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It was under the shadow of one of the most tragic occurrences that have disfigured the story of mankind that the last budget was presented to this House. Dazed as we were by that fateful event, we were not sure how it would influence the future course of our history. During the twelve-month period that has elapsed thereafter, noteworthy changes have taken place in the political horizon in India and abroad. It redounds greatly to the credit of those who guide the destinies of the country, and is a tribute to the spirit of the departed leader of the nation which inspires them, that these changes have left the country stronger, morally at any rate, than it was at the time we were deprived of the matchless leadership of Gandhiji. The division of the country into a number of principalities as an aftermath of the lapse of paramountcy is no longer a threat to our newly-won independence. The one danger-spot in the heart of peninsular India, namely, Hyderabad, has recognised the unwisdom of dissociation from the Union. The fighting in Kashmir which was forced on us is, for the time being, at an end; and it is not merely wishful thinking to hope that the "cease fire" will be but a prelude to the establishment of permanent peace between India and Pakistan.

2. It cannot be claimed, however, that the struggle in the political sphere and the after-effects of the partitioning of the country left us economically unscathed. Various factors contributed to the worsening of the financial situation. The most important of these was the need for incurring expenditure on a vast scale, for instance, on military action in Kashmir and on police operations in Hyderabad, as also for the maintenance of law and order to keep under control communal passions and to prevent outbreaks of communal disorder. Colossal expenditure had to be undertaken for the relief, resettlement and rehabilitation of the large masses of people who evacuated or were driven out from Pakistan. No less a drain on the public exchequer was the payment of enormous sums of money to meet the cost of food imported from abroad at prices which the circumstances of our own food supplies compelled us to accept. All these factors induced inflationary trends which got accentuated with the rise in prices that followed in the wake of the removal of controls over food, cloth and various other commodities. It is no use disguising the fact that an acute economic crisis developed six months ago and created a situation which has called for heroic efforts on the part of Governments, both at the Centre and in the Provinces, to meet this grave emergency.

3. I do not propose to go into the etiology of this crisis or of the various aspects of the measures embarked upon by the Central Government to meet it. It is pertinent, however, for our present purpose to understand and appreciate the part which the Government of this

Province and its people are called upon to play in curbing inflation and in warding off its insidious influence on our economy. The measures that we take have not only to be generally in consonance with the principles formulated by the Centre but have also to be correlated to its programme. In the first place, it is necessary for us to strive our utmost to ensure the balancing of the budget. Secondly, we have to keep capital expenditure well within the limits of our current borrowing capacity. Thirdly, we have to refrain from drawing on accumulated balances and reserves or liquidating investments made out of our various funds. Lastly, with the curtailment of outlays by the Centre, we have to be prepared for an immediate cut, of roughly a third, in the subventions on our development plans as originally promised by the Government of India. We have thus provided in the budget for a subvention of only Rs. 2,27 lakhs during 1949-50. The Central Government, however, have made it more or less clear that the reduction that has been effected may be made good subsequently. It is purely as an anti-inflationary measure that a cut has been made. It will, all the same, certainly have the effect of slightly retarding the pace of the process of development; though over a long period there need be no departure from the programme involving an outlay of Rs. 75 crores as it has been presented to the Legislature.

4. Obviously, the first line of action was to review all items of expenditure and to arrange a list of priorities. An Expenditure Priorities Committee was constituted by the Council of Ministers. All large items of expenditure for the current financial year, whether approved in the last budget or received for sanction during the course of the year, were subjected to detailed scrutiny by the Committee and several relatively unimportant schemes were ordered to be abandoned or postponed. The Committee was guided by a scheme of priorities formulated with the specific object of having an anti-inflationary influence. Obviously, expenditure on items of development takes precedence over that on other items. Schemes productive of food and other essential consumers' goods, have priority over unproductive schemes. Among productive schemes, short-term plans of development have been accorded preference over long-term schemes. *Inter se*, among such plans, the volume of increase in production and the degree of their importance are taken into consideration. The term development has not been interpreted in a narrow sense as will be clear from the following order of priority which has been generally observed: agriculture and irrigation; housing, electricity and industries; education; communications; public health; co-operation; labour welfare; and various semi-commercial schemes such as nationalisation of road transport.

5. But while, on the one hand, we have striven to the best of our ability to postpone expenditure or to economize wherever possible, there are, on the other hand, conditions, arising out of forces some of which are beyond our control, that have added considerably to our financial commitments. The first of these is the progress that has been

achieved since the last budget was framed in the process of merging into the Province of Bombay of territories which were designated Indian States, with their own rulers. During the year 1948, the number of principalities which have thus merged was 53 (apart from 254 estates and talukas) resulting in an addition to the area of the Province by 33,683 square miles and to its population by 44 lakhs. I need hardly add that these figures do not include Baroda and Kolhapur whose decision to cast in their lot with us is only very recent. Legislation has now been enacted at the Centre to secure the full integration of these territories with the Province. Pending the issue of the requisite notification by the Government of India, the bulk of the Indian States which have been allowed to merge do not become part of the Province. Their revenue and expenditure are, therefore, shown as Deposits under a separate budget head. Even now it is too early to assess with accuracy the ultimate effect of this process of integration on the finances of the Province. For the present, the only observation that I can permit myself to make is that the reorganization of the administrative machinery of the new areas, the levelling up of their standards of salaries, the provision of amenities and services and the initiation of schemes of development appear to demand a scale of expenditure which will, at the outset, not be fully covered by the accretion to our revenues from these areas.

6. The second factor to which I shall now turn is the responsibility we have assumed for the relief, resettlement and rehabilitation of refugees. Until June last, this was treated as entirely a Central responsibility. Thereafter, arrangements were devised for transferring local control to us. A new department for Relief and Rehabilitation has been created to attend to this work. The influx of persons who evacuated from Western Pakistan, particularly Sind, continued until about the close of 1948. The total number who have sought shelter in the Province is estimated to exceed 3 lakhs. Of these, a little over 2,00,000 have been accommodated in the camps provided by Government. These camps number 21 and are spread over different parts of the Province. To feed this population, an allotment of 2.20 crores was sanctioned originally. Similarly, sanction was given for repairs to and for construction of camps. A scheme for financial aid for rehabilitation has also been approved. All expenditure on the work of relief, resettlement and rehabilitation that is incurred is borne, in the first instance, by the Province. The whole of certain portions of the expenditure on relief is reimbursed by the Centre and upto half of that on rehabilitation. The plans that are drawn up by this Government are in pursuance of the general policy adumbrated at the Centre; but their execution is our responsibility. This responsibility Government have willingly agreed to shoulder. I refer to the topic merely to indicate that this is a new factor in the political, social and economic life of the Province which will, for years to come, have to be the special concern of those in charge of its administration.

7. Two natural calamities overtook the Province during the year. On 22nd November, we had a cyclone of unprecedented severity which caused extensive damage to trees and forest plantations, fruit gardens, some of the standing and harvested paddy crops, fishing boats, coastal sailing vessels, huts and godowns in parts of Kolaba, Greater Bombay and the coastal belt of the Thana District. The untimely rains which were heavy in parts of the Deccan also affected what appeared, at the time, to be bumper crops. Relief was immediately provided to the distressed, and Government have offered tagavi loans of various descriptions for assistance in the work of rehabilitation. Financial provision to the extent of Rs. 42 lakhs was sanctioned for the purpose.

8. Unfortunately, while some parts of the Province received excessive rains, large areas in Gujarat had an unusually weak monsoon, the rainfall being lower than in any year since the commencement of this century. The districts most affected are Ahmedabad, Broach, Surat and Kaira, and parts of the new district of Banas Kantha. Scarcity relief works have been started, fair price shops opened, gratuitous relief extended and other measures undertaken to meet the distress among human beings. All available sources have been tapped to supply drinking water in the affected areas, shortage of water being one of the most distressing features of the situation. For the relief of cattle, camps have been opened, feeding centres started, facilities provided for migration to forest areas and supplies of grass organised. Special arrangements have been devised for the transport of food, fodder and other essential articles by railway and road. The extension of well construction and the setting up of pumping plants for raising short-term food and fodder crops are being specially encouraged as the employment they provide and the resources they secure have a heartening influence on the morale of the agricultural population. The total expenditure sanctioned for the last named purpose is Rs. 11·5 lakhs, the area to be brought under irrigation being 4,000 acres. The introduction of hand-spinning has also been resorted to as a measure of relief in some areas. For all these purposes, funds have been provided freely.

9. It is not my desire to unfold a tale of woe ; but I must present a narration of events which have left their impress on the finances of the Province. The cyclone and the famine in Gujarat—as also the scarcity conditions prevailing in parts of the Karnatak—have seriously impaired the food resources of the province. With the removal of the food controls at the end of 1947, compulsory procurement was abandoned in the province and we had to depend principally upon imported foodgrains to enable us to feed the rationed cities, leaving the rest of the areas from which rationing was withdrawn to depend upon their respective local resources. These were supplemented, where necessary, through fair price shops, the responsibility for provisioning which was assumed by Government. Till the end of 1947, the Government of India met the entire losses involved in passing on the foodgrains to the consumers at

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the stipulated rates. However, according to an arrangement which the Government of India introduced during the year, the province was called upon to bear 33½ per cent. of the difference between the cost price and the issue price, the latter being kept stationary lest it upset unduly the cost of living index in the rationed industrial areas. Our share of the loss on account of this subsidy would come to about Rs. 5 crores in the current year. With the reimposition of controls and of the compulsory procurement levy, we had hoped that our dependence on imported foodgrains would be lessened in the year 1949-50. The untimely rains and the famine have, unfortunately, meant a large fall in the expected realisation from our procurement operations. Accordingly, we shall have to fall back, even more largely than in the current year, on foodgrains received through the Government of India. The basis for sharing the deficit between the cost price and the issue price was varied by the Government of India towards the close of 1948. Under the new arrangement, we have to meet 25 per cent. of the deficit. On this basis, it is estimated that the provincial share of the deficit will amount to Rs. 4 crores in 1949-50.

10. - I shall now turn to the effect of all these factors on the finances of the Province. The expenditure debitable to revenue which was placed at Rs. 44.02 crores in the budget estimates for 1948-49 has increased to Rs. 51.91 crores. The biggest change is provided by the operations under budget head "47-Miscellaneous Departments" where the figure of Rs. 2.19 crores shown in the budget estimates for 1948-49 has risen to Rs. 6.12 crores, largely because of the liability imposed on us to share the loss on account of the food subsidy, to which I have referred in the previous paragraph. The cost of General Administration has risen from Rs. 1.95 crore to Rs. 2.69 crores for the reasons mentioned earlier. Police expenditure went up by as much as Rs. 92.16 lakhs. On the other side, the revenue receipts rose from Rs. 44.08 crores to Rs. 50.94 crores, the improvement being mainly due to better receipts from our share of the income tax and from sales tax. On the basis of these revised estimates of the revenue receipts and expenditure of the current year, it is now expected that, instead of the small surplus of Rs. 6.42 lakhs anticipated at the time the budget was framed last year, there may be a deficit of Rs. 97.47 lakhs.

11. Among the factors that have influenced our estimates for the next year, one of the most important is the progress that we propose to make in the bringing about a state of complete prohibition by 31st March 1950. It is Government's desire to see that the goal that they set before themselves, and which was accepted by the people of the Province, is reached as originally planned. Nothing has happened during the period that has elapsed since Government took their decision that should deter them from going ahead with the programme; in fact, the experience

that has been gained so far induces us to tarry no longer on the way. In enforcing prohibition, it is no fad or phantom that is sought to be pursued; it is the desire to root out one of the evils which eat into the vitals of our social organism. When we seek to establish a system of democracy, it must be our duty to ensure that those who constitute it become an element making for strength and progress instead of being swayed by the evil influence of drink and drugs. Vigorous propaganda has to be carried on and facilities for recreation as well as social welfare activities organized on a planned basis. Provision has been made for an outlay of Rs. 14 lakhs for these purposes. The loss of revenue that has to be borne is undoubtedly heavy; but it was fully provided for when Government framed their development programme. In their general approach to the combating of inflation, the Government of India have made it clear to Provincial Governments that no assistance will be extended by the Centre for the financing of provincial schemes for the abolition of Zemindari or the enforcement of total prohibition. However, inasmuch as for the purpose of completing our prohibition programme, we do not seek any aid from the Centre, Government do not feel called upon to slacken the pace of its execution. At the same time, in order to minimize the loss of revenue and to prevent the misuse of alcoholic preparations that are not consumed as beverages, Government have already raised the duty on Indian-made foreign liquor and increased the licence fees for the manufacture of rectified and denatured spirit, etc. The enhanced duties will, it is expected, bring in an additional revenue of Rs. 1.50 crore, which, I may add, has been taken into account while framing the budget estimates.

12. Another factor of which account must be taken is the responsibility which the Province has to shoulder for the maintenance of peaceful conditions. Thanks to effective preventive action and the co-operation extended by the public in general, we witnessed no major communal or other disorder during the year. With Hyderabad's territory bordering on six districts of the Province, the situation was naturally tense for several months. Hence when the end of the police operations came about five months ago, the Province breathed a sigh of relief. Although, for the future, the merging of the areas of the erstwhile Indian States will simplify the enforcement of the law in the Province, at the present juncture this step has added to our financial commitments. The sectarian, bigoted mentality which led to the greatest tragedy of the modern age, unfortunately, still prevails in some parts of the Province and appears to have found expression, here and there, through an organization which prefers to work in secret and has, therefore, to be dealt with as an anti-social element. An equally anti-social force is the one which believes in fomenting disorder in the hope that disorder will pave the way for revolution. The enforcement of law and order with a view to prevent the undermining of the foundations of Independent India has imposed on the administration a financial strain which is



reflected in the following figures of expenditure on the Police :—

	Amount (Rupees in crores).	Percentage of revenue.
1945-46 ..	3.10	8.9
1946-47 ..	4.92	12.2
1947-48 ..	5.72	13.1
1948-49 (revised) ..	6.86	13.5
1949-50 (budget) ..	7.02	14.4

13. But while the threat to law and order can be met if we remain vigilant in the guarding of our newly-won liberties, law and order itself must break down if we fail in our primary task of providing food, clothing and shelter for the people. It is to the provision of these elementary needs of mankind that we have first to address ourselves. In the matter of housing, we have fair progress to report. The programme chalked out for the year was completed and we have added 286 new tenements in Bombay, 3,313 (including renovated military hutments) in the suburbs of Bombay, 500 in Ahmedabad, and 520 in Sholapur. The number of new tenements expected to be provided during 1949-50 is 4,555. Against a budget provision of Rs. 1.60 crore (and a supplementary grant of Rs. 31 lakhs), expenditure, according to the latest available figures, amounts to Rs. 1.79 crores. The provision for the next year is Rs. 2.37 crores. The figures are exclusive of Rs. 35 lakhs for loans to co-operative housing societies. Negotiations were carried on with the Government of India for a loan of Rs. 4 crores to enable us to quicken the pace of development. A sum of Rs. 2 crores was sanctioned on the condition that it should be utilized for such part of the programme as could fit in subsequently with the plans which were formulated by the Central Government. Considering the vastness of the problem of industrial housing, the immediate requirements of industrial cities and the need for having a detached body free from the trammels of official routine and able to raise funds against its own assets, the approval of the Legislature was obtained, at the last session, to the establishment of a Housing Board. This body has now come into existence and will at the commencement of the next financial year take over the obligations of the Housing Department of Government.

14. Last year saw a very unfortunate situation developed in the cloth trade when the controls over that commodity were removed by the Government of India in the earlier part of the year. Prices shot up and for the needy consumer cloth became a commodity in very short supply. The profit-making propensities of the various units in the trade and the industry, with a few honourable exceptions here and there, did not deem themselves subject to any social checks. The consequences were inevitable. Controls had to be reimposed at the close of the year, and a system of distribution had to be devised which sought to

check the growth of abuses that were evident under the previous regime of controls. Partly because of the unfavourable reactions to the new policy on the part of traders and partly because of the general desire of Price Advisory Committees in the districts to entrust this work to bodies responsible to and representative of consumers, co-operative institutions of various types were selected as district wholesalers and retailers in preference to individual traders. In view of this, special arrangements had to be made for meeting the financial requirements of these retail and wholesale co-operative agencies by guaranteeing their margins with lending agencies to the extent of a crore of rupees and placing funds amounting to Rs. 2 crores at the disposal of the latter.

15. Earlier in the course of my speech, I have referred to the reimposition of the control over foodgrains and the re-introduction of the compulsory levy system. The quantum of ration remained unaltered throughout the year in the rationed areas. Rationing came to be reintroduced gradually in urban areas only at the close of 1948. Fair price shops were started as the need arose in different parts of the Province, especially in the deficit areas. Their number at the close of the year was nearly 3,000. The quantity of foodgrains imported during the first ten months of the calendar year was 6,21,000 tons. For the year 1949, an allotment of 11,50,000 tons has been asked for, against which a quota of 8,65,000 tons has so far been promised to us. The allotment that we have asked for represents our bare minimum needs. Knowing full well as we do, what a heavy drain imports entail on our finances—to the extent of about a tenth of our revenues—we are not likely to make any inflated demand. We urge, however, that in view of the acute famine conditions prevailing in practically the whole of Gujarat, our demand should be met in full.

16. The general atmosphere last year was uncongenial for procurement, either on a compulsory or a voluntary basis. With the reimposition of controls, the original levy scheme has now been brought into operation with such changes as were deemed necessary in the light of experience. The rates at which controlled foodgrains are purchased has been kept as high as was consistent with the policy of regulating prices to counteract inflation. A maximum rise of 25 per cent. over the prices prevailing at the time of removal of controls is what has been generally agreed to by the Government of India. However, at the instance of the Government of Bombay, a rise of 50 per cent. has been allowed in the special circumstances of the Province arising out of the abandonment of compulsory procurement last year. In the face of this and in view of the dire need for conserving the resources of the Province for its own needs, it can be only anti-social elements that would seek to defeat the levy scheme. Any success that they may gain will be not only to the detriment of the public exchequer but will, in the long run, be at the cost of the lives of the people of the Province. To produce is not enough; it is also incumbent on the producer to make what is surplus to him available for the common pool. One way of reducing our

deficiency in food resources is, undoubtedly, by adding to this pool from a sense of civic duty.

17. The basic fact, however, remains that our gross production is not adequate for our needs. It is only now when the food resources of India have diminished as a sequel to the partitioning of the country that we have become conscious of the great contribution that irrigation systems such as those of Sind and West Punjab made to our national economy. The proportion of non-irrigated land to the aggregate of land under cultivation has gone up. Although the corresponding proportion in this Province remains unchanged, it brings home to us the need for reducing the helpless dependence of agriculture in Bombay on the vagaries of the monsoon. Hence to all plans for increasing the supply of water for irrigating the land, Government have accorded the highest priority, whether such schemes be for well repairs and construction, for the erection or reconstruction of bunds and bandharas, for the re-excavation or construction of tanks, for the installation of pumping plants on suitable sites or for major irrigation projects. Among the major works taken in hand, I would make mention particularly of the Mahi and Meshwa projects in Gujarat, the Gangapur project in Maharashtra and the Ghataprabha project in the Karnatak. The surveys of the Koyna, Tapi and Narmada projects are well under way. Special attention has been devoted to the extension of well-boring operations. Power-boring machines have been designed and constructed locally as also imported from America. These are expected to carry out 50,000 feet of boring per year, resulting in an addition of about 5,000 acres to the land under irrigation. Some idea of the progress achieved or contemplated in the field of increasing our water resources can be had from the following set of figures:—

		<i>Amount</i>	
		1948-49.	1949-50.
		(Rs. in lakhs.)	
Wells	Loans	111·40	138·00
	Subsidies	36·25	40·00
Minor Irrigation Works		88·94	48·48
Major Irrigation		60·09	125·50
Bunding scheme		14·49	33·00

18. In the traditional system of Indian agriculture, the use of manures played a great part; and there are still tracts in the country in which agriculturists have little, if anything, to learn in this direction from scientifically more advanced countries. But the sources of the manurial supplies have become choked and the quantities available have got depleted. We have an aversion to the use of night soil as manure, and we do not make any effort to conserve the supply properly.

It has been Government's aim during the last three years to tap new sources of organic manures, to organize supplies and to make these available in a systematic manner to the smallest agriculturist. The use of groundnut oil-cake as a fertilizer has been encouraged for paddy and other food crops; and, where necessary, chemical fertilizers too have been provided to supplement the other manurial resources. Incidentally, those who urge an extension of the use of concentrates and fertilizers may note that it is mainly for cultivation under irrigation that such aids to increased production may be suitable. The financial provisions for efforts in all these directions are given in the following table :—

	1948-49	1949-50
	(Rs. in lakhs.)	
Oil cakes .. .. .	8.00	18.60
Chemical fertilizers .. .. .	21.75	75.75
Composts .. .. .	6.19	5.98

19. Where large areas of waste lands have to be brought rapidly under cultivation or weed-infested lands made to give proper yields for our immediate needs, the use of mechanical aids to cultivation has, experience shows, proved valuable. It is some years now since Government set up a mechanical cultivation section of the Agricultural Department. The services of the tractor units set up by this section of the Department have been extended in all suitable areas, in collaboration with district rural development boards. The number of the machines in service during the year was 102, the number of districts served by them was 15, and the area covered 60,000 acres. A sum of Rs. 22.62 lakhs has been provided in next year's budget for maintaining and strengthening the tractor equipment. In addition, a comprehensive scheme for bringing under cultivation 3,00,000 acres of waste lands, for clearing up 8,00,000 acres of weed-infested land, and for settling agricultural colonists in newly opened areas has been drawn up and is under examination by the Government of India. The construction of tube wells is also part of this programme. The outlay on the entire programme is estimated at Rs. 8.58 crores. If it is found, after scrutiny, that the scheme can be fitted into the plans of the Central Government, it will be submitted to the delegation of the International Bank for Reconstruction and Development which is now on a visit to India. The financial implications of the scheme are to be discussed with the members of the delegation as also the conditions on which it will be financed by the International Bank. If it goes through, Government believe it will be very helpful in reducing the chronic deficiency which the Province faces in feeding its population.

20. Inflation, it is needless to emphasise, is not merely a product of monetary conditions; it also arises out of a situation in which the increase in purchasing power outstrips the increase in production. On a mass scale and under an economy such as ours, it is only commodities essential for our basic needs that count in this matter. First comes food and then clothing. The production of cloth through textile mills showed a decline in 1947, but the second half of 1948 witnessed an upward swing. Factors governing this form of production are such as lie principally within the sphere of the Centre. Our labour and our housing policy are, however, so designed as to remove impediments in the way of the growth of such production.

21. What lies within the purview of the Province is the encouragement of handloom weaving and the production of hand-spun hand-woven Khadi. For the development of handloom weaving, a recognized method is the introduction of the co-operative form of organization. The number of weavers' co-operative societies has increased during the last three years from 130 to 230 and the number of the district associations that are to co-ordinate the work of the primary units has been added to by 5, with a provincial association at the apex. Facilities have been granted to the primary units and their associations to function as agencies for the supply of yarn to weavers. The number of co-operative institutions entrusted with this work is 290. The promotion of hand-spinning is attended to by the Village Industries Committee. It has undertaken work at various centres on a self-sufficiency basis in Gujarat, Maharashtra and the Karnatak, the most comprehensive of its schemes being in operation in the Ron Taluka of the Dharwar District. The aggregate funds placed at the disposal of the Committee for the encouragement of hand-spinning amount to Rs. 7.34 lakhs, including the allotment in the 1949-50 budget.

22. In other fields of industrial development, the factors which can influence progress lie largely within the sphere of the Centre. There are two directions, however, in which Government propose to move as soon as the necessary legislative and administrative machinery is ready for the purpose. The first is the setting up of an industrial finance corporation. One of the handicaps under which industry in Bombay, as in other parts of India, labours is the absence of adequate and suitable credit facilities. A credit agency distinct from the present type of commercial banks is required for the purpose. Recognizing this, a corporation has already been set up at the Centre to meet the need. That body will, however, concern itself principally with large-scale centralized industries whose credit requirements are heavy. The need for an institution located in our midst and, therefore, responsive to the requirements of the Province still remains, particularly for small-scale and medium-sized industries. Such an institution may have a section devoting itself especially to the requirements of cottage industries. The setting up of a corporation of this type involves the enactment of legislation at the Centre, for which legislative sanction, the Government of India have already been approached by us.

23. Another decision that Government have taken is to create trading estates in selected parts of the Province and to make the benefit of these estates available to private enterprisers, small-sized companies and industrial co-operative societies. The area covered will be cleared up and fully reclaimed, it will be equipped with proper roads and lighting, facilities will be provided for water supply, electricity and drainage, and standard construction will be undertaken for housing small-sized machinery and equipment.

24. What the pattern of the trading estates will be can be gauged from the Arhe Milk Colony constructed and established by Government. All the aids to production that have been enumerated above have been provided under this scheme. At present, seven units have been completed and ten more are expected to be completed before the rains. The provision made for the purpose in the current budget was Rs. 44.25 lakhs. The entire scheme involves an outlay of Rs. 3 crores. As it is intended to put the programme through as early as possible, a further provision of Rs. 48 lakhs has been made in the budget for the next year for the construction of 12 out of the remaining 15 units. When the units are occupied we shall have arrangements provided for the stabling, feeding and milking of some 17,000 cattle in proper sanitary and hygienic surroundings. The city will then be rid of conditions of slumdum, both for cattle and for those looking after them, which tarnish its fair name.

25. Another project of Government which has made noteworthy headway is that for the nationalization of motor transport by road for passengers. The scheme involves an aggregate outlay of a little over Rs. 6 crores on our part, against which a provision of Rs. 2 crores was made in the current year's budget. The corresponding provision for the next year is Rs. 2.27 crores. The number of zones selected for nationalization for the first stage was 5, covering 5 districts. Next year's programme will witness an extension of the scheme to 5 additional zones, covering 7 districts. The experience gained so far is encouraging, particularly the manner in which the travelling public have appreciated the amenities and the regularity of service that nationalization has brought in its wake. The revenue receipts have also been satisfactory hitherto.

26. In addition to the allocation of a share of provincial revenues sanctioned previously, Government have agreed to assign to district local boards two per cent. of the net forest revenue, involving a diversion to them of a sum of Rs. 4 lakhs out of the estimated receipts for 1949-50. Another item of interest is the provision of a sum of Rs. 5 lakhs for grants to local bodies which take in hand schemes for the housing of their Harijan employees.

A number of schemes for the supply of piped water from tanks or reservoirs were received in recent years. Government have now decided that such schemes may be financed by Government if they are sponsored by the competent local authorities. Subventions by

Government will amount to 60 per cent. of the cost, and these will be granted after the local authorities which assume responsibility for construction and maintenance satisfy Government that they are in a position to make suitable financial arrangements for the upkeep of the works and for repairs. It may be added here that of the total number of the 3,165 wells for village water supply sanctioned for construction, 534 have been constructed at a cost of Rs. 32 lakhs. For urban areas, liberal aid has been promised to municipalities undertaking water supply schemes, the most ambitious of the projects being the one known as the Neersagar scheme for Hubli and Dharwar estimated to cost Rs. 1.41 crore.

In the previous two years, Government sanctioned *ad hoc* grants to the Bombay Municipality and had submitted its various demands for financial assistance to an independent committee. That committee has made valuable recommendations which, in the main, have been accepted by Government. The legal implications of some of the proposals are, however, still under consideration.

27. The reorganization of the health services has made fair progress. With a modest provision of Rs. 2 lakhs, a beginning is proposed to be made for slum clearance work in large sized villages and smaller towns, from which slums the worst sufferers are members of the backward classes. Mobile health units are a new feature of the health services, for the extension of which a provision of Rs. 2.98 lakhs has been made in next year's budget. A provision of Rs. 4.34 lakhs has been made for subsidies and allowances for subsidized medical practitioners. Steps have been taken to improve the equipment, conditions of service and nursing facilities at stationary hospitals and to start new cottage hospitals. To meet the lack of trained medical men, increased expenditure on medical colleges, including a new one at Hubli, has been undertaken as may be seen from the following figures :—

	Actuals			Revised	Budget
	1945-46	1946-47	1947-48		
	1945-46	1946-47	1947-48	1948-49	1949-50
	(rupees in lakhs)				
Medical education	5.32	5.81	10.02	18.24	20.15

A lump sum provision of Rs. 2.75 lakhs has been made for the expansion of the arrangements for training in the Ayurvedic and Unani systems of medicine. A homœopathic hospital has also come in for recognition by the sanction of a suitable grant. Discussions and negotiations, I may add, are in progress with the Government of India for setting up a plant for the manufacture of various drugs and when the scheme materializes the requisite sanction for funds will be asked for by this Government.

28. In the field of education, stage by stage, we progress towards the goal of universal primary education. The training of teachers, the provision of buildings, the introduction of craft teaching, all these,

claimed attention during the year. Action taken on the Ghate-Parulekar Report indicates the lines on which Government wish to improve the system of secondary education. The provision of hostels attached to colleges and for girls is another item in the programme of educational development. Increased grants have been proposed for non-Government Arts Colleges and to the University of Bombay. Besides this, Government's keenness and solicitude for higher education is evident from their decision to set up a University at Poona, to accept the proposal for the establishment of a University for the Karnatak and to pave the ground for a similar development for Gujarat by aiding in the establishment of a medical and an engineering college in Ahmedabad. Finance has to be provided for all these new educational developments, for the extension of adult education, for the promotion of the new library movement, and for the provision of free education at all stages to students belonging to the backward classes. Expenditure on education shows a progressive increase as seen in the following figures :—

	1947-48	1948-49	1949-50
		Revised	Budget
		(rupees in lakhs)	
University ..	36.52	68.72	74.27
Secondary ..	68.63	92.96	1,13.80
Primary ..	4,27.74	5,56.25	5,90.67
Special ..	33.94	55.94	84.23
Other ..	52.23	63.56	81.23
	<b>6,19.06</b>	<b>8,37.43</b>	<b>9,44.25</b>

29. Last year, I mentioned that provision had been made in the budget for a sum of Rs. 1 crore to be utilized for all-round concentrated effort at socio-economic development in selected tracts which were either peopled by the backward classes or were economically depressed or backward. The areas were to consist of compact groups of 30 to 50 villages and the underlying basis of the programme of reconstruction was to be Sarvodaya in the sense in which we interpret Gandhiji's teachings. The areas have now been selected as also the agencies to be entrusted with the organization of work. The programme may differ from place to place ; and the main activity may be Adivasi welfare work in one area, co-operative farming in another, a basic school in a third one and hand-spinning and weaving in a fourth. Round this principal activity as the nucleus other activities should, it is expected, centre, carried on through groups of social servants working under the guidance of responsible popular social service organisations.



30. Some six months after the present Ministry assumed office, they appointed a Committee, with Dr. Jivraj Mehta as Chairman, to inquire into the structure and working of the administrative machinery of Government, particularly with a view to increasing its efficiency and securing economy. Various other questions were referred to the Committee, including the possibility of bringing about a curtailment of expenditure. When Dr. Jivraj Mehta took up work with the Government of India in August 1947, he resigned his chairmanship and Principal D. G. Karve acted as Chairman. The Committee completed its labours early in 1948 and submitted a comprehensive and very valuable report in May last. This has now been examined, first, by the various administrative departments and, only recently, by the Council of Ministers. It is expected that orders in pursuance of the decisions taken on the various recommendations will issue shortly; and I hope these will be helpful in making the administration more efficient and its functioning more economical.

The need for economy will be evident from the fact that the aggregate expenditure on the administrative staff now amounts to Rs. 9.80 crores in round figure, exclusive of the dearness allowance. The latter item alone involves a cost of Rs. 5.20 crores. Pursuant to the recommendations of the Central Pay Commission, we had raised the scales of pay and dearness allowance for the employees of the Government of Bombay. Although the orders were passed on 15th January 1948, this new scale was sanctioned with effect from January 1947. Since that date, the cost of living has, undoubtedly, increased in the Province. The Government of India have recently passed orders increasing by Rs. 10 the dearness allowance of all their servants in receipt of Rs. 250 or less as pay. The orders take effect from 1st January 1949. Accepting the principle underlying the action of the Central Government, the Government of Bombay also propose, with effect from 1st January 1949, to raise by Rs. 10 per month the rate of dearness allowance payable to all grades of their employees in receipt of pay not exceeding Rs. 250 per month. The cost involved will be approximately Rs. 2 crores for a full year, for which a lump sum provision is made in next year's budget.

31. The expansion of the scope of the activities of a progressive Government, the provision of adequate administrative services for the purpose, the diversion of resources to local self-governing bodies, the inelasticity of the revenue from agricultural lands, the foregoing of the income derived from pandering to the drink evil—all these are factors which have necessitated a reorientation of our financial position. They serve to emphasise the need for a review of the division of financial resources between the Centre and the Provinces. Especially in a Province like ours, where there are larger sections of the population engaged in trade and industry than in any other Province in India, the system of distribution should be such as to enable us to claim a share, on an equitable basis, in the growing revenues derived by the Centre from the taxation of incomes drawn from trade and industries.

It is for this reason that we sought the support of the Legislature at its last session for our claims to have this position properly recognized under the new Constitution. We lent our support to the recommendations made by the Expert Committee on financial relations appointed by the Constituent Assembly, which put forward, along with other proposals, a cogent plea for the equitable distribution among Provinces of the receipts from income tax giving due weight to factors such as population and collection. Acceptance of the proposal will result in an addition of Rs. 13 crores to the share of the Province in the receipts from income tax and allied taxes. That, however, is a matter which affects our fortunes in the future. Even today, however, the allocation is, in our opinion, unscientific, arbitrary and inequitable. Every opportunity has hence been taken by us to press on the Government of India our claims, based on similar considerations, for a larger slice out of these receipts.

32. While on this subject, I should like to observe that the revised allocation of income tax receipts made after the partition when the shares pertaining to East Bengal, West Punjab, Sind and the North-West Frontier Province were distributed among the Provinces constituting the Indian Union is altogether unfair to this Province. We have got, for no reason which is explicable, much less than what is due to us on any equitable basis of redistribution as will be seen from the following figures:—

	<i>Allocation of income-tax between Provinces.</i>			Percentage increase.
	<i>Percentage of net proceeds.</i>			
	Pre-partition.	Post-partition.		
Madras	15	18	..	20
Bombay	20	21	..	5
Bengal (undivided)	20	12	(West Bengal)	
United Provinces	15	19	..	27
Central Provinces	5	6	..	20
Punjab (undivided)	8	5	(East Punjab)	
Bihar	10	13	..	30
Assam	2	3	..	50
Orissa	2	3	..	50
Sind	2			
North-West Frontier Province.	1			
	100	100		

This matter was brought to the notice of the Centre, but I regret to observe that neither for the current year nor the next have any steps been taken to rectify the obvious injustice of the arrangement.

33. Having depicted the general background it is now possible to present a picture of the budgetary position for 1949-50. The revenue receipts are estimated to be Rs. 48,80.76 lakhs and the expenditure debitable to revenue Rs. 52,40.74 lakhs, leaving a gap of Rs. 3,59.98 lakhs,

To this, however, must be added Rs. 38.50 lakhs, being the deficit on account of integrated States whose receipts and expenditure are at present shown, as a purely provisional arrangement, in the Deposits section of the Budget. The total deficit is thus Rs. 3,98.48 lakhs or very nearly Rs. 4 crores. The main factors responsible for the position that these figures indicate have already been set forth. The budget estimate of about Rs. 9.21 crores for the Provincial share of receipts from income-tax is based on the latest information received from the Government of India. The revenue from excise, after allowing for the increase derived from an enhanced scale of assessment and license fees already sanctioned during the current year, is expected to show a decline from Rs. 6.36 crores to Rs. 4.95 crores, namely of about Rs. 1.41 crores. On the other hand, provisions have been made to the extent of Rs. 4 crores for the subsidy on imported food-grains and of Rs. 2 crores for an increase in the dearness allowance of the lower grades of Government servants. For famine relief operations, ample provision has been made on the basis of proposals already received. It is not unlikely, however, that this may have to be exceeded. The additional expenditure that has to be provided for maintaining the programme of development taken in hand, so far as such expenditure pertains to the revenue section, has to be met entirely out of revenue, because, as mentioned earlier, the anti-inflationary policy of the Government of India, which we have endorsed, requires that no portion of this should be met by drawing on the balances we have accumulated or on the reserves for various purposes that we have built up.

34. Similarly, we have accepted the view of the Government of India that the capital expenditure for which we budget should be such as can be met by resort to borrowing either from the Centre or by the issue of public loans to be floated in consultation with it. This has necessitated our cutting down very considerably programmes involving capital expenditure. Nevertheless, the budget provides for a capital outlay of about Rs. 9 crores. This will necessitate resort to the Centre, partly for a loan and partly for permission to borrow from the market. For the present, the plan is that for two-thirds of the requirements we may approach the private investor, while the remaining one-third may be borrowed from the Centre.

35. To meet the gap between the estimated revenue receipts and expenditure, which, as I have already indicated, is of the order of Rs. 4 crores, Government have to seek the sanction of the Legislature for tapping fresh sources of revenue. The proposals I now proceed to put forward are in consonance with the general policy followed in the past by the Ministry, namely, that the burden should fall on sections of the community well able to bear it. Suitable legislation to give effect to them will be submitted to the House, immediately.

## I. SALES TAX.

The following modifications are sought to be made in the present structure :—

(a) *Levy of tax on exports.*—With the exception of Bengal and Bombay, all Provinces collect sales tax on commodities exported outside the Province. Some of these Governments give a small rebate on the sales tax so collected. The conference of the Finance Ministers of Provincial Governments which was convened by the Government of India last October favoured generally the uniform practice of levying a sales tax on exports of articles other than articles exempted in the province itself. It was further agreed that the rate of levy of such sales tax on exports should not exceed three pies in the rupee (i) in respect of essential raw materials like coal, cement, steel and cotton, (ii) on finished articles like textiles, vegetable oil products and sugar and (iii) on plant and machinery. Instead of exempting exports, as is the case with us at present, it is proposed that a tax at the rate of three pies in the rupee should, in future, be levied on exports outside the Province. Our main exports are textiles. A levy of three pies per rupee on the export of these and other articles is not likely to affect the trade or industry of our province. It is anticipated that the additional revenue from the levy of sales tax on exports would be about Rs. 2·75 crores a year.

(b) *Reduction of exemptions.*—At present, our schedule of exemptions includes a very large number of articles, the largest among all the provincial systems. The Sales Tax Enquiry Committee took the view that the schedule was unwieldy and unworkable. As recommended by the Committee, the schedule is proposed to be curtailed and only certain definitely classifiable articles retained on it. It is roughly estimated that an additional revenue of about Rs. 30 lakhs may be obtained when the list of exemptions is reduced as now proposed.

(c) *Additions to the schedule of special articles.*—There is scope for adding a few more articles to the schedule of articles on which a tax at the rate of one anna per rupee is levied. Some of the articles now proposed to be added to the schedule are already taxed in other Provinces at rates higher than the ordinary.

The acceptance of this proposal is likely to yield additional revenue to the extent of about Rs. 20 lakhs.

## II. STAMP DUTY ON BULLION TRANSACTIONS.

Last year, the stamp duty which was till then levied only on transactions in the stock exchanges, was extended to the cotton market. Recently, the Bombay Forward Contracts Control Act was made applicable to the bullion market which was hitherto not controlled by Government. The new association to be recognized for the purpose of enforcing unitary

control in Bombay City has already framed its bye-laws and will shortly start functioning. Through its agency, it will be feasible to extend the stamp duty to transactions in the bullion market with effect from the next financial year. The revenue likely to be derived from this source may be estimated at Rs. 15 lakhs.

### III. ELECTRICITY DUTY.

At present, electricity duty is levied on energy consumed for operating lights and fans. No duty is levied for its use for other domestic purposes or by industrial establishments. As part of our new scheme of taxation, it is proposed to levy a duty on electricity consumed for industrial purposes, as also on energy used for domestic purposes, other than lights and fans. It is proposed that a duty of 3 pies per two units should be levied on electrical energy consumed for all such purposes as are not now covered, without disturbing the present rates of duty on lights and fans or withdrawing the exemptions from duty granted at present to Governments, local authorities, hospitals, railways and tramways. I may observe here that Government have put forward this proposal after carefully considering it in relation to industrial costs and output. As expenditure on power represents only a minor item in the aggregate cost of production, the slight increase that will accrue because of the imposition of the duty is not likely to have any adverse effect on industrial production in the Province, nor should it involve any but a negligible burden for the consumer. The additional revenue expected is Rs. 60 lakhs.

### IV. TAX ON NEWSPAPER ADVERTISEMENTS.

Newspapers at present figure in the schedule of exempted articles under the Bombay Sales Tax Act. The sale of advertisement space is, however, akin to the sale of any other commodity. In fact, under item 48 in list II of the 7th Schedule to the Government of India Act, 1935, a tax on advertisements figures along with a tax on the sale of goods. It is proposed that a tax should be levied at the rate of 1 anna in the rupee on the advertisement receipts of newspapers. The return from this source is estimated at Rs. 10 lakhs.

If the above taxation proposals are approved, the total additional revenue likely to be realised is :—

	Rs. (crores).
I. Sales tax .. .. .	3·25
II. Stamp duty on bullion transactions ..	0·15
III. Electricity duty .. .. .	0·60
IV. Tax on newspaper advertisements ..	0·10
	—
	4·10

The effect of this will be to convert a deficit of Rs. 3,98·48 lakhs into a small surplus of Rs. 11·52 lakhs.

36. Thus, for the second year in succession, Government have found it necessary to resort to fresh taxation to enable them to balance the budget. Apart from the inadvisability, ordinarily, of carrying forward deficits, the balancing of a budget becomes an essential feature of public finance in order to counteract inflationary forces. The deficit we face arises partly because of the need to give relief to the famine-stricken and to those affected by the high prices of food and partly because of the normal expenditure of an expanding administration, the new responsibilities we have had to assume, the steps we have to take to provide amenities and services such as in respect of education and health, and the intensification of the grow more food campaign in order to make the Province as nearly self-sufficient as possible in the matter of its essential requirements. No grandiose or ambitious schemes have been framed or are in process of implementation. All the expenditure that has to be incurred is undertaken in the discharge of the basic or primary responsibilities which a good government has to shoulder. It is neither humanitarian sentiment nor the pressure of the enfranchised common man—whether such pressure be actual or potential—that induces Government to embark on their schemes of social amelioration and economic development. It is their realization of the fact that in the Free India of the future, the State has to assume direct responsibility for the purposeful planning of collective action for modifying the environment of a people, the bulk of whom, unfortunately, eke out an existence which is much below recognized standards of civilized life. We want to ensure for them all a standard of income, health, education, opportunity, and initiative such as will enable them to play an active vigorous rôle in the maintenance and progress of the democratic republic of India, of which Bombay aspires to be a component fully worthy of its past great traditions, the high place it occupies in the nation's economic life, and the intrinsic strength and soundness of its financial position.