
Speech of the Honourable Mr. V. L. Mehta, Finance Minister, introducing the Budget Estimates for 1950-51 of the Government of Bombay in the Legislative Assembly on Tuesday, the 21st February 1950.

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The outstanding event of the year was the adoption and enactment of the constitution which has established the sovereign democratic republic of India. India is now a Union of States, all the citizens of which enjoy the fundamental rights and will be governed by the directive principles of State policy prescribed by the Constitution itself. Meeting as we do within a month of the inauguration of the Republic of India, it is scarcely necessary to emphasise the significance of the occasion. In a space of less than two years and a half from the recognition of India as a Dominion, the members of the Constituent Assembly, under the experienced and wise guidance of those trusted leaders of the nation who battled shoulder to shoulder with Gandhiji for the attainment of Swaraj, have fashioned a constitution for free India, which is nearly as comprehensive and sound as human ingenuity, ability and acumen have hitherto been able to design anywhere else in the world. No constitution can ever be perfect, none can for all time be suitable to meet changes in conditions and requirements, none can enjoy immunity from the results of the failings and the foibles of the frail human beings who work it. This granted, the grateful thanks of the Bombay Legislature, as one of the principal organs of the State, are due to the framers of the Constitution for having given us a mechanism which we hope to utilize, with the march of time, for the declared purpose of securing and protecting a social order, the basis of which is social, economic and political justice.

2. The financial year which is about to end has witnessed a remarkable change in the status of India in the international world, a change brought about not merely by reason of the magnetic personality of the Prime Minister but because of the far-seeing, statesmanlike policy that he and his colleagues have pursued all along, both at home and abroad. Acceptance of the membership of the Commonwealth has added to and not diminished our stature, coupled as it is with a firm determination to remain on the friendliest terms with all the nations of the world, great or small, and an unshakable resolve not to be mixed up in ideological conflicts. Now that India is a sovereign republic, it may not be too much to hope that its contribution to the cause of international peace and harmony may be greater than it ever was in the past.

3. An event of international import which took place during the year was the devaluation of the Rupee which came in the wake of the United Kingdom's decision to devalue the pound sterling. India was free to steer its own course, as Pakistan subsequently chose to do. The decision that was taken was not at the instance of the United Kingdom or any other country, but one that was dictated by the circumstances prevailing at the time—chiefly, the prices obtainable for India's products in various parts of the world. Devaluation has undoubtedly influenced the course of India's trade abroad; and our economy was affected to some extent by Pakistan's decision against devaluation. But the inherent soundness of our economy is borne out by the negligible influence devaluation has had on the internal price level, and by the resilience shown by the trade in the principal commodities affected by Pakistan's stand, namely, jute and cotton manufactures. The main direct effect of devaluation on the economy of the State of Bombay has been to render it difficult and more expensive to secure machinery and equipment for large-scale irrigation and electricity projects and to purchase tractors and boring machines for agriculture. In both spheres, our efforts have hence been somewhat slowed down.

4. The immediate effects of devaluation, the drain caused on our sterling resources, the regulation of dollar exchange, the continuance of uncertainty about the future of Kashmir, the further flow of displaced persons from East and West Pakistan, the rehabilitation on a permanent basis of the earlier migrants and refugees—a combination of all these factors has contributed to make heavy demands on the finances of the Union. For all these reasons, it has become increasingly clear that no further aid can be expected from the Union in the immediate future by way of subventions and loans. Compared to other States the proportion of financial assistance from the Union on which we counted for financing our development programme was much smaller, and the degree of dependence on our own resources correspondingly larger. However, we cannot but appreciate the peculiar difficulties in the field of finance with which the Government of India are now confronted, and we must, hence, plan for the immediate future without depending on any substantial aid from that quarter.

5. The process of integration of the territories comprised in various Indian States within and adjacent to the boundaries of the erstwhile Province of Bombay was completed during the year. The merger of the Indian States of Baroda and Kolhapur was effected on 1st August 1949. From that date, moreover, the financial operations of all the merged areas were absorbed in those of Bombay. It was in consequence of this arrangement that the Legislature was approached at the September session for supplementary demands to meet expenditure under various heads for the remainder of the financial year. At that time, it was not possible to place before the Legislature an estimate of the net effect of the impact of the merger on our finances. Such a figure is now available. In the current year, for the period of eight months from 1st August 1949, the gap between the revenues from the merged areas and expenditure on them is estimated to be of the order of Rs. 3,60 lakhs. On the basis of this particular period, therefore, the gap would be Rs. 5,40 lakhs for a whole year, an estimate that may be taken to be broadly correct in respect of the ensuing financial year as well. No such estimate can be or need be framed year after year in future, inasmuch as all the merged areas form part of the State of Bombay, and with the exception of the new districts of Baroda, Kolhapur, Mehsana and Amreli, Banas Kantha and Sabar Kantha, the territories of the older districts—and South Satara—have become intermingled with the areas which were previously part of Indian State territory.

6. The financial implications of the merger have been brought to the notice of the Union Government on more occasions than one. Discussions, both formal and informal, also ensued between representatives of the Government of Bombay and the Indian States Finances Enquiry Committee. The terms of reference of this latter body did not permit it to undertake any examination of the financial obligations to be assumed after the merger, concerned as it was mainly with the determination of various questions arising at the point of the merger. As a result of the deliberations of the Committee, it has been possible to arrange for a satisfactory distribution of the assets and liabilities and to determine the respective shares of the Union and the State in the current revenue and expenditure. The recommendations of the Committee are, besides, helpful in so far as they will assist, though in a very limited way, the reconstituted State of Bombay to tide over the initial period of financial stress. Further negotiations have had to be carried on with the Government of India more or less on the basis of the Committee's proposals. Pursuant to these, the Union has agreed to a restricted scheme of financial assistance in respect of the net liabilities arising out of the merger, its contribution being on a gradually diminishing scale over a period of ten years, at the end of which the

assistance will disappear. The exact figure remains to be determined on certain principles which have been agreed upon; but, tentatively, the contribution for 1950-51 has been estimated to be Rs. 236 lakhs. This will, so far as the ensuing year is concerned, reduce the gap of Rs. 540 lakhs, which I have mentioned, to Rs. 304 lakhs, or just a little over Rs. 3 crores.

7. While, under the Constitution of the Republic, the basis of the financial relationship between the Government of the Union and the Governments of the States remains more or less the same as it was under the Government of India Act, a few of the changes that have been introduced claim notice. The most important of these relates to the sales tax which has now become one of our principal sources of revenue. Restrictions have been imposed, under article 286 of the Constitution, on the power of a State to impose a tax on the sale or purchase of goods where such sale or purchase takes place outside the State or in the course of the import of goods into or the export of goods out of the territory of India. Further, the right to impose a tax of this description will be regulated by Parliament in respect of sales or purchases taking place in the course of inter-State trade or commerce. Lastly, no sales or purchase tax can be levied on articles which are declared by Parliament to be essential for the life of the community, unless agreed to by the President. It will be observed that these are all provisions, the enforcement of which will fetter—and that too with almost immediate effect in some respects—the powers of Government to utilise this form of taxation for the benefit of the people of the State. Dependence on this as a principal source of revenue is not a peculiar feature of the tax structure of State Governments in India. It is equally common elsewhere in the world. With our authority crippled in this fashion, we shall be considerably handicapped in financing the schemes of development on which we have embarked. However, notwithstanding the voice we raised against them, these restrictions are now part of the Constitution. Hence we have to face the situation by exploring alternative sources of revenue and practising the utmost economy in all administrative spheres. It is estimated that, but for these restrictions, the estimated receipts from sales tax would have been Rs. 4 crores more than has been provided for in the budget for the forthcoming year.

8. Compared to this, the other alterations do not affect, materially, the financial powers or position of the Government of a State. While the control of the Stock Exchanges and all forward markets will vest in the Union Government, the State will have authority to levy stamp duty on all manner of forward or other transactions in the exchanges. Taxes other than stamp duties on transactions in Stock Exchanges and other future markets can be imposed, hereafter, only by the Union, as also taxes on the sale or purchase of newspapers and advertisements published therein, though the receipts therefrom will be allotted to the States in which these taxes are levied. The position in respect of the division between the Union and States of the proceeds of the income tax remains unaltered, essentially, until a Finance Commission is constituted by the President within two years from the commencement of the Constitution. The task of the Commission will be to make recommendations to the President as to the distribution between the Union and the States of the net proceeds of taxes which are deemed divisible, such as the income tax, and of the allocation between different States of the respective shares of such proceeds, as also about the principles which should govern grants in aid by the Union to the States. Pending the appointment of the Finance Commission and in response to the representations made in the past by this and some other State Governments, the Government of India had requested Shree Chintaman D. Deshmukh to examine

whether any change was called for immediately in regard to the manner in which the States were assigned shares out of the divisible pool of proceeds from the income tax. The plea for a revision on the lines indicated in my budget speech of last year was reiterated by the Government of Bombay. The award given by Shree Deshmukh, which is binding on all parties, leaves the previous position of Bombay unaltered, namely, that we get 21 per cent. out of the aggregate States' share of the proceeds of the income tax. Our budget estimates are framed on the basis of the allocation made by the award. In view of its binding nature, it is unnecessary, at this stage, to examine its basis, especially as the entire question is to be reviewed in the near future by the Finance Commission to be appointed by the President of the Republic.

9. A major decision that was taken by the Union earlier in the year must influence the course of economic life in this State. In view of the steady drain on our foreign currency resources that the importing of foodgrains entailed—and the state of dependence on foreign aid that it represented—the Government of India decided that imports of foodgrains shall cease after the end of 1951. The Prime Minister of India has reiterated this as an unshakable resolve, to meet the consequences of which every State in India should be prepared from now onwards. The appointment as Food Commissioner of an able and distinguished member of a Provincial Ministry to implement this decision and to co-ordinate the food production policies of different parts of India is but one indication of the anxiety of the Union to stimulate increased production all over the country. But there is one aspect of the policy on which I should like to lay stress, inasmuch as it colours all plans for achieving self-sufficiency. Throughout the country, procurement should be on a thorough and systematic basis, and at the same time, care should be taken to see that the arrangements for distribution leave no scope for wastage and misuse of surpluses. There should be equality of sacrifice not only among the people in a State, but among all States as well. As a deficit area, I may add, Bombay is more likely to be affected by the decision to stop the imports of foodgrains than other units more favourably circumstanced than ourselves. The food production programme in Bombay has hence been subjected to a review, it has been recast where necessary, and a Director of Food Production has been appointed to co-ordinate the work in the districts and to establish a close liaison between the efforts in progress in districts and the department in charge at the top. Although no effort will be spared to make the State of Bombay self-sufficient within the shortest possible period of time, considering the extent of the wide gap subsisting between our requirements and our resources, the need for imports from the common pool for the country will continue for the immediate future. How this need can most suitably be met is now the subject of anxious negotiations with the Ministry of Food at the Centre.

10. In the circumstances, the first concern of Government has, naturally, been to secure adequate food resources for the Province and to see that these continue to be distributed on an equitable basis. The procurement operations in 1948-49 were carried through successfully, the quantity procured being 4,40,000 tons against the original estimate of 2,00,000 tons. For the current crop year the estimate is 6,00,000 tons; and though the crops have suffered in some districts because of the absence of the winter rains, there is every hope that the estimate will be reached. Even then, there will be a deficit to the tune of 7,50,000 tons in the requirements for the State on the present basis. So long as controls on the movement of foodgrains over different parts of India

continue, it is a Central responsibility to ensure that the deficit is made good, particularly, as through our machinery for procurement we secure a larger proportion of the crop outturn than anywhere else in India.

11. The contemplated discontinuance of the imports of foodgrains with effect from 1952 throws on the Province the responsibility for carrying on, on an intensive scale, the "grow more food" campaign on which we have embarked. This campaign has many facets. Of these, the ones on which attention is now concentrated are: the supply of improved seed, the extension of the use of manures, the expansion of water resources, the stoppage of damage caused by insects, pests and wild animals and the provision of assistance in reclamation and ploughing and other operations with the aid of tractors, etc. The possibilities of reclamation and of bringing waste lands under cultivation have been under investigation. In Kanara, 14 schemes are under execution, covering an area of 3,000 acres. For purposes of colonization, preference is accorded to displaced persons. The extent of the expenditure incurred under the five heads and the areas affected by the operations will be seen from the following figures for 1949-50:

	Expenditure Rs. (in lakhs)	Loans Rs. (in lakhs)	Remarks
1. Improved seed supply ..	12.83	..	The acreage covered is about 7 lakhs.
2. Extended use of manure:			
(i) Night soil ..	1.22	.57	
(ii) Compost ..	8.28	..	Target of digging pits 2.79 lakhs; subsidy is paid at Rs. 2 per pit.
(iii) Farm yard manure ..	6.06	..	
(iv) Manure mixture ..	47.50	..	Subsidy is to be given at Rs. 25 per ton.
3. Protection of crops:			
(i) Pests and insects ..	2.00	..	18.34 lakhs of lbs. of insecticides are to be utilised for an area of 41 lakhs acres.
(ii) Gun clubs ..	.50	..	
(iii) Fencing ..	1.32	..	Subsidy of annas 4 per running foot of pig proof fencing is given.
4. Water resources:			
(i) Wells ..	45.57	138.00	
(ii) Lift Irrigation ..	23.89	6.00	
(iii) Minor irrigation ..	26.28	..	
5. Mechanical cultivation ..	53.00	..	Deep ploughing of about 52,000 acres of land, shallow ploughing of 1,23,000 acres and harrowing of 15,000 acres have been done.

The amounts shown in column 2 represent the subsidies granted by Government. It is interesting to observe that the aggregate expenditure on agriculture which was Rs. 11.99 lakhs in 1939-40 and Rs. 248.13 lakhs in 1946-47 has now risen to Rs. 487.95 lakhs in 1949-50.

12. About the major irrigation projects information has been presented to the Legislature often in the past. The Mahi, Meshwa, Gangapur and Ghataprabha projects will all be carried a stage further; while preliminary investigations and surveys will be set afoot for the Koyna multi-purpose project in collaboration with the Government of India. The Government of India have also interested themselves in a comprehensive scheme for the Tapi river. This is expected to provide irrigation for 6,00,000 acres in the district of Surat and its completion is not likely to occupy more than three years. The estimated cost of this part of the project is Rs. 6.26 crores, against which a provision for Rs. 2.25 crores is made in the budget for the next year.

It is schemes which, in the immediate or near future, bring considerable blocks of land under the command of irrigation that claim priority. Keeping this consideration in mind, Government have decided first to encourage the construction of new wells and the repair of old ones. The total number of new wells constructed from 1st April 1947 to December 1949 is 7,071 and that of old wells repaired during the same period is 4,225, the aggregate expenditure by way of subsidies being Rs. 56 lakhs. The facilities for undertaking boring work have been extended considerably, the number of bores taken in the current year being 218, and the amount provided for the purpose Rs. 8.53 lakhs. Arrangements have been made for the manufacture of Musto Patent Power boring machines at the workshop of the Department of Agriculture. A programme for developing lift irrigation has been drawn up and 13 schemes are under execution departmentally. In addition, it has been decided to promote the formation of co-operative lift irrigation societies and to assist them financially as also by providing technical advice. The number of co-operative lift irrigation societies registered so far is 13 and 67 are expected to be started before the close of the co-operative year. The execution of minor irrigation schemes was transferred last year from the Agricultural to the Public Works Department. The working out of schemes of lift irrigation continued, however, to be the responsibility of the former Department. The provision made for both the purposes can be seen from the following table :

	Amount	
	1949-50.	1950-51.
	(In lakhs of Rupees.)	
Minor irrigation works	26.28	30.32
Lift Irrigation—		
Government	23.89	22.76
Co-operative	10.00	32.50

13. These last few years have witnessed large strides in the field of education. Taking higher education first, the financial responsibilities of Government were confined, till 1946, to the University of Bombay. These now extend to no less than six Universities, each one of which lays an equal claim on the resources of Government. The money to be found for them amounts to Rs. 33.45 lakhs for the coming year as compared to the provision of Rs. 1.65 lakhs in 1946-47. This is exclusive of the additional amount made available for grants to arts and science colleges. For higher professional education, we have now in the Province four medical colleges, four engineering colleges, three agricultural colleges, all in place of one each in 1946. Under the scheme of Overseas scholarships for higher technical

studies, Government have agreed to bear charges to the extent of Rs. 19 lakhs. The pay and prospects of teachers in secondary schools have been standardized and improved, involving an aggregate expenditure of nearly Rs. 100 lakhs by way of grants. The system of secondary education has been strengthened by the extension of facilities for vocational training and the institution of the Secondary School Leaving Certificate with its wide range of optional subjects for study and examination. Vocational training is imparted through 119 schools, apart from the 17 agricultural schools which, also, represent an interesting move in the same direction. Another noteworthy development has been the extension of physical education, the expenditure incurred on which this year will amount to nearly Rs. 10 lakhs. During three years, the number of primary schools has increased from 18,263 to 21,084, and the principle of compulsion has now been extended to all places with a population of 1,000 and above, in 19 districts.

Education in and through crafts remains no longer an experiment. It is now provided in not less than 1,942 schools. All efforts are made to see that the necessary equipment is provided and that qualified and competent teachers are available for the work. The number of classes for making adults literate was, till 1946, the main item in the programme of adult education. This has given place to the comprehensive concept of social education. If properly appreciated and worked out, this aspect of the activities of Government in the field of education may well lead to a radical change in the outlook before the people of the State. A start has been made in the direction by making a small provision of Rs. 4.23 lakhs for the purpose. But more than such an allotment what is required is an earnest desire on the part of all to spread as quickly as possible the benefits of learning so that we have at the fountain head of the democratic government of the State a body of literate, intelligent and wide-awake citizens. The aggregate cost of our educational efforts this year works out at Rs. 11,28.56 lakhs, a figure nearly equal to the aggregate outlay under all budget heads in the last pre-war years. Even during the last four years expenditure on education has increased by 303 per cent.

14. Compared to education, it has to be acknowledged that medical and health services have not shown corresponding expansion. The increase in expenditure, if the revised estimate for 1949-50 is compared with the actual figure for 1946-47, has been by 115 per cent. We have added to the facilities for training in medicine, and in addition to the four medical colleges referred to previously, such facilities are available at institutions for training in the Ayurvedic system. The number of such institutions in the State to which assistance is granted by Government is 5, and the amount of grants Rs. 1.42 lakhs. On the Podar Ayurvedic College in Bombay, Government incur an expenditure of Rs. .82 lakh. A grant is also given for training in homœopathy. Arrangements have been entered into with the World Health Organization for the purchase of D.D.T. on special terms for use in anti-malarial operations in various districts. The scheme now extends to 7 districts. The staff in charge of public health work in all districts has been reorganized and placed under unified control. Out of 13 cottage hospitals sanctioned so far, seven have already started functioning. This system of cottage hospitals may be extended to the remaining centres in the near future. Besides, six mobile hygiene units have been sanctioned and provided with a truck each to facilitate rapid transfers of preventive staff and materials for combating epidemics. At all hospitals, increased provision has been made for improved dieting, for equipment and for bettering the conditions of service of the staff and for adding to their strength. Arrangements for fighting epidemics have been placed on a systematic basis. Even when these campaigns are carried out through the agency of local bodies the cost is borne by Government. The taking over from the military authorities and the re-equipment of the tuberculosis hospital at Aundh

near Poona is a notable occurrence during the year. The productive capacity of the Haffkine Institute for manufacture of various articles has been enlarged. Not content with this, Government have, however, in hand a scheme for the manufacture of penicillin, sulpha drugs and certain other products now imported at large cost from foreign countries. The participation of the Government of India in this project has been secured, because its benefit will accrue to the whole country. Of the capital required for the enterprise, this Government will contribute 49 per cent. and the Government of India 51 per cent., the provision for the coming year on our behalf being Rs. 38.50 lakhs as shown in the budget.

15. During the year, a Committee was appointed by the Government of India to examine the subject of the finances of local self-governing bodies. Already, action has been taken in Bombay to increase the resources at the disposal of these bodies. Grants equal to 15 per cent. of the land revenue and 2 per cent. of the forest revenue are allowed to district local boards. Grants equal to 15 per cent. of the land revenue or 25 per cent. of the local fund cess, whichever is greater, are sanctioned to village Panchayats. On the recommendation of the Municipal Finance Committee, which was appointed by Government to suggest ways and means of improving the finances of district and borough municipalities, all municipalities were given grants-in-aid during the year 1948-49 equal to 75 per cent. of the non-agricultural assessment excluding land revenue and 15 per cent. of the land revenue collected in their respective areas. All municipalities, except those of Ahmedabad, Surat, Poona City and Sholapur, were given grants equal to 50 per cent. of the expenditure incurred by them on payment of dearness allowances to their entire staff. These grants were continued during the current year and Government also sanctioned grants to the Municipalities of Surat, Poona City and Sholapur equal to 25 per cent. of the expenditure incurred by them on payment of dearness allowance to their staff. Subsequently, Government directed that the grants referred to above should be paid to all the municipalities in the merged and integrated State areas for two years with effect from 1st April 1949. Mention may also be made of the policy of Government in regard to the establishment of new village Panchayats. A village Panchayat has necessarily to be established in every village with a population of 1000 and above; Panchayats may be started even in villages with a population below 1000, if 50 adult residents of the village apply for the establishment of a village Panchayat. As a result of this policy, the number of village Panchayats which was about 1,500 in April 1946 increased to 3,367 by December 1949. It may be observed that the increase in the number of village Panchayats involves larger financial commitments in the shape of grants (i) for payment of the salaries of secretaries, (ii) on account of dearness allowance to staff, and (iii) equal to 15 per cent. of land revenue or 25 per cent. of local fund cess, collected in the village Panchayat area, whichever is greater. Two other notable developments in the sphere of local self-government are: the conversion of the Poona Municipality into a Corporation which will be effected very shortly and the proposed extension of the jurisdiction of the Bombay Municipality to the Greater Bombay area, for which a Bill is proposed to be introduced in the current session of the Legislature. Lastly, reference should be made to the programme of providing villages with drinking water. The number of wells constructed under the scheme is 2,004 and of those under construction 2,672. The aggregate expenditure incurred so far, all of which is borne by Government, is Rs. 97.78 lakhs.

16. A matter of grave concern to Government from the point of view of maintaining the flow of industrial production, the level of employment and the promotion of new industrial undertakings for the manufacture of essential goods was the deterioration that took place, subsequent to the cyclone of November 1948, in the supply of electrical energy. Various expedients for increasing the power resources

of Greater Bombay have been examined. After investigation and consultation with the Government of India, it has been decided to extend the capacity of the Power House at Chola. A plant capable of producing power to the extent of 45,000 kwt. is proposed to be erected as early as possible. Against an aggregate cost of Rs. 3,87 lakhs for the entire scheme, provision for expenditure amounting to Rs. 80 lakhs has been made for the next year. It is expected that this will give a stimulus to the starting of those industries for importing machinery for which permission had been granted and for which capital had already been collected. It will also relieve the pressure on the supply of power through the existing stations, hydro-electric and thermal. The grid scheme is expected to function so as to make available power to Ahmedabad next year and elsewhere in the year thereafter.

17. The scheme of developing trading estates has made some progress, and the provision for the purpose in the budget is Rs. 2.94 lakhs. A beginning is to be made by developing an industrial area in Ulhas Nagar for the establishment of medium and small scale industries. This location will be particularly helpful to the settlers in the neighbouring township for displaced persons. The draft of the legislation for the establishment of an industrial finance corporation has been submitted to the Government of India. According to the Constitution, such a corporation cannot be set up in a State, except under the specific authority of the Union and by means of a special enactment of theirs. As soon as this permissive legislation is passed, Government propose to take early steps to establish an industrial finance corporation, because they are convinced that among the prime needs of medium and small-scale industries in the State one is the extension of financial facilities. The diffusion of technical knowledge is another need to meet which Government have started or aided in the starting of technological institutes, technical schools, and industrial training workshops. The number of such institutions in the State that are conducted by Government is 26, and the expenditure incurred on them is Rs. 28 lakhs.

18. In the field of cottage industries (including subsidiary occupations) a mechanism has been set up which will be helpful in securing development, in course of time, on a well-ordered organized basis. The purely departmental side of the administrative machinery is in charge of a Joint Registrar of Industrial Co-operatives and Village Industries who has taken over the functions performed, until 1946, by the Department of Industries. The organizational side is attended to by an apex co-operative agency, the Provincial Industrial Co-operative Association which, along with the district industrial co-operative associations affiliated to it, was liberally supported by Government in the initial stages. Lower down are primary industrial co-operative societies numbering now 776 as against 211 in 1946. The bulk of these, too, are in receipt of substantial financial aid from Government. In addition, Government help several among these to secure raw material and to market their products. The revival and re-organization of village industries according to Mahatma Gandhi's conception is another of the objectives which Government have set before themselves. To the extent that such work may lie outside the purview of the two aforesaid agencies, it is entrusted to the Village Industries Committee constituted by Government in September 1946, which has among its members several who are connected with the All-India Village Industries Association or the All-India Spinners' Association. This Committee draws up plans for re-organizing old or starting new village industries in various parts of the State and working out such plans after securing the requisite financial assistance from Government. A compact area in the Ron taluka of the district of Dharwar has been selected for developing handspinning and weaving. Similar work is attempted in nearly a hundred villages scattered throughout the

province, in which are organized groups of spinners producing Khadi on a self-sufficiency basis. Provision for the supply of improved tools and requisites, especially for the production of Khadi, are among the activities of the Committee. A comparative view of the progress achieved may be obtained from the following figures of budgeted expenditure :

	1947-48 Rs.	1949-50 Rs.
Joint Registrar's establishment ...	3,01,190	3,90,090
Demonstration parties, peripatetic schools or centres ...	4,36,252	10,38,830
Industrial co-operatives (including associations)		
(i) Loans ...	2,35,557	10,61,713
(ii) Subsidies ...	6,00,563	2,98,400
Village Industries Committee ...	4,68,400	7,14,000

19. It is not only industrial co-operation that has recorded progress during the last three years. There has been all round progress of the co-operative movement and the total number of societies at the end of 1949 was about 12,000 as compared to 6,000 in July 1946. In pursuance of the decision taken by Government on the recommendations of the Co-operative Planning Committee, the Agricultural Finance Committee and the Co-operative Reorganization Committee, the formation of agricultural thrift and credit societies as well as multi-purpose societies has been encouraged all over the State; and no less than 10,900 villages are now served by 6,200 of these societies. The new forms of assistance extended by Government for this purpose are the grant of subsidies towards the establishment charges of primary societies, subventions to central agencies for opening branches and the offer of subscription to the share capital of the Provincial and Central Banks. The fact that the owned resources of these institutions have grown considerably in recent years indicates that State-aid has not had a demoralizing effect and that the institutions are conscious of their responsibility for using local savings for local development. Of the numerous among the new activities in the field of co-operation only two may be mentioned. In the last couple of years no less than 42 co-operative farming societies have come into existence. Almost all of these have been assisted in their operations by Government; and during the year a scheme was sanctioned for the grant of loans and subsidies to co-operative farming societies and for giving them administrative and technical assistance. A proposal is under consideration for the creation of a board to promote this form of development which is essential for the colonization of waste lands or for the settlement of tenants purchasing blocks of lands under the Bombay Tenancy and Agricultural Lands Act. The second interesting development is the formation of 48 co-operative societies for forest labourers who are mostly Adivasis. These societies replace private contractors in securing coupes from the Forest Department, and taking up contracts for felling timber and preparing charcoal. The societies are started with the aid of social service institutions working among Adivasis which undertake to supervise their operations and to ensure that the handsome profits that accrue are properly utilized and that the institutions become agencies for promoting social welfare. Direct and indirect financial aid is extended to the societies by Government.

20. At the time of the introduction of the budget for 1948-49, Government announced their intention to make a total provision of Rs. 1 crore, over a period of four years, for the financing of schemes of socio-economic development along the lines of Mahatma Gandhi's constructive programme in compact groups of villages in backward rural areas. Government believed that this would be a most suitable manner in which we could honour Gandhiji's memory. A start was made in this

direction last year, after the services of social workers had been secured who inspired confidence among the rural population to be served and who could help in developing local leadership and could assist in building up the organized strength of the people. Work has been commenced in 20 districts, each district having one centre covering a group of about 45 villages. The main activities undertaken may be grouped under the following heads: education, agriculture, village industries, health and sanitation, social amenities and welfare. Special arrangements have been made for the training of workers, in each of the linguistic regions. Co-ordination of effort is secured through a Provincial Committee. So far, the expenditure sanctioned for this purpose amounts to Rs. 11.75 lakhs, while a lump provision of Rs. 20 lakhs is made in the coming year's budget. This is a development to which Government attach the utmost value, launched as it is under the best of auspices and with the highest of motives and entrusted as it is to some among of the most selfless social workers in the Province. The influence radiating from these centres, as also the material benefits that they bring in their train to the people they serve, may help in course of time in transforming the entire outlook before society in rural Bombay.

21. In surveying the work of this Government during the past few years, the progress made in the direction of agrarian reform is often apt to be overlooked. Even in this industrial province of Bombay, it is considerations of rural economy and of the welfare of the rural population that must inspire State policy. The details of this policy need not be expounded to the Legislature, closely associated as it has been with the formulation and working out of the policy. Among the measures comprised in the programme may be mentioned the enforcement of the Bombay Moneylenders' Act, the establishment of Courts to deal expeditiously with the settlement of agricultural debts under the Bombay Agricultural Debtors' Relief Act, the creation of regulated markets under the Bombay Agricultural Produce Markets Act, and the extension of the survey and settlement system to Inam or other unsurveyed villages. The Bombay Prevention of Fragmentation and Consolidation of Holdings Act of 1947 has now been made applicable to the whole of the Province, including the merged areas. As a preliminary step, in 1948, Government selected 186 villages from 8 districts in which standard areas were fixed. Schemes of consolidation have been completed in 76 of these villages. Similar work in the direction of consolidation of fragments has now been taken in hand for gradual extension over other areas. The carrying out of these reforms, which represent essential aspects of social security, involves expenditure the extent of which can be seen from the following table:—

	(In thousands of Rupees.)		
	Accounts 1948-49 Rs.	Revised 1949-50 Rs.	Budget Estimate. 1950-51 Rs.
(1) Enforcement of the Bombay Moneylenders' Act.	5,67	6,57	7,65
(2) Establishment of Courts under the Bombay Agricultural Debtors Relief Act.	8,19	10,00	15,83
(3) The creation of regulated markets under the Bombay Agricultural Produce Markets Act.	1,15	1,41	1,73
(4) Implementation of the Bombay Prevention of Fragmentation and Consolidation of Holdings Act, 1947.	...	6,00	9,73
(5) Survey and settlement of unsettled alienated villages in the State.	...	50	2,15
	15,01	24,48	37,09

22. As part of the general community, the backward classes share in all the beneficent activities of Government. However, in recent years there has been a considerable expansion of the special facilities, both educational and economic, enjoyed by them. While primary education is free for backward class pupils in public schools and in most private schools, scholarships are given, in addition, to deserving pupils. Secondary education in Government and non-Government schools is free and, besides, scholarships are given to deserving pupils. All eligible backward class pupils in arts, science and professional colleges receive free-student-ships and scholarships. Scholarships are also given to deserving backward class pupils in technical schools and colleges. Two hostels for backward class pupils are maintained by Government and 48 hostels maintained by district school boards and 149 hostels maintained by voluntary agencies receive special grants from Government. Minimum wages for forest labourers who are almost exclusively drawn from Adivasis have been fixed in Thana, Kolaba and West Khandesh districts and in Peint Mahal of the Nasik District. Forest labourers' co-operative societies are given preference in the allotment of coupes. Municipalities undertaking slum clearance schemes for the benefit of backward classes are given grants-in-aid for the purpose. Housing societies are given interest-free loans upto 75 per cent. of the cost of construction, subject to a maximum of Rs. 1,500 in backward tracts and Rs. 2,000 in ordinary tracts. The following statement shows the progressive, year to year, rise in the budget provision for the amelioration of the backward classes :—

Year.	Provision.
	Rs.
1947-48	24,14,800
1948-49	35,05,500
1949-50	44,36,540

23. The Milk Colony at Aarey is expected to be completed by the end of 1950. The number of units completed so far is 17. Of these, 7 are fully occupied and the number of animals shifted there from Bombay is 3,163. It is expected that the central dairy to pasteurize and bottle all the milk produced at the Colony is expected to start working before the end of 1950. The aggregate expenditure incurred upto the end of the current year is estimated to be Rs. 172.5 lakhs. A further provision of Rs. 83.7 lakhs is made in the next budget. This is only one part of Government's milk scheme. The other aspect is represented by organization of the supply of milk obtained both locally and from Anand. At Anand, supplies are secured partly through the agency of co-operative milk supply societies and their union which recorded good progress during the year. The quantity of milk handled through the various schemes, namely, 2,125 maunds per day is estimated to be more than a third of Bombay's milk supply, the price being at least 20 per cent. lower than the ruling market price. The supply of skim milk powder and the sale of toned milk were also extended during the year.

24. A newly constituted Transport Corporation has now taken over the running of the nationalized motor services for passenger traffic which were first introduced in June 1948. The original plan was to complete the process of nationalization of bus services all over the State within a period of three years. The exigencies of our finances have led to the slackening of the pace of nationalization; and the process has now to be spread over a longer period. Out of 629 routes proposed in the scheme for the entire State, excluding merged areas, 260 routes in seven divisions have been taken over and 100 additional routes are planned to be taken over before the close of the year. Next year's programme provides for the nationalization of 100 additional routes in three divisions. The daily mileage covered by the vehicles

is now in the neighbourhood of 60,000, the number of vehicles in operation is 525, and the number of passengers carried is 75,000. The provision made for the financing of nationalized transport services is now made under the Capital Section of the budget, inasmuch as it represents the investment of capital in the Corporation. In future, subject to its approved budget, the Corporation will retain the receipts for its own expenditure and will pay into the Treasury a return on the investment of funds by Government. The aggregate outlay on the scheme is Rs. 533 lakhs, of which our share amounts to Rs. 400 lakhs and that of the Government of India Rs. 133 lakhs.

25. The cutting out of aid from the Union has had an adverse effect on the financing of Government's industrial housing programme. Including the estimated expenditure for the year, the total expenditure incurred on housing upto now is Rs. 3.25 lakhs, exclusive of the provision of Rs. 1.00 lakhs for loans to co-operative housing societies. The revised allocation under the P. W. R. programme was Rs. 4.50 lakhs. In order to meet the urgent demand for continuance of the programme, a sum of Rs. 2.25 lakhs is to be made available for the year 1950-51 to the newly set up Housing Board. The total number of new tenements provided under the scheme, the number of tenements reconditioned and the amounts of loans to co-operative housing societies are given below :—

1. Number of new tenements	...	...	...	7,986
2. Reconditioned tenements	...	...	...	1,432
3. Loan to co-operative housing societies.				
Amount ...	...	...	Rs.	75.65 lakhs.
No. of societies	...	...	...	18

Expenditure on labour and labour welfare amounted last year to over Rs. 42 lakhs. Among the new activities, reference may be made to the decasualization scheme introduced in Bombay, Ahmedabad and Sholapur to help in regulating the recruitment of labour in the textile industry.

26. During his visit to Bombay in August last, the then Governor-General Shree C. Rajagopalachariar laid the foundation stone of Ullhasnagar, the new township near Kalyan for displaced persons. This is expected ultimately to provide accommodation for 2 lakhs persons. The total number of displaced persons in the State is 5 lakhs, of whom 2 lakhs already find accommodation in 18 camps located in different parts of the Province. With the growing responsibilities of the work of rehabilitation it has now been made the special concern of a Minister, with a Joint Secretary to Government placed in charge of it. Work is carried on in close collaboration with the Government of India, with whom we share the financial liability for the operation. The programme covers education, housing and employment. To enable the displaced persons to take up trade or industries, loans are sanctioned and other facilities granted. The amount of loans sanctioned so far is Rs. 60 lakhs, and it may be hoped that thereby large numbers will soon find it possible to settle down to normal life. Vocational training and production centres have been started at some of the camps. The provision of housing has been accorded priority even over Government's schemes of industrial housing. The number of tenements completed or nearing completion is 9,068. Expenditure for this purpose amounted to Rs. 1.35 lakhs in 1949-50 and an allotment of Rs. 2.35 lakhs is made next year.

27. The State has reason to congratulate itself that its economy as a whole was not disturbed by the famine which overtook portions of Gujarat last year. No efforts were spared to fight the famine. It is because satisfactory arrangements were made for the constant and regular supply of food grains, for the transport of these and of fodder for the cattle, for the starting and running of scarcity works, for the attending to of the health of the people on the works, for the organization of arrangements for supply of water for men and cattle in the affected areas that not one human life was lost and the danger of any heavy cattle mortality occurring was averted. The severity of the famine was as great as, if not greater than, that of the famine which wrought havoc in Gujarat in the closing year of the last century. Funds were readily placed at the disposal of the authorities in the affected districts for various purposes. Exclusive of the liberal Tagavi loans allowed in the affected areas, the expenditure on relief operations over the years 1948-49 and 1949-50 amounted to nearly a crore of rupees. For the year that is ending, the following were the main items of expenditure :—

					(in lakhs of rupees).
1. Relief works—					
Government ..	...	...	...	...	12
Local bodies ..	..	...	...	...	21
2. Drinking water					4
3. Gratuitous relief	...	...	...	...	14·25
4. Cattle relief	...	...	...	...	18·3
5. Tagavi—					
Seeds and maintenance ..	...	...	...	...	30·52
Wells ..	...	...	...	...	33·47
6. Lift irrigation schemes					12·34

The State has had a fair monsoon in 1949, although in some parts of the central Deccan zone and of the Mehsana district there are conditions verging on scarcity. Unfortunately, owing to excessive rains and floods during September, a number of villages on both sides of the Bhima in the districts of Sholapur and Bijapur—and a few places elsewhere in Bijapur—suffered from large scale house collapses. There was also some loss of life. Immediate relief was rendered by official and unofficial-agency and Tagavi was promptly made available. The problem now is of rebuilding houses or shifting to new house sites. The proposals are still under examination and when these are ready the Legislature will be moved for the sanction of the requisite funds.

28. Lastly, reference has to be made to the fact that the programme of prohibition was taken one stage further during the year, with the result that the excise revenue registered a decline to Rs. 4,97 lakhs. The commencement of the next financial year will synchronize with the enforcement of complete prohibition and it is estimated that the revenue will further decline to Rs. 1,13 lakhs, that is to say by Rs. 3,84 lakhs in comparison with the revised estimate of the current year. This decision to complete the programme as originally planned is in accordance with the wishes of the Legislature expressed on various occasions particularly at the time of the enactment of the Prohibition Act in 1948. It is hardly necessary to remind the Legislature that the policy of prohibition was enunciated almost immediately after the assumption of office by the Ministry when the stages by and the manner in which the goal would be reached were also announced. The integration of Indian States, including Baroda and Kolhapur, in the territory of

the State of Bombay has facilitated the enforcement of the measures designed to check smuggling and illicit distillation. The co-operation of areas on our borders in which prohibition has not been introduced has also been sought with a similar object. The new Constitution calls upon the State to "endeavour to bring about prohibition of the consumption, except for medicinal purposes, of intoxicating drinks and of drugs which are injurious to health". In introducing complete prohibition, Government have acted wholly in conformity with the letter and the spirit of the Constitution, which the entire nation has decided to honour and respect. For years past, at least since 1930, prohibition has figured in the programme of the Indian National Congress as an essential item of social reform. Those who plead for it are not zealots seeking to interfere with the individual liberties of their fellow-citizens. To deem the stoppage of the production and sale of intoxicating drinks and drugs as an encroachment on the freedom of the individual will lead us to absurdities which make a mockery of the word "freedom". To apply to our conditions, what Bernard Shaw wrote of England, cries of "better India drunk in freedom than sober in slavery" should not move us in the least. We have embarked upon this move to eradicate a canker which eats into the vitals of social life. All our religions enjoin strict abstinence and our tradition of sobriety stretches back to the earliest ages. It is Government's firm belief that to compensate for the loss from excise revenue to the State there will be savings accruing to the community, opportunities provided for healthy recreation, increased consumption of essential goods—all of which will serve to enrich the life of the community and to add to their joy and comfort.

29. This rapid survey of the activities of Government in various spheres of the social and economic life of the State is intended to convey a picture of the manner in which the finances of the State have been utilized in the past and are proposed to be utilized in future. Though the maintenance of law and charges for the collection of revenue have involved increased expenditure, the extent of the increase in recent years, as the following table shows, is small in comparison with that incurred on what may be deemed the provision of social services by the State :—

	1946-47	1949-50	Increase or decrease
	(Rupees in lakhs)		
I. Direct Demands on Revenue (i.e. collection charges).	3,50	4,33	+83
II. Security Services etc. (i.e. General Administration, Administration of Justice, Police, Jails, etc.).	11,53	12,70	+1,17
III. Social Services (i.e. education, medical, public health, etc.).	9,80	18,05	+8,25
IV. Irrigation and Civil Works	1,92	4,93	+3,01
V. Debt Services	3,40	1,17	-2,23

Poorly equipped as all parts of India are in the matter of social services, the volume of expenditure that has to be incurred in the initial stages of the war against want, disease, ignorance is considerable. It has been the endeavour of the Government

of Bombay, during the last few years, to make as large a provision for such expenditure as is consistent with their limited resources. In briefly reciting the latest phases of that endeavour, I have mentioned certain figures of expenditure, and incidentally of revenue, which, to some extent, anticipate the information that I shall now proceed to furnish very briefly in regard to the financial position of the State during the current year and the next.

30. When the current year's budget took its final shape in this Legislature, there was anticipated a gross revenue surplus of Rs. 45.02 lakhs or, after taking into account the deficit of Rs. 38.50 lakhs pertaining to the particular Indian States whose administration had already been integrated with ours, a net revenue surplus of Rs. 6.52 lakhs. The merger of Baroda and Kolhapur took place thereafter and, as the House will recall, it sanctioned in the session held last September a series of supplementary demands of large magnitude necessitated chiefly by the merger of these and other States. The aid we shall receive from the Union Government during the current year on account of the merger has been tentatively estimated to be Rs. 213 lakhs. After taking into account this figure, as well as the revenue receipts from the merged areas for the period of eight months commencing from 1st August 1949, we have placed the latest revised estimate of revenue for 1949-50 at Rs. 62.63 lakhs as against the budget estimate of Rs. 52.86 lakhs. The corresponding revised estimate of expenditure is Rs. 62.73 lakhs as against the budget estimate of Rs. 52.41 lakhs. On the basis of the most recent figures pertaining to the current year, which may themselves undergo some little change during the short period that remains for the financial year to come to a close, there is, therefore, anticipated a revenue deficit so small as to be nominal, namely, Rs. 10 lakhs.

31. During the course of my remarks, I believe I have already said enough to indicate that the transition from this year's finances to those of 1950-51 is going to be anything but smooth and easy. I have referred to the loss to State revenues on account of the restrictions placed on the levy of sales tax on commodities exported outside the boundaries of the State. But for such restrictions, the yield from sales tax (other than on petrol) during 1950-51 would have been estimated to be Rs. 13.81 lakhs. The estimate actually incorporated in the budget is Rs. 9.81 lakhs, i.e. Rs. 4.00 lakhs less. Another, and in some ways more relevant, comparison is between the revised estimate for the current year (Rs. 13.25 lakhs) and the budget estimate we have adopted for next year, Rs. 9.81 lakhs. Computed in this manner, the immediate reduction in sales tax receipts made inevitable by the provisions of the Constitution is Rs. 3.44 lakhs so far as the State of Bombay is concerned. The merger of States, as I have pointed out at a previous stage, involves a net revenue liability of Rs. 3.04 lakhs during 1950-51, after taking into account an estimated subvention of Rs. 2.36 lakhs from the Government of India. The final phase of prohibition involves the relinquishment of revenue amounting to Rs. 3.84 lakhs. Finally, the Union Government find themselves unable to give any subvention or loan—other than for Grow More Food purposes—during the ensuing year. In comparison with the current year alone, that means a reduction of Rs. 1.76 lakhs in our receipts, though potentially the loss may be said to be much larger, since with the progress of our own expenditure on development plans there was to have been, according to the scheme of assistance originally promised by the Government of India, an automatic increase in the amount of the grant-in-aid to be received from the Union Government, subject to a particular ceiling prescribed for the first quinquennium. There are two years—1950-51 and 1951-52—

to run before the quinquennium ends. The ceiling for total Central subvention during this period is approximately Rs. 17½ crores. Our receipts so far are only Rs. 5,76 lakhs, as estimated upto the end of March, 1950.

32. These considerations point unmistakably to the need for an immediate reorientation of our plans of expenditure, both long-term and short-term. As regards the long-term plan of Development, the Government of Bombay have decided that the Post-war Reconstruction Programme generally, with the exception of certain of the highest priorities such as irrigation and the generation of electricity, should, if eventually necessary, be spread over nearly twice the period hitherto assumed; and that, while there need be no formal alteration, at this stage, of the 5-year programme of which the third year is now nearly at an end, the next two years should be treated as a period of financial emergency during which there should be considerable slowing down in the pace of execution of the present plan, a review of the whole plan being undertaken before the commencement of the second quinquennium.

33. The short-term plan is the budget. I shall now recount a few factors which, though only temporarily and to a slight extent, will, I hope, mitigate the gloomier aspects of the picture I have had to depict. In comparison with the revised estimates of the current year, varying degrees of relief are, fortunately, in prospect if we direct our attention to certain individual heads of receipts and expenditure. Our procurement of foodgrains, which has achieved notable success hitherto, is expected to earn a food bonus of Rs. 145 lakhs from the Union Government. This amount is to be credited to our revenues next year and will be utilised for financing various Grow More Food schemes, including lift-irrigation projects, which are already part of our programme. Negotiations have been proceeding with the Union Government for the payment of a larger compensation to this Government for refraining, in the interests of Central tobacco duty, to levy sales tax on tobacco and tobacco products. On this account, a provisional figure of Rs. 50 lakhs, inclusive of arrears, has been placed on the credit side of the relevant budget head. According to the latest intimation from the Government of India, the income tax receipts assignable to Bombay as its 21 per cent. share of the divisible pool for States, will show an improvement of Rs. 28 lakhs next year in comparison with this year's figures. On the assumption that the allocation of imported foodgrains to this State will be greatly curtailed hereafter, it has been estimated that the State's share of food subsidy will be substantially reduced. The reduction, in comparison with the current year, is as much as Rs. 3,00 lakhs. There are also other reductions, pertaining to the distribution of groundnut cake etc., which in the aggregate give a relief of slightly over Rs. 100 lakhs to the exchequer of the State. The disappearance of the conditions of grave famine prevalent in Gujarat enables us to budget for nearly Rs. 80 lakhs less during 1950-51. Lastly, it has been found possible to finance from the Provincial Road Fund, on a more comprehensive scale than in the past, various items of special repairs to communications, thus affording a relief to the revenue section of the order of about Rs. 43 lakhs in comparison with the current year. All these factors must be set off against those others—such as the net liability on account of merger of States, and curtailment of the scope of the sale tax—which I have mentioned earlier.

34. Even so, there is a deficit of about Rs. 450 lakhs. For a Government, the need for balancing the budget is obvious even in normal times; it becomes insistent in times like those through which we are passing, when a ceaseless struggle has to be maintained against the forces of inflation. The Government of Bombay consider that there can be no question but that the budget must be balanced.

35. One or more of three courses are open : withdrawal from the Post-war Reconstruction and Development Fund, new taxes, and curtailment of expenditure. At the end of the current year, the Post-war Reconstruction and Development Fund is estimated to stand at nearly Rs. 17,29 lakhs. In the present circumstances, of which the cessation of subventions and loans from the Union for development purposes constitute an important element, and having regard to the large capital commitments of a productive character already undertaken, it is more imperative than ever to conserve the P. W. R. Fund, that is to say to confine its use to capital expenditure and not to draw upon it for covering revenue deficits. Government have, therefore, decided not to resort to the expedient of effecting a transfer from the Fund to their revenues for the purpose of meeting, wholly or in part, the gap of Rs. 450 lakhs to which I have referred. As for taxation, it will come when it must. The situation is such as to warrant, not a minor augmentation here and there, but a review of the whole field of our revenue resources, or rather, in view of the new developments, of such part of that field as is still open to us. Those developments, however, are not yet definitive—important questions, for example, remain to be decided by the Finance Commission shortly to be appointed by the President—and Government feel that any measures of major taxation would be inopportune at a moment of extreme fiscal fluidity like the present. The review must therefore wait, though not longer than it need. Apart from a few minor readjustments of stamp duty, which will be duly embodied in the amendments to the Finance Act and which will have no net effect on the revenue position, this budget contains no proposal for new taxation. The minor changes proposed are : (i) a reduction in the basic rate of stamp duty levied on transactions in the Stock Exchange (which has long, and to some extent justifiably, complained of the relatively undue burden involved) from two annas to one and a half annas and (ii) the extension of the stamp duty to forward markets other than those to which it is at present applicable. The decision, then, is to balance the budget by curtailment of expenditure. That decision brings the short-term plan which, as I have pointed out, is the budget, in conformity with the long-term plan which is the Development Programme. Both will reflect the same slowing down in the pace of expenditure which a realistic view of the new financial situation renders inevitable.

36. Foreseeing the changes likely to come about in our administrative structure, Government appointed in 1947 the Administrative Inquiry Committee, which submitted its report in 1948. Comprehensive as these recommendations were, their examination took some time. Information has, however, been submitted to the Legislature, from time to time, about the manner in which the recommendations were being disposed of. One of these recommendations related to the carrying out in the Secretariat, in each of the administrative departments of Government, and in the offices in the districts an inquiry by competent officials to determine the volume and nature of work, to examine if this could be curtailed and to ascertain if there was scope for retrenchment. Need for action on this recommendation has become urgent now, in view of the growth in the responsibilities that Government have assumed for themselves and the corresponding increase in the staff that has gone on in recent years, in a somewhat un-co-ordinated manner. It may be noted, however, that the expansion which has taken place in expenditure in administrative departments has kept pace with the total outlay of funds by Government, as will be seen from the table given in paragraph 29. In gauging the growth of expenditure, account has also to be taken of the increases in the pay-scales of the lower grades of Government staff and the new conditions of service.

in which they carry on their duties. Nevertheless, the fact remains that even a welfare State, as we wish to become, must limit its scale of expenditure on the purely administrative machinery. For this purpose, Government propose to undertake an immediate investigation, so that, by reorganization of the system of day-to-day working, better coordination of effort may be ensured, the elimination of needless formalities may be secured, the volume of work may thus be reduced and retrenchment of the right type may thereby be effected.

37. The retrenchment so undertaken will, it is expected, involve a curtailment of not less than (i) $6\frac{1}{4}$ per cent. of the expenditure on the officers and staff of Government, (ii) $6\frac{1}{4}$ per cent. of the expenditure on grants-in-aid given to various institutions, semi-Government and other, towards their establishment charges, and (iii) $12\frac{1}{2}$ per cent. of the expenditure on contingencies and on travelling (by elimination of relatively unessential travelling, on tour or transfer). These three measures, for the implementation of which, with effect from 1st April 1950, steps will be taken as soon as possible, are estimated to result in a total saving of Rs. 2,68 lakhs, credit to which extent has been taken under different heads of the budget. In addition, in the process of formulation of the budget, individual items of expenditure, too numerous to relate, have been curtailed or eliminated, resulting in an aggregate saving of Rs. 1,82 lakhs. Together, these amounts cover the revenue deficit of Rs. 4,50 lakhs.

38. With these changes, which have already been incorporated in the budget, the estimates of revenue receipts and expenditure for 1950-51 are as follows :—

	Rs.
Revenue Receipts	61,39.06 lakhs.
Revenue Expenditure	61,37.08 lakhs.
	<hr/>
Surplus ..	1.98 lakhs
	<hr/>

39. The budget of capital expenditure has had to be drastically reduced owing to the inability of the Union to provide us with loans for any purpose. Even the loan of Rs. 3 crores for 1949-50 anticipated from the Centre did not materialize. For our needs during the current year, we were able to float a loan of Rs. 6 crores. This is repayable in 1962 and bears interest at 3 per cent. The issue price was Rs. 99 per cent. After practising the most rigorous economy, including the elimination of many items and the imposition of a 25 per cent. cut on the rest, we find that our total requirements on the capital side of the budget amount to not less than Rs. 10 crores. To meet these requirements, we may have to raise a loan of Rs. 6 crores, the balance of Rs. 4 crores being drawn from the P. W. R. Fund, the amount available in which, as I have already mentioned, is Rs. 17,29 lakhs.

40. To revert to a topic at which I have hinted in a foregoing paragraph, a scientific inquiry into the incidence of the existing burden of the taxation imposed by local authorities, the State and the Union would be desirable before we embark on fresh measures of taxation. In pursuance of the assurance given to the Legislature last year, the work of collecting the requisite data about

personal incomes and expenditure has been taken in hand by the Bureau of Economics and Statistics. Material should be available, before the end of the next financial year, in a form which should enable Government to gauge the scope for fresh taxation, to determine the basis of such taxation, and to consider what modifications may be made in the existing system of taxation. That further taxation may be necessary to enable Government to extend the programme of social services and economic development, such as is essential for the welfare of the people of the State, is a matter which admits of little doubt. The principle, however, which Government must keep in mind is that of ensuring that the effect of fresh taxation on the cost of living of the common man is inappreciable, that it does not hamper productive effort, and that the sacrifice asked for from the tax-payer is proportionate to the services derived or the benefits rendered, as also to the ability to pay. These are the principles that should motivate any sound system of public finance. As Dr. Hugh Dalton has observed: "The best system of public finance is that which secures the maximum social advantage from the operations which it conducts". It is the claim of the present Government that they have adhered to this policy in the past; and it is their desire to continue to do so in future. Science and invention—improvements in industry and agriculture—have helped, and will do so more largely in future, to secure new sources of wealth and to enlarge existing ones. Whatsoever the form of economic organisation in a country, it is one of the obligatory functions of a well-administered State to ensure that the increased resources available within its borders are employed not for private gratification, but for the common advantage of the people of the State. The maximum social advantage will consist in diverting larger and larger proportions of the surplus for promoting social security, for providing social services and for financing productive effort in the field of industry and agriculture.