

In this financial inquiry "an account should be taken not only of the direct revenue and the direct expenditure but also the assets of a Province, and of the best way to develop them. Each Province must be considered on its own merits; and whether it can maintain the necessary organisation without which its assets would go to seed."

It is to be hoped that the financial enquiry would show that the position was quite satisfactory. In his recent speech in Calcutta before the Associated Chambers of Commerce, His Excellency the Viceroy stated that the credit of India stands higher than it has done during the last twenty years. As observed by the Hon'ble the Finance Member in the Legislative Assembly, "India's financial position, in its strength, challenges comparison with that of any country in the world, and in these days of increasing economic nationalism, there is no country that has brighter prospects or greater potentialities for economic advance than India, with her own vast market, and with her place in the British Commonwealth of Nations."

The Reserve Bank of India Act, for setting up a Reserve Bank has been passed by the Central Legislature, the first Directors have been appointed, and the Reserve Bank will begin to function from July next.

It is to be hoped that there will be no delay between the passing of the Act and the introduction of the New Reforms. The Mont-Ford Reforms, though embodied in the Government of India Act in 1919, were actually inaugurated only in 1921. His Excellency the Viceroy has assured us that he will do the utmost to inaugurate the new reforms as soon as the Bill is placed on the Statute book.

154. The future Government of India will be named 'Federation of India' after inauguration by Royal proclamation.

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## CHAPTER XXV.

### The Units of the Federation.

155. The Federation of India will comprise,

**The units of the Federation.** (a) The following 11 Governors' Provinces who will become autonomous units:—

Madras, Bengal, Bombay, Punjab, United Provinces, Bihar, Central Provinces with Berar, Assam, North West Frontier Province, Sindh and Orissa.

(b) The Indian States which have acceded or may, after the inauguration of the Federation, accede to it.

(c) In the Federation so established, there shall be included the following Provinces, hereafter called Chief Commissioners' Provinces, *viz.* :—

Delhi, British Baluchistan, Ajmere-Merwara, Coorg, Andaman and Nicobar Islands and the area known as Panth Piploda.

**Separation of Sind and Orissa.** 156. (i) Sind will be separated from Bombay, and Orissa from Bihar and will be constituted into separated Provinces.

(ii) The new Province of Sind will comprise the whole area at present under the jurisdiction of the Commissioner in Sind. The Province of Orissa will be mainly constituted out of the present Province of Bihar & Orissa, with accretions from the Madras Presidency and the Central Provinces, as recommended by the Orissa Committee of 1932, and as modified under the White Paper, and the report of the Select Committee. The boundaries of the new Provinces will be prescribed by Order in Council.

**The Berars.** (iii) The Berars, originally, formed part of the dominions of His Exalted Highness the Nizam of Hyderabad. Under an arrangement entered into in 1853 between the East India Company and the Nizam, the Berars and two other districts were assigned to the exclusive management of the British Resident in Hyderabad for meeting the charges of the Hyderabad Contingent, a British Force stationed in Hyderabad. Any surplus revenue after meeting the charges and arrears was to be returned to the Nizam. Under an agreement entered into in 1902 between His Majesty's Government and the Government of the Nizam, the Berars were made the subject of a perpetual lease in lieu of an annual rental of 25 lakhs. Since then it is administered with, but not as part of, the Central Provinces. The inhabitants elect a certain number of representatives, who are then formally nominated as members of the Central Provinces Legislature; and legislation both of that Legislature and of the Central Legislature is applied to the Berars through the machinery of the Foreign Jurisdiction Act. It has been announced that an arrangement has now been made between the Government of India and His Exalted Highness whereby, without derogation from His Exalted Highness's sovereignty, the Berars shall be administered as part of a new Province to be known as the Central Provinces and the Berars, that is to say, if and when Provincial autonomy is established under the new Constitution.

(iv) Aden is to be separated from British India.

In recommending the separation of Aden from British India, the Joint Select Committee observed as follows :—

“ We recognise the natural reluctance of Indian opinion to sever a connection of almost a century's standing with an area the development

of which is largely due to Indian enterprise and where much Indian capital is engaged. But great importance must also be attached to the interests and the feelings of the Arab majority of the population of the Settlement. We are impressed, apart from this, by the geographical remoteness of Aden from India; by the difficulties of merging it satisfactorily in a new Indian Federation; by the impracticability of a complete divorce between the civil administration of the Settlement on the one hand and political and military control of the Settlement and Protectorate on the other; and by the anomaly of including in such new constitutional arrangements as may be approved for India an area predominantly Arab in population, already to some extent under Imperial control, and in practice inseparable from the Aden Protectorate for which India has ceased to be in any way responsible. The constitutionally anomalous position which would arise in regard to Defence, if the present arrangements were allowed to continue under the new Constitution, would be particularly marked. We appreciate, moreover, the force in the argument that it is desirable on general grounds, given the importance of Aden from a strategic standpoint to the Empire in the East as a whole, and not merely to any individual unit, that its control should vest in the Home Government. After full consideration, we are of opinion that the administration of the Settlement of Aden should be transferred from the Government of India to His Majesty's Government not later than the date of the establishment of Federation. In reaching this conclusion, we have not ignored the apprehensions expressed by Indian interests connected with Aden as to the possible prejudicial effect of a transfer upon their position. We have, however, ascertained that His Majesty's Government are prepared in the event of transfer, not merely to relieve India of her annual financial contribution, but to preserve a right of appeal in judicial cases to the Bombay High Court; to maintain (in the absence of any radical change in present economic circumstances) the existing policy of making Aden a free port; to do their utmost to keep the administration at its present standard; and to impose no additional taxation unless in their opinion such a course is absolutely necessary. They are further prepared to agree that a proportion of Indian Service *personnel* shall be retained for some years after the date of transfer; that no racial discrimination shall be permitted; and that British-India subjects shall be allowed to enter the Protectorate under precisely the same conditions as any other British subjects. These assurances ought, in our view, adequately to meet the apprehensions to which we have referred above." (Para. 162.)

As from the date when by Order in Council Aden ceases to be part of India, the contribution which India now makes towards the political and military expenditure in Aden will cease.

(v) The separation of Burma from India was recommended by the Montagu-Chelmsford Report and also by the Simon Commission, and accepted in principle by the Government of India. The Burma sub-committee of the first Round Table Conference endorsed the principle of separation. A Burma Round Table Conference was convened for discussing the constitution of a separated Burma, and it was announced that the constitutional objective after separation was the progressive realisation of responsible Government in Burma as an integral part of the Empire. It was then deemed desirable and necessary to ascertain if the people of Burma endorsed the principle of separation. After the general election held in November 1932, a resolution was passed in the Burma Legislative Council opposing separation until Burma was granted a greater measure of responsibility than that outlined in the Prime Minister's statement at the Burma Round Table Conference. The resolution, further, emphatically opposed the unconditional and permanent Federation of Burma with India, and claimed the right of secession, and recognition of Burma's geographical position and her peculiar needs and conditions. The resolution, therefore, does not unconditionally, oppose separation, and can only mean that the Burmans will be prepared to accept separation on certain conditions.

The principle of separation is therefore taken to have been accepted by the Burmans, and Burma will be separated from India, and will have a separate Constitution.

By reason of the fact that Burma is, at present, part of India, and will continue as such until the inauguration of the Federation, it has been deemed expedient to deal with the Constitution of a Federated India as well as Burma in the same Act.

157. The Federation of India will consist of a Federal Executive, a Federal Legislature, a Federal Court, and other Federal organs as described hereunder.

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