

# FINANCE UNDER PROVINCIAL AUTONOMY

BY

C. N. VAKIL

UNIVERSITY PROFESSOR OF ECONOMICS, BOMBAY

AND

M. H. PATEL, M.A., LL.B.

RESEARCH ASSISTANT IN ECONOMICS,

SCHOOL OF ECONOMICS AND SOCIOLOGY, UNIVERSITY OF BOMBAY

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**STUDIES IN INDIAN ECONOMICS**

EDITED BY

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UNIVERSITY PROFESSOR OF ECONOMICS, BOMBAY

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## PREFACE

“Financial Developments in Modern India, 1860-1924” was published by the end of 1924. Since then great changes have taken place in the sphere of finance in this country. The literature on the subject has been growing at such a rate that it is extremely difficult to be up-to-date in information and ideas, unless one is in a position to devote his entire time to the continuous study of this absorbing subject. The importance of the study of this subject has further grown with the advent of Provincial Autonomy in 1937, because the power of the purse has been transferred to a great extent to the representatives of the people in the Provinces. These observations are made with a view to explain, if not to justify the fact that I have not been able to meet the demand of Universities and the public for a second edition of “Financial Developments”. A few studies on different aspects of the subject have been published by different authors in the interval, but the need for a comprehensive review of financial events in the country still remains unfulfilled. Any attempt at a thorough study of the financial events and problems of the country must result in a series of volumes, each devoted to a special aspect or period of the problem. A definite beginning towards this end has been made in this School with the help of a few advanced research workers, and it is expected that in due course the results of this work will be published. While these studies must take time it has been thought desirable to publish a brief review of recent events in Provincial Finance in view of their current importance. This small study may therefore be taken as an earnest of the fuller studies now under preparation. In view of this new plan, the original intention to issue a revised and up-to-date edition of “Financial Developments” has been

given up, though a reprint of the same to serve as a historical volume on Indian Finance from 1860-1920, may be issued if there is a demand for the same.

By the time this book was ready in manuscript form, the Report of the Resources and Retrenchment Committee of the Punjab Government was published, and we were happy to find considerable agreement in that report with our views on schemes for fresh sources of revenue in the Provinces. These have been indicated in the footnotes in the relevant places. The Niemeyer Award has been substantially altered recently while the book was still in the press ; note has been taken of the change in Appendix III. In view of the current importance of Sales Tax as an additional source of revenue in the Provinces, we have published the articles on the subject which we contributed to the "Commerce" in February, 1939. The criticism which we then offered on the proposals for a Sales Tax on cloth in the Bombay Presidency has been borne out by subsequent events, and we trust that the experience of other countries which we have briefly reviewed in this Appendix will be of interest to those concerned. We are indebted to the Editor of the "Commerce" for permission to make use of these articles in this book. I am also indebted to the University of Bombay for permission to reprint my article on "State and Economic Life in India" contributed to the Journal of the University of Bombay in July, 1939.

I may add that the greater portion of the material required for this book was collected by Mr. M. H. Patel, Research Assistant in Economics in this School, but for whose willing assistance it would have been difficult to publish this book in time.

C. N. VAKIL.

*School of Economics and Sociology,  
University of Bombay.  
31st March, 1940.*

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