

ESTIMATES OF THE CURRENT AND CAPITAL
ACCOUNTS OF INDIA'S BALANCE OF
PAYMENTS, 1921-22 TO 1938-39*

PART A : THE ESTIMATES

*Section I : Introductory—Methodology, and shortcomings of
Government estimates sent to the League of Nations*

The current and long-term capital accounts of the balance of payments of India are estimated below for the eighteen inter-war years, 1921-22 to 1938-39. From 1923-24, the Government of India sent estimates of the balance of payments of British India to the League of Nations. Before examining the deficiencies of those estimates, and, therefore, the *raison d'être* of the present attempt, the method of this study may be indicated. Every transaction between two countries involves a receipt by one party of the payment made by the other. Thus, if no intermediaries intervene—or, if they do, we know how much of the total value of the transactions they appropriate to themselves—the totals of the two sides of an inventory of all receipts and payments, avoiding double counting, must agree, provided cash receipts and disbursements as well as the exchange of evidences of indebtedness are included. If, then, the credits and debits, over a period of time, are estimated for all the items of a country's international accounts, except the exchange of evidences of indebtedness, then, subject to errors of estimation, the net cumulative credit (or debit) for the first set of items must equal the net cumulative debit (or credit) for the exchange of evidences of indebtedness.

Historically, perhaps, this method was first used in Hobson's "The Export of Capital"¹ He made bold estimates for certain current account items of the balance of payments of the UK and combined these with

* This is an abridgment of a full-length work on the subject, awaiting publication by Asia Publishing House, Bombay. It is presented here in two parts—Part A : The Estimates, and Part B : Sources, and Methods of Estimation.

¹ C. K. Hobson : The Export of Capital. London, 1914.

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the data for commodity trade to arrive at a figure, for each of the 42 years, 1871-1912, representing the "Balance of capital and interest transactions". Assuming just enough foreign capital was imported annually into the UK as could cover service charges on extant investments, such a "Balance" represented the difference between (i) the annual exports of British capital and (ii) the interest income on existing foreign investments of the UK. Deducting the latter, he arrived at the annual export of capital. Viner, in his "Canada's Balance of International Inbtedness, 1900-1913"², defined this method more precisely. He divided the current account into three balances : of commodity, service and non-commercial transactions (the last, now-a-days termed "donations", included unrequited international transfers, associated, mainly, with migrants). Over a series of years, of which the ends are not marked by abnormal movement of short-term funds, the estimated net cumulative position of the three balances together would, subject to estimational errors, represent the net movement of long-term capital³. Viner checked this indirect estimate of the long-term capital balance with reference to all available direct evidence on the movement of long-term foreign capital.

In this method, short-term capital movements are not considered, as a consistent movement in any one direction tends to set in motion corrective forces, to either offset the first movement by an opposite one, and/or result in changes in the current and/or long-term capital account(s), and thus be reflected in one or more of the above four categories. But due to the omission of short-term capital, the indirect and direct estimates of long-term capital flows may disagree in some years e.g., if imports are initially financed with short debts which are later funded.

In estimating individual items, the present study does not follow Viner's methods. Owing to paucity of data and with a view to allowing

² Harvard Economic Series—Harvard University Press, 1924.

³ If, over a period, Gr, Sr, Ur and Cr stand for receipts of purchasing power by, say, India from abroad on Goods, Services, Unrequited remittances and long-term Capital accounts respectively, and Gp, Sp, Up and Cp stand for payments under the same heads, then $Gr + Sr + Ur + Cr = Gp + Sp + Up + Cp$. Or, $(Gr - Gp) + (Sr - Sp) + (Ur - Up) = Cp - Cr$. Over any specified period, the algebraic sum of the balances of transactions in goods, services and unrequited transfers equals the net balance of capital transactions, i.e. of transactions to acquire or repatriate claims on assets abroad and to deliver or repatriate foreigner's claims on assets in India.

for a few special features, this study does not estimate the remittances of recompense received by foreign capital in (a) coastal carrying trade, (b) life and general insurance business, (c) foreign exchange banks, and (d) the distribution of exposed foreign films, on the basis of the magnitudes of foreign capital employed and the average rates of return on such capital, but attempts, instead, independent direct estimates. The general treatment of the returns on foreign investments in the present study marks a more basic departure from Viner; he estimated such returns indirectly, from the net deficits in the current account for items other than this—a method which concentrates on this crucial item in the accounts the several deficiencies in estimating all other items, and exaggerates the returns if portions of such previous investments are repaid during the period under study (as happened extensively in India in the 'thirties). Also it is needless to estimate the interest on India's sterling public debt as Government accounts contain full data⁴. Lastly, while, like Viner, the present study compares the indirect estimate with direct evidence bearing upon the flows of long-term capital, it compares it also with the net accretion to foreign investments in India between 1921 and 1938⁵.

The balance of payments estimates which Government sent to the League of Nations left much to be desired; often certain items were omitted or covered very inadequately, e.g., interest on foreign investments. Thus, the average debit for interest on the sterling public debt of India, and dividend etc. estimated on other foreign investments in India was put at only Rs. 34 crores a year during 1923-39. We have reasons to feel this figures is too low.

Further, the Government estimates related only to British India, and omitted the sea-borne foreign trade of the French and Portuguese possessions in India, Maritime States of Kathiawar and Travancore, as also, during 1937-39, of Burma. But, upto 1938-39, the international transactions of all these territories formed integral part of those of British India. The Indian Rupee was their common currency and unit

⁴ See, however, Pandit, "India's Balance of Indebtedness, 1898-1913", Ch. IV. Allen and Unwin, 1937.

⁵ No data could be traced of the net change in foreign investments by India in that period.

of account, and the same banking system as in British India managed their international accounts. By leaving out the overseas trade in merchandise of the foreign possessions and Maritime States, the Government's estimates have lost a credit of some Rs. 50 crores which such trade yielded during 1923-39. On the other hand, these estimates made allowance for Customs under-valuation of all commodity imports by as much as 5% up to 1926-27 and 2% thereafter. The Indian data present peculiar difficulties, and in the present study it is doubted if, on the facts available, any such allowance ought to be made.

The capital account of these estimates comprised largely of Government transactions except for funds raised in London by companies registered in the UK and India. Item 7 in this account—"Change in other short-term assets and debts", was interpolated as a balancing item, difference between the net current account and the other items of the capital account. In 1935-36, the composition of the capital account was altered, but some changes were introduced even earlier. Owing to these changes the capital account can no longer be used to deduce the cumulative net import of long-term capital into India over these years. For this one must turn to the current account.

During 1923-24 to 1938-39, the current account of the Government's estimates showed a cumulative deficit of Rs. 157 crores. Subject to errors etc. and the movement of short-term funds, this deficit should measure the import of long-term capital over these years. The broad accuracy of these estimates was subjected to an independent check in the present study. The issue prices of the annual borrowings on the London Stock Exchange by companies working in India but registered in the UK and India, less an estimated 9% to allow for non-UK, largely Indian, holdings in such borrowings (as disclosed by an enquiry by Lord Kindersley and the Economist for 1929) totalled Rs. 190 crores during 1923-39. But, traceable repayments of long-term debts, mainly by Government, amounted to Rs. 164 crores, so that net borrowings were hardly Rs. 30 crores. To this of course, net borrowings other than through the London Stock Exchange must be added. But, with the evidence available, it seems very doubtful if such borrowings would

amount to well over Rs. 100 crores for the total to be of an order of magnitude comparable with the cumulative deficit in the current account of the Government's estimates, viz. Rs. 157 crores. This difficulty together with rather obvious shortcomings in estimating some individual items in the current account and the summary treatment of the capital account by Government have led to the present attempt at a fresh estimate for the inter-war years.

The estimates of the current account, broken down into the balances of commodity, service and non-commercial transactions are first presented below. These are followed by an examination of the direct evidence on movements of long-term foreign capital, including capital repayments. Finally, in Section VII, the net balance of the indirect estimate is compared with the two varieties of direct estimate.

II. Balance of Commodity Transactions—Net surplus during 1921-22 to 1938-39 : Rs. 1489 crores

Table 1 presents this account. It includes (a) the sea-borne foreign trade in merchandise and treasure of British India (including Burma), French and Portuguese possessions, and the Maritime States of Kathiawar and Travancore, (b) land frontier trade and (c) aircraft-borne trade—all on private account. Trade on Government account is included with Government transactions in Sec. IV. As explained in Part B no allowance is made in the present study for Customs undervaluation of imports. Export duties realised are added to total exports. To present the pure commodity balance, estimated allowances of 5% for freights and 1½% for insurance, commission, etc. on imports, are deducted from import values, uniformly for merchandise and treasure. These are included in the service balance.

Over the eighteen years, merchandise and treasure together yielded a surplus of Rs. 1489 crores or Rs. 83 crores annually, after excluding freights and insurance on imports. Even this surplus of Rs. 1489 crores was totally wiped out and a deficit of Rs. 200 odd crores emerged in meeting India's various commitments abroad on services and non-commercial items. The treasure account was, on the whole, in deficit by Rs. 122 crores, though there were large surpluses from 1931-32 which

TABLE 1
India's Balance of Commodity Transactions (Merchandise and
Treasure) on Private Account (Rs. 00,000)

Year	C R E D I T S			D E B I T S			Freights @ 5% and Insee. Commn. etc. @ 1½% of Col. VII	Imports net of freights & Insee.	Net Balance (+) Excess of IV over IX (-) Excess of IX over IV	X adjusted for gaps as ex- plained in Part B (*)
	Merchan- dise	Treasure	Total	Merchan- dise	Treasure	Total				
I	II	III	IV	V	VI	VII	VIII	IX	X	XI
1921-22	265,49	19,53	285,02	284,15	33,22	317,37	20,57	296,80	11,78	9,78
1922-23	336,76	3,29	340,05	251,29	65,22	316,51	20,58	295,93	44,12	46,12
1923-24	388,04	4,10	392,14	248,23	54,43	302,66	19,67	282,99	109,15	110,15
1924-25	426,57	5,58	432,15	270,38	101,52	371,90	24,18	347,72	84,43	85,43
1925-26	395,28	3,52	398,80	230,98	54,40	285,38	18,55	266,83	131,97	132,97
1926-27	326,87	2,00	328,87	240,20	41,32	281,52	18,30	263,22	65,65	68,65
1927-28	369,23	2,63	371,86	278,16	34,83	312,99	20,34	292,65	79,21	82,21
1928-29	380,82	2,93	383,75	280,40	37,30	317,70	20,66	297,04	86,71	89,71
1929-30	361,34	1,57	362,91	269,44	27,77	297,21	19,32	277,89	85,02	88,02
1930-31	257,85	2,43	260,28	189,26	26,91	216,17	14,05	202,12	58,16	61,16
1931-32	181,90	62,91	244,81	140,35	7,41	147,76	9,61	138,15	106,66	109,16
1932-33	153,86	67,92	221,78	145,91	3,12	149,03	9,69	139,34	82,44	84,94
1933-34	171,34	59,19	230,53	129,57	2,08	131,65	8,55	123,10	107,43	108,43
1934-35	175,73	57,73	233,46	148,64	5,22	153,86	10,00	143,86	89,60	90,60
1935-36	186,03	41,88	227,91	152,02	5,66	157,68	10,25	147,43	80,48	81,48
1936-37	226,25	30,00	256,25	140,54	15,68	156,22	10,15	146,07	110,18	111,18
1937-38	225,47	18,32	243,79	177,52	4,02	181,54	11,80	169,74	74,05	75,05
1938-39	203,23	14,70	217,93	153,22	2,24	155,46	10,10	145,36	72,57	73,57
Total	5032,06	400,23	5432,29	3730,26	522,35	4252,61	276,37	3976,24	1456,05	1489,05

Annual Average 279,56 22,24 301,79 207,24 29,02 236,26 15,35 220,90 80,89 82,73

(*) Adjusted for gaps in trade returns of French and Portuguese Possessions, and Kathiawar ports, and for inclusion of passengers' baggage, samples etc. in import returns.

account for the overall surplus from that year though merchandise exports dropped phenomenally from 1930 as the Depression set in. Merchandise imports too fell heavily, but even in the 'twenties they were much below exports.

*III. Balance of Service Transactions—Net deficit during
1921-22 to 1938-39 : Rs. 1487 crores*

This balance includes (a) freights, and insurance, commission, etc. on imports ; (b) expenditure of foreign ships in India ; (c) pensions disbursed by the Government of India in the UK ; (d) annual profits etc. remitted by exchange banks ; (e) remittance of funds by foreign insurance companies working in India and Indian companies working abroad ; (f) coastal freights ; (g) cinematograph royalties ; (h) tourist account ; and (i) interest on sterling public debt and on other long-term foreign investments in India. Table 2 presents estimates for these items.

Item (a) was explained above. Item (b) is taken at one-third of the gross freight earnings of foreign ships for carriage charges of India's imports⁶ For (c), pensions, civil and others, averaging Rs. 8.3 crores a year, Government accounts were used.

As already stated, profits, etc., remitted by exchange banks are not estimated here on the basis of their capital in India ; instead, the relationship between their total resources and profits as disclosed for certain post-war years is used (cf. Part B). As these banks transacted almost all of India's exchange business, the estimated annual remittance of Rs. 3 crores as profits, service charges to the Head Office etc. errs perhaps, on the low side.

Like exchange banks, very little is known of the operation of foreign insurance companies in India before 1939. The present estimate of insurance remittances rests on certain data relating to their Indian business, especially premium income (cf. Part B).

In the inter-war period, and in the 'twenties particularly, India's large coastal trade (annual exports of some Rs. 100 crores) was carried mostly

⁶ Certain data were collected for a direct estimate of such expenditures, but the tonnage of ships in India's foreign and coastal trades being inextricably mixed in Government statistics, the attempt was abandoned.

by foreign, largely British, ships. Freights etc. earned by them less Indian expenses, were remitted abroad. The present study estimates these remittances with certain data obtained from the premier Indian company, Scindia Steam Navigation (cf. Part B) (P & O Steam Navigation, which controlled British India Steam Navigation, the biggest single British line operating on the Indian coast, too was approached ; it regretted its inability to help in any manner). The present estimate places these remittances at over Rs. 62 crores net, or about Rs. 3.5 crores annually.

Net remittance of cinematograph royalties is estimated at no more than Rs. 2.2 crores on the average, on the basis of the imports of feature films and their average earnings. For the interest on sterling public debt, Government of India maintains detailed accounts in the "Home Accounts" and "Combined Finance and Revenue Accounts". Of the total interest bill, 91% are taken as being due to foreign holders, on the results of an enquiry into British Overseas Investments (Economic Journal, 1929-39) by Lord Kindersley and the Economist (1930). Col. XII of Table 2 shows that the average interest is Rs. 18.07 crores which remains almost steady, the range of variation being Rs. 20.23 crores in 1931-32 and Rs. 15.59 crores in 1921-22. During these years export earnings from merchandise registered hectic changes (see Col. II, Table 1).

Non-government foreign investments are estimated in Sec. VI at Rs. 336 crores in 1921 and Rs. 439 crores in 1939. Returns on these are estimated (cf. Part B) with reference to a dividend series specially constructed for this study for a statistically valid sample of companies selected from the extensive industry-wise enumeration of units with likely foreign capital which had to be done for the present estimates to arrive at the volume of these investments. This series revealed that the earnings of both rupee and sterling companies fell sharply after 1929, the latter more than the former (see Table 3). But sterling companies generally fare better than the rupee ones—their average total return for the entire 18-year period as also for the two 9-year spans—1921-22 to 1929-30 and 1930-31 to 1938-39—are 10.2, 12.6 and 7.8 respectively ; corresponding rates for rupee companies are 8.3, 9.9 and 6.8 respectively.

TABLE 2
India's Balance of Service Transactions (Rs. 00,000)

Year	C R E D I T S				D E B I T S								Net Debit Balance XIV-IV		
	Expenditure of foreign ships in India	Insurance Receipts	Total Credits		Freight, Insurance, etc. on Imports	Govt. Pensions	Cinema- tograph Royalty- ties	Profits etc. re- mitted by Exch. Banks	Tourist Account	Insurance Remitt- ances	Coastal Freights	Interest on		Total Debits	
												Sterling Debt			Other Foreign Borrow- ings
I	II	III	IV		V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV
1921-22	5.29	40	5.69		20.57	8.33	2.10	3.31	1.58	2.00	4.70	15.59	29.41	87.59	81.90
1922-23	5.28	41	5.69		20.58	8.75	2.00	3.23	1.25	2.00	4.53	18.09	33.54	93.97	88.28
1923-24	5.04	42	5.46		19.67	8.55	1.83	3.01	1.91	2.00	4.48	19.23	37.58	98.26	92.80
1924-25	6.20	43	6.63		24.18	8.22	1.75	3.11	1.76	2.00	4.21	18.11	39.80	103.14	96.51
1925-26	4.76	44	5.20		18.55	7.33	1.66	3.10	71	2.00	4.28	17.30	38.99	93.92	88.72
1926-27	4.69	45	5.14		18.30	8.05	2.25	3.15	1.96	2.00	4.00	17.34	37.00	94.05	88.91
1927-28	5.22	46	5.68		20.34	8.05	2.81	3.03	2.56	2.00	4.07	17.35	42.38	102.59	96.91
1928-29	5.30	47	5.77		20.66	8.25	2.75	3.13	1.75	2.00	3.91	17.62	35.67	95.74	89.97
1929-30	4.95	48	5.43		19.32	8.56	2.84	2.93	1.57	2.30	3.66	18.56	33.93	93.67	88.24
1930-31	3.60	49	4.09		14.05	8.50	2.75	3.00	1.28	2.00	3.09	19.43	24.95	79.05	74.96
1931-32	2.46	49	2.95		9.61	8.38	2.35	2.96	98	77	3.00	20.23	22.32	70.60	67.65
1932-33	2.48	49	2.97		9.69	8.34	2.25	2.92	1.58	4.38	2.72	19.65	22.89	74.42	71.45
1933-34	2.19	46	2.65		8.55	8.52	2.19	2.83	1.82	1.51	2.45	19.09	26.76	73.72	71.07
1934-35	2.56	45	3.01		10.00	8.54	2.00	2.86	2.61	2.16	2.88	18.46	26.50	76.01	73.00
1935-36	2.63	45	3.08		10.25	8.57	1.94	3.05	2.56	1.62	2.66	18.51	29.53	78.69	75.61
1936-37	2.60	43	3.03		10.15	8.01	1.95	3.01	2.30	4.80	2.68	17.48	33.28	83.66	80.63
1937-38	3.03	69	3.72		11.80	9.09	1.99	2.93	2.36	5.58	2.71	16.74	33.86	87.06	83.34
1938-39	2.59	64	3.23		10.10	7.87	1.95	2.69	2.81	4.68	2.43	16.43	31.45	80.41	77.18
Total	70.87	8.55	79.42		276.37	149.91	39.36	54.25	33.35	45.80	62.46	325.21	579.84	1566.55	1487.13
Annual Average	3.94	47	4.41		15.35	8.33	2.19	3.01	1.85	2.54	3.47	18.07	32.21	87.03	82.62

The relative stability of the rates despite the Depression is mainly accounted for by the specially high-yielding lines in which foreign capital was employed and the appreciable share of fixed-interest-bearing obligations in these investments which the present investigation has revealed.⁷

TABLE 3
Dividend Series for Rupee, Sterling and All Companies

Year	Rupee	Companies	Sterling	Companies	All Companies— Average of II & IV
	Total	Ordinary		Ordinary	
I	II	III	IV	V	VI
1921-22	11	12	10	11	10.5
1922-23	10	12	12	16	11.0
1923-24	10	12	14	18	12.0
1924-25	10	12	15	20	12.5
1925-26	10	11	14	19	12.0
1926-27	9	10	13	16	11.0
1927-28	10	11	15	19	12.5
1928-29	10	11	10	13	10.0
1929-30	9	10	10	12	9.5
1930-31	8	8	6	8	7.0
1931-32	6	6	6	6	6.0
1932-33	6	6	6	7	6.0
1933-34	6	7	8	9	7.0
1934-35	7	7	7	8	7.0
1935-36	7	7	8	10	7.5
1936-37	7	7	10	12	8.5
1937-38	7	8	10	12	8.5
1938-39	7	8	9	10	8.0
Annual Average	8.3	9.2	10.2	12.6	9.25

Table 4, showing the annual returns on such investments, has three divisions: returns on traceable (i) Rupee and (ii) Sterling investments, and (iii), on other foreign investments. The first includes the returns (a) in the nine industry-groups used for the Rupee dividend series, (b) on rupee loans of corporations etc. and (c) on Government

⁷ In the rupee companies studied for the construction of the dividend series, fixed-interest-bearing obligations (preference shares and debentures) are 24% in 1921 and 32% in 1938 of their total capital. In the similar sterling companies, these proportions are 37% in 1921 and 33% in 1938. Further, of India's non-governmental borrowings in the London Stock Exchange during 1921-39, as much as 79% (in terms of issue prices) are fixed-interest-bearing.

TABLE 4
Returns on Foreign Investments in India Other than in her
Sterling Public Debt (Rs. '00,000 except Cols IV—VI)

‘A’—Traceable Rupee Investments		‘B’—Traceable Sterling Investments				IX			
9 Industry Groups used for Dividend series	Rupee Loans of Corporations & India Govt. Prom. Notes	6 Industry-Groups used for Dividend series (£'000)	£ Loans of Corporations etc. (£'000)	Total of IV & V (£'000)	VI Converted into Rs. Lakhs(1)				
I	II	III	IV	V	VI	VII	VIII	‘C’ “Other Foreign Investments” Re. Mg. Agencies, & Investments other than in VII ; US & other foreign.	Total (II)+(III) (VII)+(VIII) (VII)
1921-22	7.25	1.53	6,248	167	6,415	9.73	10.90		29.41
1922-23	6.99	1.52	8,505	359	8,864	12.93	12.10		33.54
1923-24	6.88	1.51	10,064	537	10,601	15.29	13.90		37.58
1924-25	7.25	1.49	11,224	599	11,823	15.76	15.30		39.80
1925-26	6.86	1.49	10,808	621	11,429	15.24	15.40		38.99
1926-27	6.36	1.55	10,170	619	10,789	14.39	14.70		37.00
1927-28	7.24	1.57	11,432	618	12,050	16.07	17.50		42.38
1928-29	7.00	1.55	8,772	617	9,389	12.52	14.60		35.67
1929-30	6.59	1.56	8,294	615	8,909	11.88	13.90		33.93
1930-31	5.42	1.55	5,224	609	5,833	7.78	10.20		24.95
1931-32	4.52	1.55	4,834	607	5,441	7.25	9.00		22.32
1932-33	4.28	1.53	5,249	660	5,909	7.88	9.20		22.89
1933-34	4.66	1.52	6,450	659	7,109	9.48	11.10		26.76
1934-35	4.82	1.51	5,993	657	6,650	8.87	11.30		26.50
1935-36	5.02	1.51	7,167	710	7,877	10.50	12.50		29.53
1936-37	5.00	1.50	8,503	709	9,212	12.28	14.50		33.28
1937-38	5.09	1.55	8,608	708	9,316	12.42	14.80		33.86
1938-39	5.14	1.57	7,429	701	8,130	10.84	13.90		31.45
Total	106.37	27.56	144,974	10,772	155,746	211.11	234.80		579.84
Annual Average	5.91	1.53	—	—	—	11.73	13.04		32.21

(1) Rs. @ 15' 82d/Re in 1921-22. being 12 months' average of the mean of monthly "highest and lowest market prices of T/T's"

of India Promissory Notes enfaced for interest payment in London. The second includes the returns (a) in the six industry-groups used for the sterling dividend series, less investments in two coastal shipping companies, and (b) on sterling loans of corporations etc. and of Native States. The third division deals with other investments *i.e.* managing agencies, Other Rupee and Sterling investments, and US and Other Foreign Investments. An estimated Rs. 25 crores are deducted from such investments for exchange banks and insurance companies, already considered. Column X shows that these returns averaged Rs. 32.21 crores. 1923-24 to 1929-30 are really the most prosperous years. In 1931-32 and 1932-33 the figures are Rs. 22 crores and Rs. 23 crores respectively. Recovery starts from 1935-36. It is significant that the minor recession shortly before the last War did not affect this or the dividend series.

The breakdown of the Tourist Account is shown in Table 5. Its broad divisions are—accounts with (i) the United Kingdom, and (ii) other countries; (iii) Haj Pilgrims and (iv) Indian students, altogether adding up to an average annual debit of Rs. 1.85 crores. The Indo-UK account is estimated to have been an average debit of Rs. 1.09 crores, on the basis of certain British Board of Trade data (cf. Part B). The year-to-year variations are relatively small, except during 1934-37. For countries other than the UK the estimate for the inward traffic is based on certain data from 1930-31 which we discovered in some files of the—then Central Publicity Bureau of the Indian State Railways. For earlier years the figures are extrapolated. For the entire period, this branch of the account was in credit by Rs. 1.5 crores a year. Fairly reliable, though not complete, figures exist of the numbers of Haj Pilgrims and Indian students and of their expenses, estimated here at almost Rs. 1 crore each a year. For the latter, Government scholars have been excluded; their expenses were met from State Scholarships, included in the Government of India's transactions in the UK considered in the Sec. IV. A further Rs. 50 lakhs annually has been estimated for tourists and business visitors from India to Europe, USA, Japan and other places, including the large sums which the Ruling Chiefs may have spent normally, and on such occasions as the Round Table Conference or the Silver Jubilee of King George V.

TABLE 5
Net Tourist Account

(Rs' 00,000)

Year	Credits	Debits					Net Debits
	Credits due to tourists from countries other than the UK.	Indo-U. K. Tourist Account	Haj Pilgrims	Indian Students in UK, USA & Europe (less Govt. scholars)	Other Tourists from India	Total Debits	
I	II	III	IV	V	VI	VII	VIII
1921-22	1,50	1,16	65	77	50	3,08	1,58
1922-23	1,50	71	75	79	50	2,75	1,25
1923-24	1,60	74	1,46	81	50	3,51	1,91
1924-25	1,60	91	1,13	82	50	3,36	1,76
1925-26	1,70	93	14	84	50	2,41	71
1926-27	1,70	91	1,40	85	50	3,66	1,96
1927-28	1,80	96	2,04	86	50	4,36	2,56
1928-29	1,80	94	1,24	87	50	3,55	1,75
1929-30	1,90	98	1,13	86	50	3,47	1,57
1930-31	1,71	74	88	87	50	2,99	1,28
1931-32	1,74	83	54	85	50	2,72	98
1932-33	1,46	98	74	82	50	3,04	1,58
1933-34	1,22	1,14	62	78	50	3,04	1,82
1934-35	1,28	1,97	58	84	50	3,89	2,61
1935-36	1,16	1,60	76	86	50	3,72	2,56
1936-37	1,12	1,42	63	87	50	3,43	2,30
1937-38	1,12	1,29	77	92	50	3,48	2,36
1938-39	1,12	1,32	1,19	92	50	3,93	2,81
Total	27,03	19,53	16,65	15,20	9,00	60,38	33,35
Annual Average	1,50	1,09	91	84	50	3,35	1,85

IV. Balance of Non-Commercial Transactions—Net deficit during 1921-22 to 1938-39 : Rs. 222 crores

This balance, with a cumulative deficit of Rs. 222 crores on the present estimates (Table 6), is dominated by debits on account of Government transactions. These have been calculated from Government returns after excluding pensions, and interest on sterling debt—already considered. Other items average a net debit of Rs. 13 crores a year. In four of these years there appear surpluses, but only because pensions and interest are excluded here. Large year-to-year changes arise mainly from changes in short and long-term borrowings, imports of stores, etc.

TABLE 6

Balance of Non-commercial Transactions, 1921-22 to 1938-39

(Rs '00,000)

Year	Missionary Remittances	Exp. of Consuls etc.	Migrants' Through P.O.	Remittances Savings brought back	Total (II to V)	Govt. transactions	Non-Indian Annual Remittances	Immigrants Savings	Total (VII to IX)	Net balance (X minus VI)
I	II	III	IV	V	VI	VII	VIII	IX	X	XI
1921-22	4,00	5,00	3,37	31	12,68	+ 3,85	2,00	10,50	8,65	+ 4,03
1922-23	4,00	5,00	2,20	3,79	14,99	24,01	2,00	10,50	36,51	21,52
1923-24	4,13	5,00	1,84	2,98	13,95	28,34	2,00	10,50	40,84	26,89
1924-25	4,13	5,00	1,83	1,44	12,40	28,79	2,00	11,08	41,87	29,47
1925-26	4,20	5,00	1,99	1,16	12,35	32,45	2,00	10,29	44,74	32,39
1926-27	4,36	5,00	2,39	1,88	13,63	+ 28,29	2,00	10,01	+ 16,28	+ 29,91
1927-28	4,36	5,00	2,53	2,55	14,44	16,88	2,00	10,13	29,01	14,57
1928-29	4,33	5,00	2,48	2,65	14,46	22,66	2,00	9,69	34,35	19,89
1929-30	4,31	5,00	2,66	2,71	14,68	+ 1,15	2,00	10,25	11,10	+ 3,58
1930-31	4,30	5,00	2,17	3,24	14,71	11,49	2,00	10,60	24,09	9,38
1931-32	4,22	5,00	1,67	1,52	12,41	16,32	2,00	10,71	29,03	16,62
1932-33	4,19	5,00	1,26	2,27	12,72	17,41	2,00	11,19	30,60	17,88
1933-34	4,08	5,00	1,20	2,53	12,81	36,76	2,00	10,85	49,61	36,80
1934-35	3,75	5,00	1,46	1,35	11,56	22,10	2,00	10,19	34,29	22,73
1935-36	4,12	5,00	1,60	96	11,68	+ 14,79	2,00	10,67	+ 2,12	+ 13,80
1936-37	3,90	5,00	1,71	1,81	12,42	8,92	2,00	12,10	23,02	10,60
1937-38	4,00	5,00	1,82	1,17	11,99	5,80	2,00	10,00	17,80	5,81
1938-39	4,00	5,00	1,91	1,02	11,93	8,12	2,00	10,77	20,89	8,96
Total	74,38	90,00	36,09	35,34	235,81	231,97	36,00	190,03	458,00	222,19
Annual Average	4,13	5,00	2,01	1,96	13,10	12,88	2,00	10,56	25,44	12,34

Other non-commercial items are—on the credit side, remittances received by (a) foreign Christian missions working in India, and (b) offices of Foreign Consuls etc. for their expenditure in India ; (c) remittances received through the Post Office :—from Indian emigrants to the British colonies and other miscellaneous remittances, and (d) monetary savings brought back by such Indian emigrants on return to India, temporarily or for good. On the debit side are (e) remittances by immigrants of non-Asiatic origin, sent through banks, and certain miscellaneous remittances through the Post Office ; and (f) monetary savings taken back by such immigrants on their return from India. The first two, (a) and (b), are considered separately. The rest—(c), (d), (e) and (f)—being components of “Migrants’ Remittances” are considered under that heading.

In Table 6 missionary donations are estimated at about Rs. 4 crores a year, on the basis of certain data from authoritative sources and a 13-year series obtained from International Missionary Council, London. Consular expenditure in India is put at Rs. 5 crores a year for the hundred odd foreign consulates, etc. in India as reported to us by Government for 1934. But this excludes receipts by the French and Portuguese Governments in India from their mother countries for which no data are yet available.

Migrants’ Remittances :—The Indian Census, 1921 and 1931, give certain fragmentary data on migrations to and from India. Remittances by migrants may be (a) through the Post Office, (b) through banks, and (c) by physical carriage of cash. There are data on (a), from which payments by post for goods and services must be deducted (cf. Part B). Regarding (c), sums brought by Indian emigrant labourers returning from the colonies only are available. Of (b), the largest of the three, very little is known. So also is the position regarding the movements of cash with migrants across India’s extensive land frontiers. For a major part of (b), viz., outward remittances by Europeans etc. from current income and as savings on retirement, a rough estimate has been made—cols. VIII and IX, Table 6 (cf. Part B). But even that is not possible for inward remittances from Indian traders etc. overseas. It is assumed that these

latter remittances more or less balanced the outward flows to countries like China across the land frontier and through banks.

Remittances through the post office are estimated here at about Rs. 2 crores a year, by adjusting the outward and inward flows of sterling and British Postal Orders to take account of payments through the post office for goods. Savings brought by returning Indian emigrants (their numbers multiplied by the average sums brought by those returning to Calcutta) average Rs. 2 crores. These receipts are more than offset by large outward remittances by the non-Indian immigrants in India, especially the British, contemporaneously with current earnings—these remittances being estimated at a minimum of Rs. 2 crores a year, and of savings on retirement—these remittances being estimated at a minimum of Rs. 10 crores a year. Very little material exists on these flows. Perhaps this present attempt will lead others to explore this uncharted field.

V. Final Balance of India's International Transactions on Current Account

Table 7 brings together the above three Balances⁸. Columns V and VI show the net credits and debits, the net cumulative debit being Rs. 217 crores. Subject to the factors already mentioned, and some others discussed below, this debit is, by definition, the measure of the net import of long-term foreign capital in this period.

VI. Direct Evidence : (a) Foreign investments in India in 1921 and in 1938

A survey of the more noteworthy estimates of foreign—often exclusively British—investments in India at various dates between 1905 and 1939, including those of Keynes for 1905-6, Sir George Paish for 1910, Howard for 1910, Lord Kindersley and the Economist for 1929, 1930 and 1936, etc. throws some useful light on the magnitude and character of foreign investments in India.

⁸ Only the commodity balance has been credited with Rs. 3.24 crores @ Rs. 18 lakhs a year to allow for the estimated imports of postal articles of Rs. 3.3 crores for which India made no payments, i.e. samples, gifts, etc.

TABLE 7

Final Balance of India's International Transactions on Current Account
(Rs'00,000)

Year	Balance of			Net Balance	
	Commodity Transactions	Service Transactions	Non-commercial Transactions	Credit (+)	Debit (-)
I	II	III	IV	V	VI
1921-22	- 9,60	- 81,90	+ 4,03		87,47
1922-23	+ 46,30	- 88,28	- 21,52		63,50
1923-24	+ 111,33	- 92,80	- 26,89		9,36
1924-25	+ 85,61	- 96,51	- 29,47		40,37
1925-26	+ 133,15	- 88,72	- 32,39	12,04	
1926-27	+ 68,83	- 88,91	+ 29,91	9,83	
1927-28	+ 82,39	- 96,91	- 14,57		29,09
1928-29	+ 89,89	- 89,97	- 19,89		19,97
1929-30	+ 88,20	- 88,24	+ 3,58	3,54	
1930-31	+ 61,34	- 74,96	- 9,38		23,00
1931-32	+ 109,34	- 67,65	- 16,62	25,07	
1932-33	+ 85,12	- 71,45	- 17,88		4,21
1933-34	+ 108,61	- 71,07	- 36,80	74	
1934-35	+ 90,78	- 73,00	- 22,73		4,95
1935-36	+ 81,66	- 75,61	+ 13,80	19,85	
1936-37	+ 111,36	- 80,63	- 10,60	20,13	
1937-38	+ 75,23	- 83,34	- 5,81		13,92
1938-39	+ 73,75	- 77,18	- 8,96		12,39
Total	+ 1492,29	- 1487,13	- 222,19	+ 91,20	- 308,23
Net Position					- 217,03

The present estimate is based on the currencywise classification of such investments : (A) Sterling (Table 8) :—(i) Sterling obligations of the Government, including Railway Annuities etc., (this is excluded in Table 8) (ii) Sterling loans of Corporations, Port Trusts etc. and (iii) investments in companies working in India with sterling capital, and sterling debentures of rupee companies ; (B) Rupee (Table 9) :—Foreign holdings in (i) Rupee joint stock companies, (ii) Rupee loans of Government, Port Trusts etc. and (iii) private firms and partnerships, mainly prominent managing agencies ; and (C), Other Currencies :—this is rather obscure—for most such concerns, the Government publication on joint stock companies working in India is silent and so are certain Indian Stock Exchange Year Books and the Investors India Year

TABLE 8

Estimated Foreign Sterling Investments (£'000)

Industry etc.	1921			1938		
	Share	Loan	Total	Share	Loan	Total
i. Tea, Coffee, Rubber	18,487	876	19,363	28,616	1,250	29,866
ii. Oil	9,975	925	10,900	17,509	4,818	22,327
iii. Railways	18,249	8,859	27,108	9,465	5,729	15,194
iv. Trams, Electricity etc.	3,601	1,463	5,064	7,449	2,334	9,783
v. Mines	17,304	—	17,304	13,918	159	14,077
vi. Inland Shipping	3,557	200	3,757	5,013	278	5,291
	71,173	12,323	83,496	81,970	14,568	96,538
vii. Corporations		3,933	3,933		14,600	14,600
viii. Native State Raj Loans		505	505		730	730
Total	71,173	16,761	87,934	81,970	29,898	111,868
Amount British Held :— (for i-vi, 92.5% of shares and 86% of Loan capital ; for vii and viii, 91% of amount outstanding)	65,835	14,414	80,249	75,822	25,712	101,534
(or Rs'00,000) :—	87,78	19,21	106,99	101,10	34,28	135,36

TABLE 9

Estimated Foreign Rupee Investments (Rs'00,000)

	1921		1938	
	Cap. & Debs.		Cap. & Debs.	
i. Jute mills	22,22	..	19,69
ii. Electricity & Telephones	12,46	..	21,60
iii. Cotton mills	15,69	..	12,66
iv. Engineering	10,23	..	13,55
v. Coal	8,84	..	7,41
vi. Tea	4,85	..	4,89
vii. Re. Loans of Corpns. etc.	59,42	..	60,88
viii. Railways	11,57	..	12,31
ix. Sugar	2,29	..	4,22
x. Miscellaneous	35,75	..	36,28
xi. Managing Agencies	40,00	..	50,00
xii. Govt. Promissory Notes, enfaced for payment of interest in London. Outstanding on 31st Dec.	7,70	..	7,58
Total :—		231,02		253,07
Amount British Held (for i—x, 50% of total ; for xi and xii, 100% of total)	139,36	..	155,33

Book. Some data were available on US investments. For both (A) and (B) allowance is made for the untraceable portions.

(A) *Sterling Investments*—The London Stock Exchange Official Information and Year Books are the main sources from which capital and debentures of well over 200 companies were recorded. The "British held" proportion is taken from the Economist's Survey for 1929. The untraced, others, portions are assumed to be 15 and 20 per cent of the traceable portions in 1921 and 1938 respectively (a higher figure for 1938 to allow for the known, but yet untraced, greater diversification of these investments in these years). This order of allowance for untraced portions under Sterling, Rupee, and Other foreign investments has been made after an examination of certain factors bearing on the peculiarly intimate and intricate role of foreign capital in the production of many goods and services, the procurement of the raw materials, and the distribution of the finished goods, inside and outside the country. Thus, sterling investments are Rs. 123 crores in 1921 and Rs. 162 crores in 1938.

(B) *Rupee Investments*—Foreign holdings in Rupee companies, including partnership firms, have always been a relatively obscure subject. Keynes, in the Economist of 27.2.1909, was perhaps first to indicate its probable magnitude. Later others—Howard, Birla, Shirras, and Rao—made some guesses but they all assumed a proportion of the capital of all classes of rupee companies as being held abroad; in fact, foreign holdings would perhaps be negligible in e.g. Banking, Loan and Insurance, Estate, Land, Buildings, Cotton mills etc.

The present estimate assumes that the bulk, if not the entire, foreign holdings in rupee companies would be limited to such companies as are managed directly by predominantly foreign Boards or indirectly by foreign agency houses managed largely by British or other foreign nationals. On this assumption, which can only underestimate such holdings, the share capital and debentures of about 700 companies have been collected, including the better known agency houses, in 1921 and 1938, and classified into 10 groups. It is assumed too that, for the categories of industries in this Table and for other Rupee Holdings

which could not be traced, the capital of limited companies, partnerships etc. which are not included in this Table would be 15 and 20 per cent of the traceable amounts in 1921 and 1938 respectively. This too is perhaps an underestimate.

The examination of a considerable body of general information contained in the written and oral evidence recorded by the Indian Industrial Commission, 1916-18, and the Indian Fiscal Commission, 1921-22, as also the data which Pat Lovett, one-time Editor of the "Capital" has given in his "The Mirror of Investment", lends strong weight to the following conclusion : if not in all cases, at least over a very appreciable field of its operations, as compared with capital contributed by Indian nationals, non-Indian capital was predominant in units with Rupee capital managed by non-Indian agents etc. upto certainly the late 'twenties. To be on the conservative side, it is assumed in the present study that one-half of the capital of these companies was held jointly by the managing agency houses and individual non-Indians. The same proportion is applied to Rupee loans of Corporations. The capital of the agency houses—taken at Rs. 40 crores in 1921 and Rs. 50 crores in 1938, on the basis of the data collected for this study, is of course fully held by non-Indians.

(C) *Other Foreign Investments*—Based on the information available for certain years, US investments in India are estimated at Rs. 10 crores and Rs. 20 crores in 1921 and 1938 respectively. Other foreign investments are assumed to be 15 and 20 per cent in 1921 and 1938 respectively of the total Rupee and Sterling investments in these years.

Total foreign investments in India in 1921 and 1938 (including foreign-held portions of India's Sterling public debt) as in Table 10 show a net increase of Rs. 177 crores during 1921-1938. These data, it may be remembered, are largely in terms of par values, and exclude investments in coastal and overseas shipping. In terms of market values, the totals would be larger, perhaps by about a third to a quarter, judging from the values of the dividend series on these investments during these years.

TABLE 10

Foreign Investments in India in 1921 and 1938 (Rs'00,000)

	1921	1938
(A) Sterling Investments (Traceable & others)	123,04	162,43 lakhs
(B) Rupee " "	160,26	186,40 "
(C) Other Foreign Investments	52,50	89,77 "
(D) Foreign held Sterling Public Debt	372,67	446,49 "
Total	708,47	885,09

VI. Direct Evidence : (b) Annual flows of foreign capital

Table 11 shows the annual borrowings on the London Stock Exchange by the Government of India, and public bodies and joint stock companies working in India (Source : Economist, London). Both par values and issue prices are shown for "Government" and "Other" Borrowings. Government borrowings predominate, and were concentrated during 1921-24 and 1927-34. Rest is mainly composed of : Ports, Corporations etc.: £9.98 mn ; Oil Companies : £9.76 mn ; Electric Supply, Trams, Gas etc. £8.8 mn.; Railways and Navigation : £3.74 mn. and, Iron and Steel, Engineering etc.: £3.74 mn. (cf. Table 12). In each of these groups, fixed-interest bearing obligations dominated current borrowings.

Allowing for Indian holdings in these borrowings at 9% as before, the net borrowings are, expressed in rupees, Rs. 278.80 crores. No such data are available for other current borrowings. It was estimated above that during 1921 to 1938, "Other Sterling Investments", "Rupee Investments" and "Other Foreign Investments" increased altogether by Rs. 74.43 crores. Taking this at Rs. 75 crores in round figures, this is distributed among different years as shown in Column IV of Table 12, on the basis of the general trend of other borrowings.

During 1921-38, as much as Rs. 164 crores of the sterling obligations of the Government of India were repaid, mainly from 1931-32 when gold exports yielded a large favourable balance and low interest rates in London provided conversion opportunities. Allowing for 9% Indian

[21]
TABLE 11

Annual Borrowings on the London Stock Exchange (£'000)
(From the files of the "Economist")

	Government		Other Borrowings		Total	
	Par value	Issue price	Par value	Issue price	Par value	Issue price
1921-22	17,500	16,850	7,085	6,801	24,585	23,651
1922-23	32,500	29,000	8,041	7,917	40,541	36,917
1923-24	20,330	18,000	5,869	6,859	26,199	24,859
1924-25	—	—	3,724	3,646	3,724	3,646
1925-26	—	—	2,225	2,196	2,225	2,196
1926-27	—	—	827	992	827	992
1927-28	7,500	6,862	350	490	7,850	7,352
1928-29	10,000	9,100	4,439	4,527	14,439	13,627
1929-30	6,000	5,940	327	517	6,327	6,457
1930-31	36,000	35,420	1,365	604	37,365	36,020
1931-32	10,000	10,000	—	—	10,000	10,000
1932-33	10,000	9,500	2,956	2,855	12,956	12,355
1933-34	22,000	21,400	250	245	22,250	21,645
1934-35	—	—	180	405	180	405
1935-36	10,000	9,800	980	1,039	10,980	10,839
1936-37	—	—	2,980	3,054	2,980	3,054
1937-38	—	—	2,065	2,065	2,065	2,065
1938-39	—	—	875	950	875	950
Total	181,830	171,872	44,538	45,162	226,368	217,034
For Government Borrowings—Issue Price 94% of Par Value						
For Other Borrowings — " " 101% " " "						
For Total Borrowings — " " 94% " " "						

holding in these loans, the foreigners' share of repayments is Rs. 149 crores.

Of repayments of foreign capital in commercial and industrial ventures, in the data collected for the present study, Railway capital bulked large. Deducting Indian holdings, these repayments are put at £16.38 mn. Having no guidance as to their year-wise distribution, a uniform annual amount is assumed as the total is not large.

Table 13 presents the estimated imports and repayments of foreign capital during 1921-22 to 1938-39. Column II : annual borrowings in London, in issue prices, converted into rupees in Column III. Column IV : other investments, estimated at Rs. 75 crores, as explained above. Column V : repayments of sterling public debt and of other

TABLE 12
Annual Borrowings on the London Stock Exchange—by Government,
Native States, and different Industries
(From the files of the "Economist")

Years	Government	Ports, Corpora- tions, Improv't. Trusts	Oils	Elec. Supply, Trams, Gas and Telephone	Planta- tions	Mines	Iron & Steel, Engi- neering	Railways and Naviga- tion	Native States	Issue Prices in £	
										Merchant House, Invest- ment, etc.	
1921-22	16,850,000	1,000,000	4,583,000	322,399	319,000	—	576,000	—	—	—	—
1922-23	29,000,000	4,689,600	165,000	662,500 (339,500)	100,625	—	1,960,000	—	—	—	—
1923-24	16,000,000	1,898,595	—	2,765,900	40,000	142,000	—	—	675,000	1,337,500	—
1924-25	—	900,000	—	199,407 { 20,200	845,235	—	—	1,681,250	—	—	—
1925-26	—	490,000	—	262,250	266,179	—	547,250	630,000	—	—	—
1926-27	6,862,000	—	—	387,250	72,000	533,000	—	—	—	—	—
1927-28	9,100,000	—	—	—	165,000	175,000	150,000	—	—	—	—
1928-29	3,940,000	—	4,000,000	20,000	156,781	350,000	—	—	—	—	—
1929-30	35,420,000	—	—	—	296,023	—	—	75,000	—	221,250	—
1930-31	10,000,000	—	—	465,000	64,250	—	—	—	—	—	—
1931-32	9,500,000	1,005,125	—	293,750	—	201,000	—	1,355,000	—	—	—
1932-33	21,400,000	—	—	245,000	—	—	—	—	—	—	—
1933-34	—	—	—	405,000	—	—	—	—	—	—	—
1934-35	9,800,000	—	—	736,300	62,500	175,000	—	—	—	—	—
1935-36	—	—	—	306,000	—	227,500	—	—	65,000	—	—
1936-37	—	—	550,000	796,229	—	1,000,000	—	—	—	—	—
1937-38	—	—	83,710	—	150,304	35,000	—	—	—	—	—
1938-39	—	—	375,000	575,000	—	—	—	—	—	—	—
	171,872,000	9,983,320	9,756,716	8,802,285	2,537,897	1,838,500	6,203,250	3,741,250	740,000	1,558,750	—

TABLE 13
Annual estimated imports and repayment of foreign investments in
India (All figures in Rs. Lakhs except those in
Column II, in £'000)

Year	Issue Prices of floatations in London £'000	II Converted into Rs. at market rates for Rs. upto 1924-25 & then @ Rs. 131/8= £ 1, less 9%	Estimated other Borrow- ings	Total III & IV	Repayments (Govt. & others)	Net Borrowings	Net Repayments (-)
I	II	III	IV	V	VI	VII	VIII
1921-22	23,651	32,59	8,00	40,59	3,53	37,06	
1922-23	36,917	51,16	8,00	59,16	3,85	55,31	
1923-24	24,859	35,24	8,00	43,24	4,50	38,74	
1924-25	3,646	4,55	6,00	10,55	3,84	6,71	
1925-26	2,196	2,67	6,00	8,67	4,56	4,11	
1926-27	992	1,20	6,00	7,20	7,33		13
1927-28	7,352	8,92	6,00	14,92	4,42	10,50	
1928-29	13,627	16,53	—	16,53	7,59	8,94	
1929-30	6,457	7,84	—	7,84	3,28	4,56	
1930-31	36,024	43,71	—	43,71	3,35	40,36	
1931-32	10,000	12,13	4,00	16,13	23,04	4,52	6,91
1932-33	12,355	14,99	4,00	18,99	14,47	4,52	
1933-34	21,645	26,26	4,00	30,26	18,99	11,27	
1934-35	405	49	4,00	4,49	4,00	49	
1935-36	10,839	13,15	4,00	17,15	22,32		5,17
1936-37	3,054	3,71	4,00	7,71	25,12		17,41
1937-38	2,065	2,51	3,00	5,51	9,22		3,71
1938-39	950	1,15	—	1,15	7,60		6,45
Total	217,034	278,80	75,00	353,80	171,01	222,57	39,78
Annual Average	12,057	15,49	4,17	19,66	9,50		

sterling investments. Columns VII and VIII show the final net borrowings/repayments respectively, annually, giving a net import of capital of Rs. 183 crores.

*VII. Comparison of the Indirect and Direct Estimates of
Long-term Capital Balance*

The three estimates of long-term foreign capital imported during 1921-39 may now be compared : Indirect estimate, as attempted in the main body of this paper, Rs. 217 crores ; Direct estimate—a) difference between foreign investments in 1938 and 1921—Rs. 177 crores, and (b) cumulative net annual inflow—Rs. 183 crores. The wide range of data of varying pedigree used for these estimates often left so much to be desired that a particularly close agreement between the three estimates is very unlikely. The disagreement between these may be due to under or over-estimation of the component items. Also, since during this period the net import of capital is seen to be relatively small in comparison with India's total international transactions—visible and invisible, even small errors of estimation in the latter will tend to magnify their impact on the capital balance. Thus, the most substantial item in the current account, commodity trade, is not altogether free from doubts about coverage, and its recorded values in relation to the actual values of receipts and payments. Under the service and non-commercial balances some credits (debits) may have been under—(over)-estimated, though, for the estimation of the largest service item, interest payments on investments—very considerable care has been taken in this study. There may, however, be a minor consideration, *viz.*, in estimating such payments this study assumes a lag of one year between investments and remittance of returns. In fact the lag may have been longer, particularly in the case of fresh industrial and commercial ventures; but such investments formed a very small part of India's fresh borrowings in London during this period. However, making some allowance for this, the indirect estimate may come another Rs. 8-10 crores nearer the direct estimates.

Lastly, the exchange rate, which influenced *all* transactions, may also be responsible for part of the disagreement between the three estimates because of the divergence between the actual and recorded conversion rates of other currencies into rupees.

Table 14 compares the annual values of the deficits/surpluses in the current account with the net in—(out)—flows of capital during

TABLE 14
Comparison of Annual Values of Indirect and Direct Estimates
(Rs'00,000)

Year	INDIRECT ESTIMATE		DIRECT ESTIMATE	
	Net Credit	Net Debit	Net Credit	Net Debit
I	II	III	IV	V
1921-22		87,47	37,06	
1922-23		63,50	55,31	
1923-24		9,36	38,74	
1924-25		40,37	6,71	
1925-26	12,04		4,11	
1926-27	9,83			13
1927-28		29,09	10,50	
1928-29		19,97	8,94	
1929-30	3,54		4,56	
1930-31		23,00	40,36	
1931-32	25,07			6,91
1932-33		4,21	4,52	
1933-34	74		11,27	
1934-35		4,95	49	
1935-36	19,85			5,17
1936-37	20,13			17,41
1937-38		13,92		3,71
1938-39		12,39		6,45
Total	91,20	308,23	222,57	39,78
Net Position		217,03	182,79	

1921-39. Of the 11 years when the current account had deficits, in 9 years these are associated with surpluses in the capital account. Of the 6 years when the current account had surpluses (leaving out the very small surplus in 1933-34), in 4 years these were associated with deficits in the capital account. The deficits in 1937-39 may have been financed by the private sector by drawing upon its accumulated foreign balance and/or

running up short-debts to build up stocks in anticipation of the War. For the unaccounted surplus in 1925-26 there is one definite explanation viz. that the Secretary of State then used some of these to add to his own cash resources in the UK which he ran down in 1926-27.

It is significant to compare the magnitudes of the net import of long-term capital during 1921-39 and the estimated remittances, during the same period, of interest and dividend on foreign investments in India. The net capital balance is around Rs. 200 crores while, in Table 2, interest on sterling public debt and other foreign borrowings has been estimated at Rs. 905 crores. (The latter estimate, it may be remembered, excludes returns on foreign capital in exchange banks, insurance companies, and coastal and overseas shipping). In the fourteen-year period covered by Pandit, such interest was estimated at Rs. 249 crores while his direct and indirect estimates of foreign borrowings were Rs. 150 crores and Rs. 200 crores respectively (doubts were cast above regarding the adequacy of his estimate of interest payments). The limitations of the estimates attempted in the present study as also by Pandit may not be of such an order of magnitude as to preclude the broad conclusion that, barring the seven-year interval 1914-21, for which no estimates are available, from 1898-99 to 1938-39 debt service on the extant foreign borrowings of India always exceeded the net annual imports of foreign capital, except in a few years like 1900-01, 1905-06, 1908-09, and 1909-10 in the period covered by Pandit, and in 1922-23 in the period covered by the present study. In the inter-war years the gap between the two streams widened further as compared with the pre-World War I years.

PART B—SOURCES, AND METHODS OF ESTIMATION

(1) *Balance of Commodity Transactions*

Necessary adjustments are made with the coastal and foreign trade data to include Burma as part of India after 1936-37 when she was constitutionally separated from India ; during 1937-38 and 1938-39 the Indian Rupee circulated there freely and the Reserve Bank of India managed Burma's currency and foreign exchange affairs.

The seaborne foreign trade of British India is recorded in the "Annual Statement of the Seaborne Trade and Navigation of British India". According to Section 30 of Indian Sea Customs Act VIII of 1878, values of goods imported or exported are based on wholesale market prices, and represent, (a) the wholesale cash price, less trade discount, for which goods of the like kind and quality are sold or are capable of being sold, at the time and place of importation or exportation, without any abatement or deduction whatever except (for imports) of the amount of import duties payable; (b) where such price is not ascertainable, the cost at which goods of the like kind and quality could be delivered at such places without any abatement or deduction (except for import duties).

For the balance of payments, Customs returns for exports and imports should closely approximate the prices actually received and remitted. This may not always happen, e.g., for consignment exports (tea, largely), the values recorded are only conceptual ones—prices in recent auctions. Imports, again, are generally believed to be undervalued, mainly to evade duties. Government estimates sent to the League of Nations made a 5% allowance for this upto 1926-27 and 2% thereafter. For 1898-1913 Pandit allows 1%. Many factors are involved here. In interwar years, tariffs were low in India as compared with Europe. Even when they were raised, many important imports were exempted. Also, where the Customs valued goods under Section 30(b), even overvaluation was possible. Factual evidence is lacking on this general issue. Customs and actual values may differ also for goods coming under Section 30(a). It was not possible to determine, for the present study, the proportion of total imports subject to this sub-section during 1921-39, as also the likely exaggeration of the actual foreign exchange cost of imports, since a complete file of the lists of articles subject to market value assessment as declared by Customs authorities periodically was not available. Also, in pre-1939 years, the practice in this regard varied from port to port! For these and certain other factors, one must hesitate to allow for likely undervaluation of imports, which, doubtful and difficult as it must have been, could be offset, though to an unknown

extent, by the exaggeration in the Accounts of the actual values of certain other imports assessed on the market value basis.

Customs returns are all in rupees. But, to convert other currencies into rupees introduces errors of indeterminate magnitude. During 1921-24 when the Rupee-Sterling rate was fluctuating, a Public Notice issued by the Collector of Customs, Calcutta, directed import values in sterling to be converted into rupees at rates determined by the exchange banks' selling rates for demand drafts, and laid down working rates for rupees for ranges of its market rates, the working rate intervals being as much as half-rupees ! Convenient administratively, this system must have distorted the position.

Statistics of the foreign trade of French and Portuguese Possessions were compiled in British India from data received from these Governments, but their exact method of collection was not known.

The land frontier trade was recorded in quantities as also values upto 1924-25. Later, due to the alleged defective recording of values, only the quantities of the export and import trade in selected articles at certain railway stations adjacent to the more important trade routes were published. From 1927-28, Government evaluated this trade in some unknown manner, and sent figures to the League of Nations. Despite obvious defects these figures are accepted for the present study.

Certain gaps in trade returns had to be filled for this study—(a) land frontier trade during 1925-27—before and after these years this trade showed surplus and deficit respectively. A nil balance is assumed during 1925-27. (b) Kathiawar trade during 1921-22 to 1925-26—*basing on the trend of the balance from 1926-27, an annual deficit of Rs. 200 lakhs during 1921-26 is assumed.* (c) Travancore trade during 1921-22 to 1925-26, and 1931-32 to 1934-35—with the trend of the balances in other years, annual surpluses of Rs. 200 lakhs and Rs. 100 lakhs in 1921-26 and 1931-35 respectively are assumed. (d) French and Portuguese Possessions trade seems very imperfectly recorded during 1921-23 and 1924-26 respectively. These too have been adjusted on the basis of the trends in adjacent years. Two other adjust-

ments relate to the inclusion in imports of passengers' baggage and samples etc. which should not enter the international accounts.

(2) *Remittance of Profits etc. by Exchange Banks*

This is not estimated on the basis of their Indian capital as (i) the estimates of such capital—starting from Keynes in 1909 to Shenoy in 1945—differ violently, and (ii) a capital-return based estimate would omit certain other remittances by these banks—especially interest on seasonal funds from London and service charges etc. to Head Office. These banks' workings in India have always remained somewhat veiled. Only their consolidated Indian deposits were furnished through India Office to the Indian authorities. On the request of the Indian Central Banking Enquiry Committee, 1931, these banks gave their consolidated position as on 31.12.29. Their total resources then were : deposits—Rs. 66 crores and "Loans and overdrafts from outside India"—Rs. 22 crores. This is the only indication in our entire period of the size of imported funds. For the present study the Commonwealth Relations Office, London, was approached through the UK Trade Commissioner, Calcutta, for similar or related data for other years, but with no avail. More data are available for recent years. For the present estimate, the totals of all these banks' deposits, borrowings from other banks, agents etc.—outside India, and a portion of "other liabilities" have been taken for the five years 1951-55, and the annual totals have been related with the "Balance of Profits carried forward and/or remitted to Head Office accounts" in each year. This yielded an average relation of 0.77% over the five years. But the "Balance etc." excludes (i) remittance of interest on funds borrowed from London—otherwise the relation would be perhaps 1.5% during these years ; and (ii) substantial sums remitted to the Head Offices for various service charges etc. The Banking Enquiry Committee also mentioned certain special charges etc. then levied on customers of these banks. For the interwar years as a whole the relation between total borrowings, including deposits, and the remittances of profits, etc. have been assumed here to be 3%, to allow for the much lower taxes, employees' share in profits, and operating costs then, very little competition from Indian banks in the exchange business, and the near monopoly of the exchange banks in the large

bullion trade of India. The annual remittances are thus estimated at 3% of the deposits, adjusted for borrowings in London on the same basis as at end—1929, and in Burma during 1921-31.

(3) *Remittance of Funds by Foreign Insurance Companies*

For these remittances, the meagre data available from 1928-29 in the "Indian Insurance Year Book" have been used here—from their total annual Indian income : premium income plus interest, dividend and rents on investments plus miscellaneous revenues, deduct (a) estimated management expenses, including commission etc., taxes paid in India, and claims, and (b) increment in Indian assets. The residue would broadly reflect onward remittances. But the premium incomes shown in the Year Book are 'net', i.e. gross premium income received, including reciprocation obtained on local exchange of facultative re-insurance, less the reinsurance premia paid by these companies, which would be appreciable. This was a technically difficult issue ; conservatively, this is allowed for here at an additional 15% of the recorded premia. For returns on assets, the series given for Indian Insurers for their mean life assurance funds has been used. Miscellaneous revenues are taken at 5% of the premium income on the basis of (i) the position in certain well-known individual companies, and (ii) the figure of 9% for all life business in 1944. Claims are taken at 40% of the premium income on life and general insurance business. For the latter, claims may have been less, and, perhaps, more on the former. But this figure is taken partly to allow for the near monopoly of these companies in the life business of the European etc. population working in India, claims on which were mostly met abroad. The expense ratio raised bitter controversy for the Insurance Bill of 1937. Basing on the average during 1940-1944, this is taken at 16%, including new and renewal life business, and 30% for others. Before 1939 many managing agency houses had their own insurance departments which kept down costs. Under taxes, one prominent general insurance company paid out 3.75%, 3.25% and 3.48% of its gross premium income during 1936-1938. In the present estimate this is allowed for at 2.5% for life and general insurance during 1921-39.

The final estimate on these bases yields an average yearly remittance of Rs. 2.98 crores during 1929-39. For the 8 years to 1928-29, it is assumed to be Rs. 2 crores a year. The 18-years average of Rs. 2.54 crores is almost 40% of the total premium income, allowing for re-insurance, and miscellaneous incomes.

(4) *Insurance Payments by other countries to India*

Indian companies obtained limited life and general business abroad, especially in British East Africa, Ceylon, Malaya etc. at much expense. The Year Book gives only their premium income for 9 years during 1928-1938 with gaps in 1930 and 1934 for general business, in 1928-30, and in 1934 for life business. It is assumed that 60% of such income were spent on claims, expenses and building up of assets. Remittances have had to be inter- or extra-polated for 1921-1930, and 1934.

(5) *Coastal Freights*

In the 'twenties, the monopoly of British shipping in our coastal trade evoked national feelings which fed on the ruinous competition it offered to pioneer Indian ventures. A few government committees which reported on specific aspects of shipping in this period—*e.g.* Indian Deck Passenger Committee in 1921, and the Indian Mercantile Marine Committee in 1924, are silent regarding the earnings of foreign shipping in the coastal trade.

For his period, 1898-1913, Pandit estimated freights and insurance etc. in this trade at 5% of the value of coastal imports, though coastal imports exceeded exports by anything from 1 to 10% in the different years. This method is inapplicable to the inter-war period. Owing to some changes in coastal trade statistics from 1932-33, the percentage excess of the values of all coastal imports over exports of 8.4% during 1921-22 to 1931-32 became a *shortfall* of 6% during 1932-33 to 1938-39.

The present estimate owes greatly to the help obtained from Scindia Steam Navigation—the foremost Indian company. With their figures, for 1937-38 and 1938-39, of the quantities of coastal trade carried in foreign bottoms in the three main classes of goods—coal, salt and general cargo forming the staples of this trade, and the rates of freight

charged for them, the freight bills for these goods in these two years are first estimated. These are related to the total value of coastal imports in 1937-39, adjusting these for the special coverage of Scindia's data of physical trade, and the proportion of freights to import values works out at 6.45%. (It was stated above that during 1921-32 coastal imports exceeded exports by 8.4%, and this includes insurance, commission etc. too.) Broadly this same 6.45% would apply to other years of the period. Freight rates moved much during these years, but so did commodity prices, and without considerable more data, it may not be far wrong to assume that over good and bad years the relationship between the two held at around that figure. Some occasional evidences of freight rates also support this.

Scindias also gave figures of non-Indian companies' share of coastal trade annually during 1933-39, i.e. after the second Coastal Conference. No such systematic data are available for earlier years, except for occasional references in government reports etc. Basing on these, this share has been taken at 93% in 1921-22, and reduced annually by $1\frac{1}{2}\%$ to 76.5% in 1932-33, after which Scindia's figures are taken.

Passage monies earned by these companies from carrying lakhs of passengers annually along the western and eastern coastline are estimated at a third of their gross freight earnings.

The net remittances from India—directly or indirectly—are taken at one-half of the earnings from freights and passages. Such remittances covered salary of non-Indian staff, insurance, survey, major repairs, and overhauling, stores, depreciation and reserve funds, purchase of additional ships when financed from current earnings, and profits. Indian companies too must have remitted sizable sums for insurance, salaries etc., for which no estimate is possible

(6) *Cinematograph Royalties*

There was no readily available source giving the numbers of foreign feature films annually imported into India. An appendix to the Report of the Indian Cinematograph Committee gave some data for 1921-22 to 1927-28. For the present estimate the Indian Motion Picture Producers'

Association was approached which gave some data for 1934-1939 ; the Central Board of Film Censors at Bombay and the Regional Office at Calcutta responded to a request for the numbers of feature films certified by them. The data from the Committee, Association, and two Censor Boards often differ widely for particular years. A series has, however, been constructed, basing largely on the Board's data. To get the remittances, the numbers in the series are multiplied with the estimated net remittable earnings per film—taken at Rs. 50,000, based on a memorandum submitted to the Committee, and on some data given by the Association.

(7) *Debt Services*

Most sterling obligations of the Government of India were initially incurred for the Indian railways which were first constructed by the State or private companies. To purchase the latter, the main methods were—(a) issue of India stock in part exchange for shares and taking over their Debentures as State liability, (b) issue of terminable annuities in part exchange for shares, (c) issue of India Stock in exchange for Debentures and Terminable annuities etc. Together with "Interest on Ordinary Debt" as shown in the Government accounts, "Interest on other obligations" of the Government payable in the UK, and "Interest on Capital contributed by Railway Companies and Indian States" are also included in the present estimate.

Returns on foreign industrial and commercial investments in India :—the least tractable part of this enquiry was to determine a time series of the average rates of returns on such capital. This explains why Viner and Pandit relied upon some one or more then-already-existing series, constructed, perhaps, with very different objectives. For Canada, Viner got the average interest yielded by foreign investments during 1900-1913 from 8 different series, including two not based on market prices, and used this to estimate the interest on foreign borrowings contracted during 1900-1913. But, surprisingly, the interest on \$1200 mn. of such investments at 1899-end was taken at 3% upto 1907 and then at 4%. After recognising its weaknesses, Pandit, perhaps for lack of a suitable series, adopted Lehfeldt's average rates of interest on

Colonial fixed-income issues for the foreign investments during 1898-1914. For the pre-1898 (i) commercial etc. investments, he used a constant rate of 3% on the estimated investments in 1898, and (ii) government borrowings, interest is taken at the uniform amount of Rs. 582 lakhs, being the interest due in 1898-99, disregarding the repayments of such borrowings after 1898 revealed by our enquiries.

For the present study, a dividend series has been constructed to estimate the debt services. The bulk of the foreign investments in India in 1921 and 1938 has been estimated in the present study by a more or less complete industrywise enumeration of the units with likely foreign capital, and of the par values of their paid-up capital, preference shares and debentures in 1921 and 1938. These data formed the appropriate starting point for a dividend series. This was calculated separately for rupee and sterling industries. Their mean is assumed to portray earnings in the rest of the field of activity of foreign capital in India for which we have no companywise breakdown.

For fixed-interest obligations, like India Government Promissory Notes enfaced for payment of interest in London, Rupee and Sterling Loans of Corporations etc., and Native State Raj Sterling Loans, the returns are derived by multiplying the annual amounts due with the appropriate interest.

(8) *Tourist Account*

(i) *With the UK*—For this estimate the data are—the British Board of Trade returns of “British” passengers and long-term migrants (migrant is one changing his place of permanent residence, residence for one year or more being treated as permanent), the difference between the two being tourists. With each country, the data relate only to persons making a straight voyage to and from the UK—thus, for India, those travelling via Europe are omitted, the Board’s returns relating to the traffic with the Continent then being a mere counting of heads. For the breakdown, by place of residence, of the British subjects (the Board treated all subjects of the Crown as British)—migrants or travellers, like Ogilvie in his “The Tourist Movement”, we have to use the data collected for Tourists Inward i.e. to the UK in 1913, when they were

classified according to whether they resided in the British Empire Overseas, in Foreign Countries or in the UK. These showed that of all such Tourists to the UK, only 25% were UK residents. To apply this distribution to the traffic with India is to posit that 3 times as many visitors went on tour from India to the UK as residents of the UK came on tour to India—with the considerable number of British subjects lucratively employed in India and entitled to Home Leave and Passage (even leaving out those in the Public Forces, and under Liberal Arts and Imperfect Entries), an average of 4/5000 tourists from India to the UK in a normal year would be a plausible number. This is also corroborated by the Board's inward tourist figures for India.

From these tourist figures, we must deduct (a) Indian students—estimated at 800 a year—as their expenses abroad are separately estimated in this study; and (b) India Government officials going to the UK on home leave, as their expenses abroad are largely met from leave pay which is part of India Government's expenditures in the UK which are considered separately. The number of British nationals in the Public Administration then being some 6000, an approximate 800 are taken as the average number annually going to the UK. On the basis of an average leave of 6 months, and monthly income of Rs. 1,000, the average expenditure would be Rs. 4,000 or £300 (@ Re. 1=18d), allowing for the voyage and certain overhead expenses in India during the leave. The Board of Trade's estimate for all tourists to the UK was £200 and owing to longer duration of stay, £300 are perhaps more appropriate for India. For the opposite reason, the expenditure of tourists from the UK is taken at £100 each.

(ii) *With countries other than the UK*—We base this on certain data which we discovered in some files of the—then Central Publicity Bureau of the Indian State Railways. Latter had collected the data through Provincial Governments, Port authorities etc. from 1930-31. The Port and Police authorities only recorded the nationalities of passengers but not the purpose of visit beyond "tourists" and "on business"; some of the latter would be tourists in the economic sense. Further, as with the Board of Trade, all subjects of the Crown were

"British subjects", who did not have to state the purpose of visit ! However these data fall into three groups—"Tourists" arrived at Indian ports—averaging 1500—2000 in the 'thirties, Visitors recorded as "On Business"—about 12,000 a year excluding British subjects, and "British subjects of all categories landed at Bombay"—averaging almost 50,000 during the thirties including, presumably, the large migrant population, and pilgrims. Regarding the *per capita* expenditures of tourists, much scattered material is available regarding tourists of different nationalities, as also certain estimates which the Indian Railways Bureaus abroad made for intending visitors. The figures relating to the numbers, suitably deflated to exclude very short-term visitors etc., together with the average expenditures for the major classes have yielded the credits of the tourist account with countries other than the UK.

(iii) *Haj Pilgrims*—The annual numbers sailing from, and returning to, India are readily available. These exclude the few more well-to-do who took the overland route to the Hedjaz. The expenses of these pilgrims are for sea-passages and the pilgrimage proper, including taxes and dues, transport, rent of rooms and tents, food etc. For the interwar years, certain estimates of these expenses are available in :—Haj Enquiry Committee Report (1931), Report on Special Haj Enquiry by J. A. Rahim, I.C.S. (1940), Manual of Instructions for Pilgrims to the Hejaz—1938, (Port Haj Committee of Bombay), Reports of the British Consul at Jeddah etc. As most of the pilgrims were indigent, their expenses have been taken close to the minima indicated in these sources *viz.* Rs. 600 a pilgrim.

(iv) *Indian Students Abroad*—Regarding the UK, the Report of the Education Department of the High Commissioner for India for 1927-28 stated "No complete census has ever been taken of the number of Indian students receiving academic or practical education in Great Britain." But these reports gave some figures for most years from which a series has been drawn up for the present estimate. Their annual expenditure, including passage, is taken at £325 basing on the scales of Government Scholarships and of their frequent revision in the early 'twenties.

Regarding students in other countries, very little is known. With the meagre data obtained in the official Reports, their annual numbers are taken at 150 and 200 in Europe and USA respectively, and expense at £250 each uniformly for all the years.

To get the net figure for students, the estimated expenditure by India Government scholars abroad must be deducted as this forms part of the Government's transactions in the UK. Their numbers are available, and average expense is taken at £300.

(9) *Government transactions*

The calculations are based on the details of the Receipts and Disbursements of the Government of India in the UK in the annual reports of the Controller of the Currency, upto 1934-35. For later years Reserve Bank's Annual Reports on Currency and Finance, and Home Accounts of the Secretary of State were used.

To accord with the method of this study, we take out first, from both receipts and disbursements, all transactions relating to permanent debt, incurred as also repaid, and Council Bills and sterling purchases which only transferred to Government a portion of the favourable balance on private account. From disbursements, interest on sterling debt etc and pensions, already considered were deducted. The residue is taken into the current account of the balance of payments.

(10) *Remittances received by Foreign Religious Missions*

In the "Interpretative Statistical Survey of the World Mission of the Christian Church" (International Missionary Council, New York and London, 1938), it was estimated that, in 1935-36, "Appropriations from societies" for missionary work in India and Burma were £1.7 mn. The Salvation Army Year Books for 1936 and 1937 (London) stated—Some of the Army's financial needs for the current year—For maintenance and extension of the work in India and Ceylon—£57,000 in 1936, and £58,000 in 1937. The Directory of Christian Churches and Missions in India, Burma and Ceylon for 1940-41 (National Christian Council, Nagpur) stated that the 155 missionary societies in India (excluding Burma and Ceylon) with headquarters outside India had Foreign

Appropriations of US \$8.7 mn. in 1935. The corresponding figure of the International Missionary Society in 1935-36 is \$7.13 mn. including Burma.

For the present estimate, the International Missionary Council furnished figures relating to expenses in India of some 23 societies associated with the Conference of Missionary Societies. During 1925-1937 such expenses averaged £334th. annually. But this amount excludes expenses of the Salvation Army, many Faith Missions and the Roman Catholic Church. It was stated that broadly "the annual sums transmitted to India for Christian Mission work of all kinds, educational, medical, including furlough, passages etc., will probably be 50% higher than the annual totals". For the big omission, *viz.*, Catholic Missions, we made many futile attempts including addressing the Secretariat in Rome.

The total inward missionary remittances would include : (a) British, (b) Continental and (c) US Protestant Missions, and (d) all Catholic missions. The £1.7 mn. of the Survey for 1935-36 more or less covers (a), (b) and (c), and a 5-10% allowance may suffice for the omissions. The International Missionary Council data cover only (a), in part. Lastly, the 1935-36 Survey figure is over twice the Council's figure. In these circumstances, the Council's data, quadrupled, are taken to represent broadly the total remittances under the above four classes. For 1921-1924 the figures are extrapolated. Thus, in relation to the Survey figure for 1935-36, the Catholic missions are estimated to have imported into India about 86% of what all the Protestant missions did.

(11) *Expenditure of Foreign Consuls in India*

The Ministry of External Affairs, Government of India, reported that, in 1934, British India (including Native States and Burma) had 108 offices of Consul Generals, Consuls, etc., from 40 foreign governments. Their Indian expenditure would be mainly for : pay and allowances, office establishment—including rents, transport, entertainment etc., trade furtherance, and secret activities. From certain figures relating to the expenditure on Indian consulates then in a few neighbouring countries,

it is estimated that annually about Rs. 5 crores came into India for the 100 odd foreign consulates, etc.

(12) *Remittances through the Post Office*

From the Foreign Rupee and Sterling Orders and British Postal Orders issued and paid in India, some amounts must be deducted for payments for import/export of goods through the Post to arrive at the non-commercial postal remittances. But, in Indian trade returns, (i) postal imports of some classes of goods are recorded along with their general imports, and so are untraceable (it may not be wide of the mark to assume that such imports, generally the more costly goods—jewellery, precious stones, watches, etc., were paid for through banks); and (ii) all other postal imports were shown in one lumpsum figure for each year.

During 1921-22 to 1938-39, there were net import surpluses of Rs. 9,62 lakhs of "Postal Articles not specified", and of Rs. 42,43 lakhs in various postal orders etc. Hence, the latter largely represents non-commercial remittances (assuming postal remittances for trade not through the post being minor).

From an examination of (a) Total Postal exports not specified and (b) British Postal Orders and Rupee and Sterling Orders Paid in India on the one hand and (c) Total Postal Imports and (d) Total orders issued in India, on the other, annually during 1925-26 to 1929-30 (relatively normal years), it is estimated that during the inter-war years 75% and 50% of the orders paid and issued in India respectively represent non-commercial remittances.

(13) *Monetary savings brought back by returning Indian emigrants*

For this, though receipts through banks are not known, they would perhaps be very small. From the average amounts brought annually by each emigrant returning to Calcutta and the total numbers returning to India, the total savings brought back during 1921-22 to 1938-39 are put at Rs. 35,34 lakhs.

(14) *Remittances by the European Community temporarily resident and working in India*

No data could be traced for this estimate. The Indian Census for 1921 and 1931 gave the numbers, and the occupational distribution of workers of European and Allied Races in India. The numbers are recognized as not fully accurate as including some Anglo-Indians. Of the 1.11 lakh and 0.99 lakh workers and working dependents in 1921 and 1931 respectively, some 60% were in the Public Forces, 4.5% in the Public Administration, and the rest in professions, trade and industry, and insufficiently described occupations (3.4%).

The bulk of the current remittances would be for schooling expenses of children. The average sum per child is estimated at £250 in the light of fees etc. in British Public Schools, and certain other factors.

From the relatively abnormal age-distribution of the European British subjects in India in 1921 and 1931 as compared with the distribution for the home population of the UK, two different approaches were adopted to estimate the numbers of families (and children) of British subjects in India who were in the UK. These yielded (i) some 10,000 families being in their home country and (ii) some 5/6000 children being in schools, away from the father, if not mother too. For a conservative estimate, it is assumed that money was remitted annually at £250 each to support 6000 people, mostly school children, i.e. a total of £1.5 mn. or Rs. 2 crores (@ Re. 1=18d).

(15) *Estimate of the likely minimum volume of savings taken back from India by returning immigrants of European and Allied Races*

For this estimate some indication of the likely numbers of people involved is available in the British Board of Trade records of movements of British migrants between the UK, and India and Ceylon. Some limitations of these data were noticed above under "Tourists". However, from the 2,600 odd male British nationals who emigrated back to the UK annually during 1924-39, the following are deducted (i) 10% as Ceylon's share, (ii) 600 odd in "other and ill-defined occupations", and (iii) 10% of rest as having little, if any, savings. This

yields a figure of 1558. Of females, it is assumed that only 100 annually had sizable savings. After including a reasonable number for returning immigrants from countries than the UK, it is estimated that perhaps 35% of the recorded number of average emigrants of British nationality from India and Ceylon took back sizable savings with them.

On the size of such savings, no records could be had. But, on special request, figures were obtained from certain companies for 42 Europeans who left certain occupations in the 1930's, in which the sums received from employers or partnership firms on retirement ranged from Rs. 0.31 lakh to Rs. 10 lakhs. For the present estimate the average is taken at only Rs. 0.5 lakh. Multiplied by the numbers of people, estimated at only 35% of those recorded by the Board of Trade annually, the minimum savings remitted average Rs. 10.56 crores a year during 1921-39.

Calcutta.

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