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THIRD SESSION

OF THE

FIFTH LEGISLATIVE ASSEMBLY, 1936

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Legislative Assembly.

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LEGISLATIVE ASSEMBLY.

Friday, 28th February, 1936.

The Assembly met in the Assembly Chamber of the Council House at Five of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

MEMBERS SWORN.

Mr. Gurunath Venkatesh Bewoor, C.I.E., I C.S., M.L.A., (Government of India; Nominated Official);

Mr. Arthur Sheldon Hands, C.I.E., I.C.S., M.L.A., (Government of India; Nominated Official); and

Mr. Kodikal Sanjiva Row, C.I.E., M.L.A., (Government of India; Nominated Official).

THE BUDGET FOR 1936-37.

The Honourable Sir James Grigg (Finance Member): Sir, a year ago, I commented on the complicated character of a financial review which had of necessity to cover three years instead of the normal two. I still find this difference from English practice slightly confusing and I must, therefore, apologise in advance in case it should be found that my statement today is lacking in perspicuity.

I am afraid too that the statement may prove to be dull and this I suppose is inevitable, seeing that a budget speech must proceed on a set plan. But if you find it dull, please remember that I shall find it much more so, if for no other reason than that it is so much more familiar to me than to you.

FINANCIAL YEAR 1934-35

2. Let me first examine the final accounts for 1934-35.

Last year I anticipated that they would disclose a surplus of Rs. 3,27 lakhs. The actual figure has proved to be Rs. 4,95 lakhs. The excess of Rs. 1,68 lakhs over the revised forecast is due in the main to an increase of Rs. 1,50 lakhs under Customs and Excise. For the rest there are excesses of Rs. 30 lakhs on Income Tax, Rs. 24 lakhs on Posts and Telegraphs, and Rs. 19 lakhs on Currency and Mint but these are partially counterbalanced by a short fall of Rs. 55 lakhs on Salt.

The decrease in Salt is due to a postponement of clearances at the end of 1934-35; the increases under the other heads I have mentioned all point to one cause, *viz.*, that the recovery in India's economic position had set in more strongly than could have been foreseen a year ago. Under the Customs and Excise head there were increases both on imported and on indigenous kerosene, improvements in the yield of the export duties on jute and rice, an improved yield from matches, and unusually high seasonal importations of cotton fabrics, raw cotton and machinery. None of these could have been foreseen when the Budget statement was made; indeed in the case of jute the early months of

[Sir James Grigg.]

1934-35 had shewn a decline and naturally a pronounced reversal of this tendency in the last three months of that year was an agreeable surprise. Similarly telephone receipts manifested a definite spurt in the last quarter of the year, as also did the profits from small coinage owing to the increasing demand for this means of payment—a sure sign of increasing prosperity.

In short, in my inexperience I attached rather too much importance to the Cassandra-like prophecies of those who were concerned for one reason or other to proclaim that India was being ruined by its attachment to the British Empire and its adherence to sterling, and too little to the assurances of those who told me that India had a marvellous power of recuperation from economic troubles. However, I would very much rather err on the side of caution than in the other direction and I do not feel called upon to be unduly penitent, though naturally I shall try to avoid repeating the miscalculation.

The House will remember that last year it was decided to devote the then surplus of Rs. 3,27 lakhs to various non-recurring objects including a crore for constituting a Fund for the Economic Development and Improvement of Rural Areas. After these allocations had been made, there remained a free surplus which was estimated at Rs. 13 lakhs. Later in the Session the Assembly agreed to transfer the whole of the unallocated surplus to the Rural Development Fund, and now that this surplus has turned out to be much bigger than was expected, the result is that the transfers to the Fund amount not to Rs. 1,13 but to Rs. 2,81 lakhs. It will be remembered from the paper which I circulated on the 6th of September last that out of this fund we allocated Rs. 15 lakhs for the improvement of the Co-operative Movement and Rs. 92½ lakhs for grants to the various Provinces on schemes approved by the Government of India. There thus remains in the fund a balance of Rs. 1,73½ lakhs. In order to present my actual proposals as one co-ordinated whole I will leave this balance and come back to its disposal when I have set out more fully the financial situation and prospects as they now appear to me.

FINANCIAL YEAR 1935-36.

3. The revised forecast for the current year also indicates a considerable improvement over our estimates of a year ago and we now anticipate a surplus of Rs. 2,42 lakhs instead of Rs. 6 lakhs. This surplus is produced by an improvement of Rs. 3,53 lakhs in revenue offset by a deterioration of Rs. 1,17 lakhs in expenditure.

The actual figures are as follows :

(Rs. lakhs.)

	Budget 1935-36.	Revised 1935-36.
Revenue	82,99	86,52
Expenditure	82,93	84,10
Surplus	6	2,42

These are of course net and they exclude Railways altogether. Full details will be found in the Financial Secretary's memorandum which will be among the papers available when I have finished my speech, but clearly you will expect from me some explanation of such wide variations.

Revenue.

4. To take Revenue first. Of the excess of Rs. 3,53 lakhs the import duty on sugar is responsible for Rs. 1,85 lakhs and all the other heads of revenue account for Rs. 1,68 lakhs. What this means in effect is that the general under-estimate of 1934-35 was carried forward into 1935-36 and that in addition the tapering off of the sugar revenue has been somewhat delayed.

Apart from sugar, we hope to have an excess of Rs. 40 lakhs in Income Tax clearly due to the improvement in trade being greater than we expected, and in Customs, etc., we anticipate almost precisely the same kind of excesses as were shewn by the final results of 1934-35 over the revised forecast. Raw cotton, machinery, petrol, the export duty on jute and the excises on sugar and matches are all heading for surpluses. Textile fabrics as a whole do not disclose much variation but there are large differences in detail. For example, cotton fabrics of British manufacture are Rs. 80 lakhs below the estimate, but this is more than counterbalanced by an increase of Rs. 90 lakhs in cotton fabrics of other than British manufacture.

5. *Sugar.*—Sugar I must deal with in more detail for here we expect an excess of Rs. 1,85 lakhs on the Customs side or a gross figure of Rs. 3,60 lakhs which is not very materially below the figure of last year. I know that I was told a year ago that my figures here were too low and that the bad sugarcane crop combined with the inadequate protection would falsify my predictions. Well, my predictions look like being falsified but the reasons which were then advanced do not fit the facts. Here are the facts. In spite of the partial failure of the cane crop the yield of the excise duty appears likely to be some Rs. 21 lakhs above our expectations. The estimate which was itself 50 per cent higher than the actuals for the previous year was based on a factory outturn, excluding Khandsari production, of 510,000 tons, whereas the progress of collections points to a probable outturn of over 600,000 tons from factories alone. At the same time the volume of imports is being maintained at a figure only slightly below that of the previous year. It is a reasonable inference from these facts that there was a jump in domestic consumption combined with a decline in non-exciseable forms of indigenous production but our statistics do not enable us to say how much weight to attach to these two opposing factors.

Altogether the anticipated excess on Customs, etc., is Rs. 2,87 lakhs making with the Rs. 40 lakhs expected on Income Tax, Rs. 3,27 lakhs. The remaining Rs. 26 lakhs which go to complete the Revenue excess of Rs. 3,53 lakhs represents a balance of innumerable excesses and deficiencies under other heads, but I have only time to mention a few of these.

6. *Interest.*—The revised estimates for Interest receipts have been reduced by Rs. 13 lakhs because the return anticipated on the investments constituting the Silver Redemption Reserve has been almost completely offset by a depreciation in their market value.

7. *Currency.*—This shews no serious change but the revised estimate conceals an increase on account of unclaimed currency notes combined with a short-fall owing to the fact that our share of the Reserve Bank profits was Rs. 7 lakhs less than had been anticipated.

8. *Mint.*—Here we hope for a surplus of Rs. 16 lakhs due to the greater absorption of small coin.

9. *Posts and Telegraphs.*—As will be seen from the figures I give later, we now expect the position to be Rs. 19 lakhs better than the original estimate.

[Sir James Grigg.]

Expenditure.

10. I now turn to expenditure. The main increases in the revised over the original budget estimates fall under the following headings :

(i) *Extraordinary Payments.*—Here the increase is Rs. 41½ lakhs and this represents the expenditure which we expect to incur from Civil Funds during the current year in connection with the Quetta earthquake. This includes the Government of India's contribution of Rs. 10 lakhs to H. E. the Viceroy's Quetta Earthquake Relief Fund, the provision of the extra police, public health and administrative and clerical establishments rendered necessary by the disaster and the cost of temporary hutting and lighting arrangements, of special measures for the protection of property in the ruined city and of the labour and plant required for salvage and site clearance operations. It also provides for assistance to the rural population in repairing their irrigation channels. I shall, of course, have a good deal more to say about Quetta later on.

(ii) *Interest.*—The House is aware of course that there are two interest heads. "Interest on Ordinary Debt" consists of what we have to pay on our market obligations less what we get back in respect of our outstanding loans to Provinces and the commercial Departments. "Interest on Other Obligations" consists of the amounts paid in respect of Provident and other Service Funds, Savings Bank Deposits and Cash Certificates. I am bound to confess that I cannot see any satisfactory reason for this division into two heads, for they are essentially one. Taking them together, they show a revised figure of Rs. 10,63 lakhs instead of Rs. 10,39 previously estimated. It is impossible to give any simple explanation of the increase for it is the result of the combined operation of a large number of forces pulling in different directions.

(iii) *Currency and Mint.*—The increase of Rs. 10 lakhs is entirely due to a larger demand for currency notes and small coin. It is of course more than made up by an increase on the Revenue side.

(iv) *Miscellaneous Adjustments.*—Here too the excess is more apparent than real for we have an increase of Rs. 15 lakhs in the payments to the Jute growing provinces, owing to an improvement of Rs. 30 lakhs in the yield of the export duty, combined with a decrease of Rs. 6 lakhs due to a transfer of a certain item to the head "Civil Administration".

The remainder of this increase of Rs. 1,17 lakhs is made up by a number of items which fall mainly under Civil Administration and under this head the principal excess is under Frontier Watch and Ward.

11. *Defence.*—The Budget figure was, as the House will remember, Rs. 44,98 lakhs and under the normal procedure any saving on this figure lapses to the Defence Reserve Fund. The principal variations within the total figure of Rs. 44,98 lakhs are as follows :

Receipts show increases on various items totalling about Rs. 9½ lakhs. On the expenditure side substantial savings have accrued from entirely unforeseen causes. The despatch of troops outside India in connection with the international situation is expected to result in a saving of over Rs. 10 lakhs. In order to provide funds for emergency expenditure at Quetta, the Military Engineering Services postponed about Rs. 9½ lakhs of their new works programme, and in consequence of the earthquake the bulk, *viz.*, Rs. 2½ lakhs, of their ordinary maintenance grant for Quetta lapsed. There has been a gain on Exchange amounting to Rs. 4½ lakhs. A further under-spending of Rs. 14 lakhs represents merely the carry forward of liabilities in respect of which the administrative authorities have been unable for various reasons to spend the allotments made in the current year.

These improvements account for about Rs. 50 lakhs but against them we have to set substantial expenditures not contemplated at the time of the budget. The most important of these are about Rs. 36 lakhs arising from the earthquake in Baluchistan mainly on account of temporary housing (including tentage), transportation and stores and Rs. 12 lakhs representing that part of the cost of the Mohmand operations which is expected to be brought to final account this year.

The result of all these variations is an under-spending of Rs. 4 lakhs which will accrue to the Defence Reserve Fund.

During the course of the year, certain withdrawals from the Fund have been made to finance the re-equipment programme and other measures. At the end of the year, in addition to the Rs. 4 lakhs above mentioned, we shall deposit in the Fund from the 1935-36 budget the Rs. 14 lakhs which I have referred to as representing postponed but inescapable liabilities and Rs. 22 lakhs representing the annual contributions towards the various military equalisation funds. The estimated result of all these transactions is to effect a reduction of about Rs. 25 lakhs in the balance of the Fund as it stood on the 31st March, 1935.

12. *Posts and Telegraphs.*—All that remains in order to dispose for the time being of the year 1935-36 is to give a revised forecast of the results of the Posts and Telegraphs Department. For this Department we show on the Revenue side of the general budget the excess of Gross Receipts over Working Expenses while on the Expenditure side we show the Interest on the capital at charge of the Department. Here are the figures :

	(Rs. lakhs).	
	Budget 1935-36.	Revised 1935-36.
Gross receipts	11,33	11,50
Working Expenses	10,62	10,64
Net receipts	71	86
Interest charges	84	80
Balance .	—13	+6

Thus, we now expect, instead of an appreciable loss, a small profit. Lower interest rates are responsible for some of the improvement but in the main it is due to increased sales of stamps and a rise in receipts from trunk telephone calls.

Position as on 31st March, 1936.

13. To recapitulate we now expect that the current year will close with a surplus of Rs. 2,42 lakhs. This too I leave over for later examination and meanwhile I place before the Assembly the estimates for the coming year.

[Sir James Grigg.]

FINANCIAL YEAR 1936-37.

Revenue.

14. The total figures for revenue, excluding Railways, are Rs. 87,35 lakhs, an improvement of Rs. 83 lakhs over our revised estimate for the current year.

15. *Customs, etc.*—Here the receipts are estimated at Rs. 54,82 lakhs. This figure presumes a deterioration of Rs. 1,60 lakhs under the import duty on sugar and an all round improvement of Rs. 1,71 lakhs under other heads. Full details of the changes will be found in the Financial Secretary's memorandum, but I must again say a word regarding the yield of the import duty on sugar.

There are three elements in the calculation of the margin available for imports of sugar. First, the growth of domestic factory production, secondly, the extent to which this displaces other forms of indigenous production, and thirdly, the growth of consumption. In the end, we can confidently predict that the outcome of the operation of all the factors will be the reduction of sugar imports to very small dimensions. But the speed at which this result will be attained is quite uncertain. Last year, the process was delayed by a partial failure of the cane crop and by a combination of the second and third of the above factors, but even so it is clear that the running down process will be somewhat slower than we thought when framing the original estimates for last year. In these circumstances, it is extremely difficult to do more than make an enlightened guess and, on the whole, the best we can do is to assume a figure of Rs. 2 crores for next year's yield of the import duty which is higher than last year's original estimate but considerably lower than this year's results are likely to be. I do not make this prophecy with any over-weening confidence but let me point out to the Assembly that for many years the original estimate of sugar revenue has been wildly inaccurate and, unfortunately, not always in the same direction. The yield of the excise has been estimated at Rs. 1,96 lakhs allowing for an increase of roughly 15 per cent. over the revised estimate of the current year's outturn.

The other items call for no particular comment except that we provide for some recovery from the very striking fall in the imports of British cotton fabrics which I mentioned a few minutes ago and for a continued expansion of the yield of the match excise and the petrol duties.

16. *Taxes on Income.*—Here we are counting on the undoubted and we hope continuing improvement in economic conditions and we anticipate a receipt of Rs. 17,60 lakhs for next year or an increase of Rs. 80 lakhs even over the revised estimate for the current year, or Rs. 1,20 lakhs over the current year's original estimate after allowing for the reduction in the surcharges. This is obviously a very optimistic estimate and the fact that I put it forward should acquit me of any charge of being too conservative under this head at any rate.

While on this subject, I might say a word on the visit of the two income-tax experts who arrived from England last October. They are at present touring India under the guidance of one of our senior Income-tax Commissioners. As I have repeatedly said, the real purpose of their enquiry is a thorough administrative overhaul but, at the same time, they are not ignoring altogether the question of revising the law and arrangements have accordingly been made for the Committee to receive representations from responsible commercial bodies at the various centres it visits. Their task is a big one and they have a great deal of ground to cover so that I do not expect to receive their report before October next. This means that any changes that may be found necessary or desirable as a result of their recommendations cannot come into force before 1937-38 and, therefore, will have no effect on the estimates for the budget year 1936-37.

17. *Currency receipts.*—The only other revenue item that calls for specific mention is Currency receipts. The estimate of Rs. 81 lakhs under this head assumes Rs. 65 lakhs as our share of the profits from the Reserve Bank on a full year's working.

Expenditure.

18. The total figure for expenditure, exclusive of Railways, is Rs. 85,30 lakhs showing an increase of Rs. 1,20 lakhs over the current year's revised estimate. There is an increase under Civil Works a considerable part of which is due to larger payments to the Road Development Fund—an automatic result of the expanding yield of the duty on motor spirit. But there are more important changes to which I wish to draw your attention, *viz.*, a decrease under Interest and increases under Miscellaneous Adjustments, Civil Administration and Defence. In addition I shall have to mention Extraordinary Expenditure though it does not shew a very large variation from the revised figure of 1935-36.

19. *Interest.*—Again, taking the two heads of Ordinary Debt and Other Obligations together, we get a figure of Rs. 9,20 lakhs as against Rs. 10,63 lakhs in the revised estimate for 1935-36, or a reduction of nearly Rs. 1½ crores. But the position is really better than this, for under "Interest on Other Obligations" there is an increase of Rs. 62 lakhs due mainly to an alteration in the arrangements in respect of the Indian Military Service and the Indian Civil Service Family Pension Funds. At present the subscriptions collected on account of these funds are credited to general revenues and the pensions are paid from the same source. The interest on the balances in the funds does not enter the Government accounts. A *pro forma* account is, however, maintained, showing the balances in the funds, the interest accrued, the subscriptions received and the pensions paid. As the present accounting arrangements are admittedly erroneous, it has been proposed that in future the balances to the credit of the funds should be shown as regular unfunded debt. The subscriptions received and the interest on the balances will be credited to the funds and the pensions will be paid direct from the funds. The Rs. 62 lakhs increase under Interest is offset by reductions of Rs. 34 lakhs under Military Pensions and Rs. 20 lakhs under Civil Pensions. Comparing like with like, the improvement under the Interest heads is over Rs. 2 crores. The reasons for this improvement are, firstly, that we shall get the full benefit of the conversion operations of the current year, and secondly, that we hope to repay the £16·8 millions of 5½ per cent Sterling Stock maturing next year without floating a fresh loan.

20. *Subventions to Sind and Orissa, 1936-37.*—The increase under Miscellaneous Adjustments is due to the provision of Rs. 1,58 lakhs for subventions to Sind and Orissa—Rs. 1,08 lakhs for the former and Rs. 50 lakhs for the latter. It has been decided that these two new provinces shall begin their careers on April 1st, 1936, in advance of the full institution of Provincial Autonomy. It has all along been recognised that they would require subventions, at any rate for some years, after they began their separate existence. The definitive subventions fall to be determined by His Majesty in Council

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after considering the recommendations of Sir Otto Niemeyer's enquiry, but in the meantime the two Provinces must be put into a position to carry on under the provisional regime, and the present subventions are intended for this purpose. The amounts provided are larger than was at one time anticipated but I do not think that they are framed on an over-lavish basis. They do not purport to provide any substantial margin for new schemes of expenditure and apart from furnishing small opening balances they are intended to do very little more than enable the provinces to balance their budgets during their first year's working. Let me repeat that these subventions are entirely provisional. They are not intended to prejudge the claims of these two provinces at the enquiry which Sir Otto Niemeyer is now holding, when their future subventions will fall to be considered in conjunction with the claims of other provinces.

21. *Civil Administration.*—The increase amounts to Rs. 64 lakhs and I now proceed to describe some of the more important items which go to make up this total. First there are Rs. 18 lakhs for two public health schemes in Delhi. The present methods of dealing with the refuse of Delhi have evoked general comment and have been a menace to public health for a considerable time and a new scheme has now been sanctioned for which a provision of Rs. 13 lakhs is made. The system of dealing with Delhi sewage has also been examined and has been found to be inadequate and defective : a final decision has not yet been reached on this, for it has so far been found impossible to frame a scheme the cost of which is not prohibitive. However, the effort to formulate a scheme at a reasonable cost is being continued and, in the meantime, a provision of Rs. 5 lakhs is made to permit of a start being made in 1936-37 if such a scheme turns out to be possible. The opening of the Delhi Broadcasting Station, together with some necessary improvements in programmes generally, will require a further Rs. 4 lakhs in the coming year and there is an extra Rs. 5 lakhs for Civil Aviation where the Capital programme inevitably involves an increase in maintenance charges. Finally, provision is made for the restoration of the cut in pay for the full twelve months of the year instead of eleven as in the current year's figures. This means an extra 11 lakhs.

22. *Defence.*—The Defence Budget stands at the figure of Rs. 45,45 lakhs. Of this, however, Rs. 60 lakhs is a special provision for the reconstruction of Quetta and the replacement of military stores consumed in connection with the earthquake. The ordinary Budget is, therefore, Rs. 44,85 lakhs of which Rs. 18 lakhs is for new measures. The total figure for the present year is Rs. 44,98 lakhs but this includes Rs. 34 lakhs for Indian Military Service Family Pensions which, as I explained in dealing with the Interest heads, is omitted from the Defence budget of next year. The comparable figures for the two years are, therefore, Rs. 44,64 lakhs and Rs. 44,85 lakhs. The real increase is thus Rs. 21 lakhs and this is more than accounted for by two items. Rs. 5 lakhs represents the restoration of the remaining half of the cut in pay of British soldiers which was not budgetted for in 1935-36 and Rs. 20 lakhs an increased provision for ordnance stores. In regard to the latter I must reiterate the warnings which have been given in this connection in recent years that the present budget figures do not represent a new permanent low level of Defence expenditure. The surplus stocks of ordnance stores, the existence of which in the past has tended to keep down the budget are approaching exhaustion and the time has now come at which expenditure under this head must inevitably rise.

23. *Extraordinary Payments.*—I have referred above to the provision in the Defence Budget arising out of Quetta. There is also a provision on the Civil side of Rs. 40 lakhs under the head "Extraordinary payments." This relates mainly to the reconstruction of the most urgently required civil buildings and to the continuance of the special establishments created there to deal with the emergency. While the bulk of the expenditure on salvage will be incurred in the current year, site clearance operations will continue for sometime into the new year and have had to be provided for.

24. *Quetta.*—This is probably the most convenient place to review the Quetta problem as a whole. In 1935-36 we expect to spend from Civil Funds proper Rs. 41½ lakhs, and Rs. 36 lakhs from Army Funds. Practically the whole of this has been on relief, temporary housing, and salvage though there has been a beginning of clearance. Next year we shall have to complete clearance and begin reconstruction. Under Civil Grants Rs. 40 lakhs are provided of which Rs. 12 lakhs are for clearance and special staff and Rs. 28 lakhs for reconstruction. Under Defence there is Rs. 10 lakhs for replacement of stores and Rs. 50 lakhs for reconstruction. Thus the cost to Government of the disaster, up to the stage of beginning reconstruction, may be put at Rs. 41½ *plus* 36 *plus* 12 *plus* 10 lakhs or almost exactly a crore in all. The reconstruction both Civil and Military is at present expected to cost something over seven crores. These estimates are provisional but I have every hope that they will not be exceeded. The work will take seven or eight years and we do not anticipate that it will be possible to spend appreciably more than a crore in any one year. In 1936-37 we begin with Rs. 78 lakhs of which Rs. 50 lakhs is for Military and Rs. 28 lakhs for Civil buildings, and in the following years the programme will proceed at the rate of about a crore a year.

In explaining the charges on Civil funds I have left out of account the expenditure to be incurred by the two commercial Departments, Railways and Posts and Telegraphs. They have incurred some small expenditure in connection with the immediate emergency and they will both have to incur expenditure on reconstruction. For Railways the cost will be something like Rs. 40 lakhs in all, of which Rs. 12 lakhs has been included in next year's Railway budget and for the Posts and Telegraphs department the cost will be Rs. 9½ lakhs of which Rs. 1 lakh will be spent this year and nearly Rs. 4 lakhs in 1936-37.

We have already heard something and I daresay we are destined to hear a good deal more about the wickedness of paying for the reconstruction of Quetta out of revenue. Perhaps, therefore, I had better say a few words on this subject as a brief opening to the inevitable debate. I take it that nobody will contend that the immediate expenditure on relief, salvage and other emergency measures incurred during the current year should have been charged to capital, with no other results than to decrease the call by the Army Authorities on the Defence Reserve Fund and to increase the surplus on the general budget by some Rs. 40 lakhs. But what will be advocated widely will be that the expenditure upon the reconstruction of the Government buildings together with that to be incurred in clearing the site of the city should be borrowed and this is the proposition that I shall briefly examine. In the first instance let me say that it is contrary to strict financial orthodoxy to borrow for expenditure which does not yield a cash return equivalent to the interest and sinking fund charges on the amount borrowed. I know that this strict view has not always been followed in India but some people might say that our financial difficulties would now be considerably less if a little more orthodoxy had been observed in years gone by. Apart from that, however, unorthodoxy was

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clearly easier to justify in the days when there was an annual provision of something like Rs. 7 crores a year for the reduction and avoidance of debt. Borrowing for capital expenditure or shall we call it raiding the Sinking Fund, for it is nothing else, may not be a very heinous offence when the Sinking Fund is more than adequate but is that the case now ? Leaving out of account the deficit budgets of the early thirties the actual provision in recent budgets has been limited to Rs. 3 crores. Last year I expressed a certain discomfort at the smallness of this amount but comforted myself with the thought that the Railways, which then looked as if they would very shortly resume their contribution to General Revenues, would soon provide ways and means for an increase in the Sinking Fund contribution to a figure more commensurate with a capital debt of Rs. 1,200 crores. But clearly a Railway contribution has now disappeared into the somewhat remote future and we are faced with a situation in which the Sinking Fund contribution is no more than a quarter of 1 per cent. of the debt—obviously a dangerously inadequate figure. Who dare say then that for the next seven or eight years we should by this high-sounding device of borrowing to pay for Quetta still further reduce this already inadequate provision by sums which vary from year to year of course but which are of the order of Rs. 75 lakhs ? I certainly cannot accept such a proposition.

But there is another consideration. Borrowing has got to be paid for some time and clearly the burden of it in this instance of Quetta would be fully felt by the Central Budget in the early forties, *i.e.*, at the time when it will or ought to be distributing a proportion of its Income-tax receipts to the Provinces. The task of a Finance Member at the present time must be to see that India is put into a position to finance the new Reforms and at the same time is left if possible with its credit in a state of inexpugnable strength. This being so I cannot possibly have any part or lot in a device which is both unsound in itself, having regard to the size and structure of our debt, and which moreover would diminish the amount ultimately available for distribution to the Provinces.

25. *Posts and Telegraphs.*—In my budget speech last year I referred to the fact that the fixation of the contribution to the depreciation fund was still under examination. That examination is now complete and it is proposed to abandon the depreciation fund conception altogether and to adopt instead that of a fund for renewals and minor improvements. The renewals fund will take over the existing depreciation fund of Rs. 3,17 lakhs and will be fed by annual contributions to be fixed for periods of five years. For the first quinquennium we have, with the assistance of the Auditor General, calculated that a contribution of Rs. 25 lakhs will be an appropriate figure and the Posts and Telegraphs budget provides for this amount instead of the Rs. 29 lakhs provided last year.

The only other item I need mention on the expenditure side of the department is an enhanced provision of Rs. 2 lakhs for providing improved postal facilities in rural areas. Last year my Honourable friends opposite made strong representations on this subject and they will no doubt welcome the fact that the improved financial position of the department enables us in the coming year to do more in this direction than has been possible in these last few years of depression.

On the Revenue side we are reckoning on a continuance of improving trade and an increase of Rs. 38 lakhs over the revised figure for 1935-36. On this basis the position works out as follows :

	(Rs. lakhs.)
Gross receipts	11,88
Working expenses	10,93
Net receipts	95
Interest charges	80
Net surplus	15

Summary of the position for 1936-37.

26. I am now in a position to summarise the estimates for 1936-37 as follows :

	(Rs. lakhs.)
Revenue	87,35
Expenditure.	85,30
Surplus . . .	2,05

Before disposing of this and the surpluses for the two earlier years, I must turn aside and give some account of our Ways and Means position.

WAYS AND MEANS.

27. *The Reserve Bank.*—First a word about the Reserve Bank. The Bank began to act as the bankers of Government with effect from the 1st of April, 1935. It took over the management of the currency and the duties of selling treasury bills on behalf of Government and of supplying the Secretary of State with his sterling requirements from the same date. In the beginning of July it assumed its full banking functions and fixed its first bank rate. The first elections to the local boards have been made and its first annual meeting has been held at which the Executive of the Bank submitted their report of its first nine months working. This report has been published in the Gazette and I need say nothing about it except perhaps to mention that in accordance with Section 47 of the Act the Government of India has received Rs. 43 lakhs as its share of the profits, which sum has been included in the revised estimates for the current year, 1935-36.

28. *Remittance.*—The ways and means estimates for the current year provided £26 millions as the sterling requirements of the Secretary of State. Our revised forecast stands at £12 millions. This reduction is due to the large opening balance which the Secretary of State had on the 1st of April, 1935. It will be remembered that our remittance operations are now conducted through the Reserve Bank. For the ten months up to the end of January the Bank has in fact purchased nearly £29 millions of sterling of which about £19½ millions is still shewn among the assets of the Banking Department. In the Issue Department there are considerable sterling assets in excess of the statutory requirement and altogether the external position of the Bank is one of extraordinary strength. Next year we shall expect to call upon the Bank for £41 millions and this includes the repayment of £16·8 millions of 5½ per cent. Stock, 1936-38 without fresh borrowing in London. On present shewing there should be no difficulty whatever about achieving this programme.

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29. *Post Office Cash Certificates and Savings Bank deposits.*—The 6½ per cent Treasury Bonds, 1935, and the 5 per cent Bonds, 1935, matured in September and evidently some of the smaller holders have deposited the funds made available to them in the Post Office Savings Bank. This accounts for the increase in the revised estimate to Rs. 9,50 lakhs as against the budget figure of Rs. 8,75 lakhs. Next year's forecast assumes deposits in the Post Office Savings Bank of Rs. 8,25 lakhs net and by 'net' I mean of course the excess of deposits over withdrawals.

The reduction in the rate of interest on Post Office Cash Certificates in 1934 has naturally been followed by larger discharges. We now expect a balance between purchases and discharges during the year 1935-36 and a net discharge of Rs. 50 lakhs during the year 1936-37. It will be remembered that maturities will be particularly heavy during the coming financial year.

30. *Loans to provinces.*—The estimates for the requirements of provinces this year included provision for the repayment of the 6½ per cent Bombay Development Loan, 1935. There will be no such unusual item in 1936-37 and we are providing about Rs. 5½ crores only instead of about Rs. 11 crores.

31. *Borrowing Programme.*—Government have been able to take considerable advantage of the low market rates for borrowing which prevailed both in India and in England during the year. Two loans were issued. The first was a sterling loan early in July for £10 millions of three per cent stock, 1949-52 in part replacement of £12 millions of six per cent Sterling Bonds, 1935-37. The loan was issued at 98 and was oversubscribed seven times, the lists being closed ten minutes after opening. The services of the Governor of the Reserve Bank, who was in London at the time, were available during the negotiations for this loan, and I am glad to be able gratefully to acknowledge them.

At the end of the same month a three per cent Rupee Loan, 1951-54, for Rs. 15 crores at Rs. 96-8 was announced. The Reserve Bank was entrusted with the issue of the loan and applications amounted to nearly 30 crores. Applications for conversion of five per cent Bonds, 1935, and 6½ per cent Treasury Bonds, 1935, were accepted in full and were allotted nearly Rs. 13 crores. This is the first time that the Government of India has been able to raise a three per cent medium term loan at such a favourable rate.

£3½ millions of East Indian Railway 4½ per cent debenture stock, 1935-55, have also been repaid during the year.

Next year there are no rupee maturities but as I have previously mentioned £16·8 millions of 5½ per cent Sterling Stock, 1936-38 fall due for repayment and we are proceeding on the assumption that we shall be able to repay this amount without further borrowing in London. However, that depends on conditions later in the year and not being a prophet I can only express hopes. I do, however, estimate on the basis of my hopes and for the purpose of calculating interest charges next year I assume the repayment of the sterling stock without replacement. This together with the full effect of the conversion operations of the present year enables us, as I have already said, to reduce the estimate for interest charges to Rs. 9,20 lakhs, or nearly Rs. 1½ crores less than the revised estimate for the current year.

32. *Treasury Bills.*—The Treasury Bills outstanding on the 1st April, 1935, amounted to Rs. 18,27 lakhs with the Public and Rs. 36,07 lakhs with the Reserve Bank, a total of Rs. 54,34 lakhs. The revised estimate provides for the reduction of this amount to Rs. 13,99 lakhs with the Public and Rs. 20,10 lakhs with the Reserve Bank, Rs. 34,09 lakhs in all by the end of March 1936,

as against a total of Rs. 46 crores anticipated in the budget. The difference of Rs. 12 crores is due to the cancellation of Bills held in the Issue Department of the Reserve Bank mainly as a result of the transfer of surplus sterling assets to the Bank. The average rate of interest on Treasury Bills for the 10 months ending January 31st, 1936, was Rs. 1-4-9 per cent against Rs. 1-8-10 per cent for the corresponding period last year.

Next year, on the assumption that we are able to repay the sterling loan without further borrowing from the market, we expect the outstanding balance of treasury bills on the 31st of March, 1937, to be Rs. 20,10 lakhs with the Reserve Bank and Rs. 24,99 lakhs with the Public a total of Rs. 45,09 lakhs.

PROPOSALS FOR 1936-37.

33. I have now set out the final results of 1934-35, the revised forecast of 1935-36 and the first forecast of 1936-37. I now turn to the surpluses that have either accrued or are expected to accrue and Government's proposals for dealing with them. They are, first, the balance of Rs. 1,73½ lakhs remaining over in the Rural Development Fund from the surplus of 1934-35, secondly, the expected surplus of Rs. 2,42 lakhs for the current year, and finally the estimated surplus of Rs. 2,05 lakhs for next year.

34. *Surplus for 1934-35.*—From the balance of Rs. 1,73½ lakhs available in the Rural Development Fund we propose to allocate:

First.—A grant of Rs. 30 lakhs for Agricultural Research. This will cover the Rs. 10 lakhs still outstanding of the block grant promised to the Imperial Council of Agricultural Research when it was first established and a further Rs. 20 lakhs for financing other urgent schemes of research, some of which will be under the direct control and supervision of Government. These other schemes include sugarcane research, and investigations in connection with the dairying side of animal husbandry. This branch of the peasants' activity has not received sufficient attention in the past. Experience elsewhere emphasises its importance to the cultivator, both as a means of supplementing his income and of adding to his diet elements that make for good nutrition and, therefore, for good health.

Secondly.—A grant of Rs. 10 lakhs to the Indian Research Fund Association. Health is a vital factor in measures aiming at a general improvement in the conditions of village life and to ensure that the benefit of these Rs. 10 lakhs goes primarily to the rural population the Association will be required to devote the amount mainly to schemes connected with the prevention or cure of malaria.

Thirdly.—A grant of Rs. 5 lakhs for the benefit of cottage and small scale woollen industries.

Honourable Members are aware that the case for the protection of the woollen industry was examined last year by the Tariff Board and that for certain reasons, including the refusal of evidence on the part of an important section of the mill industry, we were unable to accept its claim to protection. But woollen manufacture is also carried on in cottages and in small scale workshops; and the Tariff Board's findings suggested that this branch of the industry stood in greater need of assistance than the other. Further, there was no reason why the action of the manufacturers should be allowed to prejudice its claims.

But, as the Tariff Board pointed out in this case a cottage industry is likely to derive more benefit from technical advice and assistance in marketing arrangements than from the imposition of protective duties.

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Government, therefore, propose to make a grant for the benefit of the cottage and small scale woollen industry amounting to Rs. 5 lakhs to be spread over five years and our intention is that it should be administered on lines somewhat similar to those adopted in the case of the corresponding grant for sericulture, except that, as reach is not likely to be involved, the States will not participate in the allocation of funds. The actual execution of provincial schemes financed from this grant will be in the hands of the Provincial Departments of Industries.

Fourthly.—A grant of Rs. 20 lakhs to the Fund for development of broadcasting. This Fund is, of course, only available for capital expenditure; recurring expenditure is to be provided in the budget in the normal way. In my speech last year I emphasised that the expression "economic development and improvement of rural areas" was used "in a wide sense to cover any measure which will conduce to the amelioration of the conditions of the cultivators and rural classes". Broadcasting which now provides instructional lectures on agriculture and health has a quite legitimate claim on this fund and the additional grant will help to satisfy the demand for such information over a larger area.

This allocation will bring the fund to Rs. 40 lakhs. Although the expenditure so far incurred against the fund amounts to rather less than Rs. 4 lakhs (for the Delhi station) we have before us estimates for work costing Rs. 32 lakhs, and the field for further development is extensive. It is obviously desirable—in fact essential—that we should have the best technical advice available before we embark upon this further development. We have been fortunate in obtaining this, for the British Broadcasting Corporation have very kindly lent us Mr. Kirke, the head of their Research Department, to advise us on our future programme and I hope that it will be possible to place definite proposals before the Standing Finance Committee next month. After these grants there is still left in the Fund Rs. 1,08¾ lakhs. We shall in all probability allocate the bulk of this to Provinces on a rural population basis for expenditure on schemes to be approved by the Government of India. But before deciding upon this finally we shall review the results of last year's grants. It will be remembered that I circulated to the House on the 6th September last a full description of the schemes which had been approved by the Government of India in connection with the grants amounting to Rs. 92¼ lakhs which have already been made to Provinces. We have called for full reports from Local Governments as to the actual progress and results of their schemes. We expect that these will be available next month and in the light of them we shall decide whether any alterations are necessary in the conditions of our grants. Needless to say Provincial Governments are more closely in touch with local conditions and needs than we are but, at the same time, the Government of India has its responsibilities in the matter and it will be for consideration whether we should not define more closely the categories of schemes which we are prepared to approve. At all costs we must guard against too much diffusion of effort and we must moreover be careful to see that our money is spent on the most useful schemes. As soon as definite conclusions have been reached we shall take the House fully into our confidence both as regards the results of last year's schemes and our intentions for the future.

Perhaps the House will forgive me if I point out that in the last two years the Government of India have allotted nearly Rs. 3½ crores in the way of special grants for rural purposes. I emphasise the word 'special' for the Leader of the Opposition waxed sarcastic over the grants made last year as if they were the only contributions which the Government of India had made to rural welfare. I dealt with that argument then and I have no doubt that I shall have to deal with it again but at present my purpose is only to claim that we have shewn and are shewing that, whenever resources are available, we are prepared to supplement in no niggardly fashion the work that Provincial Governments are doing on behalf of those in the villages.

SURPLUS FOR 1935-36.

35. *Initial building equipment of Sind and Orissa.*—I now come to the surplus of Rs. 2,42 lakhs which we expect to have on the 31st March next. To begin with I propose to allot Rs. 45 lakhs of it to a special fund for assisting Sind and Orissa to meet their expenditure on the adaptation of old and the provision of new official buildings. It was originally intended to advance the amounts required for this purpose by way of interest-bearing and repayable loans but there are two reasons why we think that this would be ungenerous. First because the needs of these two provinces look like being more than was supposed and secondly, there is the consideration of what has been done in the past in similar circumstances. In 1921, all the provinces were started off with necessary buildings free of debt incumbrances. The North-West Frontier Province was given, at its inception, not only the existing Government of India Buildings in the Province but also a grant of Rs. 8 lakhs to adapt them. It might reasonably be held then that Sind and Orissa have corresponding claims on the Centre. Moreover, in assessing the subventions clearly the existence of a liability for loan charges for such a purpose would have to be taken into account and it may, therefore, be said that for a good many years at any rate the Government of India would, if it insisted on payment of these loan charges, merely be taking away with one hand and giving back with another.

I may perhaps add two things:

(*a*) that we propose to limit our liability strictly to Rs. 45 lakhs, and

(*b*) that this amount will be divided so as to give Rs. 17½ lakhs to Sind and Rs. 27½ lakhs to Orissa. The reason for the apparent preference to Orissa is of course that Sind already has a considerable part of the buildings it will need.

After this grant there will remain available from 1935-36 a sum of Rs. 1,97 lakhs and, before I can deal with this, we must not only look at the position as it is likely to be in 1936-37 but we must also cast forward and attempt to make some estimate of the position we shall be faced with in 1937-38 and the immediately succeeding years.

36. *Revenue Reserve Fund.*—We now expect to have a non-recurring balance of Rs. 1,97 lakhs available from 1935-36 and an estimated surplus of Rs. 2,05 lakhs available in 1936-37. What does this imply for 1937-38 which we are assuming to be the first year of Provincial Autonomy? If all goes well, we may perhaps count upon certain reductions in interest charges and improvements of revenue which will produce what in

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Government of India parlance is known as a betterment of some Rs. 2½ crores over the figures for 1936-37. On the other hand, the separation of Burma will cost us Rs. 2¾ crores in that year while it would not be safe to assume a figure of less than Rs. 2 crores as the cost of the initial adjustments which will emerge from Sir Otto Niemeyer's enquiry, *i.e.*, on the existing basis of taxation we can expect in 1937-38 at best a bare balance. If this conclusion is right, then it looks at first sight, as if it would be unjustifiable to reduce taxation at all this year and, of course, it is always much more satisfactory to play for safety in financial affairs. I know, however, what feeling was aroused in commercial quarters by the postponement of their claim for a reduction of the emergency taxation in favour of the restoration of the pay cut and it behoves me, therefore, to look a little more closely into the possibilities. For this purpose it is necessary to look also at the year 1938-39. There ought in that year to be no major alterations of expenditure while, we may hope that if our affairs continue to go well, there may be a further expansion of some Rs. 2 crores in revenue receipts. If this calculation is justified, then it would perhaps be legitimate to reduce taxation in 1936-37 by something like Rs. 2 crores if we can find a non-recurring balance of about the same amount to fill up the consequent deficit in 1937-38. Here then is the significance of the Rs. 1,97 lakhs remaining over from 1935-36. I propose to ask the House to transfer this balance to a Revenue Reserve Fund available to help out the finances of the first year of Provincial Autonomy and in this way I can, with a fairly clear conscience, propose remissions of taxation in 1936-37 so long as they do not alienate revenue to a greater extent than about Rs. 2 crores a year.

What then shall the reductions be?

SURPLUS FOR 1936-37.

37. *Reduction of Taxes on Income.*—The most insistent demand with which I am confronted is the claim for the abolition of the emergency taxes upon income and, as the House knows, there exist certain pledges upon this subject given by my predecessor. The complete removal of the present surcharge of one-sixth on income-tax and super-tax would cost Rs. 2,76 lakhs per annum, while the abolition of the tax on incomes between Rs. 1,000 and Rs. 2,000—which, as I said last year, must also be included in the emergency class—would cost Rs. 47 lakhs more. Obviously if we are limited to surrendering no more than Rs. 2 crores a year, we cannot meet the demand for abolition in full. But we can go a good way towards it and we propose to abolish the tax on lower incomes and to halve the present surcharge, leaving it in future at one-twelfth. In other words, we shall, in the last two years have removed the emergency tax on lower incomes altogether and reduced the surcharges on income-tax and super-tax by two-thirds. The cost of the proposed reductions is Rs. 1,85 lakhs and the surplus for 1936-37 is reduced to Rs. 20 lakhs accordingly.

38. *Reduction in Postage Rates.*—With no more than Rs. 20 lakhs left in hand, we can clearly make no further substantial cut in taxation and we propose, therefore, to make a postal concession which, though inexpensive, will, we believe, be generally welcomed if not gratefully received. This is the increase in the weight of the one anna letter from a half to one tola and the adoption of a scale of an additional half anna

for every additional tola. It will cost Rs. 13 lakhs a year and it will absorb all but Rs. 2 lakhs of the expected surplus on the Posts and Telegraphs budget and all but Rs. 7 lakhs of that on the general Budget.

CONCLUSION.

39. I have now completed my story. I cannot expect that everybody will find it agreeable. I do expect, however, that all fair-minded people will admit that it is a reasonable compromise between the claims of the agricultural producer, the claims of the direct taxpayer and the supreme necessity for preserving the credit of India. If I have erred, I think it is in departing too much from the strict canons of financial orthodoxy which I put forward last year, *viz.*, that non-recurrent resources should not be devoted to recurrent demands. The only justification for this departure is the fact that India's economic and political barometers are both rising. If they continue to rise, all may be well. If they do not, the risk will be proved unjustified. And perhaps I may end by saying that the economic barometer cannot rise if the political barometer falls and that the political barometer must fall if the political thermometer rises. (Loud and Continued Applause.)

THE INDIAN FINANCE BILL.

The Honourable Sir James Grigg (Finance Member): Sir, I beg to move for leave to introduce the Indian Finance Bill, 1936.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That leave be granted to introduce the Indian Finance Bill, 1936."

The motion was adopted.

The Honourable Sir James Grigg: Sir, I introduce the Bill.

STATEMENT OF BUSINESS.

The Honourable Sir Nripendra Sircar (Leader of the House): Sir, I understand that it is now definitely known that the *Id* holiday will be on Thursday next week. Unless, therefore, it is the wish of the House that the day immediately preceding the *Id* holiday should be kept free, the general discussion of the budget will take place on the days already allotted for the purpose, namely, Tuesday and Wednesday. In the event of the House desiring not to sit on the day preceding the *Id* holiday, the general discussion would take place on Monday and Tuesday and I am authorised to announce that in this event His Excellency the Governor General would be pleased to revise the allotment of days accordingly. The position is, that unless the House agrees to sit on the 2nd of March, there is no possibility of keeping the Assembly closed on the 4th.

Maulvi Syed Murtuza Sahib Bahadur (South Madras: Muhammadan): So far as the Muslim Members of the Assembly are concerned, I am authorised to say that we are quite prepared to sit on Monday, but we

[Maulvi Syed Murtuza Sahib Bahadur.]

are very keen on having the 4th as a holiday because it happens to be the *Haj* day. So far as that day is concerned, Government may be aware that the United Provinces Government and the Punjab Government have allowed the *Haj* day and the *Id* day to be observed as holidays, and so also Bihar and some other provinces. But so far as the Government of India are concerned, they have declared only one day as holiday and not the *Haj* day, which, as I have already stated in my letter to you yesterday, Sir, is as important as the *Id* day or rather more important. So we are very keen on having the *Haj* day also as holiday and we are quite prepared to sit on Monday . . . .

Mr. President (The Honourable Sir Abdur Rahim): The *Haj* day is Thursday?

Maulvi Syed Murtuza Sahib Bahadur: Wednesday. Thursday is the *Id* day, and I hope my non-Muslim friends will not grudge our enjoying that holiday on the 4th, along with the 5th.

Pandit Govind Ballabh Pant (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Sir, I have no objection to 4th being a holiday. In fact, I join Syed Murtuza Sahib in the request that he has made to the Government that the 4th may be observed as a holiday. But I do feel that it would not be fair to the House to hold the general discussion on the budget on the 2nd. Last year, the budget was introduced on the 28th and the general discussion started on the 5th. So far as my recollection goes, every year there has been an interval of not less than four days; and, in any case, not less than three days between the introduction of the budget and the general discussion . . . . (interruption) I stand corrected: I am prepared to accept there might have been occasions when the interval was shorter. But I think the matter can be arranged otherwise. 7th is a holiday so far as the Assembly is concerned: it is a Saturday; we are not sitting on that day; it is probably allotted for the discussion of the Delimitation Committee Report or some official business. I suggest that the business of the 6th be taken over to the 7th and that the 6th be allotted for discussion on the general budget in place of 4th.

Some Honourable Members: 7th is *Holi* day.

Pandit Govind Ballabh Pant: Then, there is another difficulty, that several of our Members have gone away under the impression that the 2nd would be a holiday and there will be no meeting on that date, and several others among us have got engagements which they cannot now postpone. So, in these circumstances, it will be very difficult if the Assembly sits on the 2nd. I would request the Government to find some way out, so that 4th may be a holiday and the Assembly may not sit on the 2nd.

Mr. M. S. Aney (Berar Representative): Sir, I rise to endorse what my friend, Pandit Govind Ballabh Pant, has said. It is really a pity that we should be put on the horns of a dilemma in a matter like this, but so far as the possibility of having a holiday on the 4th is concerned, it is an arrangement which the Government might very well think of making without compelling this House to sit on Monday. As my Honourable friend just said, many Honourable Members have made arrangements to go out and return to Delhi on Tuesday for taking part in the general discussion of the budget. To make changes at the eleventh hour in all their programmes will mean upsetting the arrangements made in many places, and I think it would be prejudicial. If that arrangement was to be made, then it would have been fair that some proposal to that effect should have been made at least a week before . . . .

Mr. President (The Honourable Sir Abdur Rahim): Does the Honourable Member agree that the 4th should be a holiday?

Mr. M. S. Aney: I have not the least objection. I should be very glad to have a holiday on that day, but some other arrangement will have to be made excepting asking this House to sit on Monday.

The Honourable Sir Nripendra Sircar: Sir, I hope my Honourable friends will not take offence if I say that they are contriving to throw the task of displeasing some section of the House on the Government, but our position is this. On the 6th there is going to be a general discussion of the budget in the Council of State, and so it is not possible to accede to the request that has been made. 7th is a gazetted holiday on account of *Holi* festival. If the 4th March, the day preceding *Id*, is such an important day, about the merits of which I shall say nothing, then we should have been informed about it earlier. These dates were announced in January, and my friend waits till the day preceding the 2nd of March, and asks Government to make changes when it is impossible to make such changes, and he is himself unable to point a way out of the difficulty. Nothing was said between January, when these dates were announced, and yesterday. Then, Sir, as a matter of fact, this House had never at any time been closed for two days on account of *Id*. I am not for one moment suggesting that the day is not an important day, but if proper representations had been made at the proper time, then, Sir, something could have been done, but we are in this position that we extremely regret, as the House finds it inconvenient to sit on the 2nd, we cannot possibly, as we are situated now, agree to the 4th being a holiday.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): It is also possible that the 4th itself may be an *Id* day. It has not been decided. In some places the moon appeared on Sunday also . . . .

Mr. President (The Honourable Sir Abdur Rahim): It has been settled now.

Sir Muhammad Yakub: That has not yet been settled, Sir.

Mr. President (The Honourable Sir Abdur Rahim): The Chair understands from the Honourable the Leader of the House who apparently has information that it has been decided.

The Honourable Sir Nripendra Sircar: My information is that it has been decided finally.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): What is the objection to both Houses having a general discussion on the same day?

The Honourable Sir James Grigg (Finance Member): Because the Finance Member cannot be in two places at the same time.

Mr. President (The Honourable Sir Abdur Rahim): As there is agreement on this point, the original arrangement must stand.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 3rd March, 1936.