



**SOUND AND BALANCED BUDGET
OF BOMBAY**

FINANCE MINISTER ANSWERS CRITICISM



BOMBAY
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Speech of Dr. Jivraj N. Mehta, Minister for Finance, Government of Bombay, replying to the general discussion on the budget estimates for 1958-59 in the State Legislative Assembly on March 10, 1958.

Sir,

At the outset I must apologise to this House as I did to the Legislative Council for not being able to be present all the time during the general discussion on the Budget due to the fact that the discussions were simultaneously held in both the Houses which made my absence sometimes inevitable. I have, however, kept myself in touch with the proceedings throughout the debate. I am thankful to the Hon. Members on both sides of the House for their various constructive suggestions which would receive careful consideration.

On one particular matter of importance, viz. the Finance Commission Award, I was somewhat taken aback by the views expressed by the leader of the opposition, hon. Shri Udhavrao Patil. He and another colleague of his, hon. Shri Chitale, whom I heard on the floor of the House saying that they were not surprised at the Finance Commission rejecting our claims and further saying that the pleading of our case was faulty or not sufficiently forceful. The House will recall that when we presented our case to the Finance Commission last year and the Memoranda proposed by this Government were circulated to the hon. Members, a reference was also made to this subject in both my budget speeches. Hon. Shri S. M. Joshi, the then Leader of the Opposition, had at that time complimented Government on the able manner in which we had presented our case for financial assistance to the Finance Commission. Even hon. Shri Datta Deshmukh, who is generally very critical of Government policies and actions, had a good word to say about it then and even during his speech last week. Even hon. Shri Udhavrao Patil had not a word of serious criticism of the points urged in the Memoranda during the

general discussion on the Budget Estimates last year when he addressed the House on the 1st July 1957. It is indeed curious how soon one is apt to forget things ; perhaps, it is convenient to do so. I hope, however, that the views expressed in this connection on this occasion by the leader of the opposition groups are his personal views and do not reflect the responsible opinion of the opposition party as a whole, since the chairmanship of the groups that he holds at present by rotation is on account of extraneous circumstances and not on account of similarity of ideas on matters economic. I am in agreement with Shri Datta Deshmukh that as a result of the Finance Commission Award, the Bombay State, which in terms of per capita revenue used to be the highest among the States, has lost that pre-eminent position not because of any inherent weakness in its revenue earning capacity, but because of the support certain other States have received by way of large scale Central devolution, through shared taxes and grants-in-aid.

Shri Datta Deshmukh indicated that our expenditure on social welfare measures and on nation-building activities did not compare favourably with that of other States. He probably came to this conclusion only with regard to the revenue expenditure. Had he also analysed the State-wise expenditure on social welfare measures in the capital account, including loans and advances to various institutions and individuals, I have no doubt that he would have come to a conclusion different from the one stated by him the other day. The Progress reports of the Planning Commission of the First Five-Year Plan on the implementation of schemes by the various states bears ample testimony to the fact that of all the states, the outlay on the Plan by the Bombay Government, which was charged with the responsibility of financing the highest State Plan, was easily the highest being Rs. 147 crores. While the average performance in relation to target expenditure during the First Five-Year Plan of the centre and the states was 84.6 per cent ; of Travancore-Cochin 83.3 per cent ; of Mysore 86.7 per cent ; of Madhya Pradesh 88.2 per cent ; of the Punjab 92.4 per cent ; of West Bengal 93.7 per cent ; and of Uttar Pradesh

97·5 per cent; the Bombay State with a 50 per cent larger target than the Uttar Pradesh had a ratio performance of 97·8 per cent. Therefore, it is not possible that our expenditure on nation-building activities per capita could be lower than that of any other State. Probably, as I said, Shri Datta Deshmukh's analysis showed different results because he drew his conclusions only from the revenue account of the State budgets. Much the larger portion of expenditure on the Five-Year Plan, however, is on capital account and, therefore, the capital account, including loans and advances, should not be omitted in any analysis of state-wise expenditure on nation building activities. This is particularly so, now that we debit any expenditure on any item exceeding Rs. 20,000 to the capital account. Not merely was our expenditure on nation-building activities during the First Plan high, our development expenditure has been and continues to be high even during the Second Five-Year Plan.

The statements of expenditure on revenue and capital account in the appendix to my budget speech would indicate that of the total expenditure of Rs. 204·3 crores or Rs. 42·33 nP per capita, as high an amount as Rs. 149 crores, i.e. 73·4 per cent of the total expenditure, or Rs. 31·02 nP per capita, is development expenditure and only Rs. 55 crores or 26 per cent or Rs. 11·35 nP per capita, is non-developmental.

Some hon. Members have complained that our administrative expenditure is unjustifiably high. Those of you who have seen Shri Datta Deshmukh's statements and the comparisons that he has drawn for the five years 1951-52 to 1955-56, would have noticed that whereas the administrative expenditure in other States has increased from 10 per cent to 40 per cent, the administrative expenditure of the Bombay State has hardly increased by 4·5 per cent. This still continues to be the position during the Second Five-Year Plan. If hon. Members will kindly see Statement VIII in the Appendix which gives the aggregate expenditure on revenue and capital account during the years 1957-58 and 1958-59, they will notice that while

compared to the revised estimates of 1957-58, the aggregate expenditure has moved up by Rs. 24 crores from Rs. 180·6 crores in 1957-58 to Rs. 204·3 crores in 1958-59, the non-developmental expenditure has only increased from Rs. 54·24 crores to Rs. 54·66 crores, i.e. by only Rs. 42 lakhs. This means that while the developmental expenditure forms 93·3 per cent of the increase in expenditure, the administrative expenditure accounts for only 1·7 per cent of the increase. All this shows to what extent our administrative expenditure has been kept under control. There has no doubt been some small increase in expenditure under security services, but may not the blame for such increase in expenditure under this Head fall on the shoulders of my hon. friends opposite who revel in spreading the linguistic poison from the effects of which it is the primary and protective duty of Government to save the public.

I was amazed at the strange theme propounded by hon. Shri Chitale and some of his other colleagues that population alone is the right basis for the distribution of central devolution controlled by the Finance Commission. I wish Shri Chitale had tried to find out whether the Finance Commission has given us our share even on population basis. Evidently logic is not his strong point. If the hon. Member had been consistent, he would have at least protested against the Finance Commission's award in regard to the distribution of Union Excise Duties, which on population basis should have been allotted to this State to the extent of 13·5 per cent as our legitimate share on that basis alone as against 12·17 per cent actually allotted; let aside the factor of consumption on which basis we should have legitimately secured a still larger percentage. Apart from this, before advocating the population formula, I wish honourable Shri Chitale, had taken care to find out whether on the whole, the Second Finance Commission had given the Bombay State a total devolution of shared taxes and grants even equal to its population ratio. The data of the financial effects of the Award given by the Commission itself at pp. 82-83 of their Report disclose that of the aggregate devolution of Rs. 154 crores, the Bombay State has been given only Rs. 17·16 crores or

11 per cent with its population ratio of 13.5 per cent. May not one also state a general proposition, without fear of contradiction from those who hold views as those expressed by hon. Shri Chitale and others of his ilk, that for industrial States like Bombay and West Bengal, which help in creating national wealth, and which by virtue of the large collections they yield in form of income-tax and corporation tax, enable the Central Government to make such large-scale central devolution, have to face the consequential sociological liabilities arising out of industrialisation, like larger expenditure on law and order, larger expenditure on housing and eradication of slums, larger expenditure on pay-scales to Government servants which do not get adequately compensated by way of state share distributed on the basis of population only without regard to contribution to the pool by way of collection of such taxes, or by way of larger consumption of excisable commodities.

The main criticisms levelled against the Budget are broadly as follows :—

(1) Since the budget estimates for 1957-58 expected a deficit on revenue account of Rs. 3.17 crores and since now the revised estimates indicate a surplus of Rs. 5.5 crores, the budget deficit of Rs. 2 crores of 1958-59 will very likely turn out to be a surplus, and therefore any additional taxation seemed to be unnecessary.

(2) Of the various taxation measures, while unification of taxation was considered by many as reasonable or understandable, the tax on passenger fares was most critically examined by several hon. Members opposite as, according to them, the burden of it would fall on the poorer sections of the public. Further, since unification meant application of the former Bombay area rates of taxes to the other component areas of the State, they assumed that the backward and undeveloped areas where the taxation rates were relatively lower, would be, accordingly and automatically taxed more.

(3) The budget on the expenditure side was not a welfare budget, because it did not provide, according to some of the hon. Members opposite, adequate expenditure on the backward areas and for social services.

(4) In the distribution of expenditure there seemed to be a regional imbalance.

One cannot assert that the treatment meted out to us by the Finance Commission is correct as argued by the hon. Shri Uddhavrao Patil, the leader of the opposition, and at the same time that we must provide more and more amenities to our backward and underdeveloped areas, as also urged by him during the debate and object at the same time to increase our resources ; an impossible feat for anyone to perform—unless it be in a public speech, without the possibility of being called upon to carry out such fulfilment.

Now, I shall deal with the criticism of the proposals for additional taxation which have to be viewed in the background of (1) current monetary and financial situation in the country as a whole and its bearing on financial policy to be followed by State Governments ; (2) our targets of the Five-Year Plan which are not merely those of expenditure but also of raising the requisite resources ; (3) the necessity to have unified tax laws in the new State after a lapse of almost a year and a half since reorganisation ; and last but not the least, (4) the inevitable necessity to introduce the decimal coinage.

Under conditions of an inflationary potential, it is the duty of the nation as a whole, the centre as well as the states as governmental authorities, to frame, as far as possible, balanced and even surplus budgets on revenue account. This is necessary in order to withdraw the pressure of growing purchasing power in the hands of the community expressed as aggregate effective demand on the supply of goods in general. Our budgetary policy has not merely to be a plan budgetary policy. It has also to be an anti-inflationary policy.

A recent review by the Planning Commission as well as the panel of economists has shown that prices at present are being held in check only by a substantial deficit in the balance of payments. Our cushioning indicated by our sterling balances shows that this source has its own limitations and that we are very near the danger limit of exhaustion. The remedy, therefore, is to mobilise to the optimum current internal resources. If this is the national policy, the policy of the Bombay State which controls in spheres of agriculture, industry and trade, about one-third of the country's economy, cannot be different from the national policy. That is to say, we have to plan for not merely a balanced but a surplus budget on revenue account, not merely because we want to meet our commitments on revenue account, but also as a part of national policy to withstand inflationary pressure. Bombay's tradition of sound finance requires that we should have a balanced budget.

As hon. Members are aware, Sir, out of a total plan of Rs. 350 crores, we are dependent to the extent of Rs. 122 crores, or about one-third on central grants and loans. To qualify for this central assistance we are committed to the Planning Commission and the Government of India to fulfil our Plan target of additional taxation of Rs. 24 crores, and this we must honour.

Even in our own interest, the case for additional taxation this year—if I may term it as the so-called additional taxation,—is unobjectionable. It is a faulty argument to say that because we are likely to spend less than what we have budgeted, we should leave the deficit of Rs. 2 crores uncovered. I may mention that this deficit does not represent the full deficit as budget estimates on the expenditure side do not include the full cost to the Government on account of equating of posts and equalisation of pay-scales of the Government servants from the incoming areas to the former Bombay pay-scales. The House will recall that this year's budget provides for an expenditure of Rs. 2.67 crores on—

(1) Payment of dearness allowance to Government servants in the component areas at the rates in the former Bombay State areas ;

(2) Increase in the dearness allowance by Rs. 5 per month to Government servants getting a salary not exceeding Rs. 50 per month ;

(3) Application of the minimum of the former Bombay pay-scales to the employees of the other component units posted in the cities of Bombay, Poona and Ahmedabad.

Government has now decided the principles of equation of posts and fixation of uniform pay-scales to the Government servants of all areas with the former Bombay State pay-scales. Orders based on these principles will have to be given effect to during the course of the next year. These orders will have to become effective from 1st November 1956 and, therefore, the payment for 17 months, viz., from 1st November 1956 to 31st March 1958, will have to be made in lump sum in 1958-59 along with the payments for that year. I estimate this extra expenditure to be of the order of Rs. 1.5 crores. It is not possible to estimate at this stage the additional expenditure which each department of Government will have to incur under the Major Head pertaining to it under this item and it will have to be provided by way of supplementary grant later on when the break-up of the total figure of Rs. 1.5 crores is known department-wise.

The Hon. Members are also aware that the Government of India have not implemented the Finance Commission's Award with reference to the terms and conditions of debt owed to them by and the liabilities of the States for the same. We have, therefore, kept an amount of Rs. 2.6 crores outside the revenue account to be paid from our balances. Ordinarily, under inflationary conditions, such charges should be met from the revenue account. These considerations indicate that we have to honour our commitments for additional taxation to the modest extent indicated, unwelcome though it may be.

As I have explained in my budget speech our annual committed expenditure has increased by Rs. 6 crores, including the cost of the upward revision of the pay-scales of

Primary School teachers, the Finance Commission has not come to our rescue as it has in the case of some other States, even to the extent of facilitating surplus budgets to some of them. On the other hand, we have to provide substantially by ourselves as much of the Five-Year Plan phased expenditure as possible so that our target of Rs. 350 crores is reached. Further, revenues have not been underestimated as some Hon. Members have repeatedly emphasised. I shall show a little later that this is not the case. As a matter of fact our revenues have become inelastic,—thanks to the replacement of Sales Tax on certain paying commodities—paying from the Sales Tax point of view on account of their expanding use by the people, by the levy of additional excise duty only. Hence new avenues of resources have to be explored. I shall now explain how some of the measures of the so-called additional taxation are not taxation measures really as such, but as mere adjustments in most cases leading to increased revenue to the States.

As hon. Members are aware, the decimal coinage has come into existence and this has created numerous problems of adjustment of tax rates or charges which have got to be solved. For example, the Bombay Electricity and Transport Undertaking has represented that it is losing Rs. 16 lakhs because of its levying the old coinage rates of fares instead of in terms of new coinage. Conversion of fares into decimal coinage has thus become an absolute necessity. The same remarks also apply to changes in the diesel oil and motor spirit sales tax rates. Actually out of the total additional taxation of Rs. 3 crores, at least Rs. 1.5 crores is estimated to be due to the change over to decimal coinage, which would have been inevitable whether there were the so-called additional taxation proposals or not. As a matter of fact, in the absence of changes in the budget proposals if the conversion into decimal coinage passenger fare rates were made by the operators of the transport companies themselves, or by dealers themselves in the case of petrol or diesel oil, substantial financial benefits would have accrued to them at the cost

of the community. By the unification and the so-called additional taxation arrangements as proposed, Government is mopping up such profit for the general benefit of the whole community. It is therefore wrong to refer to those proposals as impositions to the extent of the whole amount of Rs. 3 crores on the people for the sake of getting additional revenue.

Some Hon. Members opposite have assailed the taxation policy by saying that all the proposals made by Government mean increase in indirect taxation and that since indirect taxation is undesirable, they are burdensome and should be dropped. I am afraid, this academic discussion regarding the necessity for direct taxation and the opposition to indirect taxation has now become outdated and is not much heard of even in the progressive countries of the West. As the Taxation Enquiry Commission has pointed out, in all the countries both direct as well as indirect taxation have their own roles to play; and it is impossible to finance all the operations of a Government by resort to direct taxation only. Particularly, in an undeveloped country like India, and that too, a federal country, the scope for direct taxation by the State Government is strictly limited. For example it is not open to the State Governments to levy income-tax, corporation tax, estate duty, wealth tax, expenditure tax, capital gains tax or gift tax, i.e. the major items of the direct tax. These taxes are being levied by the centre, and as a matter of fact, our direct taxation policy at the centre, is more progressive. So far as the states are concerned, the only direct tax, available to them, if it can be called a direct tax, is land revenue. Honourable Members on both sides of the House, I am sure, would not favour any increase in land revenue particularly this year when the conditions of rainfall and agricultural output are not favourable. So far as taxing the agricultural incomes is concerned, we have already decided to abolish such a tax in Marathwada. This would mean a loss of revenue of about Rs. 1 lakh only and Government thought that for the sake of uniformity in taxation, this step should be taken.

Some hon. Members including the leader of the opposition, have argued that instead of doing so, the tax on agricultural income should have been extended throughout the State. I wonder if all his colleagues on the opposition side share his views in this respect. This matter of levying income-tax on agriculture was considered by Government in the past. Such a tax, in the nature of things is very complex, particularly in our State where the size of the average holding is small and uneconomic and over 60 per cent of the cultivators are peasant proprietors. The yield from such tax, compared to the cost of collection would be small and it would create numerous problems of assessment and administration. Government did not therefore consider it advisable to introduce the tax in the former Bombay State. For the same reasons and for the sake of uniformity it has now been decided to abolish it in Marathwada where alone it exists. The States like West Bengal, Assam, Kerala or Madras found the levy of agricultural income-tax profitable and convenient because they had a Zamindari system of land revenue with large estates. Secondly, in States like West Bengal and Assam there are plantations of tea, coffee and in the South also there are plantations of tea, coffee and rubber. In these plantation industries, agricultural income-tax is easy to assess because the Government of India have fixed 60 per cent of their gross income as agricultural income. This is not the case with the Bombay State where we have the predominant cultivator as a peasant proprietor with small average size holding, and nothing in the way of plantations. Not merely do we not have large estates, but where a few such estates do exist, these are being liquidated under our tenancy legislation.

It was emphasised by several hon. Members opposite that in the current year we have over-estimated our expenditure and under-estimated revenue with the result that the deficit of Rs. 3.17 crores visualised in June last, has been converted into a surplus of Rs. 5.57 crores in the revised estimate. Though the figures mentioned are correct, the presumption drawn is not so. The main increase in receipts is under sales tax.

A part of such increase is accounted for by various measures of administrative efficiency adopted for tightening up loopholes of evasions of sales tax. Besides, this year we shall be getting practically the full year's receipts from intra-state sales tax on tobacco, mill-made cloth and sugar and about six months' receipts from inter-state sales tax on those commodities, in addition to our share of Rs. 3 crores out of the additional excise duties imposed by the centre on the above commodities in lieu of the State sales tax. The next year's estimate on the receipts side is pitched at Rs. 120 crores as compared to Rs. 117·34 crores for the revised estimate in spite of the fact that we will not receive sales tax—inter-state as well as intra-state—on the above three commodities but receive only our share in additional excise duties on those commodities which according to our calculations, as explained in my budget speech, is less than the former by Rs. 4 crores. The receipts for the next year are not thus at all under-estimated. On the expenditure side, the revised estimate, it will be seen, is only Rs. 84 lakhs less than the budget estimate, i.e. by less than 1 per cent of the budgeted expenditure. The expenditure in the Budget Estimate for 1957-58 was thus not over-estimated as argued.

The targets of additional taxation in the Second Five-Year Plan of the various component units as provided for by the former respective Governments themselves, are as follows :—

			Rs. in crores
1. Former Bombay State areas	...		12·00
2. Vidarbha	...	...	5·40
3. Marathwada	...	...	1·70
4. Saurashtra	...	...	5·00
5. Kutch	...	...	Its target is not known
Total ...			24·10

The proposals for unification of taxes and for additional taxation, which I made in my Budget Speech, involve an aggregate additional incidence of Rs. 3 crores. The tax-wise impact on the various areas in terms of the amount of additional taxation is as follows :—

Name of the Tax.	Former Bombay State Areas.	Saura- shtra.	Kutch.	Vidar- bha.	Marath- wada.	Total.
I. Passenger Fares :						
(a) Nationalised trans- port.	110	8	2	8	7	135
(b) Private Trans- port.	10	5	...	25	5	45
II. Stamp Duty ...	7	10	1	6	1	25
III. Entertainment Duty.	15	3	1	5	1	25
IV. Electricity Duty ...	14	5	...	5	1	25
V. Motor Vehicles Tax ...	...	17	...	(-7)	5	15
VI. Motor Spirit and Diesel.	17	4	1	6	2	30
	173	52	5	48	22	300
If the proposed taxation is expressed in terms of percentage of total taxa- tion in each component area, it works out to—	58%	17%	2%	16%	7%	
Target of additional taxa- tion of component units was fixed at—	1,200	500	Not known.	540	170	2,410
Target of the component unit as percentage of the total additional taxation target of the State as a whole works out to—	50	21	Nil.	22	7	...

From these figures it would be seen that the contribution of Vidarbha towards the total additional revenue of Rs. 300 lakhs is Rs. 48 lakhs only and not Rs. 90 lakhs as

referred to by Hon. Shri Agarwal in his remarks a little while ago. I would like to know how he came to work out such a high figure. We have calculated the receipts from the respective Units towards the said amount of Rs. 300 lakhs most carefully and Vidarbha's contribution does not exceed Rs. 48 lakhs.

It will thus be seen from the statistical data that while the Five-Year Plan additional taxation target of the former Bombay State areas is 50 per cent, the additional taxation to be raised in 1958-59 in those areas works out to 58 per cent or 8 per cent more. Obviously, the other component units which are described as backward areas, therefore, bear less than their proportionate shares which were actually provided in their respective Second Five-Year Plan proposals. Compared to the additional taxation target of 21 per cent of the total, Saurashtra bears only 17 per cent of the additional tax to be raised in 1958-59. The additional taxation target of Vidarbha is 22 per cent against which its share in additional taxation for the coming year is only 16 per cent. Hon. Members are aware that Plan provisions for Vidarbha have been increased to the extent of Rs. 5 crores which the Planning Commission wants us to absorb as part of the overall target of Rs. 350 crores. It has further received the benefits of integration to which I shall refer later. The other noteworthy benefits that have accrued to Vidarbha are increased grants to local bodies, reduction of sales tax on cotton from 2 per cent to 1 per cent and the abolition of the tax on trades, professions, callings and employment.

So far as Marathwada is concerned, while its taxation target in five years is 7 per cent its share in the next year's taxation is also 7 per cent. But then it has to be noted that relief in taxation has been granted in Marathwada by the removal of the sales tax on foodgrains, flour, atta, maida, paddy and fresh fruit, besides the reduction in sales tax on cotton from 2 to 1 per cent. Further, tax on agricultural income in Marathwada is also going to be removed. To this, may be also added the benefits of several special welfare measures to be taken up in Marathwada as per 1958-59 Budget proposals. It will thus be

seen, Sir, that the additional taxation measures will have an incidence and impact which is, more or less, just and fair to all the areas of the State and in no way high as alleged by several hon. Members opposite.

Hon. Members not merely on this side of the House, but also those belonging to the opposition parties have not taken any serious exception to Government's proposals for unification of taxes. The new tax on passenger fares has, however, been objected to and has raised some doubts to which I shall now refer. The tax is not an innovation on our part; it already exists in some other States having large rural populations. In introducing this tax we are converting the bus fares into the new decimal coinage which is absolutely necessary as explained earlier. It also unifies the different tariff rates prevailing in different areas. It has been assumed that the 10 per cent tax on passenger fares would *ipso facto* result in a 10 per cent increase in the bus fares to be paid in the rural areas. This is not so. The revised estimates and the trends of actuals of the State Transport Undertakings which will bear a portion of this tax indicate that they have been deriving at present some surplus income. Government will, therefore, direct the State Transport Corporation to bear the tax on passenger fares to the extent possible out of their profits. There is nothing wrong in utilising the profits of a public utility undertaking for nation-building activities. I invite the attention of the hon. Members to the fact that when nationalisation of passenger transport was first decided upon by the Bombay Government, one of the specific objects of the scheme was to utilise the net profits of the undertaking for the benefit of the community in general. Government Notification No. 638/5 of the Home Department, dated 14th January 1947, which lays down the objects of the nationalisation scheme makes this perfectly clear. One of the objects of the scheme was "ensuring that road transport services are run in the public interest and that any profits accruing from the operation of such services are utilised for the public benefit". In the Rules relating to finance and audit of the State Road

Transport Corporation it has been clearly stated that after meeting the normal commitments any surplus that arises should accrue to the State Government in the form of a development fund to be used for general development purposes.

My estimate is that about 40 per cent of the proposed tax will be paid out of profits in the case of the Bombay State Road Transport Corporation, which is by far the largest concern. Only the balance will have to be covered by increased fare in its case due to decimal coinage arrangements. The present tariff rates in the different State Transport Undertakings are :—

- (1) 9 pies per passenger mile in the former Bombay State areas and Saurashtra,
- (2) 12 pies per passenger mile in Kutch,
- (3) 8 pies per passenger mile in Vidarbha (it varies from 6 pies to 12 pies per mile the average being 8 pies),
- (4) 10·5 pies per passenger mile in Marathwada.

Converted into decimal coinage, these would be :

- (1) 4·68 nP. per passenger mile in the former Bombay State areas and Saurashtra,
- (2) 6·25 nP. per passenger mile in Kutch,
- (3) 4·17 nP. per passenger mile in Vidarbha, and
- (4) 5·44 nP. per passenger mile in Marathwada.

As hon. Members are aware, the decimal coinage system has come into effect from the 1st April last year and we want to introduce it in the tariff rates of the State Transport Services as from 1st April 1958. When the decimal coinage tariff rates are fixed, the rate will be fixed at 5 nP. per passenger mile for all Transport Undertakings throughout the State. In Marathwada and still more so in Kutch the tariff rates will, therefore, actually be brought down from 5·44 nP. and 6·25 nP. to 5 nP. only. In the former Bombay State areas and Saurashtra,

the additional fare will be 5 nP. *minus* 4.68 nP. which is the equivalent of nine pies, or 0.32 nP. per passenger mile. In the Vidarbha areas, the additional incidence of the tax will be somewhat more because the present tariff, there, is lower than elsewhere. However, I have already referred to the benefits the Vidarbha will get as indicated in my budget proposals as well as those referred to by me a little while ago. It may be noted that the motor vehicles in Vidarbha area will get annually the benefit of the reduction in Motor Vehicles Tax at the rate of Rs. 175 per passenger bus.

While I have already indicated that the various areas will bear the additional taxation in relation to their targets of Plan expenditure amongst the various sections of the population, *inter se*, I must emphasise that the incidence of the taxation has been arranged to be borne by that section of the people best able to bear it. This would be particularly noticed, I hope, by hon. Members, in their examination of the unification of taxation proposals.

It will be seen that so far as the Entertainment Duty is concerned, the increase at the Bombay City rate has been proposed for cities with a population of one lakh and over. Similarly, there will be an increase in Electricity Duty on domestic consumption in all cities with a population of one lakh and over. The same remarks apply with reference to the Stamp Duties where the main increase will be in conveyance rates on cities and towns which are industrial. It is but fair that urban areas similarly situated throughout the State like Rajkot, Bhavnagar, Nagpur, Akola, Jalna and Aurangabad should bear the rates of tax similar to Baroda, Surat, Sholapur, Kolhapur, Nasik and Dhulia. It would thus be seen that the incidence of taxation in rural areas is considerably less than feared by several Hon. Members opposite.

An hon. Member has argued that the tax on diesel oil might adversely affect its use for agricultural pumps. The Bills for taxation have now been presented. If the hon. Members will kindly see the definition of motor spirit

which includes diesel oil, they will find that the tax has been levied only on high speed diesel oil which does not include diesel oil used for agricultural pumps. Industrial power in Saurashtra and power used for agricultural pumps in Vidarbha will not bear any electricity duty for the time being, that is, during the remaining period of the present Five-Year Plan. Government has also exempted dramatic performances and circuses from payment of Entertainment Duty and would be doing so in the case of tamashas, bhavais, wrestling bouts and similar performances current among backward classes or in rural areas.

There has been some confusion in the minds of some hon. Members regarding the rates of taxation mentioned in the Bills and in my Budget speech. I have specifically said that some of the rates proposed are the maximum rates, while the rates to be actually levied will be notified on the enactment of the relevant Bills. They will be near about the present rates in the former Bombay State area. For example, on buses in the former Bombay State area, the rate of taxation is Rs. 32, per seat, and this rate will be levied on all areas though the maximum rate provided in the Bill per passenger seat, is Rs. 80. Similarly, though the sales tax on high speed diesel oil as well as on petrol would be up to maximum 20 per cent, in practice the rates will be increased only to the extent necessary in rounding off the present rates to the nearest multiple of 5 nP. For example, in the case of petrol the present rate comes to 37.5 nP. at the rate of 6 annas per gallon. Under the new arrangements it would be 40 nP. per gallon. The additional 2.5 nP. is on account of decimal currency, which will thus accrue to the State.

As usual, this time also, Shri Datta Deshmukh has only tried to compare expenditure on Irrigation, Roads and Buildings in different regional areas. He has computed that the per capita expenditure in Maharashtra Desh is Rs. 2.5 short of the per capita expenditure in Gujarat. Such a contention has been already disproved on previous occasions and it is not, therefore,

necessary to go over the same ground again. All I would ask Shri Datta Deshmukh is to add to his data on the alleged shortage side, the expenditure on the Koyna Project, the grid schemes in Vidarbha and electricity schemes in Marathwada, the expenditure on Tagai advances, the expenditure on sugar factories contributed by the State Government over and above the liabilities accepted in guarantees, which he has conveniently overlooked ; and I have no doubt in my mind that he will find that there is no overall injustice to any area in the distribution of expenditure according to their relative needs. For the information of the House I give below the expenditure on Plan schemes in the various areas as provided in the year 1958-59 compared to the Five-Year Plan targets :—

	Rs. in crores.		Rs. in crores.
(1) Kutch	... 1.76 or 22.49% of the Plan target of		7.85
(2) Saurashtra	... 8.66 or 18.15%	Do.	47.73
(3) Marathwada	... 5.39 or 20.71%	Do.	26.05
(4) Vidarbha	... 11.09 or 28.24%	Do.	39.30
(5) The former Bombay State areas.	49.88 or 21.74%	Do.	229.35
	Total ... 76.78		350.28

(Common expenditure having been divided on population basis).

Shri Datta Deshmukh in his speech expressed his apprehension of large scale unemployment occurring because of the possibility of textile mills closing down. As a solution, he recommended nationalisation of the textile industry. It is no use nationalising existing assets, particularly assets in the shape of consumer goods industries in an under-developed country like India where the public sector has first to create physical assets for heavy industries for which it has large scale responsibilities of capital formation. The policy should be to nationalise only the basic public utility industries. About his apprehension of unemployment among labour, the fact that Government is running the Narsing-Girji Mills at Sholapur is

in itself ample proof of its readiness to undertake remedial measures when situation so demands it. So far as the sugar industry is concerned, Government's policy of establishing 18 co-operative sugar factories, as many as 15 out of them in Maharashtra which will ultimately produce as much sugar as is being produced today by the private sector in this State is, Government considers, a step in the right direction.

Shri Deshmukh has referred to the recent notification issued under Section 43A of the Act relating to the conditions that are to be attached to the exemption of lands held by sugar factories. A complicated measure like the Tenancy Act which affects diverse interests in various ways needs a balanced approach and it would be fatal to the progress of those reforms if like Shri Datta Deshmukh only a sectional approach were made to the problem. It would be wholly wrong to say that the tenants are being harassed in the course of the implementation of the Act. The instructions of Government as well as the general tenor of judicial decisions fully emphasise the beneficial aspects of the tenancy legislation for the tenants. Government is satisfied that by and large the decisions of the revenue authorities and the appellate bodies are fully in accord with the letter and the spirit of the Act which is indisputably in favour of the tenant.

If we left the existing exemption under the Act unregulated, the position would be chaotic and confused. It is for this reason that the Legislature intended that appropriate regulations affecting these matters should be issued by Government. The notification to which Shri Deshmukh refers is therefore intended to serve this purpose. The two provisions of that notification to which objections have been taken are those that relate to the extension of existing leases and to the provisions relating to purchase of lands from landlords by these factories. I should like to submit to this House that Government has given sufficient earnest of its desire to better the conditions of the rural classes. Any unreasonable insistence on the respective claims and rights by the landlords, and not, as Shri Deshmukh has said, by

tenants and factory-owners which has the effect of adversely affecting production of sugar so essential in the national interest, must be met by quick and expeditious action on the part of Government. We are following that policy in respect of the closure of important mills and I do not see why our approach should be different in the case of sugar factory-owners. As regards the right of purchase given to the factory-owners, the House will recall that this is one of the matters in respect of which regulations have to be made. The only way to regulate the right of purchase was to make it subject to the Collector's permission and this has been done. It is open to the Collector to grant or refuse permission. Under the instructions issued to the Collectors, it would not be permissible for a sugar factory to acquire land merely for the sake of acquisition, i.e., in order to become owners or occupants. They would be able to purchase land only when they are able to establish a *bona fide* need, e.g., the construction of factory installation, godowns, storehouses, etc., for the digging of canals and for the provision of amenities to labourers employed in the factory. Let me tell Shri Datta Deshmukh that in the absence of the restricted power that we have imposed, it would have been much easier for these factories to have negotiated with individual landlords and secure purchase of land even for the purpose of becoming occupants. By our instructions we have forestalled all these moves. I would, therefore, like to ask him whether the notification which has been issued and instructions governing the grant of permission by Collectors do not achieve the object that he has at heart much better and more effectively than the withdrawal of the notification for which he is pleading.

The leader of the opposition, Shri Uddhavrao Patil has tried to make capital out of my remarks in the concluding portion of my budget speech relating to the proposed change-over from orthodox to welfare finance. He has alleged that this budget is not a welfare budget. I am afraid this is a wrong twist being given to what I said out of its context. To refer to the next year's budget as a capitalist budget or as an orthodox budget is to my mind, a complete traversery of facts,

I would invite his attention to statement VIII in the Appendix to my budget speech which gives the classification of expenditure into development and non-development and its further break-up into developmental activities within the Plan and outside. Had he cared to study the statement properly, he would have no doubt noticed that of the total expenditure of Rs. 204 crores including capital expenditure as well as loans and advances, as much as Rs. 149·7 crores represents developmental expenditure on welfare or nation-building activities. Actually the development expenditure is thus over 73 per cent. of the total expenditure during 1958-59. Of the total development expenditure, (i) Rs. 51·7 crores represents committed development expenditure at levels already reached at the end of the First Plan, (ii) Rs. 76·8 crores represents expenditure on the Second Five-Year Plan, (iii) Rs. 6·6 crores represents expenditure on schemes in the Central Plan in this State, and (iv) Rs. 14·2 crores represents expenditure in addition to and outside the Plan on new developmental activities. Nobody who is open to reason would dub this substantial provision on development in our budget as pro-capitalist in character. Of the total expenditure of Rs. 149·7 crores, Rs. 35·8 crores is provided on schemes of agriculture, community development and irrigation, Rs. 22·96 crores on education where the major portion of the expenditure is on primary education, Rs. 13·72 crores on electricity schemes, Rs. 5·7 crores on industrial development, Rs. 3·9 crores on housing, Rs. 12·5 crores on medical and public health schemes and about Rs. 23 crores on roads and buildings under Civil Works. If all these provisions are not for welfare activities, I should like to know what else are they for ?

During the general discussion, one of the hon. Members criticised even the increase in expenditure on the administration of Sales-tax. As the Hon. Members know, we have been able to improve our sales-tax collection by more efficient administrative measures, which are bounded to entail some additional expenditure. I give below the expenditure on the establishment of the Collector of Sale-tax in Bombay in relation to the revenue collected, expressed as percentage of cost of collection,

compared to similar efforts in comparable States like West Bengal, Uttar Pradesh, Mysore, Andhra and the Punjab. The cost of collection in relation to the annual revenue obtained is 1.97 per cent in our State compared to 2.87 per cent in West Bengal, 4.24 per cent in the Punjab, 4.72 per cent in Mysore and 4 per cent in Uttar Pradesh. It will be seen therefore that our cost of collection is the lowest and our revenue, the highest.

During the general discussion a number of hon. Members have suggested the extension of this welfare measure or that, from one unit of the State to another. I shall therefore describe very briefly the measures undertaken by this Government since re-organisation to integrate welfare activities in various areas of the State. I shall describe these measures departmentwise.

Agriculture and Forests Department.—The Cotton Control Act of 1942 which prevents admixture of good variety cotton with inferior varieties, is proposed to be extended to Marathwada and Kutch areas. The pilot paddy schemes of the former Bombay State areas is being extended to the component areas particularly to Vidarbha which is suitable for the new method of paddy cultivation. Basic agricultural schools are being opened at Buldhana in Vidarbha, Morvi in Saurashtra and Badnapur in Marathwada. Prior to re-organisation there were no soil conservation activities in Vidarbha, and one soil conservation division with three sub-divisions has been sanctioned for this region to carry out a programme of about Rs. 70 lakhs of soil conservation work. Similar work in Marathwada has been intensified. A veterinary college is being started in Nagpur from June next.

Revenue Department.—Apart from improvement of rural areas by direct plan expenditure, Government has also undertaken measures to improve upon the structure of agricultural organisation as would meet the dynamic requirements of the agricultural plan. Apart from tenancy legislation, considerable progress has been made in the consolidation of holdings

which now cover an area of 23 lakh acres raising thereby the average size of the holdings from 3·2 acres in the former Bombay State area to 5·6 acres ; from 3·6 acres in Vidarbha to 5·1 acres ; and from 3·1 acres in Marathwada to 8·1 acres. A budget provision of Rs. 13 lakhs has been made for the next year for this purpose. An amount of Rs. 2 lakhs has been provided for classification and survey in the component areas of Kutch, Saurashtra, Vidarbha and Marathwada which is necessary for the proper assessment of rent.

Assessment.—A review of assessment rates in Saurashtra and their incidence compared to comparable areas in the former Bombay State is being undertaken, and in the Land Revenue Rules, a rule has been inserted to give relief to other over-assessed areas, if any, and benefits in this respect would accordingly be extended to over-assessed areas in Marathwada and Kutch.

An ordinance has been promulgated in Vidarbha to protect the interests of the tenants and to ban evictions prior to the proposed comprehensive tenancy legislation for that area, along the lines of the Land to the Tillers Act in the former Bombay State. Similarly, for Marathwada, the Hyderabad Tenancy and Agricultural Lands Bill, 1957, was passed at the last Session of the legislature and is awaiting the assent of the President.

Law Department.—The scheme to give legal assistance to Vimukta Jatis (ex-criminal tribes) is proposed to be extended to all the areas of the State. A scheme is also proposed during the next year to give free legal assistance to Harijans as recommended by the Central Advisory Board for Harijan Welfare.

Home Department.—Nationalisation of Passenger Transport : In Saurashtra, the operating routes were increased from 103 to 190. In Vidarbha the number of vehicles in the City Service at Nagpur has been increased from 8 to 30 and in Marathwada 67 new buses have been added to the existing fleet.

The rates of dearness allowance for the transport employees in Vidarbha as well as Kutch have also been increased.

Public Works Department ; Staff.—Powers exercised by officers in the pre-reorganisation State of Bombay have been delegated to officers of corresponding status in the other component areas. The irrigation laws are being unified. There was a 40 per cent shortage of overseers in Vidarbha. About 59 overseers from the former Bombay State have accordingly been drafted thereto. Three divisions and 13 sub-divisions in Marathwada, 2 divisions and 8 sub-divisions in Vidarbha and 1 sub-division in Kutch have been sanctioned as additional engineering units to cope with the increased tempo of works expenditure in these areas.

Roads.—With the amendment and unification of the Motor Vehicles Tax and tax on motor spirit, the component areas will be able to take advantage of a unified State Road Fund. The Plan provision for communications in Vidarbha has been increased from Rs. 189 lakhs to Rs. 439 lakhs during the Plan period.

An additional provision of Rs. 60 lakhs over and above the plan provision of Rs. 157 lakhs for roads has been provided for Marathwada.

Similarly, in Saurashtra an additional plan provision of Rs. 11 lakhs has been made and an additional plan provision of Rs. 4 lakhs has been made for Kutch.

Irrigation.—A new circle, the Water Resources Investigation Circle, has been created with a Superintending Engineer in charge with six divisions, one each at Rajkot, Baroda, Poona, Nagpur and two at Aurangabad. The Circle will investigate water potential for irrigation projects.

For the Shetrunji project in Saurashtra, an additional grant of Rs. 40 lakhs has been made during the current year.

An additional provision of Rs. 2.5 crores has been made for Vidarbha during the Plan period. The scope of the Manor Project and the multi-purpose Purna Project in Marathwada have been expanded.

I may here state that a reference was made during the discussions to the necessity of a Railway line in the Konkan districts. As a matter of fact, this Government has not spared any efforts to persuade the Government of India to include this scheme in the Second Five-Year Plan. As for the Diva-Panvel-Dasgaon Railway project, this Government has been carrying on correspondence with the Railway Board since 1944. In 1949, the Board of Communications of the then Bombay State had repeated its suggestion to the Government of India to include this project, but the Central Ministry of Transport, decided in December 1950 to drop it. In 1952, the question was again taken up with the Railway Board. But as there was no progress in the project, a pressing claim for it was made by my Hon. Colleague, the Minister for P. W. D. at the Conference held last June, for its inclusion in the Second Five-Year Plan programme. He emphasised the need of an early construction of the Railway line in this difficult terrain. I do hope these efforts will bear fruits within a reasonable time. As the House knows Government has also taken active steps for the improvement of communication in these districts by making special provisions for the Bombay-Goa Road last year as well as in the current year and in the budget estimate for 1958-59 and I am glad to report that this road is now making rapid progress. Railway lines in Gujarat to link it up with Saurashtra and Kutch are also dire necessity and we have been pressing our requests for such construction.

The change in the outlook of finance to which I had referred in the concluding part of my budget speech has, I find, been appreciatively referred to by several hon. Members of the House as the correct approach to new problems facing us in the task of achieving quick results in the sphere of development and some Hon. Members have made useful suggestions in this respect. I would like to take this opportunity to elucidate further what I had then intended. To accelerate our spending capacity which must be done, if we are to attain the various targets laid down in the Plan, the provisions for which are made in the budgets from year to year, it is essential that financial scrutiny and sanctions are expedited. The rules regulating these matters

have continued as they are with only minor modifications as given in the Financial Publications coming down from the British regime. These Financial Publications and Rules have now become rather outmoded, considering the changed needs. I therefore propose soon to examine this matter in details in consultation with other departments of Government. Divisional Commissioners to whom suitable powers have already been delegated should prove a very useful link between the secretariat, the spending departments and their executive officers spread throughout the 43 districts of the State.

Regarding the creation of more ear-marked funds for developmental activities out of our accumulated reserves to which also I had referred in my Budget Speech, I am grateful to some of the hon. Members who have expressed their views and given suggestions in the matter. These will be borne in mind when formulating Government's policies. I, however, find that hon. Member Shri S. M. Joshi has made a reference to certain suspicions which hon. Member Shri Tilak seems to have given utterances to during the course of his speech in the budget discussions saying that there must be deep ulterior motive in my proposals to create more earmarked funds. I notice that Shri Joshi has only referred to Shri Chitale's suspicions, evidently not associating himself with them. I may now say that for my own part, I have in mind such activities as (a) provision of loans for water supply-schemes in large villages and in towns with a population not exceeding 50,000 ; (b) development of local bodies like Municipalities, District Boards and Gram Panchayats in order to provide amenities to the people which are normally beyond their capacity such as open-air theatres, parks, gardens and play-grounds ; (c) medical, agricultural, scientific, technological and industrial research including provision for laboratories ; (d) providing universities, colleges and high schools with loans for the construction of hostels for students' residence, and particularly so for women students, and staff-quarters at a low rate of interest ; (e) undertaking land development in form of levelling the ground and providing roads, water supply, electricity, etc., so as to facilitate the

construction of houses and tenements on layouts so prepared in urban areas where housing difficulty has been acute, the payments for the same being recovered in easy instalments ; (f) provision of facilities for the construction of quarters for the residence of nurses and midwives, school mistresses and social workers in rural areas so that arrangements may be possible for women workers to settle down together in villages and help in rural development and social work, as without such facilities their work under adverse living conditions becomes difficult in rural areas ; and (g) provision for meeting distress in natural calamities apart from famine, such as floods, fire, earth-quake, epidemics, etc. As I have stated before in my budget speech, these proposals will have to be carefully worked out with proper checks and settlement of the requisite accounting procedure. I do hope that the hon. Member Shri S. M. Joshi as well as Shri Tilak will study these proposals very carefully and I trust they will find nothing machiavellian in these suggestions that I have made for the creation of additional earmarked funds for developmental activities. I may further add these funds would be available not for any particular region, but for all the 43 districts of the State.

Before concluding may I take this opportunity of thanking all those members of the staff in the Finance Department as well of the other Departments for the help they have rendered in enabling me to present various facts for the information of the house.

I would also again thank the hon. Members for the general appreciation expressed regarding Government's plans, and policies for the next year as envisaged in the budget proposals. And once again, I would appeal to all hon. Members to settle down to the great and noble task that is facing us, of building up a prosperous economy for our new State in the shortest time possible.

Jai Hind.