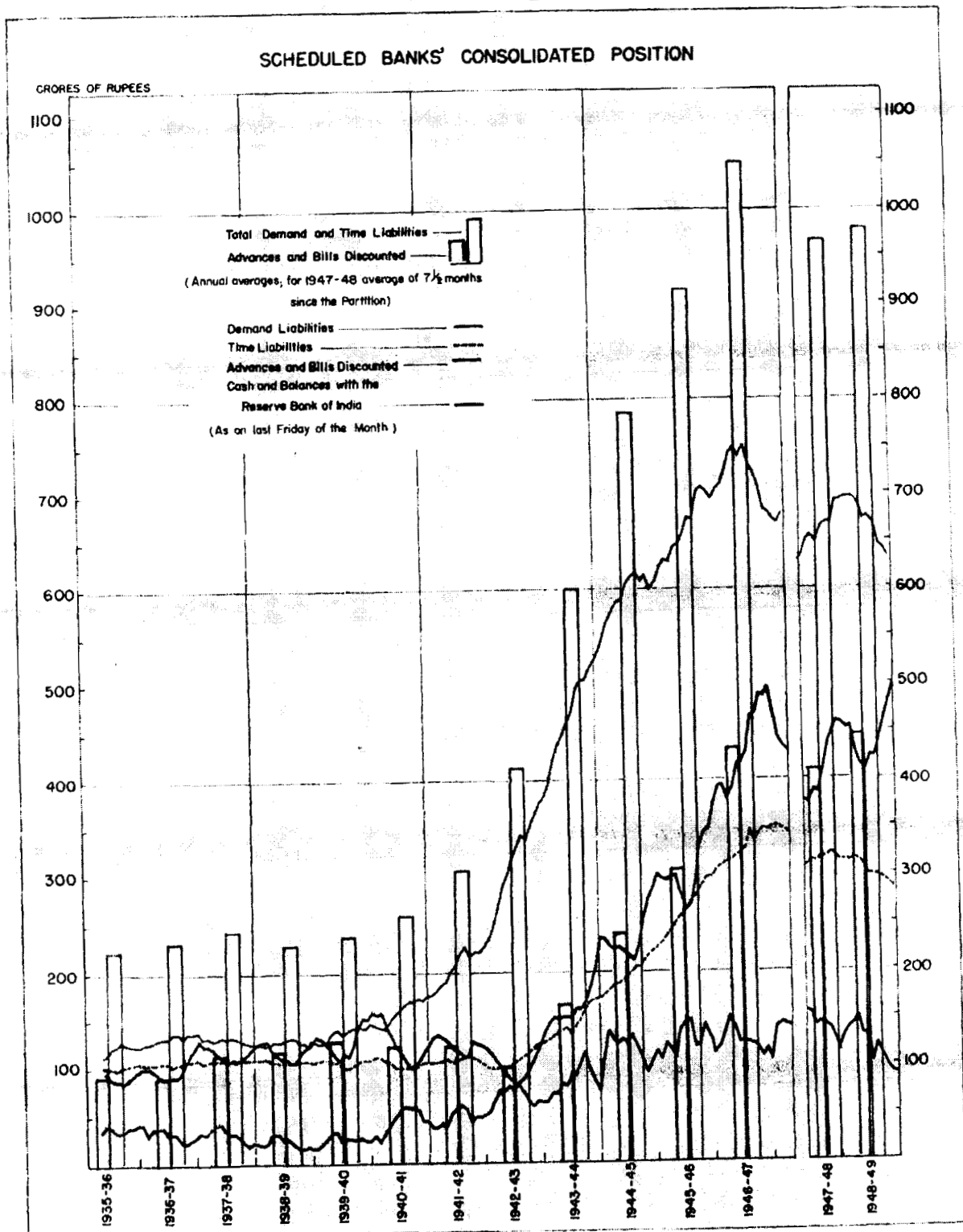
\* Excludes banks having their registered offices in Pakistan.

† Provisional.

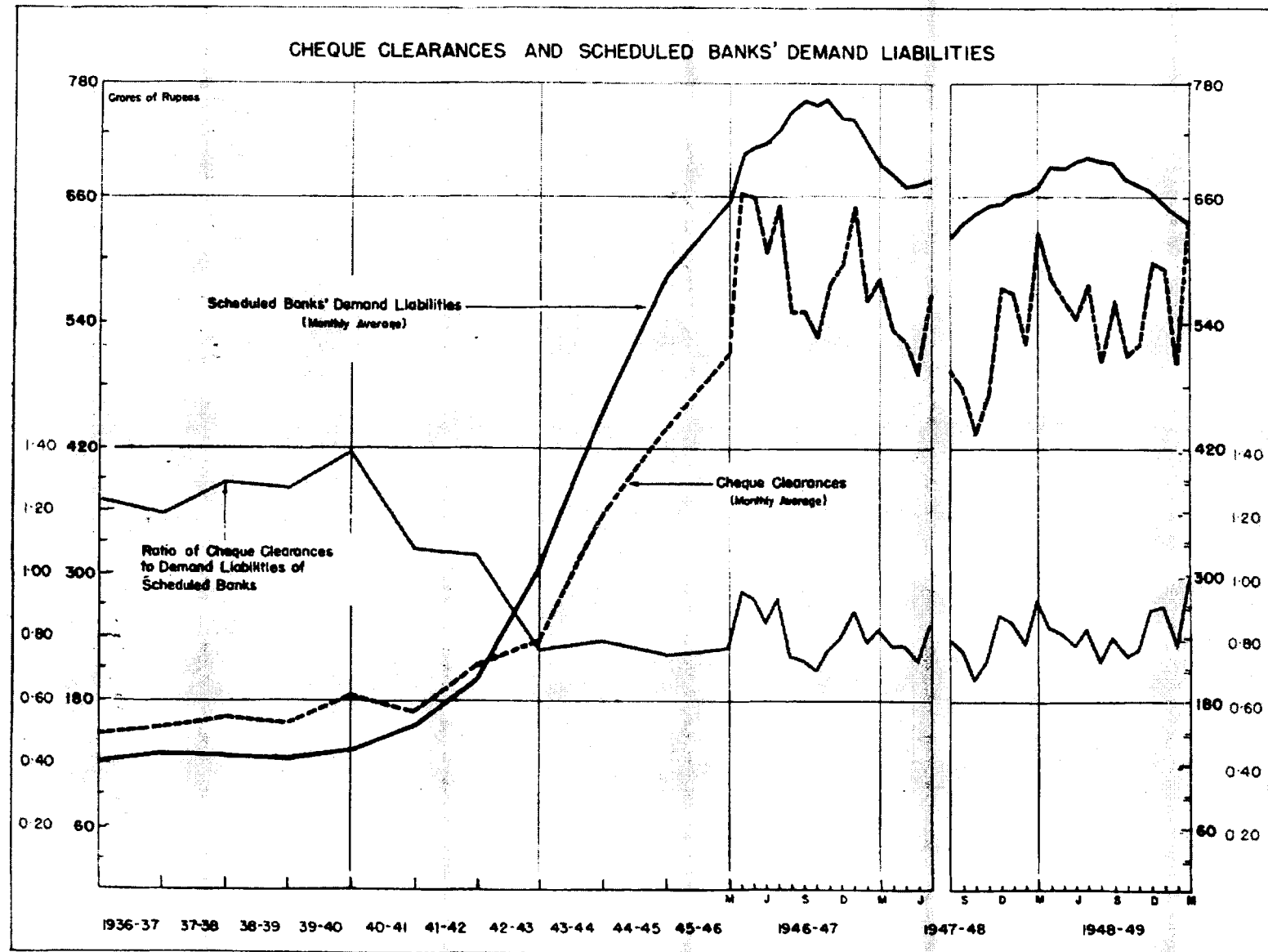
At the end of 1948 there were 360 non-scheduled banks submitting returns under Section 277L of the Indian Companies Act and their total demand and time liabilities amounted to Rs. 38.50 crores as against 439 banks and Rs. 47.83 crores at the end of 1947. The decline in the number of reporting non-scheduled banks is due to the absence of returns of most banks from West Bengal. The proportion of demand to total liabilities also declined slightly to 41.2 per cent in 1948 from 42.1 per cent in the previous year, this decline being in conformity with the almost unbroken downward trend since 1943 when the shares of demand and time liabilities in the total liabilities were almost equal. A special factor



GRAPH 18



GRAPH 19



affecting deposits of non-scheduled banks seems to have been the banking crisis in Bengal in September 1948 when large withdrawals took place.

89. *Clearing House Statistics.*—Statement XXXIV shows cheque clearances through the more important clearing houses since 1918-19. From 1st July, 1948, from which date the Reserve Bank of India ceased to be the monetary authority for Pakistan, the figures for Karachi and Lahore centres have been excluded. The figures for "other centres" also exclude those relating to the centres of Lyallpur and Rawalpindi, data pertaining to which have not been available since September and October 1947 respectively.

Total clearings for the five principal Indian centres, namely, Bombay, Calcutta, Delhi, Kanpur and Madras showed a substantial increase of Rs. 448 crores during the year under review as against a steep fall of about Rs. 742 crores at these centres in the previous year. This rise in clearings is attributable partly to increased business activity and partly to the higher level of prices in 1948-49. All the five centres registered increases in cheque clearances, the Bombay centre recording the highest increase of Rs. 286 crores or about 64 per cent of the total increase.

With the pre-war year 1938-39 as the base the index numbers of cheque clearances (*vide* Table below) during the two years 1946-47 and 1947-48 are 355 and 315 respectively. With the same base the index for the Indian Union for 1948-49 comes to 321.\*

Statement XXXV shows the monthly figures of the number and amount of cheques cleared through the clearing houses in India, including nineteen managed by the Imperial Bank of India and one by the Bank of Mysore. Although the total number of cheques cleared declined during the year as compared to the previous year, the amount of clearances substantially increased.

The following Table gives the ratio of clearings to scheduled banks' demand liabilities since 1938-39. The annual velocity of circulation of deposit money in the Indian Union, as measured by this ratio, was 9.0 for 1948-49 as compared with 8.4 for India and Pakistan for 1947-48. The increase in velocity reflects the increase in total clearings mentioned above accompanied by a sharp fall in demand liabilities since the end of July 1948 (*vide* para 87).

Graph 19 shows the average monthly velocity of scheduled banks' demand liabilities for the years 1936-37 to 1945-46 and the monthly velocity from 1946-47 to 1948-49.

Year	Average Demand Liabilities of Scheduled Banks (Rs. crores)	Indices	Total Clearing House Returns† (Rs. crores)	Indices	Ratio of 4 to 2
1	2	3	4	5	6
1938-39	124	100	1,893	100	15.3
1939-40	133	107	2,221	117	16.7
1940-41	156	126	2,030	107	13.0
1941-42	200	162	2,575	136	12.9
1942-43	308	247	2,816	149	9.2
1943-44	457	369	4,281	226	9.4
1944-45	585	472	5,270	279	9.0
1945-46	655	529	6,120	323	9.3
1946-47	726	586	6,717	355	9.3
1947-48	707	571	5,961	315	8.4
1948-49‡	675		6,085		9.0

† Excluding "Other Centres" (*vide* Statement XXXIV). ‡ Indian Union only.

\* Not indicated in the Table as the figure is not strictly comparable with the previous ones which relate to undivided India.

90. *Internal Remittances.*—Statement XXXVI (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 centres. Figures up to the end of June 1948 include transfers issued and paid through the Karachi, Lahore and Dacca offices of the Reserve Bank of India. From 1st July, as these offices were transferred to the State Bank of Pakistan, the statistics relate to the offices in the Indian Union only. Statement XXXVI (B) gives transfers of funds by demand drafts, telegraphic transfers and mail transfers in India through the Imperial Bank of India on its own account. Statement XXXVI (C) shows the share of the general public, the scheduled and non-scheduled banks, the co-operative banks and societies and the Governments in the remittances by (1) telegraphic transfers and (2) drafts and mail transfers, effected through the Reserve Bank of India, the Imperial Bank of India and the Treasury agencies together, for each of the half-years ended September 1947, March 1948 and September 1948.

(A) Both remittances issued and paid at the offices of the Reserve Bank were lower this year than last year: telegraphic transfers issued amounted to Rs. 808.87 crores as against Rs. 823.60 crores in the previous year and telegraphic transfers paid amounted to Rs. 1,110.49 crores as against Rs. 1,160.56 crores. Of this, the Calcutta office accounted for the largest share of both telegraphic transfers issued and paid, viz. Rs. 288.22 crores and Rs. 439.43 crores respectively.

(B) The total remittances through the Imperial Bank of India fell by 7.5 per cent owing partly to the exclusion of data for Pakistan and partly to the fall in remittances within the Bengal and the Bombay circles, though there was a rise in remittances within the Madras circle.

(C) As compared with the previous half-year the total remittances through the Reserve Bank of India, the Imperial Bank of India and the Treasury agencies during the half-year ended 30th September, 1948 on account of the general public, scheduled banks, non-scheduled banks and indigenous bankers, and local funds, showed an increase of Rs. 1.72 crores, Rs. 38.23 crores, Rs. 93 lakhs and Rs. 22 lakhs respectively, while remittances on account of co-operative banks and societies and Governments declined by Rs. 24 lakhs and Rs. 4.05 crores respectively. Since figures for the half-years ended 31st March and 30th September, 1948 relate to the Indian Union only, they are not strictly comparable with those of the corresponding period of the previous year. Of the total remittances of Rs. 739.76 crores during the first half of 1948-49, the percentage shares of the scheduled banks, general public, Government and co-operative banks and societies were 64.4, 17.3, 5.0 and 2.8 respectively.

The new scheme of remittance facilities in operation since October 1940 continues to be satisfactorily availed of by the scheduled and the co-operative banks. The intra-Provincial Government drafts also continued to be largely used for financing purchases of foodgrains.

91. *Encashment of Foreign Circle Notes.*—Statement XXXVII shows the encashment of foreign circle notes in 1948-49 including those encashed at Dacca, Karachi and Lahore till the end of June 1948. The total encashment during the year amounted to Rs. 128.81 crores. The largest amount of notes was encashed at Bombay, namely, Rs. 62.68 crores, a large part of which was from the Lahore circle.

92. *Inter-Dominion Banking Arrangements.*—Under the Pakistan (Monetary System and Reserve Bank) Order 1947, as amended in March 1948, the Reserve Bank continued to function as bankers to the Central and Provincial Governments of Pakistan and to manage Pakistan currency and public debt till 30th June, 1948.

These functions were taken over by the State Bank of Pakistan upon its establishment on 1st July, 1948. Facilities available for the transfer of funds between the two Dominions under the Reserve Bank's scheme of remittances introduced in October 1940, were also withdrawn from that date.

93. *Reserve Bank of India : Banking Department.*—A portion of the assets of the Banking Department of the Reserve Bank of India, amounting to nearly Rs. 101 crores, was transferred in sterling to the State Bank of Pakistan on 1st July, 1948 in accordance with the terms of the Pakistan (Monetary System and Reserve Bank) Order 1947, as amended in March 1948. Details of the liabilities transferred are as under :—

				(Rs. crores)
Deposits of Pakistan Central Government	..	..	..	69.26
Deposits of Pakistan Provincial Governments	..	..	..	5.66
Deposits of Banks	..	..	..	25.65
Miscellaneous	..	..	..	0.17
Total				100.74

This fact has to be borne in mind while comparing the statistics of the Banking Department for 1948-49 with those for the previous years.

Statement XXXIX shows the monthly averages of liabilities and assets of the Banking Department of the Reserve Bank of India for each month during the year along with the annual averages from 1935-36 to 1948-49. Statement XXVIII gives weekly (Friday) figures for 1948-49.

The average deposits of banks with the Reserve Bank for the year work out at Rs. 80.53 crores, as against Rs. 102.47 crores for 1947-48. During the first quarter of 1948-49 the deposits of banks rose from Rs. 82.14 crores on 2nd April to Rs. 104.33 crores on 25th June, 1948. On 2nd July they fell to Rs. 79.60 crores mainly owing to the transfer of balances of banks operating in Pakistan to the State Bank of Pakistan, but by the end of the month recovered to Rs. 112.52 crores. For the rest of the year they showed a downward trend and amounted to Rs. 55.04 crores on 25th March, 1949, reflecting the fall in the deposit liabilities of scheduled banks during this period and heavy demand for funds in the last quarter of 1948-49.

During the first half of 1948-49 deposits of the Government of India fluctuated considerably between Rs. 261.32 crores and Rs. 202.69 crores, showing a declining tendency up to July, and a partial recovery in August and September. On 1st October they spurted to Rs. 244.42 crores, but thereafter began to fall rapidly and touched Rs. 159.28 crores on 4th March, 1949. The decline in the Government of India's balances over the year, that is, from 28th March, 1948 to 25th March, 1949, amounted to nearly Rs. 84 crores. Deposits of Provincial Governments in the Indian Union increased during the first three months of the year from an average of Rs. 14.66 crores for April to Rs. 21.19 crores for June. From July they showed a declining trend, though with a few breaks, up to February 1949, for which month the average comes to Rs. 12.60 crores. In the first week of March they spurted to Rs. 46.96 crores mainly as a result of the year-end adjustments of the Provincial share of income tax. The average for March 1949 was Rs. 29.23 crores and the closing figure for the year, as on 25th March, 1949, was Rs. 24.56 crores.

Deposits of the Central Government of Pakistan showed minor fluctuations and averaged about Rs. 59 crores during April to June 1948, while the deposits of Provincial Governments of Pakistan fell from Rs. 27.73 crores on 2nd April to Rs. 8.02 crores on 25th June. Balances of Central and Provincial Governments in Pakistan were transferred to the State Bank of Pakistan on 1st July, 1948.

On the assets side, the average of notes and coin held during the year at Rs. 22.12 crores was less than half the previous year's average of Rs. 47.24 crores. Balances held abroad which stood at Rs. 392.64 crores on 26th March, 1948, improved slowly to Rs. 420.33 crores on 14th May, 1948 but subsequently fell to Rs. 400.14 crores by 25th June. They fell sharply by about Rs. 99 crores to Rs. 301.40 crores on 2nd July mainly owing to the transfer of assets to the State Bank of Pakistan. During the remaining three quarters of the year, balances held abroad except for a slight recovery during the second half of July and the first week of August, recorded an almost unbroken decline to Rs. 202.52 crores on 25th March, 1949. This steep fall of about Rs. 99 crores over this period since 2nd July was mainly due to heavy imports, which were facilitated by the relaxation of import restrictions.

Loans and advances to Governments in India as well as other loans and advances were negligible during the first half of the year. In the second half, the former rose substantially from Rs. 80 lakhs on 8th October to Rs. 8.63 crores on 11th February, all outstandings, however, being repaid gradually by the middle of March; the latter fluctuated roughly between Rs. 4 crores and Rs. 6 crores from October to March, except from mid-December to mid-January when they ranged from Rs. 10 crores to Rs. 23 crores. Investments which stood at Rs. 72.81 crores on 26th March, 1948 gradually fell to Rs. 43.06 crores on 13th August. Thereafter, however, they increased almost continuously and reached Rs. 125.97 crores by 25th March, 1949. This represents an addition of about Rs. 53 crores to the investment portfolio over the year and of about Rs. 83 crores since 13th August, 1948, owing largely to the support extended to the gilt-edged by the Reserve Bank of India.

94. *Reserve Bank of India : Issue Department.*—Statement XLI shows the average of the liabilities and assets of the Issue Department of the Reserve Bank of India for each month of 1947-48 and 1948-49 and the annual averages since the commencement of the operations of the Bank in 1935; Statement XL gives weekly (Friday) figures in respect of these for 1948-49. Statement XLII shows the circulation of India notes on the last Friday of each month since April 1943.

On 1st July, 1948 assets of the Issue Department amounting to Rs. 51.57 crores were allocated to the State Bank of Pakistan against an equivalent liability of Pakistan inscribed notes, outstanding as on 30th June, 1948, taken over by the State Bank. A further portion of the assets in the Issue Department is transferable in terms of the Pakistan (Monetary System and Reserve Bank) Order 1947, as amended in 1948, to the State Bank against the return of India notes in circulation in Pakistan on 30th June, 1948. The process started in November 1948 and is to be completed by 30th June, 1949. Assets transferred against the return of India notes up to the end of March 1949, amounted to Rs. 82.20 crores. Subject to later adjustments, the details of the assets, amounting to Rs. 133.77 crores, provisionally allocated to the State Bank of Pakistan till 31st March, 1949 are as follows :

	(Rs. crores)
Gold Coin and Bullion .. .. .	4.40
Sterling Securities .. .. .	89.55
Rupee Coin .. .. .	4.31
Government of India Rupee Securities .. .. .	35.51
<b>Total .. .. .</b>	<b>133.77</b>

These facts have to be kept in mind when making comparisons of the 1948-49 figures with those for previous years.

India notes in circulation which stood at Rs. 1,304.36 crores on 26th March, 1948, rose to a peak of Rs. 1,317.20 crores on 16th April. Thereafter they registered a decline, reaching the level of Rs. 1,169.35 crores on 25th March, 1949. Thus during 1948-49 there was a contraction in India notes in circulation to the extent of about Rs. 135 crores. Of this Rs. 127 crores are accounted for as follows: Rs. 44.98 crores withdrawn in Pakistan by the Reserve Bank of India against the issue of Pakistan inscribed notes during the period 1st April to 30th June, 1948 and Rs. 82.20 crores of India notes returned by the State Bank of Pakistan during the rest of the year to 31st March, 1949. The balance of Rs. 8 crores is the net contraction in notes in circulation in the Indian Union during 1948-49.

On the assets side, gold coin and bullion which had remained at Rs. 44.42 crores (at the statutory valuation of Rs. 21-3-10 per tola) since the inception of the Bank in 1935 declined during the year as a result of the allocation from time to time of assets to the State Bank of Pakistan and stood at Rs. 40.02 crores at the close of the year. The Issue Department's holdings of foreign securities,\* remained steady at Rs. 1,135.32 crores till 25th June. On 2nd July they fell to Rs. 1,100.80 crores, the difference representing the allocation on 1st July to the State Bank of Pakistan in terms of the Pakistan (Monetary System and Reserve Bank) Order 1947, as amended in March 1948. On 20th August, foreign securities were further reduced by Rs. 284.16 crores to Rs. 796.64 crores on account of the payment to the U.K. Government in terms of the Indo-U.K. Financial Agreement for the purchase of stores and installations and pension annuities. They remained unchanged at Rs. 796.64 crores till the end of October but thereafter declined steadily and stood at Rs. 741.62 crores at the end of the year, the major part of this reduction being due to allocation to the State Bank of Pakistan against return of India notes. The percentage of foreign securities to total notes issued and the percentage of gold and foreign securities to total notes issued declined from 86.04 and 89.41 per cent respectively at the end of 1947-48 for India and Pakistan to 62.26 and 65.62 at the end of 1948-49 for the Indian Union only.

By an amendment to the Reserve Bank of India Act, the Bank has been authorised to hold foreign securities, including cash balances and bills of exchange, of countries which are members of the IMF, as part of the legal cover for the note issue.

Rupee securities which stood at Rs. 102.84 crores on 26th March, 1948 increased to Rs. 127.84 crores by 14th May, at which level they stood at the end of June 1948. On 2nd July they declined to Rs. 114.15 crores as a result of the appropriation of securities worth Rs. 13.69 crores towards Pakistan's share in the assets of the Issue Department of the Bank. On 20th August, the Bank's holdings of rupee securities recorded a rise of about Rs. 264 crores owing mainly to the creation of *ad hoc* Treasury bills to replace the sterling securities transferred to the U.K. Government in terms of the Indo-U.K. Financial Agreement. From the peak of Rs. 378.31 crores on 20th August rupee securities fell to Rs. 343.25 crores in December, but subsequently recovered to close for the year at Rs. 367.45 crores as on 25th March, 1949. Rupee coin including Government of India one rupee notes varied between Rs. 38 and Rs. 39 crores for the first three months of 1948-49 and between Rs. 43 and Rs. 46 crores for the rest of the year, and closed at Rs. 42.02 crores on 25th March, 1949.

\* With effect from 1st January, 1949, in accordance with the obligations assumed by India as a member of the IMF, the Reserve Bank of India Act was amended so as to enable the Reserve Bank to hold other foreign securities in addition to sterling. The term 'foreign' securities thus replaced sterling securities as from that date.

Graphs 22 and 23 show the combined assets and the combined liabilities of the Bank, while Graphs 20 and 21 illustrate the relative movements in the various components of the assets of the Issue Department and the liabilities of the Banking Department.

Table 34 shows the extent and direction of changes in the principal items of liabilities and assets of the two departments of the Bank together.

95. *Banking Legislation\**.—During the year 1948-49, two important measures of banking legislation were passed by the Indian Parliament, namely, the Reserve Bank of India (Transfer to Public Ownership) Act on 3rd September, 1948 and the Banking Companies Act on 17th February, 1949.

*The Reserve Bank of India (Transfer to Public Ownership) Act 1948.*—This Act was passed in order "to implement the Government policy that the Bank should function as a State-owned institution and to meet the general desire that the control of Government over the Bank's activities should be extended to ensure a greater co-ordination of the monetary, economic and financial policies." The Act came into force on 1st January, 1949. Its main provisions are :

- (i) all shares in the capital of the Bank are deemed to be transferred to the Central Government on 1st January, 1949.
- (ii) Compensation is to be paid to shareholders at the rate of Rs. 118-10 per share of Rs. 100-0 paid-up, partly in the form of promissory notes bearing interest at 3 per cent per annum and repayable at par and partly in cash.
- (iii) the Central Government is empowered to give, from time to time, such directions to the Bank, as it may, after consultation with the Governor of the Bank, consider necessary in the public interest.

The rate of compensation payable to shareholders was based on the average monthly market quotation of the shares during the period March 1947 to February 1948. Up to the end of March 1949, the amount paid by way of compensation amounted to Rs. 3.27 crores, of which Rs. 3.15 crores were in promissory notes of the 3 per cent Loan, 1970-75 and Rs. 0.12 crore in cash. The amount outstanding is about Rs. 2.6 crores.

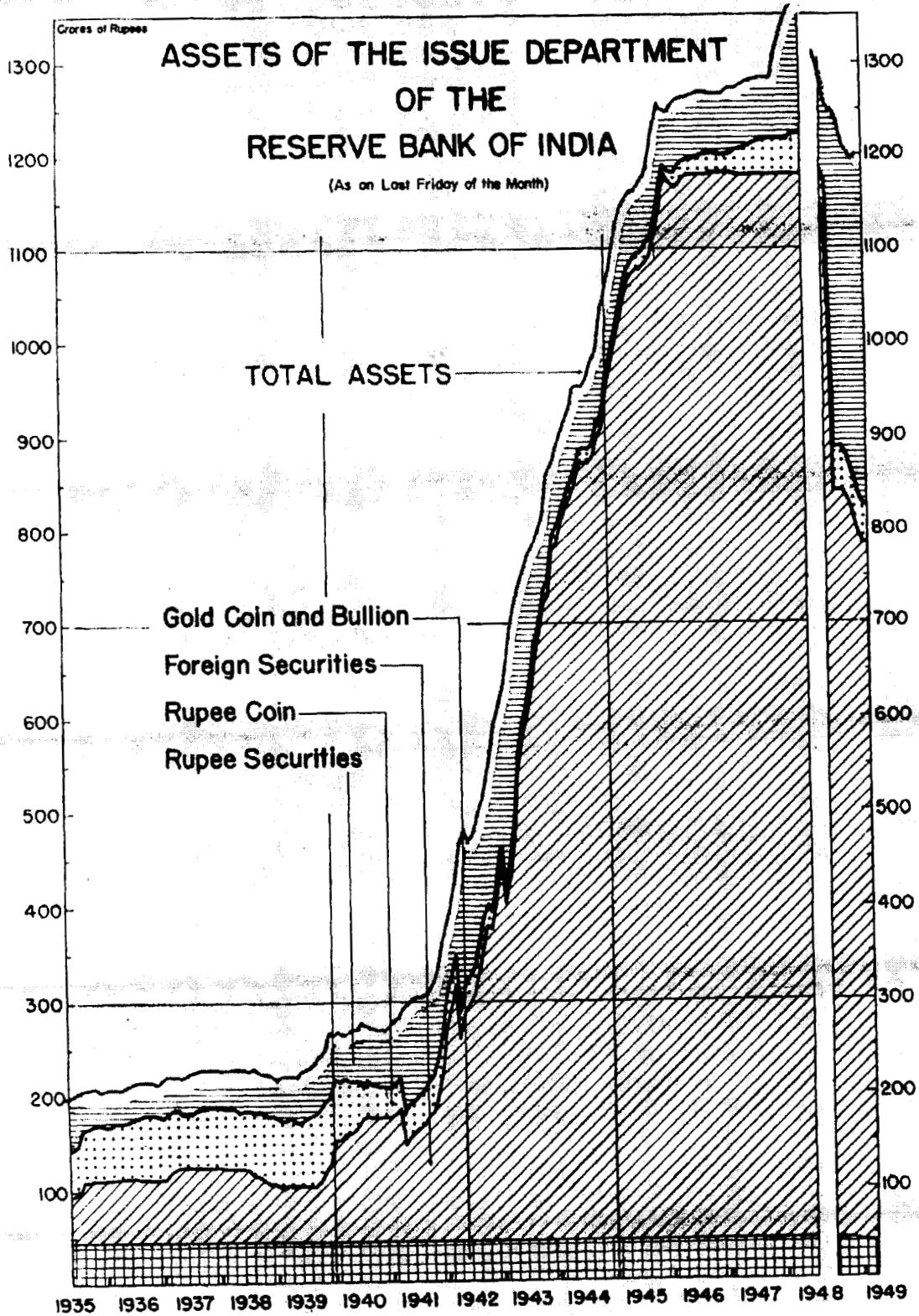
As regards the management of the Bank, subject to such directions as may be given by the Central Government from time to time, the general superintendence and direction continue to be entrusted to a Central Board consisting of a Governor and two Deputy Governors appointed by the Central Government and ten Directors (instead of twelve—eight elected and four nominated—previously) and one Government official, all nominated by the Central Government. The Directors are now to hold office for a period of four years instead of five, as formerly. As before, a Local Board has been constituted for each of the four areas consisting of five nominated members (in place of eight previously, of whom five were elected and three nominated) to represent territorial and economic interests as well as the interests of co-operative and indigenous banks.

*Banking Companies (Control) Ordinance 1948.*—The Banking Companies (Control) Ordinance, promulgated on 18th September, 1948, was designed to bring into immediate effect some of the provisions of the Banking Companies Bill, then in Select Committee stage, and thus to enable the Reserve Bank to regulate the banking system more effectively. It authorised the Reserve Bank of India to grant emergency advances against such form of security as it deemed sufficient, and to

\* For the full text of the Reserve Bank of India (Transfer to Public Ownership) Act 1948 and the Banking Companies (Control) Ordinance 1948, vide the *Reserve Bank of India Bulletin*, October 1948, and for the Banking Companies Act 1949, the *Bulletin* of April 1949.



GRAPH 20



GRAPH 21

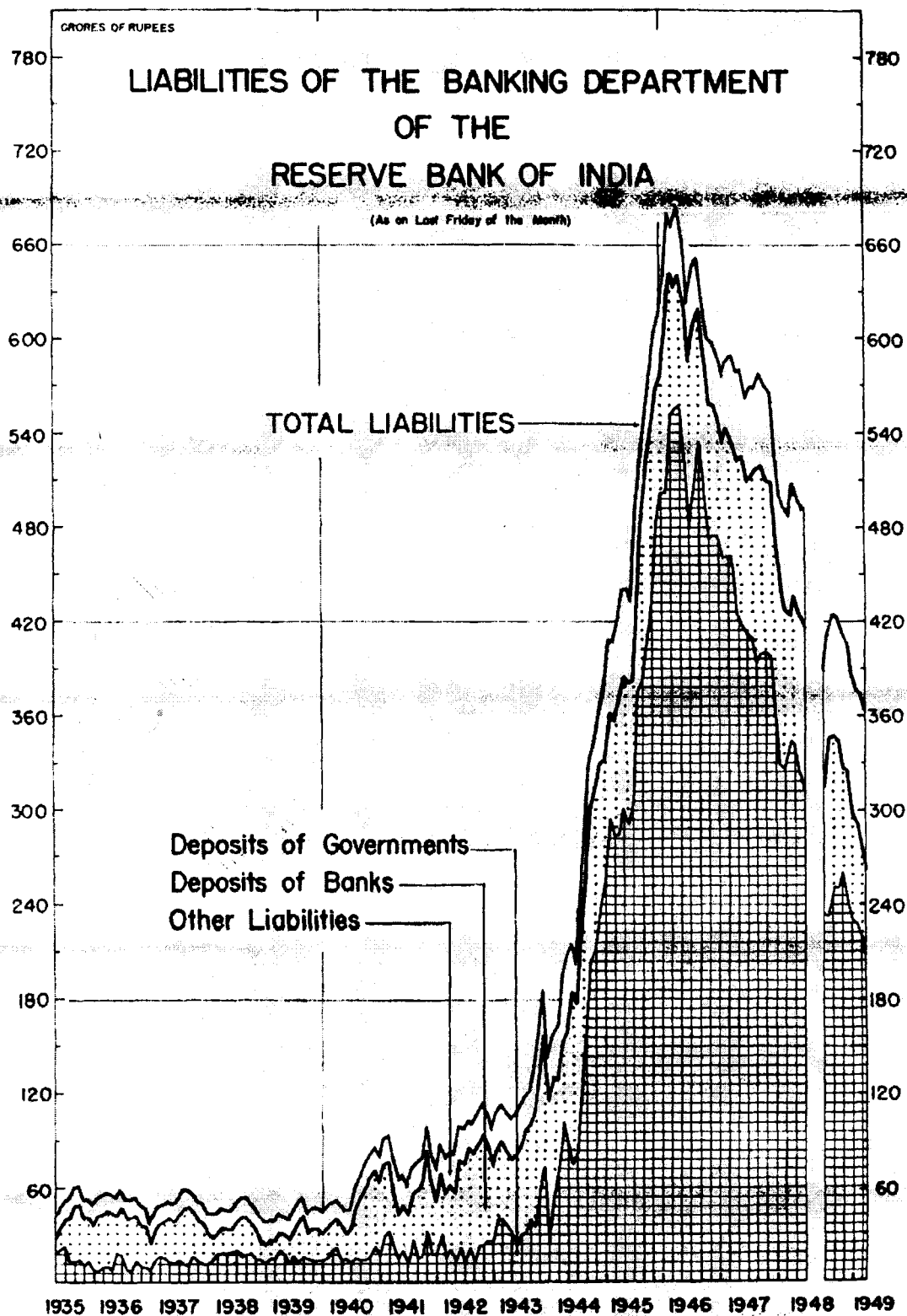


TABLE 34.—VARIATIONS IN CERTAIN ITEMS OF ASSETS AND LIABILITIES OF THE RESERVE BANK OF INDIA

(In crores of rupees)

		End of month : Change over previous date									
		March 1940*	March 1941	March 1942	March 1943	March 1944	March 1945	March 1946	March 1947	March 1948	March† 1949
<b>Note Circulation :</b>											
Increase over previous date	..	+ 60	+ 19	+ 152	+ 234	+ 239	+ 202	+ 134	+ 23	+ 62	-- 135
Progressive increase	..		+ 79	+ 231	+ 465	+ 704	+ 906	+ 1,040	+ 1,063	+ 1,125	+ 990
<b>Deposits :</b>											
Increase over previous date	..	-- 2	+ 23	--	+ 24	+ 79	+ 226	+ 251	-- 81	-- 105	-- 126
Progressive increase	..		+ 21	+ 21	+ 45	+ 124	+ 350	+ 601	+ 520	+ 415	+ 290
<b>Total Foreign Assets :</b>											
Increase over previous date	..	+ 75	+ 3	+ 104	+ 261	+ 437	+ 417	+ 361	-- 112	-- 85	-- 584
Progressive increase	..		+ 78	+ 182	+ 443	+ 880	+ 1,297	+ 1,658	+ 1,546	+ 1,461	+ 877
<b>Total Rupee Coin :</b>											
Increase over previous date	..	-- 20	-- 21	-- 7	-- 13	-- 2	+ 2	+ 2	+ 5	+ 10	+ 12
Progressive decrease	..		-- 41	-- 48	-- 61	-- 63	-- 61	-- 59	-- 54	-- 38	-- 26
<b>Total Rupee Securities :</b>											
Increase over previous date	..	+ 2	+ 49	+ 53	+ 32	-- 113	+ 9	+ 12	+ 36	+ 51	+ 318
Progressive increase	..		+ 51	+ 104	+ 136	+ 23	+ 32	+ 44	+ 80	+ 131	+ 449

\* Change as compared with August 1939.

† The figures in this column have to be interpreted with caution, because (i) the March 1948 data are for the Indian Union and Pakistan jointly, and (ii) the portion of assets and liabilities that are to be transferred to the State Bank of Pakistan, will only be finally known after 30th June, 1949 in terms of the Pakistan (Monetary System and Reserve Bank) Order 1947, as amended in 1948.

issue directives to banking companies in regard to their lending policies in general and any transaction in particular. Banking companies were required to maintain, at the end of each quarter, assets in India at not less than 75 per cent of their demand and time liabilities in India. Amalgamations or schemes of arrangement or compromise between banks were made subject to the concurrence of the Reserve Bank. The Ordinance empowered the Reserve Bank to call for periodic and *ad hoc* returns relating to banks and to publish them in any consolidated form in the public interest. It also provided for the appointment of the Reserve Bank, if it applied for it, as official liquidator of a banking company by a court.

*Banking Companies Act 1949.*—As mentioned in last year's Report, the Banking Companies Bill which was withdrawn from the Indian Parliament on 30th January, 1948 was introduced afresh on 22nd March and referred to a Select Committee on 9th August, 1948. The Bill was passed by the Indian Parliament on 17th February, 1949 and the Act came into force from 16th March. This Act attempts to consolidate, with certain modifications, the relevant provisions concerning banking companies, contained in the Indian Companies Act 1913 and various *ad hoc* measures like the Banking Companies (Inspection) Ordinance 1946, the Banking Companies (Restriction of Branches) Act 1946 and the Banking Companies (Control) Ordinance 1948, which were consequently repealed. It also contains several new provisions for the regulation of banking.

The Act applies to all banking companies, except co-operative banks, and extends to all the provinces of India and to the Acceding States to the extent to which the Indian Parliament has power to legislate for such States in respect of banking. Banking has been defined as "the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise."

All banks working in the Provinces of India and in the Acceding States to which the Act extends are to be licensed. The licence is to be issued by the Reserve Bank which may require to be satisfied that the applicant bank is in a sound financial position, and further in respect of a foreign bank, that the law of the country in which it is incorporated does not discriminate in any way against banking companies registered in India.

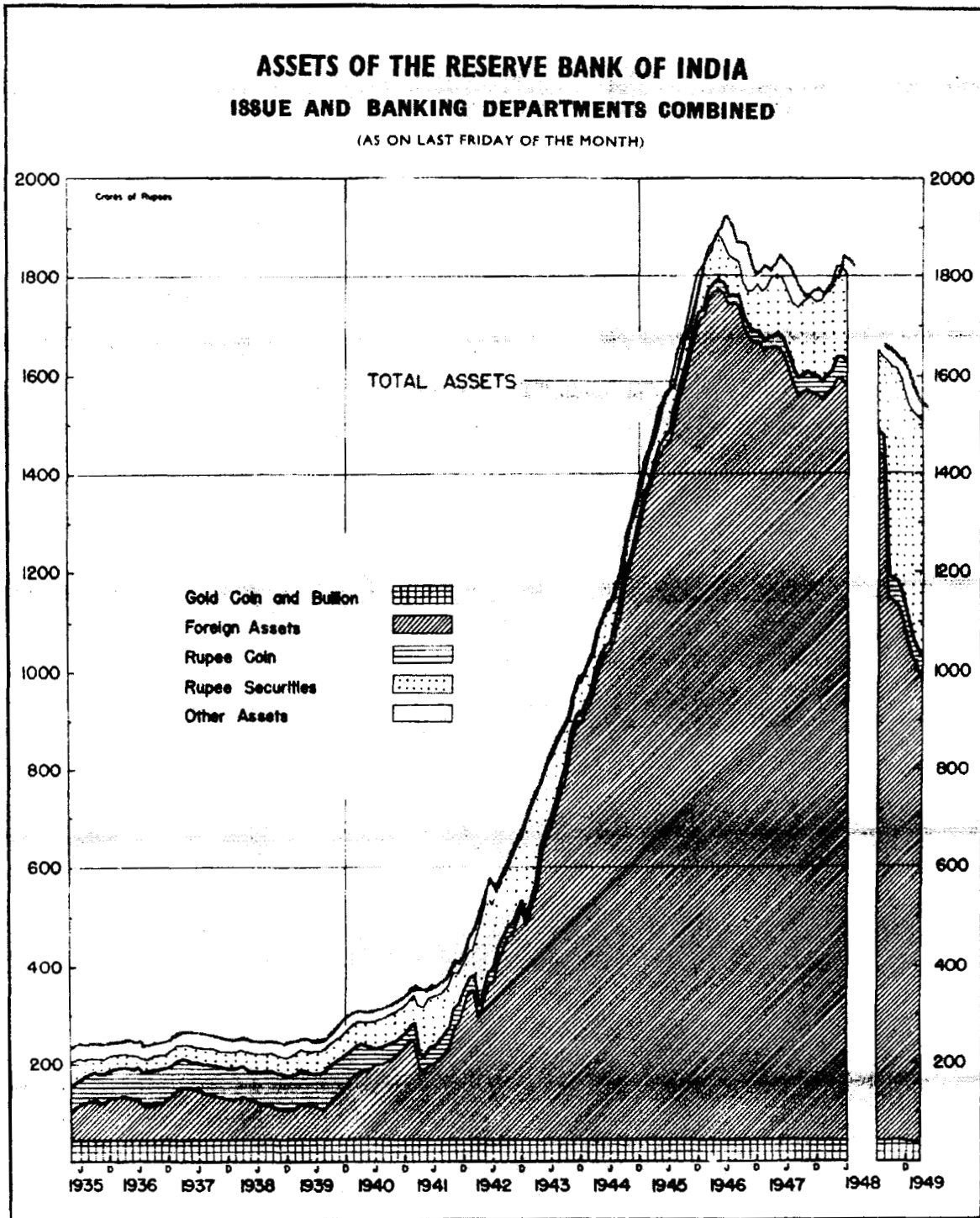
The Act lays down the minimum requirements relating to the paid-up capital and reserves of a banking company; these requirements vary according to the geographical coverage of its operations.

Scheduled banks continue to be required to keep minimum reserves with the Reserve Bank and to submit weekly returns under the Reserve Bank of India Act 1934. All banks other than scheduled banks are now required to maintain in cash with them or with the Reserve Bank, 2 per cent and 5 per cent of their time and demand liabilities respectively, and to submit monthly returns giving details of cash held and time and demand liabilities as on each Friday of the month.

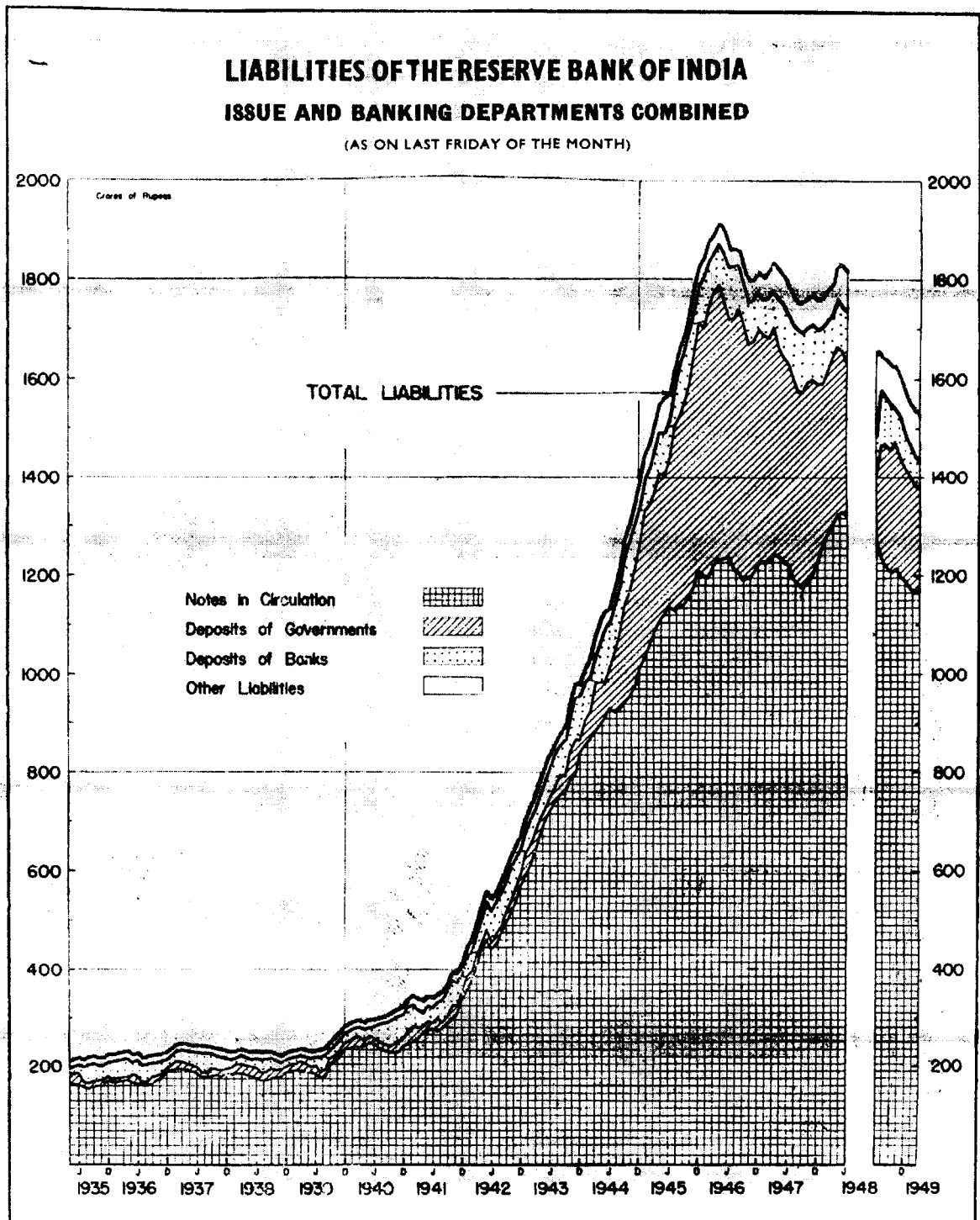
All banking companies are required, two years after the commencement of this Act, to maintain at least 20 per cent of their demand and time liabilities in India in cash, gold or unencumbered approved securities, valued at a price not exceeding the current market price. They have also to maintain in the provinces and Acceding States assets representing at least 75 per cent of their demand and time liabilities at the end of each quarter.

The Act prohibits inter-locking directorates among banking companies and the employment of managing agents, as well as the granting of unsecured loans

GRAPH 22



GRAPH 23



or advances to any of the directors, or to firms in which the directors are interested. Monthly returns are to be submitted to the Reserve Bank relating to unsecured loans to companies in which the directors are interested.

The Reserve Bank has now the power, on a permanent statutory basis, to control the entire joint stock banking system in the Indian Union. It may give directions to banking companies in regard to their lending policies: the purposes for which advances may or may not be made, the margins to be maintained and the rates of interest to be charged on advances. It may caution or prohibit banking companies generally or any banking company in particular, against entering into any particular transaction or class of transactions. It may call for periodical as well as *ad hoc* returns, and in the public interest may also publish such information in any consolidated form it deems fit. It may inspect any bank either on its own initiative or on being directed to do so by the Government. The Reserve Bank's prior permission is required for the opening of new branch offices and the transfer of existing ones. The Reserve Bank is required to make an annual report to the Central Government on the trend and progress of banking in the country, with suggestions, if any, for strengthening the banking system.

The Reserve Bank has been given certain powers in respect of voluntary winding-up and amalgamations of banking companies, and it may, on applying for it, be appointed as the official liquidator by a court in any proceeding for the winding-up of a banking company.

The Central Government have exempted for a period of six months all banking companies from the operation of certain sections of the Act, such as those relating to inter-locking directorates, and have exempted members of the Displaced Banks' Association from provisions regarding employment of persons adjudged insolvent and the keeping of 75 per cent of the total liabilities as assets in India. These exemptions have been allowed to give banks sufficient time to make necessary adjustments and also to mitigate hardship to displaced banks.

## VII. CURRENCY

### A. CIRCULATION AND ABSORPTION

96. *Termination of Joint Monetary Arrangements with Pakistan.*—In the last year's Report (*vide* para 87), mention was made of the issue on 14th August, 1947, by the Governor-General, of the Pakistan (Monetary System and Reserve Bank) Order 1947. In terms of this Order, as amended in March 1948, the Reserve Bank of India continued to be the monetary authority in Pakistan up to 30th June, 1948, when following the establishment of the State Bank of Pakistan on 1st July, 1948, the functions in regard to management of the currency and credit in Pakistan were transferred to that Bank. With effect from the same date, the Reserve Bank's Offices at Lahore, Karachi and Dacca were also taken over by the State Bank of Pakistan.

During the period of the joint monetary arrangements, provision was made in the Order referred to above, for the issue in Pakistan by the Reserve Bank of India of Bank notes inscribed with the words "Government of Pakistan" in English and Urdu and of Pakistan coins of distinctive designs. Under these provisions, the Reserve Bank issued from 1st April to 30th June, 1948 (i) inscribed Bank notes of the denominations of Rs. 2, Rs. 5, Rs. 10 and Rs. 100, (ii) inscribed Government of Pakistan one rupee notes and (iii) Pakistan nickel rupees and other subsidiary coins of distinctive designs. These notes and

coin were to be legal tender in Pakistan only. The Table below shows the amount of notes and coin put into circulation in Pakistan month by month between 1st April and 30th June, 1948.

						(In lakhs of rupees)
Month		Notes	Rupee Coin*	Small Coin		Total
April 1948	.. ..	14,13	63	15		14,91
May 1948	.. ..	14,12	37	4		14,53
June 1948	.. ..	23,32	49	6		23,87
<b>Total</b>	.. ..	<b>51,57</b>	<b>1,49</b>	<b>26</b>		<b>53,32</b>

\* Pakistan one rupee notes and nickel rupees.

The outstanding liability in respect of inscribed Pakistan notes as on 30th June, 1948 was taken over on its institution by the State Bank of Pakistan and accordingly assets of the Reserve Bank, in its Issue Department, of the value of Rs. 51.57 crores were allocated to the State Bank of Pakistan in terms of Section 4 (1) of Part IV of the Pakistan (Monetary System and Reserve Bank) Order 1947.

97. *Retirement of India Notes in Circulation in Pakistan.*—With the issue on 1st April, 1948 of inscribed Pakistan notes by the Reserve Bank of India, India notes in circulation in Pakistan began to be withdrawn, the amount of such notes retired from circulation in Pakistan during the period 1st April to 30th June, 1948 being Rs. 44.98 crores. The balance of India notes in circulation in Pakistan continued to be legal tender in Pakistan up to 30th September, 1948 in payment or on account of the amount specified on the note. These notes are being retired from circulation in Pakistan in terms of Section 4 (2) of Part IV of the Pakistan (Monetary System and Reserve Bank) Order 1947 (as amended), the process of such retirement to be completed by 30th June, 1949. These notes are being delivered in instalments to the Reserve Bank of India against allocation of equivalent assets. During the period July 1948 to March 1949, adjustments were made in the Issue Department of the Reserve Bank of India of an aggregate amount of Rs. 82.20 crores on account of India notes received from the State Bank of Pakistan. The total amount of India notes returned from circulation in Pakistan and accounted for during 1948-49 amounted to Rs. 127.17 crores (*vide* Table 35).

98. *Circulation and Absorption of Notes.*—Statement XLIII shows the year-end figures and annual averages of total notes issued and in circulation (excluding Government of India one rupee notes first issued in July 1940) since the quinquennium ended 1913-14. India notes and Burma notes are shown separately for the years 1937-38 to 1941-42. The figures for 1942-43 and later years relate to India notes only, the Bank having been relieved of its liabilities in regard to Burma notes from June 1942. As noticed in the last year's Report, the decline in the relative as well as the absolute expansion in note circulation, which had commenced in 1943-44, was arrested during 1947-48, and was replaced by a rising tendency, India notes in circulation in undivided India registering an increase of Rs. 62.33 crores to Rs. 1,304.36 crores at the end of 1947-48, as against an increase of Rs. 23.26 crores in the first post-war year 1946-47. The annual rate of expansion in notes in circulation, which had steadily declined from 69 per cent in 1942-43 to 12 per cent in 1945-46 and to 2 per cent in 1946-47, rose to 5 per cent in 1947-48. For the year 1948-49, it is not possible to have figures of notes in circulation in the Indian Union, as the total amount of India notes in circulation in Pakistan has not been arrived at. The figures in respect of India notes in circulation for 1948-49 shown in Statement XLIII take into account India notes retired from Pakistan during 1948-49 and are, therefore,



net of adjustments made in respect of (i) Rs. 44.98 crores of India notes withdrawn from circulation in Pakistan during April to June 1948 and (ii) Rs. 82.20 crores of India notes returned from Pakistan under Section 4 (2) of Part IV of the Pakistan (Monetary System and Reserve Bank) Order 1947.

However, the movement of India notes from India to Pakistan during 1948-49 apart, it is possible to work out the figures of absorption or return of notes in the Indian Union during 1948-49, after allowing for the returns of India notes from circulation in Pakistan, as shown in the Table below.

**TABLE 35.—MONTHLY VARIATIONS IN NOTES IN CIRCULATION IN THE INDIAN UNION DURING 1948-49**

			(In lakhs of rupees)			
			India Notes in circulation in India and Pakistan†	Variations in column 1	India notes returned from Pakistan and accounted for by the Reserve Bank of India	Absorption or return of notes in the Indian Union (2-3)
			1	2	3	4
April	1948	..	1,308.97	+ 4.61	-11.20	+15.81
May	"	..	1,300.60	- 8.37	- 6.90	- 1.47
June	"	..	1,268.86*	-31.74	-26.88	- 4.86
July	"	..	1,233.98	-34.88	—	-34.88
August	"	..	1,215.18	-18.80	—	-18.80
September	"	..	1,204.76	-10.42	—	-10.42
October	"	..	1,214.20	+ 9.44	—	+ 9.44
November	"	..	1,197.64	-16.56	-15.54	- 1.02
December	"	..	1,188.20	- 9.44	-25.96	+16.52
January	1949	..	1,173.07	-15.13	-24.41	+ 9.28
February	"	..	1,164.71	- 8.36	-16.28	+ 7.92
March	"	..	1,169.35	+ 4.64	—	+ 4.64
<b>1948-49</b>			<b>1,169.35</b>	<b>-135.01</b>	<b>-127.17</b>	<b>- 7.84</b>

\* As on 30th June.

† As given in the Issue Department Statement of the Reserve Bank as on the last Friday of each month.

During 1948-49, there was a net return of Rs. 7.84 crores of notes in respect of the Indian Union, as against an absorption in undivided India of Rs. 62.33 crores in 1947-48, Rs. 23.26 crores in 1946-47, Rs. 133.89 crores in 1945-46 and the peak of Rs. 261.85 crores in 1942-43.

There was a return of notes in the Indian Union from May to September 1948 and again in November 1948 totalling Rs. 71.45 crores, and an absorption during April, October and from December 1948 to March 1949 amounting to Rs. 63.61 crores. Normally, the maximum absorption takes place in the busy season month of December, and during 1948-49 there was an absorption of Rs. 16.52 crores in December 1948 in respect of the Indian Union as against an absorption of Rs. 25.46 crores in respect of undivided India in December 1947. A net return of Rs. 54.62 crores was witnessed during the first half of the year and a net absorption of Rs. 46.78 crores during the second half, which normally coincide respectively with the slack and busy periods of the year. During the year, note circulation showed an average monthly decline of Rs. 0.65 crore against an average monthly absorption of Rs. 5.19 crores (for undivided India) in 1947-48. During the first half of 1948-49, there was an average decline of Rs. 9.10 crores per month, while the second half of the year witnessed a monthly average rise in note circulation of Rs. 7.80 crores in the Indian Union. As against this, there was a monthly average decline in undivided India of Rs. 11.41 crores during the first half of 1947-48 and an average increase of Rs. 21.80 crores in the second half.

The following Table shows the seasonal trends in note circulation during the three years 1946-47 to 1948-49.

**TABLE 36.—SEASONAL VARIATIONS IN NOTES IN CIRCULATION**

Months	Undivided India		(In lakhs of rupees)
	1946-47	1947-48	Indian Union 1948-49
<b>Slack Season—</b>			
April .. .. .	+13,97	-- 2,22	+15,81
May .. .. .	+ 1,25	-- 12,78	-- 1,47
June .. .. .	+ 3,85	-- 5,52	-- 4,86
July .. .. .	--22,38	-- 27,88	--34,88
August .. .. .	-- 8,68	-- 13,05	--18,80
September .. .. .	--18,93	-- 6,99	--10,42
<b>Total</b> .. .. .	<b>--30,92</b>	<b>-- 68,44</b>	<b>--54,62</b>
<b>Busy Season—</b>			
October .. .. .	+ 7,32	+ 19,80	+ 9,44
November .. .. .	+ 5,81	+ 6,51	-- 1,02
December .. .. .	+23,59	+ 25,46	+16,52
January .. .. .	+ 1,19	+ 36,83	+ 9,28
February .. .. .	+ 3,91	+ 24,62	+ 7,92
March .. .. .	+12,36	+ 17,55	+ 4,64
<b>Total</b> .. .. .	<b>+54,18</b>	<b>+1,30,77</b>	<b>+ 46,78</b>
<b>Absorption (+) or return</b>			
<b>(—) during the year</b> ..	<b>+ 23,26</b>	<b>+ 62,33</b>	<b>-- 7,84</b>

It will be seen that during 1946-47, which was the first full post-war year, there was evidence of the reappearance of the normal pre-war trends of the seasonal ebb and flow of currency, which seem to have asserted themselves more fully during 1947-48 and 1948-49. During the year under review, it is significant to note that, despite movement of notes from India to Pakistan, the expansion in note circulation in the busy season in the Indian Union at Rs. 46.78 crores was on a smaller scale as compared with the expansion of Rs. 130.77 crores for undivided India in the busy season of 1947-48. The total absorption during the busy season of 1947-48 was larger than what would appear to be warranted by the impact of the seasonal demand, owing partly to large demand for currency, particularly after the Partition, and partly to the policy of progressive decontrol resulting in a demand for large funds. In the year 1948-49, the impact of the busy season on note circulation for each of the busy season months of October, 1948 to March 1949 has been consistently on a milder scale than during the corresponding months of 1947-48.

99. *Circulation of Notes by Denominations.*—Statement XI, IV shows India notes issued by denominations for the years ended 31st March, 1914 and 1921-35 and for the years ended 31st December, 1935-48. It will be seen from the Statement that the denominational pattern of note circulation underwent a considerable change following the promulgation in January 1946 of the High Denomination Bank Notes (Demonetisation) Ordinance 1946, under which notes of the denominations of Rs. 500 and above ceased to be legal tender. During 1948, all the current denominations of notes registered sharp declines, reflecting mainly the retirement of India notes in circulation in Pakistan. The Rs. 100 denomination recorded the highest decline of Rs. 85.82 lakhs as compared with decreases of Rs. 24.47 lakhs and of Rs. 14.57 lakhs respectively in the notes of Rs. 10 and Rs. 5 denominations. The circulation of Rs. 100 notes, which had risen from Rs. 488.71 lakhs at the end of 1946 to Rs. 540.11 lakhs at the end of 1947, slipped

down to Rs. 454.29 lakhs at the end of 1948. There was an unusual demand for the exchange of Rs. 100 notes into notes of smaller denominations in July, August and September, following rumours of possible demonetisation by Government, as an anti-inflationary measure, of notes of this denomination. The rush was particularly marked in Bombay and Calcutta, where Rs. 100 notes of the value of Rs. 26.58 lakhs and Rs. 14.04 lakhs respectively were tendered for exchange during the three months. The abnormal demand for the exchange of these notes, however, abated following the issue on 20th August by the Reserve Bank of India of a *Press Communique* stating that Government had no intention to demonetise notes of this denomination and the subsequent confirmation of this decision by the Prime Minister in the Indian Parliament on 3rd September, 1948. The circulation of Rs. 10 denomination also decreased from Rs. 557.70 lakhs to Rs. 533.23 lakhs, while in the case of Rs. 5 notes, it fell from Rs. 195.10 lakhs to Rs. 180.53 lakhs. Among the lower denominations, notes of Rs. 2 denomination also declined from Rs. 33.09 lakhs to Rs. 29.21 lakhs. As between the Government of India one rupee notes (not shown in the Statement as these are treated as rupee coin) and notes of Rs. 2 denomination, the public continued to show a marked preference for the former.

100. *Circulation and Absorption of Rupee Coin.*—Following the cessation of the legal tender character of the standard rupee coin with effect from 1st November, 1943, the Government of India one rupee notes (issued from July 1940), quaternary silver rupees (issued from December 1940 up to the end of May 1946) and nickel rupees (issued from June 1947) constitute the total amount of India rupee coin in circulation. As in the case of notes, the figures of circulation of rupee coin in the Indian Union will not be available for some time, pending the final determination of the figure of the circulation of India rupee coin in Pakistan. It is, however, possible to work out the figures of monthly absorption or return of rupee coin in circulation in respect of the Indian Union, which have been shown in Statement XLV.

Since the year 1942-43, which experienced the highest wartime absorption of Rs. 44.93 crores of rupee coin, the demand for this form of currency had shown a decline, except in 1945-46 when the deceleration in the rate of absorption was temporarily interrupted, the year showing an absorption of Rs. 18.35 crores as against Rs. 10.05 crores in the previous year. During 1946-47, there was a sharp fall in the absorption of rupee coin, while in 1947-48 there was actually a return of rupee coin in circulation, amounting to Rs. 12.34 crores in respect of undivided India. During the year 1948-49, data for which relate to the Indian Union, there was also a return of rupee coin, the figures showing a net contraction of Rs. 4.31 crores. There was a return of rupee coin during eight months of the year, viz., April, June to October, December 1948 and March 1949 totalling Rs. 8.35 crores in the Indian Union as compared with a return of Rs. 16.42 crores during the period May to October 1947 and in the months of December 1947 and March 1948 in undivided India. On the other hand, the months of May and November 1948 and January and February 1949 recorded an absorption totalling Rs. 4.04 crores in the Indian Union compared with an absorption of Rs. 4.08 crores last year during April and November 1947 and January and February 1948 in respect of undivided India.

During the year, the Bank received from the Government of India, one rupee notes and coin to the extent of Rs. 5 crores, under Section 36 (2) of the Reserve Bank of India Act, against payment of legal tender value.

101. *Absorption of Small Coin.*—Statement XLVI shows the annual absorption by denominations of small coin in undivided India for each of the years 1919-20 to 1947-48 and average annual absorption for the two preceding quinquenniums.

The data in respect of 1948-49 are on a post-partition basis, giving figures of absorption in respect of the Indian Union. Statement XLV shows the figures of absorption, month by month, during the two years 1947-48 (for undivided India) and 1948-49 (for the Indian Union). The declining trend in the rate of absorption of small coin noticed since 1944-45 continued during the year under review also, the net absorption this year being only Rs. 24 lakhs (in the Indian Union) as compared with a net absorption of Rs. 3.98 crores (in undivided India) during 1947-48. There was an absorption of small coin during the period April to June 1948 and again in October 1948 and March 1949, amounting to Rs. 97 lakhs, while during the months July to September 1948 and November 1948 to February 1949 there was a return of small coin, totalling Rs. 73 lakhs. Circle-wise, the Bombay and Calcutta circles recorded an absorption of Rs. 114.54 lakhs against a return amounting to Rs. 90.35 lakhs in the Delhi, Kanpur and Madras circles (*vide* Table below). The return of small coin in fairly large quantities in the three circles would appear to indicate a tendency to dehoard small coin, in respect of which there was a heavy demand during the war and immediate post-war years, the total amount absorbed in undivided India in the years 1939-40 to 1947-48 being Rs. 80.72 crores.

							(In thousands of rupees)
							Absorption (+) or return (—)
CIRCLE							of small coin
Bombay	..	..	..	..	..	..	+47.33
Calcutta	..	..	..	..	..	..	+67.21
Delhi	..	..	..	..	..	..	—32.97
Kanpur	..	..	..	..	..	..	— 8.58
Madras	..	..	..	..	..	..	—48.80
<b>Total</b>	..	..	..	..	..	..	<b>+24.19</b>

Denomination-wise, there was an absorption in the Indian Union of only Rs. 18.94 lakhs of half rupees, Rs. 6.71 lakhs of four anna pieces, Rs. 9.24 lakhs of half anna pieces and Rs. 15.45 lakhs of single pice, the corresponding figures for undivided India for the year 1947-48 being Rs. 176.71 lakhs, Rs. 128.23 lakhs, Rs. 16.79 lakhs and Rs. 24.03 lakhs (*vide* Statement XLVI). It may be noted that the demand for single pice, which is also used for ceremonial purposes, continues to be considerable. The demand for half pice and pie pieces is, however, negligible. In contrast, the denominations of one anna and two annas recorded returns in the Indian Union of Rs. 13.55 lakhs and Rs. 12.60 lakhs respectively as against absorption of Rs. 24.51 lakhs and Rs. 28.25 lakhs in undivided India during 1947-48.

Table 37, which shows the metal-wise absorption of small coin since 1939-40, indicates the wartime and post-war changes made in regard to the use of metals for coinage purposes, mainly with a view to minimising the cost of coinage. With this end in view, Government had adopted in 1940-41 a policy of progressively replacing standard silver coins of eleven-twelfth fineness by quaternary coins of one-half fineness. Accordingly, the quaternary half rupee and quarter rupee coins were issued from the Mints for the first time in August 1940 and May 1940 respectively. In pursuance of the same objective, small coin, of the denominations of two annas, one anna and half anna minted in nickel-brass alloy were also issued from early 1942 up to January 1946 after which date coins minted in cupro-nickel alloy were introduced. In view of inadequate supplies of silver, the current level of silver prices in India and the obligation to return in kind the 226 million ounces of lend-lease silver received from the United States between 1943 and 1945, the Government of India decided in May 1946 to discontinue the issue of quaternary half and quarter rupee coins (as well as quaternary rupee coins) of one-half fineness and to meet the demand for metallic coins in pure nickel coins.

TABLE 37.—ABSORPTION (METAL-WISE) OF SMALL COIN

		(In lakhs of rupees)									
		1939-40	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47	1947-48	1948-49
<b>I. Standard Silver—</b>											
8 annas .. .. .		60	1,53	5	—16	— 5	— 2	— 1	— 2	—	—
4 annas .. .. .		31	1,02	2	—10	— 5	— 2	— 1	— 1	—	— 1
<b>Total Standard Silver Coin ..</b>		<b>91</b>	<b>2,55</b>	<b>7</b>	<b>—26</b>	<b>—10</b>	<b>— 4</b>	<b>— 2</b>	<b>— 3</b>	<b>—</b>	<b>— 1</b>
<b>II. Quaternary Silver—</b>											
8 annas .. .. .				1,52	3,98	5,46	5,53	2,96	92	—57	—05
4 annas .. .. .				1,27	3,07	5,23	5,44	3,03	81	—57	—88
<b>Total Quaternary Silver Coin</b>				<b>2,79</b>	<b>7,05</b>	<b>10,69</b>	<b>10,97</b>	<b>5,99</b>	<b>1,73</b>	<b>—1,14</b>	<b>—1,83</b>
<b>III. Pure Nickel—</b>											
8 annas .. .. .									1,18	2,34	1,14
4 annas .. .. .									99	1,89	97
<b>Total Pure Nickel Coin ..</b>									<b>2,16</b>	<b>4,23</b>	<b>2,11</b>
<b>IV. Nickel-Alloy*—</b>											
4 annas .. .. .		8	—	—2	—11	— 2	— 1	— 3	— 2	— 3	— 2
2 annas .. .. .		48	72	88	2,22	3,34	3,07	1,36	69	28	—13
1 anna .. .. .		51	76	99	2,02	3,11	3,43	1,55	61	25	—14
½ anna .. .. .				4	57	1,14	1,30	61	39	17	9
<b>Total Nickel-Alloy Coin ..</b>		<b>1,07</b>	<b>1,48</b>	<b>1,89</b>	<b>4,70</b>	<b>7,57</b>	<b>7,79</b>	<b>3,49</b>	<b>1,67</b>	<b>67</b>	<b>—20</b>
<b>Total Nickel Coin (III+IV).</b>		<b>1,07</b>	<b>1,48</b>	<b>1,89</b>	<b>4,70</b>	<b>7,57</b>	<b>7,79</b>	<b>3,49</b>	<b>3,83</b>	<b>4,90</b>	<b>1,91</b>
<b>V. Copper—</b>											
Single Pice .. ..		21	23	29	13	29	49	51	38	24	15
Half Pice .. .. .		1	1	1	—	—	—	—	—	—	—
Pie Pieces .. .. .		1	1	1	1	—	—	—	—	—	—
<b>Total Copper Coin .. ..</b>		<b>23</b>	<b>25</b>	<b>31</b>	<b>14</b>	<b>29</b>	<b>49</b>	<b>51</b>	<b>38</b>	<b>24</b>	<b>15</b>
<b>VI. Total Small Coin .. ..</b>		<b>2,21</b>	<b>4,28</b>	<b>5,06</b>	<b>11,64</b>	<b>18,46</b>	<b>19,20</b>	<b>9,98</b>	<b>5,91</b>	<b>3,99</b>	<b>24</b>

Note.—Inclusive of figures for Burma up to January 1942. Figures for 1948-49 relate to the Indian Union only, while earlier figures relate to undivided India.

\* Cupro-nickel and Nickel-brass coins.

As against an absorption of standard silver small coin of Rs. 3.53 crores during the three years 1939-40 to 1941-42, the amount of quaternary coin absorbed during the years 1941-42 to 1946-47 was Rs. 39.22 crores or 56 per cent of the total absorption of small coin of Rs. 70.25 crores during the period. The return of standard silver from circulation between 1942-43 and 1946-47 in undivided India amounted to Rs. 45 lakhs only. In 1947-48 there was no return, while in 1948-49 standard coin of the value of Rs. 1 lakh only returned from circulation in the Indian Union. The meagre withdrawal of these coins is attributable to the prevailing high price of silver. The absorption in undivided India of pure nickel half rupee and quarter rupee coins introduced in May 1946 aggregated Rs. 2.16 crores during 1946-47. In 1947-48, pure nickel coins of the value of Rs. 4.23 crores were absorbed against a return of Rs. 1.14 crores in respect of quaternary coins. During the year under review, the absorption of pure nickel coins and the return of quaternary coins in the Indian Union amounted to Rs. 2.11 crores and Rs. 1.83 crores respectively.

102. *Total Absorption of Currency.*—Statement XLVII gives the annual absorption of notes, rupee coin and small coin in undivided India during the years 1914-15 to 1947-48 and in the Indian Union during 1948-49. Statement XLV gives similar figures on a monthly basis for 1948-49 (in respect of the Indian Union) and for 1947-48 (in respect of undivided India). During the year under review, there has been a net contraction in legal tender currency (including small coin) in circulation of Rs. 11.91 crores in the Indian Union as against an absorption of Rs. 53.97 crores in undivided India during 1947-48.

Graph 24 shows absorption or return during the years 1946-47 and 1947-48 for undivided India and during 1948-49 for the Indian Union separately for (i) notes, (ii) rupees and (iii) small coin. Graph 25 depicts the absorption or return, month by month of notes, rupees and small coin separately since September 1939.

103. *Absorption and Return of Currency by Periods.*—Statement XLVIII and Graph 26 show the absorption and return of currency by periods since 1920-21 up to 1947-48 for undivided India and in 1948-49 for the Indian Union. They indicate a fairly regular seasonal incidence in the absorption and return of currency. The commencement or the duration of the busy season varies, depending on the harvesting of the principal crops in different parts of the country; for example, the movement of the jute crop starts earlier than that of the cotton crop. As will be seen from the Statement, the "busy" season, when currency is absorbed, begins usually in August, September or October—mostly in September—and ends after December, January or February, thus having an average duration of five or six months; the "slack" season, when currency returns, usually begins in January, February or March and extends up to July, August or September, the average duration being six or seven months.

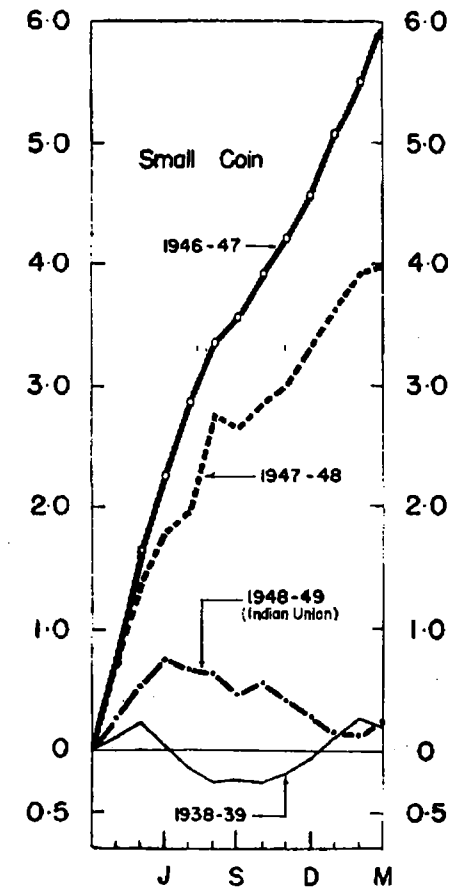
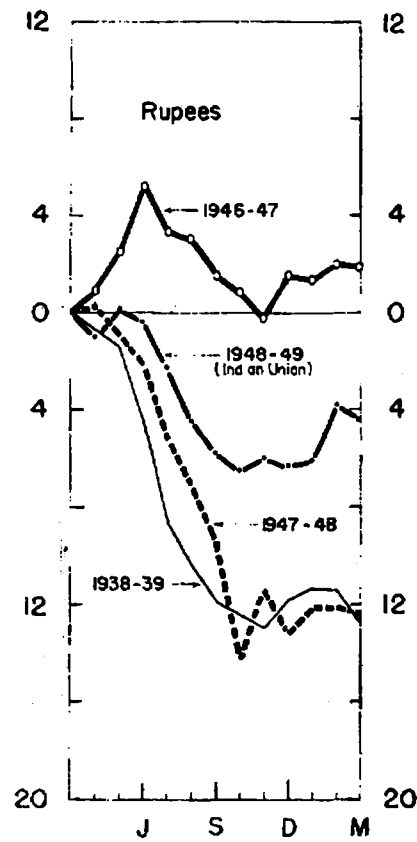
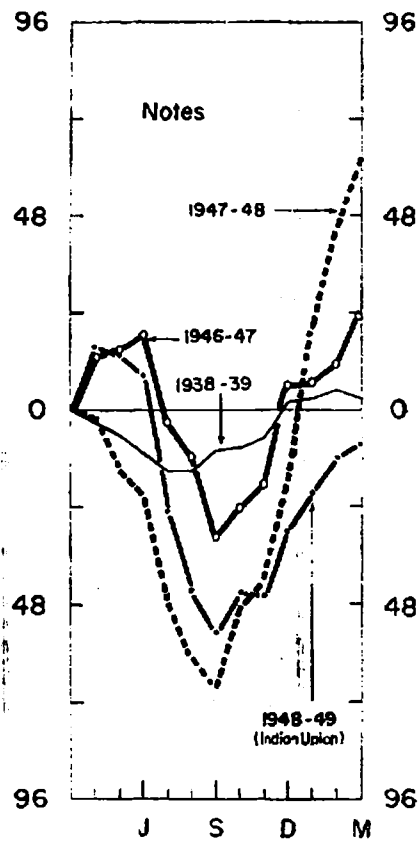
In the pre-war years, there was a fair measure of regularity in the periodicity of the busy and slack seasons. But during the war years, the tide of currency expansion resulting from steadily growing Governmental outlays had submerged the seasonal ebb and flow of currency. However, the month of July appeared to mark the bottom of the slack season, as despite the rising wartime trend in currency circulation, there was a return of currency in July 1941, 1944 and 1945. With the end of the war, although the tempo of currency expansion slackened appreciably, the seasonal factor did not immediately reappear and currency absorption was noticed in the slack months of February to June 1946. During 1946-47, the return of currency from July to September 1946 and the absorption in the busy season months of October 1946 to March 1947 marked the beginnings of a process of return to normal conditions and the reappearance of currency trends in conformity with

GRAPH 24

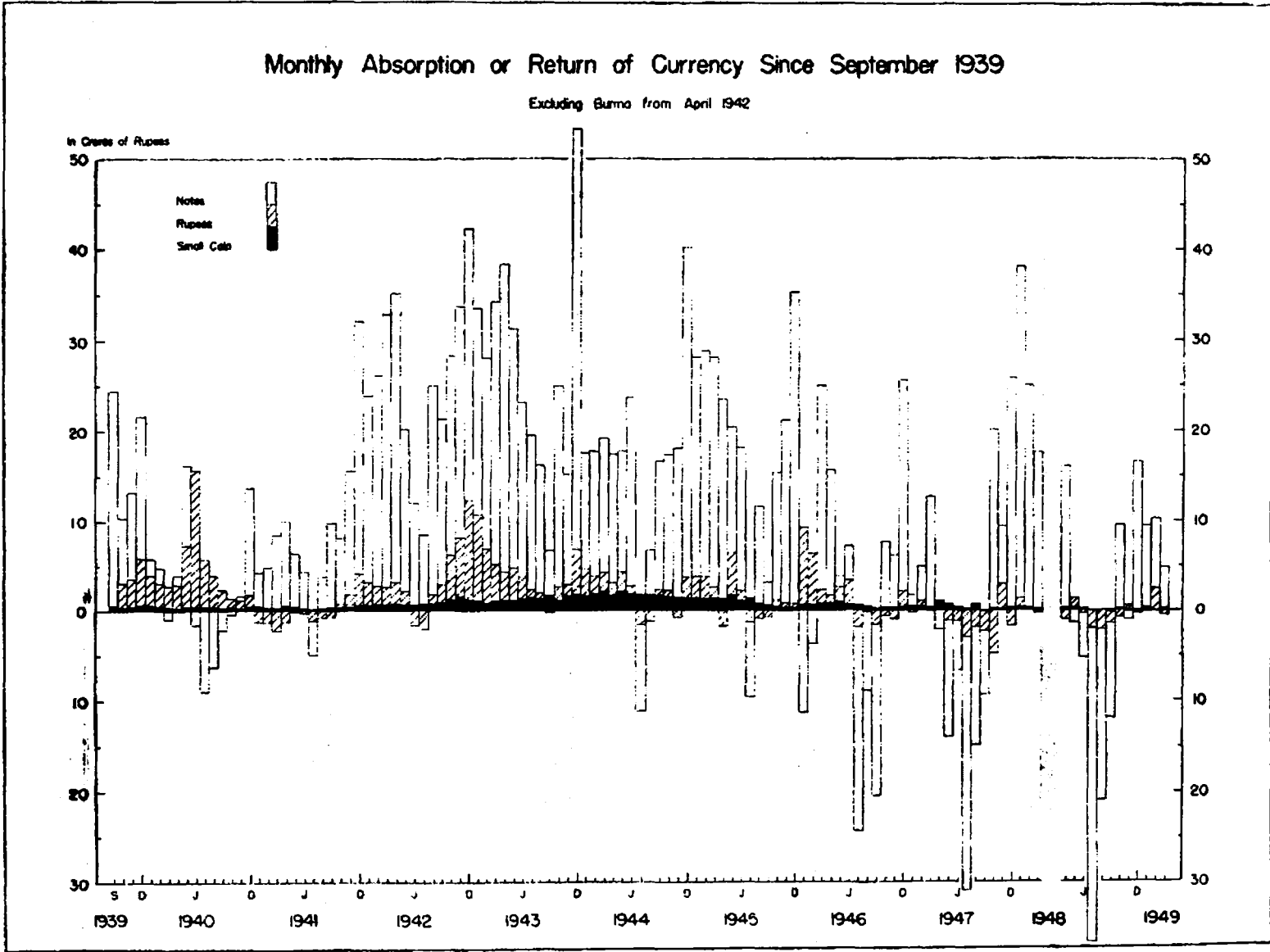
# ABSORPTION OR RETURN OF NOTES, RUPEES & SMALL COIN

1946 - 47 TO 1948 - 49

In Crores of Rupees



**GRAPH 25**





the normal seasonal pattern. These trends seem to have asserted themselves more fully during the year 1947-48, when a return of currency of Rs. 77.74 crores was witnessed in the months of April to September 1947 and an absorption of Rs. 127.73 crores during October 1947 to March 1948, which periods coincide with the slack and busy seasons of the year. In the Indian Union, the seasonal pattern was more or less maintained during 1948-49. The expansion of currency noticed during the busy season of last year continued during April 1948, when Rs. 14.79 crores were absorbed. This was followed by a return of currency of Rs. 75.14 crores during the period May to September 1948, while the busy season period from October 1948 to March 1949 showed an absorption of currency of Rs. 48.20 crores.

104. *Money Supply.*—Table 38 (A) gives figures of money supply with the public (excluding small coin) in undivided India for the period 1938-39 to 1947-48 as on the last Friday of each year, while Table 38 (B) shows the monthly variations in money supply (excluding small coin) in the Indian Union during the year 1948-49. In the absence of figures of circulation of rupee coin, only variations in money supply are shown in Table 38 (A) for the years 1938-39 to 1941-42 (*vide* column 13), while absolute figures of money supply, including the circulation of rupee coin, are given for the subsequent years (*vide* column 12). Table 38 (B) gives variations in money supply in the Indian Union during 1948-49 on a monthly basis, as it is not possible to give the totals of money supply owing to the non-availability of actual figures of circulation both of notes and rupee coin in the Indian Union separately from Pakistan. For the purposes of Table 38, money supply is taken as the total of (1) legal tender currency with the public (i.e., notes and coin in circulation *minus* notes and coin held in Government Treasuries, *minus* notes and coin held by scheduled, non-scheduled and co-operative banks) and (2) demand liabilities of scheduled, non-scheduled and co-operative banks, *minus* inter-bank demand deposits\* *plus* deposits with the Reserve Bank of India excluding those of the Central Government and banks. The Central Government's holdings of currency and deposits have been excluded from money supply, since it is possible for Governments to use changes in their cash balances as instruments of monetary policy and as the size of such cash balances does not generally influence their expenditure in the same way as in the case of individuals and businessmen. Money supply as defined above covers all forms of exchange media held by the public, i.e., by all entities other than banks and the Central Government.

It will be seen from Table 38 (A) that the rate of wartime expansion in money supply in undivided India, after reaching its peak in 1942-43, witnessed a progressive decline during the subsequent war years, the additions to money supply being 35.1 per cent in 1943-44, 18.7 per cent in 1944-45 and 13.4 per cent in 1945-46. Money supply increased during the years 1939-40 to 1941-42 by Rs. 361 crores; by Rs. 465 crores in 1942-43, the year of peak expansion; and by Rs. 981 crores during the following three years 1943-44 to 1945-46, at the end of which money supply in undivided India stood at Rs. 2,179 crores. In 1946-47, with an increase of Rs. 31 crores to Rs. 1,358 crores or 2.3 per cent in currency with the public, and with deposit money remaining unchanged at Rs. 852 crores, the upward trend in money supply, in a process of adjustment to peacetime conditions, would appear to have been halted in the first post-war year. Money supply stood at Rs. 2,210 crores at the end of March 1947 as compared with Rs. 2,179 crores at the end of March 1946, showing a rise of only 1.4 per cent. This was mainly a result of the curtailment, following the termination of the war, of the defence

\* As the figures in respect of inter-bank demand deposits are available only from July 1948, these have not been taken into account in computing the figures of money supply.

TABLE 32(A).—MONEY SUPPLY<sup>¶</sup> IN UNDIVIDED INDIA

										(In crores of rupees)	
	March 1939	March 1940	March 1941	March 1942	March 1943	March 1944	March 1945	March 1946	March 1947	March 1948	
<b>I. Currency—</b>											
1. India notes in circulation .. ..	178	225	241	382	644	882	1,085	1,210	1,242	1,304	
2. Variation/Circulation of rupee coin§ ..	— 13	+ 10	+ 33	+ 7	124**	137	147	166	168	155	
3. Notes and coin with Treasuries†† ..	2	2	2	2	1	2	3	7	2	1*	
4. Cash on hand of scheduled, non-scheduled and co-operative banks†† .. ..	9	10	13	16	25	34	41	51	50	49	
5. Currency with the public (excluding small coin) (1+2—3—4) .. ..	..	..	..	..	742	983	1,188	1,327	1,358	1,409	
6. Variation in currency with the public		+ 56	+ 46	+ 145	+ 299	+ 241	+ 205	+ 139	+ 31	+ 51	
<b>II. Deposits—</b>											
7. Demand liabilities of scheduled,† non- scheduled and co-operative banks†† ..	168	187	215	276	435	598	682	807	793	849	
8. Deposits with the Reserve Bank :											
(a) Deposits of the Central Government.	9	8	5	7	19	76	254	521	432	320	
(b) Deposits of banks .. ..	11	18	35	42	47	50	85	77	71	79	
(c) Deposits of Other Governments ..	7	11	12	12	16	25	29	35	30	24	
(d) Other deposits .. ..	1	1	6	2	5	15	23	10	29	34	
9. Deposits with the Reserve Bank exclud- ing those of the Central Government and banks .. ..	8	12	18	14	21	40	52	45	59	58	
10. Deposit money with the public (7+9) ..	176	199	233	290	456	636	734	852	852	907	
11. Variation in deposit money with the public		+ 23	+ 34	+ 57	+ 166	+ 180	+ 98	+ 118	—	+ 55	
<b>III. 12. Money Supply with the public (excluding small coin) (5+10) .. ..</b>											
13. Variation in money supply with the public		+ 79	+ 80	+ 202	+ 465	+ 421	+ 303	+ 257	+ 31	+ 106	

Note :—Figures are as on last Friday. Figures for Burma are excluded.

¶ Excluding small coin.

§ Rupee coin circulation is available from October 1943 onwards; up to March 1942 the figures relate to absorption or return of rupee coin.

\*\* October 1943.

\* Relates to the Indian Union only.

†† As on last day of the month.

‡‡ For some periods figures relating to non-scheduled banks are estimates, while figures for March 1948 are for the Indian Union only; figures relating to co-operative banks are as at the end of June; these are available up to June 1947 only and have been assumed to be constant thereafter.

† Inclusive of inter-bank demand deposits of scheduled banks which are not available separately.

TABLE 38 (B).—MONTHLY VARIATIONS IN MONEY SUPPLY§ IN THE INDIAN UNION DURING 1948-49

(In crores of rupees)

	April 1948	May 1948	June 1948	July 1948	Aug. 1948	Sept. 1948	Oct. 1948	Nov. 1948	Dec. 1948	Jan. 1949	Feb. 1949	March 1949	1948-49
<b>I. Currency—</b>													
1. India notes in circulation .. ..	+15.8	— 1.5	— 4.9†	—34.9	—18.8	—10.4	+ 9.4	— 1.0	+16.5	+ 9.3	+ 7.9	+ 4.6	— 7.8
2. Circulation of rupee coin .. ..	— 1.0	+ 1.0	— 0.4	— 1.9	— 2.2	— 1.3	— 0.8	+ 0.5	— 0.3	+ 0.2	+ 2.3	— 0.5	— 4.3
3. Notes and coin with Treasuries†† ..	+ 0.1	+ 0.1	+ 0.2	—	+ 0.3	— 0.2	— 0.3	+ 0.5	— 0.1	+ 0.2	—	— 0.9	— 0.1
4. Cash on hand of scheduled, non-scheduled and co-operative banks††.	+ 1.2	+ 2.2	+ 0.7	— 1.3	— 1.1	+ 0.5	— 3.2	+ 3.4	+ 1.9	— 4.6	+ 0.9	— 1.1	— 0.5
5. Currency with the public (excluding small coin) (1+2—3—4) .. ..	+13.5	— 2.8	— 6.2	—35.5	—20.2	—12.0	+12.1	— 4.4	+14.4	+13.9	+ 9.3	+ 6.1	—11.5
<b>II. Deposits—</b>													
6. Demand liabilities of scheduled (including inter-bank demand deposits), non-scheduled and co-operative banks†† .. ..	+23.7	+ 0.8	+ 0.7	+ 1.6	— 1.8	— 5.6	—17.0	+ 3.3	— 8.0	—21.3	— 3.0	—11.4	—38.0
7. Inter-bank demand deposits** .. ..	..	..	..	9.7*	— 3.4	+ 0.5	+ 1.1	— 2.4	+ 5.2	— 1.2	+ 3.7	+ 3.9	..
8. Deposits with the Reserve Bank :													
(a) Deposits of the Central Government .. ..	— 8.9	—28.5	— 5.6	— 8.4	+18.0	— 4.5	+12.1	—13.2	—14.1	+ 1.5	— 9.9	—22.1	—83.6
(b) Deposits of banks .. ..	+15.5†	+ 7.7†	+ 2.2†	+32.9*	—17.0	— 1.6	—27.4	+18.9	—18.5	— 4.4	— 6.5	— 1.1	+ 0.7
(c) Deposits of Other Governments ..	— 6.6	+ 9.2	— 5.4	— 1.4	+ 0.2	+ 3.0	— 2.0	— 5.5	+ 3.3	— 3.7	+ 1.1	+11.6	+ 3.8
(d) Other deposits .. ..	+ 8.8†	+ 1.8†	+ 1.6†	+ 1.9*	+10.8	— 1.6	+ 7.9	—10.1	+ 8.9	— 3.7	+ 8.5	— 0.8	+34.0
9. Deposits with the Reserve Bank excluding those of the Central Government and banks .. ..	+ 2.2	+11.0	— 3.8	+ 0.5	+11.0	+ 1.4	+ 5.9	—15.6	+12.2	— 7.4	+ 9.6	+10.8	+37.8
10. Deposit money with the public (6+9) .. ..	+25.9	+11.8	— 3.1	+ 2.1	+ 9.2	— 4.2	—11.1	—12.3	+ 4.2	—28.7	+ 6.6	— 0.6	— 0.2
<b>III. Money Supply with the public (excluding small coin) (5+10) .. ..</b>	<b>+39.4</b>	<b>+ 9.0</b>	<b>— 9.3</b>	<b>—33.4</b>	<b>—11.0</b>	<b>—16.2</b>	<b>+ 1.0</b>	<b>—16.7</b>	<b>+18.6</b>	<b>—14.8</b>	<b>+15.9</b>	<b>+ 5.5</b>	<b>—11.7</b>

Note :—Figures are provisional. Variations in figures as on last Friday.

§ Excluding small coin.

‡ Figures relate to undivided India.

\* Variation over 2nd July, 1948.

†† Figures in respect of non-scheduled banks are available up to June 1948, and those for co-operative banks up to June 1947; these have been assumed to be constant thereafter.

† Variation between 28th May and 30th June, 1948.

\*\* Figures are available only from July 1948 onwards (vide footnote on page 155).

‡‡ Variations in figures as on last day of the month.

expenditure incurred by the Government of India on their own account as well as on behalf of the Allied Governments. As will be seen from the following Table, the process of adjustment continued in the first half of the year 1947-48, which also coincided with the slack season period, money supply receding by Rs. 70 crores to Rs. 2,140 crores at the end of September 1947.

As on last Friday	(In crores of rupees)			
	1946-47		1947-48	
	September	March	September	March
1. Currency with the public .. ..	1,292	1,358	1,278	1,409
2. Deposit money with the public ..	881	852	862	907
3. Money supply with the public (1+2).	2,173	2,210	2,140	2,316

This trend, however, received a temporary set-back during the latter half of 1947-48, when money supply recorded a sharp rise of Rs. 176 crores or 8 per cent. Apart from the requirements of the busy season, the rise was partly due to the heavy Governmental outlays following the Partition and partly to the gradual widening of the free sector of internal trade following the adoption by Government of the policy of decontrol in December 1947. During the period October 1947 to March 1948, the Central Government's deposits with the Reserve Bank of India declined by Rs. 66 crores to Rs. 320 crores. The currency and deposit money with the public went up respectively by Rs. 131 crores and Rs. 45 crores to Rs. 1,409 crores and Rs. 907 crores. In the result, money supply during 1947-48 showed a net increase of Rs. 106 crores, rising from Rs. 2,210 crores at the end of March 1947 to Rs. 2,316 crores at the end of March 1948.

During the year 1948-49, money supply in the Indian Union (*vide* Table 38 (B)) showed a net contraction of about Rs. 12 crores. In the first two months of the year, *viz.*, April and May, money supply rose by Rs. 48 crores reflecting mainly a continuance of the trend witnessed during the half year immediately preceding. The upward trend, however, was reversed in June and money supply continued to decline during the succeeding three months, reflecting partly the impact of the slack season and partly the repercussions of the Government's policy of disinflation adopted since the end of July. The decline of Rs. 70 crores in money supply during the four months June to September was made up of a fall of Rs. 74 crores in currency in circulation with the public and a rise of Rs. 4 crores in deposit money owned by the public. Thus, during the half year ended September 1948, there was a net decline in money supply of about Rs. 22 crores. During the latter half of the year from October 1948 to March 1949, which witnessed the initiation by Government of their Anti-inflation Programme of 4th October and its implementation, there was a net increase in money supply of about Rs. 10 crores. During these months, currency in the hands of the public recorded a comparatively moderate increase of about Rs. 52 crores, while deposit money with them moved down by Rs. 42 crores. Money supply showed an increase of Rs. 41 crores during the months of October and December 1948 and February and March 1949, which was partially offset by a decline of Rs. 31 crores during November 1948 and January 1949. During the year as a whole, money supply in the Indian Union showed a net decline of about Rs. 12 crores, which was almost wholly accounted for by a decline in currency, deposit money with the public remaining virtually unchanged over the year. It will be noticed that the decline in demand liabilities of banks during the year of Rs. 38 crores was offset by a rise in "Other Deposits" and "Deposits of Other Governments" with the Reserve Bank of Rs. 34 crores and Rs. 4 crores respectively. Central Government deposits with the Reserve Bank during the year showed a sharp decline of Rs. 84 crores.

GRAPH 26

# Absorption and Return of Notes and Rupee Coin by Periods

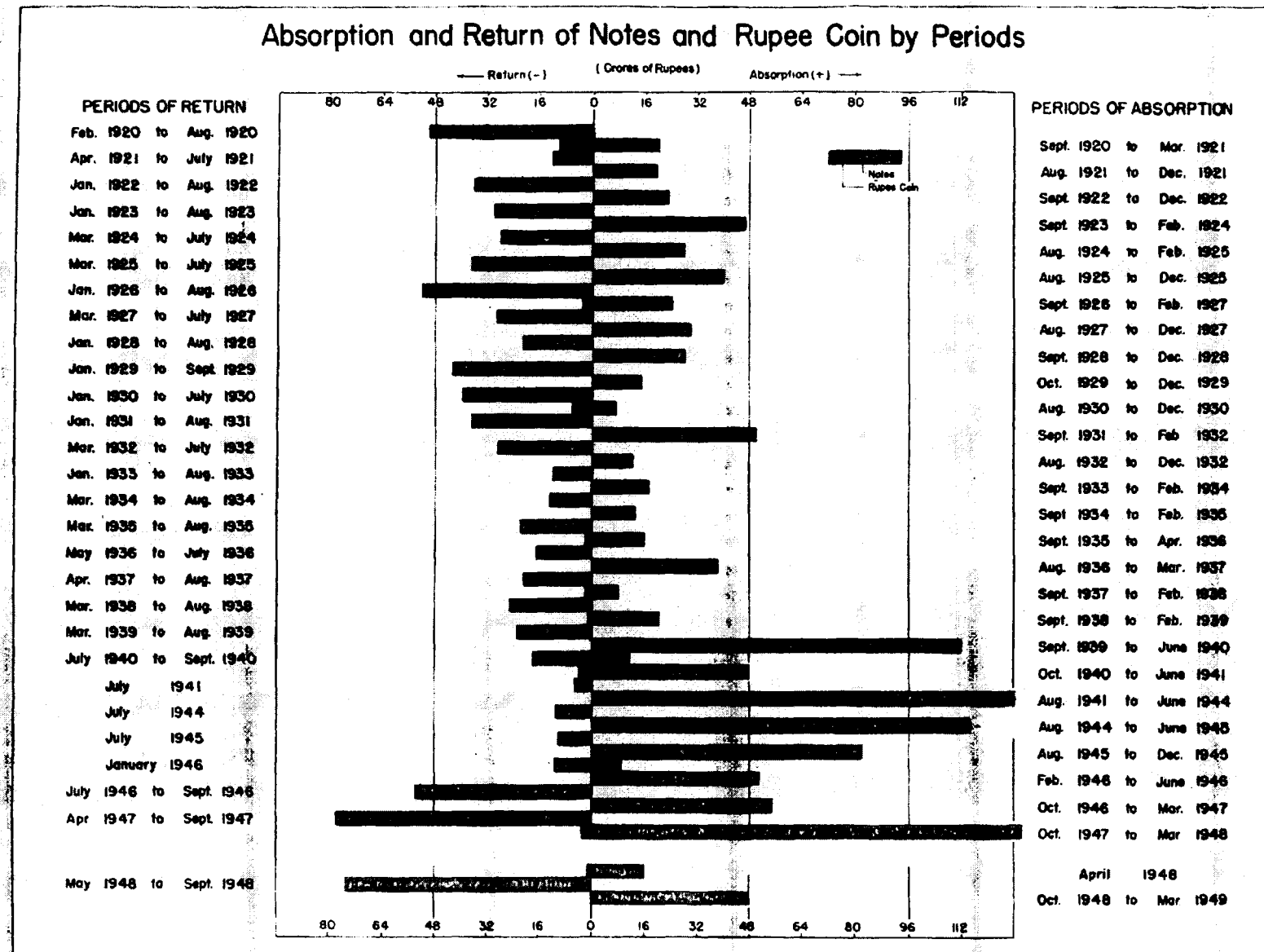


TABLE 39.—TRENDS IN NOTE CIRCULATION AND DEMAND DEPOSITS OF SCHEDULED BANKS

		(Amount in crores of rupees)																			
		1939-40		1940-41		1941-42		1942-43		1943-44		1944-45		1945-46		1946-47		1947-48		1948-49	
		April to Sept.	Oct. to Mar.	April to Sept.	Oct. to Mar.	April to Sept.	Oct. to Mar.	April to Sept.	Oct. to Mar.	April to Sept.	Oct. to Mar.	April to Sept.	Oct. to Mar.	April to Sept.	Oct. to Mar.	April to Sept.	Oct. to Mar.	April to Sept.	Oct. to Mar.	April to Sept.	Oct. to Mar.
1.	India notes in circulation ..	193	225	217	241	268	382	493	644	760	882	941	1,085	1,142	1,219	1,188	1,242	1,174	1,304	..	..
2.	Increase/decrease over the previous half-year.	15	32	— 8	24	27	114	111	151	116	122	59	144	57	77	—31	54	—68	130	—55	47
3.	Percentage increase/decrease over the previous half-year .. ..	8	17	— 4	11	11	43	29	31	18	16	7	15	5	7	— 3	5	— 5	11	..	..
4.	Percentage increase/decrease over the previous year .. ..		26		7		59		69		37		23		12		2		5		..
5.	Demand deposits† ..	132	143	158	172	206	226	314	374	468	524	588	597	645	701	748	681	699	749	688	631
6.	Increase/decrease over the previous half-year.	7	11	15	14	34	19	89	60	84	66	64	9	48	50	47	—67	18	50	19	—37
7.	Percentage increase/decrease over the previous half-year .. ..	6	8	10	9	20	9	40	19	22	14	12	2	8	9	7	— 9	3	7	3	— 8
8.	Percentage increase/decrease over the previous year .. ..		14		20		31		68		40		14		17		— 3		10		— 6

Note :—Figures are as on last Friday. Data for 1948-49 relate to the Indian Union ; those for earlier years relate to undivided India.

† Inclusive of inter-bank demand deposits.

105. *Trends in Note Circulation and Demand Deposits.*—Table 39 gives comparative figures for undivided India of the changes in note circulation and scheduled banks' demand deposits (including inter-bank demand deposits) from 1939-40 to 1947-48 and those for the Indian Union for the year 1948-49.

It will be seen that, underlying the general upward trend in monetary circulation during the war years, there was a relatively greater increase in demand deposits than in note circulation during the first half of the year which usually corresponds to the slack season in trade, and *vice versa* in the second half which corresponds to the busy season. Deposits witnessed a continuous rise during the war, the rate of increase, unlike in note circulation, being greater during the slack season than during the busy season. On the other hand, note circulation moved up more rapidly during the busy season than during the slack season except in 1943-44. On the whole, the circulation of notes increased faster than demand deposits during the war. During the years 1939-40 to 1945-46, notes in circulation moved up by about six times to Rs. 1,219 crores, while demand deposits rose by over four and a half times to Rs. 701 crores.

After the end of the war, a decline in note circulation has been noticed in the slack season and a rise in the busy season. During the first post-war year 1946-47, there was a reduction of 3 per cent in note circulation in the slack season and an increase of 5 per cent in the busy season. On the other hand, deposits increased by 7 per cent in the slack season and decreased by 9 per cent in the busy season. During 1947-48, the pattern of the seasonal trend was maintained in respect of note circulation, the slack season return and the busy season absorption being 5 per cent and 11 per cent respectively. Deposits, unlike in 1946-47, continued to rise throughout the year, evincing a greater rate of expansion in the busy season, *viz.*, 7 per cent than in the slack season, *viz.*, 3 per cent.

Similarly during 1948-49, the return of notes in the Indian Union in the slack season worked out at Rs. 55 crores and the absorption in the busy season at Rs. 47 crores. Deposits showed a rise of 3 per cent in the slack season and a decline of 8 per cent in the busy season.

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

106. *Changes in the Form of India Notes.*—During 1948-49, no alterations were made in respect of paper, size, colour, etc., of India notes of the various denominations (including Government of India one rupee notes) issued by the Reserve Bank of India. The Bank's Office at Delhi, however, issued, with effect from May 1948, notes of the denomination of Rs. 100 with the word "Delhi" printed on the current pattern of notes of this denomination, consequent on the establishment in December 1947, of a full-fledged Issue Office of the Bank at Delhi.

107. *Cessation of Legal Tender Character of India Notes in Burma.*—By a notification issued on 29th October, 1941 by the Government of Burma under the provisions of the India and Burma (Burma Monetary Arrangements) Order 1937, "India" notes other than Government of India one rupee notes (*i.e.*, currency notes of the Government of India and Bank notes of the Reserve Bank of India not marked "Legal Tender in Burma only") had ceased to be legal tender in Burma after 31st March, 1942. Subsequently, however, the legal tender character of these notes in Burma was revived by a proclamation issued on 1st May, 1945 by the Supreme Allied Commander of the South East Asia Command. In terms of this proclamation, "India" notes of all denominations were again

declared legal tender in Burma along with other specified currency notes circulating in Burma. In view of the attainment of political independence by Burma and the termination of the joint monetary arrangements between India and Burma on 31st March, 1947, the Government of Burma decided to terminate, with effect from 1st July, 1948, the legal tender character in Burma of "India" notes and Government of India one rupee notes without the superscription "Legal Tender in Burma only."

108. *Encashment of Burma Notes.*—In January 1942, the Offices of the Reserve Bank of India were authorised to encash Burma notes at a discount of one half of one per cent, with a minimum of annas eight per tender, and a *Press Communique* regarding this was issued by the Bank on 3rd January, 1942. Subsequently, certain branches of the Imperial Bank of India and some of the Treasuries were also authorised to encash Burma notes on the same terms in order to enable the Burma refugees to realise the value of these notes without difficulty. Under the Burma Notes Ordinance dated 6th June, 1942, the Bank was prohibited from making payment of Burma notes except with the authorisation of the Government of India, though encashment of Burma notes was to continue as before, the Bank acting as agents of the Government of India. These facilities with slight modifications from time to time, as to the offices where the facilities were to be made available, the rate at which exchanges were to be made, and the limit up to which exchanges were permitted, have been continued by arrangements entered into by the Government of India with the British Military Administration and the Government of Burma.

During 1948-49, the facilities for encashment of Burma currency notes (i.e., old Burma notes, British Military Administration notes and Burma Currency Board notes) continued to be provided in India at the following centres :

- (a) Offices of the Reserve Bank at Bombay, Calcutta and Madras ;
- (b) Offices of the Imperial Bank of India at Vizagapatam, Cochin, Tuticorin and Negapatam ;
- (c) Treasuries at Kohima, Aijal and the Sub-Treasury at Margherita in Assam and at Port Blair.

In addition, with a view to meeting the convenience of the poor repatriates from Burma, arrangements were made in March 1949 to exchange Burma notes at the quays at Calcutta, Madras and Vizagapatam.

During the year, encashments continued to be restricted to a maximum of Rs. 100 in the case of adult tenderers and Rs. 50 in the case of minors under 12 years. The commission chargeable was 4 annas per cent with a minimum of 4 annas per tender, except in Assam, where due to special conditions prevailing, encashments were made at par. The total amount of Burma notes (i.e., old Burma notes, British Military Administration notes and Burma Currency Board notes) encashed during 1948-49 amounted to Rs. 48,50,310 as against Rs. 1,02,99,895 during 1947-48, the total value of these notes tendered since January 1942, when encashment facilities were first provided, aggregating Rs. 26,70,21,325.

109. *Encashment of Pakistan Notes.*—Following the termination of the joint monetary arrangements between India and Pakistan facilities were provided with effect from 20th July, 1948 for the encashment of Pakistan notes at the offices of the Reserve Bank at Bombay, Calcutta, Madras, Delhi and Kanpur mainly for the convenience of travellers. The commission chargeable was 4 annas per cent, with a minimum of 4 annas per tender. The Bank's offices were also authorised to sell at par and without limit Pakistan notes to the public



with effect from 25th September, 1948. From 11th February, 1949, however, the facility for the encashment of Pakistan notes has been restricted to a maximum of Rs. 100 per person, when the rate of commission was also raised from 4 annas to 8 annas per cent with a minimum of 4 annas. The total amount of Pakistan notes purchased and sold at the offices of the Reserve Bank of India up to 25th March, 1949 were Rs. 90,13,304 and Rs. 57,89,014 respectively.

110. *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 1948-49 amounted to Rs. 1,08,170 compared with Rs. 1,10,080 in the previous year (*vide* Table below). Notes amounting to Rs. 13,480, which had been previously written off under this Section, were presented for payment and were paid by the Banking Department of the Bank during the year. The following Table gives the value of notes written off and refunded over the past three years.

	1946-47	1947-48	1948-49
Value of Notes written off at the end of the year .. .. .	1,77,490	1,10,080	1,08,170
Value of Notes refunded during the year..	1,62,200	24,820	13,480

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

	No. of claims admitted	No. of pieces	Amount of claims admitted	Amount paid against claims
			Rs.	Rs.
Lost or wholly destroyed notes .. .. .	423	981	99,200	26,050*
Half notes .. .. .	1,938	3,687	3,87,050	54,250
Mutilated Notes†—				
Registered (Denominations of Rs. 20 to Rs. 100) .. .. .	8,769	13,610	11,43,650	10,71,550
Unregistered (Denominations of Rs. 1 to Rs. 10) .. .. .	53,544	3,97,120	22,28,235	19,91,118
Government of India one rupee notes..	31,473	4,13,572	4,13,572	3,98,707

*Note:*—Excluding figures for the Dacca circle; those in respect of Karachi and Lahore circles relate to the quarter ended June 1948 only.

† Exclusive of the Lahore circle.

\* Represents amount paid during 1948-49 in respect of claims admitted in previous years.

112. *Note Forgeries.*—The total number of forged notes (including Government of India one rupee notes) received during the year was 11,220 (*vide* Table below) as compared with 13,657 in 1947-48. The distribution of note forgeries according to denominations for the last three years is given below.

Year	Rs. 1 Old Notes	Rs. 1 Government of India Notes	Rs. 2	Rs. 5	Rs. 10	Rs. 50	Rs. 100	Rs. 500	Rs. 1,000
1946-47 .. .. .	—	1,537	250	831	7,229	—	13	—	1
1947-48 .. .. .	—	1,574	159	1,667	10,238	—	19	—	—
1948-49* .. .. .	1	2,500	176	1,945	8,574	—	24	—	—

\* Exclusive of figures for the Dacca circle; those in respect of Karachi and Lahore circles relate to the quarter ended June 1948 only.

The number of forged notes received during the year registered an increase in all denominations, excepting Rs. 10 denomination. However, as during the preceding two years, the largest number of forgeries was in respect of Rs. 10 notes, which during the year amounted to 58.6 per cent of the total. Forgeries in respect of this denomination received in the Calcutta and Kanpur Offices numbered 2,922 and 1,213 respectively or 44.4 per cent and 18.5 per cent. Forgeries in the Government of India one rupee notes aggregated 2,500 or 22.3 per cent of the total. The number of forged notes of all denominations detected amounted to 6,434 in Calcutta, 1,638 in Kanpur, 1,134 in Bombay and 1,088 in Madras. 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
1946-47	41	39	80	13	10	57
1947-48	34	57	91	15	19	57
1948-49*	34	57	91	24	24	43

\* Exclusive of figures for the Karachi and Dacca circles; those in respect of the Lahore circle relate to the quarter ended June 1948 only.

113. *Coinage*.—Statement XLIX gives mintage of India rupee coin since 1835. Rupees were not minted between 1922 and 1940. India rupee coin minted during 1948 amounted to Rs. 5.74 crores against Rs. 10.26 crores in 1947 and Rs. 3.49 crores in 1946. The following Table shows the mintage of India rupee coin and the various denominations of India small coin during 1948-49 at the Bombay and Calcutta Mints.

TABLE 40.—MINTAGE OF INDIA RUPEES AND SMALL COIN BY DENOMINATIONS

Denomination	Bombay Mint		Calcutta Mint		Total	
	Rs.	a.	Rs.	a.	Rs.	a.
Nickel Rupees	5,42,56,000	0	—	—	5,42,56,000	0
.. Half Rupees	1,19,60,000	0	—	—	1,19,60,000	0
.. Quarter Rupees	1,10,00,000	0	—	—	1,10,00,000	0
.. Two Annas	28,88,500	0	20,29,000	0	49,17,500	0
.. One Anna	14,49,250	0	34,13,750	0	48,63,000	0
.. Half Anna	4,47,500	0	24,20,750	0	28,68,250	0
Single Pice	2,99,200	0	11,09,400	0	14,08,600	0
<b>Total</b>	<b>8,23,00,450</b>	<b>0</b>	<b>55,72,900</b>	<b>0</b>	<b>8,78,73,350</b>	<b>0</b>

The issue of quaternary (silver) rupee coin was discontinued from the end of May 1946. The mintage of India nickel rupees during the year 1948-49 amounted to Rs. 5,42,56,000 as against Rs. 11,51,39,000 during 1947-48, the total mintage of these coins since April 1947, when they were first minted, up to the end of March 1949 amounting to Rs. 16,93,95,000. Of the total mintage of Rs. 9.13 crores during the year under review, small coin accounted for Rs. 3.70 crores or 41 per cent, as against 32 per cent out of an aggregate mintage of Rs. 16.94 crores in 1947-48.

Nickel-brass coins of the denominations of two annas, one anna and half anna, which were first issued early in 1942 are being replaced by their cupro-nickel counterparts.

The mintage of Pakistan rupee and small coin by India Government Mints which was undertaken in January 1948 was discontinued from October 1948. Pakistan nickel rupee coin of the value of Rs. 1.00 crore were minted at the Bombay Mint between January and March 1948. There was no mintage of Pakistan rupees during 1948-49. Pakistan small coin, however, continued to be minted up to the end of September 1948, the coinage during the year amounting to Rs. 1.90 crores. The amount of Pakistan small coin minted at the Bombay and Calcutta Mints since January 1948 totalled Rs. 2.48 crores. The following Table shows the mintage (denomination-wise) of Pakistan small coin at the India Government Mints during the period April to September 1948.

TABLE 41.—MINTAGE OF PAKISTAN SMALL COIN BY DENOMINATIONS

Denomination	Bombay Mint		Calcutta Mint		Total	
	Rs.	a.	Rs.	a.	Rs.	a.
Nickel Half Rupees ..	20,82,000	0	15,15,200	0	35,97,200	0
.. Quarter Rupees ..	25,76,000	0	24,13,933	12	49,89,933	12
.. Two Annas ..	29,42,500	0	20,45,250	0	49,87,750	0
.. One Anna ..	15,30,500	0	15,01,250	0	30,31,750	0
.. Half Anna ..	9,19,500	0	6,30,437	8	15,49,937	8
Single Pice ..	4,24,000	0	4,21,900	0	8,45,900	0
<b>Total</b> ..	<b>1,04,74,500</b>	<b>0</b>	<b>85,27,871</b>	<b>4</b>	<b>1,90,02,471</b>	<b>4</b>

114. *Withdrawal of Silver Coin.*—All Victoria and King Edward VII rupee and half rupee coins were withdrawn with effect from 1st April, 1941 and 31st May, 1942 respectively and King George V and King George VI standard silver rupees and half rupees were called back with effect from 1st May, 1943. The amount of rupee coin withdrawn from circulation during the last three years is given below.

	(In lakhs of rupees)		
	1946-47	1947-48	1948-49
William IV 1836 .. .. .	—	—	—
Queen Victoria 1840 .. .. .	0.01	—	—
Standard Silver Rupees .. .. .	2.88	0.51	0.30
Other uncurrent coin .. .. .	0.18	0.80	0.22
Defective Quaternary Rupees .. .. .	0.17	15.82	0.07
<b>Total</b> .. .. .	<b>3.24</b>	<b>17.13</b>	<b>0.58</b>

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

115. *Withdrawal of Cupro-nickel and Copper Coin.*—Eight anna cupro-nickel coins were withdrawn under Section 15A of the Indian Coinage Act 1906, with effect from 1st October, 1924, and are now received at the Issue Offices only. Double pice coins are also being withdrawn from circulation and are received

at the Treasuries and the Issue Offices. The total nominal value of uncurrent coin and badly worn and defaced nickel, copper and brass coins withdrawn from circulation during the year was as follows :—

		Rs.	a.	p.
Uncurrent Coin ..	Cupro-nickel* eight anna .. .. .	3,726	0	0
	Bronzo double piee .. .. .	66	14	6
Badly worn and defaced nickel, copper and brass coin	Cupro-nickel*-/4/- .. .. .	2,20,246	8	0
	Nickel-brass and cupro-nickel coin—			
	-/2/- pieces .. .. .	31,36,629	10	0
	-/1/- „ .. .. .	19,49,378	15	0
	-/½ „ .. .. .	2,78,481	2	6
	Copper and bronze coin—			
	Single piee .. .. .	23,467	5	0
	Half piee .. .. .	276	9	2
	Pie pieces .. .. .	52	12	7
<b>Total</b> .. .. .		<b>56,12,325</b>	<b>12</b>	<b>9</b>

\* Includes worn out pure nickel coins.

116. *Counterfeit Coin.*—The following Table gives the number of counterfeit coin by denominations cut at Treasuries and railway stations during the three years 1946-47 to 1948-49.

	1946-47		1947-48		1948-49	
	Silver	Nickel	Silver	Nickel	Silver	Nickel
Rupees .. .. .	7,846	—	9,169	79	9,742	1,291
Half Rupees .. .. .	9,323	366	13,361	1,856	10,817	4,198
Quarter Rupees .. .. .	10,783	3,787	12,052	4,220	11,321	7,762
Eighth Rupees .. .. .	81	69,621	301	76,774	1,393	1,03,969
One Anna .. .. .	—	8,795	—	7,536	—	10,995
Half Anna .. .. .	—	91	—	55	—	29
<b>Total</b> .. .. .	<b>28,033</b>	<b>82,660</b>	<b>34,873</b>	<b>90,520</b>	<b>33,273</b>	<b>1,23,244</b>

*Note.*—Figures for 1948-49 relate to the Indian Union ; earlier figures relate to undivided Indis.

# STATEMENT I

## INDEX NUMBERS OF WHOLESALE PRICES IN INDIA BY GROUPS OF ARTICLES AND COST OF LIVING § IN BOMBAY

(Source : Office of the Economic Adviser to the Government of India)

(Average of weekly figures)

(Reference paragraph 24)

### (A) SENSITIVE SERIES

(Base : Week ended 19th August, 1939 = 100)

Year	Agricultural Commodi- ties	Raw Materials	Primary Commodi- ties	Manufac- tured Articles	Chief Articles of Export †	General Index †	Cost of Living§ (Bombay)
1939-40 .. ..	127.5*	118.8*	124.2*	131.5*	130.5*	125.0*	105
1940-41 .. ..	108.6	121.5	113.4	119.8	114.1	114.8	109
1941-42 .. ..	124.2	146.9	132.5	154.6	137.3	137.0	122
1942-43 .. ..	166.2	165.0	166.0	190.4	181.7	171.0	166
1943-44 .. ..	268.7	185.0	232.5	251.7	236.4	236.5	226
1944-45 .. ..	265.4	206.0	240.5	258.3	243.0	244.2	226
1945-46 .. ..	272.6	210.0	246.2	240.0	248.9	244.9	228
1946-47 .. ..	313.8	235.3	280.0	259.1	296.8	275.4	252
1947-48 .. ..	356.9	254.0	312.6	287.8		307.0	268

### (B) GENERAL PURPOSE SERIES

(Base : Year ended August 1939 = 100)

Year and Month	Food Articles	Industrial Raw Materials	Semi-Manu- factured Articles	Manufac- tured Articles	Miscellane- ous	General Index	Cost of Living§ (Bombay)
1947-48 .. ..	306.1	377.5	261.6	286.4	456.2	308.2	268
1948-49 .. ..	382.9	444.8	327.3	346.1	525.2	376.2	297
January 1947 ..	290.6	343.3	241.2	272.0	491.5	290.5	254
February .. ..	290.1	352.1	242.2	272.7	497.4	292.2	250
March .. ..	286.2	362.9	248.9	270.0	489.8	293.2	256
April .. ..	279.0	356.2	249.7	270.1	467.6	289.6	257
May .. ..	278.6	352.6	249.0	271.6	463.2	288.6	258
June .. ..	287.4	361.5	250.7	273.5	474.0	294.2	265
July .. ..	291.5	371.0	256.0	274.9	449.8	297.7	261
August .. ..	297.8	366.5	258.3	280.2	456.6	301.4	270
September .. ..	296.2	371.6	258.1	282.5	457.8	302.4	285
October .. ..	295.3	376.6	256.8	283.5	468.2	303.2	282
November .. ..	294.8	377.0	252.5	283.2	460.8	302.0	273
December .. ..	321.1	394.7	259.9	284.0	454.2	314.2	271
January 1948 ..	347.7	403.9	272.9	292.9	455.7	329.2	258
February .. ..	348.5	404.8	293.9	321.1	429.5	342.3	263
March .. ..	347.1	397.7	285.8	324.3	448.7	340.7	270
April .. ..	348.8	414.6	299.8	325.7	478.5	347.9	277
May .. ..	357.6	442.3	317.9	351.0	504.2	357.2	278
June .. ..	377.0	451.5	323.4	370.0	520.0	382.2	292
July .. ..	390.7	449.0	338.2	370.2	537.3	389.6	297
August .. ..	397.7	438.1	330.7	353.0	532.6	382.9	306
September .. ..	396.6	435.1	340.2	348.1	531.1	382.3	308
October .. ..	393.1	435.7	340.3	347.7	547.8	381.7	300
November .. ..	394.1	440.3	340.9	346.0	548.0	382.2	302
December .. ..	397.5	457.7	328.3	347.5	536.7	383.6	310
January 1949 ..	385.3	456.6	324.8	339.2	530.2	376.1	301
February .. ..	383.8	457.3	322.1	330.1	524.3	372.0	292
March .. ..	376.5	462.8	322.4	329.4	515.2	370.2	296

† Discontinued from April 1947.

\* Seven months ended March 1940.

‡ Discontinued from April 1948.

§ Monthly indices—Base : August 1939 = 100 ; annual figures are averages of monthly indices ; Source : "Bombay Labour Gazette".

**STATEMENT II**  
**BALANCE OF TRADE IN MERCHANDISE\***  
 (Private and Government)  
 (Reference paragraph 28)

(In lakhs of rupees)

1947-48					1948-49					
Imports	Exports	Re-exports	Total Exports	Balance of Trade	Month	Imports	Exports	Re-exports	Total Exports	Balance of Trade
36,02	25,33	56	25,89	— 10,13 ..	April .. ..	29,73	36,76	1,90	38,66	+ 8,83
41,95	35,73	44	36,17	— 5,77 ..	May .. ..	43,33	30,85	63	31,53	— 11,00
38,53	35,07	38	35,45	— 3,07 ..	June .. ..	35,81	35,99	82	36,80	+ 1,00
43,87	28,34	35	28,69	— 14,99 ..	July .. ..	40,56	33,30	51	38,82	— 1,75
35,86	30,32	97	31,29	— 4,07 ..	August .. ..	43,90	33,23	60	33,83	— 10,07
36,80	33,56	54	34,11	— 2,70 ..	September .. ..	39,11	34,87	36	35,23	— 3,88
33,55	35,29	95	36,24	+ 2,69 ..	October .. ..	35,13	32,26	26	32,52	— 2,62
32,30	34,14	79	34,94	+ 2,63 ..	November .. ..	42,22	36,59	60	37,19	— 5,03
34,29	36,51	32	36,83	+ 2,54 ..	December .. ..	45,95	34,79	42	35,21	— 10,74
37,19	33,86	31	34,17	— 3,02 ..	January .. ..	55,04	34,63	51	35,13	— 10,91
36,46	29,71	64	30,34	— 6,12 ..	February .. ..	52,11	35,32	43	35,75	— 16,36
39,70	42,43	1,69	44,12	+ 4,42 ..	March .. ..	55,09	31,94	30	32,24	— 22,85
445,61	400,30	7,93	408,24	— 37,58 ..	Total .. ..	518,00	415,53	7,29	422,82	— 95,18

*Note* :—Figures up to the end of February 1948 are on a pre-partition basis (i.e., for undivided India), but those relating to the ports of Karachi and Chittagong have been excluded from 1st and 15th August, 1947 respectively. Since March 1948, the data have been worked out on a post-partition basis (i.e., the figures include the sea-borne trade of the Indian Union with Pakistan). Sea-borne trade of Kutch has been included from June 1948.

\* Sea-borne trade only.

### STATEMENT III

#### STERLING TRANSACTIONS OF THE RESERVE BANK OF INDIA<sup>§</sup>, 1948-49

(Reference paragraph 32)

	Purchases†		Sales‡		Net Purchases (+) Sales (-)	
	£ thousands	Rs. lakhs	£ thousands	Rs. lakhs	£ thousands	Rs. lakhs
1946-47 .. ..	33,769	45.03	89,305	1,32.53	— 65,536	— 87.51
1947-48 .. ..	150,456 (15,454)	2,00.61 (20.61)	58,980 (725)	78.71 ( 97)	+ 91,476 (+ 14,728)	+ 1,21.90 (+ 19.84)
1948-49 .. ..	30,030 (8,463)	40.04 (11.28)	82,698 (140)	1,10.35 (19)	— 52,668 (+ 8,323)	— 70.31 (+ 11.10)
1947-48						
April .. ..	13,700	18.27	8,785	11.72	+ 4,915	+ 6.54
May .. ..	9,800	13.07	7,100	9.47	+ 2,700	+ 3.59
June .. ..	2,695	3.59	17,230	22.99	— 14,535	— 19.40
July .. ..	2,870	3.83	16,144	21.54	— 13,274	— 17.72
August .. ..	22,100	29.47	3,130	4.18	+ 18,970	+ 25.29
September ..	10,240	13.65	1,850	2.47	+ 8,390	+ 11.18
October .. ..	5,320	7.09	745	99	+ 4,575	+ 6.10
November ..	13,165	17.65	185	25	+ 12,980	+ 17.31
December ..	3,315	4.42	1,955	2.61	+ 1,360	+ 1.81
January .. ..	20,375 (4,225)	27.17 (5.63)	480 (250)	64 (33)	+ 19,895 (+ 3,975)	+ 26.53 (+ 5.30)
February .. ..	23,970 (6,445)	31.96 (8.59)	475 (456)	63 (61)	+ 23,495 (+ 5,989)	+ 31.33 (+ 7.98)
March .. ..	7,452 (4,784)	9.94 (6.38)	175 (20)	23 (3)	+ 7,277 (+ 4,764)	+ 9.70 (+ 6.35)
1948-49						
April .. ..	5,175 (5,416)	6.90 (7.22)	480 (30)	64 (4)	+ 4,695 (+ 5,386)	+ 6.26 (+ 7.18)
May .. ..	4,345 (1,640)	5.79 (2.19)	795 (10)	1.06 (1)	+ 3,550 (+ 1,630)	+ 4.73 (+ 2.17)
June .. ..	2,225 (1,407)	2.97 (1.88)	8,245 (100)	11.00 (13)	— 6,020 (+ 1,307)	— 8.04 (+ 1.74)
July .. ..	2,650	3.53	12,242	16.34	— 9,592	— 12.80
August .. ..	4,430	5.91	10,175	13.58	— 5,745	— 7.67
September ..	1,375	1.83	7,530	10.05	— 6,155	— 8.22
October .. ..	2,250	3.00	4,605	6.15	— 2,355	— 3.15
November ..	3,100	4.13	7,855	10.48	— 4,755	— 6.35
December ..	1,075	1.43	7,022	9.37	— 5,947	— 7.94
January .. ..	550	73	9,599	12.81	— 9,049	— 12.08
February .. ..	1,305	1.74	9,540	12.73	— 8,235	— 10.99
March .. ..	1,550	2.07	4,600	6.14	— 3,050	— 4.07

§ Excluding Government transactions.

† Ready and forward purchases, and cancellations of forward sale contracts. Average rate of purchases : 1s. 6d.

‡ Ready and forward sales, and cancellations of forward purchase contracts. Average rate of sales : 1s. 5-63/64d.

Annual figures for 1946-47 and 1947-48 relate to undivided India, while those for 1948-49 relate to the Indian Union only; figures shown in brackets for 1947-48 and 1948-49 are totals on Pakistan Account for the months January-March 1948 and April-June 1948 respectively.

Monthly figures from April to December 1947 relate to undivided India, while later figures are for the Indian Union; those shown in brackets from January to June 1948 are on account of Pakistan.

# STATEMENT IV

HIGHEST, LOWEST AND AVERAGE (MONTHLY) PRICES OF BAR GOLD AND SOVEREIGNS IN BOMBAY, 1948-49

(Reference paragraph 46)

170

1948-49	Gold (per fine tola)						Sovereigns			Average estimated stocks of gold in Bombay††  (Tolas)
	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.				
April	117 4 0 (30)	113 10 0 (5)	115 8 9	117 4 0 (30)	111 8 0 (2)	115 5 6	74 8 0 (29 & 30)	72 8 0 (6)	73 9 10	60,000
May	118 8 0 (5)	112 10 0 (22)	116 2 3	118 8 0 (5)	112 2 0 (22)	116 0 9	75 8 0 (13, 20 & 31)	74 0 0 (17 & 22)	74 11 9	40,000
June	116 12 0 (11)	113 8 0 (21)	115 4 5	116 6 0 (11)	113 2 0* (21)	114 13 10*	76 6 0 (12)	75 0 0 (21 & 22)	75 9 10	45,000
July	115 5 0 (1)	110 3 0 (20)	113 7 3	114 14 0* (2)	109 14 0* (20)	113 0 5*	75 8 0 (3)	74 8 0 (20)	74 14 8	50,000
August	121 0 0 (31)	111 14 0 (6)	114 10 1	114 4 0* (31)	110 4 0* (23)	112 3 1*	79 8 0 (31)	74 12 0 (6, 7, 9 & 10)	75 12 8	36,250
September	120 0 0 (1)	112 4 0 (23)	115 0 7	116 0 0* (15)	112 4 0* (23)	113 13 4*	79 8 0 (1)	76 0 0 (7)	77 0 8	36,250
October	116 0 0 (6 & 7)	113 3 0 (26)	114 10 0	114 7 0 (15)	112 12 0 (26)	113 12 1*	76 12 0 (8)	75 4 0 (18 & 26)	75 14 5	31,000
November	114 1 0 (15)	112 5 0 (20)	113 2 4	113 11 0 (15)	112 0 0 (20)	112 11 10	76 8 0 (3 & 4)	75 4 0 (8, 9, 20, 25, 27, 29 & 30)	75 10 5	35,000
December	114 5 0 (6 & 7)	112 0 0 (24)	113 0 1	113 9 0 (2, 6 & 7)	112 4 0 (17)	112 14 9	75 8 0 (2)	73 4 0 (22-24, 27 & 28)	74 4 10	30,000
January	119 4 0 (29)	112 12 0 (6 & 7)	114 14 9				75 12 0 (28 & 29)	74 0 0 (7, 11-14 & 22)	74 6 3	25,000
February	119 2 0 (17-19)	117 0 0 (7 & 8)	117 12 8				76 4 0 (3, 17 & 18)	75 2 0 (8 & 9)	75 10 11	42,500
March	118 1 0 (5)	103 0 0 (23)	112 5 8				75 8 0 (4)	68 8 0 (23)	73 8 8	53,750

The Treasury's price of gold in the United States was unchanged at \$35 per fine ounce.

The Treasury's buying price of gold in London remained unchanged at £8-12-3 per fine ounce.

Figures within brackets refer to dates of quotations. † Average of closing quotations for working days. \*\* Fortnightly. †† Average of week-end stocks. \*Unofficial; there were no official forward transactions from 12th June to 12th October, 1948. Market for forward business closed after 18th December, 1948.



# STATEMENT V

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

(Reference paragraph 46)

Year	Gold (per fine tola)				Silver (per 100 tolas gross)			
	Highest	Lowest	Average†	Import duty	Highest	Lowest	Average†	Import duty
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
1926-27	21 11 8	21 4 8	21 7 8	—	72 0 0	55 8 0	63 1 5	—
1927-28	21 11 3	21 4 9	21 7 6	—	61 2 0	56 8 0	59 3 7	—
1928-29	21 11 6	21 4 8	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	—	65 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	—	37 0 0	46 12 0	65 1 1	4 11 0
1936-37	36 8 0	33 15 3	34 12 6	—	56 2 0	47 0 0	50 5 8	4 11 0
1937-38	36 2 9	34 3 6	34 7 10	—	55 15 6	46 1 8	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	56 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 8	44 7 11	—	97 6 0	61 12 6	68 11 4	8 7 0*
1942-43	72 0 0	44 12 0	57 10 10	—	116 3 0	75 4 0	94 2 6	8 7 0*
1943-44	96 4 0	65 4 0	76 11 6	—	141 5 9	101 3 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 2	8 7 0*
1945-46	97 12 0	63 6 0	80 3 0	25 0 0(a)	159 6 0	119 0 0	135 1 11	8 7 0*
1946-47	111 0 0	84 4 0	101 1 2	25 0 0	196 0 0	127 0 0(c)	162 4 10	18 12 0
1947-48	117 12 0	96 14 0	108 0 4	12 3 0(b)	133 13 0(c)	142 8 0	166 12 6	9 6 0
1948-49	121 0 0	103 0 0	114 9 10	12 3 0	139 8 0	166 3 0	177 3 0	9 6 0

† Average of closing quotations for working days.

\* Including surcharge of 20 per cent.

(a) Effective from 1st March, 1946.

(b) Effective from 12th August, 1946.

(c) Unofficial.

# STATEMENT VI

PRICES† (WEEKLY) OF GOLD AND SILVER AND ESTIMATED STOCKS IN BOMBAY, 1948-49

(Reference paragraph 46)

		Silver				Gold			
Friday 1948-49		Spot Settlement† (Per 100 tolas gross)		Premium (+) or Discount (—) of spot over settlement	Estimated Stocks (In bars of 2,800 tolas)	Spot Settlement† (Per fine tola)		Premium (+) or Discount (—) of spot over settlement	Estimated Stocks (Tolas)
		Rs. a. p.	Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.	Rs. a. p.	
179	April 2	173 6 0*	170 14 0	+ 2 8 0	8,000	113 13 0*	112 8 0	+ 1 5 0	40,000
	" 9	169 0 0	169 0 0	—	8,000	115 4 0	115 2 0	+ 0 2 0	50,000
	" 16	169 9 0	169 9 0	—	3,000	115 5 0	115 4 0	+ 0 1 0	50,000
	" 23	169 2 0	168 10 0	+ 0 8 0	8,000	114 15 0	114 15 0	—	1,00,000
	" 30	175 13 0	175 4 0	+ 0 9 0	8,000	116 13 0	116 13 0	—	60,000
	May 7	177 2 0	176 10 0	+ 0 8 0	8,000	116 4 0	116 6 0	— 0 2 0	60,000
	" 14	177 12 0	177 8 0	+ 0 4 0	7,000	117 6 0	117 8 0	— 0 2 0	60,000
	" 21	169 8 0	169 2 0	+ 0 6 0	6,500	114 4 0	114 0 0	+ 0 4 0	30,000
	" 28	168 2 0	167 12 0	+ 0 6 0	6,500	114 13 0	114 3 0	+ 0 8 0	10,000
	June 4**	168 14 0	168 4 0	+ 0 10 0	7,000	114 14 0	114 8 0	+ 0 6 0	30,000
	" 11	174 2 0	173 10 0	+ 0 8 0 }	5,000	116 4 0	115 14 0	+ 0 6 0	50,000
	" 18	176 0 0	176 0 0	—	4,500	115 0 0	114 7 0½	+ 0 9 0	40,000
	" 25	175 11 0	175 5 0	+ 0 6 0	5,000	115 6 0	114 14 0½	+ 0 8 0	60,000
	July 2	174 13 0	174 9 0	+ 0 4 0	5,500	114 13 0	114 8 0½	+ 0 5 0	50,000
	" 9	167 0 0	166 12 0	+ 0 4 0 }	5,000	113 6 0	112 14 0½	+ 0 8 0	40,000
	" 16	172 8 0	172 0 0	+ 0 8 0 }	5,000	112 12 0	112 9 0½	+ 0 3 0	60,000
	" 23	177 14 0	177 12 0	+ 0 2 0 }	6,000	112 10 0	112 5 0½	+ 0 5 0	60,000
	" 30	175 7 0	174 11 0	+ 0 12 0 }	4,000	113 6 0	112 15 0½	+ 0 7 0	40,000
	August 6	176 9 0	175 15 0	+ 0 10 0	2,000	112 5 0	111 9 0½	+ 0 12 0	25,000
	" 13	176 12 0	176 0 0	+ 0 12 0	6,000	113 5 0	112 3 0½	+ 1 0 0	30,000
	" 20	177 1 0	176 9 0	+ 0 8 0	8,000	116 0 0	113 0 0½	+ 3 0 0	30,000
	" 27	174 6 0	173 0 0	+ 1 6 0	6,000	117 0 0	111 5 0½	+ 5 11 0	20,000

September	3	..	..	173 13 0	171 13 0	+ 2 0 0	8,000	117 8 0			40,000
"	10	..	..	175 10 0	169 2 0	+ 6 8 0	8,000	115 0 0	113 12 0‡	+ 1 4 0	40,000
"	17	..	..	174 10 0	171 14 0	+ 2 12 0	7,000	115 8 0	114 0 0‡	+ 1 8 0	35,000
"	24	..	..	172 10 0	169 6 0	+ 3 4 0	7,000	114 0 0	113 10 0‡	+ 0 8 0	30,000
October	1	..	..	174 12 0	172 4 0	+ 2 8 0	7,000	114 2 0	113 6 0‡	+ 0 12 0	30,000
"	8	..	..	173 10 0	174 14 0	+ 3 12 0	5,000	115 4 0	114 7 0‡	+ 0 13 0	35,000
"	15	..	..	176 15 0	175 5 0	+ 1 10 0	7,000	115 3 0	114 7 0	+ 0 12 0	30,000
"	22	..	..	175 12 0	174 0 0	+ 1 12 0	7,000	114 8 0	113 11 0	+ 0 13 0	30,000
"	29	..	..	173 7 0	172 14 0	+ 0 9 0	7,000	113 11 0	113 2 0	+ 0 9 0	30,000
November	5	..	..	175 11 0	175 1 0	+ 0 10 0	7,000	113 5 0	112 9 0	+ 0 12 0	40,000
"	12**	..	..	176 11 0	176 3 0	+ 0 8 0	7,000	113 3 0	112 11 0	+ 0 8 0	40,000
"	19	..	..	175 9 0	175 2 0	+ 0 7 0	6,000	113 0 0	112 10 0	+ 0 6 0	30,000
"	26	..	..	177 2 0	(175 5 0) 176 11 0	+ 0 4 0 + 0 7 0					
December	3	..	..	178 5 0	178 7 0	- 0 2 0	6,000	113 13 0	113 2 0	+ 0 11 0	30,000
"	10	..	..	176 8 0	(176 7 0) 175 12 0	+ 1 14 0 + 0 12 0					
"	17	..	..	179 8 0	177 6 0	+ 2 0 0	6,000	113 2 0	112 12 0	+ 0 6 0	30,000
"	24	..	..	179 0 0	..	..	6,000	112 12 0	112 9 0	+ 0 3 0	30,000
"	31	..	..	178 12 0	..	..	5,500	112 0 0	..	..	30,000
January	7	..	..	179 0 0	..	..	5,000	112 12 0	..	..	25,000
"	14	..	..	180 6 0	..	..	4,000	113 12 0	..	..	25,000
"	21	..	..	183 0 0	..	..	3,000	115 5 0	..	..	30,000
"	28	..	..	186 12 0	..	..	3,000	118 10 0	..	..	20,000
February	4	..	..	188 4 0	..	..	4,000	117 10 0	..	..	40,000
"	11	..	..	187 0 0	..	..	3,500	117 4 0	..	..	40,000
"	18	..	..	189 12 0	..	..	2,500	119 0 0	..	..	40,000
"	25**	..	..	188 0 0	..	..	2,500	117 11 0	..	..	50,000
March	4	..	..	189 4 0	..	..	2,500	118 0 0	..	..	35,000
"	11	..	..	186 12 0	..	..	3,000	113 8 0	..	..	75,000
"	18	..	..	184 8 0	..	..	1,700	112 0 0	..	..	55,000
"	25	..	..	181 6 0	..	..	3,000	109 0 0	..	..	50,000

‡ Closing quotations. † Fortnightly; when two settlements run during one week, the quotation for the new settlement is shown in brackets.

\* Spot market closed from 1st April to 4th April, 1948; quotations as on 5th April. \*\* Market closed; preceding working day's quotations given.

§ Unofficial; there were no official forward transactions in gold from 12th June to 12th October, 1948. Market for forward business closed after 18th December, in gold and after 20th December 1948 in silver.

**STATEMENT VII**  
**PRICE OF SILVER IN LONDON, NEW YORK AND BOMBAY (MONTHLY), 1948-49**  
*(Reference paragraph 48)*

1948-49	Price in London* (Per fine ounce)		Market Price in New York** (Per fine ounce)		Market Price in Bombay (Per 100 tolas gross)						Average estimated stocks in Bombay†† (in bars of 2,800 tolas)
	Highest, Lowest, Average†		Highest, Lowest, Average†		Spot			Settlement‡			
	Spot d.	Forward d.	Spot Cents.	Average†	Highest Rs. a. p.	Lowest Rs. a. p.	Average† Rs. a. p.	Highest Rs. a. p.	Lowest Rs. a. p.	Average† Rs. a. p.	
April	45	45	74½		176 9 0 (30)	168 4 0 (9)	171 10 3	175 15 0 (30)	167 12 0 (2)	171 8 1	7,000
May	45	45	74½		180 14 0 (11)	166 8 0 (22)	174 2 9	180 10 0 (12)	166 2 0 (22)	173 12 8	7,000
June	45	45	74½		177 1 0 (18)	168 8 0 (2)	173 13 2	177 2 0 (24)	166 0 0 (2)	173 10 7	5,375
July	45	45	74½		178 0 0 (23)	167 0 0 (9)	174 2 10	178 0 0 (23)	166 12 0 (9)	173 4 7	5,100
August	{ 45 H 44 L 44-21/32 A	{ 45 H 44 L 44-21/32 A	{ 74½ H 72½ L 73-15/16 A		177 15 0 (21)	174 4 0 (27)	176 4 1	178 11 0 (21)	171 13 0 (23)	175 3 6	4,750
September	{ 46 H 45 L 45-29/32 A	{ 46 H 45 L 45-29/32 A	{ 76½ H 74½ L 75-11/32 A		179 6 0 (13)	168 6 0 (21)	174 6 2	176 8 0 (9)	165 14 0 (21)	170 9 0	7,000
October	{ 46½ H 46-15/16 A	{ 46½ H 46-15/16 A	{ 74½ H 74½ L 77-7/32 A		180 0 0 (6)	172 13 0 (30)	176 4 0	177 9 0 (6)	171 2 0 (1)	174 9 4	6,600
November	{ 45½ H 42½ L 45-1/32 A	{ 45½ H 42½ L 45-1/32 A	{ 74½ H 70 L 73-9/16 A		178 8 0 (29 & 30)	174 3 0 (20)	176 6 0	178 7 0 (30)	173 15 0 (20)	175 13 9	6,500
December	42½	42½	70		180 14 0 (18)	174 8 0 (14)	178 5 5	179 7 0 (20)	173 4 0 (14)	176 15 3	5,900
January	42½	42½	70		188 4 0 (29)	178 8 0 (3 & 4)	182 2 0				3,750
February	{ 43½ H 42½ L 43 A	{ 43½ H 42½ L 43 A	{ 71½ H 70 L 70-13/16 A		190 8 0 (18)	166 6 0 (9)	187 12 5				3,125
March	43½	43½	71½		190 0 (30)	175 8 0 (31)	185 0 7				2,550

Figures within brackets refer to dates of quotations. † Average of closing quotations for working days. \* London Treasury's price of silver for essential purposes: spot: 45d. per fine ounce from 6th November, 1947 to 13th August, 1948; forward: 45d. per fine ounce from 23rd February to 13th August, 1948; spot and forward: 42½d. per fine ounce from 30th November, 1948 to 11th February, 1949 and 43½d. per fine ounce from 16th February, 1949. \*\* Price of foreign silver in New York: 74½ cents per fine ounce from 6th November, 1947 to 12th August, 1948; 70 cents per fine ounce from 29th November, 1948 to 10th February, 1949 and 71½ cents per fine ounce from 15th February, 1949. ‡ Fortnightly; market for forward business closed after 20th December, 1948. †† Average of week-end stocks. H=Highest. L=Lowest. A=Average.

# STATEMENT VIII

IMPORTS AND EXPORTS OF GOLD AND SILVER, 1948-49

(Private and Government)

(Reference paragraph 50)

	GOLD COIN AND BULLION†						SILVER				NET IMPORTS (+) OR EXPORTS (-)	
	IMPORTS						IMPORTS		EXPORTS			
	Gold Bullion		Sovereigns and other British Gold Coin		TOTAL		Quantity in ounces	Value in rupees	Quantity in ounces	Value in rupees	Quantity in ounces	Value in rupees
	Quantity in ounces	Value in rupees	Quantity in ounces	Value in rupees	Quantity in ounces	Value in rupees						
1948-49												
176 April	—	—	—	—	—	—	677,893	30,64,766	2	10	+	677,891 + 30,64,756
May	7	2,155	—	—	7	2,155	136,244	6,20,812	—	—	+	136,244 + 6,20,812
June	68	20,367	—	—	68	20,287	494,628	23,20,943	—	—	—	494,628 + 23,20,943
July	—	—	—	—	—	—	304,301	13,97,756	120	556	+	304,181 + 13,97,198
August	83	21,083	—	—	83	21,083	101,177	4,77,344	—	—	+	101,177 + 4,77,344
September	58	17,752	—	—	58	17,752	—	—	—	—	—	—
October	—	—	—	—	—	—	—	—	—	—	—	—
November	1	216	—	—	1	216	—	—	—	—	—	—
December	—	—	—	—	—	—	—	—	—	—	—	—
January	—	—	—	—	—	—	—	—	—	—	—	—
February	—	—	—	—	—	—	—	—	—	—	—	—
March	—	—	—	—	—	—	—	—	—	—	—	—
Total	217	61,483	—	—	217	61,483	1,714,243	78,81,621	122	568	+	1,714,121 + 78,81,063

Note:—Figures are on a post-partition basis (i.e., the data include the sea-borne trade of the Indian Union with Pakistan). Sea-borne trade of Kutch has been included from June 1948.

† There were no exports during 1948-49 except in March 1949, when 465 ounces of gold bullion valued at Rs. 1,27,676 were exported.

# STATE

## QUANTITY AND VALUE OF IMPORTS§ AND EXPORTS OF GOLD

(Reference

	IMPORTS					
	Gold Bullion		Sovereigns and other British gold coin		TOTAL	
	Quantity in ounces	Value in rupees	Quantity in ounces	Value in rupees	Quantity in ounces	Value in rupees
Average for 1900-01 to 1904-05 .. .. .	..	5,72,18,318	..	9,34,97,221	2,496,571	15,97,15,539
Average for 1905-06 to 1909-10 .. .. .	..	9,65,96,452	..	7,83,84,043	2,845,107	17,49,80,495
Average for 1910-11 to 1914-15 .. .. .	2,115,569	13,49,74,877	2,786,453	16,42,39,396	4,902,022	29,92,14,272
Average for 1915-16 to 1919-20 .. .. .	2,423,885	14,94,65,235	796,983	4,70,19,473	3,220,868	19,64,84,708
Average for 1920-21 to 1924-25 .. .. .	4,344,849	28,54,42,004	1,183,850	7,90,80,246	5,528,699	36,45,22,250
Average for 1925-26 to 1929-30 .. .. .	2,426,556	13,84,17,212	1,394,720	7,82,14,107	3,821,276	21,66,31,319
Average for 1930-31 to 1934-35 .. .. .	324,421	2,03,42,694	308,976	1,80,20,626	633,397	3,83,63,319
1935-36 .. .. .	50,200	50,72,099	47,261	44,23,311	103,461	94,95,410
1936-37 .. .. .	61,086	57,09,880	111,695	1,03,78,239	172,781	1,60,88,119
1937-38 .. .. .	39,967	34,61,069	131,699	1,22,23,092	171,666	1,56,84,161
1938-39 .. .. .	43,696	39,60,395	34,402	33,03,033	78,098	72,63,428
1939-40 .. .. .	26,231	27,26,603	44,692	44,97,696	70,923	72,24,199
1940-41 .. .. .	5,484	6,22,198	11	1,390	5,495	6,23,588
1941-42 .. .. .	2,496	2,96,376	442	50,255	2,938	3,46,630
1942-43 .. .. .	548	67,602	41,408	23,71,637	41,956	24,39,139
1943-44 .. .. .	18,908	35,84,367	3	625	18,911	35,84,992
1944-45 .. .. .	92,749	1,65,82,145	—	—	92,749	1,65,82,145
1945-46 .. .. .	10,994	22,02,863	—	—	10,994	22,02,863
1946-47 .. .. .	388,415	9,45,90,230	157	40,335	388,572	9,46,30,565
1947-48 .. .. .	347,673	9,46,99,257	5	121	347,578	9,46,99,378
Total for 35 years from 1900-01 to 1934-35 .. .. .	..	4,41,22,83,859	..	2,79,21,75,551	117,239,682	7,20,44,59,510
Total for 13 years from 1935-36 to 1947-48 .. .. .	1,094,347	23,35,74,973	411,775	3,72,89,634	1,506,122	27,08,64,607
1948-49 .. .. .	217	61,493	—	—	217	61,493

Note :—Up to and including 1941-42, figures relate to India and Burma. Figures up to the end of February 1948 are on pre-partition basis (i.e., for undivided India), but those relating to the ports of Karachi and Chittagong have been excluded from 1st and 15th August, 1947 respectively. Since March 1948, the data have been worked out on a post-partition basis (i.e., the figures include the sea-borne trade of the Indian Union with Pakistan). Sea-borne trade of Kutch has been included from June 1948. § The figures for the year 1943-44 to 1945-46 do not include the sales of about 7.5 million ounces made in India on behalf of the Allied Governments.

# MENT IX

## COIN AND BULLION (PRIVATE AND GOVERNMENT) SINCE 1900-01

paragraph 50)

EXPORTS						NET IMPORTS (+) OR EXPORTS (—)	
Gold Bullion		Sovereigns and other British gold coin		TOTAL		Quantity in ounces	Value in rupees
Quantity in ounces	Value in rupees	Quantity in ounces	Value in rupees	Quantity in ounces	Value in rupees		
..	4,85,71,823	..	3,97,99,942	1,520,365	8,83,71,765	+ 976,206	+ 6,23,43,774
..	3,34,76,990	..	2,40,30,440	1,000,328	5,75,07,430	+ 1,844,779	+ 11,74,53,065
835,654	3,07,89,183	254,980	1,50,03,372	790,634	4,57,92,555	+ 4,111,388	+ 24,34,21,717
851,352	4,91,96,822	236,247	1,31,45,685	1,075,034	6,23,41,932	+ 2,145,834	+ 13,41,42,776
907,000	6,99,52,231	101,892	74,74,737	1,008,892	7,74,28,968	+ 4,519,807	+ 28,70,95,282
10,863	6,17,458	8,038	4,64,532	18,901	10,81,990	+ 3,802,375	+ 21,55,49,329
5,863,258	46,35,03,533	186,272	1,55,29,438	5,859,530	47,90,32,969	— 5,226,133	— 44,06,69,650
4,072,548	37,83,21,048	50,175	47,33,722	4,122,723	38,30,55,365	— 4,019,262	— 37,35,59,955
3,183,450	29,45,14,987	367	34,261	3,183,817	29,45,49,248	— 3,011,036	— 27,84,61,129
1,841,172	17,00,08,595	97,311	89,93,695	1,938,483	17,90,02,290	— 1,766,817	— 16,33,18,129
589,995	5,72,59,150	845,330	8,07,06,346	1,435,325	13,79,65,490	— 2,387,647*	— 23,26,02,068*
3,426,914	37,17,43,852	10,405	11,02,393	3,437,319	37,28,46,245	— 4,155,343†	— 44,04,30,422†
997,857	12,64,28,105	22,015	25,49,808	1,019,872	12,89,77,913	— 1,014,277	— 12,83,54,325
159,461	1,80,47,219	26,894	34,52,127	186,355	2,14,99,346	— 183,417	— 2,11,52,716
1,837	2,76,232	28,472	45,18,718	30,309	47,94,950	+ 11,647	— 23,55,811
2,684	5,52,111	8,215	16,98,280	10,899	22,50,391	+ 8,012	+ 13,34,601
2,834	5,56,513	1,206	2,65,000	4,040	8,21,513	+ 88,709	+ 1,57,60,632
1,824	3,80,431	19,239	46,14,214	21,063	49,94,645	— 10,069	— 27,91,792
3,390	9,25,227	99,628	1,42,99,481	103,018	1,52,24,708	+ 285,554	+ 7,94,05,857
639	1,83,606	2	722	641	1,84,328	+ 346,937	+ 9,45,15,050
..	3,48,05,37,328	..	57,72,40,719	56,368,424	4,05,77,78,047	+ 60,871,268	+ 3,14,66,81,483
14,284,605	1,41,91,97,871	1,209,259	12,69,68,767	15,493,864	1,54,61,66,438	— 15,807,109‡	— 1,45,90,10,207‡
405	1,27,676	—	—	405	1,27,676	— 188	— 66,183

|| During 1930-31, there was a net import of 2,242,653 ounces valued at Rs. 12,75,18,115, while during the next four years, i.e. 1931-32 to 1934-35, the net total exports amounted to 28,373,324 ounces valued at Rs. 2,33,08,66,366.

\* Including 1,030,420 ounces of gold valued at Rs. 10,19 lakhs earmarked on account of purchasers abroad. † Including 38,947 ounces of gold valued at Rs. 8,08,08,376 earmarked on account of purchasers abroad. ‡ Including 1,819,367 ounces of gold valued at Rs. 18,27,08,376 earmarked on account of purchasers abroad during 1938-39 and 1939-40.

**STATE**

**QUANTITY AND VALUE OF IMPORTS AND EXPORTS**  
(Reference)

	IMPORTS				EX	
	Private		Government		Private	
	Quantity in ounces	Value in rupees	Quantity in ounces	Value in rupees	Quantity in ounces	Value in rupees
Average for 1900-01 to 1904-05 ..	57,852,778	10,21,59,397	23,944,496	4,43,07,532	24,374,965	4,40,63,495
Average for 1905-06 to 1909-10 ..	58,692,689	10,23,54,941	37,635,284	7,52,77,318	9,265,611	2,30,09,410
Average for 1910-11 to 1914-15 ..	59,749,141	10,61,42,280	18,418,183	3,52,16,322	16,231,989	3,27,52,650
Average for 1915-16 to 1919-20 ..	12,301,301	2,37,92,158	105,380,023	28,32,58,307	7,005,565	1,67,47,759
Average for 1920-21 to 1924-25 ..	87,999,844	18,99,72,421	745,257	20,17,664	14,864,944	3,38,52,496
Average for 1925-26 to 1929-30 ..	110,058,132	17,44,82,295	178,262	4,67,948	13,156,954	2,30,75,210
Average for 1930-31 to 1934-35 ..	37,288,014	4,95,38,643	20,893	42,250	14,186,617	1,88,33,087
1935-36 ..	33,517,880	4,46,22,281	16,319,000	1,90,52,479	20,200,205	3,18,84,541
1936-37 ..	112,247,392	13,87,41,437	8,556	23,023	2,144,483	28,47,436
1937-38 ..	19,563,948	2,50,36,330	1,115	3,000	7,619,840	99,56,495
1938-39 ..	11,439,178	1,48,99,684	1,895	2,311	3,505,080	45,43,879
1939-40 ..	31,040,078	4,10,45,742	742	1,907	974,215	18,09,136
1940-41 ..	7,245,776	1,19,82,129	1,307,726	21,79,468	1,377,129	36,80,278
1941-42 ..	16,220,580	2,61,01,533	5,362,812	41,16,51,862	818,012	21,03,397
1942-43 ..	1,206,021	19,42,268	352,887	9,30,335	1,243,868	33,30,119
1943-44 ..	148,036	4,03,278	26,264,639	3,88,53,367	656,555	17,93,517
1944-45 ..	398,771	11,14,147	145,416,174	22,59,63,774	926,828	24,78,032
1945-46 ..	924,397	29,09,928	55,357,754	7,77,27,638	347,888	9,31,394
1946-47 ..	53,730,863	21,97,34,892	16,826,033	2,61,52,607	21,407	97,058
1947-48 ..	21,901,282	9,62,00,807	4,303,466	1,08,38,428	1,020	4,599
<b>Total for 35 years from 1900-01 to 1934-35 ..</b>	<b>2,120,209,495</b>	<b>3,74,22,10,677</b>	<b>931,611,938</b>	<b>2,20,29,36,765</b>	<b>495,453,273</b>	<b>96,16,76,534</b>
<b>Total for 13 years from 1935-36 to 1947-48 ..</b>	<b>309,585,111</b>	<b>62,48,60,356</b>	<b>271,612,799</b>	<b>42,31,80,189</b>	<b>39,829,530</b>	<b>6,54,59,881</b>

	Private and Government		Private and Government	
	Quantity in ounces	Value in rupees	Quantity in ounces	Value in rupees
1948-49 ..	1,714,243	78,81,621	122	

Note :—Up to and including 1941-42, figures relate to India and Burma. Figures up to the end of February 1948 are on pre-partition basis (i.e., for undivided India), but those relating to the ports of Karachi and Chittagong have been excluded from 1st and 15th August, 1947 respectively. Since March 1948, the data have been worked out on a post-partition basis (i.e., the figures include the sea-borne trade of the Indian Union with Pakistan). Sea-borne trade of Kutch has been included from June 1948.



# MENT X

OF SILVER SINCE 1900-01†

(paragraph 50)

PORTS		NET IMPORTS (+) OR EXPORTS (—)				NET TOTAL IMPORTS (+) OR EXPORTS (—)	
Government		Private		Government		Private and Government	
Quantity in ounces	Value in rupees	Quantity in ounces	Value in rupees	Quantity in ounces	Value in rupees	Quantity in ounces	Value in rupees
473,831	12,61,520	+ 33,577,813	+ 5,80,95,902	+ 23,471,465	+ 4,30,46,012	+ 57,049,278	+ 10,11,41,914
24,999	78,819	+ 49,427,078	+ 7,03,45,531	+ 37,610,294	+ 7,51,98,499	+ 87,037,372	+ 15,45,44,030
924,024	24,64,629	+ 43,517,142	+ 7,33,89,630	+ 17,494,159	+ 3,27,51,693	+ 61,011,301	+ 10,61,41,323
3,950,144	1,06,64,081	+ 5,295,736	+ 70,44,389	+ 101,429,879	+ 27,25,94,226	+ 106,725,615	+ 27,96,38,625
271,534	7,23,762	+ 73,134,900	+ 15,61,19,925	+ 473,723	+ 12,83,902	+ 73,608,623	+ 15,74,13,827
9,725,568	1,34,33,986	+ 96,901,178	+ 15,14,07,085	+ 9,547,306	+ 1,29,66,038	+ 87,353,872	+ 13,84,41,047
32,469,404	3,89,86,049	+ 23,097,397	+ 3,07,05,556	+ 32,448,521	+ 3,89,43,799	+ 9,351,124†	+ 82,38,243†
28,120,597	3,84,24,938	+ 13,317,675	+ 1,27,37,740	+ 11,801,597	+ 1,81,72,459	+ 1,516,078	+ 57,34,719
—	—	+ 110,102,909	+ 13,58,94,001	+ 8,556	+ 23,023	+ 110,111,465	+ 13,59,17,024
—	—	+ 11,944,108	+ 1,50,79,835	+ 1,115	+ 3,000	+ 11,945,223	+ 1,50,82,835
3,899,415	45,66,410	+ 7,934,098	+ 1,03,55,705	+ 3,897,520	+ 45,64,099	+ 4,036,578	+ 57,91,606
16,245,409	2,43,94,316	+ 30,068,763	+ 3,92,30,606	+ 16,244,667	+ 2,43,92,319	+ 13,823,096	+ 1,48,44,287
19,577,200	3,05,51,269	+ 5,868,647	+ 83,01,851	+ 18,179,474	+ 2,83,71,801	+ 12,310,827	+ 2,00,69,950
49,352,183	9,00,32,435	+ 13,407,577	+ 2,39,98,136	+ 43,989,371	+ 7,84,80,573	+ 28,581,794	+ 5,44,82,437
34,627,993	8,24,58,913	+ 37,847	+ 13,87,851	+ 34,275,106	+ 8,15,28,578	+ 34,312,953	+ 8,29,16,429
5,173,808	1,55,00,047	+ 507,510	+ 13,30,239	+ 21,090,831	+ 2,33,52,420	+ 20,583,312	+ 2,20,22,181
536,572	15,30,664	+ 527,057	+ 13,63,885	+ 144,879,602	+ 22,44,33,110	+ 144,352,545	+ 22,30,89,225
198,596	6,64,171	+ 576,509	+ 20,38,534	+ 55,159,158	+ 7,70,63,467	+ 55,735,667	+ 7,91,02,001
29,967	1,29,599	+ 53,709,456	+ 21,90,37,834	+ 16,796,066	+ 2,60,22,008	+ 70,505,522	+ 24,59,60,742
481	2,138	+ 21,900,262	+ 9,62,02,208	+ 4,302,985	+ 1,98,36,290	+ 26,203,247	+ 11,60,38,498
239,193,477	33,80,84,229	+ 1,024,756,222	+ 2,78,05,40,143	+ 692,418,461	+ 1,86,48,72,476	+ 2,317,174,683	+ 4,64,54,12,619
157,762,221	28,82,55,800	+ 269,755,581	+ 55,94,00,475	+ 113,850,578	+ 13,49,24,389	+ 383,606,159	+ 69,43,24,864
Government		Private		Government		Private and Government	
Value in rupees		Quantity in ounces		Quantity in ounces		Value in rupees	
588		—		—		1,714,121 + 78,81,053	

† Government of India rupees are shown at face value. ‡ During 1930-31, there was a net import of 80,635,935 ounces valued at Rs. 10,07,93,056, while during the next four years, viz., 1931-32 to 1934-35, the net total exports amounted to 127,291,557 ounces valued at Rs. 14,19,84,267.

**STATE**  
**RAILWAY**  
*(Reference)*

	1924-25	1929-30	1934-35	1937-38	1938-39	1939-40	1940-41
Capital at charge .. .. .	6,07,69	7,35,22	7,51,96	7,53,80	7,55,26	7,58,62	7,60,93
Gross Traffic Receipts .. ..	1,03,18	1,04,37	91,76	1,00,46	99,62	1,02,73	1,17,58
Operating Expenses .. .. .	53,17	56,32	50,63	53,01	54,01	54,77	55,62
Depreciation Fund .. .. .	9,93	12,11	13,18	12,57	<del>12,56</del>	<del>12,59</del>	<del>12,64</del>
Payments to worked lines as share of earnings .. .. .	3,64	3,24	2,62	2,81	2,61	2,57	3,03
Net Traffic Receipts .. .. .	36,44	32,70	25,33	32,07	30,44	32,80	46,29
Net Miscellaneous Receipts after deducting surplus profits pay- able to Companies .. .. .	-73	12	37	-5	23	64	85
Net Revenue .. .. .	35,71	32,82	25,70	32,02	30,67	33,44	47,14
Interest charges .. .. .	22,98	28,87	30,30	29,26	29,30	29,11	28,68
Surplus .. .. .	12,73	3,95	-4,60	2,76	1,37	4,33	18,46
Contribution to General Revenues ..	6,78†	6,12†	--	2,76	1,37	4,33	12,16
Transfer to Railway Reserve Fund.	6,38†	-2,08†	--	--	--	--	6,30
Transfer to Betterment Fund ..	--	--	--	--	--	--	--
Repayment to Depreciation Fund	--	--	--	--	--	--	--
Ratio of Working Expenses to Gross earnings .. .. .	65.6	69.2	73.0	68.1	69.4	67.6	60.5
Ratio of Net Profit on Capital at charge .. .. .	2.1	0.5	-0.6	0.4	0.2	0.6	2.4
Percentage of Net Traffic Receipts to Capital at charge .. .. .	6.0	4.5	3.4	4.3	4.0	4.3	6.1

† Including Burma Railways.

# MENT XI

## FINANCES

paragraph 55)

(In lakhs of rupees)

1941-42	1942-43	1943-44	1944-45	1945-46	1946-47	1947-48 Budget	1947-48 7½ Months Account†	1948-49 Revised	1949-50 Budget
7,54.73	7,72.52	7,80.73	7,87.00	7,96.85	8,07.76	8,39.33	8,67.43	6,94.57	7,23.67
1,35.17	1,65.48	1,85.43	2,16.38	2,25.74	2,03.36	1,93.50	1,01.00	2,04.50	2,10.00
63.54	68.98	90.10	1,23.34	1,45.09	1,56.67	1,35.39	84.79	1,55.86	1,59.03
12.68	12.57	16.87	17.01	17.05	13.21	15.34	6.81	11.29	11.47
3.33	2.71	1.87	1.93	2.36	1.82	1.64	63	1.56	1.62
55.62	71.22	76.59	74.10	61.24	31.65	41.13	8.76	35.79	37.88
90	1.88	2.78	3.24	4.14	3.39	2.95	1.77	2.28	—5.59
56.52	73.10	79.37	77.34	65.38	35.14	44.08	10.53	38.07	32.32
28.44	28.03	28.53	27.45	27.18	26.62	26.58	13.27	22.24	22.88
28.03	46.07	50.84	49.89	38.20	8.52	17.50§	—2.74	15.83	3.44
20.17	20.13	37.64	32.00	32.00	5.40	7.50	..	7.34	4.72
..	8.86	13.20	17.89	6.20	12	5.00	—2.74	..	..
..	..	..	..	..	3.00	5.00	..	84	..
7.91	22.38*	..	..	..	..	..	..	7.65	4.72
58.1	53.3	59.0	66.0	71.8	83.5	78.8	90.7	81.7	81.2
3.7	5.8	46.5	6.3	4.8	1.1	2.1	—0.4	2.3	1.3
7.4	9.2	9.3	9.4	7.7	3.9	4.9	1.3	5.2	5.2

\* Includes Rs. 6.30 lakhs transferred from Railway Reserve.

† From August 15, 1947 to March 31, 1948.

§ In view of the Government's subsequent decision not to levy the surcharge on fares below 8 annas, this figure will be less by Rs. 85 lakhs.

**STATEMENT XII**  
**BUDGETARY POSITION OF PROVINCES**  
*(Reference paragraph 60)*

(In lakhs of rupees)

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Provinces	REVENUE							EXPENDITURE						Surplus (+) or Deficit (-)	Debt outstand- ing on 31st March	
	Customs and Income Tax	Land Revenue	Sales Tax	Excise	Stamps	Total Tax Revenue	Total Revenue	Direct Demands on Revenue	Irriga- tion	Debt Ser- vices*	Security Ser- vices†	Social Ser- vices‡	Total Expendi- ture			
<b>MADRAS</b>																
1938-39 (Accounts) ..	23	5.13	—	3.72	1.73	12.44	16.13	2.07	1.28	— 44	5.72	4.63	16.10	+	3	14.48
1946-47 (Accounts) ..	4.48	5.48	7.22	14.68	4.38	41.15	57.00	3.72	1.86	5	13.20	11.70	56.99	—	1	25.15
1947-48 (Accounts) ..	5.35	5.30	8.55	10.69	3.36	39.29	50.71	4.28	2.07	78	13.70	14.38	50.69	+	2	30.35
1948-49 (Revised) ..	8.42	4.92	12.32	3.81	4.47	40.33	57.04	4.92	2.44	— 8	17.78	16.96	57.04	—	—	33.33
1949-50 (Budget) ..	7.89	5.31	12.45	40	4.38	40.58	55.75	4.85	3.99	— 35	15.81	17.92	55.66	+	9	
<b>BOMBAY</b>																
1938-39 (Accounts) ..	30	3.55	—	2.90	1.44	9.83	12.45	1.77	31	1.26	3.16	2.99	12.60	—	35	35.55
1946-47 (Accounts) ..	5.97	3.66	1.60	9.74	3.31	31.81	40.18	3.50	69	3.49	9.39	9.78	30.42	+	3.76	31.69
1947-48 (Accounts) ..	6.25	3.66	4.66	8.54	3.46	34.46	43.73	3.95	75	3.55	10.84	12.16	41.33	+	2.40	30.96
1948-49 (Revised) ..	9.98	3.90	6.35	6.36	3.35	39.84	50.94	5.18	1.47	3.61	17.91	15.92	51.01	—	97	30.22
1949-50 (Budget) ..	9.21	3.97	9.45	4.95	3.46	41.67	52.86	4.33	1.09	1.17	16.93	18.07	52.41	+	45	
<b>WEST BENGAL§</b>																
1938-39 (Accounts) ..	2.51	3.34	—	1.59	2.55	11.00	12.77	98	39	16	5.25	3.03	12.77	—	—	4.34
1946-47 (Accounts) ..	9.26	4.04	3.60	6.42	4.45	32.61	38.66	2.18	1.27	38	10.62	10.43	42.41	—	2.75	18.66
1947-48 (Accounts) ..	4.90	1.40	2.66	3.55	1.39	16.42	18.73	88	32	3	3.79	2.97	13.29	+	5.45	3.49
1948-49 (Revised) ..	7.11	1.79	4.00	5.81	2.20	26.52	30.59	1.40	89	21	7.58	6.40	30.82	—	23	9.28
1949-50 (Budget) ..	6.89	1.79	4.00	5.97	2.20	26.55	32.83	1.60	1.14	31	8.82	11.52	32.94	—	11	
<b>UNITED PROVINCES</b>																
1938-39 (Accounts) ..	23	5.82	—	1.33	1.28	9.70	12.80	1.54	1.13	61	4.09	3.54	12.80	—	—	34.19
1946-47 (Accounts) ..	4.48	6.82	—	6.74	2.13	23.72	32.65	2.92	1.63	74	9.12	7.35	32.63	+	2	34.52
1947-48 (Accounts) ..	5.65	6.91	—	7.06	2.18	26.86	38.74	3.26	1.98	93	11.52	9.37	38.73	+	1	36.72
1948-49 (Revised) ..	8.99	6.78	4.00	6.43	2.25	35.69	49.04	4.34	2.39	84	14.24	15.10	49.47	+	57	38.29
1949-50 (Budget) ..	9.33	6.78	6.00	5.90	2.30	37.46	55.73	4.89	3.07	89	16.53	17.71	55.88	+	15	
<b>EAST PUNJAB§</b>																
1938-39 (Accounts) ..	12	2.64	—	1.02	78	5.02	11.36	86	1.50	— 21	3.31	3.22	11.61	—	25	34.52
1946-47 (Revised)¶ ..	2.39	3.73	12	3.32	1.49	13.51	29.38	2.37	2.20	— 73	8.11	6.77	28.51	+	3.86	35.77
1947-48 (Accounts) ..	1.49	79	21	1.02	22	4.12	7.45	62	49	— 55	2.51	1.72	9.31	—	1.86	4.76
1948-49 (Revised) ..	2.28	1.62	24	2.32	39	7.84	14.46	1.19	71	— 67	5.13	3.66	26.05	—	11.59	29.46
1949-50 (Budget) ..	2.04	1.62	74	2.09	39	8.90	15.93	1.20	1.00	— 13	5.13	4.01	22.92	—	6.99	

## BIHAR

1938-39 (Accounts) ..	32	1,32	—	1,20	1,05	4,10	5,24	38	15	6	2,05	1,36	4,93	+	31	1,88
1946-47 (Accounts) ..	3,39	1,39	78	5,15	1,85	13,09	16,27	78	43	6	5,24	3,27	14,30	+	1,88	2,20
1947-48 (Accounts) ..	4,43	1,39	1,08	4,86	2,06	14,80	19,50	87	29	6	5,64	3,82	16,84	+	1,70	2,21
1948-49 (Revised) ..	6,56	1,40	2,24	4,25	1,80	17,49	22,79	1,36	1,37	6	7,14	4,83	22,90	—	1	2,81
1949-50 (Budget) ..	6,26	1,37	3,14	4,00	1,80	18,21	25,23	1,62	1,76	18	6,27	5,03	19,17	+	8,06	

CENTRAL PROVINCES  
AND BHERAR

1938-39 (Accounts)	..	8	2,12	—	64	37	3,80	4,27	65	25	—	1	1,63	97	4,71	—	44	6,45
1946-47 (Accounts)	..	1,49	2,58	—	2,24	66	9,40	11,88	1,29	16	39	3,31	2,21	11,55	+	33	6,89	
1947-48 (Accounts)	..	1,78	2,35	62	1,99	71	9,80	12,25	1,39	19	33	3,78	2,98	11,36	+	89	7,17	
1948-49 (Revised)	..	2,81	2,99	1,40	1,75	76	12,08	17,27	1,69	21	3	4,37	4,67	17,27	—	—	13,61	
1949-50 (Budget)	..	2,45	3,47	1,75	1,78	77	12,60	19,00	1,79	30	15	4,51	5,47	18,80	+	20		

## ASSAM

1938-39 (Accounts) ..	15	1,13	—	35	18	2,03	2,58	36	1	34	81	71	2,90	—	41	1,40
1946-47 (Accounts) ..	1,24	1,79	—	82	25	5,05	7,19	—	8	5	1,57	1,53	5,70	+	1,49	2,78
1947-48 (Accounts) ..	1,73	1,78	—	82	18	5,49	6,62	69	9	10	1,52	1,49	6,05	—	23	1,87
1948-49 (Revised) ..	2,09	1,57	15	70	16	5,51	7,95	69	8	13	1,99	1,52	8,22	—	27	4,58
1949-50 (Budget) ..	2,12	1,62	29	63	15	5,47	9,10	89	15	16	1,65	2,95	9,52	—	42	

## ORISSA

1938-39 (Accounts) ..	4	46	—	33	19	1,10	1,82	18	13	1	61	44	1,81	+	1	31
1946-47 (Accounts) ..	62	51	—	1,11	26	2,74	4,61	35	28	19	1,30	1,30	4,49	+	12	73
1947-48 (Accounts) ..	95	50	6	1,35	28	3,46	6,04	41	51	19	1,49	1,88	5,84	+	20	81
1948-49 (Revised) ..	1,48	55	29	1,35	34	4,35	7,90	48	61	15	1,94	2,66	9,13	—	1,23	2,43
1949-50 (Budget) ..	1,52	54	67	1,25	39	4,61	8,90	43	42	24	1,92	2,26	8,76	+	14	

## Total all Provinces

1938-39 (Accounts)** ..	3,88	25,41	—	13,08	9,59	59,62	79,42	8,79	5,35	1,78	26,63	20,89	80,52	—	1,10	132,90
1946-47 (Accounts)** ..	33,32	90,00	12,72	50,22	18,78	173,08	238,80	17,03	8,77	4,69	61,86	64,34	230,69	+	8,71	157,79
1947-48 (Accounts) ..	32,53	84,06	17,27	39,63	13,24	154,30	202,77	16,05	6,69	5,32	54,79	60,77	194,19	+	8,53	118,14
1948-49 (Revised) ..	49,72	25,52	30,89	32,68	15,71	183,65	257,98	21,15	10,17	4,38	78,08	71,61	271,71	—	13,73	154,92
1949-50 (Budget) ..	47,71	28,47	38,30	26,97	15,34	195,15	275,33	21,60	12,92	2,50	77,57	84,84	275,76	—	43	

\* Includes appropriation for reduction or avoidance of debt.

\*\* Includes figures for the pre-partition Provinces of Bengal and Punjab.

† Include General Administration, Administration of Justice, Jails and Convict Settlements, Police, Ports and Pilotage and Miscellaneous Departments.

‡ Include Scientific Departments, Education, Medical, Public Health, Agriculture, Rural Development, Veterinary, Co-operation, Industries and Civil Aviation.

‡‡ Accounts not available.

§ Figures for 1938-39 and 1946-47 relate to the pre-partition provinces; those for 1947-48 cover the period 15th August, 1947 to 31st March, 1948.

# STATEMENT XIII

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

(Reference paragraph 62)

(In lakhs of rupees)

Paid to	INCOME TAX				JUTE DUTY				SUBVENTIONS			
	1938-39 Accounts	1947-48† Accounts	1948-49 Revised	1949-50 Budget	1938-39 Accounts	1947-48† Accounts	1948-49 Revised	1949-50 Budget	1938-39 Accounts	1947-48† Accounts	1948-49 Revised	1949-50 Budget
Madras .. .. .	22.50	5,35.32	7,52.22	7,31.70	—	—	—	..	—	—	—	—
Bombay .. .. .	30.00	6,24.54	8,77.59	8,53.65	—	—	—	..	—	—	—	—
West Bengal* .. .. .	30.00	3,58.88	5,01.48	4,87.80	2,21.27	66.44	54.70	..	—	40.00	50.00	50.00
United Provinces .. .. .	22.50	5,66.06	7,94.01	7,72.35	—	—	—	..	25.00	—	—	—
East Punjab* .. .. .	12.00	1,48.70	2,08.95	2,03.25	—	—	—	..	—	1,00.00	1,75.00	1,75.00
Bihar .. .. .	15.00	3,86.62	5,43.27	5,28.45	17.12	23.75	38.72	..	—	—	—	—
Central Provinces and Berar .. .. .	7.50	1,78.44	2,50.74	2,43.90	—	—	—	..	—	—	—	—
Assam .. .. .	3.00	89.22	1,25.37	1,21.95	11.89	33.22	44.37	..	30.00	18.75	30.00	30.00
Orissa .. .. .	3.00	89.22	1,25.37	1,21.95	0.92	4.74	51.36	..	43.00	25.00	40.00	40.00
Total .. .. .	1,45.50	23,74.00	41,79.00	40,85.00	2,51.00	1,28.15	1,43.15	1,46.00†	98.00	1,83.75	2,95.00	2,95.00

\* Figures for the year 1938-39 relate to the undivided provinces.

† Relate to the period 15th August, 1947 to 31st March, 1948.

‡ Details by provinces not available.

## STATEMENT XIV

### CONSOLIDATED DEBT POSITION OF PROVINCES

(Reference paragraphs 63 & 79)

	At the end of										
	1936-37	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47*	1947-48*	1948-49*
I. Public Debt											
(a) Permanent Debt .. ..	8.72	19.60	23.33	23.04	31.07	39.63	50.87	59.28	63.57	44.17	46.49
(b) Floating Debt .. ..	—	1.80	50	1.00	82	29.40	30.03	20.51	10.84	2.56	9.86
(c) Loans from Central Gov- ernment .. ..	1.43.80	1.21.77	1.20.54	1.18.49	1.11.11	98.86	63.07	52.21	52.57	49.98	76.59
II. Unfunded Debt .. ..	15.03	24.44	25.54	26.62	27.26	28.59	29.78	30.97	30.81	21.43	21.98
III. Gross Total Debt (Total of I and II)	1.67.55	1.67.81	1.69.91	1.69.15	1.79.26	1.96.28	1.74.35	1.82.97	1.57.79	1.16.14	1.54.92
IV. Appropriation for Reduction or Avoidance of Debt .. ..	1.28	87	1.78	1.80	1.98	2.05	4.57	4.94	4.51	4.99	4.24
V. Closing Cash Balance .. ..	10.70	8.83	10.63	11.50	20.47	22.63	21.86	32.31	16.73	7.26	9.24

\* Figures relate to the Provinces in the Indian Union; figures for 1946-47, however, include those for the undivided Provinces of the Punjab and Bengal.

## STATEMENT XV

### GOVERNMENT BALANCES IN INDIA WITH THE RESERVE BANK OF INDIA AND AT GOVERNMENT TREASURIES, 1948-49

(Reference paragraphs 64 & 69)

Reserve Bank of India				Last day of the month	Government Treasuries			
Central Government		Provincial Governments			Central Government		Provincial Governments	
1947-48	1948-49	1947-48	1948-49		1947-48	1948-49	1947-48	1948-49
3,99.65	2,55.54	18.74	14.19	April .. ..	— 6	35	2.14	1.11
4,02.30	2,28.96	12.33	24.08	May .. ..	24	17	1.24	1.38
3,91.35	2,17.51	18.00	19.36	June .. ..	27	15	1.76	1.62
3,93.88	2,10.14	16.46	16.90	July .. ..	17	22	1.35	1.56
3,71.09	2,37.48	18.07	16.62	August 14 .. ..	1	22	1.05	1.89
3,50.04		18.16		August 31 .. ..	26		1.32	
3,65.55	2,27.59	10.21	18.34	September .. ..	— 1	— 15	1.49	2.02
3,63.69	2,42.17	17.76	17.25	October .. ..	11	10	78	1.49
3,69.69	2,18.73	18.55	12.85	November .. ..	5	17	1.07	1.95
3,42.50	2,25.55	19.10	15.56	December .. ..	— 1	4	1.13	2.00
2,68.48	2,23.95	17.20	11.89	January .. ..	— 8	9	1.10	2.12
2,62.86	2,15.05	12.34	13.63	February .. ..	4	—	1.19	2.18
2,74.85	1,84.33	21.10	28.18	March .. ..	— 23	— 4	1.63	1.32

Note:—Figures since the Partition relate to the Central and Provincial Governments in the Indian Union only.

**STATEMENT XVI**  
**GOVERNMENT OF INDIA TREASURY BILLS (ANNUAL) SINCE 1918-19**  
*(Reference paragraph 65)*

				(In thousands of rupees)						
Year				Amount offered for tender	Amount tendered	Amount sold	Amount of intermediates sold	Total amount sold	Average yield	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	38,19,50	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	..	..	..	96,00,00	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	..	..	..	90,00,00	120,95,00	76,14,25	35,98,75	112,13,00	1.62	59,23,70
1934-35	..	..	..	61,50,00	103,65,25	59,47,50	29,35,00	88,82,50	1.58	54,34,25
1935-36	..	..	..	58,00,00	113,51,50	57,76,75	12,73,75	70,50,50	1.21	32,13,00
1936-37	..	..	..	93,00,00	125,99,00	80,98,50		80,98,50	0.78	28,53,75
1937-38	..	..	..	72,00,00	117,86,00	71,99,25		71,99,25	0.97	38,00,50
1938-39	..	..	..	83,50,00	128,90,25	82,13,25	13,35,75	97,49,00	1.63	46,30,00
1939-40	..	..	..	71,50,00	116,96,50	70,50,00	49,93,00	120,43,00	1.87	54,70,50
1940-41	..	..	..	84,00,00	162,48,00	84,00,00	17,32,75	101,32,75	0.89	68,90,25
1941-42	..	..	..	81,00,50	140,27,00	81,00,50	37,59,50	118,60,00	0.72	136,97,75
1942-43	..	..	..	317,00,00	527,43,50	309,42,00	62,50,75	371,92,75	0.87	264,89,50
1943-44	..	..	..	384,00,00	628,59,00	359,71,25	36,47,50	396,18,75	0.90	110,61,25
1944-45	..	..	..	252,00,00	551,48,50	229,27,75		229,27,75	0.49	86,70,50
1945-46	..	..	..	100,00,00	204,77,75	117,90,75		117,90,75	0.40	83,33,00
1946-47	..	..	..	80,00,00	104,96,50	51,27,25		51,27,25	0.42	77,59,00
1947-48	..	..	..	109,00,00	140,30,60	84,56,25		84,56,25	0.45	98,68,25
1948-49	..	..	..	63,00,00	75,71,25	46,00,50		46,00,50	0.49	350,46,50

\* Includes amount outstanding on account of the Issue Department (up to 1934-35 on account of the Currency Reserve), provinces and others.



# STATEMENT XVII

## GOVERNMENT OF INDIA THREE MONTHS TREASURY BILLS (WEEKLY), 1948-49

(Reference paragraph 65)

		SALES TO PUBLIC					(In thousands of rupees)		Total amount outstanding including amount outstanding on account of Issue, Department, Provinces and others
1948-49	Week ended	Amount offered for tender	Amount tendered	Amount sold	Amount discharged	Amount out-standing	Average rate of discount of accepted tenders a. p.	Amount sold in favour of Department	
April	1 to 2	—	—	10.00	—	16.83,00	8 0	—	98,70,25
"	9	1,00,00	1,10,50	91,25	1,72,25	15,82,00	8 0	1,49,00	96,59,25
"	16	1,00,00	1,10,50	77,00	1,36,75	15,22,25	8 0	75,00	93,49,50
"	23	1,00,00	84,25	1,16,00	1,21,00	15,17,25	7 11	2,18,00	89,48,00
"	30	1,00,00	1,33,75	1,00,00	1,35,75	14,81,50	7 10	47,50	87,50,25
May	7	1,00,00	1,69,00	1,00,00	2,65,00	13,16,50	8 0	6,17,00	82,49,00
"	14	1,00,00	1,27,50	1,00,00	2,00,00	12,16,50	8 0	1,20,50	80,47,50
"	21	1,00,00	17,00	17,00	37,00	11,46,50	8 0	6,98,50	76,90,50
"	28	1,00,00	93,50	83,50	2,00,00	10,30,00	8 0	4,90,50	73,59,75
June	4	1,00,00	19,00	8,00	—	10,38,00	8 0	11,12,50	69,71,75
"	11	1,00,00	1,00,00	1,11,00	2,00,00	9,40,00	8 0	15,78,25	70,90,25
"	18	1,00,00	2,03,00	36,50	15,00	9,90,50	8 0	8,64,25	72,23,00
"	25	1,00,00	3,80,50	1,26,00	98,00	10,18,50	7 10	4,70,75	74,95,25
July	2	1,00,00	1,47,25	1,17,50	32,25	11,03,75	7 6	1,57,00	77,92,50
"	9	1,00,00	2,87,00	99,50	91,25	11,12,00	7 2	3,02,00	78,63,75
"	16	2,00,00	5,70,75	1,75,75	77,00	12,10,75	8 0	5,15,00	84,02,50
"	23	2,00,00	8,24,75	2,24,75	1,16,00	13,19,50	6 11	1,72,50	81,65,75
"	30	4,00,00	8,00,50	4,00,00	1,00,00	16,19,50	6 11	2,68,25	89,86,50
August	6	6,00,00	8,52,25	6,00,00	99,75	21,10,75	7 10	5,74,50	94,34,25
"	13	6,00,00	9,65,00	5,98,50	25	27,18,00	8 0	3,20,50	102,42,50
"	20	6,00,00	6,54,75	5,98,50	1,00,00	32,17,50	8 0	290,63,25	392,16,25
"	27	6,00,00	50,00	52,00	97,00	31,72,50	8 0	5,85,50	392,02,75
September	3	6,00,00	1,09,50	98,50	3,50	32,67,50	8 0	0,35,00	389,64,25
"	10	—	—	11,00	19,00	32,69,50	8 0	5,93,25	378,31,75
"	17	2,00,00	1,43,00	1,00,00	1,00,00	32,69,50	8 6	11,79,25	381,03,75
"	24	2,00,00	1,20,50	1,51,59	1,00,00	33,11,00	8 9	8,44,25	381,60,25
October	1	2,00,00	72,75	84,75	2,00,00	31,95,75	9 0	1,73,00	380,22,00
"	8	1,00,00	1,03,25	13,50	50	32,08,75	9 0	1,83,00	376,15,00
"	15	—	—	88,50	99,50	31,95,75	9 0	79,00	374,67,00
"	22	1,00,00	1,53,50	17,75	2,00,00	30,13,50	8 4	74,50	371,86,75
"	29	1,00,00	91,00	1,52,75	2,00,00	29,60,25	8 10	69,25	369,40,50
November	5	1,00,00	50	20,50	4,00,00	25,86,75	9 0	3,51,50	365,38,00
"	12	1,00,00	1,50	—	0,00,00	19,86,75	—	6,01,00	360,08,50
"	19	—	—	—	6,00,00	13,86,75	—	296,35,25	363,90,50
"	26	—	—	—	6,00,00	7,86,75	—	4,82,50	356,87,50
December	3	—	—	—	1,48,50	6,38,25	—	6,05,00	355,09,00
"	10	—	—	—	11,00	6,27,25	—	7,77,50	356,82,25
"	17	—	—	—	1,00,00	5,27,25	—	6,96,75	350,99,75
"	24	—	—	—	1,63,50	3,63,75	—	10,36,75	350,89,75
"	31	—	—	—	70,00	2,93,75	—	3,21,50	352,07,25
January	7	—	—	—	2,75	2,91,00	—	25,00	351,78,50
"	14	—	—	—	1,00,00	1,91,00	—	1,32,50	350,79,00
"	21	—	—	—	—	1,91,00	—	2,51,25	352,04,25
"	28	—	—	—	1,00,00	91,00	—	70,75	350,78,25
February	4	—	—	—	91,00	—	—	1,19,00	348,14,75
"	11	—	—	—	—	—	—	4,81,75	346,35,50
"	18	—	—	—	—	—	—	290,24,25	344,17,00
"	25	—	—	—	—	—	—	3,58,00	339,56,00
March	4	—	—	—	—	—	—	4,54,50	337,13,00
"	11	—	—	—	—	—	—	16,48,75	345,00,50
"	18	—	—	—	—	—	—	6,50,75	343,24,50
"	25	—	—	—	—	—	—	7,02,75	343,30,75
"	26 to 31	—	—	—	—	—	—	10,37,25	350,46,50
Total		63,00,00	75,71,25	48,90,50	62,53,50	—	7 11	1,117,85,00	350,46,50

# STATEMENT XVIII

## GOVERNMENT OF INDIA THREE MONTHS TREASURY BILLS (MONTHLY), 1948-49

(Reference paragraphs 65 & 66)

(In thousands of rupees)

1947-48

1948-49

(in thousands of rupees)

1947-48						1948-49							
PUBLIC					Total amount outstanding including amount outstanding on account of Issue Department, Provinces and others	Month	PUBLIC					Total amount outstanding including amount outstanding on account of Issue Department, Provinces and others	
Sales	Average Yield	Dis-charges	Outstand-ings	Amount sold in favour of Issue Department			Sales	Average Yield	Dis-charges	Outstand-ings	Amount sold in favour of Issue Department		
4,03,00	0.43	5,69,75	11,69,25	16,57,50	79,29,25	April	..	3,94,25	0.49	5,65,75	14,81,50	4,89,50	87,50,25
9,94,00	0.43	3,35,00	18,28,25	12,77,50	84,37,75	May	..	3,00,50	0.50	7,52,00	10,30,00	19,66,50	73,99,75
9,13,25	0.42	4,26,25	23,15,25	23,49,50	75,99,75	June	..	3,19,00	0.49	3,35,25	10,13,75	41,12,75	75,82,50
70,00	0.44	4,00,50	19,84,75	21,26,25	77,38,00	July	..	10,00,00	0.45	3,94,25	16,19,50	12,88,75	89,87,50
—	—	9,93,75	9,91,00	18,50,50	73,17,25	August	..	18,50,00	0.49	3,00,50	31,69,00	308,94,75	392,65,25
12,00,00	0.38	9,14,25	12,76,75	27,45,50	79,99,00	September	..	3,73,00	0.53	3,19,00	32,23,00	32,45,75	380,52,25
18,00,00	0.44	76,75	30,00,00	17,48,75	93,44,75	October	..	3,63,75	0.56	10,00,00	25,86,75	4,32,75	365,60,00
10,47,00	0.50	—	40,47,00	29,67,00	115,08,25	November	..	—	—	18,50,00	7,36,75	313,30,25	357,51,50
3,76,00	0.50	12,00,00	32,23,00	21,85,50	101,34,25	December	..	—	—	4,43,00	2,93,75	31,71,50	352,07,25
5,45,25	0.50	14,00,00	23,68,25	14,36,00	89,37,25	January	..	—	—	2,93,75	—	5,07,00	350,14,75
7,72,50	0.49	14,47,00	16,93,75	28,65,50	81,90,75	February	..	—	—	—	—	303,53,00	340,31,50
3,35,25	0.50	3,76,00	16,53,00	39,13,75	98,68,25	March	..	—	—	—	—	41,86,50	350,46,50
84,56,25	0.45	81,39,25	16,53,00	2,71,33,25	98,68,25	Total	..	46,00,50	0.49	62,53,50	—	1,117,85,00	350,46,50

**STATEMENT XIX**  
**CENTRAL AND PROVINCIAL GOVERNMENT LOANS OUTSTANDING**  
**AS ON 31st MARCH, 1949**

(Reference paragraphs 71 & 80)

		(In lakhs of rupees)	
Central Government Loans	Amount Outstanding	Provincial Government Loans	Amount Outstanding
3 % Loan 1949-52 .. .. .	66,63.54	3 % Assam Loan 1952 .. .. .	41.35
2½ % Bonds 1950 .. .. .	35,09.47	3 % G.P. & Berar Loan 1949 .. .. .	72.92
4½ % Loan 1950-55 .. .. .	6,73.88	3 % „ „ „ 1952 .. .. .	47.16
3 % „ 1951-54 .. .. .	86,72.72	3 % „ „ „ 1955 .. .. .	50.00
3 % „ 1953-55 .. .. .	114,60.57	3 % „ „ „ 1956 .. .. .	50.54
2½ % „ 1954 .. .. .	35,06.06	3 % „ „ „ 1958 .. .. .	52.70
3½ % „ 1954-59 .. .. .	12,55.29	3 % „ „ „ 1964 .. .. .	203.29
2½ % „ 1955 .. .. .	20,00.51		<b>4,76.61</b>
4½ % „ 1955-60 .. .. .	9,05.04	3 % Bombay Loan 1955 .. .. .	3,54.23
3 % Victory Loan 1957 .. .. .	114,06.86	3 % „ „ 1956 .. .. .	3,50.00
4½ % Loan 1958-68 .. .. .	5,85.20	3 % „ „ 1958 .. .. .	3,44.00
3 % Second Victory Loan 1959-61 .. .. .	113,65.02		<b>10,48.23</b>
2½ % Loan 1960 .. .. .	45,63.07	3 % U.P. Loan 1952 .. .. .	1,95.23
4 % „ 1960-70 .. .. .	63,30.26	3 % „ „ 1958 .. .. .	3,29.23
2½ % „ 1961 .. .. .	57,00.69	3 % „ „ 1960 .. .. .	2,40.08
2½ % „ 1962 .. .. .	75,86.72	3 % „ „ 1961-66 .. .. .	1,72.46
3 % „ 1963-65 .. .. .	116,17.46	2½ % „ „ 1961 .. .. .	2,44.95
3 % Funding Loan 1966-68 .. .. .	110,11.78	3½ % U.P.E.E. Act Bonds .. .. .	2,95.47
3 % First Development Loan 1970-75 .. .. .	115,05.83		<b>14,77.42</b>
2½ % Loan 1976 .. .. .	14,77.48	3 % Madras Loan 1952 .. .. .	2,18.95
5-Year Interest Free Prize Bonds 1949 .. .. .	1,60.47	3 % „ „ 1953 .. .. .	1,42.08
3 % Loan 1986 or Later (Conversion Loan of 1946) .. .. .	248,92.32	3 % „ „ 1955 .. .. .	1,23.25
3 % Non-terminable Loan .. .. .	8,03.36	3 % „ „ 1956 .. .. .	1,25.10
	<b>1477,74.79</b>	3 % „ „ 1958 .. .. .	1,09.50
Loans not bearing interest .. .. .	4,48.71	3 % „ „ 1959 .. .. .	1,35.92
		3 % „ „ 1960 .. .. .	2,98.29
		2½ % „ „ 1961 .. .. .	3,97.18
			<b>15,50.27</b>
<b>Total</b> .. .. .	<b>1482,23.50</b>	<b>Total</b> .. .. .	<b>45,93.88</b>

## STATEMENT XX

### (A) PROVINCIAL GOVERNMENT TREASURY BILLS SINCE 1938-39

(Reference paragraph 70)

										(In thousands of rupees)	
Provinces and Particulars	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47	1947-48	1948-49
MADRAS											
Amount offered for tender ..	1,90,00	4,25,00	3,75,00	1,00,00	1,50,00	1,00,00	1,00,00	1,50,00	—	—	1,00,00
Amount tendered ..	2,42,75	5,38,50	7,34,25	3,08,50	4,56,00	1,65,00	3,10,00	3,33,00	—	—	1,00,00
Amount sold ..	1,90,00	4,25,00	3,75,00	1,00,00	1,50,00	60,00	1,00,00	1,00,00	—	—	1,00,00
Average rate of discount per cent per annum ..	Rs. 1 8 8	2 4 3	0 12 9	0 12 0	0 11 11	0 13 7	0 9 0	0 5 4	—	—	0 10 0
Amount outstanding ..	—	—	—	—	—	—	—	—	—	—	—
BOMBAY											
Amount offered for tender ..	—	—	—	—	—	50,00	—	—	—	—	—
Amount tendered ..	—	—	—	—	—	1,15,00	—	—	—	—	—
Amount sold ..	—	—	—	—	—	50,00	—	—	—	—	—
Average rate of discount per cent per annum ..	Rs. —	—	—	—	—	0 10 0	—	—	—	—	—
Amount outstanding ..	—	—	—	—	—	50,00	—	—	—	—	—
WEST BENGAL*											
Amount offered for tender ..	—	1,20,00	1,65,00	6,75,00	50,00	29,00,00	35,00,00	16,50,00	12,50,00	6,00,00	—
Amount tendered ..	—	1,53,25	1,82,50	13,52,50	1,34,50	37,66,50	55,48,00	27,75,00	17,20,50	4,00,00	—
Amount sold ..	—	1,20,00	1,65,00	6,75,00	50,00	29,00,00	35,00,00	16,50,00	12,50,00	4,00,00	—
Average rate of discount per cent per annum ..	Rs. —	1 2 10	1 0 3	0 14 0	0 10 0	0 15 2	0 8 11	0 7 3	0 5 10	0 8 0	—
Amount outstanding ..	—	30,00	—	1,00,00	—	12,50,00	5,00,00	7,50,00	8,00,00	—	—
UNITED PROVINCES											
Amount offered for tender ..	80,00	2,60,00	—	—	75,00	6,00,00	—	—	—	—	2,00,00
Amount tendered ..	85,00	2,76,75	—	—	97,00	11,58,00	—	—	—	—	54,00
Amount sold ..	80,00	2,60,00	—	—	75,00	6,00,00	—	—	—	—	54,00
Average rate of discount per cent per annum ..	Rs. 1 8 11	2 11 9	—	—	0 12 3	0 14 2	—	—	—	—	0 15 8
Amount outstanding ..	—	40,00	—	—	—	1,00,00	—	—	—	—	—
EAST PUNJAB*											
Amount offered for tender ..	—	90,00	—	—	—	—	—	—	—	—	—
Amount tendered ..	—	1,01,25	—	—	—	—	—	—	—	—	—
Amount sold ..	—	90,00	—	—	—	—	—	—	—	—	—
Average rate of discount per cent per annum ..	Rs. —	2 8 10	—	—	—	—	—	—	—	—	—
Amount outstanding ..	—	—	—	—	—	—	—	—	—	—	—

CENTRAL PROVINCES AND  
BERAR

Amount offered for tender ..	2,25,00	1,75,00	1,25,00	40,00	50,00	80,00	—	—	—	—	—
Amount tendered ..	3,06,75	1,95,25	2,44,00	1,55,25	1,31,00	1,39,00	—	—	—	—	—
Amount sold ..	2,25,00	1,75,00	1,25,00	40,00	50,00	80,00	—	—	—	—	—
Average rate of discount per cent per annum ..	Rs. 1 15 6	2 10 8	0 14 10	0 11 2	0 10 0	0 10 5	—	—	—	—	—
Amount outstanding ..	1,10,00	40,00	50,00	—	—	80,00	—	—	—	—	—

## ASSAM

Amount offered for tender ..	75,00	1,10,00	25,00	—	1,10,00	8,75,00	16,50,00	18,00,00	4,00,00	—	—
Amount tendered ..	82,50	1,10,75	67,25	—	1,49,00	12,20,00	27,61,00	27,44,00	8,46,00	—	—
Amount sold ..	75,00	1,10,00	25,00	—	1,10,00	8,75,00	16,50,00	18,00,00	4,00,00	—	—
Average rate of discount per cent per annum ..	Rs. 2 4 8	2 12 4	1 15 0	—	1 2 0	0 14 4	0 9 0	0 6 10	0 7 11	—	—
Amount outstanding ..	40,00	25,25	—	—	80,00	2,50,00	4,50,00	3,50,00	1,00,00	—	—

## ORISSA

Amount offered for tender ..	—	—	—	—	—	—	1,00,00	—	—	—	—
Amount tendered ..	—	—	—	—	—	—	3,46,00	—	—	—	—
Amount sold ..	—	—	—	—	—	—	1,00,00	—	—	—	—
Average rate of discount per cent per annum ..	Rs. —	—	—	—	—	—	0 7 6	—	—	—	—
Amount outstanding ..	—	—	—	—	—	—	50,00	—	—	—	—

## TOTAL

Amount offered for tender ..	5,70,00	11,80,00	6,90,00	8,15,00	4,35,00	46,05,00	53,50,00	36,00,00	16,50,00	6,00,00	3,00,00
Amount tendered ..	7,17,00	13,75,75	12,28,00	18,14,25	9,67,50	65,63,50	89,65,00	58,52,00	25,66,50	4,00,00	1,54,00
Amount sold ..	5,70,00	11,80,00	6,90,00	8,15,00	4,35,00	46,05,00	53,50,00	36,00,00	16,50,00	4,00,00	1,54,00
Average rate of discount per cent per annum ..	Rs. 1 13 0	2 8 9	0 14 8	0 13 8	0 13 1	0 14 9	0 8 11	0 7 0	0 7 10	0 8 0	0 12 0
Amount outstanding ..	1,50,00	1,35,25	50,00	1,00,00	80,00	17,30,00	10,00,00	11,00,00	9,00,00	—	—

\* Figures for the years 1938-39 to 1947-48 relate to the pre-partition provinces of Bengal and the Punjab.

## (B) PROVINCIAL GOVERNMENT THREE MONTHS TREASURY BILLS, 1948-49

(Reference paragraph 70)

1948-49 Week ended	Issuing Government	Amount offered for tender	Amount tendered	Amount sold	Average rate of discount per cent per annum Rs. a. p.
October 22 .. .. .	Madras .. .. .	1,00,00	1,00,00	1,00,00	0 10 0
December 3 .. .. .	United Provinces .. .. .	2,00,00	54,00	54,00	0 15 8

(In thousands of rupees)

# STATEMENT XXI

## PUBLIC DEBT OF INDIA SINCE 1913-14

(Reference paragraphs 63 & 73)

### (A) Rupee Debt

192

End of March		Un-dated	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	Trea- sury Bills	Percent- age of Total	Post Office Savings Bank Deposits and Cash Certifi- cates	Percent- age of Total	Other obliga- tions*	Percent- age of Total	Total	Percent- age in- crease(+) or de- crease(—)
1914	..	144.52	30.4	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	+99.5	
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	+26.7	
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	12.6	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	33.8	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	..	284.03	18.1	396.17	25.2	282.44	18.0	249.60	15.9	86.71	5.5	159.18	10.1	113.39	7.2	1,571.42	+17.0	
1946	..	284.04	14.7	663.80	34.3	222.75	11.5	321.59	16.6	83.83	4.3	221.52	11.4	139.92	7.2	1,936.95	+23.8	
1947 (Preliminary)		254.07	11.9	755.55	35.3	171.10	8.0	343.18	16.0	77.59	3.6	268.30	12.5	272.21	12.7	2,142.00	+10.6	
1948 (	.. )	257.74	12.1	682.42	31.9	285.62	13.3	287.23	13.4	98.68	4.6	283.90†	13.3	244.42	11.4	2,140.01	— 0.1	
1949 (	.. )	257.85	10.8	711.59	29.9	196.90	8.3	309.80	13.0	354.36**	14.9	313.27†	13.2	234.05	9.8	2,377.82	+11.1	

\* Include (1) the unclaimed balances 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.

† Includes Pakistan's share of the liabilities as on 14th August, 1947.

\*\* Including Treasury Deposit Receipts.

## STATEMENT XXI—(continued)

## PUBLIC DEBT OF INDIA SINCE 1913-14

(Reference paragraphs 63 &amp; 73)

## (B) Sterling Debt\*

103

													(In crores of rupees)
End of March	Undated	Percentage of Total	Over 10 years	Percentage of Total	Between 5 and 10 years	Percentage of Total	Under 5 years	Percentage of Total	Other obligations†	Percentage of Total	Total	Percentage increase (+) or decrease (—)	
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	472.79	+ 18.9	
1934 .. .. .	269.19	52.6	198.50	38.8	—	—	22.46	4.4	22.00	4.2	512.15	+ 8.3	
1939 .. .. .	268.05	57.1	135.11	28.8	29.30	6.3	11.84	2.5	24.80	5.3	469.10	— 8.4	
1940 .. .. .	255.63	57.8	115.44	26.1	39.09	8.8	7.53	1.7	24.80	5.6	442.40	— 5.7	
1941 .. .. .	246.81	71.6	40.81	11.8	31.37	9.1	1.50	0.4	24.44	6.6	344.93	— 22.1	
1942 .. .. .	134.00	63.6	34.66	16.4	17.32	8.2	0.33	0.2	24.39	11.5	210.70	— 38.9	
1943‡ .. .. .	20.32	36.5	4.06	7.3	6.88	12.4	—	—	24.33	43.8	55.59	— 73.6	
1944‡ .. .. .	3.36	8.6	3.97	10.1	5.82	14.9	0.94	2.4	26.06	64.0	39.14	— 29.4	
1945‡ .. .. .	2.96	7.8	2.98	7.8	5.81	15.2	1.83	4.8	24.55	64.4	38.13	— 2.6	
1946‡ .. .. .	2.87	7.6	2.96	7.9	0.97	2.6	6.49	17.2	24.40	64.7	37.69	— 1.2	
1947‡ (Preliminary) ..	2.60	7.1	2.81	7.7	0.96	2.6	6.00	16.4	24.24	66.2	38.61	— 2.9	
1948‡ ( " ) ..	2.51	8.3	0.66	2.1	0.51	1.7	2.54	8.4	24.06	79.5	39.28	— 17.3	
1949‡ ( " ) ..	2.47	8.2	—	—	1.13	3.8	1.86	6.2	24.52	87.8	29.98	— 1.0	

\* Converted at 1s. 4d. per rupee up to 1923-24 and thereafter at 1s. 6d.

† Including (1) the unclaimed balances of old loans which have ceased to bear interest from the date of discharge, (2) the balances relating to Service Funds and since 1934 (3) the liability for 5 per cent British War Loan 1929-47, interest on which remains suspended since July 1931.

‡ Excluding Railway Annuities.

## STATEMENT XXII\*

### (A) POST OFFICE CASH CERTIFICATES †

(Reference paragraph 78)

(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	..	..	..	1.00	2.41	— 1.41	4.34
1920-21	..	..	..	7.61	3.53	4.08	8.42
1921-22	..	..	..	15.65	3.10	12.55	20.97
1922-23	..	..	..	13.61	3.88	9.73	30.70
1923-24	..	..	..	4.91	3.31	1.60	32.30
1924-25	..	..	..	7.15	4.45	2.70	35.00
1925-26	..	..	..	11.78	8.35	3.43	38.43
1926-27	..	..	..	14.49	8.34	6.15	44.58
1927-28	..	..	..	15.74	4.88	11.00	55.58
1928-29	..	..	..	13.31	5.24	8.07	63.71
1929-30	..	..	..	9.95	7.70	2.25	65.96
1930-31	..	..	..	13.45	13.43	2	65.98
1931-32	..	..	..	14.88	16.46	— 1.58	64.40
1932-33	..	..	..	13.97	18.16	— 4.19	60.21
1933-34	..	..	..	14.71	15.35	— 0.64	59.57
1934-35	..	..	..	10.25	12.80	— 2.55	57.02
1935-36	..	..	..	4.89	14.93	— 10.04	46.98
1936-37	..	..	..	3.97	11.94	— 7.97	39.01
1937-38	..	..	..	3.76	8.20	— 4.44	34.57
1938-39	..	..	..	5.50	5.43	7	34.64
1939-40	..	..	..	5.48	4.31	1.17	35.82
1940-41	..	..	..	6.67	3.72	2.95	38.76
1941-42	..	..	..	4.97	4.51	46	39.22
1942-43	..	..	..	1.06	2.59	— 1.53	37.69
1943-44	..	..	..	—	3.07	— 3.07	3.07
1944-45	..	..	..	—	4.43	— 4.43	7.50

† Figures for Burma are included up to 1930-37.

### (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
1945-46	..	..	..	—	50	— 50	5.92
1946-47	..	..	..	—	74	— 74	5.18
1947-48 (Preliminary)	..	..	..	—	39	— 39	4.79
1st April to 14th August	..	..	..	— 1	39	— 40	40
15th August to 31st March	..	..	..	—	36	— 36	76

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

### (C) POST OFFICE NATIONAL SAVINGS CERTIFICATES †

				Receipts	Repayments	Net receipts	Amount outstanding
1943-44	..	..	..	8.65	1	8.65	8.65
1944-45	..	..	..	19.55	1	19.54	28.19
1945-46	..	..	..	23.21	10	23.11	51.30
1946-47	..	..	..	21.76	2.44	19.32	70.62
1947-48 (Preliminary)	..	..	..	7.18	2.82	4.36	74.98
1st April to 14th August	..	..	..	13.22	4.01	9.21	9.21
15th August to 31st March	..	..	..	22.58	6.88	15.80	25.01

† Including Hyderabad State National Savings Certificates from 1944-45 up to 14th August, 1947.

\*\* Includes Five-year and Seven-year National Savings Certificates issued from 1st June, 1948.

\* Figures from 15th August, 1947 relate to the Dominion of India only; outstandings as on 31st March, 1948 and 1949 do not include the Indian Union's share of the earlier liabilities.



# STATEMENT XXIII\*

## (A) POST OFFICE SAVINGS BANK

(Reference paragraph 78)

				(In lakhs of rupees)		
		Deposits	Interest	Withdrawals	Net increase in Deposits	Amount outstanding
1913-14	.. .. .	10.99	61	9.04	2.66	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	18.82	— 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	1.50	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	77.50†
1938-39	.. .. .	44.61	1.42	41.65	4.38	81.88
1939-40	.. .. .	40.51	1.16	45.22	— 3.66	78.32
1940-41	.. .. .	25.35	93	45.09	— 18.81	59.51
1941-42	.. .. .	21.91	83	30.18	— 7.44	52.07
1942-43	.. .. .	22.26	73	22.84	15	52.22
1943-44	.. .. .	35.22	93	24.19	11.96	64.18
1944-45	.. .. .	43.76	1.22	28.94	16.04	80.22
1945-46	.. .. .	74.42	1.70	41.30	34.82	1,15.04
1946-47	.. .. .	89.45	2.23	64.37	27.31	1,42.35
1947-48 (Preliminary)						
1st April to 14th August	.. .. .	37.67	1.00	134.21	4.46	1,46.81
15th August to 31st March	.. .. .	46.67	1.21	36.85	11.03	11.03
1948-49 (Preliminary)	.. .. .	82.91	2.11	65.75	19.27	30.30

† The outstandings are lower by Rs. 2.15 lakhs on account of the transfer of Burma and Adon balances.

## (B) POST OFFICE DEFENCE SAVINGS BANK

		Deposits†	Withdrawals	Net increase in Deposits	Amount outstanding
1941-42	.. .. .	11	—	11	11
1942-43	.. .. .	30	—	30	41
1943-44	.. .. .	3.62	1	3.62	4.02
1944-45	.. .. .	4.53	2	4.51	8.53
1945-46	.. .. .	1.99	2	1.97	10.50
1946-47	.. .. .	49	6	43	10.93
1947-48 (Preliminary)					
1st April to 14th August	.. .. .	—	4.91	— 4.91	6.02
15th August to 31st March	.. .. .	—	3.16	— 3.16	3.16
1948-49 (Preliminary)	.. .. .	—	91	— 91	4.07

† Including interest.

\* Figures from 15th August, 1947 relate to the Indian Union; outstandings as on 31st March, 1948-49 do not include the Indian Union's share of the earlier liabilities.

**STATEMENT XXIV**  
**PRINCIPAL ITEMS OF SMALL SAVINGS (MONTHLY), 1948-49**  
*(Reference paragraph 78)*

(In lakhs of rupees)

	Post Office Cash Certificates		Defence Savings Certificates		National Savings Certificates†								Post Office Savings Bank Deposits		Balance Savings Bank Deposits		Total Receipts	Total Month-end outstandings
	Receipts	Month-end outstandings	Receipts	Month-end outstandings	12 Years		7 Years*		5 Years*		Total Receipts	Total Month-end outstandings	Receipts	Month-end outstandings	Receipts	Month-end outstandings		
					Receipts	Month-end outstandings	Receipts	Month-end outstandings	Receipts	Month-end outstandings								
<b>1947-48</b>																		
April	40	39.25	—	5.11	1.55	71.32					1.55	71.32	8.54	1.45.11	—	9.85	10.79	2,70.84
May	44	89.26	—	5.03	1.39	71.98					1.39	71.98	9.12	1.47.36	—	8.74	10.95	2,72.37
June	21	38.97	—	4.96	1.31	72.90					1.31	72.90	7.71	1.48.13	—	7.71	9.23	2,72.57
July	1	38.11	—	4.85	1.93	74.26					1.93	74.26	7.96	1.46.22	—	6.49	9.90	2,69.93
August 1 to 14	—	37.69	—	4.79	1.00	74.98					1.00	74.98	5.04	1.46.31	—	6.02	6.04	2,70.29
15 to 31	—	15	—	3	64	53					64	53	1.91	36	—	35	2.55	36
September	—	48	—	8	1.61	1.88					1.61	1.88	5.23	1.29	—	99	6.34	1.82
October	—	89	—	14	1.49	3.08					1.49	3.08	5.34	1.83	—	1.56	6.23	2.32
November	—	1.29	—	19	1.49	4.27					1.49	4.27	4.95	2.04	—	2.00	6.44	2.23
December	—	1.74	—	24	1.93	5.73					1.93	5.73	0.14	2.75	—	2.39	5.07	4.11
January	—	2.19	—	30	2.99	7.02					2.99	7.02	5.96	3.40	—	2.74	7.95	5.19
February	—	2.60	1	35	1.83	3.09					1.83	3.09	6.10	4.94	—	2.97	7.92	7.11
March	—	3.07	—	40	2.24	9.21					2.24	9.21	12.25	11.03	—	3.16	14.48	12.61
<b>Total</b>	(a) 1.08	37.69	—	4.79	7.18	74.98					7.18	74.98	38.67	1.46.31	—	6.92	46.91	2,70.29
	(b) —	3.67	1	46	12.22	9.21					12.22	9.21	47.88	11.03	—	3.16	61.09	13.61
<b>1948-49</b>																		
April	—	3.50	—	44	2.21	10.45					2.21	10.45	7.12	13.25	—	3.82	9.33	16.51
May	—	3.87	—	48	3.16	12.89					3.16	12.89	7.25	14.79	—	3.44	10.41	18.83
June	1	4.33	—	51	1.58	13.85	3	5	4	4	1.65	13.92	9.26	18.80	—	3.53	10.92	24.39
July	—	4.71	—	53	1.85	14.65	5	5	3	6	1.43	14.79	7.39	21.15	—	3.60	8.82	27.14
August	1	5.04	—	56	1.88	15.53	3	11	6	13	1.47	15.77	6.39	22.80	—	3.67	7.85	29.34
September	—	5.41	—	59	1.56	16.56	1	12	12	25	1.69	16.93	7.31	24.63	—	3.74	8.00	32.11
October	—	5.76	—	62	1.65	17.80	6	18	5	30	1.78	18.28	6.05	25.60	—	3.81	7.81	33.73
November	—	6.11	—	64	1.50	18.87	12	30	15	44	1.77	19.61	6.11	26.26	—	3.86	7.88	35.30
December	—	6.49	—	67	1.71	20.11	6	35	22	65	1.99	21.11	6.66	26.94	—	3.93	8.65	37.90
January	—	6.83	—	71	1.49	21.10	10	45	25	90	1.84	22.45	6.36	27.61	—	3.97	8.22	38.59
February	—	7.14	—	73	1.30	21.84	11	56	22	1.10	1.83	23.59	6.72	28.70	—	4.02	8.35	40.35
March	—	7.50	—	76	1.71	23.60	12	66	25	1.88	2.08	25.01	8.63	31.15	—	4.07	10.71	42.97
<b>Total</b>	—	7.59	—	76	29.80	23.00	68	68	1.39	1.33	22.68	25.01	45.62	39.30	—	4.07	1,07.70	42.97

*Notes:*—Figures relate to the Indian Union from 15th August, 1947; outstandings as from that date represent the balance of the Indian Union and do not include the Indian Union's share of the earlier liabilities.

\* New series issued from 1st June, 1948. ‡ Adjusted.

(a) From 1st April to 14th August, 1947.

† Including Hyderabad State National Savings Certificates up to 14th August, 1947.

(b) From 15th August, 1947 to 31st March, 1948.

# STATEMENT XXV

## INDEX NUMBERS OF PRICES OF INDIAN SECURITIES

(Base: 1927-28=100)

(Source: Office of the Economic Adviser to the Government of India)

(Reference paragraphs 81-83)

### Variable Yield Industrial Securities

Average of Months	Government Securities	Fixed Yield Industrial Securities	Cotton (22 shares)	Jute (20 shares)	Coal (13 shares)	Iron and Steel (8 shares)	Tea (19 shares)	Sugar (3 shares)	Cement (1 share)	Paper (2 shares)	Banking (8 shares)	General Index
1939-40 ..	111.2	134.5	85.1	64.3	164.5	539.3	69.0	97.2	162.8	346.7	116.0	120.5
1940-41 ..	114.6	147.5	85.5	54.6	149.0	507.1	67.5	86.2	159.4	299.4	123.8	117.4
1941-42 ..	115.9	155.9	111.0	57.2	152.5	504.3	77.7	107.2	193.9	323.9	133.3	129.0
1942-43 ..	115.0	144.9	146.6	53.9	161.3	441.5	86.0	141.7	235.9	359.9	144.9	138.0
1943-44 ..	117.2	164.3	192.8	55.6	227.2	555.9	118.0	211.4	278.4	488.0	190.9	182.2
1944-45 ..	118.0	176.2	185.2	79.3	298.1	557.5	120.3	220.0	294.0	510.1	194.1	197.3
1945-46 ..	118.6	187.0	199.0	100.9	356.4	651.1	131.8	215.3	287.6	599.2	217.6	220.8
1946-47† ..	120.4	197.8	267.1	133.3	408.8	787.2	170.5	236.6	303.4	888.1	288.7	268.8
1947-48† ..	117.2	169.9	194.3	90.7	269.7	525.9	145.5	164.8	215.6	609.3	222.0	191.9
1948-49† ..	114.7*	156.9	175.1	70.8	202.9	428.8	123.3	142.0	202.0	509.7	200.2	162.4
Average of Weeks 1947-48												
April ..	118.0	176.4	202.8	114.3	331.9	586.8	159.5	200.0	220.3	732.1	228.9	217.7
May ..	117.9	171.5	199.1	114.9	332.0	554.6	157.3	195.3	218.2	732.1	227.1	215.2
June ..	117.9	169.6	202.0	88.2	290.9	552.1	146.9	177.0	217.4	611.3	230.6	200.3
July ..	117.5	169.5	199.4	84.5	283.7	602.7	144.2	169.9	220.6	598.9	231.3	197.9
August ..	117.3	169.7	191.2	87.9	252.4	540.7	145.6	160.0	207.3	610.7	225.9	189.7
September ..	117.4	169.3	185.7	87.8	230.8	494.6	144.4	151.2	201.7	565.9	220.2	182.4
October ..	117.5	168.6	187.7	85.2	208.2	498.2	140.8	142.7	204.9	545.4	218.0	178.5
November ..	115.5	168.2	184.1	79.5	215.0	487.9	139.2	153.8	196.3	343.2	214.9	176.5
December ..	117.4	169.7	194.4	92.5	252.8	551.3	140.7	173.8	233.6	634.1	220.3	192.4
January ..	117.1	169.8	200.3	91.0	262.0	523.2	143.8	158.9	231.4	615.7	223.9	192.2
February ..	116.8	169.4	193.7	82.0	238.3	506.4	142.4	151.0	219.4	573.3	216.4	181.7
March ..	116.5	167.4	191.1	30.7	230.6	472.8	140.8	144.5	216.2	549.5	216.0	178.0
1948-49												
April ..	114.3*	162.2	187.8	76.4	213.0	440.0	137.1	138.6	216.4	517.6	207.7	170.8
May ..	114.9*	161.2	189.9	76.2	222.8	456.5	133.9	138.9	215.9	590.1	205.7	173.3
June ..	114.5*	160.6	186.2	73.5	208.6	447.6	127.3	146.2	216.0	562.1	204.9	169.9
July ..	114.7*	159.2	180.5	70.7	201.6	436.8	124.3	146.2	210.6	500.8	208.1	164.9
August ..	114.9*	157.3	180.5	71.2	214.9	433.4	125.2	147.0	206.5	522.8	205.7	167.3
September ..	115.0*	157.1	173.8	70.2	203.3	410.5	124.0	147.4	199.0	513.7	199.0	163.0
October ..	115.1*	157.6	178.1	69.8	194.6	411.9	122.1	146.9	201.4	501.9	200.4	162.6
November ..	114.8*	157.1	171.5	68.8	190.0	409.3	121.4	143.3	189.8	490.6	192.9	158.1
December ..	114.8*	155.9	167.1	68.6	201.2	430.8	119.4	140.2	194.3	494.3	192.5	157.9
January ..	114.7*	153.7	164.3	68.4	202.0	429.2	117.6	140.2	195.3	494.1	194.9	156.7
February ..	114.4*	150.7	160.3	67.8	194.5	419.5	114.3	140.8	191.7	456.4	196.0	153.3
March ..	114.3*	149.7	161.6	67.4	188.7	420.5	113.1	127.8	187.2	471.4	195.0	152.0

† Average of weeks.

\* Estimated.

# STATEMENT XXVI

## MONTHLY AND ANNUAL AVERAGE YIELDS\* AND ANNUAL HIGHEST AND LOWEST PRICES (IN BOMBAY) OF GOVERNMENT OF INDIA SECURITIES, 1948-49

(Reference paragraph 82)

Loan	Monthly Average Yield, 1948-49												Annual Average Yield		1948-49			
	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	1948-49	1947-48	Highest Price	Yield	Lowest Price	Yield
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	Rs. a.	%	Rs. a.	%
<b>Under 5 years</b>																		
2½% 1948-52 ..	1.74	1.25	2.75	@									1.91**	1.28	100 5	1.48†	99 15	3.32
3% 1949-52 ..	1.87	1.79	1.76	1.54	1.83	1.91	1.87	1.93	1.97	1.82	1.90	1.88	1.83	1.78	101 11	1.31	100 6	1.93
2½% 1950 ..	2.01	1.96	1.98	1.99	1.97	1.94	1.95	1.96	1.93	2.12	2.32	2.26	2.03	2.12	101 2	1.95	100 4	2.32
3% 1951-54 ..	2.35	2.30	2.26	2.14	2.09	2.07	2.13	2.34	2.45	2.46	2.42	2.48	2.29	2.29	102 12	2.05	101 2	2.53
3% 1953-55 ..	2.58	2.45	2.45	2.40	2.39	2.36	2.40	2.55	2.64	2.63	2.64	2.64	2.51	2.49	102 15	2.37	101 7	2.66
<b>Between 5 and 10 years</b>																		
2½% 1954 ..	2.48	2.46	2.46	2.45	2.44	2.43	2.45	2.48	2.49	2.52	2.55	2.56	2.43	2.42	98 14	2.44	98 5	2.57
4½% 1955-60 ..	2.56	2.55	2.57	2.60	2.58	2.56	2.57	2.55	2.54	2.53	2.51	2.52	2.55	2.51	113 0	2.53	111 8	2.56
2½% 1955††							2.50	2.50	2.51	2.52	2.54	2.55	2.52†		100 0	2.50	99 10	2.56
3% 1957 ..	2.85	2.77	2.77	2.72	2.66	2.69	2.71	2.79	2.82	2.83	2.82	2.85	2.77	2.70	102 12	2.65	100 10	2.92
<b>Between 10 and 15 years</b>																		
3% 1959-61 ..	2.91	2.83	2.83	2.79	2.77	2.79	2.81	2.88	2.91	2.90	2.91	2.92	2.85	2.77	102 5	2.76	100 10	2.93
2½% 1960 ..	2.82	2.75	2.75	2.73	2.73	2.74	2.74	2.76	2.78	2.79	2.81	2.81	2.77	2.75	100 6	2.71	98 14	2.86
4% 1960-70 ..	2.94	2.91	2.96	2.96	2.93	2.93	2.92	2.92	2.91	2.91	2.92	2.91	2.93	2.74	111 8	2.90	110 6	2.93
2½% 1961 ..	2.79	2.76	2.79	2.75	2.75	2.74	2.72	2.77	2.78	2.78	2.80	2.82	2.77	2.71	97 10	2.72	96 8	2.84
2½% 1962 ..	2.83	2.75	2.76	2.74	2.74	2.74	2.74	2.76	2.77	2.79	2.83	2.84	2.77	2.75	100 2	2.74	99 0	2.84
3% 1963-65 ..	3.01	2.91	2.94	2.92	2.91	2.91	2.90	2.95	2.98	2.99	3.00	2.99	2.95	2.85	101 6	2.89	99 0	3.03
<b>Between 15 and 20 years</b>																		
3% 1966-68 ..	3.03	2.99	3.00	2.97	2.96	2.95	2.97	3.00	3.00	3.00	3.01	3.00	2.99	2.88	101 0	2.93	99 0	3.07
<b>Over 20 years</b>																		
3% 1970-75 ..	3.04	3.00	3.01	3.00	2.97	2.97	2.97	3.00	3.00	3.00	3.00	3.00	3.00	2.90	100 13	2.95	99 0	3.05
2½% 1976 ..	2.83	2.81	2.81	2.81	2.81	2.81	2.81	2.83	2.85	2.86	2.87	2.80	2.83	2.76	99 0	2.80	96 8	2.94
3% Conversion Loan 1986 or later‡	3.05	3.03	3.04	3.03	3.02	3.01	3.01	3.02	3.02	3.03	3.04	3.05	3.03	2.97	99 14	3.01	97 5	3.03
3% Undated‡	3.05	3.03	3.04	3.03	3.03	3.02	3.01	3.02	3.02	3.02	3.04	3.05	3.03	2.93	99 12	3.01	97 4	3.03
<b>Rupee counterparts</b>																		
4% 1948-53 ..	1.35	1.18	1.10	0.71	0.26	§§	0.32	0.96	@				0.74††	1.48	101 14	1.18	100 4	2.13
4½% 1950-55 ..	2.03	1.94	2.09	1.99	1.87	1.75	1.61	1.62	1.54	1.41	1.31	1.41	1.71	1.91	105 0	1.90	102 12	2.02
3½% 1954-59 ..	2.67	2.61	2.62	2.61	2.58	2.56	2.53	2.56	2.64	2.64	2.63	2.60	2.60	2.60	105 9	2.53	104 10	2.65
4½% 1958-68 ..	2.69	2.68	2.66	2.65	2.64	2.64	2.64	2.63	2.64	2.65	2.64	2.66	2.65	2.62	116 0	2.63	114 14	2.67

Note:—Income-tax is neglected in calculating the yield. The earlier or later date is taken according as the price is above or below par.

\* Yield to redemption. @ Redeemed. \*\* Average for three months. † Average for six months. †† Average for eight months. § Running yield.

‡ Calculated on the basis of a minimum maturity period of three months. §§ Negative yield. †† Issued on 1st October, 1948.

**STATEMENT XXVII**  
**ANNUAL AVERAGE PRICES† OF REPRESENTATIVE RUPEE SECURITIES OF THE**  
**GOVERNMENT OF INDIA SINCE 1939-40**  
*(Reference paragraph 82)*

Year	3 per cent Loan 1951-54	3 per cent First Victory Loan 1957	4 per cent Loan 1960-70	3 per cent Loan 1963-65	3 per cent Funding Loan 1966-68	3 per cent First Development Loan 1970-75	3 per cent Loan 1986 or Later* (Conversion Loan of 1946)
	Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.
1939-40	95 4		105 4	91 5			80 13†
1940-41	97 5		106 2	91 11			79 2
1941-42	98 13		108 13	93 15			81 3
1942-43	99 14		108 8	93 11			79 10
1943-44	100 1		111 8	97 4			84 2
1944-45	100 12		112 8	98 13	98 2		90 3
1945-46	101 8	100 11	113 5	99 8	98 13	97 12	95 13
1946-47	103 7	103 10	115 10	103 13	103 13	103 15	103 8
1947-48	102 10	102 10	113 11	101 15	101 13	101 10	100 13
1948-49	102 1	101 13	110 12	100 9	100 2	100 0	99 1

† Based on monthly averages.

\* The annual average prices of the 3 per cent Rupee Paper are given for the years 1939-40 to 1946-47.

† Average for March, 1940.

**STATEMENT XXVIII**  
**CONTROL OF CAPITAL ISSUES, 1948-49**  
*(Reference paragraph 84)*

Classification	Immediate Schemes		Long-range Schemes		(Rupees in crores) Immediate and Long-range Schemes Combined	
	No. of Companies	Amount Sanctioned	No. of Companies	Amount Sanctioned	No. of Companies	Amount Sanctioned
I. Industrial .. .. .	180	42.42	37	18.90	217	61.32
II. Agricultural .. .	10	3.63	—	—	10	3.63
III. Financial .. .	72	13.37	2	0.55	74	13.92
IV. Trade and Transport .. .	32	7.78	6	14.15	38	21.93
V. Other Services .. .	7	0.88	2	5.25	9	6.13
VI. Total Non-Industrial .. .	121	30.66	10	19.95	131	50.61
<b>Grand Total, 1948-49 (Industrial and Non-Industrial) ..</b>	<b>301</b>	<b>73.08</b>	<b>47</b>	<b>38.85</b>	<b>348</b>	<b>111.93</b>
<b>Total for 1947-48*</b> .. .	<b>7</b>	<b>101.79</b>	<b>53</b>	<b>61.20</b>	<b>426</b>	<b>162.99</b>
<b>Grand Total from 17th May, 1943 to 31st March, 1949* ..</b>	<b>5,020</b>	<b>501.99</b>	<b>723</b>	<b>413.45</b>	<b>5,743</b>	<b>915.44</b>

*Note:*—Figures for 1948-49 relate to the Indian Union. \* Figures relate to undivided India up to 15th August, 1947.

**STATE**  
**MONEY RATES IN**  
*(Reference*

Imperial Bank of India Hundi Rate†				Call Money Rate						Bazar Bill	
	Bank Rate*			Calcutta		Bombay		Calcutta			
		Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest		
1925-36	.. 3 (3½ up to November)	3½ Apr.-Nov.	3 Dec.-Mar.	1 Apr.-July	½ Feb.-Mar.	3½ April	½ Sept.-Mar.	8 Apr.-June	5 Aug.-Nov. & Jan.-Mar.		
1936-37	.. 2		3	½ Apr.-June	½ July-Mar.	1½ Jan.	½ Sept.-Nov.	6	5		
1937-38	.. 3		3	½ Apr.-July, Feb.-Mar.	½ Aug.-Jan.	1½ April	½ Aug.-Dec.	8 Nov.-Mar.	5 Apr.-Sept.		
1938-39	.. 3		3	2½ Jan.-Feb.	½ July	2½ Jan.-Feb.	½ July, Sept., & Nov.	8 Apr.-June	6 July-Mar.		
1939-40	.. 3	3½ Nov.-Mar.	3 Apr.-Oct.	2 Apr.-May	½ Aug.-Sept.	2½ April	½ Aug.-Sept.	7	6		
1940-41	.. 3	3½ Apr.-Jan.	3 Feb.-Mar.	½ Apr. & June	½ May & July-Mar.	1½ April	½ Aug.-Mar.	7	6		
1941-42	.. 3		3		½	½ Apr. & Jan.	½ May-Dec., Feb.-Mar.	7	6		
1942-43	.. 3		3		½		½	7	6		
1943-44	.. 3		3		½		½	7	6		
1944-45	.. 2		3		½	½ April	½ May-Mar.	7	6		
1945-46	.. 3		3		½	1 March	½ Apr.-Mar.	7	6		
1946-47	.. 3		3		½	½ Aug.-Nov.	½ July-Aug.	10 Dec.-Mar.	6 Apr.-Nov.		
1947-48	.. 3		3		½		½	10	9		
						Exchange Banks		Indian Banks			
						H. L.		H. L.			
1948-49	.. 3	3½ Jan.-Mar.	3 Apr.-Jan.	½ Jan.	½ Apr.-Dec.	1 Jan. & Apr. Feb.-Mar.	½ Mar. Dec.	1½ Jan.	1 Feb.-Mar.	15 Apr.-Feb.	9
1st of											1948-
April	.. 3		3		½						9 to 10
May	.. 3		3		½						9 to 10
June	.. 3		3		½						9 to 10
July	.. 3		3		½						9 to 10
August	.. 3		3		½						9 to 10
September	.. 3		3		½						9 to 10
October	.. 3		3		½						9 to 10
November	.. 3		3		½						9 to 10
December	.. 3		3		½						9 to 10
January	.. 3		3		½						9 to 10
February	.. 3		3½		½			1½	1		9 to 10
March	.. 3		(3)†† 3½ (3)††		½		½	1½	1		12 to 15

\* The standard rate at which the Reserve Bank of India is prepared to buy or rediscount bills of exchange Imperial Bank discounts first class three months commercial bills. †† Imperial Bank of India Hundi Rate in These are unofficial quotations. § Quoted by the larger banks in Bombay. || Quoted by the Exchange Banks

# MENT XXIX

INDIA SINCE 1935-36

paragraph 86)

Rate†			Average Treasury Bill Rate per annum	Deposit Rates‡					
Bombay				3 months		6 months		12 months	
Highest	Lowest			Highest	Lowest	Highest	Lowest	Highest	Lowest
6½	3		1.21						
Apr.-July	October								
5½	3½		0.78						
Apr.-May, Jan.-Mar.	July-Dec.								
5½	5½		0.97						
(unchanged)									
5½	3		1.63	2½	½	2½	1½	2	1½
Apr. & Feb.	October			January	Aug.-Sept.	Dec.-Jan.	Aug.-Sept.	Dec.-Jan.	Aug.-Sept.
6½	5½		1.87	2½	1	2½	1	2	1½
Jan.-Mar.	Apr.-Aug., Oct.-Nov.			Sept.-Feb.	June	Sept.	June-July	Sept. & Dec.-Mar.	Nov.
6½	5½		0.89	2½	½	2½	1½	2	1½
Jan.-Mar.	Apr.-Aug., Oct.-Nov.			April	Sept.-Mar.	April	Aug.-Mar.	April	May-Mar.
6½	4½		0.72	1½	½	1½	1	2	1½
Jan.-Mar.	Aug.-Oct.			Feb.-Mar.	Sept.	Feb.-Mar.	Aug.-Sept.	March	January
6½	5		0.87	1½	½	1½	½	2	1½
April	Aug.-Oct.			Apr.-May	Sept.-Oct.	Apr.-May	Sept.-Oct., Dec.-Jan.	Apr.-May	June-Mar.
6	4½		0.90	1	½	1½	1	1½	1½
April	May-Oct.			Apr.-June, Dec.-Jan.	July-Nov., Feb.-Mar.	Apr.-June	July-Mar.		
5½	4½		0.49	½	½	1½	½	1½	1
Apr.-July, Nov.-Mar.	Aug.-Oct.			Apr.-May, Oct.-Mar.	June-Sept.	April	May-Sept.	Oct.-Dec.	Feb. & Mar.
5½	5½		0.40	1	½	1½	½	1½	1½
(April-March)				Jan.-Mar.	June-Dec.	Jan.-Mar.	June-Aug.	Jan.-Mar.	Apr.-Dec.
7½	5½		0.42	1½	½	1½	½	1½	1½
Jan.-Mar.	Apr.-Oct.			Feb.-Mar.	Aug.-Sept.	Jan.-Mar.	July-Nov., March	Apr.-Mar.	Apr.-June
7½			0.46	1½	½	1½	½	2	1½
				Feb.-Mar.	Aug.-Feb.	May-Aug., Feb.-Mar.	Aug.-Nov.	Feb.-Mar.	Apr.-Feb.
8½	7½		0.49	1½	1	1½	1½	2	1½
Jan.-Mar.	Apr.-Jan.			January	April-Mar.	Jan.-Mar.	Apr.-Dec.	Apr.-Mar.	Apr.-Mar.
7½			0.49	1½	1	1½	1½	2	1½
7½			0.50	1½	1	1½	1½	2	1½
7½			0.49	1½	1	1½	1½	2	1½
7½			0.45	1½	1	1½	1½	2	1½
7½			0.49	1½	1	1½	1½	2	1½
7½			0.53	1½	1	1½	1½	2	1½
7½			0.56	1½	1	1½	1½	2	1½
7½				1½	1	1½	1½	2	1½
7½				1½	1	1½	1½	2	1½
7½				1½	1	1½	1½	2	1½
7½				1½	1	1½	1½	2	1½
8½				1½	1	1½	1½	2	1½
8½				1½	1	1½	1½	2	1½

or other commercial paper eligible for purchase under the Reserve Bank of India Act. † The rate at which the Calcutta shown in brackets. ‡ Rates at which bills of small traders are reported to have been discounted by shroffs. and some of the larger Indian scheduled banks.

**STATEMENT XXX**  
**CONSOLIDATED POSITION (WEEKLY) OF SCHEDULED BANKS,\* 1948-49**  
*(Reference paragraph 87)*

(Reference paragraph 87)

(In lakhs of rupees)

Friday 1948-49				Number of Reporting Banks	Demand Liabilities	Time Liabilities	Total Liabilities	Cash	Balances with Reserve Bank	Advances	Bills Discounted	
				(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
202	April	2	..	..	101	682.28 (80.96)	315.26 (20.11)	997.54 (101.07)	37.78 (4.03)	72.55 (6.70)	442.23 (38.99)	16.98 (97)
	"	9	..	..	101	687.29 (81.54)	315.82 (19.65)	1,003.10 (101.18)	35.53 (4.05)	74.65 (9.59)	442.45 (37.82)	17.16 (99)
	"	16	..	..	101	692.09 (83.48)	314.19 (19.25)	1,006.28 (102.73)	36.62 (3.99)	73.50 (9.24)	443.17 (38.64)	17.55 (86)
	"	23	..	..	100	689.82 (83.89)	310.99 (19.39)	1,000.81 (103.28)	37.74 (4.07)	76.24 (8.10)	437.44 (37.13)	17.30 (82)
	"	30	..	..	101	691.80 (84.04)	311.73 (19.14)	1,003.53 (103.18)	37.06 (4.07)	82.13 (9.52)	437.66 (33.23)	17.14 (68)
	May	7	..	..	101	683.33 (84.59)	313.87 (18.30)	997.20 (102.88)	37.00 (3.95)	74.32 (9.07)	438.16 (33.10)	16.99 (62)
	"	14	..	..	101	683.33 (82.56)	314.86 (18.10)	998.19 (100.66)	38.22 (3.90)	76.16 (10.05)	437.68 (33.80)	17.02 (55)
	"	21	..	..	101	689.06 (82.59)	312.89 (18.07)	1,001.75 (100.66)	38.73 (3.80)	81.70 (12.27)	435.10 (33.25)	16.78 (59)
	"	28	..	..	101	692.76 (82.63)	313.47 (18.02)	1,006.23 (100.65)	39.23 (3.85)	86.63 (13.10)	431.81 (32.95)	16.16 (60)
	June	4	..	..	101	691.82 (83.67)	313.34 (17.83)	1,005.16 (101.50)	38.65 (3.48)	85.62 (13.14)	431.02 (32.37)	15.87 (55)
	"	11	..	..	100	694.10 (83.99)	312.98 (17.48)	1,007.08 (101.45)	38.97 (3.70)	81.22 (12.90)	434.34 (31.91)	15.90 (61)
	"	18	..	..	100	690.45 (87.82)	312.69 (17.43)	1,003.14 (105.25)	39.70 (3.81)	80.56 (16.64)	437.98 (31.61)	16.19 (60)
	"	25	..	..	100	693.82 (86.89)	311.81 (18.51)	1,005.43 (105.41)	39.81 (3.70)	85.73 (16.90)	435.55 (32.86)	15.76 (62)
	July	2	..	..	98	696.49 [31.76]	311.08 [60]	1,007.57 [32.35]	40.16	77.93	434.32	16.39
	"	9	..	..	98	692.08 [31.89]	310.15 [79]	1,002.24 [32.69]	39.33	82.26	432.48	16.41
	"	16	..	..	98	698.40 [27.46]	309.47 [62]	1,007.87 [28.66]	38.99	98.35	421.00	15.55
	"	23	..	..	98	698.39 [22.35]	312.13 [71]	1,010.53 [23.06]	38.91	109.72	411.15	15.42
	"	30	..	..	98	695.45 [22.04]	314.81 [1.48]	1,010.26 [23.52]	38.55	111.71	406.34	15.54



August	6	..	93	688,30 [20,24]	314,29 [1,22]	<b>1,002,59</b> [21,46]	37,22	112,75	495,74	15,70
"	13	..	93	693,96 [21,77]	311,59 [1,03]	<b>1,005,56</b> [22,81]	38,42	97,74	403,56	16,30
"	20	..	98	693,83 [22,15]	312,53 [52]	<b>1,006,41</b> [22,67]	40,02	91,21	401,14	15,65
"	27	..	98	693,61 [18,65]	312,69 [55]	<b>1,006,30</b> [19,20]	37,49	92,86	394,36	14,69
September	3	..	98	690,16 [21,01]	309,41 [55]	<b>999,57</b> [21,56]	40,59	91,09	393,60	14,83
"	10	..	98	692,66 [19,56]	308,55 [20]	<b>1,001,21</b> [19,76]	38,87	95,80	390,28	14,08
"	17	..	98	689,05 [22,38]	307,49 [30]	<b>996,54</b> [22,67]	37,14	95,13	391,22	13,61
"	24	..	98	687,97 [25,14]	305,05 [25]	<b>993,02</b> [25,39]	37,95	93,02	389,59	13,27
October	1	..	98	677,35 [19,48]	303,50 [29]	<b>980,85</b> [19,76]	37,53	91,27	390,30	12,76
"	8	..	98	671,22 [21,43]	303,18 [58]	<b>974,39</b> [22,01]	35,96	74,06	396,03	13,43
"	15	..	98	677,89 [22,97]	302,59 [56]	<b>980,48</b> [23,54]	40,01	67,18	399,43	13,85
"	22	..	95	678,39 [23,11]	299,91 [11]	<b>978,29</b> [23,22]	37,59	72,19	395,96	13,86
"	29	..	95	670,94 [26,27]	298,48 [6]	<b>969,42</b> [26,33]	34,79	65,64	404,63	14,21
November	5	..	95	670,37 [27,52]	299,20 [21]	<b>969,56</b> [27,73]	33,31	66,94	404,79	15,94
"	12	..	95	667,44 [24,04]	299,72 [24]	<b>967,15</b> [24,27]	33,05	72,22	404,61	16,52
"	19	..	95	672,90 [23,88]	299,01 [9]	<b>971,91</b> [23,97]	33,53	80,24	404,53	15,95
"	26	..	95	674,28 [23,84]	297,51 [9]	<b>971,78</b> [23,92]	38,17	84,51	399,48	16,56
December	3	..	95	670,95 [23,50]	298,99 [22]	<b>969,95</b> [23,72]	36,24	82,12	398,10	16,67
"	10	..	95	663,96 [23,76]	297,76 [30]	<b>961,72</b> [24,06]	35,42	75,47	402,69	17,38
"	17	..	95	662,11 [27,94]	296,53 [30]	<b>958,64</b> [28,24]	25,18	67,90	415,31	18,64
"	24	..	95	660,74 [27,90]	301,18 [5,17]	<b>961,92</b> [32,97]	34,57	64,66	423,54	18,36
"	31	..	95	666,24 [29,06]	296,91 [22]	<b>963,15</b> [29,28]	40,04	67,23	422,71	19,37

\* Figures relating to scheduled banks in Pakistan are shown within brackets below those for the Indian Union up to June 1948. Figures from July 1948 relate to scheduled banks in the Indian Union; inter-bank borrowings are shown within rectangular brackets below totals in columns 2, 3 and 4.

**STATEMENT XXX—(Continued.)**

**CONSOLIDATED POSITION (WEEKLY) OF SCHEDULED BANKS,\* 1948-49**

*(Reference paragraph 87)*

(In lakhs of rupees)

				Number of Reporting Banks	Demand Liabilities	Time Liabilities	Total Liabilities	Cash	Balances with Reserve Bank	Advances	Bills Discounted
				(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
204	Friday 1949										
	January	7	.. ..	95	657,54 [32,73]	298,04 [42]	955,58 [33,16]	37,22	53,00	434,06	19,99
	"	14	.. ..	95	658,23 [35,90]	294,54 [21]	952,76 [36,11]	35,99	55,62	443,52	20,05
	"	21	.. ..	95	652,21 [30,89]	294,54 [16]	946,75 [31,65]	37,38	63,86	441,76	18,16
	"	28	.. ..	95	644,94 [27,86]	293,14 [21]	938,08 [28,07]	35,42	61,72	442,84	17,85
	February	4	.. ..	95	645,85 [31,58]	292,81 [13]	938,66 [31,71]	35,61	56,72	449,11	17,39
	"	11	.. ..	96	644,79 [31,38]	292,11 [13]	936,91 [31,51]	35,11	58,58	454,92	18,23
	"	18	.. ..	95	638,57 [31,01]	292,98 [1]	931,55 [31,02]	36,04	53,29	458,49	17,44
	"	25	.. ..	95	641,94 [31,58]	289,13 [7]	931,07 [31,65]	36,31	55,22	460,04	17,38
	March	4	.. ..	95	638,57 [30,73]	288,07 [1]	926,64 [30,74]	36,11	54,34	460,53	17,52
	"	11	.. ..	95	632,34 [30,32]	287,13 [6]	919,47 [30,38]	35,38	52,06	466,75	17,33
	"	18	.. ..	95	634,39 [36,55]	286,93 [11]	921,32 [36,66]	35,63	49,94	480,03	17,84
	"	25	.. ..	94	630,58 [35,49]	285,27 [16]	915,85 [35,65]	35,26	54,47	478,41	18,05

\*Figures relate to scheduled banks in the Indian Union; inter-bank borrowings are shown within rectangular brackets below totals in columns 2, 3 and 4.

# STATEMENT XXXI

## CONSOLIDATED POSITION OF SCHEDULED BANKS SINCE 1937-38

(Reference paragraph 87)

(In lakhs of rupees)

	Average of Friday Figures	No. of Reporting banks at the end of period	Demand Liabilities	Percentage of (b) to (f)	Time Liabilities	Savings Deposits†	Total Demand and Time Liabilities	Cash	Balances with Reserve Bank	Excess of (h) over the statutory minimum	Total cash and balances with Reserve Bank	Percentage of (j) to (f)	Advances	Bills Discounted	Total Advances and Bills Discounted	Percentage of (n) to (f)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	
1937-38 ..	50	126,86	55.0	103,99	..	230,85	8,37	24,57	15,78	30,94	13.40	108,15	6,00	114,15	49.45	
1938-39 ..	51	123,31	54.5	103,30	..	227,11	6,38	15,88	7,62	22,26	9.80	111,34	4,60	115,94	51.05	
1939-40 ..	55	132,64	56.5	101,95	38,86	234,59	6,73	17,30	8,63	24,03	10.24	121,47	4,97	126,44	53.90	
1940-41 ..	58	155,79	60.6	101,19	37,58	256,98	7,95	36,09	26,28	44,04	17.14	117,70	3,69	121,39	47.24	
1941-42 ..	56	200,13	65.9	103,37	37,24	303,50	9,16	36,15	24,08	32,31	10.65	115,32	4,84	120,16	39.69	
1942-43 ..	61	306,28	74.6	104,21	48,30	410,49	12,97	55,73	38,33	68,70	16.73	95,68	2,18	97,86	23.33	
1943-44 ..	75	456,63	76.2	142,78	68,03	599,41	20,57	63,63	37,99	84,20	14.05	156,14	5,59	161,73	26.98	
1944-45 ..	84	584,80	75.1	194,12	90,58	778,92	27,31	89,25	56,90	116,56	14.96	224,22	11,16	235,38	30.22	
1945-46 ..	91	654,53	71.6	259,52	121,56	914,05	34,80	89,91	51,99	124,71	13.64	285,07	16,05	301,12	32.94	
1946-47 ..	96	725,54	69.2	323,11	133,04	1,048,65	41,11	81,25	38,51	122,36	11.67	406,39	21,32	427,71	40.79	
1947-48 ..	101	706,65	67.3	343,89	149,71	1,050,64	39,92	100,81	58,60	140,73	13.40	427,54	16,82	444,36	42.30	
		(74,86)		(28,39)	(10,36)	(103,25)	(4,29)	(5,84)	(1,63)	(10,23)		(39,40)	(1,00)	(40,40)		
1948-49 ..	94	674,56	68.9	303,88	140,39	978,44	37,51	78,63	36,82	114,14	11.67	424,85	16,44	441,29	45.10	
		(83,74)	(81.9)	(18,56)		(102,30)	(3,88)	(11,32)	(6,76)	(18,20)	(14.86)	(34,42)	(70)	(35,12)	(34.33)	
April 1948	101	688,66	68.71	313,60	142,15	1,002,25	36,95	75,81	35,10	112,76	11.25	440,60	17,22	457,82	45.68	
		(82,78)	(80.93)	(19,51)	(9,92)	(102,29)	(4,04)	(8,63)	(4,10)	(12,67)	(12.39)	(37,16)	(86)	(38,02)	(37.17)	
May ..	101	687,12	68.66	313,72	141,52	1,000,84	38,30	79,70	39,07	118,00	11.79	435,69	16,73	452,42	45.20	
		(83,09)	(82.10)	(18,12)	(9,56)	(101,21)	(3,87)	(11,12)	(6,60)	(14,99)	(14.81)	(33,22)	(59)	(33,81)	(33.41)	
June ..	100	692,55	68.90	312,66	143,48	1,005,20	39,28	83,28	42,40	122,66	12.19	434,72	15,93	450,65	44.83	
		(85,59)	(82.78)	(17,81)	(9,10)	(103,40)	(3,67)	(14,90)	(10,26)	(18,57)	(17.96)	(32,19)	(59)	(32,78)	(31.70)	
July ..	98	696,16	69.08	311,53	144,28	1,007,69	39,19	95,99	54,95	135,18	13.41	421,06	15,86	436,92	43.36	
		[27,10]		[84]		[27,94]										
Aug. ..	98	692,44	68.89	312,77	145,16	1,005,21	38,29	98,64	57,76	136,93	13.62	401,23	15,59	416,82	41.47	
		[20,70]		[83]		[21,53]										
Sept. ..	98	689,96	69.16	307,62	143,39	997,58	38,64	93,76	53,11	132,40	13.27	391,17	13,94	405,11	40.61	
		[22,02]		[32]		[22,35]										
Oct. ..	95	675,16	69.13	301,53	142,34	976,69	37,16	74,07	34,28	111,23	11.39	397,27	13,62	410,89	42.07	
		[22,65]		[32]		[22,97]										
Nov. ..	95	671,24	69.19	298,86	141,33	970,10	38,29	75,98	36,44	114,27	11.78	403,35	16,24	419,59	43.25	
		[24,82]		[15]		[24,97]										
Dec. ..	95	664,80	69.03	298,28	141,35	963,08	38,29	71,69	32,48	107,98	11.21	412,47	18,13	430,60	44.71	
		[26,41]		[1,24]		[27,65]										
Jan. 1949	95	653,23	68.89	295,07	140,39	948,29	36,50	59,05	20,49	95,55	10.08	440,34	18,98	459,32	48.46	
		[31,84]		[25]		[32,09]										
Feb. ..	95	642,79	68.78	291,76	140,17	934,55	35,77	55,95	17,98	91,72	9.81	455,64	17,61	473,25	50.64	
		[31,39]		[9]		[31,47]										
March ..	94	633,97	68.85	286,85	140,39	920,82	35,61	52,83	15,39	88,44	9.60	471,43	17,68	489,11	53.12	
		[33,27]		[9]		[33,36]										

Notes.—Annual figures: Figures for Burma are excluded. Data relate to undivided India upto 1947-48; those for 1948-49 are for the Indian Union. Figures shown in brackets, which relate to Pakistan, are averages for the periods 15th August 1947 to March 1948 and April to June 1948 in respect of the years 1947-48 and 1948-49.

Monthly figures relate to the Indian Union; those for Pakistan are shown within brackets upto June 1948. From July 1948 inter-bank borrowings are shown within rectangular brackets below totals.

† For the purpose of Section 42 of the Reserve Bank of India Act, Savings Deposits are classified under demand or time liabilities according to the terms of the various scheduled banks in respect of withdrawal of these deposits. Annual figures are as on last Friday of March, and monthly figures are as on last Friday of each month; figures for Pakistan exclude those for Lahore circle.

# STATEMENT XXXII

## CONSOLIDATED POSITION OF SCHEDULED BANKS (MONTHLY) SINCE 1935-36

(Reference paragraph 87)

(In lakhs of rupees)

200

1935-36					1936-37					
Demand Liabilities	Time Liabilities	Cash	Balances with Reserve Bank of India	Advances and Bills Discounted	Last Friday	Demand Liabilities	Time Liabilities	Cash	Balances with Reserve Bank of India	Advances and Bills Discounted
..	..	..	..	..	April .. ..	122.00	101.46	5.59	36.43	99.17
..	..	..	..	..	May .. ..	121.57	100.81	5.50	23.63	99.58
..	..	..	..	..	June .. ..	123.69	99.50	7.52	29.94	94.96
109.94	98.56	4.90	29.33	98.12	July .. ..	126.92	101.02	5.78	32.13	90.53
111.22	98.23	6.59	34.98	91.70	August .. ..	128.41	101.00	5.91	33.18	88.21
118.99	97.51	5.95	35.14	87.29	September .. ..	129.14	100.98	5.76	27.61	88.98
120.97	96.02	5.15	29.04	55.99	October .. ..	131.62	99.15	6.08	26.30	90.10
125.69	98.28	5.75	27.57	53.73	November .. ..	132.44	100.55	5.90	24.69	93.26
121.93	98.67	7.01	28.87	56.83	December .. ..	127.83	101.75	8.94	14.81	102.92
121.17	98.79	5.71	34.31	90.95	January .. ..	131.86	103.69	5.77	17.34	113.95
120.02	101.31	5.54	34.84	95.13	February .. ..	131.86	103.79	6.33	19.42	120.42
120.08	101.88	5.75	35.96	98.93	March .. ..	133.62	105.32	6.10	22.62	127.67
1937-38					1938-39					
126.99	102.05	5.76	27.19	123.03	April .. ..	122.48	105.30	6.06	14.56	125.89
(5.89)	(5.06)	(26)		(7.23)		(5.57)	(4.80)	(24)		(5.62)
127.90	103.02	5.70	26.44	122.98	May .. ..	121.42	105.83	6.07	14.35	125.78
(6.01)	(5.26)	(26)		(6.51)		(5.88)	(4.62)	(29)		(5.13)
126.26	103.86	6.65	29.87	117.85	June .. ..	121.10	103.14	6.32	18.08	117.65
(5.91)	(5.29)	(27)		(5.61)		(6.02)	(4.62)	(23)		(4.89)
127.21	103.97	6.05	35.78	110.82	July .. ..	123.73	102.52	6.40	24.71	112.23
(5.87)	(5.21)	(22)		(4.99)		(5.98)	(4.60)	(24)		(4.84)

128,60	104,94	6,46	36,24	106,97	August	123,94	102,43	6,70	24,35	108,27
(5,90)	(5,18)	(22)		(5,37)		(8,44)	(4,55)	(24)		(4,91)
126,94	104,94	6,41	26,24	105,74	September	124,73	101,70	6,53	18,45	107,69
(5,83)	(5,17)	(25)		(4,59)		(6,43)	(4,51)	(35)		(4,61)
129,42	104,17	7,12	25,12	106,98	October	127,49	101,82	7,52	18,20	104,25
(5,95)	(4,99)	(27)		(4,73)		(6,72)	(4,48)	(37)		(3,99)
127,90	104,48	7,21	25,96	105,69	November	127,83	101,61	7,23	12,28	103,26
(6,37)	(4,87)	(23)		(4,66)		(6,85)	(4,51)	(34)		(3,72)
125,63	105,88	7,87	19,92	110,20	December	123,84	102,93	7,04	11,07	113,56
(5,91)	(4,89)	(28)		(4,67)		(6,31)	(4,51)	(19)		(4,35)
124,24	105,18	6,18	15,98	114,34	January	122,68	104,11	5,80	11,03	120,48
(5,96)	(4,83)	(21)		(5,08)		(6,26)	(4,39)	(19)		(4,75)
123,11	105,29	5,96	12,78	120,44	February	121,08	104,02	6,15	12,28	122,53
(5,93)	(4,84)	(23)		(5,77)		(6,29)	(4,27)	(18)		(5,03)
121,56	105,04	6,07	16,75	123,40	March ..	124,57	102,90	5,88	10,84	130,28
(5,56)	(4,84)	(22)		(5,96)		(6,10)	(4,40)	(23)		(5,60)

## 1939-40

122,25	104,07	6,07	11,76	127,58
(6,37)	(4,43)	(23)		(5,11)
122,92	104,63	5,98	15,58	123,23
(6,58)	(4,35)	(27)		(4,84)
124,98	103,85	9,74	16,14	117,74
(6,86)	(4,31)	(37)		(4,27)
133,93	103,08	6,72	26,02	109,48
(6,92)	(4,32)	(41)		(4,13)
135,52	102,64	6,73	26,61	105,03
(7,06)	(4,23)	(45)		(4,23)
132,48	97,92	7,30	15,02	111,41
(6,73)	(4,19)	(45)		(4,15)
123,83	96,07	6,92	19,44	109,83
(6,99)	(3,69)	(48)		(3,82)
137,48	98,00	6,18	19,84	122,73
(7,56)	(3,81)	(43)		(3,92)
139,18	100,88	8,35	17,02	141,19
(7,39)	(3,88)	(24)		(4,65)
139,06	104,08	6,89	18,90	150,21
(7,37)	(3,81)	(25)		(4,82)
137,69	105,32	6,84	16,80	149,14
(7,41)	(3,77)	(22)		(5,96)
142,76	105,13	6,98	17,17	156,52
(7,62)	(3,75)	(24)		(6,58)

## 1940-41

April ..	139,96	109,32	7,02	22,31	152,88
	(7,70)	(3,76)	(22)		(5,66)
May ..	138,13	108,36	7,25	15,42	155,07
	(7,30)	(3,78)	(24)		(5,18)
June ..	136,59	104,05	10,59	20,30	140,48
	(7,34)	(3,71)	(43)		(4,77)
July ..	145,94	102,97	7,82	31,64	128,97
	(7,54)	(3,63)	(48)		(4,21)
August	153,02	99,35	7,69	40,07	116,52
	(7,59)	(3,54)	(38)		(4,06)
September	157,80	97,77	7,66	45,30	109,52
	(7,69)	(3,60)	(44)		(3,76)
October	163,24	96,76	8,19	50,89	101,23
	(8,25)	(3,81)	(51)		(3,45)
November	166,55	96,92	8,31	48,47	97,46
	(8,92)	(3,70)	(50)		(3,24)
December	168,49	96,86	9,36	47,25	100,14
	(8,45)	(3,90)	(47)		(3,71)
January	169,06	97,93	8,35	46,41	107,23
	(8,95)	(3,95)	(43)		(4,28)
February	168,46	101,26	8,02	44,40	114,85
	(8,93)	(3,79)	(55)		(5,76)
March ..	171,68	100,83	8,02	35,51	124,32
	(9,31)	(3,81)	(57)		(6,48)

Note:— Figures for Burma are shown within brackets below those for India from April, 1937; balances with the Reserve Bank are inclusive of the figures for Burma.

# STATEMENT XXXII (continued)

## CONSOLIDATED POSITION OF SCHEDULED BANKS (MONTHLY) SINCE 1935-36

(Reference paragraph 87)

(In lakhs of rupees)

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1941-42					1942-43					
Demand Liabilities	Time Liabilities	Cash	Balances with Reserve Bank of India	Advances and Bills Discounted	Last Friday	Demand Liabilities	Time Liabilities	Cash	Balances with Reserve Bank of India	Advances and Bills Discounted
173.05 (9.84)	101.36 (4.00)	8.55 (57)	28.01	130.25 (7.00)	April .. ..	232.66	95.64	11.20	42.37	110.80
177.38 (10.51)	102.27 (4.04)	8.24 (61)	28.98	131.00 (6.08)	May .. ..	248.40	94.92	11.27	53.56	100.76
183.94 (10.96)	103.35 (4.06)	11.38 (65)	29.66	127.50 (5.72)	June .. ..	267.15	97.31	14.52	60.93	95.77
188.36 (9.97)	104.71 (4.29)	8.21 (60)	29.96	123.71 (5.80)	July .. ..	288.36	97.77	12.22	63.27	87.06
199.34 (10.69)	101.62 (4.43)	8.65 (78)	44.54	115.80 (4.72)	August .. ..	297.04	97.46	12.26	66.16	81.35
205.82 (12.00)	103.84 (4.51)	8.87 (76)	48.75	113.46 (3.90)	September .. ..	314.16	100.32	12.30	64.06	79.31
215.64 (12.16)	106.45 (4.36)	9.48 (72)	50.42	103.72 (4.07)	October .. ..	326.55	103.33	12.77	68.94	82.17
224.71 (13.75)	108.12 (4.49)	9.64 (77)	46.50	110.96 (3.69)	November .. ..	339.64	107.43	13.87	59.21	86.79
212.82 (11.91)	108.42 (4.37)	9.86 (87)	30.97	123.24 (3.68)	December .. ..	335.06	111.04	13.12	50.77	98.34
218.20 (10.21)	105.85 (3.73)	9.93 (40)	38.32	121.08 (3.57)	January .. ..	351.04	115.65	14.39	42.45	107.62
218.09	102.60	10.08	38.13	118.82	February .. ..	363.86	119.65	14.48	48.82	118.40
225.07	98.53	9.76	39.98	115.65	March .. ..	374.43	121.20	15.37	47.74	133.59
1943-44					1944-45					
380.33	125.22	16.96	45.67	141.90	April .. ..	534.66	171.96	25.16	81.91	231.15
396.70	127.39	17.53	55.49	149.35	May .. ..	553.52	176.46	25.85	110.26	222.68
417.99	131.24	17.73	54.72	145.95	June .. ..	565.12	182.32	30.74	95.98	220.00
434.32	134.61	18.07	64.57	148.15	July .. ..	575.39	183.91	25.41	97.43	221.11

443,86	137,00	19,61	59,45	148,26	August .. ..	584,36	187,26	26,03	100,54	215,78
457,87	133,26	20,60	72,31	147,78	September .. ..	587,60	190,89	27,57	94,72	213,63
467,32	138,71	19,89	70,38	159,12	October .. ..	603,68	196,27	27,48	104,35	206,16
492,41	145,01	21,78	82,64	158,09	November .. ..	612,30	201,59	28,18	89,98	219,60
500,82	157,28	27,49	88,72	167,60	December .. ..	616,09	202,92	32,47	73,60	249,21
502,68	164,82	22,84	75,37	184,16	January .. ..	608,44	211,21	28,01	65,45	271,48
516,31	168,84	24,16	57,08	200,91	February .. ..	612,35	218,39	28,95	74,07	283,34
524,35	168,72	24,48	48,46	232,12	March .. ..	596,67	220,79	28,07	86,55	296,99

## 1945-46

## 1946-47

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604,60	226,17	30,15	77,35	292,81	April .. ..	693,52	303,95	38,25	80,83	388,57
620,55	230,67	31,08	92,28	290,30	May .. ..	703,26	308,44	35,73	95,54	388,82
629,44	239,14	36,87	78,86	293,36	June .. ..	708,86	311,48	47,43	103,65	374,34
626,52	244,08	32,51	74,97	295,56	July .. ..	722,00	313,03	39,64	101,01	387,76
643,55	251,80	34,46	103,90	277,25	August .. ..	743,45	318,03	47,41	76,43	411,31
644,79	256,71	33,76	111,16	259,66	September .. ..	748,16	321,42	42,09	82,15	411,53
658,41	264,89	35,46	111,70	261,45	October .. ..	736,55	324,51	39,42	83,62	423,05
673,74	273,15	36,33	84,32	289,02	November .. ..	750,03	345,09	41,45	79,93	461,39
672,57	280,26	42,39	78,44	327,19	December .. ..	730,16	330,95	48,27	69,01	465,18
703,18	286,59	43,20	100,45	341,31	January .. ..	721,44	341,19	39,63	69,61	484,87
705,25	296,29	37,95	92,10	344,14	February .. ..	704,68	348,01	39,96	76,59	484,41
700,80	296,37	35,64	75,56	371,16	March .. ..	681,01	346,20	39,06	66,89	492,17

Note:—Figures for Burma are shown within brackets below those for India up to January, 1942; balances with the Reserve Bank are inclusive of the figures for Burma.

# STATEMENT XXXII—( continued )

## CONSOLIDATED POSITION OF SCHEDULED BANKS (MONTHLY) SINCE 1935-36

( Reference paragraph 87 )

(In lakhs of rupees)

210

1947-48					Last Friday	1948-49				
Demand Liabilities	Time Liabilities	Cash	Balances with Reserve Bank of India	Advances and Bills Discounted		Demand Liabilities	Time Liabilities	Cash	Balances with Reserve Bank of India	Advances and Bills Discounted
679,16	348,98	39,69	101,50	463,98	April .. ..	691,80	311,73	37,06	82,13	454,80
						(84,04)	(19,14)	(4,07)	(9,52)	(33,91)
670,03	349,05	37,44	107,30	439,25	May .. ..	692,76	313,47	39,23	86,63	447,97
						(82,63)	(18,02)	(3,85)	(13,09)	(33,55)
667,26	346,45	44,77	97,74	428,81	June .. ..	693,82	311,61	39,81	85,73	451,31
						(86,89)	(18,51)	(3,70)	(16,90)	(33,48)
677,39	341,88	39,82	100,56	423,15	July .. ..	695,45	314,81	38,55	111,71	421,88
						[22,04]	[1,48]			
627,06	305,93	35,53	111,61	372,69	August .. ..	693,61	312,69	37,49	92,86	409,05
(64,39)	(39,04)	(5,22)	(9,55)	(44,61)		[18,65]	[55]			
634,18	307,92	35,40	114,96	389,91	September .. ..	687,97	305,05	37,05	93,02	402,86
(64,78)	(38,23)	(4,40)	(3,59)	(44,27)		[25,14]	[25]			
650,56	313,14	36,55	101,39	385,10	October .. ..	670,94	298,48	34,79	65,64	418,84
(70,04)	(31,12)	(4,37)	(2,53)	(37,01)		[26,57]	[6]			
654,42	311,37	35,51	101,44	380,41	November .. ..	674,28	297,51	38,17	84,51	416,04
(77,48)	(30,90)	(4,82)	(6,80)	(39,63)		[23,84]	[9]			
648,93	316,15	35,71	101,18	404,95	December .. ..	666,24	296,91	40,04	67,28	442,08
(80,81)	(26,50)	(3,77)	(5,55)	(38,59)		[29,06]	[22]			
664,25	315,87	35,53	93,42	433,44	January .. ..	644,94	293,14	35,42	61,72	460,69
(89,56)	(21,89)	(3,97)	(10,32)	(41,02)		[27,06]	[21]			
667,44	319,92	36,64	86,86	443,80	February .. ..	641,94	289,13	36,81	55,22	477,42
(82,18)	(21,11)	(4,02)	(5,50)	(40,26)		[31,58]	[7]			
668,55	318,03	35,89	68,53	457,23	March .. ..	630,58	286,27	35,26	54,47	496,46
(80,43)	(20,55)	(4,01)	(7,18)	(39,98)		[35,49]	[16]			

Note:—Figures from August 1947 relate to banks in the Indian Union; earlier figures relate to undivided India. Figures for Pakistan are shown within brackets from August 1947 to June 1948. From July, inter-bank borrowings are shown within rectangular brackets below totals.



# STATEMENT XXXIII

## INDICES OF THE CONSOLIDATED POSITION OF SCHEDULED BANKS

(Reference paragraph 87)

Average of Friday Figures	Demand Liabilities	Time Liabilities	Total Demand and Time Liabilities	Cash	Balances with Reserve Bank	Excess of (e) over the statutory minimum	Total Cash and Balances with Reserve Bank	Percentage of (g) to (c)	Advances	Bills Dis- counted	Total Advances and Bills Dis- counted	Percentage of (k) to (c)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
<b>(A) Undivided India (Annual)</b>												
(Base: 1938-39=100)												
1937-38 .. .. .	102.5	100.7	101.6	99.8	154.7	207.1	139.0	136.7	97.1	130.4	98.5	96.9
1938-39 .. .. .	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1939-40 .. .. .	107.1	98.7	103.3	105.5	108.9	113.3	108.0	104.5	109.1	108.0	109.1	105.6
1940-41 .. .. .	125.8	98.0	113.2	124.6	227.3	344.9	197.8	174.9	105.7	80.2	104.7	92.5
1941-42 .. .. .	161.6	100.1	133.8	143.6	227.6	316.0	145.1	108.7	103.6	105.2	103.6	77.6
1942-43 .. .. .	247.4	100.9	180.7	203.3	350.9	503.0	308.6	170.7	85.9	47.4	84.4	46.7
1943-44 .. .. .	368.8	138.2	263.9	322.4	400.7	498.6	378.3	143.4	140.2	121.5	139.5	52.9
1944-45 .. .. .	472.3	187.9	343.0	428.1	562.0	748.7	523.6	152.7	201.4	242.6	203.0	59.2
1945-46 .. .. .	528.7	251.2	402.5	545.5	566.2	682.3	560.2	139.2	256.0	348.9	259.7	64.5
1946-47 .. .. .	586.0	312.8	461.7	644.4	511.6	505.4	549.7	119.1	365.0	463.5	368.9	79.9
1947-48 .. .. .	570.8	332.9	462.8	623.7	634.8	769.0	632.2	136.7	384.0	365.7	383.3	82.9
<b>(B) Indian Union (Monthly)</b>												
(Base: 1948-49=100)												
September 1947 .. .. .	94.1	101.0	96.2	95.1	147.2	203.4	130.1	135.1	84.5	87.3	84.6	88.7
October .. .. .	95.5	103.0	97.8	93.9	140.6	188.2	125.2	128.0	86.0	83.5	85.9	87.9
November .. .. .	96.5	102.8	98.5	94.8	125.0	154.9	115.1	116.9	86.8	92.0	87.0	88.4
December .. .. .	96.7	103.6	98.9	96.5	134.7	174.7	122.1	123.5	88.2	104.0	88.8	89.8
January 1948 .. .. .	97.9	104.0	99.8	97.2	115.5	133.4	109.5	109.6	95.9	109.4	96.4	96.6
February .. .. .	98.4	104.2	100.3	95.9	118.0	144.9	110.7	110.4	100.3	97.1	100.2	100.0
March .. .. .	99.4	105.1	101.2	96.4	98.9	97.3	98.1	96.9	102.5	102.6	102.5	101.4
April .. .. .	102.1	103.2	102.4	98.5	98.9	95.3	98.8	96.4	103.7	104.7	103.7	101.3
May .. .. .	101.9	103.2	102.3	102.1	104.0	106.1	103.4	101.0	102.6	101.8	102.5	100.2
June .. .. .	102.7	102.6	102.7	104.7	108.7	115.2	107.4	104.5	102.3	96.9	102.1	99.4
July .. .. .	102.2	102.5	103.0	104.5	125.3	149.2	118.4	114.9	99.1	96.5	99.0	96.1
August .. .. .	102.7	102.9	102.7	102.1	128.7	156.9	120.0	116.7	94.4	94.8	94.5	92.0
September .. .. .	102.3	101.3	102.0	103.0	122.4	144.2	116.0	113.7	92.1	84.8	91.8	90.0
October .. .. .	100.1	99.2	99.8	99.1	96.7	93.1	97.5	97.6	93.5	82.8	93.1	93.3
November .. .. .	99.5	98.3	99.2	102.1	99.2	99.0	100.1	100.9	94.9	98.8	95.1	95.9
December .. .. .	98.6	98.2	98.4	96.7	93.6	88.2	94.6	96.1	97.1	110.3	97.6	99.1
January 1949 .. .. .	96.8	97.1	96.9	97.3	77.1	55.6	83.7	86.4	103.7	115.4	104.1	107.5
February .. .. .	95.3	96.0	95.5	95.4	73.0	48.8	80.4	84.1	107.2	107.1	107.2	112.3
March .. .. .	94.0	94.4	94.1	94.9	68.9	41.8	77.5	82.3	111.0	107.5	110.8	117.8

Note :—Excluding figures for Burma.

# STATEMENT XXXIV

## CLEARING HOUSE STATISTICS (ANNUAL) SINCE 1918-19

(Reference paragraph 89)

									(In lakhs of rupees)
	Bombay	Calcutta	Delhi	Kanpur	Karachi	Lahore	Madras	Total	Other Centres†
1918-19	5,69.46	7,41.13	..	..	22.30	..	25.45	13,58.34	..
1919-20	8,83.02	10,55.76	..	..	23.13	..	33.95	19,35.86	..
1920-21	13,15.93	14,39.93	..	6.63	33.42	..	75.79	23,71.70	..
1921-22	9,06.73	9,05.01	..	9.01	36.73	5.86	39.54	19,02.88	..
1922-23	8,55.73	9,80.26	..	7.93	33.58	8.49	45.13	19,34.12	..
1923-24	7,07.98	8,53.05	..	6.38	41.52	5.85	55.41	16,70.19	..
1924-25	6,21.66	9,54.11	..	5.72	40.13	5.57	55.06	16,89.15	..
1925-26	4,45.05	10,12.19	..	6.16	36.14	6.86	56.80	15,63.20	..
1926-27	4,22.68	9,61.01	..	8.16	31.07	7.70	54.53	14,85.15	..
1927-28	3,89.80	10,54.02	..	7.00	30.82	7.59	59.79	15,49.02	..
1928-29	6,52.35	10,94.00	..	7.31	28.02	8.69	65.73	18,56.10	..
1929-30	7,03.66	9,80.97	..	7.50	26.49	8.17	82.19	18,79.04	..
1930-31	6,66.61	8,66.28	..	5.71	24.47	10.67	50.36	16,24.10	..
1931-32	6,23.82	7,31.09	..	5.63	23.23	9.02	43.97	14,36.76	..
1932-33	6,67.42	7,00.37	..	7.08	25.56	8.50	48.85	15,47.78	..
1933-34	6,55.47	8,30.88	..	8.88	26.78	9.88	53.19	16,85.08	..
1934-35	6,89.17	8,75.69	..	11.51	28.96	10.43	56.22	16,71.98	..
1935-36	7,16.74	9,18.88	13.73	11.69	30.12	11.16	60.23	17,71.35	..
1936-37	7,62.38	9,23.88	15.61	11.51	31.94	11.40	91.39	18,47.91	..
1937-38	8,15.56	9,66.93	18.27	11.91	35.53	11.21	1,09.84	19,69.05	..
1938-39	7,86.22	9,34.65	18.58	11.76	32.66	10.36	98.91	18,93.14	28.31
1939-40	8,83.97	11,54.03	20.35	14.22	37.53	11.14	99.94	22,21.18	31.73
1940-41	8,02.32	10,08.53	28.53	19.20	46.76	16.33	1,08.65	20,30.32	42.28
1941-42	10,48.60	12,33.61	41.35	29.59	58.80	20.71	1,36.11	25,75.07	91.27
1942-43	13,45.23	10,74.66	81.94	56.21	77.51	48.76	1,31.40	23,15.71	1,63.38
1943-44	10,66.69	17,18.61	1,19.16	1,01.06	1,01.36	77.80	1,96.80	42,81.48	2,97.74
1944-45	22,36.97	23,51.59	1,29.94	1,12.95	1,24.54	95.94	2,27.37	52,79.30	3,47.50
1945-46	24,87.60	28,26.21	1,46.02	1,13.47	1,45.49	1,03.39	2,98.23	61,20.41	4,51.96
1946-47	28,59.08	28,42.25	1,56.37	1,42.66	2,01.82	1,36.92	3,78.00	67,17.10	5,04.28
1947-48	24,52.64	25,99.96	1,26.46	1,09.83	2,74.81	49.54	3,47.94	59,61.18	5,18.96
1948-49	27,38.53	26,55.26	1,48.68	1,40.46	*	*	4,02.02	60,84.95	6,01.59

† Ahmedabad, Amritsar, Calicut, Coimbatore, Lucknow, Madras, Mangalore, Simla, Nagpur, Rawalpindi (from April, 1941 to October, 1947); Patna (from April, 1943); Allahabad (from October, 1943); Lyallpur (from September, 1944 to September, 1947); Bangalore (from October, 1944); Jullundur City (from February, 1945); Agra (from May, 1945); Dehra Dun (from February, 1946); Alleppey (from November, 1946); Rajkot (from January, 1947); Gaya (from March, 1947); Poona and New Delhi (from August, 1947). \* Rs. 71.04 lakhs and Rs. 10.97 lakhs for the Karachi and Lahore centres respectively during the quarter ended June, 1948.

# STATEMENT XXXV

NUMBER AND AMOUNT OF CHEQUES CLEARED (MONTHLY) IN THE INDIAN UNION, 1948-49

(Reference paragraph 89)

(Rupees in lakhs)

Centre	1948-49												Total
	April	May	June	July	August	September	October	November	December	January	February	March	
<b>BOMBAY—</b>													
Number ..	8,45,526	7,48,131	7,34,012	7,64,190	6,79,876	7,09,039	7,50,351	7,11,917	7,93,123	8,15,757	7,42,810	8,42,652	91,37,384
Amount ..	2,39,73	2,29,30	2,36,85	2,42,50	1,98,93	2,13,17	2,12,53	2,12,32	2,39,62	2,48,73	2,02,52	2,62,33	27,38,53
<b>CALCUTTA—</b>													
Number ..	6,23,098	5,73,731	5,50,072	5,33,244	5,29,133	5,66,215	4,14,943	4,53,243	5,40,310	5,51,268	5,15,283	6,02,022	65,02,542
Amount ..	2,40,32	2,21,26	2,05,98	2,10,51	2,09,51	2,43,48	1,98,83	1,98,50	2,42,31	2,32,48	1,96,10	2,49,93	28,55,26
<b>DELHI—</b>													
Number ..	69,528	66,863	63,745	74,149	68,112	69,382	64,131	74,146	74,110	79,409	69,920	87,117	8,60,612
Amount ..	12,53	13,63	11,52	13,17	10,18	11,61	10,97	11,96	13,18	12,32	12,00	15,62	1,48,68
<b>KANPUR—</b>													
Number ..	42,579	43,420	43,363	54,493	42,421	42,687	41,491	44,954	47,404	42,372	42,237	45,023	5,32,443
Amount ..	10,82	11,92	11,93	14,63	9,04	11,85	10,81	11,73	12,57	11,36	11,02	12,78	1,40,46
<b>MADRAS—</b>													
Number ..	2,09,088	1,93,972	1,95,891	2,22,754	2,09,532	2,24,858	1,93,487	2,22,393	2,28,794	2,13,620	2,21,369	2,59,011	25,94,769
Amount ..	30,83	30,04	30,73	33,84	29,55	35,83	20,38	35,37	37,17	34,53	35,91	38,84	4,02,02
<b>Total—</b>													
Number ..	17,89,819	16,38,117	15,87,083	16,98,830	15,29,074	16,12,181	14,64,403	15,06,653	16,83,741	17,02,426	15,91,599	18,38,824	1,96,27,750
Amount ..	5,34,23	5,06,15	4,97,01	5,20,65	4,57,21	5,15,84	4,62,57	4,63,88	5,44,35	5,39,42	4,57,64	5,79,50	60,34,95
<b>OTHER CENTRES*—</b>													
Number ..	3,55,375	3,36,232	3,18,804	3,65,957	3,30,708	3,15,736	3,22,927	3,17,302	3,33,725	3,38,636	2,97,433	3,65,436	39,96,071
Amount ..	46,31	57,15	46,85	57,88	45,55	46,58	46,64	49,77	52,90	52,40	42,61	56,95	6,01,59

\* Ahmedabad, Amritsar, Calicut, Coimbatore, Lucknow, Madras, Mangalore, Simla, Nagpur, Patna, Allahabad, Jullundur City, Agra, Dehra Dun, Alleppey, Rajkot, Gaya, Bangalore, Poona and New Delhi.

# STATEMENT XXXVI

## (A) REMITTANCES THROUGH THE RESERVE BANK OF INDIA

Telegraphic Transfers issued and paid, 1948-49

(Reference paragraph 90)

(In lakhs of rupees)

Centre	1947-48				1948-49*							
	April to September		October to March		April to June		July to September		October to December		January to March	
	Issued	Paid	Issued	Paid	Issued	Paid	Issued	Paid	Issued	Paid	Issued	Paid
Bombay .. .. .	120,37	202,75	126,31	167,75	64,39	95,72	42,42	99,56	57,68	97,76	79,93	87,64
Calcutta .. .. .	147,00	223,35	139,65	226,32	76,23	109,35	82,30	86,15	50,62	126,23	79,07	118,70
Dacca .. .. .			1		3,97	63						
Delhi .. .. .	34,63	25,64	42,04	42,66	27,04	25,08	30,15	19,18	26,54	20,84	30,37	19,80
Kanpur .. .. .	33,93	20,16	18,43	25,36	8,37	15,97	24,79	6,09	16,28	0,193	12,98	14,61
Karachi .. .. .	20,42	23,92	24,86	71,32	15,58	40,26						
Lahore .. .. .	40,63	31,93	7,24	19,24	5,34	9,88						
Madras .. .. .	40,73	35,28	25,77	44,91	15,92	23,30	26,60	14,17	16,99	26,22	15,24	43,43
<b>Total</b> .. .. .	<b>438,31</b>	<b>563,01</b>	<b>385,29</b>	<b>597,55</b>	<b>216,84</b>	<b>320,18</b>	<b>206,35</b>	<b>225,15</b>	<b>168,11</b>	<b>280,96</b>	<b>217,57</b>	<b>284,18</b>

\* Figures up to 1st July, 1948 relate to undivided India; subsequent figures relate to the Indian Union.

## (B) REMITTANCES THROUGH THE IMPERIAL BANK OF INDIA, 1948-49

(Reference paragraph 90)

(In lakhs of rupees)

From Offices in	To Offices in											
	1946-47				1947-48*				1948-49**			
	Bengal Circle	Bombay Circle	Madras Circle	Total	Bengal Circle	Bombay Circle	Madras Circle	Total	Bengal Circle	Bombay Circle	Madras Circle	Total
Bengal Circle .. .. .	313,49	166,20	16,57	436,26	384,05	124,41	18,28	526,73	356,11	113,25	23,71	493,07
Bombay Circle .. .. .	99,49	239,61	20,86	359,36	99,33	273,70	22,16	395,18	76,19	227,54	22,37	326,70
Madras Circle .. .. .	41,92	62,02	160,19	264,13	29,09	52,30	172,91	254,30	29,63	44,24	194,20	268,27
<b>Total</b> .. .. .	<b>454,90</b>	<b>407,23</b>	<b>197,62</b>	<b>1,059,75</b>	<b>512,47</b>	<b>450,41</b>	<b>213,34</b>	<b>1,176,20</b>	<b>462,73</b>	<b>385,03</b>	<b>240,28</b>	<b>1,088,04</b>

§ Telegraphic Transfers paid, Mail Transfers received, Drafts paid and Demand Drafts purchased. \* Revised figures.

\*\* Figures relate to the Indian Union only; those for earlier years relate to undivided India.

# STATEMENT XXXVI—(continued)

## (C) REMITTANCES EFFECTED BETWEEN THE RESERVE BANK OF INDIA AND THE IMPERIAL BANK OF INDIA AND TREASURY AGENCIES

(Reference paragraph 90)

	HALF-YEAR ENDED 30-9-1947				HALF-YEAR ENDED 31-3-1948				(Amount in lakhs of rupees) HALF-YEAR ENDED 30-9-1948			
	Telegraphic Transfers		Drafts and Mail Transfers		Telegraphic Transfers		Drafts and Mail Transfers		Telegraphic Transfers		Drafts and Mail Transfers	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
The General Public .. .. .	16,088	49.21	281,477	80.36	16,267	49.98	261,187	75.95	17,097	46.32	286,014	81.33
<b>Scheduled Banks:</b>												
At par .. .. .	12,254	419.83	2,231	11.28	9,470	337.22	1,963	7.37	11,246	398.63	1,792	7.53
At premium .. .. .	7,004	57.06	19,539	26.06	7,290	73.01	14,477	20.75	6,648	51.61	17,076	19.41
Approved Non-Scheduled Banks and Indigenous Bankers (under para. 3C of the Remittance Facilities Scheme) ..	345	1.30	3,207	2.85	336	1.53	2,873	1.82	379	2.09	3,272	2.19
<b>Co-operative Banks and Societies:</b>												
At par .. .. .	135	3.30	520	4.40	101	1.93	352	3.14	128	2.82	531	4.43
At premium .. .. .	448	2.57	10,451	12.06	687	4.37	9,116	11.64	467	2.10	10,066	11.49
Local Funds at a premium (under para. 3E (i) (f) of the Remittance Facilities Scheme) .. .. .	61	1	3,529	27	44	(a)	2,528	20	40	(a)	2,334	42
Other remittances at par .. .. .	1,799	13.60	109,413	41.84	2,122	18.89	101,712	42.01	2,140	30.56	104,049	42.29
<b>Government:</b>												
Intra-Provincial at par .. .. .	2,784	5.43	128,243	25.90	263	3.50	135,966	33.14	593	2.76	127,097	30.22
Extra-Provincial at premium .. .. .	680	94	13,205	4.26	90	12	16,160	4.43	166	46	14,437	3.70
<b>Total</b> .. .. .	<b>41,598</b>	<b>553.30</b>	<b>571,821</b>	<b>209.29</b>	<b>36,660</b>	<b>490.57</b>	<b>546,334</b>	<b>200.46</b>	<b>38,913</b>	<b>536.75</b>	<b>566,668</b>	<b>203.01</b>

Note.— Figures from 1st October, 1947 relate to the Indian Union; earlier figures relate to undivided India. (a) Less than Rs. 50,000.

# STATEMENT XXXVII

## ENCASHMENT OF FOREIGN CIRCLE NOTES, 1948-49

(Reference paragraph 91)

	Cashed by								(In rupees)
	Bombay	Calcutta	Dacca**	Delhi	Kanpur	Karachi**	Lahore**	Madras	
Bombay .. .. .		3,00,81,700	3,73,500	3,44,85,000	3,02,91,950	39,81,200	26,28,850	3,54,38,450	13,72,80,650
Calcutta .. .. .	11,68,52,000		8,00,69,800	4,69,98,400	5,65,55,350	30,35,100	28,70,300	1,07,60,350	31,71,40,300
Delhi .. .. .	2,14,500	12,57,000			1,84,100			27,700	16,83,300
Kanpur .. .. .	2,46,31,050	1,16,84,350	1,69,400	1,72,06,950		6,74,650	7,99,400	33,57,850	5,85,23,850
Karachi .. .. .	12,83,75,670	49,14,900	42,000	1,59,51,850	1,06,31,200		25,09,300	40,17,450	16,64,42,370
Lahore .. .. .	30,40,88,800	2,08,82,400	2,18,100	12,45,61,800	5,48,45,000	69,21,400		1,17,27,000	52,32,44,500
Madras .. .. .	5,24,73,200	1,13,16,000	1,35,250	88,42,000	84,88,300	9,83,250	6,05,700		8,28,44,300
Rangoon .. .. .	1,48,850	4,37,650	1,700	28,450	77,800	1,600	2,300	2,15,350	9,13,500
<b>Total 1948-49</b> .. .. .	<b>62,67,84,070</b>	<b>8,05,74,000</b>	<b>8,09,99,750</b>	<b>24,80,75,050</b>	<b>16,10,73,500</b>	<b>1,55,97,200</b>	<b>94,15,850</b>	<b>6,55,53,150</b>	<b>128,80,72,570</b>
" 1947-48 .. .. .	<b>67,32,59,200</b>	<b>5,11,50,200</b>		<b>9,27,86,070*</b>	<b>9,79,24,950</b>	<b>10,62,43,550</b>	<b>9,71,37,850†</b>	<b>5,12,21,220</b>	<b>116,97,23,040</b>
" 1946-47 .. .. .	<b>39,04,54,500</b>	<b>8,56,25,850</b>			<b>16,05,65,350</b>	<b>5,90,05,400</b>	<b>26,28,06,920</b>	<b>8,63,20,000</b>	<b>104,47,78,020</b>

\* From 1st December, 1947 to 31st March, 1948. † Includes figures for Delhi upto 30th November, 1947.

\*\* For the quarter ended June 1948.

**STATEMENT XXXVIII**  
**RESERVE BANK OF INDIA : BANKING DEPARTMENT\***  
**WEEKLY STATEMENT OF ASSETS AND LIABILITIES, 1948-49**  
*(Reference paragraph 93)*

(In lakhs of rupees)

		LIABILITIES							ASSETS						
		Deposits					Other Liabili- ties	Total Liabilities or Assets	Notes and Coin	Balances held abroad†	Loans and Advances to Gov- ernments	Other Loans and Advances	Bills purchased and dis- counted	Invest- ments	Other Assets
		Central Govern- ment	Other Govern- ments	Banks	Others	Total									
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
216	Friday 1948-49														
	April 2	242,62 (56,65)	21,06 (27,73)	82,14	42,69	472,88	18,57	501,46	11,92 (2)	408,61	..	..	2,66	72,84	5,41
	" 9	228,58 (63,17)	15,21 (28,46)	88,80	43,34	467,45	18,72	497,17	10,29 (1)	408,02	76	..	3,80	68,70	5,58
	" 16	261,32 (56,95)	9,29 (12,69)	86,82	43,32	470,48	19,51	500,00	10,30 (—)	410,05	1,08	2	10,13	62,70	5,71
	" 23	256,87 (56,37)	13,58 (14,37)	89,33	43,02	473,53	21,19	504,72	12,64 (—)	412,85	10	..	10,02	63,37	5,73
	" 30	258,59 (57,99)	14,19 (11,29)	94,44	42,97	479,45	19,70	509,15	13,38 (—)	415,56	10	..	9,34	64,84	5,92
	May 7	247,95 (57,85)	16,35 (12,39)	88,16	43,94	466,44	19,49	495,93	10,15 (—)	418,06	10	..	6,57	55,07	5,98
	" 14	246,12 (58,75)	14,77 (12,00)	90,22	43,29	465,14	19,29	494,42	11,41 (—)	420,33	10	1	5,27	51,22	6,08
	" 21	233,45 (61,43)	20,04 (5,37)	96,69	44,99	461,97	19,80	491,77	15,19 (—)	417,38	..	1	1,81	51,31	5,90
	" 28	230,10 (62,48)	23,38 (6,03)	102,09	44,81	468,90	19,34	498,23	21,78 (—)	415,46	..	..	1,92	52,95	5,96
	June 4	217,78 (59,20)	26,31 (7,32)	101,44	45,81	457,85	21,33	489,28	16,63 (—)	412,03	..	..	1,99	53,87	6,25
	" 11	217,82 (59,76)	19,38 (6,75)	98,03	48,13	449,87	21,92	481,79	12,16 (—)	408,33	..	2	1,09	53,36	6,71
	" 18	220,02 (59,17)	21,06 (5,72)	99,81	46,41	452,20	21,20	483,40	20,23 (—)	402,97	..	4	97	53,07	6,11
	" 25	224,50 (61,36)	18,03 (8,02)	104,33	46,39	482,64	20,54	493,18	31,18 (—)	400,14	2	3	1,74	53,22	6,85

July	2	..	214,52	19,16	79,60	47,03	360,30	18,53	388,83	29,70	301,40	10	..	1,78	50,86	4,99
"	9	..	216,09	15,71	82,27	50,26	365,23	17,44	392,68	34,01	299,66	10	22	1,75	51,94	5,00
"	16	..	202,09	16,01	99,74	50,59	369,03	19,11	398,14	44,09	294,90	10	23	2,07	51,99	4,78
"	23	..	210,20	16,54	110,99	48,31	386,04	9,51	405,55	36,32	309,93	10	8	1,69	51,57	5,85
"	30	..	216,12	16,68	112,52	48,90	394,22	9,20	413,42	47,87	312,02	10	5	3,65	44,18	5,73
August	6	..	215,18	19,16	105,12	52,70	392,16	7,64	409,80	41,69	316,63	..	5	3,34	43,23	4,85
"	13	..	224,66	12,92	94,19	62,01	393,78	10,41	414,19	46,78	313,91	4	56	4,94	43,06	4,89
"	20	..	231,36	13,68	90,19	57,73	392,96	10,13	413,09	34,79	307,94	1	6	4,55	63,11	2,63
"	27	..	234,16	16,87	95,50	59,67	406,21	8,25	424,46	37,81	306,12	5	6	4,81	72,94	2,07
September	3	..	224,22	17,77	92,64	61,75	406,38	11,03	427,41	35,68	311,29	2	8	4,35	73,48	2,51
"	10	..	216,43	17,32	97,40	56,98	388,13	11,79	409,92	30,83	308,73	10	6	4,25	63,35	2,61
"	17	..	227,98	18,91	96,44	57,84	401,17	9,51	420,68	30,37	307,80	38	68	4,73	74,07	2,66
"	24	..	229,69	19,82	93,93	58,07	401,50	11,40	422,80	34,93	303,39	..	4,27	2,55	75,01	2,75
October	1	..	244,42	15,63	83,58	60,01	403,63	11,53	425,16	35,33	299,59	..	4,19	1,77	81,48	2,80
"	8	..	240,25	15,00	72,46	61,51	389,22	11,02	410,23	20,27	298,17	80	4,60	2,36	81,50	2,53
"	15	..	241,78	13,68	68,31	61,54	385,31	12,28	407,58	18,92	296,96	96	4,70	1,86	81,64	2,55
"	22	..	241,72	14,18	72,95	66,03	394,88	11,69	416,57	28,00	294,64	1,28	4,42	2,43	83,02	2,79
"	29	..	241,82	17,81	66,54	65,95	392,13	11,35	413,48	26,38	292,22	1,70	4,15	2,94	83,13	2,96
November	5	..	234,84	14,17	66,21	65,07	380,28	11,25	401,52	13,87	291,51	1,74	4,17	2,98	84,29	2,97
"	12	..	240,04	9,62	73,57	63,02	386,24	12,19	408,44	13,27	290,01	4,02	4,07	7,17	86,89	3,01
"	19	..	233,31	11,67	80,88	48,42	374,28	13,58	397,87	21,13	276,15	3,55	4,08	2,26	87,84	2,86
"	26	..	228,60	12,28	85,43	55,30	382,17	13,41	405,58	27,62	276,38	3,65	3,98	2,33	88,54	3,07
December	3	..	214,27	12,64	81,95	57,36	366,22	12,01	389,12	23,76	263,89	3,27	3,96	2,36	88,97	2,93
"	10	..	217,43	10,28	77,31	55,76	360,79	12,92	393,71	13,98	261,55	6,78	4,91	3,46	90,08	2,97
"	17	..	210,30	16,83	70,80	55,87	353,79	13,51	377,30	16,00	258,63	2,63	5,28	2,40	89,29	3,08
"	24	..	212,67	16,58	66,05	57,68	353,98	14,78	378,76	14,88	255,72	2,07	10,02	2,13	90,75	3,19
"	31	..	214,49	15,57	66,95	64,78	361,78	14,05	385,83	10,71	256,38	2,95	18,39	2,15	92,20	3,05
January	7	..	205,33	10,87	55,49	66,27	337,96	14,58	362,55	10,76	249,22	5,37	12,84	3,77	77,46	3,14
"	14	..	210,82	12,38	57,39	70,61	351,19	14,86	376,06	13,25	248,51	8,05	22,83	11,45	68,78	3,18
"	21	..	209,04	12,88	62,80	66,01	350,73	14,30	375,03	16,70	242,12	5,48	4,84	11,22	91,45	3,22
"	28	..	215,95	11,88	62,57	61,08	351,49	14,35	375,83	21,03	235,76	4,71	4,49	9,90	96,73	3,22
February	4	..	213,98	11,84	56,69	64,50	347,00	15,42	372,42	11,47	236,85	8,09	4,61	10,72	97,23	3,45
"	11	..	207,13	12,27	59,83	68,61	347,84	15,45	373,29	12,20	232,59	8,63	4,76	12,34	99,21	3,55
"	18	..	206,89	13,28	55,42	67,85	343,44	18,81	372,25	17,19	230,97	4,71	4,47	9,87	101,45	3,60
"	25	..	206,04	13,01	56,09	69,53	344,66	17,90	372,56	22,03	224,56	4,66	4,97	5,33	106,92	4,10
March	4	..	189,28	46,96	55,69	66,84	328,77	18,16	356,92	13,68	219,03	41	5,36	2,23	111,49	4,13
"	11	..	177,83	22,86	53,31	70,04	324,04	20,39	354,42	10,66	219,15	10	5,55	1,45	113,03	4,28
"	18	..	179,87	22,53	51,66	69,16	323,22	20,11	353,33	13,42	208,55	..	5,36	1,99	119,71	4,29
"	25	..	183,03	24,56	55,04	68,75	332,29	20,86	363,15	21,88	202,52	..	6,36	2,13	125,97	4,29

Note :—Pakistan figures are shown within brackets below those for the Indian Union up to 25th June, 1948. \* Capital and reserves, rupees ten crores.

† Include cash and short-term securities.

**STATEMENT XXXIX**  
**RESERVE BANK OF INDIA : BANKING DEPARTMENT\* SINCE 1935-36**  
*(Reference paragraph 93)*

(In lakhs of rupees)

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LIABILITIES														ASSETS					
Average of Friday figures	Deposits					Other Liabilities	Total Liabilities or Assets	Notes and Coin	Balances held abroad†	Loans and Advances to Gov- ernments	Other Loans and Advances	Bills purchased and dis- counted	Invest- ments	Other Assets					
	Central Govern- ment (1)	Other Govern- ments (2)	Banks (3)	Others (4)	Total (5)														
1935-36 .. ..	11,26	..	27,26	9	38,61	91	49,52	27,68	14,99	86	1	..	5,47	51					
1936-37 .. ..	9,83	..	26,56	41	36,80	1,13	47,93	25,90	13,61	1,64	1	1	6,04	82					
1937-38 .. ..	11,37	..	24,96	69	37,02	87	47,89	25,70	13,48	79	2	6	7,12	72					
1938-39 .. ..	14,90	..	16,19	75	31,84	1,28	43,12	28,38	4,21	1,72	2	1,53	6,36	90					
1939-40 .. ..	6,84	7,00	17,82	1,05	32,71	1,54	44,25	18,88	12,34	1,05	11	2,87	7,25	1,75					
1940-41 .. ..	10,03	7,37	36,84	1,91	56,15	2,56	68,71	17,39	39,32	2,01	7	97	7,78	1,17					
1941-42 .. ..	9,65	7,95	37,73	3,89	59,22	4,33	73,55	12,35	46,08	4,09	4	27	8,96	1,76					
1942-43 .. ..	12,99	8,10	57,36	3,30	81,75	7,91	99,66	11,92	75,11	1,49	4	68	7,12	3,30					
1943-44 .. ..	29,31	13,16	64,69	6,65	113,81	10,82	134,63	10,67	111,72	49	15	91	7,61	3,08					
1944-45 .. ..	162,67	16,83	90,57	13,25	283,32	14,06	307,38	11,19	277,28	43	11	1,46	13,13	3,78					
1945-46 .. ..	386,93	20,68	90,22	16,56	514,39	16,32	540,71	16,72	488,23	22	12	3,35	24,65	7,42					
1946-47 .. ..	469,54	21,62	85,04	14,24	590,44	18,32	618,76	32,85	528,83	5	82	2,33	31,70	22,18					
1947-48 .. ..	366,79† (21,20)§	16,93† (2,43)§	102,47	34,21	520,40	14,55	544,96	47,24	406,95	1,57	21	2,62	81,53	4,85					
1948-49†† .. ..	222,17† (14,83)	16,62 (3,04)	80,53	56,52	393,72	15,33	419,05	22,12 (—)	307,78	1,71 (1)	3,34	4,28	75,65	4,14					
1947-48																			
April .. ..	398,79	24,45	89,59	28,81	541,64	19,90	571,54	14,35	475,76	36	23	3,31	67,18	10,35					
May .. ..	399,20	14,71	101,36	24,86	540,15	19,52	569,68	28,74	472,60	32	25	3,55	58,55	6,15					
June .. ..	395,10	13,78	102,19	24,87	535,95	20,18	566,13	35,27	449,46	3,66	11	1,49	70,39	5,77					
July .. ..	385,03	15,33	94,26	35,81	530,43	12,62	553,05	56,60	410,93	6,63	23	3,73	69,93	5,00					
August .. ..	384,83 (19,73)**	14,19 (2,85)**	107,93	36,68	543,64	6,07	559,70	78,59	388,09	1,22	32	6,27	80,62	4,59					



September .. ..	363,05 (17,91)	10,43 (2,10)	116,77	38,15	<b>548,44</b>	9,31	<b>567,76</b>	91,78	383,89	3	36	2,76	85,77	3,17
October .. ..	366,91 (11,20)	13,86 (3,65)	111,53	40,38	<b>547,53</b>	11,29	<b>568,82</b>	84,55	389,61	8	49	87	90,59	3,75
November .. ..	369,61 (6,00)	17,66 (4,16)	102,82	37,41	<b>538,27</b>	12,07	<b>560,34</b>	71,23	383,06	5	39	24	96,49	3,88
December .. ..	354,10 (2,34)	15,22 (2,01)	111,31	36,16	<b>521,14</b>	12,38	<b>543,53</b>	57,59	386,28	34	6	80	94,52	4,04
January .. ..	365,89 (22,23)	14,64 (77)	100,97	35,39	<b>479,29</b>	16,01	<b>505,81</b>	19,35	373,18	5,07	1	2,72	101,32	4,16
February .. ..	263,86 (41,73)	12,67 (1,37)	102,63	37,05	<b>459,30</b>	16,86	<b>426,15</b>	10,31	379,33	31	2	3,52	88,29	4,37
March .. ..	257,91 (40,36)	20,78 (2,89)	85,34	34,95	<b>451,22</b>	19,77	<b>480,99</b>	13,02	383,63	11	2	1,40	73,42	4,39
<b>1948-49</b>														
April .. ..	249,09 (38,22)	14,66 (18,91)	88,36	43,07	<b>472,76</b>	19,74	<b>502,50</b>	11,71 (1)	411,02	41 (—)	..	7,19	66,49	5,67
May .. ..	239,41 (60,08)	18,63 (8,85)	94,29	41,26	<b>455,51</b>	19,48	<b>495,09</b>	14,63 (—)	417,81	5 (9)	..	3,89	52,64	5,98
June .. ..	220,03 (59,87)	21,19 (8,95)	100,90	46,68	<b>455,64</b>	21,27	<b>486,91</b>	20,05 (—)	405,62	1 (3)	2	1,45	53,25	6,48
July .. ..	212,10	18,82	97,02	49,02	<b>374,97</b>	14,76	<b>399,72</b>	38,36	303,68	10	12	2,19	50,11	5,27
August .. ..	226,34	15,66	96,25	58,03	<b>396,28</b>	9,11	<b>415,38</b>	40,27	311,15	3	18	4,41	65,59	3,76
September .. ..	227,08	18,45	95,10	58,66	<b>399,30</b>	10,93	<b>420,23</b>	32,95	307,80	13	1,27	3,97	71,48	2,63
October .. ..	242,00	16,26	72,77	63,01	<b>393,03</b>	11,57	<b>414,61</b>	25,78	296,31	95	4,41	2,27	82,16	2,72
November .. ..	234,20	11,93	76,62	58,09	<b>380,74</b>	12,61	<b>403,35</b>	18,97	283,51	3,24	4,08	3,68	86,89	2,98
December .. ..	214,03	14,38	72,61	58,29	<b>359,31</b>	13,63	<b>382,94</b>	15,86	259,23	3,54	8,51	2,50	90,26	3,04
January .. ..	210,28	12,00	59,56	63,99	<b>347,84</b>	14,52	<b>372,37</b>	15,43	243,90	5,90	11,25	9,09	83,60	3,19
February .. ..	208,51	12,60	57,00	67,02	<b>345,74</b>	16,89	<b>372,63</b>	15,72	231,24	6,52	4,70	9,56	101,20	3,68
March .. ..	175,23	29,23	53,93	68,70	<b>327,08</b>	19,88	<b>356,95</b>	14,96	212,46	13	5,65	1,04	117,55	4,25

Note:—Annual figures: Exclude data for Burma.

Monthly figures: Figures for Pakistan shown below those for India from September 1947 to June 1948 under columns 1 and 2 and from April to June 1948 under columns 8 and 10. Figures from July 1948 relate to the Indian Union.

† Include figures for Pakistan since 15th August, 1947. § From 15th August, 1947. †† Annual averages of weekly figures upto June 1948 for Pakistan shown below those for India. \*\* Average of last two weeks for Pakistan. \* Capital and reserves, rupees ten crores. ‡ Include cash and short-term securities.

# STATEMENT XL

RESERVE BANK OF INDIA : ISSUE DEPARTMENT

WEEKLY STATEMENT OF ASSETS AND LIABILITIES, 1948-49

(Reference paragraph 94)

(In lakhs of rupees)

(In lakhs of Rupees)

				LIABILITIES		Total Liabilities (Total Notes Issued) or Assets	ASSETS				
Friday 1948-49				Notes in Circulation	Notes held in the Banking Department		Gold Coin and Bullion	Foreign Securities	Rupee Coin*	Rupee Securities	Percentage of (5+6) to (4)
(1)				(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
220	April	2	.. ..	1,306,90 (1,29)	11,82 (2)	1,318,71 (1,31)	44,42	1,135,32	34,09 (3,35)	102,84	89.37
	"	9	.. ..	1,315,44 (5,12)	10,18 (—)	1,325,62 (5,13)	44,42	1,135,32	38,92 (3,26)	108,84	88.65
	"	16	.. ..	1,317,20 (8,15)	10,19 (—)	1,327,39 (8,15)	44,42	1,135,32	38,46 (3,50)	113,84	88.33
	"	23	.. ..	1,311,65 (11,85)	12,52 (—)	1,324,17 (11,85)	44,42	1,135,32	39,02 (3,42)	113,84	88.30
	"	30	.. ..	1,308,97 (14,13)	13,23 (—)	1,322,20 (14,13)	44,42	1,135,32	38,91 (3,84)	113,84	88.28
	May	7	.. ..	1,316,43 (19,58)	10,04 (—)	1,326,47 (19,58)	44,42	1,135,32	38,71 (3,73)	123,84	87.65
	"	14	.. ..	1,315,74 (22,85)	11,29 (—)	1,327,03 (22,85)	44,42	1,135,32	38,35 (3,95)	127,84	87.40
	"	21	.. ..	1,309,05 (25,92)	15,06 (—)	1,324,12 (25,92)	44,42	1,135,32	38,59 (3,86)	127,84	87.39
	"	28	.. ..	1,300,60 (28,25)	21,63 (—)	1,322,23 (28,25)	44,42	1,135,32	39,09 (3,81)	127,84	87.36
	June	4	.. ..	1,301,68 (32,05)	16,55 (—)	1,318,23 (32,05)	44,42	1,135,32	38,96 (3,74)	127,84	87.37
	"	11	.. ..	1,302,06 (35,97)	12,08 (—)	1,314,14 (35,97)	44,42	1,135,32	38,80 (3,63)	127,84	87.38
	"	18	.. ..	1,289,92 (40,27)	20,14 (—)	1,310,07 (40,28)	44,42	1,135,32	39,23 (3,53)	127,84	87.37
"	25	.. ..	1,275,07 (44,79)	31,08 (—)	1,306,15 (44,79)	44,42	1,135,32	39,91 (3,45)	127,84	87.33	

July	2	..	..	1,269,88	29,85	1,299,53	42,72	1,100,80	41,86	114,15	88.00
"	9	..	..	1,265,85	33,92	1,299,58	42,72	1,100,80	41,89	114,15	87.99
"	16	..	..	1,256,10	44,00	1,300,10	42,72	1,100,80	42,42	114,15	87.96
"	23	..	..	1,244,57	36,22	1,280,79	42,72	1,080,80	43,12	114,15	87.72
"	30	..	..	1,233,98	47,54	1,281,51	42,72	1,080,80	43,84	114,15	87.67
August	6	..	..	1,239,73	41,81	1,281,34	42,72	1,080,80	43,67	114,15	87.68
"	13	..	..	1,235,00	46,68	1,281,67	42,72	1,080,80	44,00	114,15	87.66
"	20	..	..	1,227,53	34,68	1,262,21	42,72	796,64	44,54	378,31	66.50
"	27	..	..	1,215,18	37,70	1,252,88	42,72	796,64	45,21	368,31	67.00
September	3	..	..	1,217,24	35,60	1,252,84	42,72	796,64	45,17	368,31	67.00
"	10	..	..	1,218,01	30,74	1,248,75	42,72	796,64	45,08	364,31	67.22
"	17	..	..	1,208,76	30,27	1,239,04	42,72	796,64	45,36	354,31	67.74
"	24	..	..	1,204,76	34,81	1,239,57	42,72	796,64	45,89	354,31	67.71
October	1	..	..	1,204,75	35,24	1,239,89	42,72	796,64	46,32	354,31	67.69
"	8	..	..	1,219,40	20,19	1,239,59	42,72	796,64	45,91	354,31	67.71
"	15	..	..	1,220,80	18,82	1,239,63	42,72	796,64	45,95	354,31	67.71
"	22	..	..	1,212,29	27,88	1,240,18	42,72	796,64	46,50	354,31	67.68
"	29	..	..	1,214,20	26,24	1,240,45	42,72	796,64	46,77	354,31	67.67
November	5	..	..	1,210,59	13,79	1,224,38	42,21	786,24	45,75	350,19	67.66
"	12	..	..	1,211,14	13,16	1,224,29	42,21	786,24	45,66	350,19	67.67
"	19	..	..	1,203,58	21,07	1,224,65	42,21	786,24	46,06	350,14	67.65
"	26	..	..	1,197,64	27,54	1,225,18	42,21	786,24	46,59	350,14	67.62
December	3	..	..	1,191,22	23,66	1,214,88	41,87	779,43	46,13	347,44	67.60
"	10	..	..	1,200,58	13,87	1,214,45	41,87	779,43	45,70	347,44	67.63
"	17	..	..	1,198,62	15,87	1,214,49	41,87	779,43	45,75	347,44	67.63
"	24	..	..	1,183,97	14,73	1,198,70	41,35	768,86	45,24	343,25	67.59
"	31	..	..	1,188,20	10,54	1,198,74	41,35	768,86	45,28	343,25	67.59
January	7	..	..	1,197,85	10,66	1,208,51	41,35	768,86	45,05	353,25	67.04
"	14	..	..	1,204,99	13,15	1,218,14	41,35	768,86	44,68	363,25	66.51
"	21	..	..	1,201,59	16,58	1,218,17	41,35	768,86	44,71	363,25	66.51
"	28	..	..	1,173,07	20,88	1,193,95	40,55	752,51	44,12	356,77	66.42
February	4	..	..	1,181,95	11,38	1,193,33	40,55	752,51	43,50	356,77	66.46
"	11	..	..	1,190,58	12,11	1,202,68	40,55	752,51	42,85	366,77	65.94
"	18	..	..	1,178,28	17,08	1,195,36	40,31	747,55	42,71	364,80	65.91
"	25	..	..	1,164,71	21,91	1,186,62	40,02	741,62	42,53	362,45	65.87
March	4	..	..	1,172,38	13,61	1,185,98	40,02	741,62	41,90	362,45	65.91
"	11	..	..	1,179,79	10,78	1,190,57	40,02	741,62	41,48	367,45	65.65
"	18	..	..	1,177,29	13,32	1,190,61	40,02	741,62	41,52	367,45	65.65
"	25	..	..	1,169,35	21,76	1,191,11	40,02	741,62	42,02	307,45	65.62

Note:—From April to June 1948: (1) Liabilities are net of India Notes withdrawn from circulation in Pakistan. (2) Data for inscribed Pakistan Notes and Pakistan Rupee Coin are shown within brackets below those for India Notes and Rupee Coin. From July 1948 assets and liabilities are net of adjustments made on account of (i) inscribed Pakistan Notes issued between April and June 1948 and (ii) India Notes returned from circulation in Pakistan under Section 4 (2) of Part IV of the Pakistan (Monetary System and Reserve Bank) Order 1947 (as amended).

\* Include one rupee notes.

# STATEMENT XLI

RESERVE BANK OF INDIA: ISSUE DEPARTMENT SINCE 1935-36

(Reference paragraph 94)

(In lakhs of rupees)

Average of Friday figures	LIABILITIES		Total Liabilities (TOTAL NOTES ISSUED) or Assets (3)	ASSETS				4+5 as percentage of (3)
	Notes in Circulation (1)	Notes held in the Banking Department (2)		Gold Coin and Bullion† (4)	Foreign Securities (5)	Rupee Coin** (6)	Rupee Securities (7)	
1935-36 ..	164.06	27.58	191.64	44.42	62.09	55.51	29.62	55.58
1936-37 ..	175.81	25.81	201.62	44.42	69.57	64.01	23.62	56.54
1937-38 ..	186.15	25.61	211.76	44.42	79.92	60.23	27.19	58.72
1938-39 ..	182.36	28.28	210.64	44.42	86.95	67.11	32.16	58.91
	(7.97)	(1)	(7.88)					
1939-40 ..	209.22	18.79	228.01	44.42	78.63	67.52	37.44	53.97
	(11.09)	(8)	(11.17)					
1940-41 ..	241.41	17.26	258.67	44.42	120.92	35.87	48.46	67.39
	(13.38)	(20)	(13.58)					
1941-42 ..	307.68	12.21	319.89	44.42	165.00	35.28	75.19	65.47
	(20.20)	(23)	(20.43)					
1942-43 ..	513.44	11.80	525.24	44.42	319.11	22.33	139.38	69.21
1943-44 ..	777.17	10.50	787.67	44.42	643.52	14.28	85.45	87.34
1944-45 ..	968.69	10.93	979.62	44.42	863.73	13.52	57.95	92.70
1945-46 ..	1,162.64	16.41	1,179.05	44.42	1,061.26	15.53	57.84	93.78
1946-47 ..	1,222.96	32.61	1,255.57	44.42	1,133.88	19.43	57.84	93.85
1947-48 ..	1,227.82	47.12	1,274.95	44.42	1,135.32	32.36	62.84	92.53
1948-49* ..	1,231.84	22.02	1,253.86	42.49	907.47	42.96	285.62	75.43
	(5.58)	(—)	(5.58)			(90)		
1947-48								
April ..	1,247.28	14.23	1,261.51	44.42	1,135.32	23.93	57.84	93.51
May ..	1,234.87	28.64	1,263.50	44.42	1,135.32	25.92	57.84	93.37
June ..	1,229.11	35.15	1,264.26	44.42	1,135.32	26.68	57.84	93.31
July ..	1,209.61	56.50	1,266.12	44.42	1,135.32	28.53	57.84	93.18
August ..	1,190.40	78.50	1,268.90	44.42	1,135.32	31.32	57.84	92.97
September ..	1,179.53	91.68	1,271.20	44.42	1,135.32	33.62	57.84	92.81
October ..	1,188.63	84.44	1,273.07	44.42	1,135.32	35.48	57.84	92.67
November ..	1,202.91	71.10	1,274.01	44.42	1,135.32	36.43	57.84	92.60
December ..	1,217.05	57.38	1,274.43	44.42	1,135.32	36.85	57.84	92.57
January ..	1,254.98	19.21	1,274.19	44.42	1,135.32	36.61	57.84	92.59
February ..	1,286.33	10.17	1,296.51	44.42	1,135.32	36.42	80.34	90.99
March ..	1,803.78	12.89	1,316.68	44.42	1,135.32	36.59	100.34	89.60
1948-49								
April ..	1,312.03	11.59	1,323.62	44.42	1,135.32	37.88	110.64	88.59
	(8.11)	(1)	(8.11)			(3.47)		
May ..	1,310.46	14.51	1,324.96	44.42	1,135.32	38.69	126.84	87.45
	(24.14)	(—)	(24.15)			(3.84)		
June ..	1,292.18	19.96	1,312.15	44.42	1,135.32	39.25	127.84	87.36
	(38.27)	(—)	(38.27)			(3.59)		
July ..	1,254.03	38.26	1,292.30	42.72	1,092.80	42.63	114.15	87.87
August ..	1,229.36	40.17	1,269.53	42.72	938.72	44.35	243.73	77.31
September ..	1,212.19	32.86	1,245.05	42.72	796.64	45.37	360.31	67.42
October ..	1,214.29	25.68	1,239.97	42.72	796.64	46.29	354.31	67.69
November ..	1,205.74	18.89	1,224.63	42.21	786.24	46.01	350.17	67.65
December ..	1,192.52	15.74	1,208.26	41.67	775.20	45.62	345.77	67.61
January ..	1,194.38	15.32	1,209.70	41.15	764.77	44.64	359.13	66.62
February ..	1,178.88	15.62	1,194.50	40.36	748.55	42.90	362.70	66.04
March ..	1,174.70	14.87	1,189.57	40.02	741.62	41.73	366.20	65.71

Note:—Annual figures: Burma notes shown within brackets below totals for India and Burma from 1938-39 to 1941-42. Figures upto 1947-48 are for undivided India.

Monthly figures: From April to June 1948: Liabilities are net of India notes withdrawn from circulation in Pakistan; data for inscribed Pakistan Notes and Pakistan Rupee Coin shown within brackets below those for India Notes and Rupee Coin. From July 1948, assets and liabilities are net of adjustments on account of (i) inscribed Pakistan notes issued between April and June 1948 and (ii) India notes returned from circulation in Pakistan.

\* Weekly figures for the three months ending June 1948 of inscribed Pakistan Notes and Rupee Coin have been averaged over the year and shown below those for India Notes and Rupee Coin.

\*\* Include one rupee notes from July, 1940.

† Valued at the statutory rate of Rs. 21-3-10 per tola.

**STATEMENT XLII**  
**MONTHLY STATISTICS OF INDIA NOTES IN CIRCULATION SINCE 1943-44**  
*(Reference paragraph 94)*

(In lakhs of rupees)

Last Friday	1943-44			1944-45			1945-46		
	Total Notes Issued	Notes held in the Banking Department	Notes in Circulation	Total Notes Issued	Notes held in the Banking Department	Notes in Circulation	Total Notes Issued	Notes held in the Banking Department	Notes in Circulation
April .. ..	689,79	12,18	677,61	908,36	11,56	896,80	1,118,18	11,15	1,107,03
May .. ..	715,23	11,12	704,11	921,28	10,97	910,31	1,137,38	16,36	1,121,02
June .. ..	734,75	11,40	723,35	943,40	12,02	931,38	1,146,75	9,78	1,136,97
July .. ..	750,78	10,40	740,38	944,99	23,02	921,97	1,152,94	24,21	1,128,73
August .. ..	766,31	11,67	754,64	945,58	18,57	927,01	1,154,02	14,57	1,139,45
September ..	774,46	14,78	759,68	950,83	9,58	941,25	1,162,74	20,90	1,141,84
October .. ..	791,05	8,96	782,09	972,18	15,64	956,54	1,169,77	13,64	1,156,13
November ..	804,68	10,31	794,37	981,16	8,07	973,09	1,188,54	12,17	1,176,37
December ..	850,40	9,60	840,80	1,021,26	11,66	1,009,60	1,222,15	11,26	1,210,89
January .. ..	862,89	9,21	853,68	1,044,21	10,20	1,034,01	1,247,73	48,05	1,199,68
February ..	880,04	12,54	867,50	1,067,05	7,71	1,059,34	1,240,80	44,90	1,195,90
March .. ..	894,84	12,35	882,49	1,094,66	9,78	1,084,88	1,238,41	19,64	1,218,77
Last Friday	1946-47			1947-48			1948-49		
	Total Notes Issued	Notes held in the Banking Department	Notes in Circulation	Total Notes Issued	Notes held in the Banking Department	Notes in Circulation	Total Notes Issued	Notes held in the Banking Department	Notes in Circulation
April .. ..	1,247,07	14,33	1,232,74	1,263,30	23,48	1,239,81	1,322,20	13,23	1,308,97
May .. ..	1,250,86	16,87	1,233,99	1,264,16	37,13	1,227,03	1,322,23	21,63	1,300,60
June .. ..	1,254,03	16,19	1,237,84	1,265,17	43,66	1,221,51	1,306,15	31,08	1,275,07
July .. ..	1,255,19	39,73	1,215,46	1,267,37	73,73	1,193,63	1,281,51	47,54	1,233,98
August .. ..	1,256,42	49,64	1,206,78	1,270,19	89,61	1,180,58	1,252,89	37,70	1,215,18
September ..	1,258,09	70,24	1,187,85	1,272,35	98,76	1,173,59	1,239,57	34,81	1,204,76
October .. ..	1,258,71	63,54	1,195,17	1,273,72	80,33	1,193,39	1,240,45	26,24	1,214,20
November ..	1,259,61	58,83	1,200,78	1,274,60	74,70	1,199,90	1,225,19	27,54	1,197,64
December ..	1,258,66	34,09	1,224,57	1,274,39	49,02	1,225,36	1,198,79	10,54	1,188,20
January .. ..	1,258,32	32,56	1,225,76	1,274,47	12,29	1,262,19	1,193,95	20,88	1,173,07
February ..	1,258,01	28,34	1,229,67	1,299,34	12,53	1,286,81	1,186,62	21,91	1,164,71
March .. ..	1,258,08	16,05	1,242,03	1,319,49	15,13	1,304,36	1,191,11	21,76	1,169,35

Note :—Up to the end of March 1948, the figures relate to undivided India. The data for 1948-49 are net of adjustments made in respect of (i) Rs. 44.98 crores of India notes withdrawn from circulation in Pakistan during April to June 1948 and (ii) Rs. 82.20 crores of India notes returned from circulation in Pakistan.

# STATEMENT XLIII

## CIRCULATION AND ABSORPTION OF NOTES (ANNUAL) SINCE 1909-10

(Reference paragraph 98)

(In lakhs of rupees)

	Year-end				Annual Average			
	Total Notes Issued	Notes in Circula- tion	Absorption (+) or Return (-)	Percentage of Absorption or Return	Total Notes Issued	Notes in Circula- tion	Increase or decrease in average circulation	Percentage of increase or decrease in average circulation
<b>Average for 5 years</b>								
<b>1909-10 to 1913-14..</b>	<b>81,17</b>	<b>44,41</b>			<b>58,51</b>	<b>41,97</b>		
1914-15 ..	61,63	43,96	- 6,01	- 12	64,04	45,43	- 1,20	- 3
1915-16 ..	67,73	53,19	+ 9,23	+ 21	64,10	48,08	+ 2,85	+ 6
1916-17 ..	86,37	67,08	+ 13,89	+ 26	76,14	59,36	+ 11,28	+ 23
1917-18 ..	99,79	84,30	+ 17,22	+ 26	101,77	71,87	+ 12,51	+ 21
1918-19 ..	153,46	133,58	+ 49,28	+ 58	133,20	113,84	+ 41,97	+ 58
1919-20 ..	174,52	153,78	+ 20,20	+ 15	171,68	151,10	+ 37,26	+ 33
1920-21 ..	166,16	147,88	- 5,90	- 4	163,51	138,88	- 12,22	- 8
1921-22 ..	174,76	157,23	+ 9,35	+ 6	173,80	152,22	+ 13,34	+ 10
1922-23 ..	174,70	161,10	+ 3,87	+ 2	176,63	153,27	+ 1,05	+ 1
1923-24 ..	185,85	169,06	+ 7,96	+ 5	179,01	156,93	+ 3,66	+ 2
1924-25 ..	184,19	160,55	- 2,51	- 1	179,27	160,91	+ 3,98	+ 3
1925-26 ..	193,34	167,71	+ 1,16	+ 1	186,88	163,16	+ 2,25	+ 1
1926-27 ..	184,13	164,31	- 3,40	- 2	189,13	156,36	- 6,80	- 4
1927-28 ..	184,87	174,53	+ 10,22	+ 6	180,16	162,62	+ 6,26	+ 4
1928-29 ..	188,03	178,10	+ 3,57	+ 2	184,86	171,90	+ 9,28	+ 6
1929-30 ..	177,23	159,30	- 18,80	- 11	183,11	163,00	- 8,90	- 5
1930-31 ..	160,84	147,93	- 11,37	- 7	166,49	151,13	- 11,87	- 7
1931-32 ..	178,14	165,17	+ 17,24	+ 12	163,64	152,62	+ 1,49	+ 1
1932-33 ..	176,90	150,34	- 14,83	- 9	173,83	152,04	- 68	-
1933-34 ..	177,22	163,88	+ 13,54	+ 9	178,13	157,47	+ 5,43	+ 4
1934-35 ..	186,10	163,66	- 32	-	183,24	161,60	+ 4,13	+ 3
1935-36 ..	195,58	168,82	+ 5,26	+ 3	191,64	164,06	+ 2,46	+ 2
1936-37 ..	208,00	194,35	+ 25,53	+ 15	201,53	175,81	+ 11,76	+ 7
1937-38 { I ..	206,20	178,29	-	-	207,79	162,19	-	-
{ B ..	7,83	7,83	- 8,23	- 4	3,97	3,96	+ 10,34	+ 6
1938-39 { I ..	196,47	178,36	+ 7	-	202,66	174,39	- 7,80	- 4
{ B ..	10,76	10,74	+ 2,91	+ 37	7,98	7,97	+ 4,01	+ 101
1939-40 { I ..	238,43	225,10	+ 46,74	+ 26	216,84	198,13	+ 23,74	+ 14
{ B ..	13,78	13,45	+ 2,71	+ 25	11,17	11,09	+ 3,12	+ 39
1940-41 { I ..	251,81	240,55	+ 15,45	+ 7	245,09	228,03	+ 29,90	+ 15
{ B ..	17,44	17,11	+ 3,66	+ 27	13,58	13,38	+ 2,29	+ 21
1941-42 { I ..	392,71	381,73	+ 141,18	+ 59	299,46	287,48	+ 59,45	+ 26
{ B ..	28,35	28,33	+ 11,22	+ 66	20,43	20,20	+ 6,82	+ 51
1942-43 I ..	655,11	643,58	+ 261,85	+ 69	519,58	507,59	+ 220,11	+ 77
1943-44 I ..	894,84	882,49	+ 238,91	+ 37	787,67	777,17	+ 269,58	+ 53
1944-45 I ..	1,094,66	1,084,88	+ 202,39	+ 23	979,62	968,69	+ 191,52	+ 25
1945-46 I ..	1,238,41	1,218,77	+ 133,89	+ 12	1,179,05	1,162,64	+ 193,95	+ 20
1946-47 I ..	1,258,08	1,242,03	+ 23,26	+ 2	1,255,57	1,222,96	+ 60,32	+ 5
1947-48 I ..	1,319,49	1,304,36	+ 62,33	+ 6	1,274,95	1,227,82	+ 4,86	-
1948-49 I * ..	1,191,11	1,169,35	- 7,84†	-	1,253,86	1,231,84	+ 4,02	-

I—India notes.

B—Burma notes.

Note:—Since the Bank assumed the management of the currency, the variations in the figures of notes in circulation as given in the weekly returns of the Issue Department of the Bank are taken to indicate absorption or return. Notes in circulation now include the amounts held in Government Treasuries as well as by the public, but exclude the holdings of the Banking Department of the Reserve Bank.

\* The figures are net of adjustments made in respect of (i) Rs. 44.98 crores of India notes withdrawn from circulation in Pakistan during April to June 1948 and (ii) Rs. 82.20 crores of India notes returned from circulation in Pakistan. † Relates to the Indian Union.

## STATEMENT XLIV

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

(Reference paragraph 99)

Year ended (31st Mar.)	NOTES IN CIRCULATION (In lakhs of rupees)										Percentage to Gross Circulation of all notes except Rs. 10,000									
	Rs. 1	Rs. 2	Rs. 2-5	Rs. 5	Rs. 10	Rs. 20	Rs. 50†	Rs. 100	Rs. 500‡	Rs. 1,000‡	Rs. 1	Rs. 2	Rs. 2-5	Rs. 5	Rs. 10	Rs. 20	Rs. 50	Rs. 100	Rs. 500	Rs. 1,000
1914 .. .. .				1.61	17.73	8	1.78	17.81	2.64	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	1.7	18.0
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	1.3	9.3
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	1.0	8.8
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	40.6	.9	7.5
1925 .. .. .	4.15		4	15.83	68.57	2	2.61	63.87	1.32	13.11	2.5		—	9.3	40.5	—	1.6	37.7	.8	7.7
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	.7	7.8
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	.7	8.0
1928 .. .. .	39		1	18.91	78.27	2	2.09	63.07	1.05	14.90	.2		—	10.7	43.2	—	1.2	35.7	.6	8.4
1929 .. .. .	36		1	23.77	74.55	2	2.01	65.76	.99	12.69	.2		—	13.2	41.4	—	1.1	36.5	.6	7.0
1930 .. .. .	35		1	20.97	69.08	2	1.60	58.88	.84	10.78	.2		—	12.9	42.6	—	1.0	36.3	.3	6.7
1931 .. .. .	34		1	18.92	64.20	2	1.53	54.86	.77	10.76	.2		—	12.5	42.4	—	1.0	36.3	.5	7.1
1932 .. .. .	34		1	22.31	69.55	2	1.61	63.07	.79	11.67	.2		—	13.2	41.7	—	.9	37.3	.4	6.9
1933 .. .. .	33		1	19.95	61.83	2	1.28	57.85	.68	11.63	.2		—	13.0	40.3	—	.8	37.6	.5	7.6
1934 .. .. .	33		1	21.53	67.41	2	1.33	64.90	.60	11.31	.2		—	12.9	40.2	—	.8	38.8	.4	6.7
1935 .. .. .	32		1	23.11	67.83	2	1.26	60.94	.56	17.72	.2		—	13.5	39.5	—	.7	35.5	.3	10.3
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	.3	7.5
1936 .. .. .	33		1	31.71	77.34	1	1.36	69.07	.48	12.11	.2		—	16.5	40.2	—	.8	35.9	.2	6.2
1937* .. .. .	32		1	32.46	76.08	1	1.25	62.44	.45	11.01	.2		—	17.5	41.3	—	.7	34.0	.2	6.0
1938* .. .. .	32		1	33.84	77.89	1	1.01	62.81	.37	10.51	.2		—	18.1	41.7	—	.6	33.6	.2	5.6
1939* .. .. .	32		1	45.63	98.29	1	.92	75.57	.34	13.79	.1		—	19.4	41.1	—	.4	32.1	.2	5.9
1940* .. .. .	32		1	44.03	97.83	1	.61	80.44	.33	17.64	.1		—	18.3	40.1	—	.2	33.4	.1	7.3
1941* .. .. .	32		1	62.23	134.89	1	.51	113.13	.36	28.20	.1		—	18.3	39.7	—	.2	33.3	.1	8.3
1942 .. .. .	32		1	106.74	218.21	1	.46	202.82	.52	54.07	—		—	18.3	37.4	—	.1	34.8	.1	9.3
1943 .. .. .	32	5.56	1	142.48	302.93	1	.37	291.54	.60	90.99	—	.7	—	17.1	36.3	—	—	34.9	.1	10.9
1944 .. .. .	32	9.73	1	148.80	303.38	1	.30	382.51	.32	100.93	—	1.0	—	14.8	36.1	—	—	38.0	—	10.1
1945 .. .. .	32	14.45	1	153.87	425.37	—	.25	495.84	.26	113.37	—	1.2	—	12.8	35.1	—	—	41.2	—	9.4
1946 .. .. .	32	25.42	1	197.09	545.40	—	.19	488.71	—	—	—	—	—	—	—	—	—	—	—	—
1947 .. .. .	32	33.09	1	195.10	557.70	—	.16	540.11	—	—	—	—	—	—	—	—	—	—	—	—
1948§ .. .. .	32	29.21	1	180.53	533.23	—	.12	454.29	—	—	—	—	—	—	—	—	—	—	—	—

† 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 (demonetised from 12th January, 1946), which were mainly used by banks for making large adjusting payments. ‡ Demonetised from 12th January, 1946. \* Including Burma notes. § Net of adjustments made on account of India notes returned from circulation in Pakistan between 1st April and 31st December, 1948.

# STATEMENT XLV

## MONTHLY ABSORPTION OF CURRENCY, 1948-49

(Reference paragraphs, 100-102)

(In lakhs of rupees)

Month	1947-48				1948-49			
	Notes	Rupee Coin†	Small Coin	Total	Notes	Rupee Coin†	Small Coin	Total
April .. .. .	— 2.22	— 27	— 71	— 1.24	+ 15.81	— 1.62	+ 28	+ 15.07
May .. .. .	— 12.78	— 1.23	+ 87	— 13.34	— 1.47	+ 1.04	+ 26	— 17
June .. .. .	— 5.52	— 1.14	+ 41	— 6.25	— 4.86	— 35	+ 22	— 4.99
July .. .. .	— 27.88	— 3.02	+ 19	— 30.71	— 34.88	— 1.93	— 8	— 36.89
August .. .. .	— 13.05	— 1.93	+ 79	— 14.19	— 18.80	— 2.16	— 4	— 21.00
September .. .. .	— 6.99	— 2.25	— 11	— 9.35	— 16.42	— 1.31	— 19	— 11.92
October .. .. .	+ 19.80	— 4.86	+ 21	+ 15.15	+ 9.44	— 76	+ 11	+ 8.79
November .. .. .	+ 6.51	— 2.78	— 13	+ 9.42	— 1.62	— 46	— 15	— 71
December .. .. .	+ 25.46	— 1.72	— 33	+ 24.07	+ 16.52	— 28	— 12	+ 16.12
January .. .. .	+ 36.83	— 1.01	+ 30	+ 38.14	+ 9.28	+ 20	— 12	+ 9.36
February .. .. .	+ 24.62	— 2	— 31	+ 24.85	+ 7.92	+ 2.34	— 3	+ 10.23
March .. .. .	+ 17.55	— 27	+ 4	— 17.32	+ 4.64	— 54	+ 10	+ 4.20
<b>Total .. .. .</b>	<b>+ 62.33</b>	<b>— 12.34</b>	<b>+ 3.98</b>	<b>+ 53.97</b>	<b>— 7.34</b>	<b>— 4.31</b>	<b>— 24</b>	<b>— 11.91</b>

Note:—Figures for 1948-49 relate to the Indian Union ; those for 1947-48 relate to undivided India. † Including Government of India one rupee notes.



# STATEMENT XLVI

## ABSORPTION OF SMALL COIN (ANNUAL) SINCE 1909-10

(Reference paragraph 101)

							(In thousands of rupees)		
	Half rupees†	Four anna pieces‡	Two anna pieces§	One anna pieces	Half anna pieces*	Single pice**	Half pice	Pie pieces	Total
<b>Average for 5 years 1909-10 to 1913-14</b>		<b>18,75</b>	<b>13,59</b>	<b>21,02</b>		<b>10,51</b>	<b>83</b>	<b>83</b>	<b>82,53</b>
<b>Average for 5 years 1914-15 to 1918-19</b>		<b>37,24</b>	<b>29,54</b>	<b>27,88</b>		<b>5,63</b>	<b>66</b>	<b>1,18</b>	<b>1,02,11</b>
1919-20 .. ..		88,15	60,33	44,05		21,18	90	1,21	2,15,82
1920-21 .. ..	—	9,31	— 23,24	— 12,82		— 2,22	42	1,15	— 46,02
1921-22 .. ..	—	7,09	— 2,40	3,28		52	53	1,11	— 4,05
1922-23 .. ..		3,67	1,70	12,99		2,89	57	76	22,58
1923-24 .. ..		6,20	3,99	19,88		2,42	54	75	33,78
1924-25 .. ..		15,87	4,90	21,86		5,31	65	72	49,31
1925-26 .. ..		3,34	5,49	11,22		2,23	45	72	23,45
1926-27 .. ..		51	— 6,10	11,62		4,05	45	80	11,39
1927-28 .. ..		7,03	4,62	22,02		5,05	54	85	40,11
1928-29 .. ..		8,89	6,57	22,12		5,04	57	74	43,93
1929-30 .. ..	—	2,05	— 1,88	10,36		5,77	57	79	13,56
1930-31 .. ..	—	31,70	— 18,88	— 14,33		— 1,30	58	55	— 65,08
1931-32 .. ..		7,16	3,73	8,52		16	59	1,29	21,45
1932-33 .. ..	—	6,11	2,13	10,82		1,48	60	1,02	9,94
1933-34 .. ..		14,01	16,04	23,27		10,28	74	1,10	65,44
1934-35 .. ..		1,54	12,93	20,35		11,88	83	76	48,29
1935-36 .. ..	— 5,59	— 5,58	7,76	13,06		11,31	81	59	22,36
1936-37 .. ..	22,50	15,97	22,20	25,48		12,92	79	66	1,00,52
1937-38 .. ..	25,00	10,26	16,08	19,21		14,52	89	85	86,81
1938-39 .. ..	2,40	— 9,55	3,55	6,34		14,80	84	77	19,15
1939-40 .. ..	59,67	38,97	48,07	51,25		21,08	97	97	2,20,98
1940-41 .. ..	1,52,76	1,02,27	71,56	76,14		23,27	1,14	1,06	4,28,20
1941-42 .. ..	1,56,83	1,26,47	87,91	99,25	4,16	20,31	1,18	1,16	5,06,27
1942-43 .. ..	3,81,92	2,86,87	2,21,82	2,02,27	56,89	12,69	37	75	11,63,58
1943-44 .. ..	5,40,61	5,16,98	3,33,70	3,10,98	1,14,33	29,45	8	13	18,46,26
1944-45 .. ..	5,51,02	5,40,15	3,07,06	2,43,33	1,30,02	48,78	— 2	4	19,20,38
1945-46 .. ..	2,95,54	2,99,29	1,35,65	1,54,94	61,18	51,16	3	4	9,97,83
1946-47 .. ..	2,07,92	1,75,80	68,96	61,18	39,22	37,60	—	4	5,90,72
1947-48 .. ..	1,76,71	1,28,23	28,25	24,51	16,79	24,03	—	3	3,98,55
1948-49 .. ..	18,94	6,71	— 12,60	— 13,55	9,24	15,45	—	—	24,19

Note:—Inclusive of figures for Burma up to January, 1942. Figures for 1948-49 relate to the Indian Union; earlier figures relate to undivided India. † Since the inauguration of the Reserve Bank in 1935, silver half rupees have been included in statistics relating to small coin; include nickel half rupees introduced in May 1946. ‡ Include nickel four anna pieces introduced in May 1946. § Include nickel two anna pieces introduced in 1917-18. \* Nickel half anna pieces introduced in January 1942. \*\* Include single pice pieces with a circular hole issued from February 1943.

## STATEMENT XLVII

### ABSORPTION OF CURRENCY (ANNUAL) SINCE 1914-15

(Reference paragraph 102)

					(In lakhs of rupees)			
					Notes	Rupees*	Small Coin	Total
Average for 5 years 1914-15 to 1918-19					+ 16,72	+ 22,08	+ 1,02	+ 39,82
1914-15	..	..	..	..	— 6,01	— 6,70	— 19	— 12,90
1915-16	..	..	..	..	+ 9,23	+ 10,40	+ 38	+ 20,01
1916-17	..	..	..	..	+ 13,89	+ 33,81	+ 99	+ 48,69
1917-18	..	..	..	..	+ 17,22	+ 27,86	+ 1,01	+ 46,09
1918-19	..	..	..	..	+ 49,28	+ 45,02	+ 2,92	+ 97,22
1919-20	..	..	..	..	+ 20,20	+ 20,09	+ 2,16	+ 42,45
1920-21	..	..	..	..	— 5,90	— 25,68	— 46	— 32,04
1921-22	..	..	..	..	+ 9,35	— 10,46	— 4	— 1,15
1922-23	..	..	..	..	+ 8,87	— 9,56	+ 23	— 5,48
1923-24	..	..	..	..	+ 7,96	+ 7,62	+ 34	+ 15,92
1924-25	..	..	..	..	— 2,51	+ 3,65	+ 49	+ 1,63
1925-26	..	..	..	..	+ 1,16	— 8,17	+ 23	— 6,78
1926-27	..	..	..	..	— 3,40	— 19,76	+ 11	— 23,05
1927-28	..	..	..	..	+ 10,22	— 3,75	+ 40	+ 8,87
1928-29	..	..	..	..	+ 3,57	— 3,03	+ 44	+ 98
1929-30	..	..	..	..	— 18,80	— 21,71	+ 74	— 40,37
1930-31	..	..	..	..	— 11,37	— 21,58	— 65	— 33,60
1931-32	..	..	..	..	+ 17,24	+ 3,93	+ 21	+ 21,38
1932-33	..	..	..	..	— 14,83	— 7,56	+ 10	— 22,29
1933-34	..	..	..	..	+ 13,54	— 30	+ 65	+ 13,89
1934-35	..	..	..	..	— 32	— 3,21	+ 48	— 3,05
1935-36	..	..	..	..	+ 5,26	— 9,41	+ 22	— 3,93
1936-37	..	..	..	..	+ 25,53	— 2,49	+ 1,01	+ 24,05
1937-38	..	..	..	..	— 8,23	— 6,52	+ 87	— 13,88
1938-39	..	..	..	..	+ 2,08	— 12,60	+ 10	— 9,43
1939-40	..	..	..	..	+ 49,45	+ 10,08	+ 2,21	+ 61,74
1940-41	..	..	..	..	+ 19,11	+ 33,23	+ 4,28	+ 56,62
1941-42	..	..	..	..	+ 152,40	+ 7,18	+ 5,06	+ 164,64
1942-43	..	..	..	..	+ 261,85	+ 44,93	+ 11,64	+ 318,42
1943-44	..	..	..	..	+ 238,91	+ 25,60	+ 18,46	+ 282,97
1944-45	..	..	..	..	+ 202,39	+ 10,05	+ 19,20	+ 231,64
1945-46	..	..	..	..	+ 133,89	+ 18,35	+ 9,98	+ 162,22
1946-47	..	..	..	..	+ 23,26	+ 1,94	+ 5,91	+ 31,11
1947-48	..	..	..	..	+ 62,33	— 12,34	+ 3,98	+ 53,97
1948-49	..	..	..	..	— 7,84	— 4,31	+ 24	— 11,91

Note:—Including Burma notes up to 1942-43. Figures for 1948-49 relate to the Indian Union; earlier figures relate to undivided India.

\* Including Government of India one rupee notes since July 1940.

# STATEMENT XLVIII

## ABSORPTION AND RETURN OF NOTES AND RUPEE COIN BY PERIODS

(Reference paragraph 103)

PERIODS OF ABSORPTION	ABSORPTION (+) RETURN (—)			(In lakhs of rupees)	PERIODS OF RETURN
	Notes	Rupees	TOTAL		
Sept. 1920 to Mar. 1921	— 35,68	— 14,67	— 50,35	..	Feb. 1920 to Aug. 1920
..	+ 20,15	— 10,26	+ 9,89	..	..
..	— 3,48	— 8,47	— 11,95	..	Apr. 1921 to July 1921
Aug. 1921 to Dec. 1921	+ 18,19	+ 71	+ 18,90	..	..
..	— 21,60	— 13,91	— 35,51	..	Jan. 1922 to Aug. 1922
Sept. 1922 to Dec. 1922	+ 22,15	+ 1,24	+ 23,39	..	..
..	— 21,82	— 8,12	— 29,94	..	Jan. 1923 to Aug. 1923
Sept. 1923 to Feb. 1924	+ 32,15	+ 14,87	+ 47,02	..	..
..	— 26,09	— 1,82	— 27,91	..	Mar. 1924 to July 1924
Aug. 1924 to Feb. 1925	+ 21,87	+ 6,41	+ 27,78	..	..
..	— 28,00	— 8,69	— 36,69	..	Mar. 1925 to July 1925
Aug. 1925 to Dec. 1925	+ 39,13	+ 1,41	+ 40,54	..	..
..	— 35,40	— 16,53	— 51,93	..	Jan. 1926 to Aug. 1926
Sept. 1926 to Feb. 1927	+ 24,05	+ 3,24	+ 20,81	..	..
..	— 19,86	— 9,11	— 28,97	..	Mar. 1927 to July 1927
Aug. 1927 to Dec. 1927	+ 28,29	+ 1,97	+ 30,26	..	..
..	— 18,43	— 4,41	— 20,84	..	Jan. 1928 to Aug. 1928
Sept. 1928 to Dec. 1928	+ 24,13	+ 4,13	+ 28,26	..	..
..	— 25,63	— 17,46	— 43,09	..	Jan. 1929 to Sept. 1929
Oct. 1929 to Dec. 1929	+ 12,77	+ 1,95	+ 14,72	..	..
..	— 24,45	— 16,00	— 40,45	..	Jan. 1930 to July 1930
Aug. 1930 to Dec. 1930	+ 7,07	— 6,38	+ 69	..	..
..	— 18,49	— 18,99	— 37,48	..	Jan. 1931 to Aug. 1931
Sept. 1931 to Feb. 1932	+ 34,60	+ 15,72	+ 50,41	..	..
..	— 24,82	— 4,19	— 29,01	..	Mar. 1932 to July 1932
Aug. 1932 to Dec. 1932	+ 12,27	— 37	+ 11,90	..	..
..	— 6,88	— 4,82	— 11,70	..	Jan. 1933 to Aug. 1933
Sept. 1933 to Feb. 1934	+ 14,18	+ 2,47	+ 16,65	..	..
..	— 8,77	— 4,58	— 13,35	..	Mar. 1934 to Aug. 1934
Sept. 1934 to Feb. 1935	+ 11,37	+ 1,67	+ 13,04	..	..
..	— 15,06	— 7,19	— 22,25	..	Mar. 1935 to Aug. 1935
Sept. 1935 to Apr. 1936	+ 16,21	+ 2,18	+ 14,03	..	..
..	— 10,07	— 7,37	— 17,44	..	May 1936 to July 1936
Aug. 1936 to Mar. 1937	+ 33,73	+ 4,58	+ 38,31	..	..
..	— 16,55	— 4,24	— 20,79	..	Apr. 1937 to Aug. 1937
Sept. 1937 to Feb. 1938	+ 8,09	+ 2,01	+ 6,08	..	..
..	— 14,55	— 10,89	— 25,44	..	Mar. 1938 to Aug. 1938
Sept. 1938 to Feb. 1939	+ 19,87	— 91	+ 18,96	..	..
..	— 12,32	— 10,72	— 23,04	..	Mar. 1939 to Aug. 1939
Sept. 1939 to June 1940	+ 68,05	+ 44,02	+ 112,07	..	..
..	— 17,76	+ 10,83	— 6,93	..	July 1940 to Sept. 1940
Oct. 1940 to June 1941	+ 47,74	+ 3,95	+ 43,79	..	..
..	— 3,92	— 1,08	— 5,00	..	July 1941
Aug. 1941 to June 1944	+ 686,69	+ 85,22	+ 771,91	..	..
..	— 9,41	— 1,65	— 11,06	..	July 1944
Aug. 1944 to June 1945	+ 215,01	+ 11,10	+ 226,11	..	..
..	— 8,24	— 1,37	— 9,61	..	July 1945
Aug. 1945 to Dec. 1945	+ 82,16	— 20	+ 81,96	..	..
..	— 11,20	+ 8,70	— 2,50	..	Jan. 1946
Feb. 1946 to June 1946	+ 88,15	+ 12,62	+ 50,77	..	..
..	— 49,99	— 3,78	— 53,77	..	July 1946 to Sept. 1946
Oct. 1946 to Mar. 1947	+ 54,18	+ 35	+ 54,53	..	..
..	— 68,44	— 9,30	— 77,74	..	Apr. 1947 to Sept. 1947
Oct. 1947 to Mar. 1948	+ 130,77	+ 3,04	+ 127,73	..	..
Apr. 1948	+ 15,81	— 1,02	+ 14,79	..	..
..	— 70,43	— 4,71	— 75,14	..	May 1948 to Sept. 1948
Oct. 1948 to Mar. 1949	+ 46,78	+ 1,42	+ 48,20	..	..

Note:—Including Burma notes up to April 1942. Figures from April 1948 relate to the Indian Union earlier figures relate to undivided India.

# STATE

## WHOLE RUPEES COINED AND ISSUED

(Reference)

	Coined in Calcutta Rs.	Coined in Madras Rs.	Coined in Bombay Rs.	Total Coined Rs.
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 issue .. ..	39,85,53,600	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 .. ..	1,16,31,051		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		5,83,97,278	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 .. ..	1,46,69,903		4,95,00,000	6,41,69,903
" 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		6,62,36,908	(c) 11,81,39,499
" 1901 .. ..	3,37,22,243		7,54,13,718	(d) 10,91,35,961
" 1901 coined in 1902 .. ..	3,82,04,644		5,48,44,740	(e) 9,31,39,384
Edward VII, 1903 coined in 1902..	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 Rs. 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 Rs. 1,90,43,904 coined for Indian States.

(f) " " 11,66,451 " " "

(h) " " 3,28,000 " " "

# MENT XLIX

FROM THE MINTS SINCE 1835

paragraph 113)

	Coined in Calcutta Rs.	Coined in Madras Rs.	Coined in Bombay Rs.	Coined in Lahore Rs.	Total Coined Rs.
Edward VII, 1906 .. .. .	10,47,97,164		15,89,53,269	—	(j) 26,37,50,433
" " 1907 .. .. .	8,13,38,000		17,09,11,810	—	(k) 25,22,49,810
" " 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	—	1,76,88,673
" " 1910 coined in 1911..	41,27,013		10,96,273	—	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 .. .. .	20,13,26,240		21,05,50,363	—	41,18,76,603
" " 1918 coined in 1919..	40,94,006		—	—	40,94,006
" " 1919 .. .. .	19,68,06,224		22,67,06,054	—	42,35,12,278
" " 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	—	(o) 2,35,00,002
" " 1941 .. .. .	—		(o) 24,11,00,001	—	(o) 24,11,00,001
" " 1942 .. .. .	—		(o) 23,75,00,001	—	(o) 23,75,00,001
" " 1943 .. .. .	—		(o) 6,69,94,637	—	(o) 6,69,94,637
" " 1944 .. .. .	—		(o) 15,22,06,000	(o) 8,54,00,000	(o) 23,76,06,000
" " 1945 .. .. .	—		(o) 13,47,94,000	(o) 9,11,00,000	(o) 22,58,94,000
" " 1946 .. .. .	—		(o) 78,72,000	(o) 2,70,25,532	(o) 3,48,97,532
" " 1947 .. .. .	—		(p) 6,07,00,000	(p) 4,10,11,000	(p) 10,26,11,000
" " 1948 .. .. .	—		(p) 5,74,28,000	—	(p) 5,74,28,000
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 .. .. .	86,53,23,680		94,21,59,887	—	180,74,83,567
" George VI Standard .. .. .	—		98,02,178	—	98,02,178
" " " Quaternary .. .. .	—		86,39,66,641	20,35,25,532	106,74,92,173
" " " Nickel .. .. .	—		11,81,28,000	4,19,11,000	16,00,39,000
Total .. .. .	270,20,56,128	10,76,07,305	465,79,29,165	24,54,36,532	771,30,29,130

(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) Including Rs. 94,766 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) Including Rs. 1,01,469 coined for Indian States.

(m) Including Rs. 16,56,260 coined for Indian States.

(n) " " 12,78,441 " " "

(o) Quaternary rupees.

(p) India Nickel rupees.

## APPENDIX

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### **List of Approved Non-Scheduled Banks and Indigenous Banks Eligible for Concessional Rates of Remittances under the Reserve Bank's Scheme of Remittance Facilities**

#### **I. Non-Scheduled Banks**

1. Agricultural and Industrial Bank Ltd., Coondapur.
2. Amrit Bank Ltd., Amritsar.
3. Associated Bank of Tripura Ltd., Calcutta.
4. Bank of Aundh Ltd., Aundh.
5. Bank of Citizens Ltd., Belgaum.
6. Bank of Chittoor Ltd., Chittoor.
7. Bank of Karad Ltd., Karad.
8. Bank of Konkan Ltd., Malvan.
9. Bank of the East (1927), Gauhati.
10. Banthia Bank Ltd., Panvel.
11. Bareilly Bank Ltd., Bareilly.
12. Bengal Bank Ltd., Calcutta.
13. Bharut Banking Co., Ltd., Silchar.
14. Bharat Industrial Bank Ltd., Poona.
15. Bishnupur Bank Ltd., Bishnupur.
16. Central Mercantile Bank Ltd., Monghyr.
17. Chuwla Bank Ltd., Bannu.
18. Chotanagpur Banking Association Ltd., Hazaribagh.
19. Commercial Bank and Trust Ltd., Madras.
20. Commonwealth Bank Ltd., Kumbakonam.
21. Dass Bank Ltd., Calcutta.
22. Eastern Traders Bank Ltd., Calcutta.
23. Eastern Union Bank Ltd., Dacca.
24. Frontier Bank Ltd., Dera Ismail Khan.
25. Gauhati Bank Ltd., Gauhati, Assam.
26. Girish Bank Ltd., Calcutta.
27. Himalya Bank Ltd., Kangra.
28. Hira Bullion Bank Ltd., Meerut.
29. India's Ideal Banking Corporation Ltd., Bangalore.
30. Indian National Bank Ltd., Calcutta.
31. Jaya Laxmi Bank Ltd., Mangalore.

32. Kannika Bank Ltd., Madras.
33. Karnataka Bank Ltd., Mangalore.
34. Kotagiri Bank Ltd., Kotagiri.
35. Kulitalai Bank Ltd., Trichinopoly.
36. Laxmi Industrial Bank Ltd., Calcutta.
37. Maharashtra Apex Bank Ltd., Udipi.
38. Mannargudi Bank Ltd., Mannargudi.
39. Mayavaram Permanent Fund Ltd., Mayavaram.
40. Melarkode Bank Ltd., Palghat.
41. Nain Tal Bank Ltd., Nain Tal.
42. National Bank of Sialkot Ltd., Amritsar.
43. National Economic Bank Ltd., Calcutta.
44. Pollachi Union Bank Ltd., Pollachi.
45. Punjab and Kasunir Bank Ltd., Ludhiana.
46. Rajapalaiyam Commercial Bank Ltd., Rajapalaiyam.
47. Rayalaseema Bank Ltd., Bellary.
48. Reliance Bank of India Ltd., Madras (formerly Trichinopoly Bank Ltd.).
49. Sahukara Bank Ltd., Ludhiana.
50. Salem Bank Ltd., Salem.
51. Sangli Bank Ltd., Sangli.
52. Satara Swadeshi Commercial Co., Ltd., Satara City.
53. Shillong Banking Corporation Ltd., Shillong.
54. Sind National Bank Ltd., Hyderabad (Sind).
55. Sonar Bangla Bank Ltd., Calcutta.
56. Southern India Apex Bank Ltd., Udipi.
57. Suburban Bank Ltd., Calcutta.
58. Supreme Bank of India Ltd., Belgaum.
59. Surat Banking Corporation Ltd., Surat.
60. Surma Valley Bank Ltd., Sylhet.
61. Sylhet Commercial Bank Ltd., Shillong.
62. Tennur Bank Ltd., Trichinopoly (formerly Trichinopoly Tennore Hindu Permanent Fund Ltd.).
63. Tezpur Industrial Bank Ltd., Tezpur.
64. Union Bank of Bengal Ltd., Calcutta.
65. Union Bank of Bijapur and Sholapur Ltd., Bijapur.
66. United Bank of Karnataka Ltd., Bagalkot.
67. United Western Bank Ltd., Satara City.
68. Vijaya Bank Ltd., Mangalore.

## II. *Indigenous Bankers*

1. Messrs. Balakram Dwarkadas, Simla.
2. Messrs. Bhaulal Bankers, Shahjahanpur.
3. Messrs. Durgasah Mohanlalsah, Ranikhet.
4. Mr. Ranchodbhai Bhaichandbhai Sura, Bombay.
5. Union Banking Service, Chiplun.
6. Messrs. Moolchand Ramprasad, Banda.

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