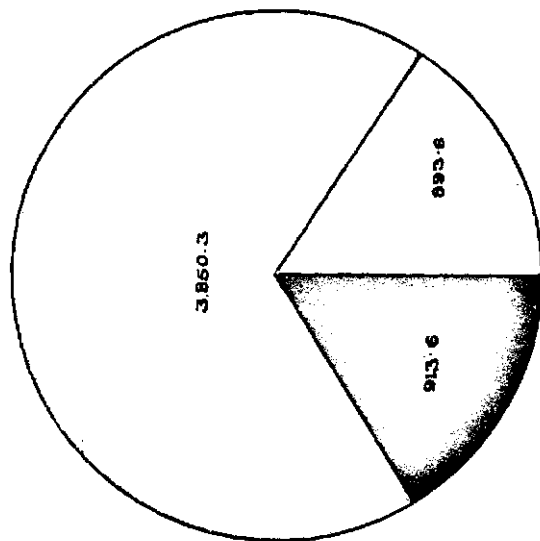


**AN ESSAY ON  
NATIONAL INCOME  
AND  
EXPENDITURE IN INDIA**

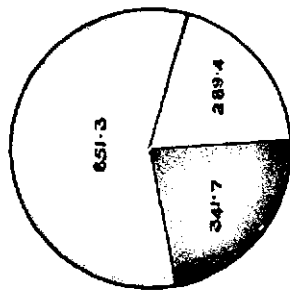
**B. NATARAJAN, B.A., D.LITT.**

National Income of the Indian Union in 1938-1939 and 1949-1950—Occupational Distribution  
in crores of rupees

1949-50



1938-39



OCCUPATION.	1938-39 (Crores)	1949-50 (Crores)
Primary Services	851.3	3,850.3
Secondary Services	289.4	893.6
Tertiary Services	341.7	913.6
TOTAL	1,482.4	5,657.5

PRIMARY SERVICES.

SECONDARY SERVICES

TERTIARY SERVICES.

**AN ESSAY ON  
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AND  
EXPENDITURE IN INDIA**



AN ESSAY ON  
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AND  
EXPENDITURE IN INDIA

BY  
B. NATARAJAN, M.A., D.LITT.  
*Economic Adviser to the  
Government of Madras*

WITH A FOREWORD

BY  
HON'BLE SRI P. S. KUMARASWAMY RAJA  
*Premier of Madras*

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1940

## FOREWORD.

“ National Income and Expenditure in India ” by Dr. B. Natarajan, comes at a time when knowledge of the national income and public expenditure is needed most for the correct formulation of the taxation policies. The author has taken pains to give a clear exposition of our country's economic conditions, giving a comparative study of those obtaining in the several Provinces and of their bearing on the Centre.

The study of the national income or the national expenditure—each separately, will not give a true perspective of the country's economy. Each being an indispensable counterpart of the other, a co-ordinated study of both alone will present a true picture of the economic conditions ; and it can be said to the credit of Dr. Natarajan that this work of his gives a clear analysis, bearing on both aspects of the National Economy, Income and Expenditure.

The public expenditure must be in a reasonable proportion to the national income ; and it is a salutary principle not to keep this proportion at a low level. The one must be commensurate with the other. The studies of the national income and expenditure have assumed supreme importance in the advanced countries of the world, where

more than the annual budgets people look forward to the economic surveys of the year, containing the analysis of national income, expenditure, savings and investment, as those form the very basis on which the budgetary estimates are built.

With regard to the annual Budgets in our country in general and Madras in particular, involving introduction of fresh taxation measures, adverse remarks are invariably made by the critics, by raising slogans that the new taxation measures throw additional burden on the already tax-burdened people in the country. The question whether or not the additional taxation causes undue strain on the people cannot be answered without reference to the existing national income or prosperity of the people. To find out whether such criticisms about fresh taxation measures are valid or not, a thorough and scientific study of the general economy in the country with reference to the national income and public expenditure would alone be a reliable guide.

The publication of this work at this juncture is welcome, as it would have all-round usefulness and I hope that it would afford a valuable guidance to all those concerned with the shaping of fiscal policies.

P. S. KUMARASWAMY RAJA.

FORT ST. GEORGE,

20th June 1949.

## ACKNOWLEDGMENTS.

In the preparation of this essay I have received liberal assistance from several members of my staff; in particular, from Sri N. K. Adyanthaya, Statistics Authority for Industrial Statistics, and Sri K. S. Sonachalam, Statistical Officer. I owe it to them to have solved a number of statistical difficulties that arose in the way of comparison of data consequent on the partition of the country.

I am deeply indebted to the Hon'ble Premier, Sri P. S. Kumaraswamy Raja, for the encouragement he gave me all through and for the readiness with which he acceded to my request to write a foreword; and to the Hon'ble Minister for Finance, Sri B. Gopala Reddi, for the effective support he gave me in the quiet manner characteristic of him.

The Superintendent and staff of the Government Press, to prove as it were that criticisms levelled against Nationalized Industries are not always warranted, completed this work in record time, and so well. I wish to thank them.

FORT ST. GEORGE,  
21st June 1949.

B. NATARAJAN.



“INFORMATION should not be withheld merely because it is approximate. If it is useful and believed to be reasonably correct, it should be published if there is no chance of better data becoming available in the near future”

—*The Canadian Journal of Economics and Political Science*, February 1949, page 37.

## CONTENTS

PARAS		PAGES
1— 34	I. NATIONAL INCOME .. .. .	1-25
1— 2	Introductory .. .. .	1-2
3— 7	Methods of computing National Income .. .. .	2-5
8— 9	Dr. Rao's estimate for 1931-32 ..	5-6
10— 12	National Income of British India ..	6-8
13— 18	National Income of the Provinces ..	8-10
19— 26	Estimate of National Income of the Indian Dominion .. .. .	10-14
27	National Income in 1938-39 and 1949-50 .. .. .	14-15
28	Per Capita Income in 1938-39 and 1949-50 .. .. .	15
29— 32	Occupational Distribution of Income..	15-23
33	Estimation of per capita incomes in the Primary, Secondary and Tertiary Sectors .. .. .	23-25
34	Share of Provincial Revenue in the Provincial National Income ..	25
35— 54	II. PUBLIC REVENUES .. .. .	26-44
35— 37	Provincial Revenues in 1938-39 and 1949-50 .. .. .	26-27
38	Composition of Provincial Revenues ..	27-29
	<i>A. Tax Revenue—</i>	
39— 41	Land Revenue .. .. .	30-32
42	Income-Tax .. .. .	32-34
43— 44	General Sales Tax .. .. .	34-36
45	Motor Vehicles Taxation .. .. .	37-38
46	Stamp Duty .. .. .	38-39

PARAS	PAGES
<i>B. Non-Tax Revenue--</i>	
47— 48	Forests .. .. . 39-40
49	Registration .. .. . 40-41
50— 51	Irrigation Works .. .. . 41-43
52— 54	Electricity Projects .. .. . 43-44
55— 84	III. PUBLIC EXPENDITURE .. .. . 45-76
55— 56	Public Expenditure in Provinces .. 45-47
57	Classification of Public Expenditure .. 47
58	Security Services .. .. . 47-49
59— 61	Social Services .. .. . 49-51
62— 64	Education .. .. . 51-55
65— 68	Medical Aid .. .. . 55-58
69— 71	Public Health .. .. . 58-61
72— 73	Development Services .. .. . 61-63
74— 76	Agriculture .. .. . 63-67
77— 78	Animal Husbandry .. .. . 67-68
79	Co-operation .. .. . 68-71
80— 82	Industries .. .. . 73-74
83— 84	Civil Works .. .. . 74-76
85— 105	IV. CONCLUSION .. .. . 77-93
94— 98	Burden of Provincial Revenues .. 83-87
99— 101	Tax and Non-Tax Revenue .. .. . 87-89
102—104	Direct and Indirect Taxes .. .. . 89-91
105	Summary of Conclusions .. .. . 91-93

*To face  
page*

#### V. DIAGRAMS—

1. National Income of the Indian Union in 1938-39 and 1949-50— Occupational Distribution (in crores of rupees). Fron-  
tis-  
piece.

	<i>To face page</i>
<b>V. DIAGRAMS—cont.</b>	
2 Diagram showing the National Income of the various Provinces of the Indian Union in 1938-39 and 1949-50 (in crores of rupees).	10
3 National Income in Madras, Bombay and Central Provinces in 1938-39 and 1949-50—Occupational Distribution (in crores of rupees).	17
4 National Income in United Provinces, Bihar and Assam in 1938-39 and 1949-50—Occupational Distribution (in crores of rupees).	18
5 National Income in Orissa, East Punjab and West Bengal in 1938-39 and 1949-50—Occupational Distribution (in crores of rupees).	23
6 Provincial Tax and Non-Tax Revenues.	28
7 Classification of Provincial Expenditure.	45
8 Expenditure on Education ..	52
9 Expenditure on Medical Aid ..	57
10 Expenditure on Public Health ..	58
11 Expenditure on Agriculture ..	67
12 Expenditure on Animal Husbandry.	68
13 Expenditure on Industries ..	73
14 National Money and Real Income of the Indian Union in 1938-39 and 1949-50.	79

	<i>To face page</i>
<b>V. DIAGRAMS—cont.</b>	
15 National Money and Real Income of the Provinces in 1938-39 and 1949-50.	81
16 Per Capita Money and Real Income in 1938-39 and 1949-50 in the Provinces.	84
<b>VI. APPENDICES—</b>	
	<b>PAGE</b>
I. Tax Revenue and Non-Tax Revenue in the Provinces in 1938-39 and 1949-50.	94
II. Receipts from Direct and Indirect Taxes and Tax Revenue in the Provinces in 1938-39 and 1949-50.	95
III. National Income and Per Capita Income in the Provinces and Indian Union in 1938-39 and 1949-50.	96
IV. National Real Income and Per Capita Real Income in the Provinces and Indian Union in 1938-39 and 1949-50.	97
V. National Income and Revenues in the Provinces.	98
VI. Composition of Per Capita Income in the Provinces of the Indian Union in 1938-39 and 1949-50.	99-100
VII. An Analysis of the Provincial and Central Finances.	101-102

# AN ESSAY ON NATIONAL INCOME AND EXPENDITURE IN INDIA

## I. NATIONAL INCOME.

1. **Introductory.**—Public Finance to day is not confined to the mechanics of adjusting public income to public expenditure. With the shift of emphasis from *laissez faire* to Social Welfare, the responsibilities of the State have increased and everywhere Key Industries are being nationalized. The trading and industrial activities of the State are gaining increasing importance. Nearly a quarter of the National Income was being spent by Government in countries like Britain even before World War II. The war has accentuated this trend and the proportion of public to private expenditure is on the upgrade. The sheer burden of taxation and volume of public expenditure produce a deep dent on private sector as well as on the entire national economy. Their effects on incentive to work, earn and save, on the level of economic activity, transfer of economic resources from one sector to another, and on private consumption, expectations and investments are profound and far-reaching. Great changes have taken place in these two spheres in the last ten years and as a guidance to future line of economic policies, a detailed analysis of the provincial trend of taxation and public expenditure in relation to the National Income is of much practical value.

2. The ultimate objectives of Governmental Policy are to attain optimum production, equitable distribution and full employment. Individual taxes may have particular ends in view: one may be designed to fall on agriculture, another on commerce and a third on industry. Taken all in all, the tax structure must attain the objectives for which it has been designed. The composite effect of the taxes and expenditure in the public sector will be different on different income brackets in the community. To unravel the complex socio-economic effects of the fiscal measures and public expenditure policy would be difficult; and it becomes all the greater, when reliable statistics relating to National Income, occupational pattern, distribution of income groups and volume of private consumption are lacking or meagre. The matter does not end there. No study can be complete unless the economic consequences of taxation and spending policies of all public bodies from the Central Government to local authorities are integrated and fully examined. Exiguous as statistics in this country are, it will be well nigh impossible to undertake a study of this magnitude. Scantiness of data, however, must not make us altogether abandon the task.

3. **Methods of computing National Income.**—Two methods of estimating National Income are well known. The first or Census of Production method consists in an evaluation of the goods produced and services rendered. It involves evaluating the net output of the various branches of productive enterprises—agriculture, mining, industry, trade, transport, etc., at the point of production, adding the value of imports and deducting the value of exports. The value of home-produced goods

and personal services, excises and customs duties, annual value of houses and the value of imports must be added while the value of exports and the value of goods used for the purposes of maintaining fixed capital, or stocks of raw or finished goods intact, etc., must be deducted. The second or Census of Incomes method consists in a summation of individual incomes. In adopting this method, all self-consumed produce, receipts in kind, the annual value of houses, etc., must be included.<sup>1</sup> Both these methods depend on the availability of annual statistics of agriculture, an annual Census of Manufacturing Industries, statistics of mining, fishing, forestry and cottage industries, statistics of trade, transport, imports and exports and a census of population with an analysis of occupational distribution.

✓4. A third method of measuring National Income is known as Social Accounting, an approach evolved by Prof. Richard Stone.<sup>2</sup> Instead of seeking to build up a single total such as the National Income, an investigation is first made of the classification of accounting entities, of the types of accounts that they keep and of the transactions into which they enter. In this way, all the transacting entities of an economic system are classified into broad sectors such as productive enterprises, financial intermediaries and final consumers, and a series of accounts for each of these sectors is set up, in which the separate entities represent economically distinct categories of transaction. Economic activity is

<sup>1</sup> For details, *vide* A Scheme for an Economic Census of India by Dr. A. L. Bowley and Prof. D. H. Robertson—pp. 9-12.

<sup>2</sup> *Vide* Definition and measurement of the National Income and related totals by Richard Stone in studies and reports on Statistical Methods No. 7, United Nations, Geneva, 1947.



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represented by money flows and related book-keeping transactions, actual or imputed, between accounts. The national income and other similar aggregates are obtained from the system by selecting and combining the constituent entries in the account. In India where institutions as well as individuals seldom maintain accounts of transactions unless statutorily compelled, this method is not feasible. In the absence of detailed enquiries, I had to proceed on somewhat empirical lines and build up an estimate on the basis of the work done by previous investigators.

5. Income groups in India are nowhere clearly defined and classified; and any attempt to assess the incidence and effects of provincial taxation and provincial expenditure will therefore have to be studied in relation to the community as a whole. Such a study may lack fulness of precision, but has the merit of simplicity and more than that, practicability.

6. Studies of National Income so far made have related to India as a whole; and therefore the only feasible course for the estimation of National Income for the different Provinces in the absence of elaborate Province-wide surveys is to have the estimated income for India as a whole as the starting point.

7. Calculations of National Income are in the most rudimentary stage in India and we have inevitably to proceed from Dr. V. K. R. V. Rao's pioneer study on "National Income in British India" in arriving at the National Income of the Provinces. In doing this due regard has been paid to the post-war inflationary situation and

changes in the level of production and the occupational pattern.<sup>1</sup>

8. **Dr. Rao's estimate for 1931-32.**—Thus proceeding, I give below in detail the process of computation adopted and the results obtained. Dr. Rao has estimated income from three sources, viz., (1) Agriculture, Pasture, Hunting and Fishing, (2) Industries and (3) Services including Trade, Transport, Government, Professions and Domestic Services. According to the figures given by him the income for British India excluding Burma for 1931-32 under the three different sources mentioned above was as follows :—

Source.	Estimated income in millions of rupees allowing for under-estimation in Agricultural income and income assessed to income-tax.
(1)	(2)
1 Agriculture, Pasture, Hunting and Fishing ..	8,784
2 Industries .. .. .	2,677
3 Services including Trade, Transport, Government, Professions and Domestic Services ..	3,874
Total ..	15,335

9. In order to estimate the income of British India (undivided) under each of the above heads under present conditions the most feasible course is to raise the figures suitably with reference to the increase in the index number of wholesale prices with 1931-32 as base, weighting it for increase in production during

<sup>1</sup> More accurate estimates will be possible after the publication of the Census Report of 1951.

the period 1931-32 to date. The present series of index numbers of wholesale prices compiled by the Economic Adviser to the Government of India have the year ended August 1939 as base or 100. Up to the commencement of the year 1947, the Economic Adviser to the Government of India used to publish two series of index numbers of wholesale prices (1) a series with week ending 19th August 1939 as base or 100 and (2) a series with week ending 19th September 1931 as base or 100. As the latter series is no longer in existence, the index number of wholesale prices for March 1949 with week ending 19th September 1931 as base had to be worked out by recourse to the method of splicing. The index numbers so calculated worked out to 548 for agricultural commodities and to 322 for industrial products.

**10. National income of British India, 1949-50.—** So far as agricultural commodities are concerned, there has not been any significant variation in production in British India since the base year 1931-32. The bare index of wholesale prices for agricultural commodities will therefore reflect with a fair degree of accuracy the variation in the value of agricultural output. The same cannot, however, be said of industrial products. Due largely to the impetus afforded by World War II, there was a significant increase in industrial activity in this country during the war years and the peak was reached in 1945-46. Though there has been some slackening in industrial activity since then, the present level of activity as judged by the index of industrial activity published by the "Capital" is still about 30 per cent higher than that for 1932-33, the earliest year for which the series has been compiled. A reasonably correct

appraisal of the variation in the value of industrial output in British India since the base year 1931-32 will therefore be afforded by the application of the correcting factor 130/100 or 13/10 to the index of 322 already worked out for industrial products. The appropriate index for industries may thus be assumed to be  $322 \times 13/10$  or 419.

11. A separate index had in addition to be worked out for Services including trade, transport, Government, professions and domestic services. There were very little data for use in the calculation of this index. Its estimation had therefore to be somewhat conjectural in character. Nevertheless, the best possible use was made of such data as were available regarding the number of persons employed under each of the above services in the estimation of a weighted average index with reference to assumed reasonable indices showing the increase under each head since 1931-32. An allowance of 20 per cent was also made for the increase in the number of persons employed in the various services. The index was finally taken as 300. The increase in this index is necessarily smaller relatively to the indices worked out for Agriculture and Industries, as the income of persons occupied in transport, Government, professional services, etc., has not, as is well known, advanced to the same extent as the income from Agriculture or Industries.

12. With the data relating to the estimated income in 1931-32 and indices to show increase in income since 1931-32 to serve as background, the estimated income of

British India (undivided India) as in March 1949 was worked out as shown in the following table :—

Source.	Estimated National Income of British India (excluding Burma) in 1931 (in millions of rupees).	Appropriate Index showing increase in income as compared with the base year 1931-32 for which the income is assumed as 100.	Estimated National Income of British India (undivided) as in March 1949 (in millions of rupees).
Agriculture, Pasture, Hunting and Fishing.	8,784	548	48,136
Industry .. .. .	2,677	419	11,217
Services including Trade, Transport, Government Professions and Domestic Services.	3,874	300	11,622
Total ..	15,335		70,975

§ 13. **National Income of the Provinces.**—The next step was to make the best possible estimate of National Income for the different Provinces on the basis of the income worked out for India. Estimates of income for the Provinces were worked out by adopting what was considered as the most suitable ratio for each Province compared to India under each of the three categories of income.

14. The ratio adopted for the first head, i.e., Agriculture, was based on the following criteria :—

(1) Cultivated area.

(2) Population occupied in the exploitation of the surface of the earth.

(3) Total yield of the principal crops.

(4) Livestock population (cows and cow-buffaloes).

The ratios were worked out separately under each head, and what was considered the most appropriate ratio in the light of the figures worked out was adopted in each case.

15. Under Industry the most appropriate criterion is the number of workers employed in different industries. Separate ratios were worked out for workers in organized and unorganized industries and they were combined suitably into a single ratio, organized industry receiving a higher weightage than unorganized industries.

16. Under the last head the ratios based on the number of persons occupied in each Province on the one hand and India as a whole on the other were separately worked out for trade, transport, domestic services, professions and liberal arts and they were suitably weighted with reference to the values of income under each of the sources.

17. The ratios adopted for different Provinces under the three heads of income are shown in the table below :—

Source.	Madras.	Bombay.	Bengal.	United Provinces.	Central Provinces and Berar.
(1)	(2)	(3)	(4)	(5)	(6)
1 Agriculture, pasture, hunting and fishing.	0.18	0.10	0.14	0.19	0.09
2 Industry .. .. .	0.19	0.20	0.20	0.14	0.05
3 Services including trade, transport, Government professions and domestic services.	0.25	0.13	0.15	0.15	0.06

Source.	Assam.	Bihar.	Orissa.	Punjab.	North-West Frontier Province.	Sind.
	(7)	(8)	(9)	(10)	(11)	(12)
1 Agriculture, pasture, hunting and fishing.	0.04	0.00	0.03	0.11	0.01	0.02
2 Industry .. .. .	0.03	0.07	0.03	0.07	0.01	0.01
3 Services including trade, transport, Government professions and domestic services.	0.02	0.06	0.03	0.11	0.02	0.02

18. Making use of the above ratios, and applying them to the income figures under the three heads estimated for India as a whole, the National Income of the different Provinces of British India (undivided) as in March 1949 worked out as follows :—

	<i>(In millions of rupees.)</i>
Madras .. .. .	13,704
Bombay .. .. .	8,571
Bengal .. .. .	10,727
United Provinces .. .. .	12,457
Central Provinces and Berar .. .. .	5,588
Assam .. .. .	2,493
Bihar .. .. .	5,813
Orissa .. .. .	2,129
Punjab .. .. .	7,358
North-West Frontier Province .. .. .	826
Sind .. .. .	1,309
Total ..	<b>70,975</b>

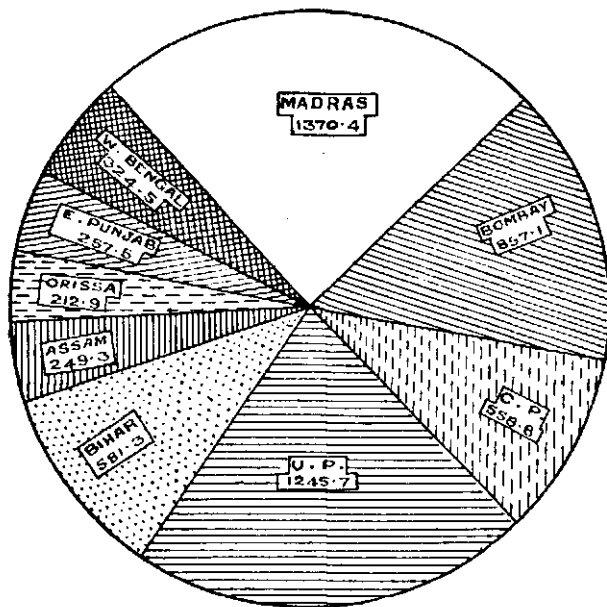
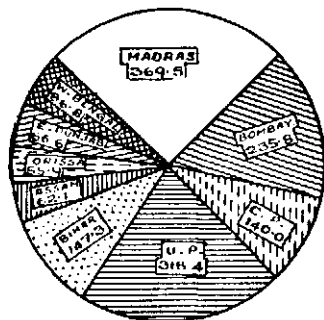
19. **Estimate of National Income of the Indian Dominion.**—The next step was to estimate the National Income of the Indian Dominion as in March 1949. This was done by eliminating the estimated National Incomes of Sind, the North-West Frontier Province, West Punjab and East Bengal from the total for British India (undivided). In estimating the National Incomes for East Punjab and West Bengal, the income estimated for the undivided Province in each case was reduced proportionately on a population basis, in the absence of any better data for effecting such a reduction.

20. On the above basis the Income for the whole of the Indian Dominion as in March 1949 works out to

Diagram showing the National Income of the Various Provinces of the Indian Union in 1938-39 and 1949-50 (in crores of rupees).

1949 - 50

1938 - 39





Rs. 56,575 millions and its distribution according to Provinces is as shown below :—

	<i>(In millions of rupees.)</i>
Madras .. .. .	13,704
Bombay .. .. .	8,571
United Provinces .. .. .	12,457
Central Provinces and Berar .. .. .	5,588
Bihar .. .. .	5,813
Assam .. .. .	2,493
Orissa .. .. .	2,129
East Punjab .. .. .	2,575
West Bengal .. .. .	3,245
Total ..	<b>56,575</b>

21. A similar method has been followed in estimation of the National Income of the different Provinces of the Indian Dominion for 1938-39.

22. This study of National Income has admittedly a few limitations. Firstly, it relates only to two points of time—the years 1938-39 and 1949-50, years no doubt highly significant for purposes of comparison. The current year is as important as pre-war year; one will serve as base year for many decades to come and the other marks the beginning of a period of determined effort to reconstruct the economy of this country. If no attempt has been made to produce a time series of the annual flow of National Income, it is because such computation over an abnormal period involves so much labour and has so little immediate practical relevance here. Secondly, no attempt has been made, owing to lack of necessary data, to analyse the National Income into such of its constituents as rent, wages, salaries, pay and allowances of the

Armed Forces, interest and profits. Nor has any attempt been made to examine the allocation of personal disposable income among different ranges. Classification of the population into different income brackets, useful in the formulation of fiscal policies, had also to be abandoned due to paucity of reliable data.

23. However, a careful study of the pattern of distribution of National Income in the Indian Union as a whole as well as in the individual Provinces among the three Services—Primary, Secondary and Tertiary—has been made; and it has yielded interesting results.

24. Since my original study of National Income in Madras Province published in August 1948<sup>1</sup>, amplified subsequently to cover the Indian Union, "Commerce"<sup>2</sup> and "Eastern Economist"<sup>3</sup> have made special studies. The results obtained by them fairly closely agree on fundamentals with the conclusions arrived at independently by me. The "Eastern Economist's" estimated National Income of British India of Rs. 1,934 crores in 1939-40 is near my estimate of Rs. 1,482.4 crores in 1938-39 for Indian Union in which the Provinces that went to make up Pakistan have been eliminated. "Commerce" has estimated the National Income of Indian Union as Rs. 4,972.8 crores in 1947 which, adjusted to price changes, would rise to Rs. 5,992 crores in 1949. This figure runs close to my estimate for the same year of a National Income of Rs. 5,657.5 crores for Indian Union.

<sup>1</sup> In the Independence Day Number of the "Liberator," Madras.

<sup>2</sup> In its Annual Review Number December 1948.

<sup>3</sup> In its Budget Special Number March 4, 1949 and its Record of Statistics, March 1949.

25. The per capita income was Rs. 66 in 1938-39 according to "Commerce", Rs. 67 in 1939-40 according to "Eastern Economist" and Rs. 68-7-10 in 1938-39 according to my estimate. The per capita money income was Rs. 223 in 1947 according to "Commerce" against my estimate of Rs. 228-10-0 in 1949-50; the per capita real income was Rs. 70 in 1947 according to "Commerce" against my estimate of Rs. 60-12-0 in 1949-50.

26. These points of general agreement indicate that the conclusions arrived at by my independent lines of enquiry, would not be far wide of the mark. Comparison of my estimates of National Income and per capita income of the nine Provinces is not possible as both "Commerce" and "Eastern Economist" have not extended their study to Provinces. In view of the general agreement on fundamentals, however, my figures for the Provinces can also lay claim to an equal measure of acceptance.

27. **National Income in 1938-39 and 1949-50.**—The National Income of the Indian Union has thus been estimated to have risen from Rs. 1,482.4 crores in 1938-39 to Rs. 5,657.5 crores in 1949-50. The National Income of the Province of Madras is estimated to have risen from Rs. 369.5 crores in 1938-39 to Rs. 1,370.4 crores in 1949-50, of Bombay from Rs. 235.8 crores to Rs. 857.1 crores, of Central Provinces and Berar from Rs. 140 crores to Rs. 558.8 crores, of United Provinces from Rs. 318.4 crores to Rs. 1,245.7 crores, of Bihar from Rs. 147.3 crores to Rs. 581.3 crores, of Assam from Rs. 62.1 crores to Rs. 249.3 crores, of Orissa from Rs. 55.9 crores to Rs. 212.9 crores, of East Punjab from Rs. 66.6 crores to

Rs. 257.5 crores and of West Bengal from Rs. 86.8 crores to Rs. 324.5 crores.

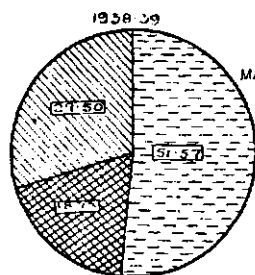
28. **Per Capita Income in 1938-39 and 1949-50.**—In this period, the per capita income has risen from Rupees 75-5-11 to Rs. 254-8-1 in Madras, from Rs. 115-4-1 to Rs. 369-4-9 in Bombay, from Rs. 84-15-5 to Rupees 306-14-11 in Central Provinces and Berar, from Rs. 59-0-9 to Rs. 209-1-3 in United Provinces, from Rs. 41-5-9 to Rs. 147-11-6 in Bihar, from Rs. 62-1-6 to Rs. 225-9-9 in Assam, from Rs. 65-5-7 to Rs. 224-12-3 in Orissa, from Rs. 70-13-0 to Rs. 222-15-9 in East Punjab and from Rs. 50-4-9 to Rs. 153-1-8 in West Bengal.

*National Income and Per Capita Income in 1938-39 and 1949-50.*

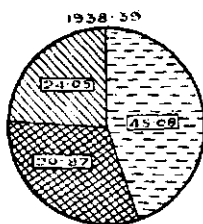
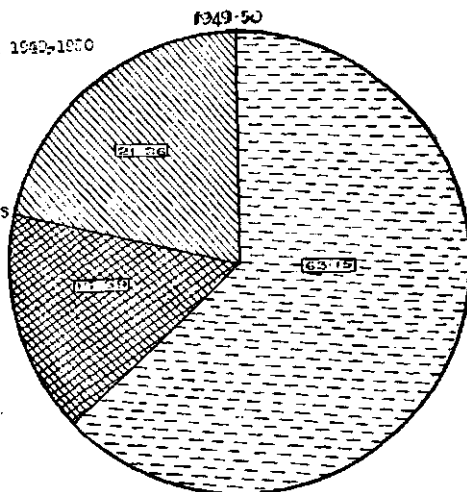
Province.	1938-39.			1949-50.		
	Popula- tion (000).	National income (crores).	Per capita income.	Popula- tion (000).	National income (crores).	Per capita income.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
		RS.	RS. A. P.		RS.	RS. A. P.
Madras .. .. .	47,757	369.5	77 5 11	53,846	1,370.4	254 8 1
Bombay .. .. .	20,459	235.8	115 4 1	23,209	857.1	369 4 9
Central Provinces and Berar.	16,478	140.0	84 15 5	18,206	558.8	306 14 11
United Provinces ..	53,921	318.4	59 0 9	59,580	1,245.7	209 1 3
Bihar .. .. .	35,613	147.3	41 5 9	39,352	581.3	147 11 6
Assam .. .. .	10,001	62.1	62 1 6	11,050	249.3	225 9 9
Orissa .. .. .	8,554	55.9	65 5 7	9,472	212.9	224 12 3
East Punjab .. ..	9,405	66.6	70 13 0	11,548	257.5	222 15 9
West Bengal .. ..	17,257	86.8	50 4 9	21,195	324.5	153 1 8
Total .. .. .	219,445	1,482.4	66 7 10	247,458	5,657.5	228 10 0

29. **Occupational distribution of Income.**—The occupational distribution of income between the primary, secondary and tertiary services has also been estimated for all the Provinces for the various groups. The estimated income for the primary services of agriculture,

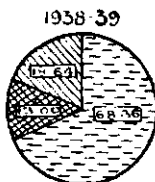
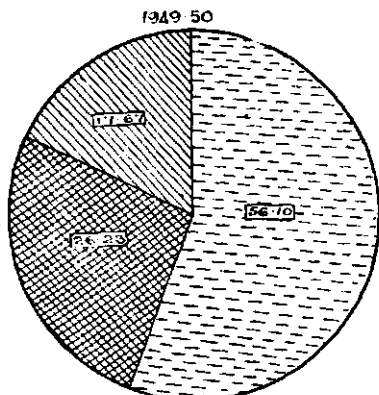
National Income in 1938-39 and 1949-50



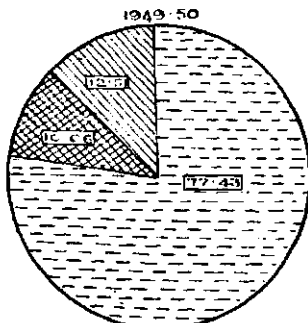
MADRAS



← BOMBAY →



← C. P. →



PRIMARY

SECONDARY

TERTIARY SERVICES

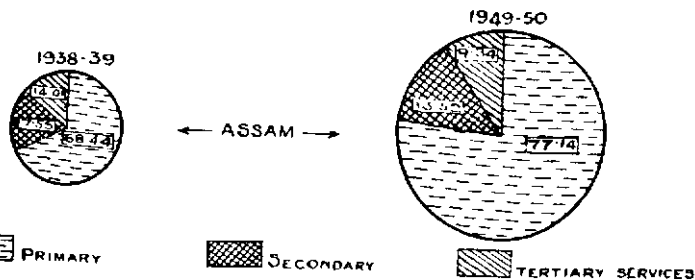
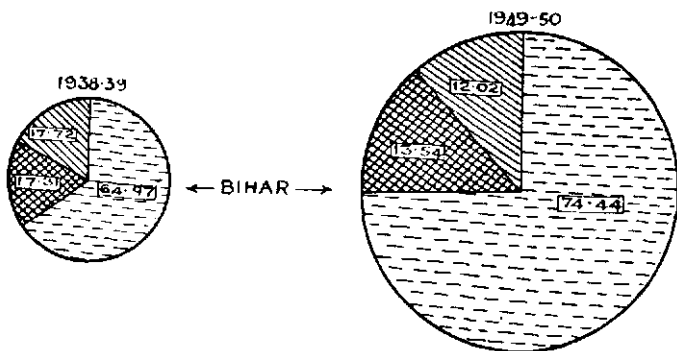
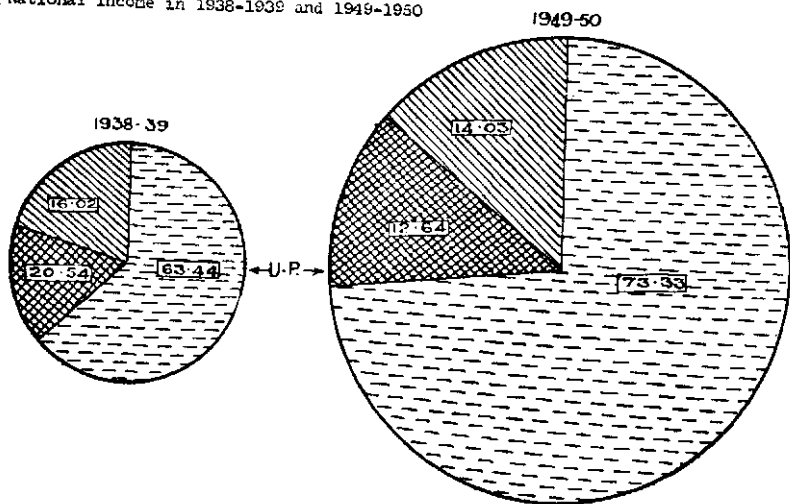
pasture, fishing and hunting ranges from more than half to three-fourths of the total National Income in all the provinces. It is Rs. 865.4 crores or 63.15 per cent of the National Income in Madras, Rs. 480.8 crores or 56.1 per cent in Bombay, Rs. 432.7 or 77.4 per cent in Central Provinces, Rs. 913.5 or 73.33 per cent in United Provinces, Rs. 432.7 or 74.44 per cent in Bihar, Rs. 192.3 or 77.14 per cent in Assam, Rs. 144.2 or 67.7 per cent in Orissa, Rs. 185.1 or 71.88 per cent in East Punjab and Rs. 203.6 or 62.74 per cent in West Bengal. The secondary services (industries) account for Rs. 213.6 crores or 15.59 per cent of the National Income in Madras, Rs. 224.8 crores or 26.3 per cent in Bombay, Rs. 56.2 crores or 10.06 per cent in Central Provinces, Rs. 157.4 crores or 12.6 per cent in United Provinces, Rs. 78.7 crores or 13.54 per cent in Bihar, Rs. 33.7 crores or 13.52 per cent in Assam, Rs. 33.7 crores or 15.8 per cent in Orissa, Rs. 27.5 crores or 10.68 per cent in East Punjab and Rs. 6.8 crores or 20.96 per cent in West Bengal. The share of tertiary services including trade, transport, Government, professions and domestic service is Rs. 291.4 crores or 21.26 per cent in Madras, Rs. 151.5 or 17.67 per cent in Bombay, Rs. 69.9 crores or 12.51 per cent in Central Provinces, Rs. 174.8 crores or 14.03 per cent in United Provinces, Rs. 69.9 crores or 12.02 per cent in Bihar, Rs. 23.3 crores or 9.34 per cent in Assam, Rs. 35.0 crores or 16.44 per cent in Orissa, Rs. 44.9 crores or 7.44 per cent in East Punjab and Rs. 52.9 crores or 16.3 per cent in West Bengal. The statement given next page shows the share of each of these three sectors in the National Income of the provinces and the changes registered in the period of about ten years, between 1938-39 and 1949-50.

*Occupational distribution of National Income in 1938-39  
and 1949-50.*

Province.	Primary services.				Secondary services.	
	1938-39.		1949-50.		1938-39.	
	Income in rupees crores.	Per cent to total National Income.	Income in rupees crores.	Per cent to total National Income.	Income in rupees crores.	Per cent to total National Income.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Madras .. ..	191.3	51.77	865.4	63.15	69.2	18.73
Bombay .. ..	106.3	45.08	480.8	56.10	72.8	30.87
Central Provinces.	95.7	63.36	432.7	77.43	18.2	13.00
United Provinces.	202.0	63.44	913.5	73.33	51.0	16.02
Bihar .. ..	95.7	64.97	432.7	74.44	25.5	17.31
Assam .. ..	42.5	68.44	192.3	77.14	10.9	17.55
Orissa .. ..	31.9	57.07	144.2	67.73	10.0	19.50
East Punjab ..	40.9	61.41	185.1	71.88	8.9	13.36
West Bengal ..	45.0	51.84	203.6	62.74	22.0	25.35
Total .. ..	<b>851.8</b>	<b>57.43</b>	<b>3,850.3</b>	<b>68.06</b>	<b>289.4</b>	<b>19.52</b>

	Secondary services —cont.		Tertiary services.			
	1949-50.		1938-39.		1949-50.	
	Income in rupees crores.	Per cent to total National Income.	Income in rupees crores.	Per cent to total National Income.	Income in rupees crores.	Per cent to total National Income.
	(8)	(9)	(10)	(11)	(12)	(13)
Madras .. ..	213.6	15.59	100.0	29.50	291.4	21.26
Bombay .. ..	224.8	26.23	56.7	24.05	151.5	17.67
Central Provinces.	56.2	10.06	26.1	18.64	69.9	12.51
United Provinces.	157.4	12.64	65.4	20.54	174.8	14.03
Bihar .. ..	78.7	13.54	26.1	17.72	69.9	12.02
Assam .. ..	33.7	13.52	8.7	14.01	23.3	9.34
Orissa .. ..	33.7	15.83	13.1	23.43	35.0	16.44
East Punjab ..	27.5	10.68	16.8	25.23	44.9	17.44
West Bengal ..	68.0	20.96	19.8	22.81	52.9	16.30
Total .. ..	<b>893.6</b>	<b>15.79</b>	<b>341.7</b>	<b>23.05</b>	<b>913.6</b>	<b>16.15</b>

National Income in 1938-1939 and 1949-1950



 PRIMARY
  SECONDARY
  TERTIARY SERVICES



30. In this decade the share of primary services in the National Income of the Indian Union has risen both absolutely and relatively from Rs. 851.3 crores or 57.43 per cent in 1938-39 to Rs. 3,850.3 crores or 68.06 per cent in 1949-50. In the base year this share was lowest in Bombay, being 45.08 per cent and highest in Central Provinces and Assam, being very near 68.5 per cent. In the current year too, the share of primary services is lowest in Bombay being 56.10 per cent and highest in Central Provinces and Assam, hovering about 77 per cent. The share of the primary services in the other provinces ranged between 51 per cent and 65 per cent in 1938-39 and between 63 per cent and 75 per cent in 1949-50. It has risen from 51.77 per cent in 1938-39 to 63.15 per cent in 1949-50 in Madras, from 63.44 per cent to 73.33 per cent in United Provinces, from 64.97 per cent to 74.44 per cent in Bihar, from 57.07 per cent to 67.73 per cent in Orissa, from 61.41 per cent to 71.88 per cent in East Punjab and from 51.84 per cent to 62.74 per cent in West Bengal.

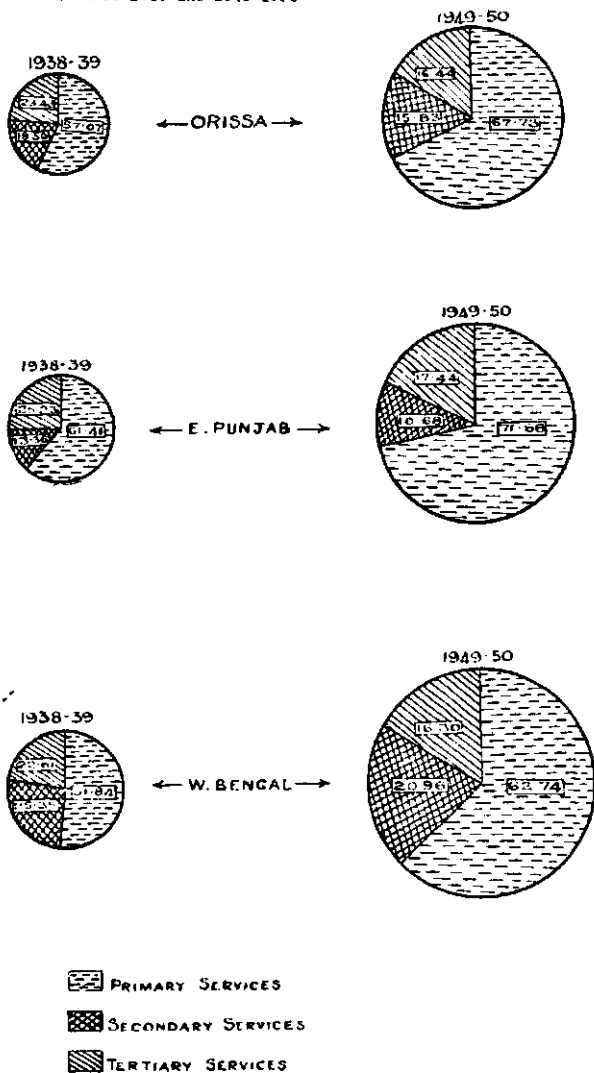
31. The share of the secondary services in the National Income has also registered an increase in its absolute size. It has risen from Rs. 289.4 crores in 1938-39 to Rs. 893.6 crores in 1949-50. But the relative share in National Income has fallen from 19.52 per cent in the base year to 15.79 per cent in the current year. The proportion of income of secondary services to National Income was lowest in Central Provinces, and East Punjab being about 13 per cent. In the current year too, the share of the secondary services is the lowest in the same provinces being a little over 10 per cent. The share in Bombay was the highest in both the years, being 30.87 per cent in

the former and 26·23 per cent in the latter. The share of the secondary services has fallen in all the provinces from 18·73 per cent in 1938-39 to 15·59 per cent in 1949-50 in Madras, from 16·02 per cent to 12·64 per cent in United Provinces, from 17·31 per cent to 13·54 per cent in Bihar, from 17·55 per cent to 13·52 per cent in Assam, from 19·50 per cent to 15·83 per cent in Orissa and from 25·35 per cent to 20·96 per cent in West Bengal.

32. In absolute terms income from tertiary services has risen from Rs. 341·7 crores in 1938-39 to Rs. 913·6 crores in 1949-50, but its share in the National Income has fallen from 23·05 per cent in the base year to 16·15 per cent in the current year. In both years the share of Assam was the lowest being 14·01 per cent in 1938-39 and 9·34 per cent in 1949-50 and highest in Madras being 29·50 per cent in 1938-39 and 21·26 per cent in 1949-50. During the decade, the share of tertiary services to the National Income has declined from 24·05 per cent to 17·67 per cent in Bombay, from 18·64 per cent to 12·51 per cent in Central Provinces, from 20·54 per cent to 14·03 in United Provinces, from 17·72 per cent to 12·02 per cent in Bihar, from 23·43 per cent to 16·44 per cent in Orissa, from 25·23 per cent to 17·44 per cent in East Punjab and from 22·81 per cent to 16·30 per cent in West Bengal.

Though there has been an absolute increase in the money earnings of all the services, the share of the different services in the National Income has undergone a change. The primary services have registered a rise of about 11 per cent in the share of the National Income. The share of the secondary services has fallen by about

National Income in 1938-39 and 1949-50



4 per cent and of the tertiary services by about 7 per cent. Bombay, an industrially advanced province, derives a larger income than any other province from secondary services; and the percentage share of the National Income is also highest. The percentage share of the primary services is highest in Central Provinces and Assam and that of the tertiary services in Madras.

**33. Estimation of per capita incomes in the Primary, Secondary and Tertiary Sectors.**—Separate estimates have been made of the per capita income in the Primary, Secondary and Tertiary Services for the different provinces. Population figures relating to the three services were available separately for each province only in the report on the Census of India for 1921. The figures for Madras reduced to percentages of the total population were 71 per cent for Primary, 11 per cent for Secondary and 18 per cent for Tertiary. Since 1921, there has been a continuous shift of the population of this province, as indeed of all other provinces, from agriculture to industry and trade, and the latest position with regard to relative proportions for Madras as can be judged from the available figures is approximately 67 per cent for Primary, 13 per cent for Secondary and 20 per cent for Tertiary. By rough interpolation the corresponding proportions from 1938-39 have been taken at 69 per cent, 12 per cent and 19 per cent respectively. In the case of other provinces, it has been assumed for want of better data, that the shift from agriculture to industry and services has been on the same scale as in Madras with reference to the basic data of population under the three services available for each province in the report on the Census of India for 1921.

On this assumption, the population under each of the three services was estimated for each province for 1938-1939 and 1949-50. Using these population figures, the per capita income was estimated under the three heads, Primary, Secondary and Tertiary separately for each province. The estimates are shown in the table below.

*Statement showing the per capita income of the Primary, Secondary and Tertiary Services in the different Provinces in 1938-39 and 1949-50.*

Province.	Primary.						Secondary.					
	1938-39.			1949-50.			1938-39.			1949-50.		
	RS.	A.	P.	RS.	A.	P.	RS.	A.	P.	RS.	A.	P.
Madras .. .. .	58	0	10	239	14	0	120	11	11	305	2	3
Bombay .. .. .	86	9	7	351	2	1	273	10	11	691	14	6
Central Provinces and Berar ..	80	10	8	339	8	6	110	7	0	280	9	3
United Provinces .. .. .	51	5	1	215	15	2	78	13	0	203	3	8
Bihar .. .. .	34	7	3	146	0	9	89	8	1	250	0	0
Assam .. .. .	49	6	7	209	10	7	363	5	4*	762	7	1*
Orissa .. .. .	47	13	0	202	15	9	159	5	8	444	9	6
East Punjab .. .. .	76	4	8	286	4	3	45	1	0	108	3	7
West Bengal .. .. .	34	12	3	131	0	6	141	10	7	356	6	4

	Tertiary.						Total.					
	1938-39.			1949-50.			1938-39.			1949-50.		
	RS.	A.	P.	RS.	A.	P.	RS.	A.	P.	RS.	A.	P.
Madras .. .. .	120	2	0	270	11	1	77	5	11	254	8	1
Bombay .. .. .	102	10	3	241	11	11	115	4	1	369	11	9
Central Provinces and Berar ..	88	0	0	202	1	4	84	15	5	306	14	11
United Provinces .. .. .	80	13	9	183	5	10	59	0	9	209	1	3
Bihar .. .. .	52	5	7	104	7	9	41	5	9	147	11	6
Assam .. .. .	79	1	5	162	4	1	62	1	6	225	9	9
Orissa .. .. .	100	5	7	217	7	3	65	5	7	224	12	3
East Punjab .. .. .	81	3	2	176	11	3	70	13	0	222	15	9
West Bengal .. .. .	71	11	5	138	10	7	50	4	9	153	1	8

\* The comparatively high figure can be largely explained by the fact that the proportion of the population in the Secondary Services is relatively smaller than in the other provinces.

These figures show that, as a result of war and post-war conditions, the per capita income in Primary Services has advanced more than in Secondary and Tertiary Services. While the per capita income in the Secondary and Tertiary Services is still very much higher than that obtaining in the Primary Services, it is evident that there has been a tendency for the gap to be narrowed down.

**34. Share of Provincial Revenue in the Provincial National Income.**—The statement given below shows that the share of the provincial revenue in the National Income of the province varies widely from 3·4 per cent in Central Provinces to 9·81 per cent in West Bengal, the other provinces occupying intermediate positions. The proportion in Assam is 3·58 per cent, in Madras 4·07 per cent, in Orissa 4·18 per cent, in Bihar 4·2 per cent, in United Provinces 4·47 per cent, in Bombay 5·71 per cent and in East Punjab 6·19 per cent.

*National Income and Revenue of the Provinces  
in 1949-50.*

Province.	Popu- lation (in thousands).	National Income (in crores).	Per			Revenue (000)	Percentage of Revenue to National Income.
			capita.	A. P.			
(1)	(2)	(3)	(4)	(5)		(6)	
		RS.	RS.	RS.			
Madras .. .. .	53,846	1,370·4	254	8	1	55,75,32	4·07
Bombay .. .. .	23,209	857·1	369	4	0	48,80,76	5·71
Central Provinces .. .. .	18,206	558·8	306	14	11	18,99,64	3·40
United Provinces .. .. .	59,580	1,245·7	209	1	3	55,73,44	4·47
Bihar .. .. .	39,352	581·3	147	11	6	24,43,96	4·20
Assam .. .. .	11,050	249·3	225	9	9	3,91,77	3·58
Orissa .. .. .	9,472	212·9	224	12	3	3,90,00	4·18
East Punjab .. .. .	11,548	257·5	222	15	9	15,92,69	6·19
West Bengal .. .. .	21,195	324·5	153	1	8	31,33,04	9·81

## II. PUBLIC REVENUES.

### 35. Provincial Revenues in 1938-39 and 1949-50.—

In the last ten years, there has been a marked change in the size as well as composition of public revenue in all the provinces. In Madras, revenue has risen from Rs. 16.13 crores in 1938-39 to Rs. 55.75 crores in 1949-50 (Budget Estimate) or nearly  $3\frac{1}{2}$  times, in Assam from Rs. 2.58 to Rs. 8.91 crores or by  $3\frac{1}{2}$  and in other provinces by more than four times.

#### *Revenues in 1938-39 and 1949-50.*

(In thousands.)

Province.	Revenues in		
	1938-39.	1949-50.	Increase in number of times.
(1)	(2)	(3)	(4)
	RS.	RS.	
Madras .. .. .	16,13,45	55,75,32	3.46
Bombay .. .. .	12,44,59	48,80,76	3.92
Central Provinces .. .. .	4,27,41	18,99,64	4.44
United Provinces .. .. .	12,80,00	55,73,44	4.35
Bihar .. .. .	5,23,83	24,43,96	4.67
Assam .. .. .	2,58,48	8,91,77	3.45
Orissa .. .. .	1,82,00	8,90,00	4.89
East Punjab .. .. .	3,98,17	15,92,69	4.00
West Bengal .. .. .	7,95,76	31,83,04	4.00
<b>Total .. .. .</b>	<b>67,23,69</b>	<b>2,69,30,62</b>	<b>4.01</b>

36. Although a sharp rise in public revenues is noticeable in all provinces, there has been also a parallel rise in public expenditure. If expenditure had stayed at the pre-war level in Madras that province would have built out of surpluses, a Reserve Fund of Rs. 238.74 crores but actually it is only Rs. 29.40 crores.

37. In Madras the per capita contribution to public revenue—both tax and non-tax—has advanced from

Rs. 3-6-1 in 1938-39 to Rs. 10-5-7 in 1949-50. The highest per capita contribution of Rs. 21-0-5 is that of Bombay in 1949-50; next comes West Bengal with Rs. 15-0-3, East Punjab with Rs. 13-12-8 followed by Central Provinces, Madras, Orissa, United Provinces, Assam and Bihar in a descending order of magnitude. The percentage rise in the per capita contribution to public revenue in the last 10 years may be seen from the statement below :—

*Per capita contribution to Provincial Revenues.*

Province. (1)	Per capita contribution.*						Percent- age rise. (4)
	1938-39.			1949-50.			
	RS.	A.	P.	RS.	A.	P.	
Madras .. .. .	3	6	1	10	5	7	306
Bombay .. .. .	6	1	4	21	0	5	346
Central Provinces .. .. .	2	9	6	10	6	10	402
United Provinces .. .. .	2	6	0	9	5	8	394
Bihar .. .. .	1	7	7	6	3	5	422
Assam .. .. .	2	9	4	8	1	2	313
Orissa .. .. .	2	2	1	9	6	5	441
East Punjab .. .. .	4	3	9	13	12	8	326
West Bengal .. .. .	4	9	9	15	0	3	326
Total .. .. .	3	1	8	10	14	2	351

**38. Composition of Provincial Revenues.**—Apart from size, changes in the composition of the Provincial Revenues have also been striking. The revenues of the provinces are mainly derived from Land Revenue, Taxes on Income other than Corporation Tax, Provincial Excise, General Sales Tax, Motor Vehicles Taxation, Stamp Duty, Registration, Forests, Irrigation and Electricity Schemes. Of these, Provincial Excise has completely disappeared in Madras while in others it is in the process of disappearance. During the last decade the General Sales

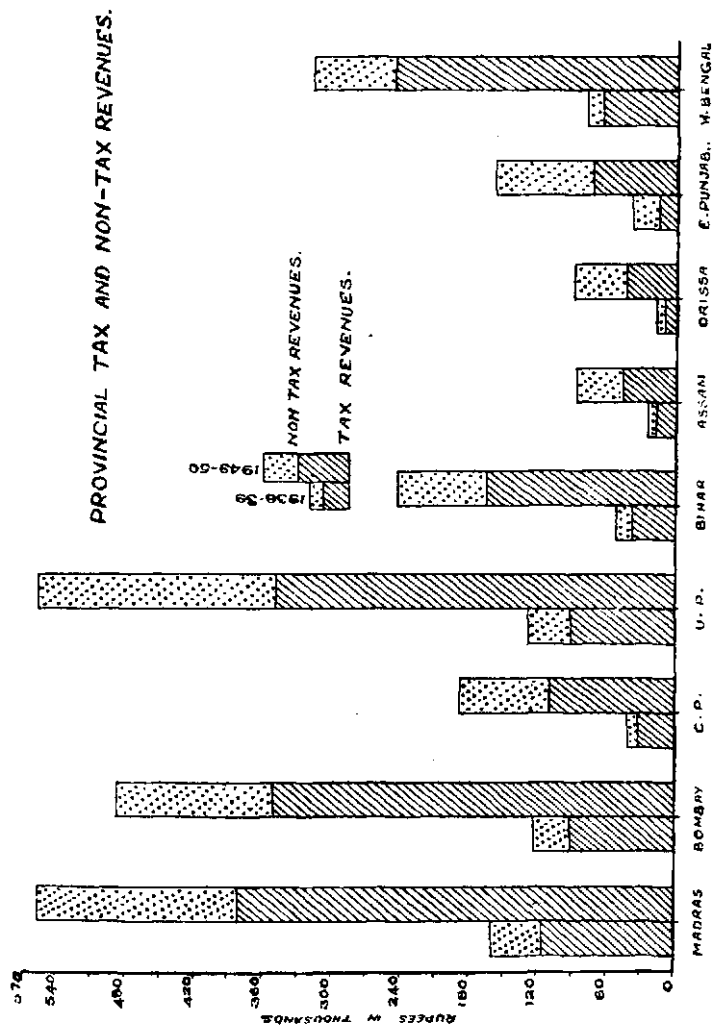
\* Includes Provincial share of the income-tax.



Tax has made spectacular progress and has become the largest yielder in some of the Provinces. The receipts from the Income Tax divisible pool of the Government of India are steadily rising. The receipts from the Stamp Duty and other items have not increased in the same proportion as the general revenues and therefore have lost some ground. The bulk of the non-tax revenue comes from the twin sources of Irrigation and Electricity schemes, although the contributions of Registration and Forests are not negligible. The proportion of tax and non-tax revenue to total revenue may be seen from the statement on next page.

*Revenue from (tax and non-tax) in 1938-39 and  
1949-50.*

Province.	Total revenue. (000)		Tax revenue. (000)		Non-tax revenue. (000)
	1938-39	1949-50	1938-39	1949-50	1938-39
	(2)	(3)	(4)	(5)	(6)
(1)	RS.	RS.	RS.	RS.	RS.
Madras .. .. .	16,13,45	55,75,32	11,65,88	38,22,68	4,47,57
Bombay .. .. .	12,44,59	48,80,76	9,28,10	35,18,27	3,16,49
Central Provinces .. .. .	4,27,41	18,99,64	3,25,75	11,05,58	1,01,66
United Provinces .. .. .	12,80,00	55,73,44	9,10,35	35,02,72	3,69,65
Bihar .. .. .	5,23,83	24,43,96	3,89,37	16,54,80	1,34,46
Assam .. .. .	2,58,48	8,81,77	1,84,86	4,77,75	73,62
Orissa .. .. .	1,82,00	8,90,00	1,01,80	4,32,62	80,20
East Punjab .. .. .	3,98,17	15,92,69	1,65,24	7,40,21	2,32,93
West Bengal .. .. .	7,95,76	31,83,04	6,56,50	24,71,75	1,39,26
Grand total ..	<b>67,23,69</b>	<b>2,69,30,62</b>	<b>48,27,85</b>	<b>1,77,24,38</b>	<b>18,95,84</b>
	Non-tax revenue (000)	Percentage of tax revenue to total.	Percentage of tax revenue to total.	Percentage of non- tax revenue to total.	Percentage of non- tax revenue to total.
	—cont.				
	1949-50	1938-39	1949-50	1938-39	1949-50
	(7)	(8)	(9)	(10)	(11)
	RS.	RS.	RS.	RS.	RS.
Madras .. .. .	17,52,64	72.26	68.56	27.74	31.44
Bombay .. .. .	13,64,49	74.57	72.04	25.43	27.96
Central Provinces .. .. .	7,94,06	76.21	58.19	23.79	41.81
United Provinces .. .. .	20,70,72	71.12	62.16	28.88	37.24
Bihar .. .. .	7,89,16	74.33	67.66	25.67	32.34
Assam .. .. .	4,14,02	71.52	53.56	28.46	46.44
Orissa .. .. .	4,67,38	55.93	48.60	44.07	51.40
East Punjab .. .. .	3,52,48	41.46	46.48	58.54	53.52
West Bengal .. .. .	7,11,29	82.52	77.65	17.48	22.35
Grand total ..	<b>92,06,34</b>	<b>71.8</b>	<b>65.81</b>	<b>38.2</b>	<b>34.19</b>



## A. TAX REVENUE.

39. **Land Revenue.**—Land Revenue which had been the mainstay of Provincial Finance even so late as 1938-39 has since lost its place. It has remained almost static in all the provinces. In Madras it was 31·8 per cent of the total revenue in 1938-39, but has fallen to less than 10 per cent in 1949-50. As a proportion of the tax revenue alone, Land Revenue was as high as 44 per cent in 1938-39, but forms only 13·8 per cent in 1948-49 in Madras. It accounts for even less elsewhere: for 12·5 per cent in Orissa, 11·3 per cent in Bombay, 8·2 per cent in Bihar and 7·2 per cent in West Bengal—although in United Provinces, East Punjab, Central Provinces and Assam it ranges from 19·4 per cent to 34 per cent; but every where it has uniformly lost the dominant position it held 10 years ago as will be seen from the statement below :—

*Proportion of land revenue to tax revenue.*

Province.	1938-39.			1949-50.		
	Tax revenue. (000)	Land Revenue.		Tax revenue. (000)	Land Revenue.	
		Amount. (000)	Percentage to tax revenue.		Amount. (000)	Percentage to tax revenue.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	RS.	RS.		RS.	RS.	
Madras .. ..	11,65,83	5,13,37	44·03	38,22,68	5,30,75	13·88
Bombay .. ..	9,28,10	3,54,62	38·20	35,16,27	3,96,92	11·28
Central Provinces ..	3,25,75	2,12,08	65·10	11,05,58	3,47,04	31·38
United Provinces ..	9,10,35	5,81,68	63·89	35,02,72	6,78,25	19·36
Bihar .. ..	3,89,37	1,31,52	33·77	16,54,80	1,37,00	8·15

*Proportion of land revenue to tax revenue—cont.*

Province.	1938-39.			1949-50.		
	Tax revenue. (000),	Land revenue.		Tax revenue. (000)	Land revenue.	
		Amount. (000)	Percentage to tax revenue.		Amount. (000)	Percentage to tax revenue.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	RS.	RS.		RS.	RS.	
Assam .. ..	1,84,86	1,12,64	60.93	4,77,75	1,62,31	33.97
Orissa .. ..	1,01,80	45,96	45.14	4,32,62	54,17	12.51
East Punjab ..	4,70,88	2,63,53	55.97	7,40,21	1,61,79	21.86
West Bengal ..	10,53,45	3,24,10	30.77	24,71,75	1,78,75	7.23
Total ..	<b>55,30,44</b>	<b>25,39,50</b>	<b>45.92</b>	<b>1,77,24,38</b>	<b>26,46,96</b>	<b>14.93</b>

40. Although Land Revenue has ceased to be the mainstay of Provincial Finance, it has not dwindled to such insignificance as to warrant its abolition. It is an old tax, imposed from time immemorial. In United Provinces it is yielding nearly Rs. 6.8 crores, in Madras Rs. 5.3 crores, in Bombay nearly Rs. 4 crores and in Central Provinces Rs. 3.5 crores. While, therefore, it is obvious that it cannot be given up, with certain reforms in its structure and incidence, it might even be made to yield better results.

41. Though relatively inelastic in the last ten years, receipts from Land Revenue have slightly improved in all the provinces; the increase in Central Provinces is highest being 1.64 times that of base year; it is 1.45 times in Assam while in other provinces it is not even 1.2 times. Its incidence per acre of cultivated land has also correspondingly increased in all the provinces and in Orissa sharply from As. 4-5 to As. 13-5 or by about three times. Heaviest in Assam ten years ago and

now, it has risen from Rs. 2-5-4 to Rs. 3-0-3. In Madras it has risen from Rs. 1-10-0 to Rs. 1-12-3 while in United Provinces from Rs. 1-9-10 to Rs. 1-13-0, in West Bengal from Rs. 1-5-0 to Rs. 1-14-11, in Bombay from Rs. 1-3-11 to Rs. 1-7-1, in East Punjab from Rs. 1-0-9 to Rs. 1-6-5, in Central Provinces from Rs. 14-0 to Rs. 1-6-10 and in Bihar from As. 10-11 to As. 12-6 (*vide* statement below):—

*Receipts from land revenue.*

Province.	1938-39.			1949-50.			Increase in number of times.	
	Amount (000).	Percentage to total revenue.	Incidence per cultivated acre.	Amount (000).	Percentage to total revenue.	Incidence per cultivated acre.	Amount.	Incidence per cultivated acre.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	RS.		RS. A. P.	RS.		RS. A. P.		
Madras ..	5,13,97	31.82	1 10 0	5,30,75	9.52	1 12 3	1.03	1.09
Bombay ..	3,54,62	28.49	1 3 11	3,96,92	8.13	1 7 1	1.12	1.16
Central Provinces.	2,12,08	49.62	0 14 0	3,47,04	18.27	1 6 10	1.64	1.63
United Provinces.	5,81,68	45.44	1 9 10	6,78,25	12.17	1 13 0	1.17	1.12
Bihar ..	1,31,52	25.11	0 10 11	1,37,00	5.60	0 12 6	1.04	1.15
Assam ..	1,12,64	43.58	2 5 4	1,62,31	18.20	3 0 3	1.44	1.29
Orissa ..	45,96	25.25	0 4 5	54,17	6.08	0 13 5	1.18	3.04
East Punjab.	2,63,53	23.20	1 0 9	1,61,79	10.16	1 6 5	0.61	1.33
West Bengal.	3,24,10	25.39	1 5 0	1,78,75	5.62	1 14 11	0.55	1.49
Total ..	25,39,50	31.97	1 4 2	26,46,98	9.83	1 12 6	1.04	1.41

*Note.*—Incidence per cultivated acre in 1949-50 is based on the net area sown in 1947-48 for Madras and in 1945-46 for the rest of the Provinces.

42. **Income-tax.**—The share in the proceeds of the income-tax divisible pool has been regulated by the Government of India (Distribution of Revenues) Order,

1936 and 1948 on the lines of Niemeyer Award at 18 per cent for Madras, at 21 per cent for Bombay, at 6 per cent for Central Provinces, at 19 per cent for United Provinces, at 13 per cent for Bihar, at 3 per cent for Assam and at 3 per cent for Orissa under the Government of India Act of 1935. From Rs. 22.5 lakhs in 1938-39 it now stands in Madras at Rs. 789.3 lakhs in 1949-50. Contributing 1.39 per cent of the total revenue in the former year, it accounts for 14.16 per cent in the latter year. In Bombay it has risen from Rs. 30 lakhs to Rs. 920.85 lakhs and the percentage to the total revenue from 2.41 to 18.85; in West Bengal from Rs. 30 lakhs or 1.35 per cent of the revenue to Rs. 565.80 lakhs or 11.78 per cent, in Central Provinces from Rs. 7.5 lakhs or 1.75 per cent of the revenue to Rs. 245 lakhs or 12.9 per cent, in United Provinces from Rs. 22.5 lakhs or 1.76 per cent of the revenue to Rs. 933.15 lakhs or 16.74 per cent, in East Punjab from Rs. 12.00 lakhs or 1.06 per cent to Rs. 204.25 lakhs or 12.82 per cent, in Bihar from Rs. 15 lakhs or 2.86 per cent to Rs. 599.67 lakhs or 24.54 per cent, in Assam from Rs. 3 lakhs or 1.16 per cent to Rs. 157.25 lakhs or 17.63 per cent and in Orissa from Rs. 3 lakhs or 1.65 per cent to Rs. 146.55 lakhs or 16.47 per cent. If the share of each Province is assumed to be equivalent to the contribution of that Province by way of income-tax, its per capita incidence varies from Rs. 3-15-6 in Bombay to Rs. 1-5-6 in Central Provinces; in West Bengal, it is Rs. 2-10-9 and in the other Provinces occupying intermediate positions, per capita incidence hovers about Rs. 1-8-0.

*Receipts from Taxes on Income other than  
Corporation tax.*

Province.	1938-39.			1949-50.			Increase in number of times.	
	Amount (000).	Percentage to total revenue.	Per capita.	Amount. (000).	Percentage to total revenue.	Per capita.	Amount.	Per capita.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) (9)
	RS.		RS. A. P.	RS.		RS. A. P.		
Madras ..	22,50	1.39	0 0 9	7,89,30	14.16	1 7 5	35.08	31.22
Bombay ..	30,00	2.41	0 2 1	9,20,85	18.85	3 15 6	30.70	27.22
Central Provinces.	7,50	1.75	0 0 9	2,45,10	12.90	1 5 6	32.68	28.67
United Provinces.	22,50	1.76	0 0 8	9,33,15	16.74	1 9 1	41.47	37.63
Bihar ..	15,00	2.86	0 0 8	5,99,67	24.54	1 8 5	39.98	36.63
Assam ..	3,00	1.16	0 0 6	1,57,25	17.63	1 6 9	52.42	45.50
Orissa ..	3,00	1.65	0 0 7	1,46,55	16.47	1 8 9	48.85	42.43
East Punjab.	12,00	1.06	0 0 9	2,04,25	12.82	1 12 4	17.02	37.78
West Bengal.	30,00	2.35	0 0 10	5,65,80	11.78	2 10 9	18.86	51.30
Total ..	1,45,50	1.83	0 0 10	45,64,92	16.94	1 13 8	31.35	35.60

43. **General Sales Tax.**—This is comparatively a recent find to the provincial exchequer. Madras has been the first to land on it in 1939-40. Bombay imposed it next in 1942-43, Bihar in 1943-44, Central Provinces, Assam and Orissa in 1947-48 and United Provinces in 1948-49. Ever since its imposition it has been so well exploited in Madras that its yield has progressively increased from Rs. 33.99 lakhs (half-year revenue) in the first year of its imposition to Rs. 12.45 crores in 1949-50. It is hoped that the receipts from this tax

already the highest for any single tax would in course of time bridge the gap of Rs. 16.8 crores caused by the loss of excise revenue there. Among the other provinces Bombay has also made a spectacular progress in increasing the revenue from this tax from Rs. 11.34 lakhs in 1942-43 to Rs. 682.59 lakhs in 1949-50. In United Provinces it is expected to yield Rs. 4 crores in the first year of its imposition and Rs. 6 crores in the second year, viz., 1949-50. In West Bengal the revenue from this source has risen from Rs. 15.62 lakhs in 1941-42 (undivided Bengal) to Rs. 400 lakhs in 1949-50, or by 25 times. In Orissa, the revenue has increased from Rs. 5.61 lakhs in the first year to Rs. 57 lakhs in the current year; in three years, it has increased by more than ten times. Assam which imposed the tax in 1947-48 is getting Rs. 20 lakhs in the current year. In Central Provinces the revenue has increased within three years by nearly four times from Rs. 62.48 lakhs in 1947-48 to Rs. 232.43 lakhs in the current year. From Rs. 0.32 lakh for undivided Punjab, the yield of this tax has risen to Rs. 101.00 in 1949-50 for East Punjab alone. Receipts from this tax form 23.35 per cent of the total revenue in Madras, 14 per cent in Bombay, 12.6 per cent in West Bengal, 12 per cent in Central Provinces, 10.8 per cent in United Provinces and Bihar, 6.4 per cent in Orissa, 6.34 per cent in East Punjab and 2.24 per cent in Assam. The per capita incidence of this tax in Madras has risen within the last decade from As. 2-5 to Rs. 2-5-0 or by 16 times; it is Rs. 2-15-1 in Bombay, Rs. 1-14-2 in West Bengal, Rs. 1-4-5 in Central Provinces, Re. 1-0-1 in United Provinces, As. 14-0 in East Punjab, As. 10-9 in Bihar, As. 1-8 in Orissa and As. 2-11 in Assam.



## Receipts from Sales Tax.

Province.	First imposed.	Yield in the first year (000).	Yield in 1949-50.		
			Amount (000).	Percentage to total revenue.	Per capita.
(1)	(2)	(3)	(4)	(5)	(6)
		RS.	RS.		RS. A. P.
Madras .. .. .	1939-40	33,99	12,45,00	23.35	2 5 0
Bombay .. .. .	1942-43	11,34	6,82,59	13.98	2 15 1
Central Provinces .. .. .	1947-48	62,48	2,32,43	12.23	1 4 5
United Provinces .. .. .	1948-49	4,00,00 *	6,00,00 *	10.77	1 0 1
Bihar .. .. .	1943-44	— 2,11	2,64,00	10.80	0 10 0
Assam .. .. .	1947-48	2	20,00	2.24	0 2 11
Orissa .. .. .	1947-48	5,61	57,00	6.40	0 9 8
East Punjab .. .. .	1941-42	32	1,01,00	6.34	0 14 0
West Bengal .. .. .	1941-42	15,62	4,00,00	12.57	1 14 2
Total .. .. .			36,02,02	13.38	1 7 3

\* Estimated.

44. If these statistics are any guide, the problem of further exploitation of this tax must be approached with great care and circumspection. The striking increase in its yield in recent years is mainly due to the twin factors of rising prices and enhanced rates. The scope of this tax is widening and the list of exempted goods contracting in all the provinces. The fond belief that this tax has limitless revenue yielding potentialities will find a shake when it is remembered that its yield is but a function of the price level. If the present anti-inflationary policy bears fruit in bringing down prices, it is bound to depress *pro tanto* the yield of the tax. Although an elastic source of revenue, any further enhancement of the rate will accentuate to an undesirable degree its regressive character. Further, any attempt to revise the rate still further may not be followed by a commensurate increase in yield. In Public Finance two and two do not always make four.

45. **Motor Vehicles Taxation.**—Motor Vehicles Taxation has become in recent years a small but steadily growing source of revenue. In the decade under consideration, its yield has risen in Madras from Rs. 81·22 lakhs to Rs. 189·33 lakhs. Although there is an absolute increase of Rs. 108 lakhs, its proportion to the total revenue of the Province has fallen from 5 per cent in 1938–39 to 3·4 per cent in 1949–50. This is the highest revenue derived by any of the provinces of the Indian Union. In Bombay it has risen from Rs. 45·39 lakhs to Rs. 104·58 lakhs, but the relative proportion to total revenue however has fallen from 3·65 per cent to 2·1 per cent. The same trend is noticed in United Provinces, East Punjab, West Bengal, Assam and Orissa as will be seen from the statement below. Bihar and Central Provinces alone record an upward trend in the relative proportion also. The per capita incidence is however highest in Bombay being As. 7–3 against As. 5–7 in Madras, As. 3–1 in West Bengal, As. 2–3 in Central Provinces, As. 1–6 in East Punjab, 1 anna in United Provinces and Assam, 5 pies in Orissa and 1 pie in Bihar.

*Receipts from Motor Vehicles Taxation Acts.*

Province.	1938–39.			1949–50.			Increase in number of times.	
	Amount (000).	Percentage to total revenue.	Per capita.	Amount (000).	Percentage to total revenue.	Per capita.	Amount.	Per capita.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Madras ..	81,22	5·03	0 2 9	1,89,33	3·40	0 5 7	2·33	2·03
Bombay ..	45,39	3·65	0 3 7	1,04,58	2·14	0 7 3	2·30	2·02
Central Provinces.	4,26	1·00	0 0 5	25,89	1·36	0 2 3	6·08	5·40
United Provinces,	11,70	0·91	0 0 4	36,09	0·65	0 1 0	83·0	3·00

## Receipts from Motor Vehicles Taxation Acts—cont.

Province.	1938-39.			1949-50.			Increase in number of times.	
	Amount (000).	Percentage to total revenue.	Per capita.	Amount (000).	Percentage to total revenue.	Per capita.	Amount.	Per capita.
	RS.		RS. A. P.	RS.		RS. A. P.		
Bihar ..	30	0.06	Less than a ptc.	2,98	0.12	0 0 1	9.93	..
Assam ..	3,71	1.44	0 0 7	7,83	0.86	0 1 1	2.06	1.86
Orissa ..	1,01	0.56	0 0 2	2,54	0.29	0 0 5	2.51	2.50
East Punjab.	12,83	1.13	0 0 9	10,79	0.68	0 1 6	0.84	2.00
West Bengal.	21,90	1.72	0 0 7	40,90	1.28	0 3 1	1.87	5.29
Total ..	1,82,32	2.30	0 1 1	4,30,73	1.56	0 2 9	2.31	2.54

46. **Stamp Duty.**—One of the old taxes with a diminishing importance but yet yielding increasing receipts is the Stamp Duty. This duty yields the largest in Madras being more than five times that of Central Provinces and more than equal to the combined revenues of United Provinces and Bihar. But its relative proportion to total revenues is diminishing from 10.75 per cent to 7.85 per cent, although absolute receipts have increased by two and a half times from Rs. 173.37 lakhs to Rs. 437.82 lakhs in ten years. There is an increase in absolute receipts in the provinces except Assam where they have declined from Rs. 18.12 lakhs to Rs. 14.94 lakhs or by nearly 17 per cent. In East Punjab and West Bengal, receipts in 1949-50 are not comparable with base year on account of partition. In Bombay, the receipts have risen by 2.4 times, in Central Provinces and Orissa by 2 times while in United Provinces and Bihar by 1.75 times. Reckoned in terms of per capita receipts, this source yields the highest in Bombay, being Rs. 1-7-10 as

against Rs. 1-0-7 in West Bengal, As. 13-0 in Madras and As. 7-4 in Bihar (*vide* statement below).

### Receipts from Stamp Duty.

Province.	1938-39.			1949-50.			Increase in number of times.	
	Amount (000).	Percentage to total revenue.	Per capita.	Amount (000).	Percentage to total revenue.	Per capita.	Amount.	Per capita.
	RS.		RS. A. P.	RS.		RS. A. P.		
Madras ..	1,73,37	10.75	0 5 10	4,37,82	7.85	0 13 0	2.53	2.23
Bombay ..	1,44,36	11.60	0 11 3	3,45,81	7.09	1 7 10	2.40	2.12
Central Provinces.	36,84	8.62	0 3 7	76,82	4.04	0 6 9	2.09	1.88
United Provinces.	1,28,36	10.03	0 3 10	2,30,00	4.13	0 6 2	1.79	1.61
Bihar	1,04,64	19.98	0 4 8	1,80,00	7.37	0 7 4	1.72	1.57
Assam ..	18,12	7.01	0 2 11	14,94	1.68	0 2 2	0.83	0.74
Orissa ..	18,28	10.04	0 3 5	38,69	4.35	0 6 6	2.12	1.90
East Punjab.	78,12	6.88	0 4 8	39,39	2.47	0 5 5	0.50	1.16
West Bengal.	2,57,77	20.19	0 7 3	2,20,00	6.91	1 0 7	0.85	2.29
Total ..	9,59,86	12.09	0 5 7	15,83,47	5.88	0 10 3	1.65	1.84

### B. NON-TAX REVENUE.

47. **Forests.**—The most important heads of the non-tax revenue of the Provinces are Forests, Registration, Irrigation and Electricity Projects.

48. The general principle governing Forest Administration is conservation and development so as to maximise its influence on rainfall and weather conditions rather than exploitation in a commercial spirit. That being so this source cannot be depended upon to yield a steady or a sizable income. True, in the years of war-time intensive and extensive exploitation receipts from Forests leapt up as will be seen from the statement below; but the

war-time denudation was so very ruthless that it will take many years before recovery sets in, resulting in increased revenue.

### Receipts from forests.

Province.	1938-39.			1949-50.			Increase in number of tim-a.	
	Amount (000).	Percentage to total revenue.	Per acre of forests.	Amount (000).	Percentage to total revenue.	Per acre of forests.	Amount.	Per acre.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	RS.		RS. A. P.	RS.		RS. A. P.		
Madras ..	45,63	2.83	0 5 8	1,48,18	2.66	1 1 6	3.25	3.09
Bombay ..	40,60	3.26	0 7 7	2,12,27	4.35	2 10 2	5.23	5.56
Central Provinces.	48,68	11.30	0 4 11	1,36,86	7.20	0 13 10	2.81	2.81
United Provinces.	50,83	3.97	0 8 9	2,21,46	3.97	2 7 2	4.36	4.48
Bihar ..	7.73	1.48	0 1 11	39,35	1.61	0 9 6	5.00	4.96
Assam ..	16.60	6.46	0 0 8	48,87	5.48	1 3 3	2.93	2.89
Orissa ..	6.37	3.50	0 3 11	23,76	2.67	0 14 7	3.73	3.79
East Punjab.	23,03	2.03	1 2 8	55,80	3.50	7 3 11	2.42	6.21
West Bengal.	22,41	1.76	0 7 8	52,92	1.66	3 4 1	2.36	6.79
Total ..	2,61,97	3.30	0 6 4	9,39,47	3.49	1 8 2	3.59	3.82

Note.—The revenue per acre in 1949-50 is calculated on the basis of acreage of forests in 1945-46.

**49. Registration Fees.**—The income from Registration which is a *quid pro quo* payment for service rendered has increased in recent years in all the provinces due to larger volume of transactions and enhanced rates. Relatively to the total revenues, however, it has everywhere fallen. The highest revenue of Rs. 86.64 lakhs is derived in Madras where the per capita receipt from this source works at As. 2-7 against As. 2-3 in West Bengal, As. 2-0 in Bihar, As. 1-11 in Bombay, As. 1-6 in Central Provinces, 6 pies in East Punjab and 3 pies in Assam.

## Receipts from Registration Fees.

Province.	1938-39.			1949-50.			Increase in number of times.	
	Amount (000).	Percentage to total revenue.	Per capita.	Amount (000).	Percentage to total revenue.	Per capita.	Amount.	Per capita.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	RS.		RS. A. P.	RS.		RS. A. P.		
Madras ..	32,70	2.03	0 1 1	86,04	1.55	0 2 7	2.65	2.38
Bombay ..	14,41	1.16	0 1 2	28,32	0.58	0 1 11	1.97	1.64
Central Provinces.	5,40	1.26	0 0 6	17,12	0.90	0 1 6	3.17	3.00
United Provinces.	8,72	0.68	0 0 3	22,00	0.39	0 0 7	2.52	2.33
Bihar ..	12,47	2.38	0 0 7	48,17	1.97	0 2 0	3.86	3.43
Assam ..	1,77	0.68	0 0 3	1,91	0.21	0 0 3	1.08	1.06
Orissa ..	2,26	1.24	0 0 5	5,07	0.57	0 0 10	2.24	2.00
East Punjab.	8,36	0.74	0 0 6	3,52	0.22	0 0 6	0.42	1.00
West Bengal.	24.12	1.89	0 0 8	30.00	0.94	0 2 3	1.24	3.38
Total ..	1,10,21	1.39	0 0 8	242,75	0.90	0 1 7	2.20	2.88

50. **Irrigation Works.**—Of the Provinces, United Provinces and Madras have built up vast permanent assets in the shape of Irrigation Works. Other Provinces do not have works worth comparison and Assam has none at all. Receipts from them, representing mainly the sale-proceeds of water supplied for irrigation purposes, have been steadily rising. The highest revenue of Rs. 236.82 lakhs is derived by United Provinces in the current year, having increased from Rs. 176.78 lakhs or by 134 per cent. Though in Madras yield is less, increase has been greater, it having risen from Rs. 157.32 lakhs to Rs. 215.04 lakhs in the past decade, or by 137 per cent. Bombay has increased its income from Rs. 21.93 lakhs to Rs. 40.06 lakhs or by 183 per cent and Central Provinces from Rs. 0.97 lakh to Rs. 18.16 lakhs or by 18.72 per cent. In Bihar, on the other hand, it has fallen from Rs. 17.42 lakhs to Rs. 12.99 lakhs or by 25 per cent. In Orissa, there was a net income of Rs. 1.87 lakhs in 1938-39, but in

the current year expenditure exceeds income by Rs. 5.44 lakhs. Revenue from Irrigation Works in undivided Punjab in 1938-39 was the highest being Rs. 451.17 lakhs, but East Punjab in 1949-50 derives only Rs. 102.86 lakhs. In West Bengal the income is negative in 1949-50 compared with Rs. 4.65 lakhs for undivided Bengal in 1938-39.

51. In spite of the variations in the yield through the decade, the relative percentage to total revenues has everywhere fallen except in Central Provinces. In United Provinces which has the highest absolute increase, there is a relative decrease from 13.81 per cent to 4.25 per cent. In Madras this decrease is from 9.75 per cent to 3.86 per cent, in Bombay from 1.76 per cent to 0.82 per cent and in Bihar from 3.33 per cent to 0.53 per cent. Receipts per acre of irrigated land in 1949-50 work out to Rs. 2-14-8 in Bombay against Rs. 2-3-6 in Madras, Rs. 2-0-5 in United Provinces, Rs. 2-0-4 in East Punjab, Rs. 1-2-4 in Central Provinces and Rs. 3-11 in Bihar. Compared with the base year of 1938-39, receipts per acre has increased by  $1\frac{1}{4}$  to  $1\frac{1}{2}$  times in Madras, Bombay and United Provinces and by nearly 13 times in Central Provinces, while it has fallen by one-third in Bihar.

### Receipts from Irrigation.

Province.	1938-39.			1949-50.			Increase in number of times.	
	Amount (000).	Percentage to total revenue.	Per acre of irrigated area.	Amount (000).	Percentage to total revenue.	Per acre of irrigated area.	Amount.	Per acre of irrigated area.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	RS.		RS. A. P.	RS.		RS. A. P.		
Madras ..	1,57.32	9.75	1 13 1	2,15.04	3.86	2 3 6	1.37	1.22
Bombay ..	21.93	1.76	1 15 5	40.06	0.82	2 14 8	1.83	1.49
Central Provinces.	97	0.23	0 1 5	13,16	0.96	1 2 4	13.72	12.94

## Receipts from Irrigation—cont.

Province.	1938-39.			1949-50.			Increase in number of times.	
	Amount (000).	Percentage to total revenue.	Per acre of irrigated area.	Amount (000).	Percentage to total revenue.	Per acre of irrigated area.	Amount.	Per acre of irrigated area.
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1)	RS.	RS.	A. P.	RS.	RS.	A. P.		
United Provinces.	1,76.78	13.81	1 9 2	2,36.82	4.25	2 0 5	1.34	1.25
Bihar ..	17.42	3.33	0 6 2	12.99	0.53	0 3 11	0.75	0.64
Assam ..	..	..	..	..	..	..	..	..
Oriassa ..	1.87	1.03	0 2 2	— 5.44	..	..	..	..
East Punjab.	4,51.17	39.72	2 11 8	1,02.86	6.46	2 0 4	0.23	0.74
West Bengal.	4.65	0.004	0 3 1	— 41	..	..	..	..
Total ..	<b>8,32.11</b>	<b>10.48</b>	<b>1 12 4</b>	<b>6,20.08</b>	<b>2.30</b>	<b>1 9 1</b>	<b>0.75</b>	<b>0.89</b>

Note.—Yield per acre for 1949-50 based on the net area irrigated in 1945-46; for Madras it is calculated on the basis of the area irrigated in 1947-48.

52. **Electricity Projects.**—Generation and distribution of electricity—hydro and thermal—has become a major undertaking of Provincial Governments and are invariably productive. In this Madras leads. Income from Electricity Projects has risen from Rs. 17.70 lakhs in 1938-39 to Rs. 108.06 lakhs (1.93 per cent of the total revenues) in 1949-50 or by nearly six times. Next comes Bombay with Rs. 75 lakhs or 1.41 per cent followed by East Punjab with Rs. 26.78 lakhs or 1.68 per cent, United Provinces with Rs. 12.33 lakhs or 0.22 per cent and Central Provinces with Rs. 5.76 lakhs or 0.30 per cent of the total revenues. Reckoned in per capita yield, however, Bombay leads with As. 5-2 against As. 3-8 in East Punjab, As. 3-3 in Madras, 6 pies in Central Provinces and 5 pies in United Provinces while in Bihar in this year, working cost and expenditure have exceeded income by Rs. 39,000. Assam, West Bengal and Orissa derive hardly any revenue from this source.



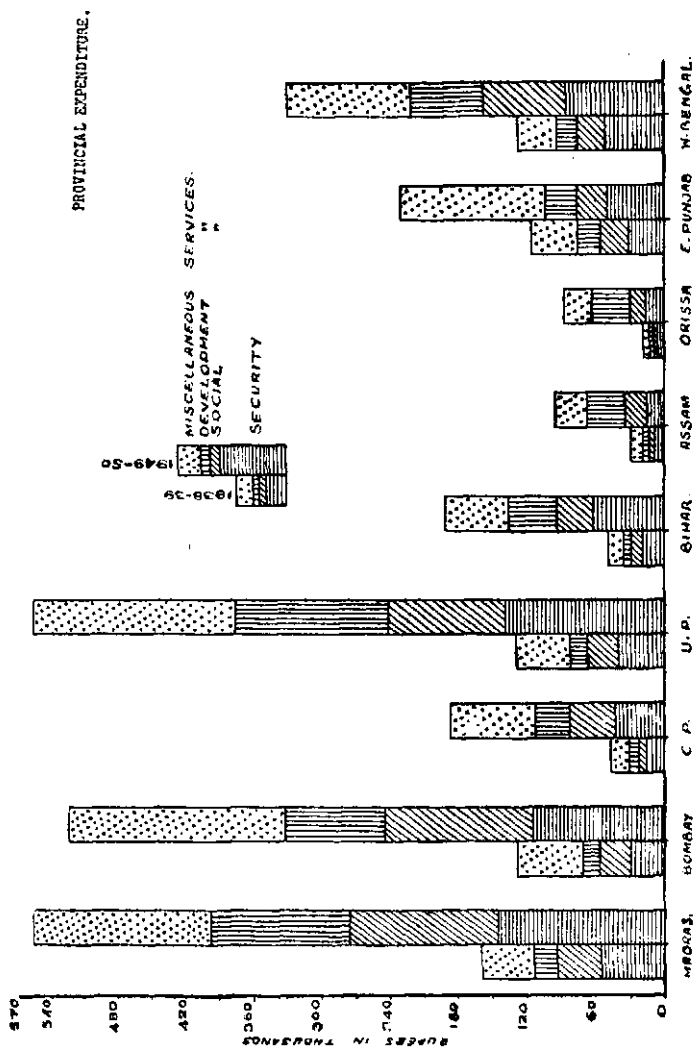
53. The potentialities of developing this source of revenue could be seen from a comparative study of the per capita consumption in Indian Provinces with advanced countries in the West. Among Indian Provinces, Bombay records the highest per capita consumption of 49.64 K.W.H. against 6.22 K.W.H. in Madras, 5.97 K.W.H. in United Provinces, 1.93 K.W.H. in Bihar, 1.92 K.W.H. in Central Provinces, 0.35 K.W.H. in Assam and 0.18 K.W.H. in Orissa. On the other hand, per capita consumption of electricity is 896 K.W.H. in Great Britain, 1,690 K.W.H. in United States of America, 2,090 K.W.H. in Sweden and 4,148 K.W.H. in Canada. The future programme of rapid industrialization in the Provinces depends to a large extent on a massive supply of electric energy. The River Valley Schemes and the hydro-electric projects investigated and some already being executed will lead to a vast increase in the generation of electricity. Both domestic and industrial consumption will increase and the Electricity Projects will become an expanding and fruitful source of provincial revenues.

54. Revenues from Electricity Schemes form a meagre percentage of Provincial revenues in all the Provinces in the current year. The highest is Madras with 1.93 per cent; in Bombay it is 1.41 per cent and in Central Provinces and United Provinces the percentage to total revenue is 0.3 and 0.22 respectively. In 1938-39 Madras and Punjab were the only Provinces to derive any revenue from this source, being Rs. 17.7 lakhs or 1.09 per cent of total revenue in Madras and Rs. 16.45 lakhs or 1.45 per cent of total revenue in Punjab.

### III. PUBLIC EXPENDITURE.

55. **Public expenditure in Provinces.**—The end of all public expenditure being satisfaction of collective wants, the burden imposed on citizens by the transference of purchasing power from private to public sector involved in raising public revenue is mitigated to a large extent by the benefits accruing from public expenditure. The rapid rise in public expenditure in the last ten years has already been noted. In all the Provinces together, it has risen from Rs. 70·38 crores in 1938-39 to Rs. 275·76 crores in 1949-50 or nearly four times. Compared with the base year the increase is the highest in Orissa where it has risen from Rs. 181 lakhs to Rs. 876 lakhs or nearly 5 times and lowest in Assam where the increase is from Rs. 299 lakhs to Rs. 952 lakhs or about  $3\frac{1}{4}$  times. Madras has an increase of  $3\frac{1}{2}$  times, Bihar 3·89 times, Bombay and Central Provinces 4 times, and United Provinces  $4\frac{1}{3}$  times, East Punjab and West Bengal 4 times.

56. Although total public expenditure has risen 4 times, the average per capita expenditure has not kept pace with it. From Rs. 3-3-4 to Rs. 11-2-4, the per capita advance is only 3·5 times. The provincial per capita expenditure is the highest in Bombay being Rs. 23-9-3 and lowest in Bihar being Rs. 4-14-0, Assam with Rs. 8-9-11, Orissa with Rs. 9-4-0, Central Provinces with Rs. 10-5-2, United Provinces with Rs. 10-5-3, Madras with Rs. 10-5-5, West Bengal with Rs. 15-8-8 and East Punjab with Rs. 19-13-6, take intermediate places. Within the Provinces, progress in per capita expenditure has been lagging behind progress in total expenditure, except



in United Provinces where the increase in total expenditure and per capita expenditure is of the same order. In all other Provinces, the lag ranges from 30 per cent in Assam to 47 per cent in Orissa, Bihar showing a lag of 37 per cent, Madras 39 per cent, Bombay 41 per cent and Central Provinces 42 per cent, and the figures for East Punjab and West Bengal not lending themselves to such comparison due to partition.

*Public expenditure in Provinces.*

Province.	Total expenditure in		Per capita expenditure in		Increase in number of tin es.	
	1938-39.	1949-50.	1938-39.	1949-50.	Amount.	Per capita.
	(1)	(2)	(3)	(4)	(5)	(6)
	RS. (000).	RS. (000).	RS. A. P.	RS. A. P.	(7)	(8)
Madras .. .. .	16,09,72	55,66,09	3 5 11	10 5 5	3.46	3.07
Bombay .. .. .	12,79,58	52,40,74	6 4 0	22 9 3	4.10	3.61
Central Provinces .. .. .	4,71,02	18,79,58	2 13 11	10 5 2	3.99	3.57
United Provinces .. .. .	12,80,00	55,58,12	2 6 0	10 5 3	4.34	4.35
Bihar .. .. .	1,92,68	19,17,35	1 6 2	4 14 0	3.89	3.52
Assam .. .. .	2,99,48	9,52,35	2 15 11	8 9 11	3.18	2.88
Orissa .. .. .	1,81,00	8,76,09	2 1 10	9 4 0	4.84	4.37
East Punjab .. .. .	5,84,62	22,91,72	6 3 5	19 13 6	3.92	3.19
West Bengal .. .. .	8,40,30	32,93,95	1 1 5	15 8 8	3.92	3.80
Total .. .. .	70,38,40	2,75,75,99	3 3 4	11 2 4	3.92	3.47

**57. Classification of public expenditure.**—The goods and services provided by the State are of wide range and may broadly be divided into three classes: Security Services, concerned with the maintenance of law and order—‘the oldest of collective wants’, Social Services aiming at bettering the environmental conditions of living and Developmental Services designed to improve the economic level of the community.

**58. Security Services.**—The classification of expenditure under different heads shows minor variations from Province to Province. To make the data comparable, expenditure incurred under the heads of General

Administration, Justice, Jail and Convict Settlements and Police alone are shown here under Security Services. The percentage of expenditure on these services in pre-war years has been pretty high ranging from 41 per cent in Bihar and 40 per cent in undivided Bengal to 24 per cent in Bombay. Although it was lowest in Bombay, the per capita expenditure was the highest there, being Rs. 1-8-1 compared with Re. 0-14-5 in Bengal and Re. 0-9-1 in Bihar. In the war and post-war years, both absolute and per capita expenditure have respectively doubled and more than trebled in volume. Although both absolute and per capita expenditure have thus multiplied, in relation to total expenditure there has been a fall in all the nine Provinces in these ten years. In Assam this percentage expenditure on Security Services to the total has fallen from 26.64 to 16.77 or by 9.87 per cent, in Orissa from 33.77 to 19.23 or by 14.5 per cent, in Central Provinces from 34.3 to 23.81 or by 10.5 per cent, in Bihar from 41.21 to 32.27 or by 8.9 per cent, in Madras from 34.26 to 26.1 or by 8 per cent and in Bombay from 24.03 to 21.87 or by 2 per cent; from 28.38 per cent in undivided Punjab to 21.94 per cent in East Punjab or 8.44 per cent and from 40.30 per cent in undivided Bengal to 25.91 per cent in West Bengal or by 14.4 per cent. Being more than twice the size of Bihar and thrice that of Central Provinces Madras naturally incurs the largest expenditure on Security Services. Viewed in terms of per capita, however, this expenditure is only four annas more than in Central Provinces and six annas more than in United Provinces while in comparison with Bombay it is Rs. 2-3-0 less. Against the highest per capita expenditure in Bombay of Rs. 4-15-0, East Punjab spends Rs. 4-5-8 and West Bengal Rs. 4-0-5.

## Expenditure on Security Services\*.

Province.	1938-39.			1949-50.
	Amount (000).	Percentage to total.	Per capita.	Amount (000).
(1)	(2)	(3)	(4)	(5)
	RS.		RS. A. P.	RS.
Madras .. .. .	5,51,57	34.26	1 2 6	14,59,15
Bombay .. .. .	3,07,47	24.03	1 8 1	11,46,09
Central Provinces .. .. .	1,61,58	34.30	0 15 8	4,47,57
United Provinces .. .. .	4,07,76	31.86	0 12 1	13,90,26
Bihar .. .. .	2,03,04	41.21	0 9 1	6,18,80
Assam .. .. .	79,77	26.64	0 12 9	1,59,88
Orissa .. .. .	61,12	33.77	0 11 5	1,68,45
East Punjab .. .. .	3,29,58	28.33	1 3 7	5,02,76
West Bengal .. .. .	5,14,42	40.30	0 14 5	8,53,55
Total .. .. .	26,16,31	32.58	0 15 2	67,46,31

1949-50—cont.		Increase in number of times.	
Percentage to total.	Per capita.	Amount.	Per capita.
(6)	(7)	(8)	(9)
	RS. A. P.		
Madras .. .. .	26.21	2.65	2.34
Bombay .. .. .	21.37	3.73	3.28
Central Provinces .. .. .	23.31	2.77	2.51
United Provinces .. .. .	25.01	3.41	3.09
Bihar .. .. .	32.27	3.05	2.77
Assam .. .. .	16.77	2.00	1.81
Orissa .. .. .	19.23	2.76	2.49
East Punjab .. .. .	21.94	1.53	3.56
West Bengal .. .. .	25.91	1.66	4.47
Total .. .. .	24.46	2.58	2.87

\* Includes expenditure on General Administration, Justice, Jails and Police.

59. **Social Services.**—With the implementation of Social Insurance and Social Assistance Schemes, expenditure on social services in the advanced Western countries is attaining a dominant position. Apart from expenditure on the familiar social services of Education, Medical Aid and Public Health, the United Kingdom spends on social security payments like non-contributory pensions, family allowances, milk and vitamin products and

unemployment allowances in addition to exchequer contribution to National Insurance Fund. Expenditure on these new services alone has risen from £129 millions in 1938 to £319 millions in 1948 or by 2.47 times.

60. But in the provincial sphere in India, Social Services are confined to Education, Medical Aid and Public Health. Although the expenditure on these services has appreciably increased—by nearly 5 times in Bombay and Central Provinces, by  $3\frac{3}{4}$  times in United Provinces and in Orissa, by  $3\frac{1}{2}$  times in Madras and in Assam and by 3 times in Bihar, its relation to total expenditure reveals striking variations. The share of Social Services to total expenditure has distinctly fallen in four provinces—from 21.04 per cent to 18.31 per cent in United Provinces, from 21.48 per cent to 16.57 per cent in Bihar, from 20.19 per cent to 15.82 per cent in Orissa and from 20.18 per cent to 11.20 per cent in East Punjab ; it has remained almost constant in two Provinces—in Madras at about 24 per cent and in Assam at about 20 per cent. In the rest it has increased from 20.59 per cent to 24.71 per cent in Bombay, from 16.31 per cent to 20.21 per cent in Central Provinces, and from 19.72 per cent (undivided Bengal) to 22.06 per cent in West Bengal. Taking all the Provinces together, the percentage has remained constant at about 21 per cent, although the average per capita expenditure on social services has increased from As. 9-9 to Rs. 2-4-4 in this decade or by nearly  $3\frac{1}{2}$  times.

61. The per capita expenditure has increased from 2.96 times in Madras to 7.74 times in West Bengal, the other Provinces occupying intermediate positions. The analysis shows that among the Provinces, Bombay stands first with Rs. 12.96 crores and a per capita expenditure of

Rs. 5-9-4 in 1949-50. Per capita expenditure of Madras though second largest is not even half of the Bombay figure. Bihar which stood last with As. 4-9 in 1938-39 continues to be so with As. 12-11 of per capita expenditure in 1949-50.

*Expenditure on social services.\**

Province. (1)	1938-39.			1949-50.
	Amount (000). (2)	Percentage to total. (3)	Per capita. (4)	Amount (000). (5)
	RS.		RS. A. P.	RS.
Madras .. .. .	3,86,89	24.03	0 13 0	12,93,12
Bombay .. .. .	2,63,51	20.59	1 4 7	12,96,36
Central Provinces .. .. .	70,82	16.31	0 7 5	3,72,90
United Provinces .. .. .	2,60,35	21.04	0 8 0	10,17,92
Bihar .. .. .	1,05,82	21.48	0 4 9	3,17,80
Assam .. .. .	59,41	19.84	0 9 6	1,98,36
Orissa .. .. .	36,55	20.19	0 6 10	1,33,63
East Punjab .. .. .	2,34,30	20.18	0 14 0	2,56,57
West Bengal .. .. .	2,51,74	19.72	0 7 1	7,26,57
Total .. .. .	16,84,39	20.92	0 9 9	58,25,23

	1949-50—cont.		Increase in number of times.	
	Percentage to total. (6)	Per capita. (7)	Amount. (8)	Per capita. (9)
		RS. A. P.		
Madras .. .. .	23.28	2 6 5	3.36	2.96
Bombay .. .. .	24.74	5 9 4	4.92	4.34
Central Provinces .. .. .	20.21	2 1 5	4.95	4.46
United Provinces .. .. .	18.31	1 11 5	3.78	3.43
Bihar .. .. .	16.57	0 12 11	3.00	3.56
Assam .. .. .	20.83	1 12 9	3.34	3.03
Orissa .. .. .	15.82	1 7 5	3.79	3.43
East Punjab .. .. .	11.20	2 3 7	1.10	2.54
West Bengal .. .. .	22.06	3 6 10	2.89	7.74
Total .. .. .	20.40	2 4 4	3.34	3.78

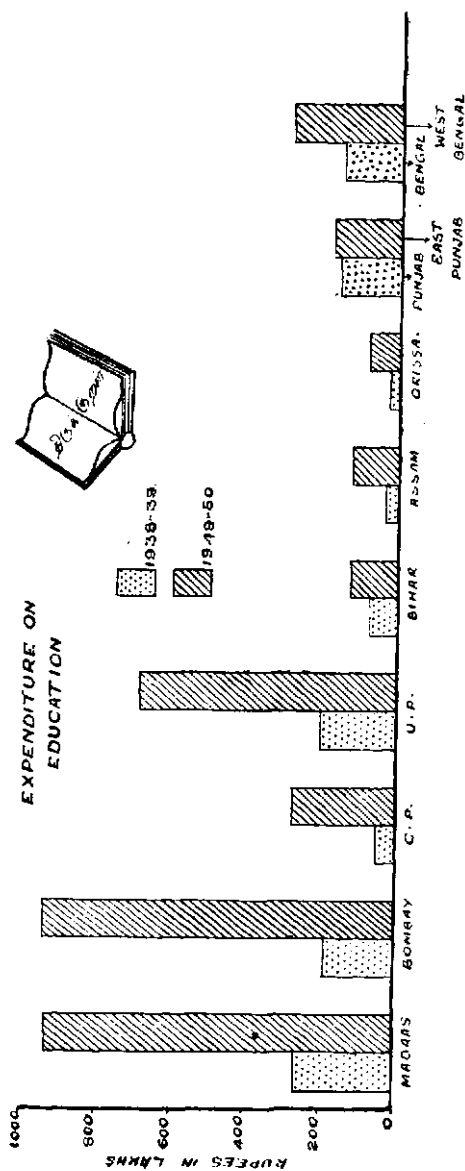
\* Includes expenditure on Education, Medical Aid and Public Health.

62. **Education.**—By far the largest expenditure under Social Services is devoted to education. In 1949-50 in



all the Provinces except Bihar and West Bengal, education absorbs more than 60 per cent of the allotment to Social Services. It is 72·5 per cent in Madras, 72·8 per cent in Bombay, 75·7 per cent in Central Provinces, 67·8 per cent in United Provinces, 64 per cent in Assam, 60 per cent in East Punjab and Orissa and about 41 per cent in West Bengal and Bihar. The per capita expenditure in Bombay heads the list with Rs. 4-1-1. The other Provinces lag far behind—Madras spends Rs. 1-11-11, Central Provinces Rs. 1-9-3, East Punjab Rs. 1-9-2, West Bengal Rs. 1-6-2, Assam and United Provinces Rs. 1-2-6, Orissa As. 13-9 and Bihar bringing up the rear with As. 5-3. The review of expenditure on education in the last ten years shows that it has multiplied more than 5 times in Central Provinces and West Bengal, nearly 5 times in Bombay, 3½ times in Madras and Assam, and more than 3 times in United Provinces and Orissa, 2½ times in East Punjab and less than 2 times in Bihar. The largest amount spent by any province in 1938-39 was Rs. 261 lakhs in Madras and lowest Rs. 26·12 lakhs in Orissa. In 1949-50, Bombay leads with Rs. 944 lakhs having Madras as a close second with Rs. 939 lakhs, while Orissa continues to be last with Rs. 81·39 lakhs.

63. Expenditure on education in all the provinces together has increased from Rs. 1,165·74 lakhs to Rs. 3,674·48 lakhs in 1949-50 or nearly three times. But in relation to total expenditure there has been a slight decrease from 14·48 to 13·33 per cent in this period. As against this all-India provincial average of 13·33 per cent, the expenditure of Madras with 16·87 per cent, Bombay with 18 per cent, Central Provinces with 15·28 per cent,



and Assam with 13·37 per cent is higher, while that of United Provinces with 12·42 per cent, Orissa with 9·29 per cent, West Bengal with 8·94 per cent, East Punjab with 7·9 per cent and Bihar with 6·76 per cent is less.

*Expenditure on education.*

Province.	1938-39.			1949-50.
	Amount (000).	Percentage to total.	Per capita.	Amount (000).
(1)	(2)	(3)	(4)	(5)
			RS. A. P.	
Madras .. .. .	2,61,98	16·27	0 8 9	9,38,93
Bombay .. .. .	1,90,64	14·90	0 14 11	9,44,25
Central Provinces .. .. .	55,16	11·71	0 5 4	2,87,22
United Provinces .. .. .	2,08,52	16·29	0 6 2	6,90,05
Bihar .. .. .	70,74	14·36	0 3 2	1,29,69
Assam .. .. .	36,05	12·04	0 5 9	1,27,29
Orissa .. .. .	26,12	14·43	0 4 11	81,39
East Punjab .. .. .	1,61,35	13·89	0 9 8	1,81,34
West Bengal .. .. .	1,55,18	12·16	0 4 5	2,94,32
Total .. .. .	11,65,74	14·48	0 8 9	36,74,48

	1949-50—cont.		Increase in number of times.	
	Percentage to total.	Per capita.	Amount.	Per capita.
	(6)	(7)	(8)	(9)
		RS. A. P.		
Madras .. .. .	16·87	1 11 11	3·58	3·19
Bombay .. .. .	18·02	4 1 1	4·95	4·36
Central Provinces .. .. .	15·28	1 9 3	5·21	4·73
United Provinces .. .. .	12·42	1 2 6	3·81	3·00
Bihar .. .. .	6·76	0 5 8	1·83	1·63
Assam .. .. .	13·37	1 2 5	3·53	3·20
Orissa .. .. .	9·29	0 13 9	3·12	2·80
East Punjab .. .. .	7·91	1 9 2	1·12	2·60
West Bengal .. .. .	8·94	1 6 2	1·89	5·02
Total .. .. .	13·33	1 7 9	3·15	3·52

64. But everywhere in the provinces there has been an absolute increase in the expenditure on education in the past ten years; only its relative share to the total public expenditure shows variations. It has increased

in three Provinces—from 14·9 per cent to 18 per cent in Bombay, from 11·71 per cent to 15·28 per cent in Central Provinces and from 12·04 per cent to 13·37 per cent in Assam. In Madras it is almost static, the percentage at the two points of time being 16·3 per cent and 16·87 per cent. In the rest of the Provinces it has registered a decline. In United Provinces, the share of expenditure on education to the total has declined from 16·29 per cent to 12·42 per cent, in Orissa from 14·43 per cent to 9·29 per cent, in Bihar from 14·36 per cent to 6·76 per cent, in East Punjab from 13·89 per cent to 7·9 per cent and in West Bengal from 12·16 per cent to 8·94 per cent.

65. **Medical Aid.**—In the prewar year, per capita expenditure on medical aid was the highest in Bombay Province, and that was As. 3-7. Madras was a close second with As. 3-3 while it was As. 3-2 in Punjab, As. 2-4 in Assam, As. 1-7 in Central Province, Bengal and Orissa and 1 anna in United Provinces and Bihar. The situation has slightly improved in the last decade, the per capita expenditure in the current year rising to Rs. 1-10-9 in West Bengal, As. 12-9 in Bombay, As. 7-7 in Madras and East Punjab, As. 5-10 in United Provinces and Assam, As. 4-7 in Central Provinces and As. 3-7 in Bihar. The rise might appear encouraging. But if conditions in Madras are any guide, the increase in expenditure has gone mainly to higher scales of pay and allowances to service personnel rather than to a larger number of hospitals, doctors, nurses, medical stores, etc.

66. The amount spent on medical aid has registered the highest increase from Rs. 55·96 lakhs for undivided Bengal, to Rs. 354·51 lakhs for West Bengal or by 6·34 times, from Rs. 36·25 lakhs to Rs. 216 lakhs in United



Provinces or by nearly 6 times, from Rs. 45.33 lakhs to Rs. 184.5 lakhs in Bombay or by 4 times, from Rs. 98 lakhs to Rs. 254 lakhs in Madras or by 2.6 times. The increase in other Provinces ranges between Madras and United Provinces figures, East Punjab alone showing the small increase of 1.04 times.

### Expenditure on Medical Aid.

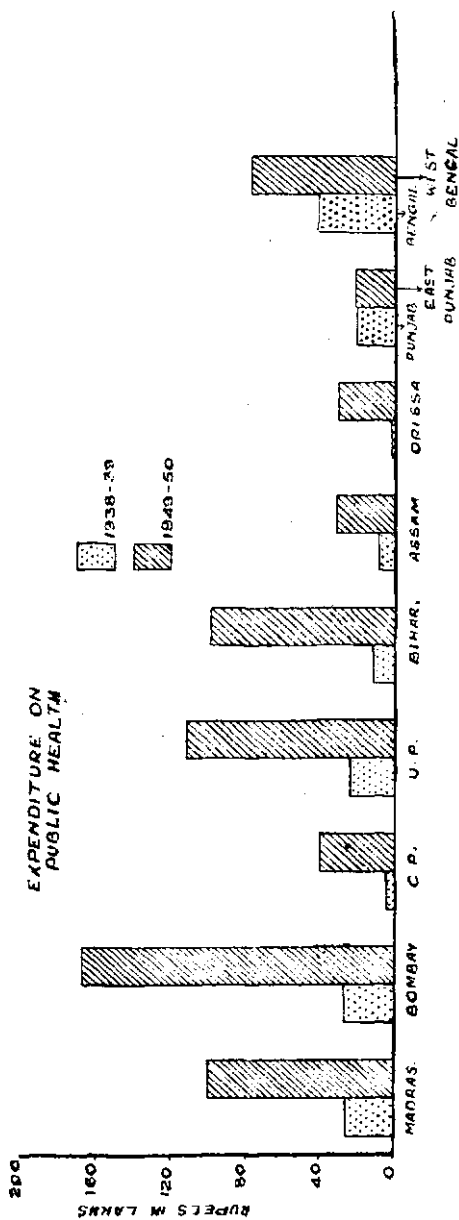
Province.	1938-39.			1949-50.
	Amount (000).	Percentage to total.	Per capita.	Amount (000).
(1)	(2)	(3)	(4)	(5)
	RS.		RS. A. P.	RS.
Madras .. .. .	98,14	6.10	0 3 3	2,54,01
Bombay .. .. .	45,33	3.54	0 3 7	1,84,49
Central Provinces .. .. .	16,65	3.53	0 1 7	52,28
United Provinces .. .. .	36,25	2.83	0 1 1	2,16,01
Bihar .. .. .	29,02	4.67	0 1 0	88,99
Assam .. .. .	14,54	4.86	0 2 4	40,25
Orissa .. .. .	8,25	4.56	0 1 7	27,27
East Punjab .. .. .	52,58	4.53	0 3 2	54,57
West Bengal .. .. .	55,96	4.38	0 1 7	3,54,51
<b>Total ..</b>	<b>3,50,72</b>	<b>4.36</b>	<b>0 2 0</b>	<b>1,27,238</b>

	1949-50—cont.		Increase in number of times.	
	Percentage to total.	Per capita.	Amount.	Per capita.
	(6)	(7)	(8)	(9)
		RS. A. P.		
Madras .. .. .	4.56	0 7 7	2.59	2.33
Bombay .. .. .	3.53	0 12 9	4.07	3.56
Central Provinces .. .. .	2.78	0 4 7	3.07	2.90
United Provinces .. .. .	3.80	0 5 10	5.96	5.38
Bihar .. .. .	4.64	0 3 7	3.87	3.53
Assam .. .. .	4.23	0 5 10	2.77	2.50
Orissa .. .. .	3.11	0 4 7	3.31	2.90
East Punjab .. .. .	2.33	0 7 7	1.04	2.39
West Bengal .. .. .	10.76	1 10 9	6.34	16.90
<b>Total ..</b>	<b>4.61</b>	<b>0 8 3</b>	<b>3.63</b>	<b>4.13</b>

67. Out of a total expenditure of Rs. 275·75 crores, the Provinces spent Rs. 12·72 crores or 4·61 per cent on medical aid in 1949-50. Two Provinces spend more than the common average. West Bengal spends 10·76 per cent and Bihar 4·64 per cent while Madras with 4·56 per cent and Assam with 4·23 per cent are only slightly less than the average. The other five Provinces spend far less.

68. In spite of an absolute increase in the expenditure on medical aid in all the nine Provinces, its relative share to public expenditure has fallen in all except in United Provinces and West Bengal where the increase is both absolute and relative, the latter rising from 4·38 per cent to 10·76 per cent in West Bengal and from 2·83 per cent to 3·89 per cent in United Provinces of total expenditure. In Bombay and Bihar it has been almost static at 3·5 per cent and 4·6 per cent respectively. In Madras it has fallen from 6·1 per cent to 4·56 per cent, in Central Provinces from 3·53 per cent to 2·78 per cent, in Assam from 4·86 per cent to 4·23 per cent, in East Punjab from 4·53 per cent to 2·38 per cent and in Orissa from 4·56 per cent to 3·11 per cent.

69. **Public Health.**—Per capita expenditure on Public Health in 1938-39 has exceeded the 'magnificent trifle' of As. 2-0 in only one Province, viz., Bombay. It was As. 1-5 in Assam, As. 1-3 in Punjab, As. 1-2 in Bengal, 11 pies in Madras and less in other Provinces. In the past ten years, the expenditure on Public Health has increased from Rs. 2·18 lakhs to Rs. 27·97 lakhs in Orissa or by 13·75 times, from Rs. 5 lakhs to Rs. 40·4 lakhs in Central Provinces or by 8 times, from Rs. 12 lakhs to Rs. 99 lakhs in Bihar or by 8·2 times, from Rs. 27·54





lakhs to Rs. 167.62 lakhs in Bombay or by six times, from Rs. 24.58 lakhs to Rs. 111.86 lakhs in United Provinces or by 4.5 times, from Rs. 26.57 lakhs to Rs. 100 lakhs in Madras or by 3.77 times and from Rs. 8.82 lakhs to Rs. 30.82 lakhs in Assam or by 3.5 times. The per capita expenditure is the highest in Bombay in 1949-50 having risen from As. 2-2 to As. 11-7 or by 5.3 times. The lowest per capita expenditure is As. 2-10 in East Punjab followed by United Provinces and Madras with As. 3-0 against As. 3-7 in Central Provinces, As. 4-0 in Bihar, As. 4-6 in Assam, As. 5-1 in Orissa and As. 5-10 in West Bengal.

*Expenditure on Public Health.*

Province. (1)	1938-39. "			1949-50.
	Amount (000). (2)	Percentage to total. (3)	Per capita. (4)	Amount (000). (5)
	RS.		RS. A. P.	RS.
Madras .. .. .	26,57	1.65	0 0 11	1,00,18
Bombay .. .. .	27,54	2.15	0 3 2	1,67,62
Central Provinces .. .. .	5,01	1.06	0 0 6	40,40
United Provinces .. .. .	24,58	1.92	0 0 9	1,11,86
Bihar .. .. .	12,06	2.45	0 0 6	99,12
Assam .. .. .	8,82	2.95	0 1 5	30,82
Orissa .. .. .	2,18	1.20	0 0 5	29,97
East Punjab .. .. .	20,37	1.75	0 1 3	20,66
West Bengal .. .. .	40,60	3.18	0 1 2	77,74
<b>Total ..</b>	<b>1,67,73</b>	<b>2.08</b>	<b>0 1 0</b>	<b>6,78,37</b>

	1949-50—cont.		Increase in number of times.	
	Percentage to total. (6)	Per capita. (7)	Amount. (8)	Per capita. (9)
		RS. A. P.		
Madras .. .. .	1.80	0 3 0	3.77	3.27
Bombay .. .. .	3.20	0 11 7	6.09	5.35
Central Provinces .. .. .	2.15	0 3 7	8.06	7.17
United Provinces .. .. .	2.01	0 3 0	4.55	4.00
Bihar .. .. .	5.17	0 4 0	8.22	8.00
Assam .. .. .	3.24	0 4 6	3.49	3.18
Orissa .. .. .	3.42	0 5 1	13.75	12.20
East Punjab .. .. .	0.90	0 2 10	1.01	2.28
West Bengal .. .. .	2.36	0 5 10	1.91	5.00
<b>Total ..</b>	<b>2.45</b>	<b>0 4 5</b>	<b>4.04</b>	<b>4.42</b>

70. The aggregate expenditure of the provinces is Rs. 6.78 crores or 2.46 per cent of total expenditure against 1.8 per cent in Madras, 2.1 per cent in Central Provinces, 2.36 per cent in West Bengal and 0.90 per cent in East Punjab and 2.01 per cent in United Provinces which are below the common average. On the other hand, the percentage of expenditure on Public Health to total expenditure is above the All-India average in the other four provinces being 3.2 per cent in Bombay, 3.24 per cent in Assam, 3.42 per cent in Orissa and 5.17 per cent in Bihar.

71. In all the provinces there has been an absolute increase in the expenditure on Public Health but the increase is more marked in the Provinces of Orissa, Bihar, Central Provinces and Bombay. Its relative share to public expenditure has registered an increase in all the provinces (omitting East Punjab and West Bengal) which is slight in Madras, United Provinces and Assam being less than 0.2 per cent. It is more than 1 per cent in other provinces, the highest being 2.72 per cent in Bihar.

72. **Developmental Services.**—Agriculture, Irrigation, Animal Husbandry, Co-operation, Industries, Electricity and Civil Works are primarily the concern of the provinces. Sky is the limit to our development, but the provincial finance is dependant too much on inelastic sources of revenue. In the pre-war year, only in Bombay and Punjab per capita expenditure on Developmental Services approached the small figure of As. 12.0. It was As. 8.9 in Assam, As. 7.5 in Central Provinces, As. 6.6 in Madras, As. 5.11 in Orissa, As. 5.0 in Bengal, As. 4.3 in United

Provinces and As. 3-1 in Bihar. During the last ten years expenditure on Developmental Services has been steadily growing. This amount has increased from Rs. 194.53 lakhs in 1938-39 to Rs. 1,212.70 lakhs in 1949-50 in Madras or by  $6\frac{1}{2}$  times, from Rs. 147 lakhs to Rs. 875.21 lakhs in Bombay or nearly 6 times, from Rs. 68.89 lakhs to Rs. 421.66 lakhs in Bihar or by 6 times, from 142.76 lakhs to Rs. 1,353.53 lakhs in United Provinces or by  $9\frac{1}{2}$  times, from Rs. 31.70 lakhs to Rs. 328 lakhs in Orissa or by  $13\frac{1}{2}$  times. The per capita expenditure has almost correspondingly increased in all the Provinces. It is the highest in Bombay, being Rs. 3-12-4 and lowest in Bihar, being Rs. 1-1-2. It is Rs. 3-7-5 in Orissa, Rs. 2-15-7 in West Bengal, Rs. 2-14-7 in Assam, Rs. 2-5-11 in East Punjab, Rs. 2-8-0 in Madras, Rs. 2-4-4 in United Provinces and Rs. 1-9-11 in Central Provinces.

*Expenditure on Developmental Services.*

Province.	1938-39.			1949-50.
	Amount (000).	Percentage to total.	Per capita.	Amount (000).
	(2)	(3)	(4)	(5)
(1)	RS.		RS. A. P.	RS.
Madras .. .. .	1,94.53	12.08	0 6 6	12,12,70
Bombay .. .. .	1,47.05	11.57	0 11 6	8,75,21
Central Provinces .. .. .	76.53	18.25	0 7 5	2,94,77
United Provinces .. .. .	1,42.76	11.14	0 4 3	13,53,53
Bihar .. .. .	68.89	13.08	0 3 1	4,21,66
Assam .. .. .	54.87	18.32	0 8 9	3,21,64
Orissa .. .. .	31.70	17.51	0 5 11	3,28,07
East Punjab .. .. .	2,01.46	17.35	0 12 0	2,73,66
West Bengal .. .. .	1,79.72	14.08	0 5 0	6,29,78
Total .. .. .	10,97.51	13.63	0 6 4	57,11,03

## Expenditure on Developmental Services—cont.

Province.	1949-50—cont.		Increase in number of times.	
	Percentage to total.	Per capita.	Amount.	Per capita.
	(6)	(7)	(8)	(9)
		RS. A. P.		
Madras .. .. .	21.79	2 8 0	6.23	6.15
Bombay .. .. .	16.70	3 12 4	5.05	5.25
Central Provinces .. .. .	15.68	1 9 11	3.85	3.40
United Provinces .. .. .	24.35	2 4 4	9.47	8.55
Bihar .. .. .	21.90	1 1 2	6.12	5.57
Assam .. .. .	33.77	2 14 7	5.86	5.32
Orissa .. .. .	37.45	3 7 5	13.35	9.37
East Punjab .. .. .	11.94	2 5 11	1.36	3.16
West Bengal .. .. .	19.12	2 15 7	3.50	9.52
Total .. .. .	20.71	2 4 11	5.20	5.83

73. In the pre-war years, the share of the expenditure on Developmental Services to total public expenditure was hardly above 18 per cent in any Province except Assam. In the past decade there has been not only an absolute increase, but also a relative increase in the expenditure on Development to total expenditure in all the Provinces except in Central Provinces and East Punjab. The percentage of expenditure on Developmental Services has risen from 12.08 to 21.79 in Madras, from 11.57 to 16.7 in Bombay, from 11.14 to 24.35 in United Provinces, from 14 to 19 in West Bengal, from 14 to 22 in Bihar, from 18.3 to 33.77 in Assam and from 17.5 to 37.45 in Orissa. In Central Provinces it has fallen slightly from 16.25 per cent to 15.68 per cent and in East Punjab from 17.35 per cent (for undivided Punjab) to 11.94 per cent.

74. **Agriculture.**—The acute food shortage experienced in India for some years has focussed public attention on

agricultural development. In the pre-war year, provinces hardly spent more than a minute fraction of their revenue on this basic industry. It was the least in Bengal, being 1.10 per cent against 1.16 per cent in Bombay, 1.24 per cent in Orissa, 1.28 per cent in Madras, 1.94 per cent in Bihar, 1.93 per cent in Assam, 2.11 per cent in Central Provinces, 3.06 per cent in the Punjab and 4.27 per cent in United Provinces. Increase in expenditure per acre of cultivated land has varied from 7 times in United Provinces to 47 times in West Bengal and 48 times in Orissa. It has increased from 3 pies to As. 12 in Orissa or by 48 times, from 5 pies to Rs. 1-3-8 in West Bengal, from 10 pies to Rs. 1-4-10 in Bombay or by 24 times, from 10 pies to As. 10-10 in Bihar or by 13 times, from 8 pies to As. 6-9 in Central Provinces or by 10 times, from As. 1-11 to As. 15-7 in Assam or by 8 times, from 1 anna to As. 7-3 in Madras or by  $7\frac{1}{4}$  times, from As. 2-5 to Rs. 1-1-3 in United Provinces; or by 7 times and from As. 2-1 to As. 9-10 in East Punjab.

*Expenditure on Agriculture.\**

Province.	1938-39.			1949-50.
	Amount (000).	Percentage to total.	Per acre.	Amount. (000).
	(2)	(3)	(4)	(5)
	RS.		RS. A. P.	RS.
Madras .. .. .	20,62	1.28	0 1 0	1,36,24
Bombay .. .. .	14,80	1.16	0 0 10	3,59,36
Central Provinces .. .. .	9,95	2.11	0 0 8	1,02,14
United Provinces .. .. .	54,70	4.27	0 2 5	4,03,32
Bihar .. .. .	9,56	1.94	0 0 10	1,18,90
Assam .. .. .	5,78	1.93	0 1 11	52,28
Orissa .. .. .	2,24	1.24	0 0 3	48,35
East Punjab .. .. .	35,50	3.06	0 2 1	70,71
West Bengal .. .. .	14,03	1.10	0 0 5	2,60,64
<b>Total ..</b>	<b>1,67,18</b>	<b>2.08</b>	<b>0 1 0</b>	<b>15,51,94</b>

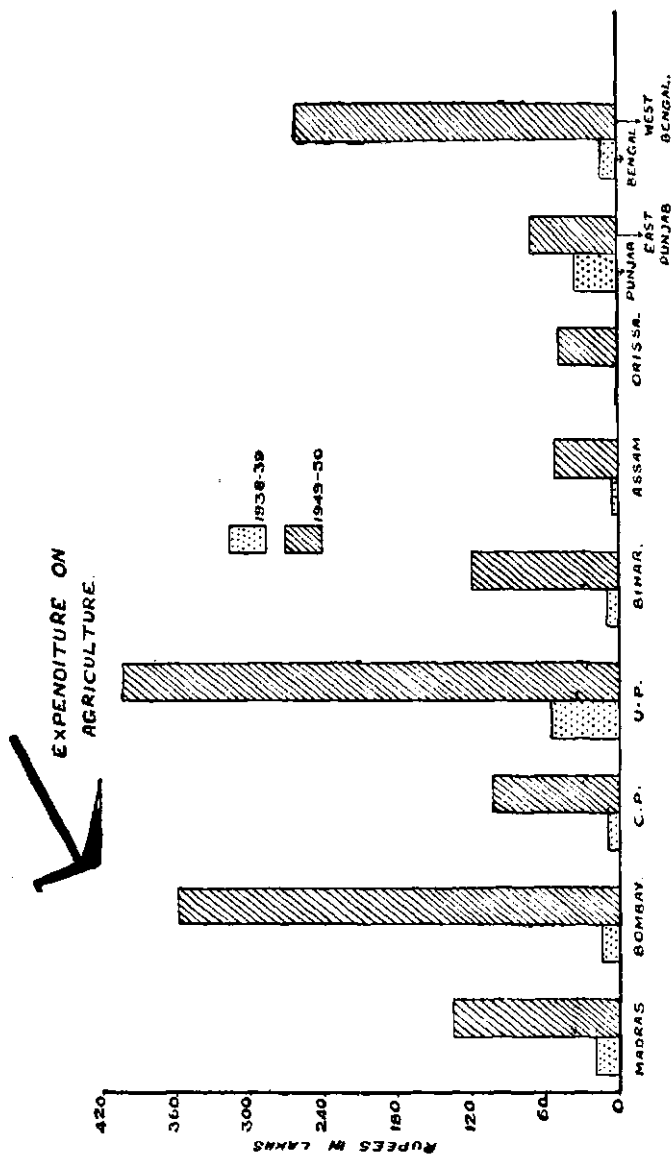
## Expenditure on Agriculture—cont.\*

Province.	1949-50—cont.		Increase in number of times.	
	Percentage to total.	Per acre.	Amount.	Per acre.
	(6)	(7)	(8)	(9)
		RS. A. P.		
Madras .. .. .	2.45	0 7 3	6.61	7.25
Bombay .. .. .	6.86	1 4 10	24.28	25.00
Central Provinces .. .. .	5.43	0 6 9	10.27	10.13
United Provinces .. .. .	7.27	1 1 3	7.37	7.14
Bihar .. .. .	6.20	0 10 10	12.44	13.00
Assam .. .. .	5.49	0 15 7	9.04	8.13
Orissa .. .. .	5.52	0 12 0	21.58	48.00
East Punjab .. .. .	3.09	0 9 10	3.99	4.72
West Bengal .. .. .	7.91	1 3 8	18.57	47.20
Total .. .. .	5.63	0 10 0	9.28	10.00

\* Expenditure per acre of cultivated area is based on the net area sown for 1945-46 for all the Provinces except Madras where it is based on the net area sown in 1947-48.

75. The total expenditure on agriculture in all the provinces in 1949-50 amounts to Rs. 15,51.94 lakhs, forming 5.63 per cent of the total expenditure on all services. Three provinces are almost maintaining this percentage; Orissa spends 5.52 per cent, Assam 5.49 per cent and Central Provinces 5.43 per cent. Four provinces are spending above the all-India average: they are Bihar with 6.2 per cent, Bombay with 6.86 per cent, United Provinces with 7.27 per cent and West Bengal with 7.91 per cent. Only Madras spends 2.45 per cent—a figure much below the average.

76. In all the provinces, expenditure on agriculture has registered an increase, absolutely and relatively to total expenditure. The relative increase is the highest in West Bengal where the percentage to total has gone up from 1.10 to 7.91 or by 6.86 per cent, in Bombay from 1.16 to 6.86 or by 5.7 per cent, in Bihar from 1.94 to 6.20 or by 4.26 per cent, in Orissa from 1.24 to 5.52 or by 4.28



per cent, in Assam from 2 to 5·49 or by 3·49 per cent, in Central Provinces from 2·11 to 5·43 or by 3·32 per cent, in United Provinces from 4·27 to 7·27 or by 3 per cent and in Madras from 1·28 to 2·45 or by 1·17 per cent, the figure in East Punjab remaining almost constant.

77. **Animal Husbandry.**—In 1949–50, the total expenditure of all the provinces on Animal Husbandry is Rs. 303·0 lakhs or 1·10 per cent of the total expenditure. Expenditure in five provinces falls below this average; the percentage varying in Madras, Assam and Bihar between 0·78 in the former to 0·73 in the latter. It is almost on the same level in Orissa and East Punjab. It is above the average in Central Provinces and United Provinces being 1·72 per cent and 2·47 per cent respectively, while in Bombay it is 0·40 per cent and in West Bengal 0·41 per cent.

78. Though there has been absolute increase in all the provinces ranging from 3 times in Bihar to 27 times in United Provinces (omitting the two partitioned provinces) the relative share to total expenditure shows variations. In Madras, it is almost static and in Bihar, East Punjab and West Bengal there is a slight fall (*vide* statement below). In all the other provinces, it has risen, but not uniformly: from 0·32 per cent to 0·40 per cent in Bombay, from 0·52 per cent to 0·75 per cent in Assam, from 0·56 per cent to 1·20 per cent in Orissa, from 0·89 per cent to 1·72 per cent in Central Provinces and from 0·4 per cent to 2·47 per cent in United Provinces. In 1938–39, per capita expenditure on Animal Husbandry was 2 pies in United Provinces, Bengal, Bihar and Orissa, 3 pies in Assam, 4 pies in Bombay and 5 pies in Madras.



and Central Provinces and As. 1-1 in Punjab ; in 1949-50, it has risen to 7 pies in Bihar, 1 anna in Assam and West Bengal, As. 1-3 in Madras, As. 1-5 in Bombay, As. 1-9 in Orissa, As. 2-10 in Central Provinces, As. 3-4 in East Punjab and As. 3-8 in United Provinces.

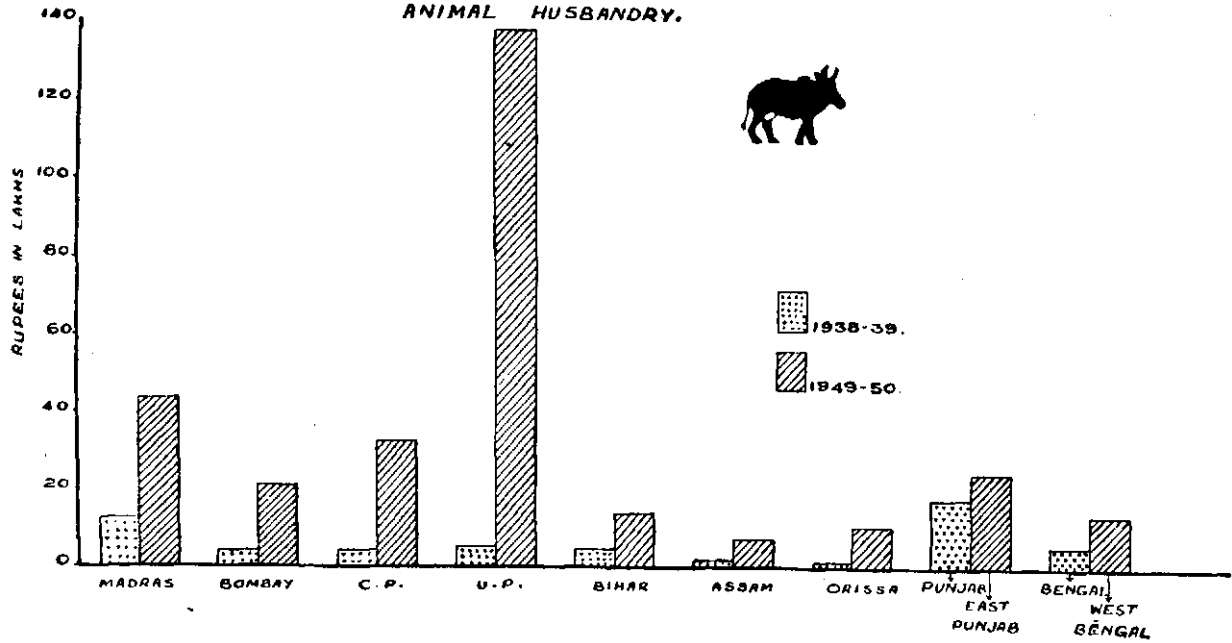
### *Expenditure on Animal Husbandry.*

Province.	1938-39.			1949-50.
	Amount (000).	Percentage to total.	Per capita.	Amount (000).
	(1)	(2)	(3)	(5)
	RS.		RS. A. P.	RS.
Madras .. . . .	12,85	0.80	0 0 5	43,64
Bombay .. . . .	4,10	0.32	0 0 4	20,72
Central Provinces .. . . .	4,19	0.89	0 0 5	32,39
United Provinces .. . . .	5,08	0.40	0 0 2	1,37,14
Bihar .. . . .	4,58	0.98	0 0 2	13,91
Assam .. . . .	1,57	0.52	0 0 3	7,17
Orissa .. . . .	1,01	0.56	0 0 2	10,55
East Punjab .. . . .	17,60	1.52	0 1 1	23,00
West Bengal .. . . .	5,30	0.42	0 0 2	13,65
Total .. . . .	56,28	0.70	0 0 4	3,03,07

	1949-50—cont.		Increase in number of times.	
	Percentage to total.	Per capita.	Amount.	Per capita.
	(6)	(7)	(8)	(9)
		RS. A. P.		
Madras .. . . .	0.78	0 1 3	3.40	3.00
Bombay .. . . .	0.40	0 1 5	5.05	4.25
Central Provinces .. . . .	1.72	0 2 10	7.73	6.80
United Provinces .. . . .	2.47	0 3 8	27.00	22.00
Bihar .. . . .	0.73	0 0 7	3.04	3.50
Assam .. . . .	0.75	0 1 0	4.57	4.00
Orissa .. . . .	1.20	0 1 9	10.45	10.50
East Punjab .. . . .	1.04	0 3 4	1.36	3.08
West Bengal .. . . .	0.41	0 1 0	2.48	6.00
Total .. . . .	1.10	0 2 0	5.89	6.00

79. **Co-operation.**—In the pre-war years, the per capita expenditure on Co-operation in Punjab was 11 pies

EXPENDITURE ON  
ANIMAL HUSBANDRY.



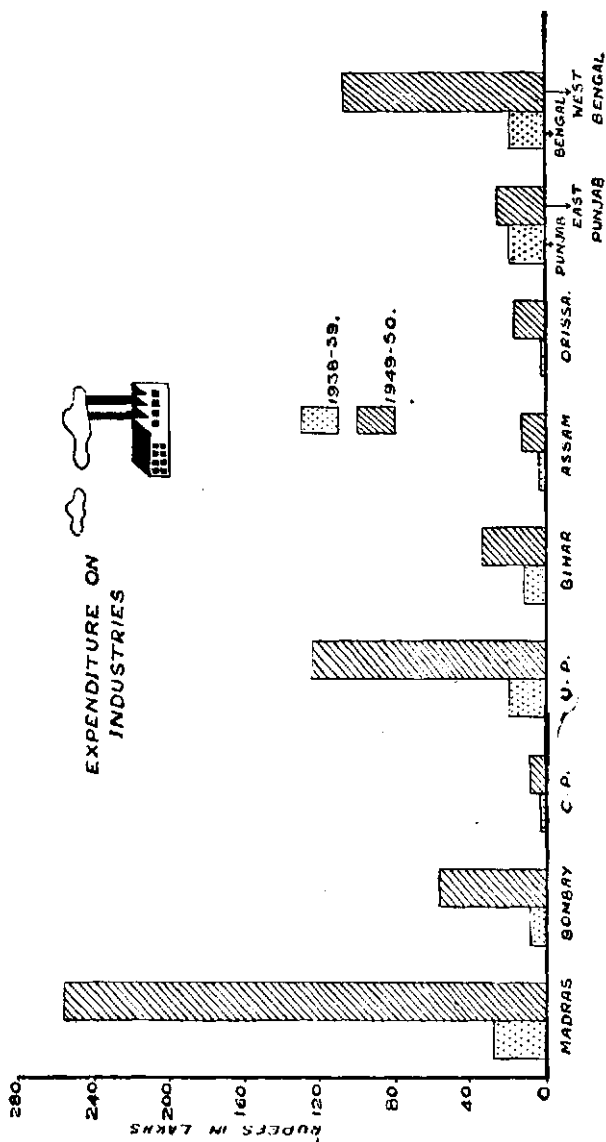
in Madras and Bombay was 6 pies, in Bengal 5 pies, in Orissa 4 pies, in Central Provinces and in Bihar 3 pies, and in United Provinces and Assam 2 pies. The proportion of expenditure on this Service to total expenditure was 4·76 per cent in United Provinces, 1·28 per cent in Punjab, 1·05 per cent in Bengal, 1 per cent in Bihar and less than 1 per cent in all the other provinces, the lowest being 0·32 per cent in Assam. The past one decade has seen a gradual rise in all the provinces in the amount spent on Co-operation. In Bombay it has increased from Rs. 6·14 lakhs to Rs. 70·46 lakhs or by  $11\frac{1}{2}$  times, in United Provinces from Rs. 6·09 lakhs to Rs. 58·45 lakhs or by  $9\frac{1}{2}$  times, in Central Provinces from 2·73 lakhs to Rs. 22·58 lakhs or by  $8\frac{1}{4}$  times, in Assam from Rs. 0·96 lakhs to Rs. 6·73 lakhs or by 7 times, in Orissa from Rs. 1·74 lakhs to Rs. 8·92 lakhs or by 5 times and in Madras from Rs. 13·82 lakhs to Rs. 61·32 lakhs or by  $4\frac{1}{2}$  times. However in relation to total expenditure, expenditure on Co-operation has fallen in four provinces : from 4·76 per cent to 1·05 per cent in United Provinces, from 1·28 per cent to 1·09 per cent in East Punjab, from 1·05 per cent to 0·60 per cent in West Bengal and from 1 per cent to 0·56 per cent in Bihar. In the other five provinces the increase is both absolute and relative, although the latter is but slight and not in the same order as the former. The share of expenditure on Co-operation to total public expenditure has risen from 0·32 per cent to 0·71 per cent in Assam, from 0·48 per cent to 1·34 per cent in Bombay, from 0·58 per cent to 1·2 per cent in Central Provinces, from 0·86 per cent to 1·1 per cent in Madras and from 0·96 per cent to 1·02 per cent in Orissa. In the current year, per capita expenditure has risen in all the provinces,

compared with the base year—from 11 pies to As. 3-5 in East Punjab, from 6 pies to As. 1-10 in Madras, from 6 pies to As. 4-10 in Bombay, from 5 pies to As. 1-6 in West Bengal, from 3 pies to As. 2 in Central Provinces, from 2 pies to As. 1-7 in United Provinces, from 3 pies to 5 pies in Bihar, from 2 pies to 1 anna in Assam and from 4 pies to As. 1-6 in Orissa.

*Expenditure on Co-operation.*

Province.	1938-39.			1949-50.
	Amount (000).	Percentage to total.	Per capita.	Amount (000).
	(2)	(3)	(4)	(5)
	RS.		RS. A. P.	RS.
Madras .. .. .	13,82	0.86	0 0 6	61,32
Bombay .. .. .	6,14	0.48	0 0 6	70,46
Central Provinces .. .. .	2,73	0.58	0 0 3	22,58
United Provinces .. .. .	6,09	4.76	0 0 2	58,45
Bihar .. .. .	4,94	1.00	0 0 3	10,80
Assam .. .. .	96	0.32	0 0 2	6,73
Orissa .. .. .	1,74	0.96	0 0 4	8,92
East Punjab .. .. .	14,92	1.28	0 0 11	24,96
West Bengal .. .. .	13,38	1.05	0 0 5	19,68
<b>Total ..</b>	<b>64,72</b>	<b>0.80</b>	<b>0 0 5</b>	<b>2,83,90</b>

	1949-50—cont.		Increase in number of times.	
	Percentage to total.	Per capita.	Amount.	Per capita.
	(6)	(7)	(8)	(9)
		RS. A. P.		
Madras .. .. .	1.10	0 1 10	4.44	3.67
Bombay .. .. .	1.34	0 4 10	11.48	9.67
Central Provinces .. .. .	1.20	0 2 0	8.27	8.00
United Provinces .. .. .	1.05	0 1 7	9.60	9.50
Bihar .. .. .	0.56	0 0 5	2.19	1.67
Assam .. .. .	0.71	0 1 0	7.01	6.00
Orissa .. .. .	1.02	0 1 6	5.12	4.50
East Punjab .. .. .	1.09	0 3 5	1.67	8.45
West Bengal .. .. .	0.60	0 1 6	1.47	3.60
<b>Total ..</b>	<b>1.03</b>	<b>0 1 10</b>	<b>4.39</b>	<b>4.40</b>



80. **Industries.**—Despite the vast schemes of industrialization undertaken, the provinces together spend Rs. 6.57 crores only on Industries or 1.03 per cent of the total expenditure. Madras records the highest percentage of 4.6 per cent against 3.84 per cent in West Bengal, 2.23 per cent in United Provinces, 1.87 per cent in Orissa, 1.75 per cent in Bihar, 1.27 per cent in Assam, 1.09 per cent in East Punjab, 1.07 per cent in Bombay and 0.42 per cent in Central Provinces.

81. In absolute terms, expenditure has increased in all the provinces in this decade. At one end the increase in Madras is 9.3 times, from Rs. 27.54 lakhs to Rs. 256.07 lakhs, and at the other in Central Provinces it is only 2.69 times, from Rs. 2.9 lakhs to Rs. 7.81 lakhs,—the other provinces occupying intermediate positions. The amount of Rs. 126.61 lakhs spent by West Bengal in 1949–50 is 6.9 times as much as Rs. 18.32 lakhs spent by undivided Bengal in 1938–39 (*vide* statement below). But the relative share has increased only in six provinces—in Madras from 1.71 per cent to 4.6 per cent of the total expenditure, in United Provinces from 1.5 per cent to 2.23 per cent, in West Bengal from 1.44 per cent to 3.84 per cent, in Orissa from 1.38 per cent to 1.87 per cent, in Assam from 0.91 per cent to 1.27 per cent and in Bombay from 0.70 per cent to 1.07 per cent. It has declined in the other three provinces—from 0.62 per cent to 0.42 per cent in Central Provinces, from 1.67 per cent to 1.09 per cent in East Punjab, and from 2.19 per cent to 1.75 per cent in Bihar.

82. In the pre-war year, the highest per capita expenditure on Industries of 11 pies was incurred in Madras, which in the current year also heads the list with As. 7-7

against a per capita expenditure of As. 3-10 in Bombay, As. 3-4 in United Provinces, As. 2-9 in Orissa, As. 1-9 in Assam, As. 1-4 in Bihar and 8 pies in Central Provinces.

*Expenditure on Industries.*

Province.	1938-39.			1949-50.
	Amount (000).	Percentage to total.	Per capita.	Amount (000).
	(2)	(3)	(4)	(5)
(1)	RS.		RS. A. P.	RS.
Madras .. .. .	27,54	1.71	0 0 11	2,56,07
Bombay .. .. .	8,92	0.70	0 0 3	56,20
Central Provinces .. .. .	2,90	0.62	0 0 3	7,81
United Provinces .. .. .	19,16	1.50	0 0 7	1,23,67
Bihar .. .. .	10,81	2.19	0 0 6	33,54
Assam .. .. .	2,73	0.91	0 0 5	12,05
Orissa .. .. .	2,50	1.38	0 0 6	16,36
East Punjab .. .. .	19,36	1.67	0 0 2	24,88
West Bengal .. .. .	18,32	1.44	0 0 3	1,26,61
Total .. .. .	1,12,24	1.39	0 0 8	6,57,19

	1949-50—cont.		Increase in number of times.	
	Percentage to total	Per capita.	Amount.	Per capita.
	(6)	(7)	(8)	(9)
		RS. A. P.		
Madras .. .. .	4.60	0 7 7	9.30	8.27
Bombay .. .. .	1.07	0 3 10	6.30	5.75
Central Provinces .. .. .	0.42	0 0 8	2.69	2.67
United Provinces .. .. .	2.23	0 3 4	6.45	5.71
Bihar .. .. .	1.75	0 1 4	3.10	2.67
Assam .. .. .	1.27	0 1 9	4.41	4.20
Orissa .. .. .	1.87	0 2 9	6.54	5.50
East Punjab .. .. .	1.09	0 3 5	1.29	20.50
West Bengal .. .. .	3.84	0 9 7	6.91	38.33
Total .. .. .	2.38	0 4 3	5.86	6.38

83. **Civil Works.**—Expenditure on Civil Works like roads, ferries, etc., has increased in all provinces—by

11 times in United Provinces, by 10 times in Orissa, by  $6\frac{1}{2}$  times in Bihar, by 6 times in Madras, by  $5\frac{1}{2}$  times in Assam, by  $3\frac{1}{4}$  times in Bombay and  $2\frac{1}{4}$  times in Central Provinces. In relation to total expenditure, the share of Civil Works has fallen in four provinces, from 8.84 per cent to 7.03 per cent in Bombay, from 9.82 per cent (in undivided Punjab) to 5.64 per cent in East Punjab, from 10.08 per cent (in undivided Bengal) to 6.35 per cent in West Bengal and from 12.05 per cent to 6.91 per cent in Central Provinces. In other Provinces increase in expenditure is both absolute and relative; it has risen from 7.44 per cent to 12.85 per cent in Madras, from 4.51 per cent to 11.35 per cent in United Provinces, from 7.84 per cent to 12.75 per cent in Bihar, from 14.64 per cent to 25.56 per cent in Assam and from 13.38 per cent to 27.84 per cent in Orissa.

*Expenditure on Civil Works.*

Province.	1938-39.			1949-50.
	Amount (000).	Percentage to total	Per capita.	Amount (000).
	(2)	(3)	(4)	(5)
(1)	(2)	(3)	(4)	(5)
	RS.		RS. A. P.	RS.
Madras .. .. .	1,19,70	7.44	0 4 0	7,15,43
Bombay .. .. .	1,13,09	8.84	0 8 10	3,68,47
Central Provinces .. .. .	56,76	12.05	0 5 7	1,29,85
United Provinces .. .. .	57,73	4.51	0 1 8	6,30,95
Bihar .. .. .	38,63	7.84	0 1 9	2,44,51
Assam .. .. .	43,83	14.64	0 7 0	2,43,41
Orissa .. .. .	24,21	13.38	0 4 6	2,43,89
East Punjab .. .. .	1,14,08	9.82	0 6 11	1,29,21
West Bengal .. .. .	1,28,69	10.08	0 3 7	2,69,20
<b>Total ..</b>	<b>6,96,72</b>	<b>8.65</b>	<b>0 4 0</b>	<b>29,14,92</b>



## Expenditure on Civil Works—cont.

Province.	1949-50—cont.		Increase in number of times.	
	Percentage to total.	Per capita.	Amount.	Per capita
	(6)	(7)	(8)	(9)
		RS. A. P.		
Madras .. .. .	12.85	1 5 3	5.98	5.31
Bombay .. .. .	7.03	1 9 5	3.26	2.88
Central Provinces .. .. .	6.91	0 11 5	2.28	2.05
United Provinces .. .. .	11.35	1 0 11	10.93	10.15
Bihar .. .. .	12.75	0 9 11	6.33	5.67
Assam .. .. .	25.56	2 3 3	5.55	5.04
Orissa .. .. .	27.84	2 9 2	10.07	9.15
East Punjab .. .. .	5.64	1 1 11	1.13	2.59
West Bengal .. .. .	6.35	0 15 10	1.63	4.42
Total .. .. .	10.57	1 2 10	4.19	4.71

84. Per capita expenditure has recorded an increase in all the provinces. In Madras it has risen from As. 4-0 to Rs. 1-5-3 or by 5.3 times, from As. 8-10 to Rs. 1-9-5 or by 2.88 times in Bombay, from As. 6-11 (in undivided Punjab) to Rs. 1-1-11 in East Punjab or by 2.6 times, from As. 5-7 to As. 11-5 or by 2 times in Central Provinces, from As. 3-7 to As. 15-10 in West Bengal or by 4.4 times, from As. 1-8 to Re. 1-0-11 or by 10 times in United Provinces from As. 1-9 to As. 9-11 or by 5.67 times in Bihar, from As. 7 to Rs. 2-3-3 by or 5.5 times in Assam and from As. 4-6 to Rs. 2-9-2 or by 9 times in Orissa.

#### IV. CONCLUSION.

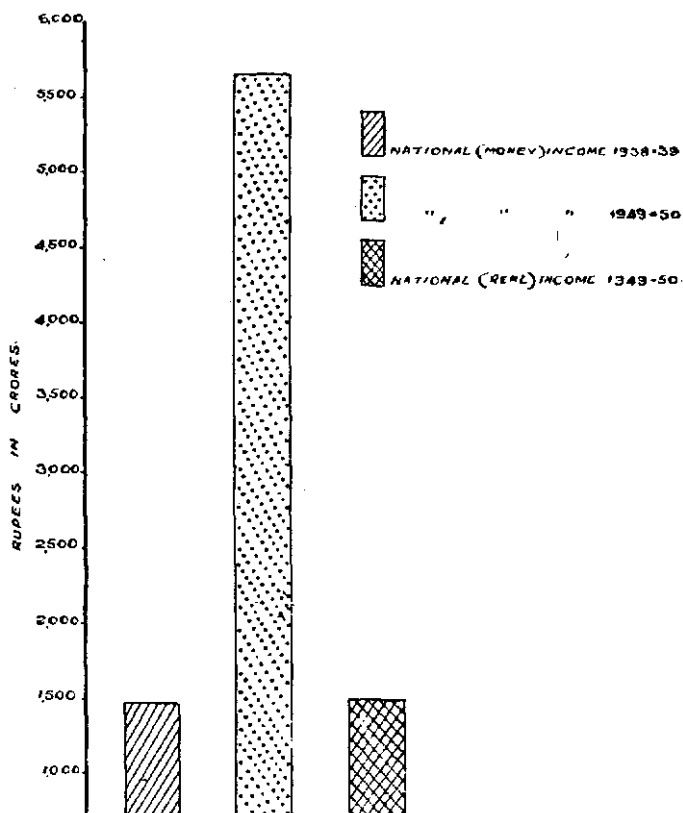
85. In the eleven years between 1938-39 and 1948-49, the increase in National Income, Public Revenues and Public Expenditure of the Provinces and All-India has been impressive. This overall increase has however to be judged in the context of a sustained sharp rise in prices. The Index Number of Wholesale prices in January 1949 is 376.2 (base 1938-39). Peering through the facade of increase in money incomes of individuals and Governments, we see the picture of changed economic conditions in terms of real incomes, real burden of taxation and real benefits flowing from public expenditure.

86. The National Income of Indian Union has mounted from Rs. 1,482.4 crores in 1938-39 to Rs. 5,657.5 crores in 1949-50 or 3.82 fold, and National Real Income has risen but slightly to Rs. 1,504 crores or by 1.45 per cent\*. The average per capita income has risen from Rs. 67-8-10 to Rs. 228-10-0 or 3.36 fold, but the per capita real income has fallen from Rs. 67-8-10 to Rs. 60-12-0 or by 10.1 per cent.

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\* Combined money incomes of all Australians in the year which ended June 30, 1949, may have touched a new record peak of £ A 2,000 millions. This would be a two and a half times the amount for 1938-39. It will be 22 per cent increase in the year for last financial year. According to one Sydney newspaper, real national income per head shows only the slight increase from £ A 117 in 1938-39 to £ A 128 in 1948-49.

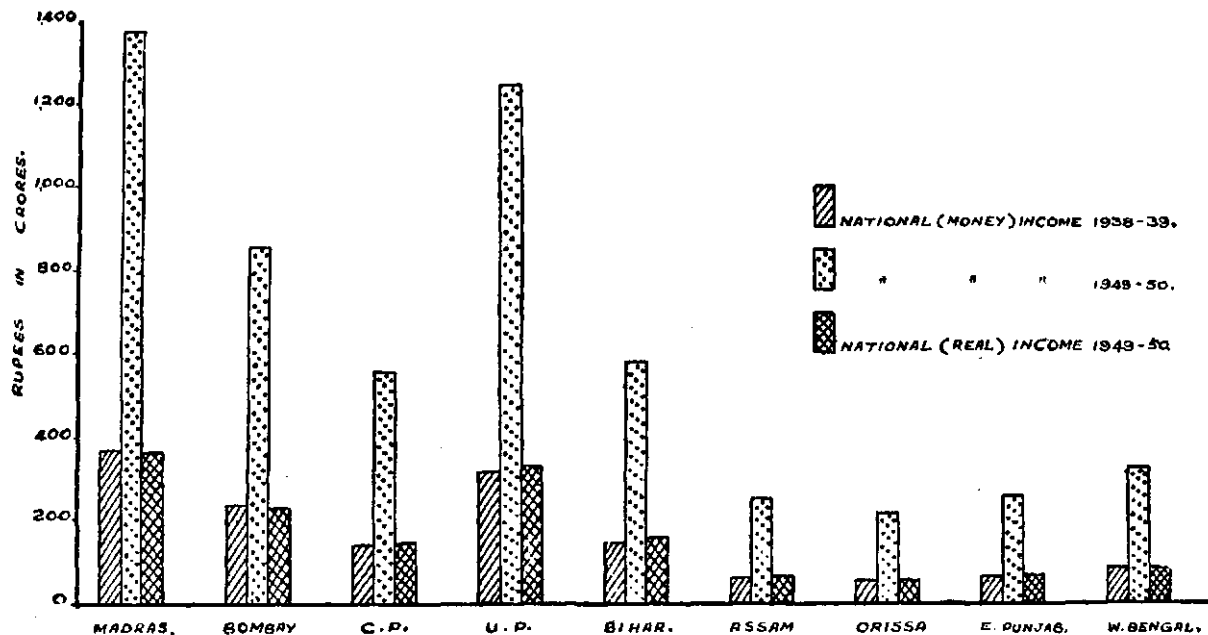
The National Income of U. K. has risen from £8,725 millions in 1947 to £ 9,675 millions in 1948 or by 10.89 per cent. The forecast of National Income for 1949 is £ 10,000 million which works out to an increase of 3.36 per cent over the 1948 level and 14.61 per cent over the 1947 level.

**National Money and Real Income of the Indian Union in  
1938-39 and 1949-50.**

87. The distribution of National Income between the three Services, has altered to a marked extent in this period of ten years. The share of primary services has increased in all the provinces, from 57·43 per cent to 68·06 per cent, while that of secondary services has declined from 19·52 per cent to 15·79 per cent and of tertiary services from 23 per cent to 16·15 per cent. The increase in the share of primary services however should be interpreted rather cautiously and in assessing the real increase of the savings in that sector, the counter-acting effects of the steep rise in the cost of living and cost of production will have to be given their proper weightage.

88. The individual provinces have also experienced an uptrend in their National Income in varying ascension, but on an average by 3·82 fold. The National Income has increased from Rs. 369·5 crores to Rs. 1,370·4 crores or 3·71 fold in Madras, from Rs. 235·8 crores to Rs. 857·1 crores or 3·63 fold in Bombay, from Rs. 140·0 crores to Rs. 558·8 crores or 3·99 fold in Central Provinces, from Rs. 318·4 crores to Rs. 1,245·7 crores or 3·91 fold in United Provinces, from Rs. 147·3 crores to Rs. 581·3 crores or 3·95 fold in Bihar, from Rs. 62·1 crores to Rs. 249·3 crores or 4·01 fold in Assam, from Rs. 55·9 crores to Rs. 212·9 crores or 3·81 fold in Orissa, from Rs. 66·6 crores to Rs. 257·5 crores or 3·87 fold in East Punjab and from Rs. 86·8 crores to Rs. 324·5 crores or 3·74 fold in West Bengal. The National Real Income registers but an average ascension of 1·45 per cent. But the rise is not uniform—six provinces register a rise to varying extents and three a decline. It has fallen from Rs. 369·5 crores to Rs. 364·3

National Money and Real Income of the Provinces in 1938-39 and 1949-50.



crores or by 1.41 per cent in Madras, from Rs. 235.8 crores to Rs. 227.8 crores or by 3.39 per cent in Bombay, from Rs. 86.8 crores to Rs. 86.3 crores or by 0.58 per cent in West Bengal. It has risen from Rs. 140 crores to Rs. 148.5 crores or by 6.07 per cent in Central Provinces, from Rs. 318.4 crores to Rs. 333.1 crores or by 3.99 per cent in United Provinces, from Rs. 147.3 crores to Rs. 154.5 crores or by 4.89 per cent in Bihar, from Rs. 62.1 crores to Rupees 66.3 crores or by 6.76 per cent in Assam, from Rs. 55.9 crores to Rs. 56.6 crores or by 1.25 per cent in Orissa and from Rs. 66.6 crores to Rs. 68.5 crores or by 2.85 per cent in East Punjab.

89. The per capita money income has everywhere increased, from three times in West Bengal to four times in United Provinces. It has risen from Rs. 77-5-11 to Rs. 254-8-1 in Madras, from Rs. 115-4-1 to Rs. 369-4-9 in Bombay, from Rs. 84-15-5 to Rs. 306-14-11 in Central Provinces, from Rs. 59-0-9 to Rs. 209-1-3 in United Provinces, from Rs. 41-5-9 to Rs. 147-11-6 in Bihar, from Rs. 62-1-6 to Rs. 225-9-9 in Assam, from Rs. 65-5-7 to Rs. 224-12-3 in Orissa, from Rs. 70-13-0 to Rs. 222-15-9 in East Punjab and from Rs. 50-4-9 to Rs. 153-1-8 in West Bengal.

90. Notwithstanding this marked growth in per capita money income, the per capita real income has fallen everywhere to Rs. 67-10-5 in Madras, to Rs. 98-2-8 in Bombay, to Rs. 81-9-5 in Central Provinces, to Rs. 59-4-3 in Bihar, to Rs. 59-15-6 in Assam, to Rupees 59-11-11 in Orissa, to Rs. 59-4-4 in East Punjab, to Rs. 40-11-2 in West Bengal and to Rs. 55-9-3 in United Provinces. In other words, it has fallen by 19.08 per cent in West

Bengal, 16·3 per cent in East Punjab, 14·83 per cent in Bombay, 12·56 per cent in Madras, 8·58 per cent in Orissa, 5·88 per cent in United Provinces, 5·06 per cent in Bihar, 3·96 per cent in Central Provinces, and 3·42 per cent in Assam.

91. Along with a decline in the National Real Income and per capita real income in the last ten years, there has been an increase in the public revenues of the Central Government. For every rupee of National Income more is now paid to the Central Government Exchequer than in 1938-39—this payment rising from 8·4 pies to 12·3 pies or by 46·4 per cent. And without deducting the share of the provinces in income-tax, the average per capita money contribution to the Government of India has risen from Rs. 2-15-6 in 1938-39 (for undivided British India) to Rs. 14-11-3 in 1949-50 for the Indian Dominion. The real burden has increased from Rs. 2-15-6 to Rs. 3-14-6.

92. The pattern of public expenditure in the nine provinces has undergone a perceptible change in the last ten years. The percentage of expenditure on Security Services for all the nine provinces has fallen from 32·56 per cent to 24·46 per cent,—or by nearly one-third to less than a quarter. The percentage of expenditure on Social Services has slightly fallen from 20·92 per cent to 20·40 per cent, although in absolute terms there has been a marked increase in all the provinces. So far as Developmental Services are concerned, there has been an increase from 13·63 per cent to 20·7 per cent.

93. Provincial revenues have changed both in volume and composition in the past ten years. The increase in

revenues ranges from three and a half to five fold. Provincial Excise, the largest yielder of war period, has disappeared in Madras, while in others it is in the process of disappearance. A steady rise in the share of the income-tax and a spectacular growth of revenues from sales tax are the two high lights of provincial revenues. Revenues from Irrigation and Electricity Schemes are expanding. There is a general uptrend in the receipts from non-tax sources. Tax revenue of the nine provinces has declined from 69.06 per cent to 58.84 per cent of the total revenues.

#### 94. **Money and Real Burden of Provincial Revenues.**—

In the provincial sphere, the money burden of revenues has increased, but not uniformly in all the provinces. The per capita contribution to provincial revenues (excluding the share of the income-tax divisible pool) has risen from Rs. 3-5-4 to Rs. 8-14-3 in Madras, from Rs. 5-15-0 to Rs. 17-1-0 in Bombay, from Rs. 2-8-8 to Rs. 9-1-4 in Central Provinces, from Rs. 2-5-4 to Rupees 7-12-7 in United Provinces, from Rs. 1-6-10 to Rupees 4-11-0 in Bihar, from Rs. 2-8-10 to Rs. 6-10-4 in Assam, from Rs. 2-1-6 to Rs. 7-13-7 in Orissa, from Rs. 4-2-11 to Rs. 12-0-4 in East Punjab and from Rs. 2-3-0 to Rs. 12-5-7 in West Bengal. The per capita real burden of Public Revenues has however fallen everywhere, except in Bengal where it has registered an increase of 49.76 per cent. Among the other provinces the real burden adjusted to price changes has fallen to Rs. 2-5-10 or by 28.8 per cent in Madras, to Rs. 4-8-7 or by 13.6 per cent in Bombay, to Rs. 2-6-8 or by 4.9 per cent in Central Provinces, to Rs. 2-1-1 or by 11.4 per cent in United Provinces, to Rs. 1-4-8 or by 10.2 per cent in Bihar, to

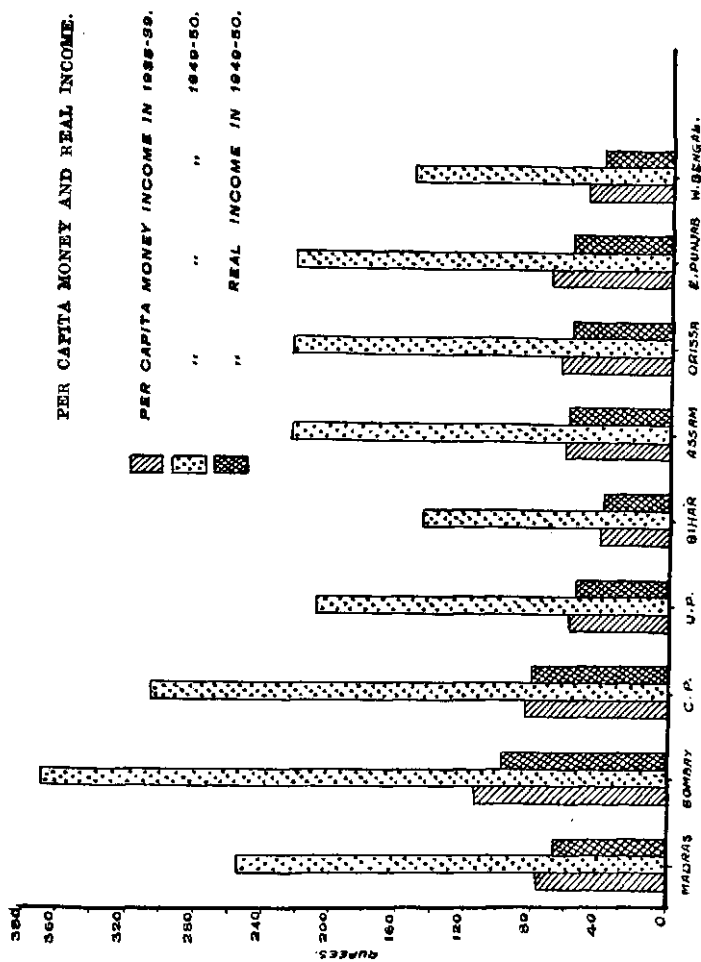


Rs. 1-12-3 or by 30·8 per cent in Assam, to Rs. 2-1-4 or by 0·5 per cent in Orissa and to Rs. 3-3-0 or by 23·79 per cent in East Punjab.

*Money and Real Burden of Provincial Revenues.*

Province.	1938-39			1949-50			Percentage fall or rise in real burden.				
	Per capita burden.			Money		Real					
(1)	(2)			(3)	(4)		(5)				
	RS.	A.	P.	RS.	A.	P.					
Madras .. .. .	3	5	4	8	14	3	2	5	10	—	28·8
Bombay .. .. .	5	15	0	17	1	0	4	8	7	—	13·6
Central Provinces ..	2	8	8	9	1	4	2	6	8	—	4·9
United Provinces ..	2	5	4	7	12	7	2	1	1	—	11·4
Bihar .. .. .	1	6	10	4	11	0	1	4	8	—	10·2
Assam .. .. .	2	8	10	6	10	4	1	12	3	—	30·8
Orissa .. .. .	2	1	6	7	13	7	2	1	4	—	0·5
East Punjab .. .. .	4	2	11	12	0	4	3	3	0	—	23·79
West Bengal .. .. .	2	3	0	12	5	7	3	4	5	+	49·76

95. Taking all the provinces together although the per capita money burden of the Provincial Revenues (less the share from the income-tax divisible pool) has increased from Rs. 3-8-10 to Rs. 9-0-8 or nearly 2·54 fold, the per capita real burden has diminished from Rs. 3-8-10 to Rs. 2-6-5 or by 32·37 per cent. On the other hand, the per capita real burden of the Central Revenues (without deducting the provinces' share of income-tax) has increased by 31·63 per cent. The combined per capita money burden in the provinces and at the Centre has however risen from Rs. 6-8-4 to Rs. 23-11-11 or 3·64 fold only while the combined per capita real burden has decreased from Rs. 6-8-4 to Rs. 6-5-0 or by 3·39 per cent. Thus the decline in the



burden of Provincial Revenues is nearly off-set by the increase in the burden of Central Revenues, resulting in a net decrease in per capita real burden to the extent of 3.39 per cent.

96. However, the increase in money burden has been counteracted to a great extent by the marked rise in per capita money income, with the result that the contribution towards Central and Provincial revenues together per rupee of per capita income has risen but slightly—from 18.5 pies to 19.9 pies only.

In relation to National Income, the revenues of the provinces have not increased appreciably. The aggregate revenues of the nine provinces have risen from Rs. 77.97 crores in 1938-39 to Rs. 223.69 crores in 1949-50 or less than three fold, but the National Income has risen from Rs. 1,482.4 crores to Rs. 5,657.5 crores or 3.82 fold. In other words, the ratio of total revenues to National Income has fallen from 5.26 per cent to 3.95 per cent only. In the current year, the percentage of total revenue to National Income is 5.71 per cent in Bombay, 3.4 per cent in Central Provinces, 4.18 per cent in Orissa, 4.47 per cent in United Provinces, 3.58 per cent in Assam, 4 per cent in Madras, 4.20 per cent in Bihar, 6.19 per cent in East Punjab and 9.81 per cent in West Bengal.

97. For Indian Union as a whole, the aggregate of Public Revenues—Centre and the nine provinces added together—comes to Rs. 587.52 crores (1949-50). This works out to 10.38 per cent of the National Income of the Indian Union. The corresponding figure for United Kingdom, works out to 32.12 per cent in 1948 (*vide* Cmd. 7,649).

98. Only a small fraction of the National Income goes into public sector in the provinces. The share of the provincial revenue in each rupee of the National Income has fallen in seven provinces—from 8·2 pies to 6·7 pies in Madras, from 9·9 pies to 8·9 pies in Bombay, from 5·8 pies to 5·7 pies in Central Provinces, from 7·6 pies to 7·2 pies in United Provinces, from 6·6 pies to 6·1 pies in Bihar, from 7·9 pies to 5·7 pies in Assam and from 11·3 pies to 10·4 pies in East Punjab ; it has risen in the other two provinces—from 6·1 pies to 6·7 pies in Orissa and from 8·4 pies to 15·7 pies in West Bengal.

99. *Tax and non-tax revenue.*—As between tax and non-tax revenue, the share of non-tax revenue in each rupee of National Income in 1938-39 was 2·3 pies in Madras and Assam, 2·6 pies in Bombay, 1·4 pies in Central Provinces, 2·2 pies in United Provinces, 1·7 pies in Bihar, 2·7 pies in Orissa, 6·7 pies in East Punjab and 1·5 pies in West Bengal. In 1949-50, it has risen to 2·5 pies in Madras, to 3·1 pies in Bombay, to 2·7 pies in Central Provinces, to 3·2 pies in United Provinces and Assam, to 2·6 pies in Bihar, to 4·1 pies in Orissa and to 4·2 pies in West Bengal, but it has fallen to 6·4 pies in East Punjab. The share of tax revenue in each rupee of the National Income has fallen in eight provinces—from 5·9 pies to 4·2 pies in Madras, from 7·3 pies to 5·8 pies in Bombay, from 4·4 pies to 3 pies in Central Provinces, from 5·4 pies to 4 pies in United Provinces, from 4·9 pies to 3·5 pies in Bihar, from 5·6 pies to 2·5 pies in Assam, from 3·4 pies to 2·6 pies in Orissa and from 4·6 pies to 4 pies in East Punjab, while it has risen from 6·9 pies to 11·3 pies in West Bengal. The share of the tax revenue in the total Provincial Revenue has fallen from 69·09 per cent

to 58·84 per cent in spite of the newly imposed Sales Tax in all, and levy of the Agricultural Income Tax in most.

100. As a percentage to total revenue (excluding receipts from Income-tax) tax revenue has fallen in all the provinces—from 71·87 to 63·38 in Madras, from 73·94 to 65·54 in Bombay, from 75·79 to 52·01 in Central Provinces, from 70·6 to 55·38 in United Provinces, from 73·7 to 57·21 in Bihar, from 71·18 to 43·63 in Assam, from 55·20 to 38·48 in Orissa, from 40·83 to 38·6 in East Punjab and from 82·1 to 72·82 in West Bengal. The share of tax revenue in Orissa and Assam has been relatively low mainly due to substantial grants from Central Government; and in Punjab to the large revenue derived from irrigation works. In spite of the newly imposed Sales Tax in all the provinces and levy of the Agricultural Income-tax in most of them, the share of tax revenue has perceptibly fallen. In its relation to aggregate revenues of the nine provinces, tax revenue of all the provinces has fallen from 69·07 per cent to 58·84 per cent. The percentage of tax revenue to National Income is 5·87 in West Bengal, 3·03 in Bombay, 2·06 in United Provinces, 1·82 in Bihar, 2·21 in Madras, 1·54 in Central Provinces, 1·29 in Assam, 2·08 in East Punjab and 1·34 in Orissa.

101. The tax revenue of the Government of India alone amounts to Rs. 330·58 crores or 5·84 per cent of the National Income of the Indian Union and the combined tax revenues of the Central and the nine Provincial Governments to Rs. 462·21 crores or 8·17 per cent of the National Income. "The British proportion comes out at 41·7 per cent while the figures for the United States,

for South Africa and for Sweden are 24·6 per cent, 19·7 per cent and 18·9 per cent respectively.”\*

102. **Direct and Indirect taxes.**—As between Direct and Indirect taxes, the tax structure has undergone some changes. The Central Government has been able to increase the receipts from the Direct taxes (Taxes on Income and Corporation Tax) appreciably from Rs. 13·08 crores to Rs. 148·9 crores; from 20 per cent of the total revenue in 1938–39, they have risen to 41 per cent in 1949–50. The yield of the Indirect taxes was Rs. 43·18 crores or 66 per cent of the total revenues in 1938–39, and in 1949–50, this is Rs. 181·68 crores or 50 per cent. Revenue from Direct taxes of the Government of India, which formed 23·25 per cent of the tax revenue in 1938–39, now stands at 45·04 per cent.

103. In the provincial sphere, Direct taxes comprising Land Revenue and Stamp Duty in 1938–39 accounted for a major portion of the tax revenue of all the provinces, being 79·97 per cent in United Provinces, 78·22 per cent in Central Provinces, 71·9 per cent in Assam, 65·02 per cent in Orissa, 59·88 per cent in Bihar, 60·06 per cent in Madras, 55·56 per cent in Bombay, 74·45 per cent in East Punjab and 56·85 per cent in West Bengal. In the past ten years the position of Direct taxes in all the provinces has deteriorated in spite of a new addition, viz., agricultural income-tax in most of the provinces. In 1949–50, the percentage of revenue from Direct taxes to tax revenue has declined to 20·92 per cent in West Bengal, 28·62 per cent in Bombay, 30·04 per cent in Bihar, 31·93 per cent in Madras, 32·46 per cent in Orissa, 35·35

\* The *Economist* (London), 19th March 1949, page 503.

per cent in United Provinces, 37·54 per cent in East Punjab, 49·26 per cent in Central Provinces and 55·30 per cent in Assam. In the provinces as a whole, the position of the Direct taxes has deteriorated from 64·98 per cent to 32·14 per cent of the tax revenue.

104. Revenue from Direct taxes of the Government of India which formed 20 per cent of the tax revenue in 1938-39 now stands at 41 per cent. While this is so in the Centre, in the provinces the position of Direct taxes has deteriorated in the last ten years—from 64·98 per cent to 32·14 per cent of the tax revenue, and this in spite of the addition of a new Direct tax like the Agricultural Income Tax in most of them. And this deterioration in the Provincial sphere is so considerable that it could not effectively neutralize the gains made at the Centre; for although the combined receipts from Direct taxes, Central and Provincial, have increased from Rs. 48·07 crores to Rs. 191·21 crores, or nearly four fold their share to the total revenues has fallen from 33·63 per cent to 32·55 per cent and to tax revenue from 43·66 per cent to 41·37 per cent. Correspondingly the share of the combined receipts from Indirect taxes to tax revenue has increased from 56·34 per cent to 58·33 per cent. This tendency is found in the tax structure of United Kingdom also. In the United Kingdom receipts from Direct taxes have risen £464 millions in 1938 to £1,823 millions in 1948, but their share in the total tax revenue has fallen from 53 per cent to 51·4 per cent. And the receipts from Indirect taxes in United Kingdom have risen from £412 millions to £1,721 millions and their share in the total tax revenue from 47 per cent to 48·6 per cent. This common trend is back perhaps a legacy of war time

conditions. To what extent this decline in the share of Direct taxes would mean an accentuation or otherwise of inequalities of incomes can be assessed only with reference to changes in income brackets in the community as a whole. This is a theme for a separate study.

105. *Summary of conclusions.*—(i) Although National Income of Indian Union has mounted from Rs. 1,482·4 crores in 1938–39 to Rs. 5,657·5 crores in 1949–50 or 3·82 fold, National Real Income has risen but slightly to Rs. 1,504 crores or by 1·45 per cent.

(ii) The average per capita income in the Indian Union has risen from Rs. 67–8–10 to Rs. 228–10–0 or 3·36 fold but the per capita real income has fallen from Rs. 67–8–10 to Rs. 60–12–0 or by 10·1 per cent.

(iii) Viewed from the standpoint of Occupational Distribution, the Primary Services have gained a larger share in the National Cake during the last ten years while the Secondary and Tertiary Services have been losers to a certain extent, the latter even more than the former. The result has been a tendency towards narrowing down the gap in per capita incomes between the Primary and the other two Services—although the disparity is still to the disadvantage of the Primary and that significantly.

(iv) Per capita money burden of the Provincial Revenues alone (less the share from the income-tax divisible pool) has increased from Rs. 3–8–10 to Rs. 9–0–8 or 2·54 fold; but the per capita real burden has fallen from Rs. 3–8–10 to Rs. 2–6–5 or by 32·37 per cent. The burden of provincial revenues today is about a third lighter than what it was a decade ago.



(v) Both per capita money and real burdens of the Central Revenues (without deducting the Province's share of income-tax) have increased in the past decade—the money burden from Rs. 2-15-6 (for undivided British India) to Rs. 14-11-3 (for Indian Union) or 4.95 fold; the real burden, from Rs. 2-15-6 to Rs. 3-14-6 or by 31.63 per cent. In other words, along with a fall of 10.1 per cent in the per capita real income, the burden of taxation at the Centre has also risen by 31.63 per cent, making the net burden heavier than before.

(vi) The combined per capita money burden of revenues both in the Provinces and at the Centre has however risen from Rs. 6-8-4 to Rs. 23-11-11 or 3.64 fold only while the combined per capita real burden has decreased from Rs. 6-8-4 to Rs. 6-5-0 or by 3.39 per cent. Thus, the decline in the burden of Provincial revenues is considerably offset by the increase in the burden of Central revenues, resulting in a net decrease in per capita real burden to the extent of 3.39 per cent.

(vii) The share of the Central and Provincial Revenues in the National Income has slightly risen from 9.64 per cent in 1938-39 to 10.38 per cent in 1949-50. The share of the National Money Income that goes into the public sector in the Provinces has declined from 5.26 per cent to 3.95 per cent and at the Centre it has increased from 4.38 per cent to 6.43 per cent.

(viii) The percentage of tax revenue at the Centre and in the Provinces to National Money Income has risen from 7.43 in 1938-39 to 8.17 in 1949-50. The

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share of the non-tax revenue has remained stationary at 2.22 per cent of the National Income in both years.

(ix) As regards the composition of the tax revenue as between Direct and Indirect taxes, the receipts from Direct taxes have shrunk from 43.65 per cent in 1938-39 to 41.37 per cent of the total tax revenue in 1948-49; while the receipts from Indirect taxes have increased from 56.35 per cent to 58.63 per cent.

(x) In terms of National Income too, although the shares of both have increased (Direct taxes from 3.30 per cent to 3.38 per cent and Indirect taxes from 4.18 per cent to 4.78 per cent) the share of Indirect taxes has increased more than the share of Direct taxes.

## APPENDIX I.

### *Tax Revenue and Non-tax Revenue in the Provinces in 1938-39 and 1949-50.*

Provinces. (1)	Tax revenue (000).		Non-tax revenue (000).	
	1938-39.	1949-50.	1938-39.	1949-50.
	(2)	(3)	(4)	(5)
	RS.	RS.	RS.	RS.
Madras .. ..	11,43,38	30,33,38	4,47,57	17,52,64
Bombay .. ..	3,98,10	25,95,42	3,16,49	13,64,40
Central Provinces.	3,18,25	3,60,48	1,01,66	7,94,06
United Provinces.	3,87,85	25,69,57	3,69,65	20,70,72
Bihar .. ..	3,74,37	10,55,13	1,34,46	7,89,16
Assam .. ..	1,81,86	3,20,50	73,62	4,14,02
Orissa .. ..	98,80	2,86,07	80,20	4,57,38
East Punjab ..	4,58,88 *	5,35,96	6,64,98*	8,52,48
West Bengal ..	10,23,45 *	19,05,95	2,23,16*	7,11,29
Total .. ..	53,84,94	1,31,62,46	24,11,79	92,06,24

	Total revenue (000).		Percentage to total revenue.			
			Tax revenue.		Non-tax revenue.	
	1938-39.	1949-50.	1938-39.	1949-50.	1938-39.	1949-50.
	(6)	(7)	(8)	(9)	(10)	(11)
	RS.	RS.				
Madras .. ..	15,90,95	47,86,02	71.87	63.38	28.13	36.62
Bombay .. ..	12,14,59	39,59,91	73.94	65.54	26.06	34.46
Central Provinces.	4,19,91	16,54,54	75.79	52.01	24.21	47.99
United Provinces.	12,57,50	46,40,29	70.60	55.38	29.40	44.62
Bihar .. ..	5,08,83	18,44,29	73.57	57.21	26.43	42.79
Assam .. ..	2,55,48	7,34,52	71.18	43.63	28.63	56.37
Orissa .. ..	1,79,00	7,43,45	55.20	38.48	44.81	61.52
East Punjab ..	11,23,86 *	13,88,44	40.83	38.60	59.17	61.40
West Bengal ..	12,46,61 *	26,17,24	82.10	72.82	17.90	27.18
Total .. ..	77,96,73	2,23,68,70	69.07	58.84	30.93	41.46

NOTE.—Figures exclude receipts from Income-tax.

\* Figures for undivided Province.

## APPENDIX II.

### *Receipts from Direct and Indirect taxes and Tax Revenue in the Provinces in 1938-39 and 1949-50.*

(In thousand rupees.)

Province.	Direct taxes.		Indirect taxes.	
	1938-39.	1949-50.	1938-39.	1949-50.
	(1)	(3)	(4)	(5)
	RS.	RS.	RS.	RS.
Madras .. ..	6,86,74	9,68,57	4,56,64	20,64,81
Bombay .. ..	4,98,98	7,42,78	3,99,12	18,52,69
Central Provinces ..	2,48,92	4,23,86	69,33	4,86,62
United Provinces ..	7,10,04	9,08,25	1,77,81	16,61,32
Bihar .. ..	2,36,16	3,17,00	1,38,21	7,38,13
Assam .. ..	1,30,76	1,77,25	51,10	1,43,25
Orissa .. ..	64,24	92,86	34,56	1,93,21
East Punjab ..	3,41,65,*	2,01,18	1,17,23 *	3,34,78
West Bengal ..	5,81,87 *	3,98,75	4,41,58 *	15,07,20
<b>Total ..</b>	<b>34,99,36</b>	<b>42,30,45</b>	<b>18,85,53</b>	<b>89,32,01</b>

	Total tax revenue.		Percentage to tax revenue.			
	1938-39.	1949-50.	Direct taxes.		Indirect taxes.	
	1938-39.	1949-50.	1938-39.	1949-50.	1938-39.	1949-50.
	(6)	(7)	(8)	(9)	(10)	(11)
	RS.	RS.				
Madras .. ..	11,43,38	30,33,38	60.06	31.93	39.94	68.07
Bombay .. ..	8,98,10	25,95,42	55.56	28.62	44.44	71.38
Central Provinces.	3,18,25	8,60,48	78.22	40.26	21.78	50.75
United Provinces.	8,87,85	25,69,57	79.97	35.85	20.03	64.65
Bihar .. ..	3,74,37	10,55,13	63.08	30.04	36.92	69.96
Assam .. ..	1,81,86	3,20,50	71.90	55.30	28.10	44.70
Orissa .. ..	98,80	2,86,07	65.02	32.46	34.98	67.40
East Punjab ..	4,58,88 *	5,35,96	74.45	37.54	25.55	62.49
West Bengal ..	10,23,45 *	19,05,95	56.85	20.92	43.15	79.08
<b>Total ..</b>	<b>53,84,94</b>	<b>1,31,62,46</b>	<b>64.96</b>	<b>32.14</b>	<b>35.02</b>	<b>67.86</b>

NOTE.—Figures exclude receipts from Income-tax.

\* Figures for undivided Province.

## APPENDIX III.

### *National Income and per capita Income in the Provinces and Indian Union in 1938-39 and 1949-50.*

Province.	1938-39.		1949-50.			Increase (number of times).	
	National Income, (in crores)	Per capita income.	National Income, (in crores)	Per capita income.		Natio- nal In- come.	Per capita in- come.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	RS.	RS. A. P.	RS.	RS.	A. P.		
Madras .. ..	3,69.5	77 5 11	13,70.4	254	8 1	3.71	3.29
Bombay .. ..	2,35.3	115 4 1	8,57.1	369	4 9	3.63	3.20
Central Provinces.	1,40.0	84 15 5	5,58.8	306	14 11	3.99	3.61
United Provinces.	3,18.4	59 0 9	12,45.7	209	1 3	3.91	4.11
Bihar .. ..	1,47.3	41 5 9	5,81.3	147	11 6	3.95	3.57
Assam .. ..	62.1	62 1 6	2,49.3	225	9 9	4.01	3.63
Orissa .. ..	55.9	65 5 7	2,12.9	224	12 3	3.81	3.44
East Punjab ..	66.6 *	70 13 0 *	2,57.5	222	15 9	3.87	3.16
West Bengal ..	86.8 *	50 4 9 *	3,24.5	153	1 8	3.74	3.04
Indian Union ..	14,82.4	47 10	56,57.5	228	13 0	3.82	3.33

\* Estimated income of the divided Province.

## APPENDIX IV.

### *National Real Income and per capita Real Income in the Provinces and Indian Union in 1938-39 and 1949-50.*

Provinces. (1)	National Income (In crores).		Per capita income.	
	1938-39. (2)	1949-50. (3)	1938-39. (4)	1949-50. (5)
	RS.	RS.	RS. A. P.	RS. A. P.
Madras .. ..	369.5	1,370.4	77 5 11	254 8 1
Bombay .. ..	235.8	857.1	115 4 1	369 4 9
Central Provinces ..	140.0	558.8	84 15 5	306 14 11
United Provinces ..	316.4	1,245.7	59 0 9	209 1 3
Bihar .. ..	147.3	581.3	41 5 0	147 11 6
Assam .. ..	62.1	249.3	62 1 6	225 9 9
Orissa .. ..	55.9	212.9	65 5 7	224 12 3
East Punjab .. ..	66.6*	257.5	70 13 0*	222 15 9
West Bengal .. ..	86.8*	324.5	50 4 9*	153 1 8
Indian Union .. ..	1,482.4	5,657.5	67 8 10	228 10 0

	National Real income in 1949-50. (In crores).	Per capita Real Income.	Percentage increase or decrease in Real Income of 1949-50 compared with 1938-39.	
	(6)	(7)	National income. (8)	Per capita. (9)
	RS.	RS. A. P.		
Madras .. ..	364.3	67 10 5	- 1.41	- 12.56
Bombay .. ..	227.8	98 2 8	- 3.39	- 14.83
Central Provinces ..	148.5	81 9 5	+ 6.07	- 3.96
United Provinces ..	331.1	55 9 3	+ 3.99	- 5.88
Bihar .. ..	154.5	39 4 3	+ 4.89	- 5.06
Assam .. ..	66.3	59 15 6	+ 6.78	- 3.42
Orissa .. ..	56.6	59 11 11	+ 1.25	- 8.58
East Punjab .. ..	63.5	59 4 4	+ 2.85	- 16.20
West Bengal .. ..	86.3	40 11 2	- 0.58	- 19.06
Indian Union .. ..	1,503.9	60 12 0	+ 1.45	- 11.10

\* Estimated Income of the divided Province.

## APPENDIX V.

### *National Income and Revenues in the Provinces.*

Provinces.	Year.	Population. (000)	National Income (crores).	Per capita contribution to Provincial revenue					
				Tax.		Non-tax.			
(1)	(2)	(3)	(4)	(5)		(6)			
			RS.	RS.	A.	P.	RS.	A.	P.
Madras ..	1938-39 ..	47,757	869.6	2	6	4	0	15	0
	1949-50 ..	53,846	1,370.4	5	10	2	3	4	1
Bombay ..	1938-39 ..	20,459	235.8	4	6	3	1	8	9
	1949-50 ..	23,209	857.1	11	2	11	5	14	1
Central Provinces ..	1938-39 ..	16,478	140.0	1	14	11	9	9	9
	1949-50 ..	18,206	358.8	4	11	7	4	5	9
United Provinces ..	1938-39 ..	53,921	318.4	1	10	4	0	11	0
	1949-50 ..	59,580	1,245.7	4	5	0	3	7	7
Bihar ..	1938-39 ..	35,613	147.3	1	0	10	0	6	0
	1949-50 ..	39,352	581.3	2	10	11	2	0	1
Assam ..	1938-39 ..	10,001	62.1	1	13	1	0	11	9
	1949-50 ..	11,050	249.3	2	14	5	3	11	11
Orissa ..	1938-39 ..	8,554	55.9	1	2	6	0	15	0
	1949-50 ..	9,472	212.9	3	0	4	4	13	3
East Punjab ..	1938-39 ..	26,872 *	66.6 †	1	11	4 †	2	7	7
	1949-50 ..	11,548	257.5	4	10	3	7	6	1
West Bengal ..	1938-39 ..	57,047 *	86.8 †	1	12	9	0	6	3
	1949-50 ..	21,195	324.5	8	15	11	3	5	8

Per capita  
contribution  
to Provincial  
revenue  
—cont.

Revenue per rupee of per  
capita income.

	Total. (7)	Tax. (8)	Non-tax. (9)	Total. (10)			
					RS.	A.	P.
Madras ..	1938-39 ..	3	5	4	5.9	2.3	8.2
	1949-50 ..	8	14	3	4.2	2.5	6.7
Bombay ..	1938-39 ..	5	15	0	7.3	2.6	9.9
	1949-50 ..	17	1	0	5.8	3.1	8.9
Central Provinces ..	1938-39 ..	2	8	8	4.4	1.4	5.8
	1949-50 ..	9	1	4	3.0	2.7	5.7
United Provinces ..	1938-39 ..	2	5	4	5.4	2.2	7.6
	1949-50 ..	7	12	7	4.0	3.2	7.2
Bihar ..	1938-39 ..	1	6	10	4.9	1.7	6.6
	1949-50 ..	4	11	0	3.5	2.6	6.1
Assam ..	1938-39 ..	2	8	10	5.6	2.3	7.9
	1949-50 ..	6	10	4	2.5	3.2	5.7
Orissa ..	1938-39 ..	2	1	6	3.4	2.7	6.1
	1949-50 ..	7	13	7	2.6	4.1	6.7
East Punjab ..	1938-39 ..	4	2	11	4.6	6.7	11.3
	1949-50 ..	12	0	4	2.6	4.1	6.7
West Bengal ..	1938-39 ..	2	3	0	6.9	1.5	8.4
	1949-50 ..	12	5	7	11.3	4.2	15.7

NOTE.—Figures exclude Provincial share of the Income-tax.

\* Undivided Province.

† Estimated National Income of the divided Province.

## APPENDIX VI.

### *Composition of the per capita income in the Provinces of the Indian Union in 1938-39 and 1949-50.*

Average per capita income.

Provinces (1)	Average per capita income.			
	I Primary Services.		II Secondary Services.	
	1938-39.	1949-50.	1938-39.	1949-50.
	(2)	(3)	(4)	(5)
	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.
Madras .. .. .	40 0 11	160 11 6	14 7 10	39 10 8
Bombay .. .. .	51 15 4	207 2 7	35 9 4	96 13 0
Central Provinces .. .. .	58 1 3	237 10 8	11 0 9	30 13 11
United Provinces .. .. .	37 7 4	153 5 2	9 7 4	26 6 8
Bihar .. .. .	26 14 0	109 15 4	7 2 6	20 0 0
Assam .. .. .	42 7 11	174 0 5	10 14 4	30 8 0
Orissa .. .. .	87 4 8	152 3 9	12 11 11	35 9 3
East Punjab .. .. .	43 7 9	160 4 8	9 7 5	23 13 0
West Bengal .. .. .	26 1 2	98 0 11	12 12 0	32 1 5
Indian Union ..	38 12 8	155 9 6	13 3 0	36 1 9

Average per capita income.

	Average per capita income.			
	III Tertiary Services.		IV Total per capita income.	
	1938-39.	1949-50.	1938-39.	1949-50.
	(6)	(7)	(8)	(9)
	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.
Madras .. .. .	22 13 2	54 1 11	77 5 11	254 8 1
Bombay .. .. .	27 11 5	65 4 5	115 4 1	369 4 9
Central Provinces .. .. .	15 13 5	38 6 4	84 15 5	306 14 11
United Provinces .. .. .	12 2 1	20 5 5	59 0 9	209 1 3
Bihar .. .. .	7 5 3	17 12 2	41 5 9	147 11 6
Assam .. .. .	8 11 2	21 1 5	62 1 6	225 9 9
Orissa .. .. .	15 5 0	36 15 3	65 5 7	224 12 3
East Punjab .. .. .	17 13 10	38 14 1	70 13 0	222 15 9
West Bengal .. .. .	11 7 7	24 15 4	50 4 0	153 1 8
Indian Union ..	15 9 2	36 14 9	67 8 10	238 10 0



## APPENDIX VI—cont.

*Composition of the per capita income in the Provinces of the Indian Union in 1938-39 and 1949-50—cont.*

Provinces.	Percentage of					
	I to IV.		II to IV.		III to IV	
	1938-39. (10)	1949-50. (11)	1938-39. (12)	1949-50. (13)	1938-39. (14)	1949-50. (15)
Madras .. .. .	51.77	63.15	18.73	15.59	29.50	21.26
Bombay .. .. .	45.08	56.10	30.87	26.23	24.05	17.67
Central Provinces .. .. .	68.86	77.43	13.00	10.06	18.64	12.51
United Provinces .. .. .	63.44	73.33	16.02	12.64	29.54	14.08
Bihar .. .. .	64.97	74.44	17.31	13.54	17.72	12.02
Assam .. .. .	68.44	77.14	17.55	13.52	14.01	9.34
Orissa .. .. .	57.07	67.73	19.50	15.83	23.43	16.44
East Punjab .. .. .	61.41	71.88	13.36	10.66	25.23	17.44
West Bengal .. .. .	51.84	62.74	25.35	20.96	22.81	16.30
Indian Union ..	57.43	68.06	19.52	15.79	23.05	16.15

## APPENDIX VII.

### *An analysis of the Provincial and Central Finances.*

	1938-39.	1949-50.
1 Total Revenue of Indian Union including the Province's share of the receipts from Income-tax.	Rs. 64·96*†	Rs. 363·83†
2 Per Capita Money Burden .. .. .	2 15 6	14 11 3
3 Per Capita Real Burden .. .. .	2 15 6	3 14 6
4 Total Revenue of the nine Provinces less the share from Income-tax divisible pool.	77·97†	223·69†
5 Per Capita Money Burden .. .. .	3 8 10	9 0 8
6 Per Capita Real Burden .. .. .	3 8 10	2 6 5
7 Total Revenues of Indian Union and nine Provinces (1 + 4).	142·93†	587·52†
8 Per Capita Money Burden .. .. .	6 8 4	23 11 11
9 Per Capita Real Burden .. .. .	6 8 4	6 5 0
10 Percentage of Central and Provincial Revenue to National Income.	9·64	10·38
11 Percentage of Central Revenues to National Income.	4·38	6·43
12 Percentage of Provincial Revenues to National Income.	5·26	3·95
13 Central Tax Revenue .. .. .	Rs. 56·26*†	Rs. 330·58†
14 Percentage of Central Tax Revenue to National Income.	3·80	5·84
15 Provincial Tax Revenue .. .. .	Rs. 53·85†	Rs. 131·63†
16 Percentage of Provincial Tax Revenues to National Income.	3·63	2·33
17 Total Central and Provincial Tax Revenues	Rs. 110·11	Rs. 462·21
18 Percentage of Central and Provincial Tax Revenues to National Income.	7·43	8·17
19 Central Non-tax Revenue .. .. .	Rs. 8·70*†	Rs. 33·25†
20 Percentage of Central Non-tax Revenue to National Income.	0·59	0·59
21 Provincial Non-tax Revenue .. .. .	Rs. 24·12†	92·06†

\* Revenues of British India in 1938-39 scaled down proportionately to Indian Union on the basis of population.

† In crores.

## APPENDIX VII—cont.

*An analysis of the Provincial and Central Finances—cont.*

	1938-39.	1949-50.
22 Percentage of Provincial Non-tax Revenue to National Income.	1.63	1.63
23 Central and Provincial Non-tax Revenue.	Rs. 32.82†	Rs. 125.31†
24 Percentage of Central and Provincial Non-tax Revenues to National Income.	2.22	2.22
25 Central Direct taxes .. .. .	Rs. 13.08*†	Rs. 148.90†
26 Percentage of Central Direct Taxes to Central Tax Revenue.	23.25	45.04
27 Provincial Direct Taxes .. .. .	Rs. 34.99†	Rs. 42.31†
28 Percentage of Provincial Direct Taxes to Provincial Tax Revenue.	64.98	32.14
29 Central and Provincial Tax Revenues ..	Rs. 48.07†	Rs. 191.21†
30 Percentage of Central and Provincial Direct Taxes to National Income.	43.65	41.37
31 Central Indirect Taxes .. .. .	Rs. 43.18†	Rs. 181.68†
32 Percentage of Central Indirect Taxes to Central Tax Revenue.	76.75	54.96
33 Provincial Indirect Taxes .. .. .	Rs. 18.86†	Rs. 89.32†
34 Percentage of Provincial Indirect Taxes to Provincial Tax Revenue.	76.75	54.96
35 Central and Provincial Indirect Taxes.	Rs. 62.04†	Rs. 271.00†
36 Percentage of Central and Provincial Indirect Taxes to the Central and Provincial Tax Revenues.	56.35	58.63
37 Percentage of Central and Provincial Direct Taxes to total Central and Provincial Revenues.	33.63	32.55
38 Percentage of Central and Provincial Indirect Taxes to total Central and Provincial Revenues.	43.41	46.13

\* Revenues of British India in 1938-39 scaled down proportionately to Indian Union on the basis of population.

† In crores.