CHAPTER I - INTRODUCTION
RELATIVE IMPORTANCE OF STATE TAX REVENUES

(1968-69)

MAHARASHTRA

Legend

1. General & Motor Spirit Sales Tax
2. Land Revenue
3. State Excise
4. Motor Vehicle Tax
5. Stamps & Registration
6. Other Taxes

Represents Rs. 50 crores
1.1 Tax and its Importance

A tax is a compulsory transfer of money (or occasionally of goods and services) from private individuals and groups to the government in return for which the taxpayer receives nothing of material value. The payment of a price implies that commodities are thereby acquired; the payment of a tax implies only that a liability to the government is cancelled.¹

The power to tax and the effective exercise of that power are indispensable to the proper functioning of the government. This power of taxation is an inherent attribute of sovereignty and rightfully belongs to every independent state or government and extends to all matters within its jurisdiction.

"To tax and to please, and to love and to be wise, is not given to men." So goes the old adage. Men nevertheless continue to love, and governments continue to levy taxes. No wise man has questioned their wisdom. For every wise man knows that ever since man shed his jungle habitat, and began his endeavours towards organised living, taxes are collected by the state for the welfare of the members of the organised society.

The welfare of the people cannot be achieved by mere words. The state must have ample resources to secure

the welfare of its citizens. Taxes are the main props of such resources.

The Five Year Plans demand a massive effort by the States for mobilising maximum resources. A substantial tax effort becomes an indispensable pre-condition to see the Plans through. Planning implies more taxes. High taxation seems to be the price which people have to pay to realise the prosperity in future.

A substantial increase in tax revenue has taken place in recent years. The tax revenue of the States and Central Government has increased many fold during the past twenty years. Greater reliance has come to be placed on indirect taxes than direct taxes for resource mobilisation and for restricting consumption. The income-tax and other direct taxes have become inelastic in terms of revenue yield and their scope is limited. Developments in the financial systems of the world show that certain old taxes have lost their significance, and certain new taxes have come to the forefront. Among these new taxes, sales tax has come to occupy the place of pride and prominence. In the fiscal arsenal of the advanced world, sales tax has become a major instrument of revenue, second in importance to the income-tax.

1.2 Importance of Sales Tax

A sales tax is a levy imposed upon the sales or
elements incidental to the sales, such as receipts from them, of all or a wide range of commodities.\footnote{John F. Due, \textit{Sales Taxation} (Routledge and Kegan Paul, Ltd., London), 1957, p. 3.} It is generally imposed on the sale of commodities, yet at times on the sale of services as well. A sales tax is one which includes within its scope all business sales of tangible personal property at either the retailing, wholesaling or manufacturing stage with the exceptions noted in the taxing law.

A sales tax is among the old taxes known to mankind. It is said to have been prevalent in ancient Athens, in Egypt under the Ptolemies and in Rome under the Augustus and other Emperors. Taxes on the sale of commodities were very common and numerous in Europe during the Medieval times, and the Spanish 'Alcabala' is the most noted of them all.

Sales tax has grown in importance in the tax structure of the leading countries of the world since the First World War. Most of the countries that adopted it were not attracted by its special virtue, but were driven to it by their pressing needs. The war and its aftermath put such a heavy strain on the financial resources of the states that they were forced to fall back upon this indirect mode of taxation. The absence of any other equally
productive tax is perhaps the chief cause for its wide prevalence today. Sales tax once adopted has become a permanent feature of any fiscal system, mainly because of its high productivity.

Though sales tax is known to India from ancient times, it was introduced rather very late in modern times, particularly when most of the West European countries had adopted sales tax in their fiscal structure. Powers to levy tax on sales and purchases were originally given to the States by virtue of entry 48 of List II of the Schedule VII, to the Government of India Act, 1935, which were subsequently incorporated in entry 54 of List II of the Seventh Schedule of the Indian Constitution.

Madras was the first State to levy General Sales Tax in 1939, though the sales tax on motor spirit and lubricants was introduced by Central Provinces and Berar in 1938. The system of levy in Madras was multi-point levy. Bengal followed next adopting single-point system in 1941. Punjab introduced multi-point system in 1941, while Bihar followed Bengal's single-point system. By 1955-56, all the States in India had introduced sales tax in their fiscal structure.

1.3 Sales Tax In Maharashtra State

In Bombay State, the sales tax on commodities, other than

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3 Including Bombay State (pre-reorganized and reorganized).
motor spirit was first introduced by the Bombay Sales Tax Act, 1946. It was a single-point levy on the last stage of sale, modelled on the system then prevailing in the States of Bengal and Bihar. This system was in operation from 1st October 1946 to 31st October 1952. It was replaced by a multi-point sales tax system with effect from 1st November 1952 under the Bombay Sales Tax Act, 1952. The multi-point levy was in force in this State from 1st November 1952 to 31st March 1954. From 1st April 1954, a radical change was brought about in the system of levy of sales tax by the introduction of Bombay Sales Tax (Amendment) Act, 1953, popularly known as the two-point tax, or the double-point sales tax system. This system remained in force till 31st December 1959.

On the reorganisation of Bombay State, as from 1st November 1956, the States of Saurashtra, Kutch, the Vidarbha region of the former Central Provinces and Berar State and the Marathwada region of the former Hyderabad State were merged in the Bombay State. These regions had different sales tax systems of their own, which were allowed to continue in those regions till 31st December 1959. The Committee was appointed in 1957 under the Chairmanship of Shri Babubhai Patel to advise the Government on the issue of the unified Sales Tax Law for the entire reorganised Bombay State. The Committee recommended a composite system of sales tax. The Government replaced
the various Sales Tax Acts in the State by a single Act known as the Bombay Sales Tax Act, 1959. The Act came into force from 1st January 1960. Under the consolidated Law, a uniform system, which combined the two-point levy at the first stage, in respect of certain goods, and the single-point levy at the penultimate stage of sale by the licensed dealer to a dealer without licence was introduced. For ordinary registered dealer holding no other document, as Licence, Authorization, Recognition, Permit, retail sales tax on sale of certain goods at 1/4 per cent of the turnover of sales was introduced. Soon after the enforcement of the Bombay Sales Tax Act, 1959, from 1st January 1960, the State of Bombay was bifurcated into the States of Maharashtra and Gujarat, from 1st May 1960. Today the composite system of sales tax as described above, is in force in both the States of Maharashtra and Gujarat.

During a period of twenty two years, four different sales tax systems have operated. The basis and the structure have been overhauled four times within this short span of twenty two years. This has been the case with so many other States in the country. The basis and the structure of sales tax have differed from State to State. The models originally introduced have undergone substantial modifications or sometimes have been replaced by altogether different structures.

The revenue from sales tax has continued to increase
from year to year. The revenue from General Sales Tax and Sales Tax on motor spirit was Rs. 1.17 crores in 1946-47. It increased to Rs. 24.17 crores in 1955-56, Rs. 36.39 crores in 1959-60 and Rs. 87.47 crores in 1966-67. It is estimated at Rs. 112 crores during the year 1968-69. The sales tax has surpassed land revenue and other taxes, and has come to occupy the place of prominence and pride in the State Budget of Maharashtra as well as most of the States in the country. It has become the corner stone of the State finances. Sales tax as a source of revenue has proved its merit beyond doubt, not only in the Maharashtra State, but all other States in the country and in all other countries in the world.

It is a happy sign that the commercial community which collects this tax for the Government is now thinking in terms of solving practical difficulties in its working rather than the undesirability of levying the tax.¹

1.4 Object and Scope of Study

The business community all over the world, and the consumers as well, have now recognized that sales tax, though recently introduced, has not only come to stay,

⁴ Shri Y.B. Chavan, the former Chief Minister, Bombay State, and at present, Home Minister of India, in his inaugural address of the All-India Sales Tax Conference sponsored by the Federation of Indian Chamber of Commerce and Industries, at Bombay on Wednesday, July 24, 1957.
but is also destined to play an increasingly important role in future. Sales tax in one form or the other has come to stay. The mercantile community is not now against the levy of sales tax. It realises the need of this kind of taxation for developmental purposes. The sales tax gives a wider scope to the State to amplify its revenues at very short notice, and it has, therefore, greater significance at this juncture when finances for the Plans have become a matter of greater anxiety.

In view of the probable permanence of the sales tax in the tax system, it is most desirable to study its operation during the past two decades of its existence. The sales tax structure has undergone radical changes since its enforcement in the Bombay State. It has created in its wake the problems of administration. Every section of trade, commerce and industry, has acknowledged, of course reluctantly, the need for levy of sales tax in one form or another. Their anxiety is only about the manner in which it is administered. It is the object of this thesis to study the problems created by sales tax administration, and to consider various measures suggested for its smooth and efficient working. It makes an attempt to discover the defects and shortcomings in the administration of sales tax and, therefore, seeks to make an appraisal of the structure, working, regulation and administration of sales tax in Maharashtra State, including the pre-
reorganized and reorganized Bombay State.

The thesis is thus essentially a historical and an analytical study of the various aspects of sales tax, its working and administration in Maharashtra State, including the pre-reorganized and reorganized Bombay State. The study is spread over a period of eighteen years i.e. from 1946 to 1964. Since the study was undertaken in 1963 and continued over a period of five years, an attempt has been made to review the position, as far as possible, till the year of the completion of the project. The statistics available have been made use of.

The thesis does not aim at examining the fiscal aspects of the sales tax, though the chapters on 'The Role of Sales Tax in State Finance', and 'The Burden of Sales Tax' have been embodied in the thesis. The thesis constitutes only a critical evaluation and an analytical study of the various aspects of working and administration of the sales tax, mainly during the period of eighteen years from 1946-47 to 1963-64.

The study is primarily directed towards sales tax levied on commodities in the Maharashtra State under the Bombay Sales Tax Act, 1959 and the previous Sales Tax Acts of 1946 and 1953. Excluded from the scope of the study, except for certain purposes, are

(1) The Central Sales Tax,
(2) The Sales Tax on Motor Spirit, and
(3) The Sales Tax on Intoxicants.

Primarily an attempt has been made to examine the operation of the Bombay Sales Tax Act, 1959, in force at present from 1st January 1960. The operation of the earlier Acts in force in the pre-reorganized and reorganized Bombay State has also been reviewed. The provisions of the Bombay Sales Tax Act, 1959 and the Bombay Sales Tax Rules, 1959 have been mainly examined, and the corresponding provisions in the earlier Acts and Rules have been referred to, wherever necessary. The Sales Tax Laws in operation in the various areas merged in the old Bombay State, on 1st November, 1956, have been excluded from the scope of the study.

The analysis does not cover, within the scope of its study, the legal complexities of the Act and Rules and judicial decisions on various points. It only aims at reviewing and explaining the provisions without going in details of the pros and cons of the various provisions and judicial decisions. No doubt, as the operation of sales tax is affected by the judicial decisions given by the Courts and Tribunals, in sales tax and income tax cases, Digests of Sales Tax and Income Tax cases along with Law Journals have been studied, and relevant cases have been cited, and extracts from Judgements have been quoted, whenever absolutely necessary, at appropriate places.
1.5 **Difficulties Encountered**

Certain difficulties have been encountered during the course of study and the more prominent of them are:

(1) **Territorial changes and the difficulty of comparability**

The State of Bombay, now called the Maharashtra State, underwent considerable territorial modifications a number of times during the period of our review.\(^5\)

On the eve of independence in 1947, the State of Bombay composed of three important divisions, viz., Gujarat, Maharashtra and Karnataka.

By 1950, the integration of the former Indian Princely States resulted in considerable expansion of the area of Bombay State.

On 1st November 1956, the State of Bombay emerged as the much enlarged bilingual State of Bombay.

Finally, on 1st May 1960, the bilingual State of Bombay was split into the State of Maharashtra and the State of Gujarat.

These territorial changes and consequent changes in the State's population have introduced certain complexities in our analysis of the problem. Since the territorial boundaries of the State of Bombay kept on changing from time to time, figures of sales tax revenue, assessments,

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\(^5\) For details of changes from time to time, in the territorial boundaries of the State of Bombay, refer to Appendix I, Changing Map of the Bombay State.
arrears, recovery, etc., of different years are not strictly comparable. Difficulties arise mainly during the period of 1956-57 to 1960-61. During the financial year 1956-57 there were two budgets -- (1) Budget for the period 1st April 1956 to 31st October 1956, for the old traditional State of Bombay and (2) Budget for the period 1st November 1956 to 31st March 1957 for the new bilingual Bombay State which came into existence on 1st November 1956. Further, for the financial year 1960-61, the budget figures available are mixed ones, i.e. for the period 1st April 1960 to 30th April 1960, the figures relate to the bilingual Bombay State and for the period 1st May 1960 to 31st March 1961, they relate to the State of Maharashtra.

(2) Changes in the Structure and Basis of the Sales Tax System

The structure and the basis of the sales tax system have undergone considerable changes from time to time, so much so, that different systems have operated at different times. When sales tax was levied for the first time, it was a single-point levy at the last stage, in operation during the period from 1st October 1946 to 31st October 1952. Then there was a multi-point levy in force during the period from 1st November 1952 to 31st March 1954. From 1st April 1954 to 31st December 1959, there was in operation the double-point system of taxation. From 1st January 1960 to this day, is in operation, the composite
system, single-point at the first stage, single-point at
the last stage, double-point sales tax and Retail Turnover
Tax. Thus, during a period of twenty years 1946-47 to
1966-67, the four different systems have operated. The
Acts have been framed, re-framed, amended, and re-amended
frequently.

On account of these changes, it is not possible to
make any comparative study of different periods or of dif-
ferent systems, as the boundaries of the State have changed
considerably from time to time. The attempt has there-
fore not been made to compare one system with another
system or one period with another period. Efforts have
been made to trace the development of the different systems
and the changes introduced at different times. It is the
critical evaluation and analysis of the various problems
connected with sales tax, and its administration that have
been attempted in this thesis.

1.6 Method of Study

In the course of study, two methods have been adopted,
vis., compilation and analysis of published and unpublished
data, and the method of personal interviews. The factual
analysis has been based on the published and unpublished
data in government blue books, reports and other records.
For ascertaining the views of businessmen, trade associa-
tions and other organisations, questionnaire method was
tried in the initial stage but it received practically no response. Hence the method of personal interviews with a few leading sales tax consultants and departmental personnel was adopted. This method proved of immense value in understanding and in probing into some of the ticklish problems of sales tax administration. It must be admitted that the businessmen were reluctant to give information and also showed ignorance on many matters. They generally directed me to approach their sales tax consultants for the information required.

1.7 Statistical Data

It need be mentioned here that the statistical data represented through various tables in this thesis are primarily drawn from Government publications such as the Annual Administration Reports of the Sales Tax Department of the Maharashtra/Bombay State, Budget Memoranda, Finance Accounts, Appropriation Accounts and Audit Reports, Reports of different committees on sales tax in Maharashtra/Bombay State and other States in the country, Reports of Finance Commissions, Reserve Bank of India Bulletins, Reports on Currency and Finance, Reports of the National Sample Survey, Census Reports, etc. Much of the data relating to different aspects of administration, assessment, recovery, offences, penalties, prosecutions, appeals, revision, etc., has been compiled mainly from the Annual Administration Reports
of the Sales Tax Department of the Bombay/Maharashtra State. The reports are published till the year 1963-64, and therefore tables relating to certain aspects of administration have been compiled till that year. The Commissioner of Sales Tax, Maharashtra State, expressed his inability to furnish information not available in the reports, and also information for the years 1964-65, 1965-66 and 1966-67. Since the large part of the data required is available in the published form, no attempt has been made to collect statistical information through any other means.

1.8 Plan of the work

The study of the various aspects of sales tax and its working and administration have been broadly covered under fifteen chapters.

Chapter I is an Introductory Chapter.

Chapter II explains the concept of sales tax, its rationale, motivation and principles. Its significance in the fiscal arsenal of the world is outlined in brief. Sales tax is distinguished from excise and other taxes. The various forms of sales tax are also described.

The origin and growth of sales tax through ancient, medieval and modern period, in India, as well as in other countries is described in brief in Chapter III.

Chapter IV reviews the development of Central Sales
Tax in India. The question of levy of additional excise duty in lieu of sales tax, on cloth, sugar, and tobacco, is examined in this chapter.

The Chapter V reviews the development of sales tax in Maharashtra State including the pre-reorganised and reorganised Bombay State. The changes effected in the structure and basis of sales tax are examined.

The administrative set-up of the Sales Tax Department is described in Chapter VI. The problems of recruitment, training of personnel, and facilities provided to the dealers are examined. The question of cost of administration and the cost of compliance is also examined in this chapter.

Chapter VII refers to the study of the regulation of sales tax in Maharashtra State. Various important definitions, and the provisions relating to liability for Registration, Licensing, Authorisation, Recognition, Permit, etc., are described. Various forms and declarations prescribed under the Act and Rules are examined. Provisions relating to filling of returns, maintenance of accounts, composition and lump sum payment of tax and granting of exemption certificates are explained.

Chapter VIII proceeds to explain the working of sales tax in Maharashtra State. Provisions relating to computation of taxable turnover, assessment, reassessment, best judgement assessment, etc., are explained. The question
of increasing arrears of sales tax and arrears of assessment is examined. The exemption granted under the Act and the rate structure are analysed in Chapter IX. Chapter X examines the provisions relating to offences, penalties and prosecutions. Their adequacy or otherwise to check evasion and malpractices is ascertained.

The appellate machinery, and its working is reviewed in Chapter XI. The role of sales tax in State Finance is analysed in Chapter XIII. Revenue from sales tax is compared with the revenue from other state taxes. The problem of burden of sales tax is examined in Chapter XIII. The incidence of sales tax on export promotion also is analysed.

Chapter XIV is concerned with the question of evasion, avoidance of sales tax, and corruption in Sales Tax Department. Difficulties in estimating the evasion are analysed. The working of Enforcement Branch is reviewed. The powers of search and seizure are examined.

Chapter XV summarises the findings of the previous chapters and proceeds to make suitable recommendations with regard to the various aspects of sales tax, its working and administration.
References

1 Janjira
2 Jawhar
3 Savantwadi
4 Akalkot
5 Bhor
6 Satara Agency
7 Surgana
8 Southern Maratha Jagirs
9 Bijapur Agency
10 Cambay
A A part of Ahmedabad District
B Baroda Territory
C Surat District
D Pancha Mahals
E Bombay Suburban District

Fig No. 2
Bombay
Saurashtra
And
Kutch
States
1951

MAP SHOWING
DISTRICT BOUNDARIES
APPENDIX A - CHANGING MAP OF BOMBAY

Boundaries of the State of Bombay changed frequently during 1946-47 to 1960-61. The following account will help to understand these changes.

At the commencement of our period of review i.e. 1946-47, the position of the State of Bombay was as follows:-

The State of Bombay, according to the Census of India, 1941 comprised of three natural divisions and 19 Districts. (20, if Bombay proper is considered as District) as shown below:-

<table>
<thead>
<tr>
<th>Natural Divisions</th>
<th>Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Gujarat</td>
<td>Ahmedabad, Broach and Panch Mahals, Kutch and Surat.</td>
</tr>
<tr>
<td>2. Konkan</td>
<td>Thana, Bombay Suburban, Kanara, Kolaba and Ratnagiri.</td>
</tr>
<tr>
<td>3. Deccan</td>
<td>Ahmednagar, East Khandesh, West Khandesh, Nasik, Poona, Satara, Sholapur, Belgaum, Bijapur and Dharwar.</td>
</tr>
</tbody>
</table>

The total area of the State of Bombay was 76,443 square miles. The State had 185 towns and 21,472 villages. The total population of the State according to the Census 1 of 1941, was 20,849,840.

During the decade 1941-1951, many territorial changes affecting the boundaries of the various divisions and districts of Bombay State took place.

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The State of Bombay, according to the Census of 1951 consisted of the twenty districts of the former State of Bombay, the former agencies of the Gujarat State and the Deccan State, the Sabarkantha Agency (Banask and Sadra Divisions) of the former Western India States' Agency, the former Indian States of Baroda, Idar, Radhanpur, Vijayanagar, Palanpur and Danta, Abu districts and Abu Road, and Dilwara Tehsils of the former Sirohi State and the enclave villages of Rajasthan, Saurashtra and Hyderabad transferred to Bombay less the enclave villages of Bombay transferred to Rajasthan, Saurashtra and Hyderabad. The result was that at the time of 1951 census, there were 28 districts (treating Greater Bombay which comprises the old Bombay City and Bombay Suburban District as one district).

Thus by 1951 the natural divisions and the districts included in those divisions were as follows:-

<table>
<thead>
<tr>
<th>Name of the Natural Division</th>
<th>Names of Districts included in the Natural divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Greater Bombay</td>
<td>Greater Bombay</td>
</tr>
<tr>
<td>(2) Bombay Gujarat Division</td>
<td>Banaskanta, Sabarkanta, Mehsana, Ahmedabad, Kaira, Panchmahals, Baroda, Broach, Surat and Amreli.</td>
</tr>
<tr>
<td>(3) Bombay Deccan-North Division</td>
<td>West Khandesh, East Khandesh, Dangs, Nasik, Ahmednagar, Poona, Satara North, Satara South, Kolhapur and Sholapur.</td>
</tr>
<tr>
<td>(4) Bombay Deccan-South Division</td>
<td>Belgaum, Bijapur and Dharwar.</td>
</tr>
<tr>
<td>(5) Bombay Konkan Division</td>
<td>Thaha, Kolaba, Ratnagiri, and Kanara.</td>
</tr>
</tbody>
</table>
According to the Census of India, 1951, area of Bombay State was 111,434 square miles. The population of Bombay State in 1951 was 3.59 crores.

There were in the State of Bombay, according to that Census, 499 towns and 34,277 villages.  

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2 A town meant a municipal area, Cantonment area, or a place which had a population of 5,000 or more inhabitants and exhibited urban characteristics. (Ref. Census of India, 1951, p. 2.)
The Bilingual
BOMBAY STATE
(1-1-1936 to 30-4-1940)

FIG NO 4
BILINGUAL BOMBAY STATE

The historical Bombay State gave place to the bilingual Bombay State which came into existence on 1st November 1956.

The bilingual Bombay State was evolved by uniting all the inter-dependent Marathi and Gujarati speaking areas of the five different former States, with the city of Bombay as capital. The bilingual Bombay State was formed from the component areas of (1) the former Bombay State (excluding four Karnataka districts and Abu Road Taluka), (2) whole of former Saurashtra State, (3) the whole of the former Part C State of Kutch, (4) the Vidarbha districts of the former Madhya Pradesh, and (5) the Marathwada districts of the former Hyderabad State.

The following were the natural divisions and districts of the bilingual Bombay State which was in existence from 1st November 1956 till 30th April, 1960.

<table>
<thead>
<tr>
<th>Name of Division</th>
<th>Names of Districts comprising the Divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Rajkot Division</td>
<td>Kutch, Halar, Madhya Saurashtra, Zalwad, Gohilwad, Sorath and Amreli.</td>
</tr>
<tr>
<td>(2) Ahmedabad Division</td>
<td>Banaskanta, Sabarkanta, Mehasana, Ahmedabad, Kaira, Panch Mahals, Baroda and Broach.</td>
</tr>
<tr>
<td>(3) Bombay Division</td>
<td>Surat, West Khandesh, Dangs, Nasik, Thana, Greater Bombay, Kolaba and Ratnagiri.</td>
</tr>
<tr>
<td>(4) Poona Division</td>
<td>Ahmednagar, Poona, Satara North, Satara South, Kolhapur and Sholapur.</td>
</tr>
</tbody>
</table>
(5) Aurangabad Division
East Khandesh, Aurangabad, Parbhani, Bhir, Osmanabad and Nanded.

(6) Nagpur Division
Buldhana, Akola, Aurravati, Yaatmal, Wardha, Nagpur, Chanda and Bhandara.

The bilingual State of Bombay had an area of 1,90,873 square miles and was inhabited by 48.2 million people in 54,281 villages and 625 towns. Among all the reorganized States, bilingual Bombay State had the largest area and the second largest population. The density of population was 253 persons per square mile, as against 281 in the Indian Union, which made Bombay State a region of medium density according to Census classification. Of the total population of the bilingual State of Bombay, 13.6 million or 28 percent formed the urban population and 34.6 million or 72 percent constituted the rural population. The corresponding percentages for the Indian Union were 17.4 and 82.6 respectively.
MAHARASHTRA STATE

The bilingual State of Bombay was split into two States—Maharashtra and Gujarat—on 1st May 1960.

Cradled on the eastern side by the spread of Sahyadris or the Western Ghats and on the western side bounded by Arabian Sea, Maharashtra is the third largest State in the Indian Union, both in relation to population and area. It has an area of 1,18,717 square miles and a population of 39.55 millions as per 1961 census and spread over 38,867 villages and 266 towns. Compared to India, there is a considerable urbanisation in the State, as the urban population constitutes 28 per cent of the population of the State as against 16 per cent of the whole of India, which indirectly shows the development of non-agricultural industries in the State. In the industrial base of the country, Maharashtra’s share is the highest. The State accounts for 25 per cent of gross factory output and more than one fourth of the net output from factory establishments. Nearly 23 per cent of the total productive capital employed in the Industrial Sector in India is invested in Maharashtra State. More than one fifth of the registered Joint Stock Companies are in the State.

The city of Bombay, which is the capital of the State of Maharashtra, is the hub of India’s financial and industrial activity. The city of Bombay is the meeting place of all communities, their source of pride and affection,
and a convenient centre for their joint labour and enterprise. It is not only one of the greatest cities of India but is essentially a cosmopolitan multilingual city, the nerve centre of our trade and commerce, and our biggest window to the outside world.

The following are the divisions and districts of the State of Maharashtra:

<table>
<thead>
<tr>
<th>Names of Divisions</th>
<th>Names of Districts in the Divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Bombay Division</td>
<td>Greater Bombay, Thana, Kolaba, Ratnagiri, Nasik, Dhulia and Jalgaon.</td>
</tr>
<tr>
<td>(2) Poona Division</td>
<td>Ahmednagar, Poona, Satara, Sangli, Sholapur and Kolhapur.</td>
</tr>
<tr>
<td>(3) Aurangabad</td>
<td>Aurangabad, Parbhani, Bhir, Nanded and Osmanabad.</td>
</tr>
<tr>
<td>Division</td>
<td></td>
</tr>
<tr>
<td>(4) Nagpur Division</td>
<td>Buldhana, Akola, Amravati, Yeotmal, Wardha, Nagpur, Bhandara and Chanda.</td>
</tr>
</tbody>
</table>

The State is divided into 26 Districts. There are 198 talukas, and 223 municipal towns. There are twelve cities with a population of one lakh and above, and 15 towns with a population of between 50,000 and one lakh.