Government of Bombay

BUDGET MEMORANDUM

FOR

1955-56

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Finance Minister's Speech on Budget for 1955-56 of the Government of Bombay

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BOMBAY'S WELFARE BUDGET (1955-56).

Presenting the Budget Estimates for 1955-56 of the Government of Bombay to the Legislative Assembly on Friday, February 25, 1955, the Finance Minister, Dr. Jivraj N. Mehta, said :

The year about to end has witnessed the Indian economy emerging with added strength and stability. An increase of over 11 million tons in food production has brought self-sufficiency in food within the country's reach. The increase in industrial production has also been substantial. The general index of industrial production has gone up from 105 in 1950 to 152 by September 1954. The increase in production has been accompanied by an overall stability in prices which have fallen from the abnormally high levels attained at the commencement of the Five-Year Plan and have remained fairly steady in the neighbourhood of the pre-Korean war levels. The index of wholesale prices which had shot up to 458 at the beginning of the Plan period showed a marked downward trend, the average index for 1952-53 being 380·6; the average for 1953-54 was 397·5 and the index figure at the end of December 1954 was about 367. The immediate objective of the Plan viz. the removal of the shortages and the disequilibrium caused by the war and the partition of the country has thus been largely realised. Tentative estimates suggest that a significant increase has also been achieved in the country's per capita income. The per capita income which was 246·3 in 1950-51 reached a level of 261 in 1952-53 and is expected to record a further increase in 1953-54.

ACCOUNTS OF 1953-54.

Before I turn to the review of the developments in the current year and the prospects for the next year, I will briefly give the actual receipts and expenditure for 1953-54. The House will recall that when presenting the current year's budget, I had anticipated for the year 1953-54 a revenue deficit of Rs. 1,59·58 lakhs on the basis of the revised estimates. I am happy to say that the actuals for the year reveal a revenue surplus of Rs. 1,15·43 lakhs as under :—

[In lakhs of rupees.]

	Revised Estimate, 1953-54.	Actuals for 1953-54.
Revenue Receipts ...	70,46·83	72,27·27
Revenue Expenditure ...	72,06·41	71,11·84
Surplus (+) Deficit (—)	— 1,59·58	+ 1,15·43

It will be seen that the receipts have increased by about Rs. 1,80 lakhs while the reduction in expenditure is of the order of Rs. 95 lakhs. On the receipts side, there is an increase of Rs. 1,77 lakhs under Miscellaneous mainly on account of the reimbursement by the Government of India of the expenditure incurred by this Government in previous years on rehabilitation of displaced persons and the payment of subsidy by that Government in respect of the Industrial Housing Scheme. There is also an increase of about Rs. 61 lakhs under Agriculture on account of larger adjustment of food bonus and recovery from the Government of India on account of the remission of land revenue on additional lands brought under cotton cultivation in 1950-51. These two increases are partly counterbalanced by a fall of about Rs. 73 lakhs under Land Revenue and of about Rs. 43 lakhs under Other Taxes and Duties. The reduction in expenditure is spread over a number of heads, the main fall being under Civil Works where the reduction is of the order of about Rs. 38 lakhs. The differences between the revised estimates and the accounts for 1953-54 have been explained in detail in the Budget Memorandum.

During the year the gross capital expenditure on heads other than "85-A—Capital Outlay on State Schemes of Government Trading" amounted to Rs. 10,35 lakhs against the revised estimate of Rs. 11,81 lakhs. A part of this expenditure was met from the Sugar Cane Cess and Milk Funds and the rest was met from the open market loan of Rs. 5,50 lakhs, loans from the Central Government and a withdrawal of Rs. 50 lakhs from the Fund for Development Schemes.

Progress of the Plan.

I have referred to some of the outstanding achievements under the Plan for the country as a whole. Turning to the progress in the State, the position is generally satisfactory both in respect of finances found for the Plan expenditure as well as the physical targets achieved.

From the figures of expenditure incurred on the Plan, it will be observed that an expenditure of Rs. 80,16 lakhs had been incurred by the end of the third year of the Plan and an amount of Rs. 31,78 lakhs is expected to be spent in the course of the current year. To achieve the targetted figure of Rs. 1,46.31 lakhs, by the end of the Plan period an amount of Rs. 34,37 lakhs is required to be provided in the next year's budget against which a provision of Rs. 37,25 lakhs has been made. The Plan target of expenditure is thus expected to be exceeded by a small margin of Rs. 2,88 lakhs or by about 2 per cent. The above figures are exclusive of expenditure incurred on additional State Schemes like Community Development

Projects, National Extension Service, Local Development Works, minor and medium irrigation works for the permanent improvement of scarcity areas and Housing, which are largely financed by the Government of India by means of loans and grants. The expenditure incurred on these schemes from the resources of the State amounts to Rs. 6,11 lakhs, exclusive of debt charges.

It will be observed from the details of Plan expenditure that the expenditure expected to be incurred by the end of the Plan period is nearly equal to the targetted figures on almost all development heads except "Industries" and "Labour and Labour Welfare", while under Transport there is an increase of over 100 per cent. over the targetted figure on account of larger expenditure on roads and on the nationalisation of road passenger transport. The short-fall under "Industries" is due to the decision of the Government of India to locate a D. D. T. Factory at Delhi, instead of in this State as originally contemplated. Under Labour and Labour Welfare there is a large short-fall due to a variety of reasons. Some industrial workshops and welfare centres proposed in the Plan have not been started. On the other hand some labour welfare schemes are accounted for under education as the expenditure is booked under that head though the schemes are primarily for the welfare of labour. For example, the expenditure on adult education of labourers is shown under Education. Government has also set up a Labour Welfare Board but its activities are not reflected in the Plan figures. Expenditure on Employees State Insurance Scheme with a net burden of about Rs. 28 lakhs on State revenues is not counted as a part of the Plan. Further the scheme of industrial housing on which substantial expenditure of Rs. 6,50 lakhs will be incurred is shown as an additional State scheme and not as a part of the Plan. The expenditure on housing except that on establishment is not recorded even under the heading of Housing under the Plan. The short-fall under the Plan has thus been made good by development outside the Plan in this instance.

The Plan was not merely of spending but of achieving progress by that expenditure. It is therefore necessary to keep in view the physical targets set and achieved. In this connection I should like to draw attention to the fact that in a number of cases, the estimates which were available at the time of preparing the Plan have exceeded due to a variety of reasons. For example the estimates of various irrigation and power projects particularly where they were prepared on the basis of preliminary estimates have gone up considerably. The cost of nationalisation of passenger road transport has increased. This is also the case with the cost of construction of medical colleges and construction or enlarging of attached hospitals. As a result of this, progress on some of the projects has been slower than desired and they will have to be continued in the Second Plan. Notwithstanding this adverse factor, there has been substantial progress all-round.

FOOD PRODUCTION.

Amongst the various measures undertaken by this State for increasing food production, "Minor and Medium Irrigation" occupies a place of pride. Against a target of 4,45,068 acres to be irrigated under the minor irrigation programme for the entire Plan period, the acreage irrigated by such irrigation works was 2,17,516 in 1951-52 and 2,94,012 acres in 1952-53. The target achieved in the year 1953-54 was 3,16,500 acres and it is expected that the Plan target of 4,45,068 acres will be considerably exceeded when the schemes already undertaken are completed. By the end of 1953-54, 1,256 minor irrigation works were completed against a target of 1,314. The programme for 1954-55 envisages completion of 560 more works. Besides these works undertaken by Government cultivators are encouraged to undertake the work of construction of new wells and repairs to old wells with the help of tagai loans. The area estimated to have been irrigated by the wells constructed under the scheme has increased from about 96,000 acres during the year 1951-52 to 1,26,000 acres in 1953-54. In addition, there are schemes under which pumping sets are supplied to cultivators and Co-operative Lift Irrigation Societies are assisted. These latter schemes will cover an area of over 78,000 acres against the target of 60,655 acres for the entire Plan period. These and other measures like multiplication and distribution of improved seeds, distribution of manure and fertilisers and land improvement through mechanised cultivation and soil conservation have led to substantial increase in food production as will be seen from the following table:—

(In thousand of tons.)

	Actual production 1949-50.	Actual production 1950-51.	Actual production according to final report 1953-54.
Rice ...	10,31	10,89	12,95
Wheat ...	3,31	3,66	3,53
Coarse grains ...	30,53	24,50	32,68
	44,15	39,05	49,21

It will be observed that an increase of 5.06,000 tons of food-grains over 1949-50 was achieved by the end of the third year of the Plan, as a result of the Grow More Food Schemes and irrigation as well as due to a favourable monsoon. With the good monsoon this year, it is expected that not only will the results attained in 1953-54 be maintained but there will also be some improvement.

Though minor irrigation works help to augment the irrigated area quickly at a relatively small capital outlay, they have no reserve storage capacity and are not of much assistance in times of drought. The State Plan, therefore, provides for Major Irrigation Projects, estimated to cost over Rs. 25,00 lakhs, and to irrigate an area of nearly one million acres on completion. As the House is aware important works in these are : the Kakrapara, Ghataprabha, Gangapur and Mahi Projects. The completion of these projects will go a long way in consolidating the gain achieved in food production against the vagaries of monsoon. All these projects with the exception of the Mahi are in an advanced stage of construction. Irrigation has actually been started on Kakrapara and Ghataprabha Projects and it has been possible to provide irrigation facilities to a total area of 2,10,000 acres from the completed canals of these projects. Rabi irrigation has also now become possible from the Gangapur Project. It is also proposed to speed up the work on the Mahi Project and an increased provision of Rs. 2,00 lakhs has been included for the purpose in the next year's budget.

HEALTH.

The general standard of health in this country is much below that attained in several other countries. Measures undertaken by this State for raising the standard of health, broadly fall in two categories, viz., preventive and curative. The former comprises measures for the control of malaria and epidemics and schemes of sanitation and water supply, while the latter aims at providing better facilities for medical relief in the form of doctors and dispensaries.

As the House is aware, malaria is a disease which used to affect large groups of population causing a good deal of sickness and suffering. The total population living in malarious villages of the State is about 20 millions among whom there used to be about 5 million cases of malaria every year and about 50,000 deaths directly due to it. To eradicate the disease a State-wide Malaria Control Programme has been launched with the help of free supply of material from the World Health Organisation. During 1954 it is estimated that nearly 2 million cases of malaria have been saved in the entire State. The benefit of this reduction in malaria incidence is particularly valuable as a considerable part of the illness due to malaria occurs generally during harvesting period and this incapacitates a large number of agriculturists and agricultural labour resulting in heavy loss. A collateral benefit on account of malaria control measures is the improvement in cattle health.

For the control of epidemic diseases a District Health Organisation has been set up in each district of the State. The functions of this Organisation are directed towards the prevention of epidemic diseases by such measures as vaccination, health propaganda, disinfection of water supply, etc. and by the provision of mobile hospital units which help considerably in reducing the ravages of epidemics.

In the sphere of water supply, Government has undertaken a number of schemes for the supply of water to growing cities and towns. Besides these schemes undertaken by Government, Municipalities are encouraged to take up drainage and water supply schemes with the help of grant-in-aid from Government of 33⅓ per cent. or 50 per cent. of the cost of the scheme according to the type of the Municipality. With the loan assistance now sanctioned by the Government of India under their National Water Supply and Drainage Scheme, the programme undertaken by Municipalities will be considerably speeded up in the next year.

Under the scheme of rural water supply, considerable progress has been achieved. Government has declared its policy to construct at least one well in every village with a population of 100 and above in backward areas where there is acute scarcity of water, and with a population of 200 and above in other areas. The number of works completed by June 1954, under the scheme since its inception, is 4,862 and 1,095 more works are in progress. There is a provision of Rs. 47 lakhs for the purpose in the current year. A provision of Rs. 50 lakhs has been included in the next year's budget.

In addition to these preventive measures, Government has undertaken various measures such as expanding medical colleges so that a larger number of medical graduates could be turned out every year. Additional hospital beds have been provided at Poona, Ahmedabad and Baroda and Hospital and dispensary facilities have been improved at other places. In order to provide better medical facilities in rural areas, Government has undertaken the conversion of dispensaries into Cottage Hospitals. Provision for additional Cottage Hospitals is also made during the next year. An ambulance car will now be available in each of the Civil Hospitals in the State, to enable serious cases from rural areas to be brought to the District hospitals. Under the Scheme for rural dispensaries 445 subsidized medical practitioners' centres have been opened against the target of 458 centres for the entire Plan period.

EDUCATION.

Another item of the Plan under which considerable progress has been made is education. Out of the total expenditure of Rs. 1,49,19 lakhs expected to be incurred by 1955-56 on schemes included in the Plan about 32 per cent. will be spent on development of educational facilities. The programme of educational development comprises schemes of Primary Education, Secondary Education, Technical and Vocational Education, Social Education, Physical Education as well as University Education. The general progress in the field of education may be gauged from the fact that the total number of students at the educational institutions in the State which was 41·6 lakhs in 1950-51 had increased to 45·4 lakhs by 1953-54 indicating an increase of 3·8 lakhs. The number of primary schools rose from 28,554 in 1950-51 to 31,130 during 1953-54 with an increase of over 1,17,000 in the number of pupils. Compulsion in primary education which was in force in pre-merger villages with a population of 1,000 and over has now been extended to the merged areas also. Steps have also been taken to provide schooling facilities in all villages with a population of 500 and above and in villages with a population of less than 500 by grouping them. Provision is also being made for District School Boards opening their own schools in place of private schools which close down. Ten thousand additional teachers will be employed in rural areas for implementing schemes of consolidation and expansion of primary education. There will be expansion at secondary and University education stages also. At the secondary education stage, in order to make education more useful to the student concerned rather than academic, Government is undertaking a scheme of multi-purpose schools. As a result of several schemes of improvement in educational facilities, the budget provision under "37-Education" has increased from Rs. 12,49 lakhs in 1950-51 to Rs. 15,70 lakhs in the estimates for 1955-56, while receipts have increased from Rs. 78 lakhs in 1950-51 to Rs. 1,65 lakhs in 1955-56. This shows the net additional burden in the State budget. Looked at from another point of view, the total cost of education including that on medical and engineering education is Rs. 16,77 lakhs being 21·8 % of the State's revenue.

As I had dwelt at length on the progress made in the field of education in my last budget speech, I will not trouble the House by going over the same ground again.

Similar good progress has been achieved in other fields notably under Roads, Transport, Power, etc. It will, however, not be possible for me to cover the whole field of our development activities in the short time at my disposal.

EMPLOYEES' STATE INSURANCE.

As the House is aware Government has implemented the Employees' State Insurance Scheme in Greater Bombay and adjoining areas with effect from the 2nd October 1954, covering 4·5 lakhs of factory employees in the State. The scheme applies to a worker employed in a factory other than a seasonal factory using power and employing 20 or more persons and covers all employees on a remuneration not exceeding Rs. 400 per month. The scheme provides social security for the worker at a time when he needs it most. The benefits under the scheme are also extensive. It was proposed to extend the scheme to Ahmedabad during the course of this year but it has been held over at the suggestion of labour as it wants the scope of sickness benefits to be extended to the dependants of the insured persons also from the very inception which extension would call for a reassessment of the scheme.

Industrial Housing.

Another field in which considerable progress has been made in recent years, is in the provision of housing to the industrial workers. Under the old Industrial Housing Scheme 2,353 tenements have been constructed and allotted to industrial workers in Bombay and Ahmedabad out of the loan sanctioned by the Government of India. Under the revised Subsidized Industrial Housing Scheme 5,968 more tenements have been constructed at these places. Construction of 5,574 more tenements has been undertaken at Bombay, Ahmedabad and other industrial centres during 1954-55 and it is proposed to undertake a further programme of 6,000 tenements during 1955-56.

Bombay Electricity Board.

With a view to rationalising the production and supply of electricity in the State, Bombay Electricity Board has been constituted with effect from the 6th November 1954. The Board is charged with the duty of promoting co-ordinated development of the generation, supply and distribution of electricity within the State, in the most efficient and economical manner. Except for the Koyna Hydro Electric Project which is still in the early stage of construction and the small Power Houses at Vijapur, Ambernath and Nasik, which are run mainly for meeting the requirements of Government works, all other Electricity Schemes which were under the control of Government have now been transferred to the Board. Besides the schemes transferred to the Board, it has agreed to undertake a programme of expansion of power facilities for increasing employment opportunities out of the loan of Rs. 2,84·31 lakhs from the Government of India. To provide the initial capital outlay, a loan of about Rs. 1,00 lakhs will be sanctioned to the Board during the course of the current year and a further amount of Rs. 2,72·15 lakhs is provided in the next year's budget which is inclusive of a provision of Rs. 1,08·40 lakhs for schemes of expansion to be financed from the Government of India loan.

MERGED AREA BALANCES.

As the House is aware, the Government of India gave an assurance to the States' people at the time of integration that any balances left by the Rulers would be spent for the benefit of the territories comprised in the State. In accordance with this assurance, this Government formulated a scheme of utilisation of accumulated balances on development activities and extended a number of development schemes to merged areas. Wherever the States had already chalked out a programme of development, the schemes included in the programme were given priority wherever possible. Government had hoped to complete the utilisation of these balances by August 1955. The House will be glad to know that the undertaking has been fulfilled before its time.

On the basis of provisional figures of assets and liabilities taken over from the States, it is estimated that a net balance of about Rs. 4,50 lakhs—subject to audit—was left by about 35 States. As against this the development expenditure expected to be incurred by the end of the current year, in the areas of these States, comes to about Rs. 7,28 lakhs. In addition it is estimated that the amount of Rs. 3,19 lakhs will be required for the completion of the schemes already undertaken. Government will thus be spending nearly Rs. 10,47 lakhs as against Rs. 4,50 lakhs left by these States. These figures are exclusive of development expenditure incurred in States which did not leave any balances.

REVISED ESTIMATES FOR 1954-55.

In the current year's budget I had anticipated a surplus of Rs. 18·98 lakhs on Revenue Account. The revised estimates framed on the basis of the actuals of the first eight months of the current year, reveal a revenue surplus of Rs. 58·17 lakhs as under :—

(In lakhs of rupees.)

	Budget, 1954-55	Revised Estimate, 1954-55
Revenue Receipts ...	72,38·21	71,80·33
Revenue Expenditure ...	72,19·23	71,22·16
Surplus ...	+ 18·98	+ 58·17

It will be seen that the receipts have gone down by Rs. 57·88 lakhs while there has been a reduction of Rs. 97·07 lakhs in expenditure. This apparent reduction is due to the exclusion of Rs. 2,00 lakhs both on receipts and expenditure sides, on account of less transfer from the Fund for Development Schemes for meeting capital expenditure on account of its slower progress than provided for in the budget estimates. Keeping this out of account the revised estimates show an increase of Rs. 1,42·12 lakhs in receipts and an increase of Rs. 1,02·93 lakhs in expenditure.

EXPLANATION OF VARIATIONS IN RECEIPTS AND EXPENDITURE.

From the revised estimates it would be seen that against the budget estimate of Rs. 25 lakhs as receipts from Estate Duty, the revised estimate has been put at 'nil'. This is due to the fact that the Government of India have made certain suggestions for the distribution of the proceeds from Estate Duty which are not acceptable to us. We are corresponding with the Government of India for a fair share out of the proceeds of Estate Duty from persons residing in the State. Other important variations in receipts are an increase of nearly Rs. 1,49 lakhs under 'Other Taxes and Duties' mainly on account of larger receipts anticipated under 'Sales Tax' due to better recovery of arrears of sales tax and tax on first sale of stocks in certain cases and an increase of Rs. 55 lakhs under 'Interest' due to larger investment in long-dated securities and Treasury Bills.

An increase of Rs. 1,01 lakhs in receipts under Agriculture is balanced by a similar increase in expenditure on account of the transactions in Ammonium Sulphate. Similarly, a reduction of Rs. 1,17 lakhs in receipts under Civil Works is due to less transfer from the Central Road Fund and corresponds to a similar reduction in expenditure on works financed from the Fund. Other large variations in expenditure are an increase of Rs. 1,00 lakhs under Famine and an increase of Rs. 53 lakhs under Miscellaneous Departments.

PROVISION FOR FAMINE FUND.

In my speech last year I had referred to the Government's decision to raise the limit of Famine Relief Fund to Rs. 2,00 lakhs. Originally it was proposed to spread the raising of the fund to Rs. 2,00 lakhs over a period of three years. With a view, however, to making larger amounts available in future years for schemes included in the Plan, it has now been decided to raise the limit of the fund to Rs. 1,88 lakhs by the end of the current year leaving a small balance of Rs. 12 lakhs which is being provided for in the next year's budget. An additional amount of Rs. 1,00 lakhs has accordingly been provided for the purpose in the current year. The increase of Rs. 53 lakhs under Miscellaneous Departments is mainly on account of losses incurred under Government Grain-Shops and Cloth and Yarn Schemes which are proposed to be written-off to revenue during the current year.

CAPITAL EXPENDITURE IN CURRENT YEAR.

The current year's budget provides for a capital expenditure of Rs. 18,00 lakhs which is exclusive of the expenditure on Schemes of Government Trading. The review on the basis of the actuals for the first eight months of the current year, shows that the capital expenditure will be of the order of Rs. 13,72 lakhs. The fall is mainly due to reduced expenditure on (i) Electricity Schemes on account of the transfer of many electricity schemes to the Electricity Board from November and slow progress on the schemes up to that time (Rs. 2,19 lakhs), (ii) Major irrigation schemes (Rs. 1,00 lakhs) (iii) Housing Schemes of Displaced persons (Rs. 98 lakhs) and (iv) Capital works of roads and buildings (Rs. 89 lakhs). The fall in expenditure is partly counter-balanced by an increased investment of Rs. 60 lakhs in the Bombay State Road Transport Corporation.

It is proposed to finance the capital expenditure for the current year to the extent of Rs. 13,69 lakhs from the following sources :—

		(In lakhs of rupees).
(i) National Plan Loan		6,00
(ii) Expenditure to be met from the Sugarcane Cess and Milk Funds		49
(iii) Withdrawal from the Fund for Development Schemes		50
(iv) Central loan assistance for—		
(a) Housing Schemes for Displaced persons ...	53	
(b) Tube wells scheme	90	
(c) Koyna-Hydro-Electric Scheme	85	
(d) Major Irrigation and Hydro-Electric Projects under Five Year Plan	2,20	
(e) Loans for minor irrigation works for permanent improvement in scarcity areas and other scarcity works	1,62	
(f) For investment in State Road Transport Corporation	60	
		6,70
		13,69

ASSESSMENT OF SALES TAX.

A point on which concern was voiced in some quarters is the slow progress of assessment work pertaining to the sales tax. I am glad to say that with the appointment of special staff for clearing off arrears of assessment cases, considerable progress has been made. The number of pending assessment cases for the period ending 31st October 1952, which stood at about 1,25,000 on the 30th November 1953, has gone down to about 7,700 by the end of November 1954. Over 1,17,000 pending assessment cases have thus been cleared in the course of one year with the help of the special staff appointed for the purpose. To cope with the increasing volume of work pertaining to sales-tax appeals, Government has sanctioned additional posts of one Additional Collector and three Assistant Collectors. It is hoped that with the assistance of this staff, the work relating to appeals will also be brought under control.

BUDGET ESTIMATES, 1955-56.

Turning now to the main task before me, I am happy to say that without any change in the existing taxation, we anticipate for the next year, Revenue receipts of Rs. 80,10·72 lakhs and a Revenue expenditure of Rs. 79,88·35 lakhs, leaving a surplus of Rs. 22·37 lakhs on revenue account.

(In Lakhs of Rupees.)

		Budget Estimates, 1955-56.
Revenue receipts	... ...	80,10·72
Revenue expenditure	... ...	79,88·35
	Surplus ...	22·37

Pending the settlement of the question of distribution of receipts of Estate Duty referred to earlier, the next year's budget provides for a token receipt of Rs. 25 lakhs from this source. If the Government of India accept our suggestions, the receipts from this source will be larger.

Increase under XXXVI-Miscellaneous Departments of Rs. 3,41 lakhs is mainly due to the provisional transfer to the Revenue section of a part of the profits from the General Civil Supplies Schemes. Following complete decontrol, Government is in a position to have a fair idea how several trading schemes undertaken by it are likely to close when the accounts are finalised. All possible steps are being taken to finalise the accounts quickly. Some schemes will show a loss while others will show a profit. Some such losses are being recouped from the general revenues this year. Next year, it is proposed to transfer provisionally profits amounting to Rs. 3,50 lakhs, out of the total profits of the General Civil Supplies schemes. As the House is aware, Government has been subsidizing the sale of certain foodgrains from General revenues since 1948-49. The burden of subsidy on general revenues has been of the order of Rs. 17 crores. Partly as a result of this subsidy, the General Civil Supplies Scheme is expected to close with some profit of a trading nature. It is from this profit that it is proposed to transfer an amount of Rs. 3,50 lakhs to general revenues. It is also proposed to transfer for financing capital work an amount of Rs. 3,00 lakhs i.e. an increase of Rs. 2,50 lakhs over the current year's provision from the Fund for Development Schemes which is balanced by a corresponding increase on the expenditure side. It will be recalled that a provision for a withdrawal of Rs. 2,50 lakhs was made in the Budget of 1953-54 but ultimately it was necessary to transfer Rs. 50 lakhs only. Similarly in the current year also the provision is being reduced from Rs. 2,50 lakhs to Rs. 50 lakhs in the revised estimates. Two other important variations are (1) a fall of Rs. 83 lakhs under Taxes on Income based on the latest information supplied by the Government of India and (2) a fall of Rs. 94 lakhs under Other Taxes and Duties mainly because of a larger provision for refund and the fact that in most cases the stocks will have already borne the first stage sales tax. On the expenditure side there is an increase of Rs. 1,59 lakhs under "37-Education" due to extension and improvement of primary education and starting of Multi-purpose Secondary Schools. "38-Medical" and "39-Public Health" also show increases of Rs. 66 lakhs and Rs. 75 lakhs respectively. The increase under Medical is mainly due to a full year's provision for the Employees' State Insurance Scheme while that under Public Health is due to a larger provision for Village Water Supply Schemes including piped water supply in certain areas and provision for Maternity and Child Health Service Scheme. There is an increase of Rs. 65 lakhs under "Land Revenue" on account of increased activity on scheme of City Survey operations, introduction of Record of Rights in Khoti and Inam villages, implementation of the Bombay Prevention of Fragmentations of Holdings Act which are already in hand and on payment of compensation under the Special Land Tenure Abolition Acts. The increases of Rs. 83 lakhs under Civil Works and of Rs. 58 lakhs under Agriculture are balanced by corresponding larger receipts on account of works undertaken from the Central Road Fund Account and transactions in ammonium sulphate respectively. These variations have been explained in detail in the Budget Memorandum and I will not weary the House by going over them here in detail.

While rice production was 10,31,000 tons in 1949-50, it went up to 12,95,000 tons in 1953-54; in the case of wheat, the production of 3,31,000 tons in 1949-50 went up to 3,58,000 tons in 1953-54 and in the case of coarse grains, the production likewise went up from 24,50,000 tons in 1949-50 to 32,68,000 tons in 1953-54.

Thus the total foodgrains production, which was 44,15,000 tons in 1949-50 went up to 49,21,000 tons in 1953-54, i.e., by 5,06,000 tons; a little more than half of which, viz. 2,64,000 tons, was in the form of rice, and that this was achieved by the end of the third year of the Plan, as a result of the Grow More Food Schemes and irrigation as well as due to a favourable monsoon. With the good monsoon this year, it is expected that, not only will the results attained in 1953-54 be maintained, but there will also be some improvement.

The next year's budget provides for a capital expenditure of Rs. 24,20 lakhs for schemes other than those of State Trading. This includes a provision of Rs. 12,00 lakhs on irrigation, the major item of expenditure being 2,86 lakhs for Kakrapara Project, Rs. 2,00 lakhs for Mahi Project, Rs. 76 lakhs for Ghataprabha, Rs. 35·5 lakhs for Gangapur and Rs. 1,00 lakhs for the Tube Wells Scheme. A large provision of Rs. 4,01 lakhs is made under Capital Outlay on Electricity Schemes for Koyna Hydro Electric Project. Other items calling for special notice are a provision of Rs. 1,00 lakhs under Capital Outlay on Industrial Development for contribution to the share capital of the Bombay State Road Transport Corporation and a provision for a like amount for the purchase of shares of Co-operative Sugar Factories. A provision of Rs. 3,04 lakhs is made for Capital expenditure on Civil buildings and communications. The figure is exclusive of the amount of Rs. 86 lakhs for development of roads for which we shall be getting a grant from the Government of India under their Central Aid Road Development Programme.

It is proposed to finance the above Capital Expenditure from a loan of Rs. 12,65 lakhs from the Government of India, by a withdrawal of Rs. 3,00 lakhs from the Fund for Development Schemes, Rs. 58 lakhs from the Sugarcane Cess and the Milk Funds and the rest from open market borrowing and other internal resources.

PROVISIONS OF SPECIAL INTEREST.

Before concluding I should like to refer to some provisions included in the next year's budget which are of special interest.

The budget provides for an amount of Rs. 7·9 lakhs for extending to Government employees serving in Poona City, the same rates of local compensatory and house-rent allowances as are admissible to those serving in Ahmedabad City. These rates will be effective from the 1st April, 1955. Similarly the next year's budget provides for an amount of Rs. 50,000 for payment of House Rent and Compensatory Allowances to Government employees serving in areas which were formerly outside Bombay City but were later merged in Greater Bombay, at the same rates at which they are paid to employees serving in Bombay City.

Grants to Local Boards for Roads and Local Works.

As the House is aware, Government decided last year to transfer certain roads from the Public Works Department to the District Local Boards. The provision on account of grants to Local Boards for the maintenance of these roads has been increased from Rs. 26 lakhs in the current year to Rs. 30 lakhs during 1955-56. Local Boards are also being given grants for improvement of their own roads as well as for local public works. They have also been given grants for approach roads to villages. Provisions included in this behalf in the next year's Budget are :—

	Rs.
(1) "50-Civil Works—grants to District Local Boards for Local Public Works" ...	17,75,000
(2) "P-Deposits and Advances—State Road Fund—Approach Roads to Villages" ...	16,00,000
(3) "P-Deposits and Advances—State Road Fund—	
(i) Grants-in-aid to Local Bodies for improvement of roads" ...	20,00,000
(4) "P-Deposits and Advances—State Road Fund—Grants to District Local Boards for repairs to the Roads transferred by the Public Works Department to the District Local Boards" ...	30,00,000

Water Supply.

One of the most pressing needs of the State is of protected drinking water-supply in rural and urban areas. Several Municipalities have prepared water-supply and drainage schemes for their areas and they have also been approved by the Board of Public Health. It has however not been possible for them to take these schemes in hand for want of sufficient finances. Government gives for this work a grant-in-aid of 33 1/3 per cent. or 50 per cent. depending on the type of Municipality. The remaining amount has to be found by the Municipality from its own funds or by borrowing. Some Municipalities could borrow in the open market on the strength of the guarantee given by Government in the course of the last two years. Government of India were also considering this problem and they have now agreed to advance a loan of Rs. 1,25 lakhs for water supply and drainage schemes of 24 Municipalities and will also give a further loan of Rs. 70 lakhs for the purpose. The total cost of these schemes is estimated at Rs. 3,87 lakhs. It will, therefore, still be necessary for the Borough Municipalities concerned to consider the raising of loans with the assistance of Government guarantee. Without waiting for their actually raising these loans, Government has decided to go ahead with these works in order to expedite their execution. It is hoped to find the necessary balances by open market borrowing. The need for water-supply in the rural areas is even greater. This Government has a programme of digging wells in villages and as mentioned earlier a provision of Rs. 50 lakhs has been included for the purpose in the next year's Budget. There are, however, some areas in which drinking water is not available within reasonable depth. Nor are there any surface sources of drinking water. It is only possible to supply drinking water in these areas by bringing it from some distance by pipes. In view of the special difficulties of these areas, the Government of India have agreed to give a grant-in-aid of 50 per cent. of the cost, the remaining amount being found by the State Government and the local population. There is a provision of Rs. 42·5 lakhs for the purpose in the next year's budget. Government proposes to take this scheme also immediately in hand, leaving it to be decided in the course of the year how best the balance could be found. When these schemes of piped water-supply are executed, the local population will have to bear the cost of maintenance, distribution, depreciation, interest, etc. Necessary Legislation for the purpose will be placed before the House as soon as possible.

Increased Aid to Small Scale Industries.

Another activity which has not been able to make adequate progress for want of sufficient finances is small scale industries. The State Government has hitherto been giving loans to these industries under the State Aid to Industries Rules, 1935. Last year Government has also set up the Bombay State Financial Corporation. That Corporation is, however, not in a position to advance loans to a large number of small industries. This question has been under the consideration of the Government of India and the State Government for some time. With the assistance of the Government of India it is now proposed to liberalise the terms on which loans are advanced to small scale and cottage industries and industrial co-operatives. Loans will be given at a moderate rate of interest for purchase of equipment as well as for working capital. In assessing the guarantee for the loan, certain assets of the borrower which were hitherto not taken into account will now be taken into account, and there will also be a higher limit on the amount to be advanced against the assets. It is proposed to utilise the agency of the industrial co-operative banks and the Bombay

State Co-operative Bank for giving loans to smaller units while larger units will be attended to by the Department of Industries for the present with the help of an Advisory Committee and by the Bombay State Financial Corporation when the State Financial Corporations Act is suitably amended for its undertaking this work. A provision of Rs. 50 lakhs for advancing such loans is being included in the next year's budget.

SHARES OF CO-OPERATIVE SUGAR SOCIETIES.

One of the main handicaps of agriculturists is lack of facilities for processing their produce before it can be marketed. In order to enable the agriculturist to derive full benefit of his labour it is considered desirable to help him to process his agricultural produce through a factory run on a co-operative basis before it is marketed. In keeping with this policy Government has so far contributed to the share capital of two co-operative sugar factories, viz. the Pravara Sahakari Sakhar Karkhana, Limited and the Kopargaon Co-operative Sugar Factory, Limited. In view of the increase in consumption of sugar in the country, Government of India have decided to increase indigenous production of sugar by setting up new factories. The Government of Bombay proposes to assist the establishment of co-operative sugar factories in the State as a part of this scheme. Members of these co-operative societies who will be cultivators will raise a capital of about Rs. 15 lakhs each, while Government will contribute up to Rs. 10 lakhs in the form of redeemable share capital, the rest of the finance being found from other sources. A number of applications for setting up such societies are under consideration. About ten societies are likely to be started during the coming year. A provision of Rs. 1 crore has been included in the budget for subscribing to their share capital.

INCREASE IN ASSISTANCE TO VILLAGE PANCHAYATS.

The need for organising Village Panchayats on as extensive a scale as possible is well recognised. Under the present Village Panchayats' Act it is obligatory upon Government to establish Village Panchayats in villages with a population of not less than 2,000. Setting up of a Panchayat in villages with lower population is optional. According to the present policy, Village Panchayats are not to be established in villages with a population of less than 1,000 until they are first established in all villages having a population of 1,000 and over. The present number of Village Panchayats in the State is 5,950. The main difficulty of the Village Panchayats has been that of raising sufficient finances particularly in the initial stages. The State Government assists them by giving a grant of 15% of the ordinary land revenue or 25% of the Local Fund Cess whichever is greater, realised in the previous year within the limits of the village. In addition, it bears 50 per cent. of the cost of dearness allowance paid to the staff of the Panchayat other than the Secretary. Government also pays a grant on account of three-fourth of the expenditure on pay and allowances of the Secretary. For the initial work of a Panchayat, Government also gives a starting grant of Rs. 100 to each Panchayat. Expenditure on this account during the current year is likely to be over Rs. 70 lakhs. If Panchayats are to succeed, it is obvious that they must be provided with an assured source of income with which they can do some useful work before undertaking taxation of their own. This is particularly necessary if Panchayats have to be established even in small villages and backward areas throughout the State. Government proposes to establish a Village Panchayat in all villages of the State within a period of three years. For this purpose villages with a small population will either be attached to the adjoining large villages or will be grouped together to form suitable units. It is proposed to give to each Panchayat an increased grant equal to 25 per cent. of ordinary land revenue collected within its area. To make it possible for Panchayats to show substantial work even in the initial stages, it is proposed to undertake legislation to enable levying of a cess of annas two per rupee of land revenue for the benefit of Panchayats. As Village Panchayats are established over larger areas, the grant which, District Local Boards get at present on account of 15 per cent. of land revenue from areas where Panchayats are not formed will diminish and ultimately disappear. Some of the functions which now fall within the orbit of the District Local Boards are proposed to be transferred to Village Panchayats. There is, however, little doubt that complete stoppage of 15 per cent. of land revenue grant to District Local Boards will cause them hardship. It is therefore proposed to give them 5 per cent. of land revenue collected in villages where Village Panchayats are established for a period of five years. With these changes I am sure we will be taking a long stride towards fulfilling one of the Directive Principles of State Policy in the Constitution of organising Village Panchayats throughout the State and making it possible for them to function as units of Local Self-Government. It is estimated that this change in policy will impose an additional annual burden of Rs. 70 lakhs on the general revenues by the end of the third year.

REPAYMENT OF BOMBAY GOVERNMENT LOAN, 1955.

The next year's budget includes a provision of Rs. 2,97 lakhs in the Debt Section for the repayment of the three per cent. Bombay Government Loan, 1955. The loan which has a currency of 13 years is repayable at par on the 18th September 1955. It was raised in 1942-43 for the repayment of a part of the loans taken from the

Central Government prior to 1937, for financing remunerative capital expenditure. Adequate arrangements have been made for the amortisation of the loan by constituting a Sinking Fund to which contributions were made from general revenues and from Debt Redemption and Avoidance Fund. A part of the original loan of Rs. 3,54 lakhs has been cancelled by purchasing the securities of the loan from the accumulations in the Depreciation Fund of the Loan. The balance of the loan that remains to be repaid next year is Rs. 2,97 lakhs. It will be possible to repay the amount from the accumulations in the Sinking Fund and Debt Redemption and Avoidance Fund without causing any depletion in our Cash balances and without impeding the progress of Capital Expenditure.

BUDGET PATTERN.

On previous occasions I have drawn attention to the need for revising the pattern of the Budget. The present pattern follows an accounting procedure which was suited for an administration which has not a large capital expenditure and hardly any trading activities In recent years the revenue section of the Budget has included a few items of receipts and expenditure which should really appear on the capital side. I had occasion in the past to refer to the transactions in Ammonium Sulphate. Hitherto these transactions have balanced themselves. On the other hand if we have a large stock on hand at the end of any year it would affect our receipts and may quite easily unbalance the Budget and when a large stock carried over from a previous year is sold it would inflate the receipts. Expenditure is also inflated on account of repayment of short-term loans advanced by the Government of India. These loans have been applied on objects which would yield a reasonable return spread over a number of years. But they cannot possibly yield sufficient revenue to enable repayment of the loan within a short period. At least a part of such repayment can be transferred to the capital side and capital resources found to meet the expenditure. These difficulties have been experienced by other States also. As a result of this the Government of India have proposed some changes in the Budget. The Government of Bombay is examining the implications of these changes but pending their acceptance, the present Budget has been drawn on the old basis without any change.

WAYS AND MEANS.

At the end of the year 1953-54, there was a balance of Rs. 14,58 lakhs inclusive of the amount invested in Treasury Bills. During the current year I expect an overall surplus of Rs. 7,57 lakhs on the basis of the revised estimates made up as follows :—

		In lakhs of rupees.
Revenue surplus	+	58
Net capital expenditure (i.e. expenditure exclusive of amounts met from the Fund for Development Schemes and Milk and Sugarcane Cess Funds)	—	12,72
Betterment under "85-A—Capital outlay on State Schemes of Government Trading" ...	+	9,11
Betterment under Debt Heads inclusive of loans received from the Central Government and open market borrowing ...	+	10,60
	+	7,57

The year is thus expected to close with a balance of Rs. 22,15 lakhs. Excluding the amount of Rs. 8,60 lakhs which has been invested in long-dated securities during the current year, the closing balance at the end of the current year will be Rs. 13,55 lakhs which is inclusive of the amount invested in Treasury Bills.

The next year's estimates reveal an overall deficit of Rs. 15,75 lakhs as follows :—

		In lakhs of rupees.
Revenue surplus	+	22
Net capital expenditure (i.e. expenditure exclusive of amounts met from the Fund for Development Schemes and Milk and Sugarcane Cess Funds) ...	—	20,62
Worsening under "85-A—State Schemes of Government Trading" ...	—	3,67
Betterment under Debt Heads inclusive of loans from the Central Government but without taking into account open market borrowing ...	+	8,32
	—	15,75

Without taking into account open market borrowing or sale of securities, the year 1955-56 is thus expected to close with a minus balance of Rs. 2,20 lakhs. This will be converted into a sufficiently large working cash balance by open market borrowing and sale of securities to the extent necessary.

We have laid before ourselves the goal of a Welfare State. The fulfilment of this high ideal will not only require great efforts on our part but will also require the whole-hearted co-operation of all. Though the task ahead is hard, we will face it with satisfaction in our past achievements and with confidence and hope for the future.

Before I conclude I would specially like to thank the members of the Estimates Committee and the Public Accounts Committee for the valuable work done by them during the year.

With your permission, Sir, I would like to give expression of thankfulness to the Finance Secretary and his colleagues for the valuable assistance they have given, which has enabled Government to present such a satisfactory budget, which also would not have been possible without the restraint my Honourable Colleagues in the Cabinet placed on the demands submitted by their respective Departments.

In conclusion I would like to thank, Sir, the Honourable Members of this House for the patience with which they have heard the Budget Speech and to you, Sir, for your kind courtesy.

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