

A REVIEW OF THE PUBLIC FINANCES OF  
MADHYA PRADESH (OLD) SINCE 1921

AVINASH D. SUKLIKAR

GOKHALE INSTITUTE OF  
POLITICS AND ECONOMICS,  
POONA - 4

**A REVIEW OF THE PUBLIC FINANCES OF**  
**MADHYA PRADESH ( OLD ) SINCE 1921**

A THESIS  
SUBMITTED TO  
THE UNIVERSITY OF POONA

FOR THE DEGREE OF  
DOCTOR OF PHILOSOPHY

BY

**AVINASH DATTATRAY SUKLIKAR**

GOKHALE INSTITUTE OF  
POLITICS AND ECONOMICS,  
POONA 4.

**1968.**

## ACKNOWLEDGEMENTS

This thesis was begun under the guidance of Dr. T.M. Joshi, then of the Fergusson College, Poona, to whom I am much obliged for helping me through the initial stages of the preparation of my thesis. Prof. Joshi having left for the United States, I had the privilege of working and completing the major part of my thesis under the guidance of Prof. D. R. Gadgil, then Director of the Gokhale Institute of Politics and Economics, Poona.

After the appointment of Prof. D. R. Gadgil, in September, 1967, as the Deputy Chairman of the Planning Commission, Government of India, New Delhi, I had the privilege of getting the guidance of Prof. V. M. Dandekar, at present Director, Gokhale Institute of Politics and Economics, Poona.

I am much obliged to all these learned teachers for their valuable guidance and especially their fraternal attitude and sympathetic considerations of the personal difficulties of the student.

The continuous encouragement and kind care by Mrs. Usha Suklikar have helped me a lot in completing the task.

I am thankful to Mr. Prabhakar Godbole of the Commerce Weekly, Bombay, for rendering me much assistance in preparing and checking the statistical tables in the thesis.

My thanks are due to Mr. Vijay Suklikar who prepared the maps for all the six copies of the thesis.

My thanks are also due to Mr. N. G. Phadke who has done an excellent job in neatly typing out the thesis.

Gokhale Institute of  
Politics and Economics,  
POONA 4.

August, 1968.

A. D. Suklikar

C O N T E N T S

Chapter		Pages
	<u>PART I - GENERAL</u>	
1	<b>INTRODUCTION .....</b>	<b>1- 11</b>
	1.1 Object of the Thesis	
	1.2 Mode of Presentation	
	1.3 Classification of Revenue and Expenditure	
	1.4 Madhya Pradesh - Political Boundaries	
2	<b>DEVOLUTION OF FINANCIAL POWERS TO STATES...</b>	<b>12- 27</b>
	2.1 Introduction	
	2.2 First Period - Reforms of 1919 (1921-37)	
	2.3 Second Period - Provincial Autonomy (1937-47)	
	2.4 Third Period - Post Independence Period (1947-56)	
3	<b>CENTRE - STATES FINANCIAL RELATIONS.....</b>	<b>28- 79</b>
	3.1 Introduction	
	3.2 Relations During the Reforms Period (1921-37)	
	3.3 Relations During the Autonomy Period (1937-47)	
	3.4 Relations During the Post-Independence Period (1947-56)	
	3.4.1 States' share in Income-tax	
	3.4.2 States' share in Export Duties	
	3.4.3 States' share in Union Excise Duties	
	3.4.4 Grants-in-aid	

Chapter		Pages
	<b>3.5 The First Finance Commission</b>	
	3.5.1 Measure of Need	
	3.5.2 Supplementary State Rates	
	<b>3.6 States' Dependence on the Centre</b>	
	<b>3.7 Finance Commission and Planning Commission</b>	
	<b>3.8 States' Indebtedness to the Centre</b>	
	3.8.1 Debt Services	
	3.8.2 Comments on States' Indebtedness to Centre	
	<b>3.9 Conclusion</b>	
	<b><u>PART II - MADHYA PRADESH</u></b>	
<b>4</b>	<b>GENERAL BUDGETARY POSITION OF MADHYA PRADESH (1921-22 TO 1955-56).....</b>	<b>80-151</b>
	4.1 Introduction	
	4.2 Method of Presentation	
	4.3 Budgetary Position - First Period (1921-22 to 1936-37)	
	4.3.1 Sources of Funds	
	4.3.2 Uses of Funds	
	4.3.3 Annual Budgets	
	4.4 Budgetary Position - Second Period (1937-38 to 1945-46)	
	4.4.1 Sources of Funds	
	4.4.2 Uses of Funds	
	4.4.3 Annual Budgets	

Chapter		Pages
	4.5.1 Budgetary Position - Third Period (1946-47 to 1955-56)	
	4.5.1 Sources of Funds	
	4.5.2 Uses of Funds	
7	4.5.3 Annual Budgets	
5	WORKING OF THE REFORMED CONSTITUTION (1921-37).....	152-178
	5.1 Introduction	
	5.2 Drawbacks of the Meston Settlement	
	5.3 Retrenchment	
	5.4 Additional Taxation	
	5.5 Financial Settlement Between the Central Provinces and the Berar - the Sim Committee	
	5.6 General Financial Position	
	5.6.1 Current Revenue	
	5.6.2 Revenue Expenditure	
	5.7 Comments on the Financial Policy during the Reforms	
6	PROVINCIAL AUTONOMY - MINISTRY FINANCE (1937-40) .....	179-200
	6.1 Introduction	
	6.2 Retrenchment and Economies in Expenditure	
	6.3 Revenue Concessions	
	6.4 Additional Taxation	
	6.5 Other Policies and Measures	
	6.6 General Financial Position	

Chapter	Pages
	6.6.1 Current Revenue
	6.6.2 Revenue Expenditure
	6.7 General Remarks on the Ministry Finance
7	<b>FINANCES DURING THE WAR PERIOD (1940-46)... 201-218</b>
	7.1 Introduction
	7.2 General Financial Position
	7.2.1 Current Revenue
	7.2.2 Revenue Expenditure
	7.3 Additional Taxation
	7.4 Revenue Surpluses
	7.5 Other Financial Policies
	7.5.1 Procurement and Distribution of foodgrains
	7.5.2 Provincialisation of Road Transport
	7.5.3 Beginning of State Electricity Schemes
	7.6 General Remarks
8	<b>RECONSTRUCTION AND PLAN FINANCE (1946-56).. 219-253</b>
	8.1 Introduction
	8.2 General Financial Position
	8.2.1 Current Revenue
	8.2.2 Revenue Expenditure
	8.3 Additional Taxation
	8.4 Policy of Prohibition
	8.5 Controls on Price and Consumption of Essential Commodities

<b>Chapter</b>		<b>Pages</b>
	8.6	Abelition of Zamindari
	8.7	The Problem of Berar
	8.8	Plan Finance
	8.8.1	Development Plan - 1946-51
	8.8.2	First Five-Year Plan - 1951-56
	8.9	Other Financial Policies
	8.10	General Conclusions
	8.10.1	Regional Development
<b>9</b>	<b>CAPITAL EXPENDITURE - WORKS</b>	<b>254-289</b>
	9.1	Introduction
	9.2	Irrigation works
	9.2.1	Historical Account
	9.2.2	A Pause
	9.2.3	Revival of Activity
	9.2.4	Location of Works and Area Irrigated
	9.2.5	Revenue from Irrigation
	9.2.6	Fixation of Water Rates
	9.3	Civil Works
	9.3.1	Expenditure on Civil Works
	9.3.2	Road Mileage
	9.3.3	Central Road Fund
	9.3.4	Revenue from Civil Works
	9.4	Power Projects
	9.4.1	Expenditure on Power Projects
	9.4.2	Consumption of Power



<b>Chapter</b>		<b>Pages</b>
	9.4.3 Revenue from Power Projects .....	
	9.5 Forest Works	
	9.6 Conclusion	
<b>10</b>	<b>CAPITAL EXPENDITURE - LOANS AND ADVANCES...</b>	<b>290-301</b>
	10.1 Introduction	
	10.2 Advances During Reforms Period (1921-37)	
	10.3 Advances During the Second Period (1937-46)	
	10.4 Advances During the Third Period (1946-56)	
	10.5 Conclusion	
<b>11</b>	<b>CAPITAL RECEIPTS - PUBLIC DEBT .....</b>	<b>302-323</b>
	11.1 Introduction	
	11.2 Public Debt During Reforms Period (1921-37)	
	11.3 Public Debt During the Second Period (1937-46)	
	11.3.1 Rearrangement of Debt under Niemeyer Award	
	11.3.2 Open Market Loans	
	11.3.3 Loans from the Centre	
	11.3.4 Net Indebtedness of the Province	
	11.4 Public Debt During the Third Period (1946-56)	
	11.4.1 Open Market Loans	
	11.4.2 Loans from the Centre	
	11.5 Debt Services	
	11.6 Sinking Fund	

<b>Chapter</b>		<b>Pages</b>
<b>12</b>	<b>TAX SYSTEM OF MADHYA PRADESH .....</b>	<b>324-362</b>
	12.1 Introduction	
	12.2 General Sales Tax	
	12.3 Sales Tax on Motor Spirit	
	12.4 State Excise	
	12.5 Tobacco Duties	
	12.6 Entertainment Tax	
	12.7 Electricity Duty	
	12.8 Land Revenue	
	12.8.1 Formula of Payment of Compensation to Zamindars	
	12.8.2 Removal of Exemptions	
	12.8.3 Land Tenures and Assessment of Land Revenue	
	12.9 Tax on Motor Vehicles	
	12.10 Stamp Duty	
	12.11 Registration Fees	
	<b>SELECT BIBLIOGRAPHY .....</b>	<b>363-368</b>
	<b>APPENDICES TO THE THESIS .....</b>	<b>369-3</b>
	<b>Appendix</b>	
	<b>I</b>	<b>Constitutional Arrangement in regard to the Financial Resources of the States</b>
	(Ref. Chapter 2)	
	<b>II</b>	<b>General Budgetary Position of Madhya Pradesh (1921-22 to 1955-56)</b>
	(Ref. Chapter 4)	
	<b>III</b>	<b>Statement of Revenue of Madhya Pradesh (1921-22 to 1936-37)</b>
	(Ref. Chapter 5)	

**Appendix**

- |                                      |  |
|--------------------------------------|--|
| <b>IV</b><br>(Ref. Chapter 5)        | <b>Statement of Revenue Expenditure of Madhya Pradesh (1921-22 to 1936-37)</b> |
| <b>V</b><br>(Ref. Chapters 6 and 7)  | <b>Statement of Revenue of Madhya Pradesh (1937-38 to 1945-46)</b>             |
| <b>VI</b><br>(Ref. Chapters 6 and 7) | <b>Statement of Revenue Expenditure of Madhya Pradesh (1937-38 to 1945-46)</b> |
| <b>VII</b><br>(Ref. Chapter 8)       | <b>Statement of Revenue of Madhya Pradesh (1946-47 to 1955-56)</b>             |
| <b>VIII</b><br>(Ref. Chapter 8)      | <b>Statement of Revenue Expenditure of Madhya Pradesh (1946-47 to 1955-56)</b> |
| <b>IX</b><br>(Ref. Chapter 9)        | <b>Irrigation Works - Expenditure and Receipts (1921-22 to 1955-56)</b>        |
| <b>X</b><br>(Ref. Chapter 9)         | <b>Civil Works - Receipts and Expenditure (1921-22 to 1955-56)</b>             |

**MAPS ..... II(a)-11(c)**

- No. 1. Map of Central Provinces and Berar showing the Territories acquired by the British Government**
- No. 2. Map of Madhya Pradesh showing Districts**
- No. 3. Map of Madhya Pradesh showing Agricultural Regions**