

MADRAS LEGISLATIVE ASSEMBLY

DEBATES

FIRST SESSION OF THE SECOND LEGISLATIVE
ASSEMBLY UNDER THE GOVERNMENT OF INDIA
ACT, 1915.

Volume II (Nos. 1-25).

TABLE OF CONTENTS

Monday, 22nd July 1946.

Proceeding of the Government of Madras	1
I Opening by the Members	3
II Election of Representatives to the Constituent Assembly	2-14

Wednesday, 31st July 1946.

I Questions and Answers	17-43
II Announcement regarding the result of election to the Constitu- ent Assembly	43-44
III Presentation of Budget for the year 1946-47	44-47
IV Statement by Hon. Member regarding reduction of the rice prices of ration	47-52
V Government's reply	
(1) Public Accounts Committee	53
(2) House Committee	54
(3) Election of one member to the Board of Industries	55-56
(4) Election of one member to the Advisory Committee of the Madras and Southern Mahratta Railway	56
VI Panel of Chairmen	56
VII Paper laid on the table of the House	57

Friday, 2nd August 1946.

I Questions and Answers	57-61, 120
II Announcement by the Hon. the Speaker regarding constitution of a Committee for amending Rules of Procedure	62
III General discussion of the Budget for the year 1946-47	92-123

Saturday, 3rd August 1946.

I Questions and Answers	127, 128
II General discussion of the Budget (continued)	128-132
III Paper laid on the table of the House	132

Monday, 5th August 1946.

I Questions and Answers	212-213
II General discussion of the Budget for the year 1946-47	212-222

Wednesday, 14th August 1946.

I Questions and Answers	227-227, 244
II Adjournment motion regarding convulsion strike	227
III Election of a member to the Board of Industries	227
IV Election of a member to the Advisory Committee of the Madras and Southern Mahratta Railway	227
V Election of members to the House Committee	227-228
VI Demands for Grants for 1946-47—Demand I—Land Revenue	228-231
.. .. .	228-232
VII Election of members to the Public Accounts Committee	232-234
VIII Paper laid on the table of the House	232

Thursday, 15th August 1946.

I Questions and Answers	245-246
II Demands for Grants for 1946-47— Demand II—Unemployment	245-246
Demand III—Mineral	246-247
Demand IV—Forest	247-248
III Adjournment of the House	248-248

[Mr. Speaker]

[31st July 1946]

may receive their letters of credentials from me in my Chambers either in person or through an agent duly authorized in writing. In the case of those who are not Members of the Legislature, letters of credentials will be sent to them in the usual course."

III. PRESENTATION OF BUDGET FOR THE YEAR 1946-47.

MR. SPEAKER:—"The Hon. the Premier and Finance Minister will now present the Budget for the year 1946-47."

THE HON. SRI T. PRASAD:—"Sir, I present to the House the preliminary accounts for 1945-6 and the Budget Estimate for 1946-7."

"*Introductory remarks.*—The first Congress Ministry in the Madras Presidency resigned office in October 1939 after having been in office for about two years and three months. The Congress Party was again returned to power in this Province at the recent elections. The present Government assumed office on the afternoon of the 30th April 1946. The Treasury Bench is thus again occupied by persons elected by and wholly responsible to the people of the Province."

"2. *Revised Budget for 1946-7.*—The budget for 1946-7 which was authorized by His Excellency the Governor under the Proclamation issued under section 93 of the Government of India Act, 1935, and published last March lapsed with the revocation of the Proclamation and the assumption of office by the Ministry. The Ministry has now to present to the Legislature for voting a budget for the full year 1946-7, though it assumes responsibility only for the expenditure during the portion of the year subsequent to the revocation of the Proclamation on 30th April 1946. The figures furnished by the Accountant-General, Madras, for the expenditure incurred in April 1946 whilst the section 93 proclamation was in force, are exhibited separately in the budget, but the expenditure has been merged in the full year's estimates now presented to the Legislature."

"In preparing the revised budget, the Government have taken into account various factors that necessitate material changes in the estimates of revenue and expenditure adopted in the budget previously published and have made such other changes as were possible within the short time available after the assumption of office by the Ministry in order to give effect to the policy of the Congress."

"3. *Preliminary accounts, 1945-6.*—Before considering the budget estimates for 1946-7, a brief reference may be made to the financial results of the year 1945-6. Only the preliminary accounts figures for 1945-6 are available now. These are liable to modification as a result of further adjustments between the revenue section of the accounts and the capital, debt and deposit sections. On the basis of the figures now available the actual revenue in 1945-6 was Rs. 47,54-40 lakhs, i.e., Rs. 6,81-11 lakhs more than

31st July 1946] [Hon. Sri T. Prakasam]

the budget estimate, and the expenditure (including the net outlay on State Trading Schemes and the transfer to the Revenue Reserve Fund) was Rs. 32,65-16 lakhs, i.e., Rs. 3,23-11 lakhs more than the budget estimate. The increase in revenue occurred mainly under Excise, General Sales Tax, Income-tax, Stamps and Receipts under the Motor Vehicles Acts. The additional expenditure occurred largely under the heads General Administration, Police, Civil Works and Other Taxes and Duties (i.e., Commercial Taxes). The reasons for the increases are given in the Budget Memorandum. Against a net outlay of Rs. 1,66-20 lakhs anticipated in the budget estimate for 1946-6 under State Trading Schemes, there was actually a net credit of Rs. 2,29-20 lakhs due mainly to the realisation in 1945-6 of amounts due for sales effected in 1944-5 and to payment not having been made in the year for certain purchases made in 1945-6. As a result of the improvement in revenue and the net credit arising from the transactions relating to State Trading Schemes, it was possible to transfer a sum of Rs. 17,50 lakhs to the Revenue Reserve Fund against Rs. 10,00 lakhs provided in the budget estimate.

" The capital expenditure outside the revenue account was Rs. 87-77 lakhs against the budget estimate of Rs. 1,35-62 lakhs. The position under debt, deposit, advances and remittance heads showed an improvement of over Rs. 1,48 lakhs. This is mainly due to the fact that, as usual, the budget estimate for 1945-6 did not take credit for the new loan of Rs. 3 crores that was actually raised in the open market during the year to finance capital expenditure and loans and advances to local bodies and agriculturists.

" The year 1945-6 closed with a cash balance of Rs. 3,10-09 lakhs against Rs. 59-11 lakhs anticipated in the budget estimate. In addition to the cash balance of Rs. 3,10-09 lakhs, there were at the end of 1945-6 securities worth Rs. 39,65-22 lakhs in the Cash Balance Investment Account and Rs. 14,11-38 lakhs in the Revenue Reserve Fund.

" 4. Budget estimate, 1946-7.—Before entering into the details of the estimated revenue and expenditure of the current year, I shall mention certain general features of the budget.

" 5. General food position.—The general food situation in the Province continues to be difficult. The havoc caused by the cyclone of October 1945 in the northern surplus districts, the failure of the north-east monsoon in certain central districts and the insufficient supply of water for irrigation of the Canvey Delta resulted in a progressive decline of rice stocks in the Province. Imports of rice from outside the Province were not on a sufficient scale to offset appreciably the losses due to natural disasters in the Province. Food distribution therefore became difficult. As against a total deficit of about 16 lakhs tons of rice during the current crop year, the Government of India have so far allotted only about 2½ lakhs tons in the form of rice, including an allotment of about 1 lakh tons of rice from outside India. But they have also allotted fairly large quantities of wheat, flour and maida and some millets in

12-12
p.m.

[Hon. Sri T. Prakasam] [31st July 1946]

order to make up the deficiency as far as possible. As part of their measures for meeting the food crisis, the Government have launched a vigorous procurement drive throughout the Province. Village, Taluk and District Committees consisting of influential non-officials are being formed to give assistance in regard to procurement and in ensuring equitable distribution of food. A separate Public Relations Branch has been formed in the Civil Supplies Department to popularise the use of unfamiliar foodstuffs such as wheat. The Government have also sanctioned the purchase of transport vehicles and machinery at a total cost not exceeding Rs. 12.75 lakhs from surplus Army stores, for use in connection with the food production and procurement drive. The south-west monsoon of 1946 is favourable. If it is followed, as we must hope and pray, by a favourable north-east monsoon, the food position in the Province should rapidly become more satisfactory.

"The Government are endeavouring to see that the prices of essential foodstuffs and forested are kept as low as possible and that adequate incentives are given for the cultivation of food-crops, by granting subsidies on the sales of certain foodstuffs and by giving bonuses in respect of certain food-crops, etc.

"6. *Rationing of foodgrains.*—Statutory rationing of foodgrains is now in force in all the municipal towns of the Province and their suburban areas, the whole district of Malabar and the Chirala and Parala villages in Guntur district. Non-statutory rural rationing was first introduced in the deficit districts of Visagapatnam, Dattavally, Bannad, Coimbatore, the Nilgiris and South Kanara; owing to the difficult food position it has recently been extended to all parts of the Province where statutory rationing is not in force. Adequate staff has been sanctioned for the enforcement of the rationing of foodgrains under both methods.

"7. *Grow More Food Campaign.*—The Government have taken various measures to promote increased production of food. They have sanctioned an accelerated scheme for sinking new wells and repairing old ones. The scheme was introduced in all the districts of the Province except the Nilgiris. Under the scheme, half the cost of sinking a new well or repairing an old well is given as a subsidy, subject to a maximum of Rs. 300 or Rs. 31½ for each new well and a maximum of Rs. 160 in respect of repairs to old wells. By the end of June 1946 applications involving the payment of subsidies amounting to Rs. 3.14 lakhs for new wells and Rs. 77 lakhs for old wells had been received and the amount of subsidies sanctioned by that date was Rs. 1.88 lakhs for new wells and Rs. 48 lakhs for old wells. The sinking of wells is on the whole costlier and more difficult in the Ceded Districts than elsewhere. Owing partly to these special circumstances and partly to the need to provide employment for labourers during the coming months when there may be famine, the Government have sanctioned a modified scheme for the Ceded Districts, with effect from 24th June 1946, so as to provide for the payment of subsidy up to Rs. 600 for a new well and Rs. 300 for an old well. As the necessary data were not available in time, it was not possible to

31st July 1946]

[Hon. Sri T. Prakasam]

include in the revised budget the additional provision required for the subsidies mentioned above. The Government have also sanctioned the grant of bonus to cultivators for encouraging cultivation of short-term cereal crops during March and April 1946, free distribution of manure in certain taluks in Malabar and South Kanara districts to lands cultivated with short-term paddy sown in the months of April, May and June 1946, the grant of bonus to ryots for short-term paddy and millets to be delivered in September, October and up to 15th November 1946 and bonus for delivery of paddy, rice, etc., during June and July 1946.

"The Province was even in normal times deficit in foodgrains. While the population is growing, food production is more or less stationary. It is, therefore, necessary to intensify the assistance to the production of more foodgrains to bridge the ever-widening gap. While planning to increase the area under cultivation and introducing better methods, the Government propose to concentrate immediately on improving the yield in rice surplus areas by providing more manure and better drainage facilities as this is the best way of securing quick results.

"**R. Prohibition.**—As a first instalment, the Government have ordered that prohibition should be re-introduced in the districts of Salem, Chittoor, Cuddapah and North Arcot with effect from 1st October 1946 and that the enforcement of prohibition should be entrusted to the Police with the assistance of such Excise staff as they find necessary for the purpose. The loss of revenue on account of this decision is estimated at Rs. 2-30 crores for a full year.

"I am saying something new which is not found in the speech printed and circulated to hon. Members. The programme of prohibition will be completed in the whole Province in three years and the Sales Tax revenue will be set apart for that purpose from now.

"**R. Village Reconstruction and Harijan Uplift.**—The Government have decided to undertake certain measures of rural reconstruction and pursue them vigorously. To start with, they propose to make a fika in each district self-efficient in the matter of food and clothing. Each selected fika will be in charge of a Fika Development Officer of the rank of a Deputy Tahsildar and under him there will be one Village Development Officer of the rank of a Revenue Inspector for each of the four or five groups of villages into which each selected fika will be divided. The necessary subordinate staff will be provided for each Fika Development Officer and Village Development Officer.

"A scheme for the production of khadi in each of the selected fikas is ready and will be put into operation almost at once. The special feature of the scheme is that not only will yarn be spun in the villages but it will as far as possible be woven into cloth in the same areas. A sum of Rs. 3 crores has been included in the budget for the purpose. A further sum of Rs. 1 crore has been included for measures aiming at the uplift of Harijans

[Hon. Sri T. Prakasam]

[31st July 1946]

and the removal of their disabilities. A special fund will be constituted for financing these schemes and contributions will be made to it from current revenues.

"I may tell hon. Members in this connection that it is not a question of voting a lump-sum for the purpose because it is against the spirit of the rules which have been examined by the Finance Department. Because of that difficulty we are earmarking a sum of Rs. 4 crores for this purpose and the amounts required from time to time will be drawn from that fund for the promotion of these objects.

"18. Education.—Apart from the additional provision of grants to managements of aided primary schools to enable them to pay higher dearness allowance at Rs. 16 per mensem to their teaching staff and for the supply of midday meals to poor children attending primary schools in selected areas, the budget includes a provision of Rs. 22 lakhs for the extension of compulsory primary education to further selected areas in the current year. To provide teachers for the increasing number of primary schools, the Government have also planned to train 4,000 additional teachers and have arranged for the payment of enhanced rates of stipends to teachers undergoing training. The Government are aware of the need for raising the status of the teachers and are actively considering proposals with regard to raising their status. As a token of their sympathy towards the low-paid teachers in aided primary schools, the Government have decided to give from 1st August 1946 an increment of two rupees a month on the grant paid in respect of each teacher in the aided primary schools because these teachers are about the lowest paid in the ladder. This decision was taken after the budget estimate was fixed and involves an extra cost of Rs. 7½ lakhs in the current year and Rs. 13 lakhs in a full year.

"The budget includes also provision for the payment of grant to the Andhra University towards the cost of the Chancery and Administration buildings and an increased block grant to the Annamalai University, for the opening of Government Engineering Colleges at Coimbatore and Amritapur, and for the opening of a Government College for Muslim girls at Madras and of the B.Sc. course in the Government Muhammadan College. Provision has been made also for the raising of the Coimbatore Government Arts College to a First Grade College and steps will be taken to place the Coimbatore College of Technology on a permanent basis.

"I would like to indicate here the policy which the Government intend to pursue with regard to education. Several religious endowments have surplus funds regarding the use of which there is no settled policy. The Government will take necessary steps to ensure that all surplus funds are used for education by the opening of new institutions.

"Basic education on the lines expounded by the Hindustani Talimi Sangh will be adopted, and it is expected that gradually our schools and training schools will be remodelled on these lines.

31st July 1946]

[Hon. Sri T. Prakasam]

" University education also needs much reform. Students on completion of their high school studies go to colleges as a matter of course. It is necessary to divert them to various professions so that many of them need not aimlessly go in for a college education. The result of the present system of education has been a fall in the standard of University achievement. Most of our graduates have to content themselves with filling clerical posts under Government or entering the overcrowded profession of law. The University education is really unnecessary for most of the professions that men and women seek to fill and should be taken up by young men and women who have the capacity to benefit from it and contribute to the progress and development of the country by research, initiative and opening up of fresh fields of activities. The Government propose to take up the re-organisation of education in right earnest in the near future. In the reorganisation, the proper place and importance will be given to the regional languages.

" 11. *Medical*.—The Government have sanctioned the opening of two new Government Medical Colleges in the current year—one at Madura and the other at Quatar. They propose to provide facilities for the training of 300 additional midwives, from 1946-7. Arrangements have also been made for opening, as and when necessary, 300 hospitals with 20 beds each in certain districts to meet the emergency which may arise as a result of the deterioration of the health of the people due to food shortage. The Government also propose to develop the practice of the indigenous systems of medicine, such as Ayurveda, Siddha and Unani and also of homeopathy and naturopathy, in this Province and education in these systems on systematic and up-to-date lines. A sum of Rs. 5 lakhs has been provided in the budget for this purpose.

" 12. *Public Health*.—Provision has been made for two anti-malarial units in the revised budget, one in the Agency tracts of Vinnagapattam district and the other in the Agency tracts of East Godavari district. The Government have also made suitable preparations for combating epidemics that may break out as a result of food scarcity. They have also arranged for the purchase of multi-vitamin tablets and other preparations for use in treating food deficiency diseases, at a cost of Rs. 18 lakhs.

" 13. *Development of rural water-supply*.—There is a great need for the acceleration of the rural water-supply programmes in the Province in general and in the famine-affected Ceded Districts in particular. It is proposed to transfer Rs. 30 lakhs to the fund for the development of rural water-supply to meet increased expenditure on rural water-supply works.

" 14. *Municipal water-supply and drainage schemes*.—In addition to the municipal water-supply and drainage schemes for which funds are provided in the budget, certain other schemes under this head are under active consideration and the Government hope to sanction some of these in the course of the current year and present a supplementary demand in due course for the funds required.

12-33
P.M.

[Hon. Sri T. Prakasam] [31st July 1946]

" 15. *Housing*.—The Government are well aware of the difficulties arising from the acute shortage of houses in the Province and are carefully considering what measures should be taken to improve the position. A proposal to undertake legislation to make it possible to continue control of house-rents after the expiry of the Defence of India Rules is also receiving attention.

" 16. *Highways Department and road works*.—The previous Government decided that local bodies should be relieved of the responsibility for the maintenance and development of important lines of communications and 10,000 more miles of roads were taken over by the Government from 1st April 1946. To maintain the roads taken over from local bodies and to execute the post-war development programme, the Highways Department was constituted from 1st April 1946. The present Government are, however, reviewing the position in view of the paramount need for increased production of food and other essential articles and are not in favour of spending large amounts on road works. They would prefer to spend larger amounts on irrigation works and other productive schemes, while setting apart adequate funds for improvements and maintenance of existing roads, and for construction of new roads wherever necessary. The Government have also considerably curtailed the programme of purchase of mechanical equipment and contemplate the revision of the entire post-war programme for road development. They propose that the staff that will be retrenched from the Highways Department should be used for the investigation of important irrigation and electricity schemes which has been held up for want of engineering staff.

" 17. *Irrigation, etc., works*.—Special attention will be paid to the restoration of minor irrigation works by executing the necessary repairs and by deepening them, and irrigation channels will be put in order. Work on Major Projects such as the Tungabhadra Project and the Mochand Project will be continued and progress speeded up, and the investigation of the Banapadmasagara Project will also continue.

" Several proposed irrigation schemes were abandoned in the past on the ground that they would not yield a minimum financial return, although they were otherwise considered to be sound. With a view to expanding the area under food crops it will be necessary to examine some of these schemes again as well as new projects. The Government are considering a revision of their irrigation policy.

" 18. *Local Administration*.—In the sphere of Local Administration, the Government have decided to enlarge the powers of Municipalities and Local Boards and to remove certain restrictions which have been placed on them during recent years, as as to enable them to function more efficiently in meeting the needs and providing the amenities of civic life in our towns and villages. The Village Panchayat Act, passed this year before the present Ministry took office, will also be thoroughly recast, and Panchayats will be reorganized so as to enable them to serve

31st July 1946] [Hon. Sri T. Prakasam]

as autonomous bodies administering village affairs. Necessary legislation to achieve these objects will be prepared and placed before the House in the course of the year.

" 18. *Famine relief.*—The Government decided to speed up the well-digging programme and repairs to irrigation works and to increase the number of Public Works Department and District Board works in the famine-affected districts in order to provide employment for the people. One hundred and sixty-five works have been sanctioned in Anantapur and sixty-four in Bellary. Fodder depots have also been opened in these districts to relieve the fodder scarcity. Gratuitous relief in the shape of cash and grain is also distributed to infirm and decrepit persons in the affected villages. Large consignments of condensed milk have been supplied to the Collectors of these districts for distribution to expectant and nursing mothers and children. Remissions of land revenue have been granted on a liberal scale in the affected areas. The budget provides for an expenditure of Rs. 145 lakhs on famine relief measures and it is proposed to make a net withdrawal of Rs. 38 lakhs from the Famine Relief Fund to meet a part of this expenditure.

" The Ceded Districts are a tract constantly liable to famine and considerable sums are spent year after year on unproductive works to provide famine relief. Measures for the permanent development of the area are long overdue. The Government propose to address themselves immediately to this task by directing a portion of the provision for famine relief and by further grants, if necessary. A geological survey will be undertaken and the abundant and valuable mineral wealth of the tract will be utilised. An Economic Development Board has been in existence for some time and has made a number of proposals. It will be strengthened and reorganised and provided with a high-powered executive working directly under the Government. Its duty will be to effect the suggested improvements as quickly as possible with the aid of special grants placed at its disposal.

" 20. *Post-war development schemes.*—The Government have already sanctioned a number of post-war development schemes and other schemes are under detailed examination. The total provision included in the budget for post-war development schemes is Rs. 11,49.41 lakhs, of which Rs. 7,82.66 lakhs is debitable to the revenue account.

" In planning it is necessary to take note of the fact that a number of articles which can be produced in the Province, are imported, resulting in loss of money and loss of avenues for employment. Bangles are an instance in point; bangles worth Rs. 50 lakhs are imported annually into the Province. They are articles which can be easily manufactured here and in fact there was a flourishing trade in them in some areas till a few years ago.

" Trade and Commerce complain that the existing channels have been interfered with and one opening after another is closed to them. But the kind of business so far has largely been of the type which takes no risks, does not add to the real wealth of the Province

[Hon. Sri T. Prakasam]

[31st July 1946]

and aims at making money in easy ways like commission agency, money-lending, etc. The Government in future planning intend to open up new lines along which trade and commerce may prosper and help the real development of the Province. They propose to establish an Industrial Finance Corporation on the lines of the Industrial Finance Corporation recently formed in the United Kingdom and make it responsible for the proper industrial development of the Province. It will work independently of the Government but subject to their control.

" 21. *Judiciary and Executive and Jails.*—The budget also includes token provisions of Rs. 2 lakhs for the separation of the Judiciary and Executive and Rs. 1 lakh for the improvement of sub-jails in the Province.

" 22. *Revision of rates of pay.*—The Government are considering carefully the question of improving the rates of pay of the lower grades of Government servants and servants of local bodies. The Government hope to pass orders soon on the memorials of the village officers and servants asking for increased remuneration which are now under their active consideration.

" 23. *Reorganisation of land systems.*—It is the intention of the Government to bring in legislation as early as possible regarding the Estates Land Act and the Mahalwari Tenancy Act. The examination of the Land Tenure in the other areas of the Province with a view to reform has also been taken up.

" 24. *Revenue Reserve Fund.*—In recent years there were large surpluses in the revenue account, and they were transferred to the Revenue Reserve Fund in order that the moneys so accumulated might be drawn upon to meet expenditure on post-war development schemes and to cover revenue deficits. On 1st April 1946 there was a balance of Rs. 31.80 lakhs in the Fund in cash and securities. In order to balance the budget after meeting the large expenditure on food subsidies, providing Rs. 4 crores for village reconstruction and Harijan uplift and providing for a number of other new schemes including post-war development schemes, it is proposed to withdraw Rs. 8.94 lakhs from the Revenue Reserve Fund.

" 25. *Budget Estimate, 1946-7, Summary.*—Coming now to the actual figures of estimated revenue and expenditure to be met from current revenues in 1946-7, the position is as follows:—

	Preliminary Accounts, 1945-6	Revised Estimate, 1946-7.
	Rs. Lacs.	Rs. Lacs.
Revenue—		
Normal	47.48-40	48.48-00
Transfer from the Revenue Reserve Fund. ..	..	8.94-00
Total ..	47.48-40	57.42-00
Expenditure on revenue account including (a) net outlay on State Trading Schemes and (b) transfer to the Revenue Reserve Fund.	23.65-00	24.25-00
Net outlay on State Trading Schemes ..	—2.39-00	6.89-15
Transfer to the Revenue Reserve Fund. ..	17.26-00	..
Total ..	47.45-00	57.42-15
Surplus ..	00	15

31st July 1946] [Hon. Sri Y. Prakasam]

" 26. *Revenue*.—The total revenue anticipated for 1946-7 (including the transfer from the Revenue Reserve Fund) exceeds the preliminary accounts figure for 1945-6 by Rs. 62.92 lakhs. The Government of India have offered to give "advance grants" (i.e., advances against the grants that will be allocated to this Province by the Government of India for post-war development in the five years from 1947-8 on principles which have not yet been finally settled) towards the expenditure on unproductive post-war development schemes incurred in 1945-6 and likely to be incurred in 1946-7. The budget takes credit for Rs. 4.48 lakhs on this account. The merging of the surcharges with the basic rates of Income-tax will increase the Province's share of Income-tax receipts and the Madras Government's share in 1946-7 is expected to be Rs. 54.80 lakhs more than in 1945-6. The budget also anticipates larger receipts under Land Revenue, Agriculture and Electricity Schemes. On the other hand the budget allows for a loss of revenue of about Rs. 1.15 lakhs under Excise on account of the reintroduction of prohibition in the districts of Salem, Coimbatore, Chittoor and North Arcot from 1st October 1946 and a further decrease of Rs. 2.02 lakhs under Excise on account of the anticipated fall in wages and employment due to cessation or reduction of war-time activities. Decreases are also anticipated under Stamps, General Sales Tax, Entertainment Tax and Betting Tax due to the anticipated diminution in war-time prosperity, under Forest as a result of the stoppage of supply of timber and hay for war purposes and under Civil Defence on account of the absence of certain special credits which accrued in 1945-6 due to the sale of A.R.P. stores and recovery of arrears from the Government of India on account of postable expenditure and coastal patrols.

" 27. *Expenditure*.—Including the net outlay on State Trading Schemes, the budget provides for an expenditure of Rs. 57,42.72 lakhs, i.e., Rs. 27,46.92 lakhs more than the preliminary accounts figure of expenditure for 1945-6, excluding the transfer to the Revenue Reserve Fund which was not outright expenditure. Of this large increase of Rs. 27.47 lakhs, over Rs. 9.18 lakhs is due to State Trading Schemes, the net outlay on which in 1945-6 is expected to be Rs. 6.39 lakhs as a result of heavy subsidies on food against the net credit of Rs. 2.29 lakhs in 1945-6. The establishment and other charges incurred in connection with the intensive procurement and rationing of foodgrains and free distribution of milk to school children and primary consumers in the midmeal account for an increase of Rs. 2.86 lakhs, while the schemes for village reconstruction and Harijan uplift are responsible for an increase of Rs. 4.50 lakhs. There is an increase of over Rs. 3.74 lakhs under Civil Works, which arises mainly from the taking over of a number of roads from local bodies, the construction of a new Highways Department and the execution of works included in the post-war development plan and other works held up during the war. Education is responsible for an increase of over Rs. 1.09 lakhs on account of provision for payment of larger grants to managements of aided schools towards the cost of dearness allowances to their teaching staff, for supply of midday meals to poor children attending primary schools and for a number of new schemes with

[Hon. Sri T. Prakasam]

[31st July 1946]

as the opening of Government Engineering Colleges at Coimbatore and Anantapur and the training of 4,000 additional teachers. Famine contributes an increase of Rs. 1.91 lakhs, after allowing for the net transfer to be made from the Famine Relief Fund to meet a portion of the expenditure. There are increases on a smaller scale under a number of other heads, notably Irrigation, Police, Public Health, Agriculture and Industries.

" Detailed explanations for the variations between the preliminary accounts figures for 1945-6 and the Budget Estimate for 1946-7 under the various heads are given in Part II of the Finance Secretary's Memorandum on the budget for 1946-7.

" 28. Capital expenditure.—The total capital expenditure outside the revenue account (excluding the net outlay on State Trading Schemes and the expenditure on pension commutation payments which will be met from current revenue) is Rs. 4,29.81 lakhs against Rs. 87.77 lakhs in the preliminary accounts for 1945-6. The large increase results from increased provision for a number of electricity schemes and for the Tungabhadra Project, on which only a limited amount could be actually spent in 1945-6.

" 29. Loans and advances.—The budget takes credit for recoveries of over Rs. 100 lakhs under loans and advances and provides for new advances of over Rs. 3.06 lakhs including Rs. 30 lakhs for short-term loans to the Madras Co-operative Central Land Mortgage Bank and about Rs. 71 lakhs for new loans to local bodies.

" 30. New open market loan, 1946.—It will be desirable to raise a loan in the open market if easy money conditions continue to prevail, so that the proceeds may be used to finance capital outlay and new loans and advances. Borrowing on a large scale will eventually be necessary to provide funds for development and it is advisable to spread out the open market borrowing and raise as much as can conveniently be raised in the open market on reasonable terms each year. Following the usual practice, no credit has been taken in the budget on this account.

" 31. Closing balance, 1945-7.—After taking into account the opening cash balance of Rs. 3,10.49 lakhs and the probable credits and debits under all heads, the year is expected to close with a cash balance of Rs. 56.01 lakhs. It is estimated that, in addition to this cash balance, the Government will hold on 31st March 1947 securities worth Rs. 9,21.46 lakhs in the Cash Balance Investment Account and securities worth Rs. 22,40.38 lakhs in the Revenue Reserve Fund. It is also anticipated that the Government will hold on 31st March 1947 securities purchased for Rs. 3,93.43 lakhs belonging to the Sinking Fund Investment Account, the Famine Relief Fund and the Electricity Depreciation Reserve and Special Reserve Funds.

" 32. Conclusion.—The Government anticipate that the post-war levels of prices and employment will eventually be lower than the war-time levels and that this will probably involve an appreciable fall in Provincial revenues, but so far there is no sign of any such fall as a result of the end of the war. The expenditure

31st July 1946] [Hon. Sri T. Prakasam]

of the Province continues to increase steadily even beyond the high level established during the war years. The deficit of nearly Rs. 9 crores in the revenue account anticipated this year may be regarded as exceptional as it is mainly due to heavy food subsidies and the high cost of importing foreign grains, powdered milk, etc., from outside to meet the acute and exceptional food shortages caused by a variety of adverse natural factors. Without these special items of expenditure and without giving up any important source of revenue, it would have been just possible to balance the budget this year. It will be necessary to tap new sources of revenue to meet the increasing expenditure on post-war development schemes in future years. As the Government intend to extend prohibition to other districts in future years, it will be impossible even to maintain the existing level of expenditure unless alternative sources of revenue are found. How best the additional revenue may be raised will of course be a question for very careful consideration by the Government. They will at the same time examine what retrenchment in expenditure may be effected.

"The work of the Finance Department in preparing the budget has by no means been easy. Not only has it had to prepare it in a short time, but it has also had constantly to readjust it as the various schemes of the new Government were decided upon. I take this opportunity to render the thanks of the Government to Dr. Dadwell and Mr. T. N. S. Raghavan and their officers and staff.

"With these words I commend this budget for the acceptance of this House."

IV.—STATEMENT ON REDUCTION OF THE RICE PORTION OF THE RATION.

The Hon. SRI T. PRAKASAM:—"With your permission, Mr. Speaker, Sir, before moving the resolution, I would like to make a statement before this House, regarding reduction of the rice portion of the ration.

"Sir, when I spoke on the food position in May last, I estimated a local procurement of 300,000 tons rice and 20,000 tons of millets and imports to the extent of 115,000 tons rice, 500 tons of millets and 30,000 tons of wheat and wheat products for the period from May to October. I said that even with these local procurement and imports our overall deficit in all foodgrains would be 268,000 tons at the end of October. I also stated that considerable further help would be necessary to carry us through November and December as our main harvest would be available only thereafter.

"I am glad to say that both procurement and imports are better than anticipated. From 3rd May 1946 up to 18th July 1946 293,673 tons of rice and 34,223 tons of millets have been procured. Procurement has no doubt been considerably helped by the bonus offered by the Government for deliveries in June and July. As