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Speech of the Honourable Mr. V. L. Mehta, Finance Minister,
introducing the Budget Estimates for 1947-48, of the
Government of Bombay in the Legislative Assembly, on
Monday, the 24th February 1947.

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SIR,

It is now a little over eight years since there was occasion for introducing budget estimates in this legislature. These have been years crowded with events. Hence, I trust, a very brief and rapid survey of the political, social and economic changes that have taken place during this eventful period will not be deemed out of place. World War II had not broken out when the budget estimates were last considered, but rumblings of the gathering storm were even then audible. Today, although the War is already a matter of past history, its after-effects are still only too evident in our economic life. For us in India, with the War came about conditions which gave rise to monetary inflation. The disruption of our trade in rice with Burma and the drafts made on our normal food reserves for feeding the fighting and auxiliary Forces in India and in adjacent theatres of war created a gap in the capacity of the country to feed itself, which gap still remains to be filled up. Production in India, both agricultural and industrial, has not expanded adequately to meet the growing demand. The foremost problem before Government, both in the Province and at the Centre, is hence how best to supply the necessaries of life to the community. Again, as the cost of living continues to remain high, it has become a problem for various sections of the community to feed, clothe and house themselves within their respective limited incomes. It is these conditions that have given rise to a feeling of frustration breaking out occasionally in the form of social disorders. To the common man, it is these changes that, at the moment, count for more than the political transformation that has already taken place and is still in progress in our midst.

Viewed against the background of these large upheavals, political, social and economic, our domestic financial questions pale into insignificance. Yet the magnitude of our immediate task cannot be ignored. That task is to organise the resources of the Province so as to feed, clothe and house its population satisfactorily, in future, and to afford some immediate relief to the distressed sections, at the present time. Planning for this purpose is dependent for its success partly, if not indeed largely, on the financial resources which are at our disposal. It is, hence, as a contribution to the solution of post-war economic problems which confront the Province that I hope this exposition of the budget estimates for the year will be received by the Legislature.

Before I turn to the content of this contribution, it will not be improper if I place before the House a comparative statement of the growth of revenue and expenditure in various Provinces between 1939-40 and 1946-47 :—

Province.	Revenue		Expenditure	
	(in lakhs of rupees)			
	1939-40 (Accounts).	1946-47 (Budget).	1939-40 (Accounts).	1946-47 (Budget).
Madras	1666	4144	1637	4082
Bombay	1314	3020	1283	3015
Bengal	1432	4251	1371	5221
U. P.	1352	2915	1345	2944
Punjab	1211	2583	1196	2109
Bihar	548	1389	536	1339
C. P. & Berar	509	905	476	904
Assam	293	516	292	505
N. W. F.	183	263	187	279
Orissa	188	358	184	392
Sind	429	803	405	800

It will be interesting, next, to compare our main items of expenditure and main sources of revenue in 1939-40 and 1946-47. This comparison indicates trends which will affect consideration of the budget estimates for the next year and our plans for the future :—

	Revenue				Expenditure		
	1939-40 (in lakhs of Rs.)	1946-47	Per- centage of in- crease.		1939-40 (in lakhs of Rs.)	1946-47	Per- centage of in- crease.
Taxes on income ..	56	393	602	Land Revenue ..	67	80	19
Land Revenue ..	343	366	7	Excise ..	37	69	87
Provincial Excise ..	202	683	238	Forest ..	26	102	292

	Revenue				Expenditure		
	1939-40 (in lakhs of Rs.)	1946-47 (in lakhs of Rs.)	Per-centage of in-crease.		1939-40 (in lakhs of Rs.)	1946-47 (in lakhs of Rs.)	Per-centage of in-crease.
Stamps	139	249	79	General Administration	79	151	91
Forest	38	151	297	Administration of Justice	66	89	35
Registration	14	27	93	Police	150	327	118
Receipts under Motor Vehicles Act	42	53	26	Education	200	294	47
Other taxes and duties.	194	489	152	Medical	46	100	117
Other heads	286	609	113	Public Health	28	73	161
				Agriculture	12	193	1508
				Miscellaneous Departments	12	193	1508
				Civil Works	113	241	118
				Superannuation	120	148	24
				Miscellaneous	36	33	-8
				Debt Services	167	390	133
				Transfer to Revenue Reserve (Post-war Reconstruction and Development) Fund		225	
				Other heads	124	307	148
Total	1314	3020	130	Total	1283	3015	136

Now I shall turn to the budget and revised estimates for 1946-47, that is to say for the year which is about to come to a close. The budget estimates for this year showed a surplus of Rs. 5.14 lakhs. Since those estimates were prepared, several substantial changes have taken place both in revenue and in expenditure. For an explanation of these changes, I would refer Honourable Members to the introductory note printed in the Budget Memorandum for 1947-48. There is only one point I would mention, namely that, as the House will recollect, it sanctioned, at the session held in July last, supplementary grants aggregating to Rs. 568.88 lakhs. Nevertheless, on account of an improvement in revenue of about the same magnitude, it is expected, on the basis of the 8-monthly revised estimates for the year, that there will be no deficit, but on the contrary a small revenue surplus of Rs. 8.31 lakhs at the close of the year.

I proceed next to the budget estimates for the coming year. It is estimated that the revenue for the year will amount to Rs. 3891.26 lakhs. The estimated expenditure is Rs. 3885.33 lakhs, leaving a surplus of Rs. 5.93 lakhs. I shall briefly indicate the main features of the financial changes that we anticipate next year.

On the receipts side, the more important changes are these. We anticipate an increase of over Rs. 1½ crores in the amount payable to this Province as its share of the proceeds from income-tax. This expectation is based on the latest estimate communicated by the Government of India. There is an increase of about 40 lakhs in the revenue from Provincial Excise, instead of the decrease that should result from a cut in consumption. That is so because the reduction of consumption is to be accompanied by a steep increase—of as much as 100%—of existing duties. Honourable Members will notice an increase of somewhat under 2 crores against the head "Other Taxes and Duties". The main reason for this is the sales tax. During the current year, the proceeds from this tax actually credited to the Treasury pertain to one quarter only, whereas, in 1947-48, the amount received will have been for a full year. Lastly, a subvention of Rs. 2 crores for Post-war Reconstruction is expected next year from the Government of India. This is shown against the head "Extraordinary Receipts". As against these items of improvement, there will be noticed a fairly substantial decrease in the revenue anticipated from forests. Forest revenue cannot, of course, be expected to continue for long at what may be described as its wartime level.

On the expenditure side, in the revenue section of the budget, I shall content myself, at this stage, with giving certain figures, which will be found to be of interest. I propose, later, to dwell at some length on individual items such as Education, Agriculture and Co-operation:—

(In lakhs of rupees)					
Expenditure heads.	1943-44 Accounts.	1944-45 Accounts.	1945-46 Accounts.	1946-47 Revised.	1947-48 Budget.
Education ..	2,19.30	2,37.72	2,79.85	3,75.05	5,70.30
Medical and Public Health ..	1,12.89	1,36.53	1,64.65	2,01.29	2,50.99
Minor Irrigation Works ..	6.00	6.16	25.04	30.49	54.47
Agriculture, Veterinary and Co-operation and Rural Development provided under "25- General Administration".	75.45	1,39.19	2,01.60	3,42.85	3,59.61
Total ..	4,13.64	5,19.60	6,71.14	9,49.68	12,35.37
Police and Jails ..	3,04.18	3,05.73	3,51.43	5,00.09	5,84.50

All these represent big increases of expenditure in the budget. Under two other heads there are substantial decreases. For Famine, our revised provision for the current year is as much as Rs. 187 lakhs. The budget provision, based on the expectation of a normal season, is only Rs. 12 lakhs. The second item is a saving of about Rs. 125 lakhs on account of the closure, in its present form, of the subsidised milk scheme in Bombay and Poona. The saving is reflected in the reduced provision made in the budget under the expenditure head "47-Miscellaneous Departments."

It is necessary to refer here briefly to the provision made in the budget for capital expenditure. On schemes of Post-war Reconstruction, such as housing, the electric grid and so on, the capital expenditure so provided amounts to over Rs. 6 crores. It is proposed to meet this from Government's balances, even as capital expenditure on purchases of food stocks has so far been met from those balances. In other words, the Province is, as yet, in the fortunate position of not having to borrow for capital expenditure of this description. With a big development programme in front, that position cannot, obviously, be expected to continue indefinitely.

I shall allude, in passing, to two important Funds that have been built up, namely, the Post-War Reconstruction Fund and the Debt Redemption Fund and also refer briefly to our debt position. The Fund now stands at Rs. 12½ crores. Government hope to add to it not less than Rs. 1½ crores during the current year. In the next year's budget, an amount of Rs. 3 crores (including an amount of Rs. 2 crores which virtually represents the subvention for Post-war Reconstruction from the Government of India) is proposed to be transferred to the Post-war Reconstruction Fund, bringing the balance in that Fund to Rs. 17 crores at the end of 1947-48. The other Fund I have in mind is the Debt Redemption and Avoidance Fund, which was created with a view to accelerate the amortisation of the Bombay Government's 3 % Public Loans of 1955, 1956 and 1958 and to provide for repayment in 1960 of the whole, or as large a portion as practicable, of the consolidated 4½ per cent. debt then outstanding. The consolidated debt is owed to the Government of India. It is today about Rs. 10½ crores, but, out of this amount, slightly over Rs. 3½ crores is the Bombay Municipality's share of the debt. The three public loans together amount to another Rs. 10½ crores. Three contributions of Rs. 2 crores each, pertaining to 1944-45, 1945-46 and 1946-47, have already been made to the Debt Redemption and Avoidance Fund, and a further instalment of Rs. 2 crores has been provided for in the budget, bringing the total contribution to Rs. 8 crores by the end of 1947-48. The Debt Redemption Fund, it may be emphasised, is supplementary to the other arrangements for amortisation already in existence. These arrangements include equated payments amounting to Rs. 59.06 lakhs per annum towards liquidation

of the consolidated debt, and separate Sinking and Depreciation Funds for each of the 3 per cent. public loans. The Sinking and Depreciation Funds for the three loans amount, in all, to Rs. 230 lakhs (face value) as at the end of the current year; and the total provision made on this account in the next year's budget is Rs. 71.65 lakhs.

Let me indicate at this stage what changes in policy, in administrative machinery and in methods of finance have been initiated in various fields by the present Government. The previous administration had drawn up a five-year programme involving an expenditure of 60 crores. The present Government have formulated a plan which costs slightly above 90 crores over the same period. The main change that has occurred in these plans is that of outlook. With your permission, Sir, I shall quote the relevant portion of the Press Communique on the subject issued by Government in June 1946 :—

“ The Ministry's New Plan while not differentiating between the various parts of the Province or between the many sections of the population will, nevertheless, make special provision for backward areas and areas liable to periodic scarcity or stricken with endemic diseases and for the uplift of the backward classes and aboriginal tribes and their rapid integration with the rest of the community. The village will be the focal point of the Plan and rural development will be pressed forward vigorously so as to provide the villagers with all the necessaries and, as soon as practicable thereafter, also with all the amenities of an enlightened and cultured social life. Top priority will be given to schemes for providing an adequate supply of drinking water all the year round to all villages and for increasing the food-supply from all sources by an intensive and extensive campaign of all-round agricultural development, scientific exploitation of fisheries, and the extension of sheep farming, poultry farming, etc.

The construction of open wells and bores, tanks and other major and minor irrigation works, reclamation bunds, and village approach roads will figure prominently in the programme of works. The useful employment of the enforced leisure of the rural population during the non-agricultural season will be ensured by the active encouragement of cottage industries and secondary occupations. A long term programme for the development and extension of communications and electrical power generation and distribution is also being framed.

In urban areas, the reconstruction plan will for the present aim at the early relief of the acute housing shortage and the provision of an efficient system of water supply and general sanitation, including the dust-proofing of streets and squares. Measures for ensuring a high level of employment of all able-bodied persons, housing of industrial workers and the just settlement of industrial disputes will also be taken in hand ”,

It is this enunciation of policy that has guided the revision of the original plans and the formulation of new plans in conformity with the Ministry's evaluation of the basic requirements of the people of the Province. The order of priorities has been altered and so has the allocation of funds. A glance at the following table will bear out the import of the foregoing observation:—

Item.	Proposed expenditure as per original plan.	Per-centage of total.	Item.	Proposed expenditure as per revised plan.	Per-centage of total.
	Crores of Rs.			Crores of Rs.	
Communications ..	20.00	33	Communications and essential buildings	10.66	12
Agriculture (including Co-operation and Veterinary)	12.00	20	Agriculture (including Co-operation and Veterinary)	16.03	18
Irrigation ..	3.50	6	Irrigation ..	9.50	10
Electric Grid ..	5.00	8	Electric Grid ..	8.46	9
Education ..	3.50	6	Education ..	16.84	18
Public Health (including Medical)	3.50	6	Public Health (including Medical)	10.05	11
Miscellaneous (including Industrial Schools, minor industries and labour welfare)	1.50	3	Miscellaneous (including Industrial Schools, minor industries and labour welfare)	8.00	9
Available for schemes, the cost of which remains to be worked out (e.g. town sanitation and drainage, new schemes and excesses on present schemes)	11.00	18	Nationalisation of Transport.	3.45	4
			Cottage Industries including Fisheries.	1.20	1
			Amelioration of conditions of Backward Classes	1.00	1
			Training etc. ..	1.50	2
			Improvement of Milk Supply.	4.50	5
Total ..	60.00		Total ..	91.19	

The House will observe that a separate volume has been prepared for presenting the proposed expenditure on Post-War Reconstruction Schemes. The new publication is called "Detailed Estimates and Explanatory Memorandum of the Post-War Reconstruction and Development Programme". It gives, first of all, a summary of expenditure, by major heads. Thereafter, each head of expenditure is taken up separately, and there is an explanatory memorandum for that head followed by details of expenditure. Finally, there is a statement of New items and New Major Works under the different heads of expenditure.

What the House will naturally demand, however, is not a peep into the distant future, but a good view of the present; and it is my main task today to present that view. First, I should like to deal with the proposed introduction of prohibition, because this will have more far-reaching consequences on the finances of the Province than any single item in the reconstruction plans of the Ministry. The prohibition programme is conceived to bring about, by gradual stages, a complete stoppage of the production and sale of liquor and of other intoxicants at the commencement of the financial year 1950-51. However in the first year of its advent, prohibition will not cause any gap in the revenue. This is due to the fact that the duties on liquor and other intoxicants have been put up to almost twice their previous level. In the coming year, the cut in consumption is to be only 25 per cent. and shops close down only for two days in the week. In these conditions, the revenue from excise instead of registering a decline is expected, as already stated, to go up by approximately Rs. 40 lakhs.

Is the price which the Province is called upon to pay for the rooting out of the evil of drink too high? If the policy which Government have adopted represented merely a quixotic plan to make people moral, there may be some hesitation felt in accepting the financial sacrifice that is involved. But the keenness of the popular demand for this measure of social reform and the welcome which was accorded to it when it was last taken in hand justify the belief that the public, as a whole, are inclined to adhere to the injunctions of the two great religions—Hinduism and Islam—against indulgence in drink. Those who point to the failure of prohibition in the United States of America overlook the difference in our climatic conditions, in our social habits, and in our religious traditions. The short-lived experiment of 1939 showed clearly that in the industrial areas of Bombay and Ahmedabad the workers and their organizations—apart from the families and dependents of the workers—not only welcomed the policy of prohibition but actively assisted in implementing it. It is a tragedy that circumstances, into which we need not enter here, resulted in making a travesty of that great experiment. Government appreciate the fact that with the loosening of social restraints brought about during the war, their task in enforcing prohibition may be more difficult now than it was when the previous Ministry launched a similar programme. Nevertheless, they have every confidence that with

public opinion behind them and with all the sections of this House according their full support to the policy, the people of the Province will find themselves more than amply recompensed, for the loss of the entire excise revenue of the Provincial administration, by the enrichment of their lives, both morally and materially.

It will be seen from the budget estimates that by far the largest single item of expenditure is Education. This is as it should be in any well-organized society. The social structure we envisage is a democratic one; and no democracy, political or economic, can prosper without a large diffusion of knowledge. It is hence Government's ambition to bring about the liquidation of illiteracy within a period of ten years. The first five-year plan comprises the introduction of compulsion combined with the opening of schools in villages with a population exceeding 1,000. At the same time, Government hope to achieve an improvement in the quality of primary education. The measures intended to secure this object include the reorganization of the administrative machinery for the control of primary education, the raising of the status and scale of emoluments of primary teachers and, lastly, the correlation of the teaching with the social and educational environments of the taught. Without entering into details, I may refer to the conception of basic education, interlinked with training in a craft, which Government have accepted as inspiring their educational policy.

The value that Government attach to the extension and improvement of the scope of primary education should not be understood to signify any change in their outlook on secondary or higher education. There will be no reduction in the expenditure on either forms of education; on the contrary, more funds will be made available by way of scholarships to enable those belonging to the backward sections of the community to enjoy the benefits of secondary and higher education. The support which Government have extended to projects for the establishment of regional Universities is an indication of the interest they evince in higher education, while yet another proof is the assistance they have granted to institutions conducting research of various types, literary and scientific. Increased expenditure has, moreover, been provided for higher training in medicine and in agriculture. It is also part of Government's plans to grant scholarships to selected students for scientific studies in foreign countries. Few problems that we have to face call for such insistent and urgent solution as the need for bringing about an increase in our production, both agricultural, and industrial, and let us hope that as a result of the comprehensive educational drive that has been planned we shall soon have at our disposal the services of the large number of trained men and women required for this task.

The need for stimulating an increase in our agricultural production was never so manifest as during the past five years. Along with Madras, we are one of the few parts of India which are chronically deficient in their food resources. Before the war with Japan, our cities and certain

districts like Ratnagiri used to depend very largely on imports of rice from Burma to feed their population. The stoppage of these imports has created a void which has still to be filled up. To aid in the process of reducing our deficiency, the Province has to its credit a unique piece of legislation, the Growth of Food Crops Act, which enables Government to restrict the raising of non-food crops. As a result of the operation of this Act, the area under cotton has undergone a considerable reduction—to be precise from 28,34,000 acres to 11,13,000 acres—between 1942 and 1946. Yet the extent of our deficit in the matter of food resources is still large, as will be seen from the following table :—

Cereal requirements on basis of prescribed ration	Production of cereals		
	1945-46	1946-47	
	(figures in tons).		
Rice	10,50,000	8,21,000	7,62,000
Wheat	4,47,000	2,66,000	1,70,000*
Millets	18,45,000	13,13,000	12,50,000†
Total	33,42,000	24,00,000	21,82,000

*Preliminary estimates.

†Preliminary estimates for rabi jowar.

It is the paramount duty of Government, in these circumstances, to take all possible steps to make the Province self-sufficient in the matter of its food supplies. The programme of expenditure next year and under the Post-war Reconstruction scheme will convey to you an idea of the lines on which Government propose to tackle this question. The first desideratum is to secure a considerable increase in the supply of water for purposes of irrigation, because, in a Province large portions of which are liable to droughts, efforts to increase production are unavailing in the absence of an assured supply of water to raise the crops. The campaign to secure this supply of water is a three-fold one: major irrigation works wherever possible, wells in all suitable areas, and minor irrigation works particularly in tracts in which neither canals nor wells can meet the requirements. For Gujarat and the Karnatak, which have so far gone without the benefit of extensive major irrigation works, schemes have been set in motion which, it is expected, will yield good results in the near future. An ambitious programme for subsidizing and financing the construction of wells has not only been formulated but is already in operation. A special machinery has, at the same time, been set up for taking in hand, with the assistance of local agencies, the numerous schemes of petty works: for tanks, bands,

bandharas and the like which are expected to contribute substantially to the ability of the cultivator to grow two sheaves of grain where one grew before.

There is a general feeling that no progress in agriculture can be achieved without radical agrarian reform. If such reform connotes that every tiller of the soil should enjoy, in full, the fruits of his labour, Government wholeheartedly subscribe to that thesis. The first important piece of legislation that they moved the Legislature to enact was, therefore, a measure to extend the benefits enjoyed by the tenantry under the Bombay Tenancy Act which was placed on the statute-book during the regime of the first Congress Ministry. This new piece of legislation has granted to the tenantry further security of tenure and has provided for the regulation of rents. Another piece of legislation which was introduced at the last session of the Assembly was the Bombay Moneylenders' Bill. This has been passed by us through all its stages and now awaits acceptance by the other House. This will help in regulating conditions of moneylending in future all over the Province, thus consolidating the benefit which agriculturists may derive under the Bombay Agricultural Debtors' Relief Act. The extension of this latter enactment to the whole of the Province is the third among the measures of economic reform initiated by Government.

But these, it may be argued, are all protective measures and what is wanted is effort at reconstruction. The steps proposed to stop the cultivation of fragmented holdings, to check sub-division of land and to promote the consolidation of holdings both through legislation and by co-operative action represent, however, a definite attempt in the field of reconstruction. So does Government's desire to encourage all forms of co-operative endeavour—in the sphere of credit, supply, marketing, crop protection, irrigation and better farming. There is a growing volume of opinion which favours the encouragement of co-operative farming. Now that Government's investigations into the subject, carried out through a Special Officer, have been completed, they hope, shortly, to indicate the lines on which, in their opinion, the new movement can best proceed.

After food, the next primary need is clothing. In this field, our production is not deficient ; but what we produce is available not for our own requirements but forms part of the common pool from out of which other parts of the country secure the requirements of their population. The production of cotton textile mills has, unfortunately, been on the decline during the past several months, for various reasons which we need not examine here. The production of handloom cloth is limited by the supply of mill yarn that is available, which supply, again, is dependent on the output of textile mills. In the circumstances, the only method of increasing the supply of cloth is to place more yarn at the disposal of handloom weavers by extending the scope of handspinning. To assist Government in drawing up a well-

considered, financially sound programme for the production of cloth and other essential articles on a cottage industries basis, Government appointed in September last a Committee of Inquiry with Mr. Manu Subedar, M.L.A. (Central) as its Chairman. Concrete proposals have been put forward by the Committee in its report which has recently been received by Government. These proposals are being examined by Government; and it is hoped that, in collaboration with the Village Industries Committee, Bombay and the All-India Spinners' Association, it will be possible for Government, in the near future, to extend the production of handloom cloth in the Province. Government believe that it is along this line and not through the further extension of the centralized cotton textile industry that we can meet the needs of the immediate future.

The manufacture of cloth is the oldest and most well developed of the cottage industries of the Province; and Government are of opinion that the time has now come when it should be afforded protection against further encroachments by the organized cotton textile industry by being granted special facilities for development on its own lines. Into the details of the measures contemplated for the development of this and other cottage industries, I shall not enter here. Inasmuch as progressive development is possible only on the basis of technical improvement and economic organization, Government have assisted in the establishment of the Provincial Co-operative Industrial Federation to secure this two-fold object in collaboration with the Joint Registrar, Industrial Co-operation, who has taken over the Cottage Industries section of the Department of Industries.

For all practical purposes, large-scale industries fall within the purview of the Central Government, under conditions created by war-time economy. Inasmuch as control from the Centre is exercised over the issue of capital, the import of machinery and equipment, the export of manufactured products, and foreign exchanges, it is the Central Government who even at the present moment regulate industrial policy and are alone able to plan industrial development. However, now that the Provincial Industrial Committee which was constituted in 1945 has submitted the reports of its various sub-committees, Government hope shortly to enunciate the broad outlines of their industrial policy.

In this connection, the question has been asked whether the future course of development will be on the basis of private enterprise or of public ownership. It may be useful to take this opportunity to define Government's general attitude on this subject. The first consideration that may guide us is whether the industry or undertaking is of the nature of a public utility and whether it is monopolistic in its scope. Does it affect the fortunes of large sections of the community and does the exercise of control over it entitle a small group to influence for good or evil the daily life of numerous individuals either as workers or as consumers? Motor transport, the supply of electricity and to a lesser extent the production of electricity, to mention a few of the industries, fall within

the category of such public utilities. Government have already on their programme the nationalisation of motor transport, first for passenger traffic and then for freight.

For the extension of the supply of electricity, Government have set up a grid to be worked by a board of experts, as soon as the legislation which is on the anvil in the Central Legislature authorises this procedure. Wherever an existing licensee is within economic reach of the grid, he will be supplied with bulk power by the grid which he will continue to distribute in his area on such terms and conditions as Government prescribe, till the expiry of the period of his licence. In that event, he will have to shut down his generating station. Where no such licensees exist, Government will undertake distribution themselves. In places where the advent of the grid is not possible in the near future, but where the production of national wealth can be increased by the use of electric power in the development of agriculture and cottage industries, Government have planned the setting up of diesel electric plants. Elsewhere Government will consider the issuing of licences on a short term basis, preference being given to municipalities and co-operative societies.

In accordance with the general directives issued by the Central Government and in keeping with the principles enunciated by the National Planning Committee, Government's general policy is that in future no private undertakings should be permitted to exploit the mineral resources of the province. The rights and concessions enjoyed by existing undertakings will have to be examined from this point of view and may have to be terminated when their term expires. This principle will also, to a large extent, influence Government's attitude in regard to the utilization of forest resources. Inasmuch as conservation and preservation are a liability on the State, Government will grant concessions to private enterprises only when they are satisfied that such help is demonstrably in the public interest.

But no province, in isolation from the rest of the country can go far towards implementing a programme of nationalisation. The pace must be set by an effective all-India policy. But that is not all. The pace of nationalisation will also, obviously, be conditioned by our own resources in money and men. Even in these days of "inflation finance" there is a limit to the funds that Government have at their disposal. For the lay-out of these funds first things must come first. With the programme Government have in view : for the development of irrigation, for agricultural improvement, for mass education, for betterment of public health, for electrification : the funds that can be spared for buying over existing undertakings or starting new ones are naturally limited. Government's investments of this type may, therefore, be confined to industries and other undertakings where public ownership and management are deemed absolutely essential in the larger interests of the community as a whole.

The administrative difficulty has no less an importance than the financial one. The administrative machinery in the Province has been subjected to great strain during the War and its aftermath. It has not always been found equal to the task of regulation or conduct of trading in various commodities. The administration of industry is even a more hazardous undertaking than the regulation or conduct of trade. Moreover, at the highest level, we have no economic experts corresponding to the experts in the sphere of administration who now look after law and order, the collection of land revenue, public works, education and agriculture. It may be rash to take over existing concerns or to start new ones for the management of which Government may either flounder or may have to seek the assistance of businessmen they displace. Nationalisation may, therefore, have to proceed at a pace in conformity with Government's evaluation of their capacity, financial and administrative, to own and manage large economic enterprises.

Among our basic needs, after food and clothing, comes shelter. No plans of reconstruction can, therefore, be deemed satisfactory unless they make some provision for improving the sordid conditions in which the bulk of our population have to spend the best portion of their lives. The problem has become acute with the growth of towns and cities to which trade and industry have attracted thousands of our population from the countryside, unable to eke out even a bare subsistence from the land. This urban development has, mostly, proceeded in a manner which must give rise to slums. The situation has got aggravated during the War, by reason both of the flow of the population to industrial centres and of the shortage, during the war, of building materials for civilian requirements which checked the usual expansion of housing. The acuteness of the problem, as reflected, for instance, in the difficulty experienced in enforcing rent control, demands that the State should actively bestir itself in accelerating the provision of housing accommodation in industrial areas. Subscribing as they do to this view, Government have created a Ministry for Housing, the first, I believe, in the country. A Provincial Housing Board has been constituted to aid the Minister in this work, and with the Board will be associated Provincial and Regional Advisory Boards. Through it contacts have been established with local bodies, such as the Municipalities of Bombay and Ahmedabad, which too are keenly interested in this development. The control of building materials now vests in this newly organized Department. A programme of direct construction as well as assisted housing has been drawn up and a special provision for the purpose has been made in the Post-War Reconstruction section of the Budget.

The rise in the cost of living brought about by the conditions I have described previously in regard to food, clothing, housing has had its repercussions on the pecuniary relations between Government and their employees of various ranks serving in different parts of the Province. The increase that has taken place in the revenues of Government

has, however, enabled Government to meet the growing demands of their staff for increased emoluments. These demands have been met by ordering, from time to time, increases in the scale of dearness allowance and, recently, Government sanctioned interim relief first in August 1946 and then in January this year. During the course of a debate in the Legislative Council on the subject of the terms and conditions of service of the employees of Government, I announced in July last that the question of the revision of the scales of pay and other conditions of service was already under examination. Contact was established by Government with the Central Pay Commission appointed by the Government of India the report of which body is expected sometime next month. The increase in remuneration to employees drawing salaries of Rs. 250 and less sanctioned by Government as an interim measure will be absorbed in the revised scales of pay when they are finally adopted in the light of the recommendations of the Central Pay Commission. Provision for a readjustment of the scales of pay has been made in the budget to the extent of Rs. 100 lakhs.

That is only one aspect of the question. The other is the need for examining whether with the changes brought about by the end of the War and the abandonment of some among wartime controls and operations, the expenditure on staff cannot be reduced. The expenditure amounts at present to about 30 per cent. of the total expenditure of the Province. In the altered framework of the administrative system do Government—and along with them the public—realize full value for the money that they spend? For the purposes of the comprehensive programme of reconstruction which Government have in hand, they will need the services of large body of well-equipped, competent honest public servants. How best to utilize the existing personnel for the new activities of Government and how most suitably to recruit and train the additional staff that will be required as work progresses is, again, a matter of serious concern to Government. To help them in defining their policy and to advise about the specific action to be taken, Government appointed in November last a Committee with Dr. Jivraj N. Mehta, M.L.A., as Chairman, the results of the investigation conducted by which will, however, be available only sometime after the publication of the report of the Central Pay Commission.

To meet the rising cost of living, Government sanctioned revised pay scales for teachers in primary schools. The increased scales of remuneration became operative with retrospective effect from 1st August 1946. The burden of this as also of the increases in dearness allowance and of the measures of interim relief corresponding to those sanctioned by Government for their own employees has fallen largely on Government. Demands for grants have also increased because of the claims for the extension of primary education, the provision of water supply, and the introduction of drainage system. The following table gives information

about the grants-in-aid made or proposed to be made in 1945-46, 1946-47 and 1947-48 to local boards and municipalities for various purposes :—

(In lakhs of Rupees).

	Primary Education.	Medical.	Public Health.
1945-46 (Accounts)	.. 173	6	7
1946-47 (Revised)	.. 239	7	9
1947-48 (Budget)	.. 379	8	11

Moreover, an amount of nearly Rs. 14 lakhs has been set apart for the payment of grants-in-aid towards the construction of local public works. This is exclusive of a provision of more than Rs. 7 lakhs, from the Provincial Road Fund, which Government intends to spend on village approach roads, the provision being more than double the corresponding amount included in the budget for 1946-47. In addition to making these different allotments, Government have had to try and do their best to meet the requests for financial assistance made by various local boards and municipalities which, in their turn, find themselves faced with demands for increased relief from their staff. Owing to their straitened resources, which showed little or no expansion during the war, local authorities could not meet these demands without falling back on Government for additional grants. Accordingly, Government have sanctioned grants-in-aid to District Local Boards equal to 50 per cent. of the expenditure incurred by them on dearness allowance, subject to the condition that the grant will in no case exceed that payable if the Board had adopted the Government rates. Municipalities with a population of one lakh or less will be paid grants on the same basis in respect of their sanitary staff. It is clear, however, that there is need for long-term measures calculated to place the finances of local bodies on a stable basis. To this end, the Kale Committee, appointed by the last Ministry, made certain far-reaching recommendations. These have now been taken up for consideration by Government.

I have mentioned the demands for assistance made by local bodies. A similar request made by the Bombay Municipal Corporation stands on a somewhat different footing. That body commands resources which are larger than those of the Governments of some of the minor Provinces of India. The amenities it provides compare favourably with those provided by a corresponding local authority anywhere else in India. However, apart from a grant for primary education sanctioned in terms of the agreement arrived at with the Corporation, it had no occasion in the past to approach Government for financial assistance. This year, in view of the increases it had to sanction

in the emoluments of its staff, the extension and improvement of its schemes for water supply and drainage, and the outlay on the repair and renewal of roads it is faced with a deficit budget. Its proposals for an increase in the list and scale of town duties were held over pending the termination of the War, and even if they are now sanctioned revenue from it may still not be available for some time to come. The Corporation hence put forward demands for increased grants for education, for a share in the income from various miscellaneous taxes levied by Government and for the abolition of the Urban Immovable Property Tax. Government have not seen their way to grant any of these alternative demands. However, they appreciate the fact that it is only because of the present emergency that the Corporation has moved Government for assistance and, secondly, they recognize that the Bombay City Municipal authorities have now to provide civic amenities for a very much larger population than was handled in normal times. Lastly, the representative of the Corporation who put forward these demands had offered to accept responsibility for the Greater Bombay area. In the long run, this development will, no doubt, strengthen the resources of the Corporation; but in the immediate future it adds to the existing burden. On all these grounds, Government propose, subject to the approval of the House, to sanction for the year 1947-48 a contribution of Rs. 30 lakhs to the Corporation. This provision is non-recurring; but it is obvious that the resources of the Corporation need to be strengthened. While communicating to the Corporation their desire to recommend to this House a special non-recurring grant, Government have informed that body of their intention to appoint a small independent committee with suitable terms of reference to examine the subject of the resources of the Corporation and of its future financial relationship with Government.

Before closing my survey I shall refer to the Special Development Fund. This was originally created in 1939 with the object of promoting the economic development of rural areas. The existence of this Fund, started as it was to denote the importance which the first Congress Ministry attached to rural development ceased to have much special significance when plans for economic development in rural areas came to constitute a part of more comprehensive plans of post-war reconstruction. This became especially the case when, as we have seen, a new Post-war Reconstruction Fund was also created to finance the programme. The Special Development Fund can now well be amalgamated with the Post-war Reconstruction Fund; but there is one aspect of development which Government wish to deem as their primary concern, even in a programme of all-round reconstruction. This is the amelioration of the conditions of life and work of the backward classes. To emphasise the value that Government attach to this task before the community, they wish to retain a sum of Rs. 112 lakhs in the Special Development Fund. This Fund will henceforth be earmarked for financing schemes for the welfare of the backward classes, enabling such schemes to be

financed irrespective of the exigencies of the budgetary position from year to year and exclusive of current expenditure incurred for the same purpose from the current revenues.

Lastly, I come to taxation—a subject which is of perennial interest not only to the student of public finance but also to the man in the street because that is an aspect of public finance which affects him most. In his first budget speech, Mr. A. B. Latthe (whose absence from our midst we greatly deplore), as the Finance Minister of the first responsible Ministry in the Province, gave a comprehensive survey of the extent of taxation in various Provinces. I believe it may help in the assessment of our taxation programme by the Legislature if I bring the information upto-date:—

Province	Per capita taxation (based on the latest accounts available) 1944-45
	Rs.
Bombay	13.6
Sind	14.1
Madras	7.5
Punjab	7.3
Bengal	5.1
U. P.	4.3
Bihar	2.7
C. P.	4.4

Proposals will be placed before you in the form of the Bombay Finance Bill 1947-48 for renewing various existing measures of taxation. The House will be glad to hear—I do not know whether as Finance Minister I ought to share the satisfaction, I confess that I do share it—that there are no new taxes and (apart from excise) no increase of existing taxation in the budget. One form of taxation will, however, have to undergo modification. That is the sales tax levied under the Bombay Sales Tax Act passed in March 1946. As members of the House are aware, Government appointed in October last a Committee with Prof. D. R. Gadgil as Chairman to examine the provisions of the Act in the light of the criticisms offered by members of the public and by the trading community as well as on the floor of this House. The report of this Committee has now been received by Government, who will shortly submit to you for your consideration and approval suitable amendments to this measure of taxation based on the recommendations of this Committee.

But the fact that we can go through without new taxation this year need not blind us to the fact that when the policy of prohibition becomes operative in the second year there will be a large slice cut off from our revenues that year, to which will have to be added further slices

to be cut off in the subsequent years. Simultaneously, we have to finance a heavy programme of reconstruction. The implementing of this programme will eventually add to the income of the peasant and worker, thus enhancing both their purchasing power and their taxable capacity. In the initial stages, however, this programme will have to be financed out of funds already built up, through the subventions we are entitled to secure from the Central Government and by resort to borrowing. The changes that we have introduced in the Post-war Reconstruction Schemes of our predecessors being of a type that involve recurring expenditure also on a generous scale, the recurring charge cannot be met, after the schemes reach completion, without resort to substantial additional taxation. A new basis of apportionment of financial resources between Centre and Provinces may facilitate our task. I do not propose to refer to sources of taxation open to us even under the present dispensation. But in times to come it will, however, be the well-to-do, particularly in towns and cities along with the landed gentry and the money-lending and trading community in rural areas, from whom will have to be drawn the revenues needed for adding to the productivity and wealth of the Province and for providing for the bare comfort of the men and women working in forests, fields and factories. When the time comes to increase the present level of taxation or to devise new taxes, let us not forget what the position should be under any form of progressive taxation—"a person with a large income should pay a larger fraction of his larger income to the treasury." The entire outlook on taxation has to undergo a change with the reorientation of the relationship between a government and those committed to its care. Expenditure by the Provincial Governments of the future cannot be confined mainly to what is required for the maintenance of "law and order" nor can taxation be limited by outworn theories of taxable capacity. When the State identifies itself with the interests of the people and embarks on programmes which seek to aid in the process of education and better living, to impart a sense of social security and generally to bring about a rise in the standard of life, public expenditure and taxation assume a different aspect altogether from what the older economists held. Taxation then becomes an instrument for diffusing the benefit of social services and for securing gradually a redistribution of individual incomes. When measures of taxation are found necessary in future, I hope it will be in that spirit we shall approach their consideration.

With these observations, Sir, I now beg to present the Budget Estimates for the year 1947-48.

V. L. MEHTA.

24th February 1947.