

Wednesday,  
18th July, 1956

# LOK SABHA DEBATES

**VOLUME V, 1956**

*(16th July to 10th August 1956)*



सत्यमेव जयते



**THIRTEENTH SESSION, 1956**

LOK SABHA SECRETARIAT  
NEW DELHI

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 Achal Singh, Seth [Agra Distt. (West)].  
 Achalu, Shri Sunkam (Nalgonda—Reserved—Sch. Castes).  
 Achint Ram, Lala (Hissar).  
 Achuthan, Shri K. T. (Cranganur).  
 Agarawal, Shri Hoti Lal [Jalaun Distt. *cum* Etawah Distt.—(West) *cum* Jhansi Distt.—(North)].  
 Agrawal, Shri Mukund Lal [Pilibhit Distt. *cum* Bareilly Distt.—(East)].  
 Ajit Singh, Shri (Kapurthala-Bhatinda—Reserved—Sch. Castes).  
 Ajit Singhji, General (Sirohi-Pali).  
 Akarpuri, Sardar Teja Singh (Gurdaspur).  
 Alagesan, Shri O. V. (Chingleput).  
 Altekar, Shri Ganesh Sadashiv (North Satara).  
 Alva, Shri Joachim (Kanara).  
 Amin, Dr. Indubhai B. (Baroda West).  
 Amjad Ali, Shri (Goalpara-Garo Hills).  
 Amrit Kaur, Rajkumari (Mandi-Mahasu).  
 Anandchand, Shri (Bilaspur).  
 Ansari, Dr. Shaukatullah Shah (Bidar).  
 Anthony, Shri Frank (Nominated—Anglo-Indians).  
 Asthana, Shri Sita Rama (Azamgarh Distt.—West).  
 Ayyangar, Shri M. Ananthasayanam (Tirupati).  
 Azad, Maulana Abul Kalam (Rampur Distt. *cum* Bareilly Distt.—West).  
 Azad, Shri Bhagwat Jha (Purnea *cum* Santhal Parganas).

### B

Babunath Singh, Shri (Surguja-Raigarh—Reserved—Sch. Tribes).  
 Badam Singh, Chowdhary (Budaun Distt.—West).  
 Bagdi, Shri Magan Lal (Mahasamund).  
 Bahadur Singh, Shri (Ferozepore-Ludhiana—Reserved—Sch. Castes).  
 Balakrishnan, Shri S. C. (Erode—Reserved—Sch. Castes).  
 Balasubramaniam, Shri S. (Madurai).  
 Baldev Singh, Sardar (Nawan Shahr).  
 Balmiki, Shri Kanhaiya Lal (Bulandshah Distt.—Reserved—Sch. Castes).  
 Banerjee, Shri Durga Charan (Midnapore-Jhargram).  
 Bansal, Shri Ghamandi Lal (Jhajjar-Rewari).  
 Bansilal, Shri (Jaipur).  
 Barman, Shri Upendranath (North Bengal—Reserved—Sch. Castes).  
 Barrow, Shri A. E. T. (Nominated—Anglo-Indians).  
 Barupal, Shri Panna Lal (Ganganagar-Jhunjhunu—Reserved—Sch. Castes).  
 Basappa, Shri C. R. (Tumkur).  
 Basu, Shri A. K. (North Bengal).  
 Basu, Shri Kamal Kumar (Diamond Harbour).  
 Bhagat, Shri B. R. (Patna *cum* Shahabad).  
 Bhakt Darshan, Shri [Garhwal Distt.—(East) *cum* Moradabad Distt.—(North-East)].  
 Bharati, Shri Goswamiraja Sahdeo (Yeotmal).  
 Bhargava, Pandit Mukat Behari Lal (Ajmer South).  
 Bhargava, Pandit Thakur Das (Gurgaon).  
 Bhartiya, Shri Shaligram Ramchandra (West Khandesh).  
 Bhatkar, Shri Laxman Shrawan (Buldana-Akola—Reserved—Sch. Castes).

**B—contd.**

- Bhatt, Shri Chandrashanker (Broach).  
 Bhawani Singh, Shri (Barmer-Jalore).  
 Bhawanji, Shri (Kutch West).  
 Bheekha Bhai, Shri (Banswara—Dungarpur—  
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 Bhonsle, Shri Jagannathrao Krishna Rao  
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 Bidari, Shri Ramappa Balappa (Bijapur  
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 Birbal Singh, Shri [Jaunpur Distt.—(East)].  
 Biren Dutt, Shri (Tripura West).  
 Bogawat, Shri U. R. (Ahmednagar South).  
 Boovaraghasamy, Shri V. (Perambalur).  
 Borkar, Shrimati Anusayabai (Bhandara—  
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 Boroogh, Shri Dev Kanta (Nowgong).  
 Bose, Shri P. C. (Manbhum North).  
 Brajeshwar Prasad, Shri (Gaya East).  
 Brohmo-Chaudhury, Shri Sitanath (Goalpara—  
 Garo Hills—Reserved—Sch. Tribes).  
 Buchhikotajah, Shri Sanaka (Masulipatnam).

**C**

- Chakravartty, Shrimati Renu (Basirhat).  
 Chaliha, Shri Bimalaprosad (Sibsagar—  
 North-Lakhimpur).  
 Chanda, Shri Anil Kumar (Birbhum).  
 Chandak, Shri B. L. (Betul).  
 Chandrasekhar, Shrimati M. (Tiruvallur—  
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 Charak, Th. Lakshman Singh (Jammu and  
 Kashmir).  
 Chatterjea, Shri Tushar (Serampore).  
 Chatterjee, Dr. Susilranjan (West Dinajpur).  
 Chatterjee, Shri N. C. (Hooghly).  
 Chattopadhyaya, Shri Harindranath (Vijaya-  
 vada).  
 Chaturvedi, Shri Rohanlal [Etah Distt.—  
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 Chaudhary, Shri Ganeshi Lal [Shahjahanpur  
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- Chaudhuri, Shri Tridib Kumar (Berham-  
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 Chavda, Shri Akbar (Banaskantha).  
 Chettiar, Shri N. Vr. N. Ar. Nagappa  
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 Chettiar, Shri T. S. Avinashilingam (Tirup-  
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 Chowdhury, Shri Nikunja Behari (Ghatal).

**D**

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 Damar, Shri Amar Singh Sabji (Jhabua—  
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 Damodaran, Shri G. R. (Pollachi).  
 Damodaran, Shri Nettrur P. (Tellicherry).  
 Das, Dr. Mono Mohon (Burdwan—Reserved  
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 Das, Shri B. (Jaipur-Keonjhar).  
 Das, Shri Basanta Kumar (Contai).  
 Das, Shri Beli Ram (Barpeta).  
 Das, Shri Bijoy Chandra (Ganjam South).  
 Das, Shri Kamal Krishna (Birbhum—Re-  
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 Das, Shri Nayan Tara (Monghyr Sadr *cum*  
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Deshpande, Shri Govind Hari (Nasik Central).

Deshpande, Shri Vishnu Ghanashyam  
(Guna).

Dholakia, Shri Gulab Shankar Amritlal  
(Kutch East).

Dhulekar, Shri R. V. [Jhansi Distt.—(South)].

Dhusiya, Shri Sohan Lal (Basti Distt.—  
(Central-East) cum Gorakhpur Distt.—  
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Digambar Singh, Shri (Etah Distr.—(West  
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Distt.—(East)).

Diwan, Shri Raghavendrarao Srinivasrao  
(Osmanabad).

Dube, Shri Mulchand [Farrukhabad Distt.  
(North)].

Dube, Shri Udai Shankar [Basti Distt.  
(North)].

Dubey, Shri Rajaram Giridharlal (Bijapur  
North).

Dutt, Shri Asim Krishna (Calcutta South-  
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Dutta, Shri Santosh Kumar (Howrah).

Dwivedi, Shri Dashrath Prasad (Gorakhpur  
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Dwivedi, Shri M. L. (Hamirpur Distt.).

## E

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Elenezer, Dr. S. A. (Vikarabad).

Elayaperumal, Shri L. (Cuddalore—Reserved  
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## F

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## G

Gadgil, Shri Narhar Vishnu (Poona Central)  
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Gami Malludora, Shri (Visakhapatnam—  
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Gandhi, Shri Feroze [Pratapgarh Distt.  
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Gandhi, Shri Maneklal Maganlal (Panch  
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Gandhi, Shri V. B. (Bombay City—North).

Ganga Devi, Shrimati (Lucknow Distt.  
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Ganpati Ram, Shri [Jaunpur Distt. (East)—  
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Garg, Shri Ram Pratap (Patiala).

Gautam, Shri C. D. (Balaghat).

Ghose, Shri Surendra Mohan (Malda).

Ghosh, Shri Arulya (Burdwan).

Ghulam Qader, Shri (Jammu and Kashmir).

Gidwani, Shri Choithram Partabrai (Thana)  
Giri, Shri V. V. (Pathapatnam).

Giridhari Bhoi, Shri (Kalahandi-Bolangir)  
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Gopalan, Shri A. K. (Cannanore).

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Gounder, Shri K. Periaswami (Erode).

Gounder, Shri K. [Sakthivadivel  
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Govind Das, Seth (Mandla-Jabalpur South).

Guha, Shri Arun Chandra (Santipur).

Gupta, Shri Badshah (Mainpuri Distt.—  
East).

Gupta, Shri Sadhan Chandra (Calcutta—  
South—East).

Gurupadaswamy, Shri M. S. (Mysore).

## H

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Parganas—Reserved—Sch. Tribes).

Hagi Mohan, Dr. (Manbhum North—  
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Hasda, Shri Subodh (Midnapore-Jhargram—  
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- Hazarika, Shri Jogendra Nath (Dibrugarh).  
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 Hembrom, Shri Lal (Santal Parganas cum Hazaribagh—Reserved—Sch. Tribes).  
 Hem Raj, Shri (Kangra).  
 Hukam Singh, Sardar (Kapurthala-Bhatinda).  
 Hyder Husein, Chaudhri (Gonda Distt.—North).

## I

- Ibrahim, Shri A. (Ranchi North-East).  
 Iqbal Singh, Sardar (Fazilka-Sirsa).  
 Islamuddin, Shri Muhammad (Purnea—North-East).  
 Iyyunni, Shri C. R. (Trichur).

## J

- Jagjivan Ram, Shri (Shahabad South—Reserved—Sch. Castes).  
 Jain, Shri Ajit Prasad (Saharanpur Distt.—West cum Muzaffarnagar Distt.—North).  
 Jain, Shri Nemi Saran (Bijnor Distt.—South).  
 Jaipal Singh, Shri (Ranchi West—Reserved—Sch. Tribes).  
 jaisoorya, Dr. N. M. (Medak).  
 ajware, Shri Ramraj (Santal Parganas cum Hazaribagh).  
 Jangde, Shri Resham Lal (Bilaspur—Reserved—Sch. Castes).  
 Jatav-vir, Dr. Manik Chand (Bharatpur-Sawai Madhopur—Reserved—Sch. Castes).  
 Jayaraman, Shri A. (Tindivanam—Reserved—Sch. Castes).  
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 Jena, Shri Lakshmidhar (Jaipur-Keonjhar—Reserved—Sch. Castes).  
 Jena, Shri Niranjan (Dhenkanal-West Cuttack—Reserved—Sch. Castes).  
 ethodan, Shri Kherwar (Palamau cum Hazaribagh cum Ranchi—Reserved—Sch. Tribes).

Jhunjhunwala, Shri Banarsi Prasad (Bhagalpur Central).

Jogendra Singh, Sardar (Bahraich Distt.—West).

Joshi, Shri Anand Chandra (Shahdol-Sidhi).

Joshi, Shri Jethalal Harikrishna (Madhya Saurashtra).

Joshi, Shri Krishnacharya (Yadgir).

Joshi, Shri Liladhar (Shajapur-Rajgarh).

Joshi, Shri Moreshwar Dinkar (Raigarh South).

Joshi, Shri Nandlal (Indore).

Joshi, Shrimati Subhadra (Karnal).

Jwala Prashad, Shri (Ajmer North).

## K

Kachiroyar, Shri N. D. Govindaswami (Cuddalore).

Kajrolkar, Shri Narayan Sadoba (Bombay City—North—Reserved—Sch. Castes).

Kakkan, Shri P. (Madurai—Reserved—Sch. Castes).

Kale, Shrimati Anasuyabai (Nagpur).

Kamal Singh, Shri (Shahabad—North-West).

Kamath, Shri Hari Vishnu (Hooshangabad).

Kamble, Dr. Devrao Nambavrao (Nanded—Reserved—Sch. Castes).

Kandasamy, Shri S. K. Babie (Tiruchengode).

Kanungo, Shri Nityanand (Kendrapara).

Karmarkar, Shri D. P. (Dharwar North).

Karni Singhji, His Highness Maharaja Shri Bahadur of Bikaner (Bikaner-Churu).

Kasliwal, Shri Nemi Chandra (Kota-Jhalawar).

Katham, Shri Birendranath (North Bengal—Reserved—Sch. Tribes).

Katju, Dr. Kailas Nath (Mandsaur).

Kayal, Shri Parcah Nath (Basirhat—Reserved—Sch. Castes).

Kazmi, Shri Syed Mohammad Ahmad (Sultanpur Distt.—North cum Faizabad Distt.—South-West).

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 Khare, Dr. N. B. (Gwalior).  
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 Kolay, Shri Jagannath (Bankura).  
 Kottukappally, Shri George Thomas (Meenachil).  
 Kripalani, Acharya J. B. (Bhagalpur *cum* Purnea).  
 Krishna, Shri M. R. (Karimnagar—Reserved—Sch. Castes).  
 Krishna Chandra, Shri (Mathura Distt.—West).  
 Krishnamachari, Shri T. T. (Madras).  
 Krishnappa, Shri M. V. (Kolar).  
 Krishnaswami, Dr. A. (Kancheepuram).  
 Kureel, Shri Baij Nath (Pratapgarh Distt.—West *cum* Rae Bareilly Distt.—East—Reserved—Sch. Castes).  
 Kureel, Shri Pire Lal (Banda Distt. *cum* Fatehpur Distt.—Reserved—Sch. Castes).

**L**

- Lakshmayya, Shri Paidi (Anantapur).  
 Lal Singh, Sardar (Ferozepur-Ludhiana).  
 Lallanji, Shri (Faizabad Distt.—North-West).  
 Leekar, Shri Nibaran Chandra (Cachar-Lushai Hills—Reserved—Sch. Castes).  
 Lingam, Shri N. M. (Coimbatore).  
 Lotan Ram, Shri (Jalaun Distt. *cum* Etawah Distt.—West *cum* Jhansi Distt.—North—Reserved—Sch. Castes).

**M**

- Madiah Gowda, Shri (Bangalore South).  
 Mahapatra, Shri Sibnarayan Singh (Sundargarh—Reserved—Sch. Tribes).

- Mahata, Shri Bhajharf (Manbhum South *cum* Dhalbhum).  
 Mahodaya, Shri Vaijanath (Nimar).  
 Maitra, Shri Mohit Kumar (Calcutta—North West).  
 Majhi, Shri Chaitan (Manbhum—South *cum* Dhalbhum—Reserved—Sch. Tribes).  
 Majhi, Shri Ram Chandra (Mayurbhanj—Reserved—Sch. Tribes).  
 Majithia, Sardar Surjit Singh (Taran Taran).  
 Malaviya, Shri Keshava Deva (Gonda Distt.—East *cum* Basti Distt.—West).  
 Malliah, Shri U. Srinivasa (South Kanara—North).  
 Malvia, Shri Bhagu-Nandu (Shajapur-Rajgarh —Reserved—Sch. Castes).  
 Malviya, Pandit Chatur Narain (Raisen).  
 Malviya, Shri Motilal (Chhatarpur-Datia-Tikamgarh—Reserved—Sch. Castes).  
 Mandal, Dr. Pashupati (Bankura—Reserved—Sch. Castes).  
 Mascarene, Kumari Annie (Trivandrum).  
 Masuodi, Maulana Mohammad Saeed (Jammu and Kashmir).  
 Masuriya Din, Shri (Allahabad Distt.—East *cum* Jaunpur Distt.—West—Reserved—Sch. Castes).  
 Mathew, Shri C. P. (Kottayam).  
 Mathuram, Dr. Edward Paul (Tiruchirappalli).  
 Matthen, Shri C. P. (Thiruvellah).  
 Mavalankar, Shrimati Sushila (Ahmedabad).  
 Mayo, Shrimati Indira A. (Poona South).  
 Mehta, Shri Asoka (Bhandara).  
 Mehta, Shri Balvantray Gopaljee (Gohilwad).  
 Mehta, Shri Balwant Sinha (Udaipur).  
 Mehta, Shri Jaswantraaj (Jodhpur).  
 Menon, Shri K. A. Damodara (Kozhikode).  
 Minimara, Shrimati (Bilaspur-Durg-Raipur —Reserved—Sch. Castes).  
 Mishra, Pandit Suresh Chandra (Monghyr North-East).  
 Mishra, Shri Bibhuti (Saran *cum* Champaran).  
 Mishra, Shri Lalit Narayan (Darbhanga *cum* Bhagalpur).



*M.—contd.*

- Mishra, Shri Lokenath (Puri).  
 Mishra, Shri Mathura Prasad (Monghyr—North-West).  
 Mishra, Shri Shyam Nandan (Darbhanga—North).  
 Misra, Pandit Lingaraj (Khurda).  
 Mishra, Shri Bhupendra Nath (Bilaspur—Durg-Raipur).  
 Misra, Shri Raghubar Dayal (Bulandshahr Distt.).  
 Misra, Shri Sarju Prasad (Deoria Distt.—South).  
 Missir, Shri Vijineshwar (Gaya North).  
 Mohd. Akbar, Sofi (Jammu and Kashmir).  
 Mohiuddin, Shri Ahmed (Hyderabad City).  
 Morarka, Shri Radheshyam Ramkumar (Ganganagar-Jhunjhunu).  
 More, Shri K. L. (Kolhapur *cum* Satara—Reserved—Sch. Castes).  
 More, Shri Shankar Shantaram (Sholapur).  
 Muchaki Kosa, Shri (Bastar—Reserved—Sch. Tribes).  
 Mudaliar, Shri C. Ramaswamy (Kumbakonam).  
 Muhammed Shafee, Chaudhuri (Jammu and Kashmir).  
 Mukerjee, Shri Hirendra Nath (Calcutta—North-East).  
 Mukne, Shri Y. M. (Thana—Reserved—Sch. Tribes).  
 Muniswamy, Shri N. R. (Wandiwash).  
 Muniswamy, Shri V. (Tindivanam).  
 Murli Manohar, Shri (Ballia Distt. East).  
 Murthy, Shri B. S. (Eluru).  
 Musafir, Giani Gurmukh Singh (Amritsar).  
 Mushar, Shri Kiraj (Bhagalpur *cum* Purnea—Reserved—Sch. Castes).  
 Muthukrishnan, Shri M. (Vellore—Reserved—Sch. Castes).

**N**

- Naidu, Shri Nalla Reddi (Rajahmundry).  
 Nair, Shri C. Krishnan (Outer Delhi).

- Nair, Shri N. Sreekantan (Quilon *cum* Mavelikkara).  
 Nambiar, Shri K. Ananda (Mayuram).  
 Nanadas, Shri Mangalagiri (Ongole—Reserved—Sch. Castes).  
 Nanda, Shri Gulzarilal (Sabarkantha).  
 Narasimham, Shri S. V. L. (Guntur).  
 Narasimhan, Shri C. R. (Krishnagiri).  
 Naskar, Shri Purnendu Sekhar (Diamond Harbour—Reserved—Sch. Castes).  
 Natawadkar, Shri Jayantrao Ganpat (West Khandesh—Reserved—Sch. Tribes).  
 Nathani, Shri Hari Ram (Bhilwara).  
 Nathwani, Shri Narendra P. (Sorath).  
 Nayar, Shri V. P. (Chirayinkil).  
 Nehru, Shri Jawaharlal (Allahabad Distt.—East *cum* Jaunpur Distt.—West).  
 Nehru, Shrimati Shivraj Vati (Lucknow Distt.—Central).  
 Nehru, Shrimati Uma (Sitapur Distt. *cum* Kheri Distt.—West).  
 Nesamony, Shri A. (Nagercoil).  
 Neswi, Shri T. R. (Dharwar—South).  
 Nevatia, Shri R. P. (Sahjahanpur Distt.—North *cum* Kheri—East).  
 Nijalingappa, Shri S. (Chitaldrug).

**P**

- Palchoudhury, Shrimati Ila (Nabadwip).  
 Pande, Shri Badri Dutt (Almora Distt.—North—East).  
 Pande, Shri C. D. (Naini Tal Distt. *cum* Almora Distt.—South-West *cum* Bareilly Distt.—North).  
 Pandey, Dr. Natabar (Sambalpur).  
 Pannalal, Shri (Faizabad Distt.—North-West—Reserved—Sch. Castes).  
 Paragi Lal, Chaudhari (Sitapur Distt. *cum* Kheri Distt.—West—Reserved—Sch. Castes).  
 Paranjpe, Shri R. G. (Bhir).  
 Parekh, Dr. Jayantilal Narbheram (Zala-wad).  
 Parikh, Shri Shantilal Girdharilal (Mehsana East).

**P—contd.**

Parmar, Shri Rupaji Bhavji (Panch Mahals *cum* Baroda East—Reserved—Sch. Tribes).

Pataskar, Shri Hari Vinayak (Jalgaon).

patel, Shri Bahadurbhai Kunthabhai (Surat—Reserved—Sch. Tribes).

Patel, Shri Rajeshwar (Muzaffarpur *cum* Darbhanga).

Patel, Shrimati Maniben Vallabhbhai (Kaira South).

Pateria, Shri Sushil Kumar (Jabalpur—North).

Patil, Shri P. R. Kanavade (Ahmednagar North).

Patil, Shri S. K. (Bombay City—South).

Patil, Shri Shankargauda Veeranagauda (Belgaum South).

Patnaik, Shri Uma Charan (Ghumsur).

Pawar, Shri Vyankatrao Pirajirao (South Satara).

Pillai, Shri P. T. Thanu (Tirunelveli).

Pocker Saheb, Shri B. (Malaopuram).

Prabhakar, Shri Naval (Outer Delhi—Reserved—Sch. Castes).

Punnoose, Shri P. T. (Allenney).

**R**

Rachiah, Shri N. (Mysore—Reserved—Sch. Castes).

Radha Raman, Shri (Delhi City).

Raghavachari, Shri K. S. (Penukonda).

Raghavaiah, Shri Pisupati Vekata (On-gole).

Raghubir Sahai, Shri (Etah Distt.—North-East *cum* Budaun Distt.—East).

Raghubir Singh, Choudhary (Agra Distt.—East).

Raghunath Singh, Shri (Banaras Distt.—Central).

Raghuramaiah, Shri Kotha (Tenali).

Rahman, Shri M. Hifzur (Moradabad Distt.—Central).

Raj Bahadur, Shri (Jaipur-Sawai Madhopur).

Rajabhoj, Shri P. N. (Sholapur—Reserved—Sch. Castes).

Ramachander, Dr. D. (Vellore).

Ramanand Shastri, Swami (Unnao Distt. *cum* Rae Bareilly Distt.—West *cum* Hardoi Distt.—South-East—Reserved—Sch. Castes).

Ramananda Tirtha, Swami (Gulberga).

Ramasami, Shri M. D. (Arruppukottai).

Ramasashaiah, Shri N. (Parvathipuram).

Ramaswamy, Shri P. (Mahbubnagar—Reserved—Sch. Castes).

Ramaswamy, Shri S. V. (Salem).

Ram Dass, Shri (Hoshiarpur—Reserved—Sch. Castes).

Ram Krishan, Shri (Mohindergarh).

Ramnarayan Singh, Babu (Hazaribagh West).

Ram Saran, Shri (Moradabad Distt.—West).

Ram Shankar Lal, Shri (Basti Distt.—Central-East *cum* Gorakhpur Distt.—West).

Ram Subhag Singh, Dr. (Shahabad South).

Ranbir Singh, Ch. (Rohtak).

Randaman Singh, Shri (Shahdol-Sidhi—Reserved—Sch. Tribes).

Rane, Shri Shivram Rango (Bhusaval).

Ranjit Singh, Shri (Sangrur).

Rao, Dr. Ch. V. Rama (Kakinada).

Rao, Shri B. Rajagopala (Srikakulam).

Rao, Shri B. Shiva (South Kanara—South).

Rao, Shri Kadyala Gopala (Gudivada).

Rao, Shri K. nery Mohana (Rajahmundry—Reserved—Sch. Castes).

Rao, Shri Kondru Subba (Eluru—Reserved—Sch. Castes).

Rao, Shri P. Subba (Nowrangpur).

Rao, Shri Pendyal Raghava (Warangal).

Rao, Shri Rayasam Seshagiri (Nandyal).

Rao, Shri T. B. Vittal (Khammam).

Raut, Shri Bhola (Saran *cum* Champaran—Reserved—Sch. Castes).

Ray, Shri Birakisor (Cuttrack).

Razmi, Shri Said Ullah Khan (Sehore).

## \* R—contd.

Reddi, Shri B. Ramachandra (Nellore).

Reddi, Shri C. Madhao (Adilabad).

Reddi, Shri Y. Eswara (Cuddapah).

Reddy, Shri Baddam Yella (Karimnagar).

Reddy, Shri K. Janardhan (Mahbubnagar).

Reddy, Shri Ravi Narayan (Nalgonda).

Reddy, Shri T. N. Vishwanatha (Chittoor).

Richardson, Bishop John (Nominated—Andaman and Nicobar Islands).

Rishang Keishing, Shri (Outer Manipur—Reserved—Sch. Tribes).

Roy, Dr. Satyaban (Uluberia).

Roy, Shri Bishwa Nath (Deoria Distt.—West).

Rup Narain, Shri (Mirzapur Distt. *cum* Banaras Distt.—West—Reserved—Sch. Castes).

## S

Sahaya, Shri Syamnandan (Muzaffarpur Central).

Sahu, Shri Bhagabat (Balasore).

Sahu, Shri Rameshwar (Muzaffarpur *cum* Darbhanga—Reserved—Sch. Castes).

Saigal, Sardar Amar Singh (Bilaspur).

Saksena, Shri Mohanlal (Lucknow Distt. *cum* Bara Banki Distt.).

Samanta, Shri Satis Chandra (Tamluk).

Sanganna, Shri T. (Rayagada-Phulbani—Reserved—Sch. Tribes).

Sankarapandian, Shri M. (Sankaranayinar-kovil).

Sarma, Shri Debendra Nath (Gauhati).

Sarmah, Shri Debeswar (Golaghat-Jorhat).

Satish Chandra, Shri (Bareilly Distt. South).

Satyawadi, Dr. Virendra Kumar (Karnal—Reserved—Sch. Castes).

Sen, Shri Phani Gopal (Purnea Central).

Sen, Shri Raj Chandra (Kotah-Bundi).

Sen, Shrimati Sushama (Bhagalpur South).

Sewal, Shri A. R. (Chamba-Sirmur).

Shah, Her Highness Rajmata Kamlendu Mati (Garhwal Distt.—West *cum* Tehri Garhwal Distt. *cum* Bijnor Distt.—North.)

Shah, Shri Chimanlal Chakubhai (Gohilwad-Sorath).

Shah, Shri Raichand Bhai N. (Chhindwara).

Shahnawaz Khan, Shri (Meerut Distt.—North-East).

Shakuntala Nayar, Shrimati (Gonda Distt.—West).

Sharma, Pandit Balkrishna (Kanpur Distt.—South *cum* Etawah Distt.—East).

Sharma, Pandit Krishna Chandra (Meerut Distt.—South).

Sharma, Shri Diwan Chand (Hoshiarpur).

Sharma, Shri Khushi Ram (Meerut Distt.—West).

Sharma, Shri Nand Lal (Sikar).

Sharma, Shri Radha Charan (Morena-Bhind).

Shastri, Shri Algu Rai (Azamgarh Distt.—East *cum* Ballia Distt.—West).

Shastri, Shri Raja Ram (Kanpur Distt.—Central).

Shivananjappa, Shri M. K. (Mandya).

Shobha Ram, Shri (Alwar).

Shriman Narayan, Shri (Wardha).

Shukla, Pandit Bhagwaticharan (Durg-Bastar).

Siddananjappa, Shri H. (Hassan Chikmagalur).

Singh, Shri C. Sharan (Surguja-Raigarh).

Singh, Shri Digvijaya Narain (Muzaffarpur—North-East).

Singh, Shri Dinesh Pratap (Bahraich Distt.—East).

Singh, Shri Girraj Saran (Bharatpur-Sawai Madhopur).

Singh, Shri Har Prasad (Ghazipur Distt.—West).

Singh, Shri L. Jogeswar (Inner Manipur).

Singh, Shri Mahendra Nath (Saran Central).

Singh, Shri Ram Nagina (Ghazipur Distt.—East *cum* Ballia Distt.—South-West).

## S—contd.

Singh, Shri Tribhuan Narayan (Banaras Distt.—East).

Singhal, Shri Shri Chand (Aligarh Distt.).

Sinha, Dr. Satyanarain (Saran East).

Sinha, Shri Anirudha (Darbhanga East).

Sinha, Shri Awadheshwar Prasad (Muzaffarpur East).

Sinha, Shri Banarsi Prasad (Monghyr Sadr cum Jamui).

Sinha, Shri Gajendra Prasad (Palamau cum Hazaribagh cum Ranchi).

Sinha, Shri Jhulan (Saran North).

Sinha, Shri Kailash Pati (Patna Central).

Sinha, Shri Nageshwar Prasad (Hazaribagh East).

Sinha, Shri S. (Pataliputra).

Sinha, Shri Satya Narayan (Samastipur East).

Sinha, Shri Satyendra Narayan (Gaya West).

Sinha, Shrimati Tarkeshwari (Patna East).

Sinha, Thakur Jugal Kishore (Muzaffarpur—North-West).

Sinhasan Singh, Shri (Gorakhpur Distt.—South).

Siva, Dr. M. V. Gangadhara (Chittoor—Reserved—Sch. Castes).

Snatak, Shri Nardeo (Aligarh Distt.—Reserved—Sch. Castes).

Sodhia, Shri Khub Chand (Sagar).

Somana, Shri N. (Coorg).

Somani, Shri G. D. (Nagaur-Pali).

Subrahmanyam, Shri Kandala (Vizianagaram).

Subrahmanyam, Shri Tekur (Bellary).

Subramania Chettiar, Shri (Dharmapuri).

Sundaram, Dr. Lanka (Visakhapatnam).

Sunder Lall, Shri (Saharanpur Distt.—West cum Muzaffarnagar Distt.—North—Reserved—Sch. Castes).

Suresh Chandra, Dr. (Aurangabad).

Suriya Prashad, Shri (Morena-Bhind—Reserved—Sch. Castes).

Swami, Shri Sivamurthi (Kushtagi).

Swaminadhan, Shrimati Ammu (Dindigul).

Syed Mahmud, Dr. (Champanan East).

## T

Tandon, Shri Purushottamdas [Allahabad Distt. (West)].

Tek Chand, Shri (Ambala-Simla).

Telikar, Shri Shankar Rao (Nanded).

Tewari, Sardar Raj Bhanu Singh (Rewa).

Thimmaiah, Shri Dodda (Kolar—Reserved—Sch. Castes).

Thirani, Shri G. D. (Bargarh).

Thomas, Shri A. M. (Ernakulam).

Thomas, Shri A. V. (Srivaikuntam).

Tivary, Shri Venkatesh Narayan (Kanpur Distt.—North cum Farrukhabad Distt.—South).

Tiwari, Pandit B. L. (Nimar).

Tiwari, Shri Ram Sakai (Chhatarpur-Datia-Tikamgarh).

Tiwary, Pandit Dwarka Nath (Saran South).

Tripathi, Shri Hira Vallabh (Muzaffarnagar Distt.—South).

Tripathi, Shri Kamakhya Prasad (Darrang).

Tripathi, Shri Vishwambhar Dayal (Unnao Distt. cum Rae Bareilly Distt.—West cum Hardoi Distt.—South-East).

Trivedi, Shri Umashanker Mulji bha (Chittor).

Tulsidas Kilachand, Shri (Mehsana West).

Tyagi, Shri Mahavir (Dehra Dun Distt. cum Bijnor Distt.—North-West cum Saharanpur Distt.—West).

## U

Uikey, Shri M. G. (Mandla-Jabalpur—South—Reserved—Sch. Tribes).

Upadhyay, Pandit Munishwar Dutt (Parthargarh Distt.—East).

Upadhyay, Shri Shiva Dayal (Banda Distt. cum Fatehpur Distt.).

Upadhyaya, Shri Shiva Datt (Satna).

## V

Vaishnav, Shri Hanamantrao Ganeshrao (Ambad).

Vaishya, Shri Muldas Bhuderdas (Ahmedabad—Reserved—Sch. Castes).

Vallatharas, Shri K. M. (Pudukkottai).

Varma, Shri B. B. (Champaran North).

Varma, Shri Manik Lal (Tonk).

Veeraswamy, Shri V. (Mayuram—Reserved—Sch. Castes).

Velayudhan, Shri R. (Quilon *cum* Mavelikkara—Reserved—Sch. Castes).

Venkataraman, Shri R. (Tanjore).

Verma, Shri Bulaqi Ram (Hardoi Distt.—North-West *cum* Farrukhabad Distt.—East *cum* Shahjahanpur Distt.—South—Reserved—Sch. Castes).

Verma, Shri Ramji (Deoria Distt.—East).

Vidyalankar, Shri Amarnath (Jullundur).

Vishwanath Prasad, Shri (Azamgarh Distt.—West—Reserved—Sch. Castes).

Vyas, Shri Radhelal (Ujjain).

## W

Waghmare, Shri Narayan Rao (Parbhani).

Wilson, Shri J. N. (Mirzapur Distt. *cum* Banaras Distt.—West).

Wodeyar, Shri K. G. (Shimoga).

## Z

Zaidi, Col. B. H. (Hardoi Distt.—North-West *cum* Farrukhabad Distt.—East *cum* Shahjahanpur Distt.—South).

## LOK SABHA

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*The Deputy-Speaker*

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Shrimati Renu Chakravartty.

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Shri B. L. Chandak.

Shri Paidi Lakshmayya.

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Shri Ram Dass.

Shri U. M. Trivedi.

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Shrimati Tarkeshwari Sinha.

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Shri Jethalal Harikrishna Joshi.  
Shri Ramraj Jajware.  
Shri Resham Lal Jangde.  
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Shri Anandchand.  
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Shri Ganesh Sadashiv Altekari.  
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Shri Narendra P. Nathwani.  
Shri Radheshyam Ramkumar Morarka.  
Shrimati Ila Palchoudhuri.  
Shri N. Rachiah.  
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Shri Tek Chand.  
Shri Ganpati Ram.  
Shri Nandlal Joshi.  
Shri Diwan Chand Sharma.  
Shri Hem Raj.  
Shri H. Sid dananjappa.  
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Shrimati B. Khongmen.

Shri Nageshwar Prasad Sinha.

Shri B. L. Chendak.

Shri Amarnath Vidyalkar.

Shri Venkatesh Narayan Tivary.

Shri Satis Chandra Samanta.

Shri Raghavendraro Srinivasrao Diwan.

Shri M. R. Krishna.

Shri Jethalal Harikrishna Joshi.

Shri Bhawani Singh.

Shri P. Subba Rao.

Shri P. N. Rajabhoj.

Shri Vishnu Ghanashyam Deshpande.

Shri Satyendra Narayan Sinha.

Pandit Dwarka Nath Tiwary.

Shri C. R. Narasimhan.

Shri Raghubir Sahai.

Pandit Algu Rai Shastri.

Shri Abdus Sattar.

Shri Lakshman Singh Charak.

Shri N. Rachiah.

Shri Radheshyam Ramkumar Morarka.

Shri Mangalagiri Nanadas.

Shri T. B. Vittal Rao.

Shri Y. Gadilingana Gowd.

Shri Jaswantraj Mehta.

Shri A. E. T. Barrow.

Shri Choithram Partabrai Gidwani.

**General Purposes Committee**

Shri M. Ananthasayanam Ayyangar (*Chairman*)

Sardar Hukam Singh.

Pandit Thakur Das Bhargava.

Shri Upendra Nath Barman.

Shri Frank Anthony.

Shrimati Renu Chakravartty.

Shrimati Sushama Sen.

Shri K. S. Raghavachari.

Shri B. G. Mehta.

Shri V. B. Gandhi.

Shri Satya Naryan Sinha.

Shri N. C. Chatterjee.

Shri Kotha Raghuramaiah.

Shri G. S. Altekari.

Shri U. S. Malliah.

Shri A. K. Gopalan.

Shri Tulsidas Kilechand.

Shri J. B. Kripalani.

Shri Uma Charan Patnaik.  
Dr. A. Krishnaswami.

**House Committee**

Shri U. Srinivasa Malliah (*Chairman*)  
Shri Birbal Singh.  
Shri Radha Charan Sharma.  
Shri George Thomas Kottukapally.  
Shri Digvijaya Narain Singh.  
Shri Krishnacharya Joshi.  
Shri N. Somana.  
Shri Bhupendra Nath Misra.  
Shri N. D. Govindaswami Kachiroyar.  
Shri Raj Chandra Sen.  
Shri K. Ananda Nambiar.  
Shri M. S. Gurupadaswamy.

**Joint Committee on Salaries and Allowances of Members of Parliament**

*Lok Sabha*

Shri Satya Narayan Sinha. (*Chairman*)  
Shri Bhagwat Jha 'Azad'.  
Shri U. Srinivasa Malliah.  
Shri Diwan Chand Sharma.  
Shri Jagan Nath Kolay.  
Shri G. H. Deshpande.  
Shri Nemi Chandra Kasliwal.  
Shri N. C. Chatterjee.  
Shri P. T. Punnoose.  
Shri Asoka Mehta.

*Rajya Sabha*

Shri H. C. Dasappa.  
Shri D. Narayana.  
Shri R. P. N. Sinha.  
Shrimati Chandravati Lakhanpal.  
Shri V. K. Dhage.

**Library Committee**

*Lok Sabha*

Sardar Hukam Singh. (*Chairman*)  
Shri V. N. Tivary.  
Shri M. L. Dwivedi.  
Shri U. C. Patnaik.  
Shri M. D. Joshi.  
Shri H. N. Mukerjee.

*Rajya Sabha*

Shri R. D. 'Dinkar' Sinha.  
Shri Theodore Bodra.  
Shrimati Lilavati Munshi.

**Public Accounts Committee**

*Lok Sabha*

Shri V. B. Gandhi. (*Chairman*)  
Shri K. G. Deshmukh.  
Shri U. Srinivasa Malliah.  
Shri Diwan Chand Sharma.  
Shri C. D. Pande.  
Shri Kamal Kumar Basu.  
Shri V. Boovaraghasamy.  
Dr. Indubhai B. Amin.  
Shri Nibaran Chandra Laskar.  
Shrimati Tarkeshwari Sinha.  
Shri Tribhuan Narayan Singh.  
Shri Radhelal Vyas.  
Shri C. P. Matthen.  
Shri J. B. Kripalani.  
Shrimati Shakuntala Nayar.

*Rajya Sabha*

Shri G. Ranga.  
Shri R. M. Deshmukh.  
Shrimati Pushpalata Das.  
Shri Shyam Dhar Misra.  
Shri P. T. Leuva.  
Shri B. C. Ghose.  
Shri J. V. K. Vallabharao.

**Rules Committee**

Shri M. Ananthasayanam Ayyangar. (*Chairman*)  
Sardar Hukam Singh.  
Pandit Thakur Das Bhargava.  
Shri Satya Narayan Sinha.  
Shri N. Keshavaiengar.  
Shri Shivram Rango Rane.  
Shri Ghamandi Lal Bansal.  
Shri Khushi Ram Sharma.  
Shri Kotha Raghuramaiah.  
Shri Satis Chandra Samanta.  
Dr. N. M. Jaisoorya.  
Shri N. C. Chatterjee.  
Shri Bhawani Singh.  
Shri Kamal Kumar Basu.  
Shri K. S. Raghavachari.

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## GOVERNMENT OF INDIA

### Members of the Cabinet

Prime Minister and Minister of External Affairs and also in charge of the Department of Atomic Energy—Shri Jawaharlal Nehru.

Minister of Education and National Resources and Scientific Research—Maulana Abul Kalam Azad.

Minister of Home Affairs—Pandit Govind Ballabh Pant.

Minister of Communications—Shri Jagjivan Ram.

Minister of Health—Rajkumari Amrit Kaur.

Minister of Finance—Shri C. D. Deshmukh.

Minister of Planning and Irrigation and Power—Shri Gulzarilal Nanda.

Minister of Defence—Dr. Kailas Nath Katju.

Minister of Commerce and Industry and Iron and Steel—Shri T. T. Krishnamachari.

Minister of Law and Minority Affairs—Shri C. C. Biswas.

Minister of Railways and Transport—Shri Lal Bahadur Shastri.

Minister of Works, Housing and Supply—Sardar Swaran Singh.

Minister of Production—Shri K. C. Reddy.

Minister of Food and Agriculture—Shri Ajit Prasad Jain.

Minister of Labour—Shri Khandubhai Desai.

Minister without Portfolio—Shri V. K. Krishna Menon.

### Ministers of Cabinet Rank (but not members of the Cabinet)

Minister of Parliamentary Affairs—Shri Satya Narayan Sinha.

Minister of Defence Organisation—Shri Mahavir Tyagi.

Minister of Information and Broadcasting—Dr. B. V. Keskar.

Minister of Trade—Shri D. P. Karmarkar.

Minister of Agriculture—Dr. Panjabrao S. Deshmukh.

Minister in the Ministry of External Affairs—Dr. Syed Mahmud.

Minister of Legal Affairs—Shri Hari Vinayak Pataskar.

Minister of Natural Resources—Shri K. D. Malaviya.

Minister of Revenue and Civil Expenditure—Shri M. C. Shah.

Minister of Revenue and Defence Expenditure—Shri Arun Chandra Guha.

Minister of Rehabilitation—Shri Mehr Chand Khanna.

Minister of Consumer Industries—Shri Nityanand Kanungo.

Minister in the Ministry of Communications—Shri Raj Bahadur.

Minister in the Ministry of Home Affairs—Shri B. N. Datar.

Minister of Heavy Industries—Shri M. M. Shah.

### Deputy Ministers

Deputy Minister of Defence—Sardar S. S. Majithia.

Deputy Minister of Labour—Shri Abid Ali.

Deputy Minister of Rehabilitation—Shri J. K. Bhonsle.

Deputy Minister of Railways and Transport—Shri O. V. Alagesan.

Deputy Minister of Health—Shrimati M. Chandrasekhar.

Deputy Minister of External Affairs—Shri Anil Kumar Chanda.

Deputy Minister of Food and Agriculture—Shri M. V. Krishnappa

Deputy Minister of Irrigation and Power—Shri Jaisukhlal Hathi.

Deputy Minister of Production—Shri Satish Chandra.

Deputy Minister of Planning—Shri Shyam Nandan Mishra.

Deputy Minister of Education—Dr. K. L. Shrimali.

Deputy Minister of Finance—Shri Bali Ram Bhagat.

• Deputy Minister of Education—Dr. Mono Mohon Das.

**Parliamentary Secretaries]**

Parliamentary Secretary to the Minister of External Affairs—Shrimati Lakshmi N. Menon.

Parliamentary Secretary to the Minister of Railways and Transport—Shri Shahnawaz Khan.

Parliamentary Secretary to the Minister of External Affairs—Shri Jogendra Nath Hazarika.]

Parliamentary Secretary to the Minister of Production—Shri Rajaram Giridharlal Dubey.

Parliamentary Secretary to the Minister of External Affairs—Shri Sadath Ali Khan.

Parliamentary Secretary to the Minister of Information and Broadcasting—Shri G. Rajagopalan.

Parliamentary Secretary to the Minister of Works, Housing and Supply—Shri Purnendu Sekhar Naskar.

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**LOK SABHA**

*Wednesday, 18th July, 1956*

*The Lok Sabha met at Eleven  
of the Clock.*

[MR DEPUTY SPEAKER in the Chair]

**ORAL ANSWERS TO QUESTIONS**

**Foreign Loans**

**\*68. Shri Bhagwat Jha Azad :** Will the Minister of Finance be pleased to state :

(a) whether some foreign countries have agreed to advance loans to India to finance her Second Five Year Plan;

(b) if so, the names of the countries; and

(c) the quantum of the loans?

**The Deputy Minister of Finance (Shri B. R. Bhagat) :** (a) to (c). A statement is placed on the Table [See Appendix I, Annexure No. 19].

**Shri Bhagwat Jha Azad :** What would be the period of payment of the Rs. 40 crores of loan from the U. S. A. and what would be the terms of repayment?

**Shri B. R. Bhagat :** The loan is repayable over a period of 40 years in half-yearly instalments. The rate of interest is 4 per cent if repaid in rupees and 3 per cent if repaid in dollars.

**Shri Bhagwat Jha Azad :** May I know whether the team from the International Bank of Reconstruction and Development, that visited India, have submitted their report, and if so, what are the recommendations made regarding the loan to be advanced to India by that Bank?

**Shri B. R. Bhagat :** The Bank mission have gone back and if they have submitted any report, they would have submitted it to the bank, and any recommendations that they make will be to the bank, and therefore, we do not know what recommendations they have made.

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**Shri Bhagwat Jha Azad :** May I know whether the attention of Government has been drawn to the humiliating statement of the minority leader in the U. S. A. Senate that he would move or support a move to have a substantial cut in the foreign aid programme to India, and if so, do Government propose in the light of this humiliating statement to refuse such loan from the U.S.A.?

**Shri B. R. Bhagat :** I have seen that report in the press, but that is only a minority leader's statement.

**Shri Bhagwat Jha Azad :** But the minority leader belongs to the ruling Republican Party of U.S.A.

**Shri Kamath :** Have Government in this connection decided to accept loans from any foreign country, provided no strings are attached, or have Government made a distinction between country and country on a political or other basis, and if so, what is the basis?

**Shri B. R. Bhagat :** Our policy regarding accepting loans or investments is well known. We accept loans from friendly countries, if there are no political strings attached. There is no distinction made between country and country.

**Shri B. S. Murthy :** In view of the fact that the U. S. A. press also is inimical towards India in the matter of India's progress is it quite essential that we should accept this loan of Rs. 40 crores, which is but a drop in the ocean in our expenditure?

**Shri B. R. Bhagat :** That is because the press is free. But there are other friendly reports from other sections there.

**Regional School of Printing**

**\*69. Shri Shree Narayan Das :** Will the Minister of Education be pleased to state :

(a) the progress made in establishing Regional Schools of Printing.

(b) the total amount so far advanced by the Central Government for the purpose of giving separate figures for each School; and

(c) the number of trainees so far admitted in the established Schools?

**The Deputy Minister of Education (Dr. M. M. Das) :** (a) to (c). A statement giving the required information is laid on the Table of the House. [See Appendix I, Annexure No. 20]

**Shri Shree Narayan Das :** From the statement, it appears that the Central Government have agreed to bear 50 per cent. of the non-recurring and recurring cost of each school. May I know the terms and conditions under which this aid is going to be given to these institutions ?

**Dr. M. M. Das :** The terms and conditions are that the remaining 50 per cent. of the recurring and non-recurring expenditure will be borne by the Government of the State in which the school is situated, with the active co-operation of the printing presses there.

**Shri Shree Narayan Das :** May I know whether the Central or the State Governments have any hand in the management of these schools, and if so, the nature of control and regulation that they have ?

**Dr. M. M. Das :** I want to have notice of the question.

**Shri Shree Narayan Das :** What is the estimated capacity for admission of these schools separately ?

**Dr. M. M. Das :** The present provisions are as follows : In Madras, the number is about 180 for the first and second year—it is the second year of the school. In Calcutta, it is 80 in the first year, and the admission is now taking place. In Bombay, this is the first year of admission, and there is provision for 25 seats. When the arrangements are complete, the total number of students that will be given facilities for training will be about 200 in each School.

**Shri M. K. Maitra :** Has any arrangement been made for giving practical training to the trainees ?

**Dr. M. M. Das :** That is the reason why we have tried to locate these schools in places where there are large numbers of printing presses.

**Mr. Deputy Speaker :** Now, Shri B. S. Murthy.

**Shri M. K. Maitra :** May I know whether the schools.....

**Mr. Deputy Speaker :** Order, order. The sequence should also be borne in mind. A Member should begin to speak only when he is called upon to speak. He should not compel the Chair to allow him to speak simply because he has begun already. Now, Shri B. S. Murthy.

**Shri B. S. Murthy :** May I know whether there are any State Government schools which have been taken under this scheme ?

**Dr. M. M. Das :** There is no State Government school. But there is a proposal to the effect that another printing school will be established in the Delhi Polytechnic. That will be directly under the Central Government, if it comes about at all.

**Shri Shree Narayan Das :** May I know the extent of financial responsibility of the Central Government in the matter of the recurring and non-recurring expenditure of all these institutions ?

**Dr. M. M. Das :** It is already mentioned in the statement that 50 per cent. will be borne by the Central Government, and 50 per cent. will be met by the Government of the State in which the institution is located, with the active co-operation and financial help of the printing presses there.

**Shri M. K. Maitra :** May I know whether there is any proposal to give subsidy to these private presses for arrangement of practical training ?

**Dr. M. M. Das :** I do not think there is any such proposal. On the contrary, these private presses are to contribute towards the establishment of these schools.

#### Cost Accounting

**\*71. Shrimati Renu Chakravartty :** Will the Minister of Defence be pleased to state :

(a) whether there is any system of cost accounting in Defence production establishments; and

(b) if not, the method adopted for comparing and checking production costs in the various establishments ?

**The Deputy Minister of Defence (Sardar Majithia) :** (a) A system of Cost Accounting already exists in Ordnance Factories. The question of its revision so as to make it more scientific is being examined by Government.

(b) Does not arise.

**Shrimati Renu Chakravartty :** In view of the fact that often it is stated that the goods produced at the civilian establishments are expensive, may I know whether any method has been adopted for checking the production costs and for computing it on a more rational basis ?

**Sardar Majithia :** The production costs, I admit, are a bit high. But, as I said, we are revising this accounting procedure, and we shall take proper note of it.

**Shri V. P. Nayar :** The Minister has stated that the system of cost accounting is in vogue. May I know whether in the Defence Accounts Service there are officers who have special qualifications in cost accounting, and if so, how many there are ?

**Sardar Majithia :** I would require notice.

### Police Strength in Travancore-Cochin

\*72. **Shri A. K. Gopalan :** Will the Minister of Home Affairs be pleased to state :

(a) the strength of the police force in Travancore-Cochin State at present; and

(b) the number of cases of corruption, prosecution, dacoity, violation of law and immorality filed against the members of the police force there during 1955 and 1956 so far?

**The Minister in the Ministry of Home Affairs (Shri Datar) :** (a) 9383.

(b) During 1955-56, police personnel were involved in 16 cases of corruption. No policeman was involved in a dacoity case. It is not clear what is meant by cases of prosecution, violation of law and immorality. If the hon. Member specifies or clarifies the points, information will be collected and placed before the House.

**Shri A. K. Gopalan :** May I know whether it is a fact that one ASP Venu-gopalan was suspended from service for having molested a woman in a travellers' bungalow?

**Shri Datar :** Complaints were received, and an enquiry was set on foot. The report is now under the examination of the Government of Travancore-Cochin.

**Shri A. K. Gopalan :** May I know whether it is a fact that recently a police sub-inspector was transferred from Kottayam to another place for his grave negligence to keep law and order, pending an enquiry?

**Shri Datar :** I am not aware of that.

**Shri V. P. Nayar :** May I know the number of cases in which complaints have been sent to Government alleging that police officers, especially sub-inspectors and policemen, have very seriously manhandled the accused and under-trial prisoners inside lock-ups, and if so, what is their number?

**Shri Datar :** These are all general allegations going beyond the scope of the question.

**Shri A. M. Thomas :** May I enquire what exactly is the strength of the police force in Travancore-Cochin, compared with that in other States per lakh of population? May I also know the number of crimes for which Police have been charged in Travancore-Cochin State as compared with that in other States?

**Shri Datar :** All these will have to be studied. But I would point out that the

strength of the police force is fairly sufficient—namely 9383.

**Shri V. P. Nayar :** May I know whether it is not a fact that a very large number of cases have been reported, by very responsible public men, to Government, of police officers indulging in cognisable offences? May I also know whether in such cases, it is not the practice of Government to put the accused officer to a departmental enquiry in order to shield him ultimately, or to destroy any possible evidence by lapse of time?

**Shri Datar :** That is an insinuation.

**Mr. Deputy Speaker :** Ordinarily, there should be only one question at one time. By saying 'may I also know', questions should not be combined together.

**Shri Datar :** I would not accept the insinuations contained in these two questions. So far as general complaints are concerned, whenever any complaints are received from responsible quarters, they are duly inquired into. I might inform the House that when I received certain complaints from hon. Members opposite, I did inquire into them and found that the allegations were not correct.

**Shri V. P. Nayar :** I want to know the number of cases in which definite allegations of hurt and grievous hurt have been levelled against police officers during the last two years.

**Shri Datar :** I require notice.

**Shri V. P. Nayar :** Always notice.

**Pandit D. N. Tiwary :** May I know whether such happenings are special for Travancore-Cochin or whether such things happen in other States also?

**Shri Datar :** They happen here and there. Unfortunately, there are certain persons who magnify a small incident.

**छावनियों में आवास सम्बन्धी सुविधाएँ**

**७३ श्री बाल्मीकी :** क्या प्रतिरक्षा मंत्री यह बतान की कृपा करेंगे कि :

(क) छावनियों में काम करने वाले मेहतरों के लिये आवास सम्बन्धी सुविधाओं का प्रबन्ध करने के लिये वर्ष १९५३-५४, १९५४-५५ और १९५५-५६ में क्या प्रयत्न किये गये हैं;

(ख) क्या यह सच है कि पिछले दस वर्षों में इस कार्य पर कुछ भी विशेष ध्यान नहीं दिया गया है; और



(ग) यदि हां, तो निकट भविष्य में इस दिशा में क्या कार्यवाही करने का विचार है ?

**प्रतिरक्षा उप-मंत्री (सरदार मजीठिया) :**

(क) एक विवरण सभा-पटल पर रख दिया गया है [बेलिये परिशिष्ट १, अनुबन्ध सं० २१]

(ख) तथा (ग). छावनी बोर्डों को साधारण तौर पर पिछले वर्षों में अपने कर्मचारियों को आवास देने की जरूरत नहीं पड़ी थी, और इसलिये भूत काल में मेहतरों को आवास देने के बारे में कोई विशेष ध्यान देने की आवश्यकता नहीं थी।

किन्तु छावनी बोर्डों ने अपनी पंचवर्षीय विकास योजना की अवधि के अन्तर्गत मेहतरों के लिये अधिक आवास बनाने का प्रस्ताव रखा है। वार्षिक बजट बनाने के अवसर पर इन प्रस्तावों पर विचार किया जाता है। १९५६-५७ में विभिन्न बोर्डों में बनने वाले आवासों की कुल संख्या १९५ तक होने की सम्भावना है।

**श्री बाल्मीकी :** इस स्टेटमेंट को देखने से मालूम होता है कि छावनियों में काम करने वाले मेहतरों के लिये आवास सम्बन्धी सुविधायें देने की दशा में विशेष प्रगति नहीं हुई है और अब भी छावनियों के इलाकों में मेहतरों के मकान गंदे और टट्टी के स्थानों पर बने हुए हैं और मैं सरकार से पूछना चाहता हूँ कि उन्हें अच्छी साइट पर बसाने के लिये क्या प्रयत्न किया जा रहा है ?

**सरदार मजीठिया :** स्टेटमेंट को देखने से मालूम हो जायेगा कि कुछ घर नये बनाये गये हैं और कुछ को बढ़ाया गया है और जैसा कि मैंने कहा है कि अब जो दूसरी पंचवर्षीय योजना चल रही है उस में कुछ और ज्यादा ध्यान इस चीज पर दिया जा रहा है और मैं उम्मीद करता हूँ कि इस असे में काफी तादाद में उन के वास्ते मकान बन जायेंगे।

**श्री बाल्मीकी :** दूसरी पंचवर्षीय योजना में जो गन्दी बस्तियां हटेंगी और मेहतरों के मकान बनाने के लिये जो २० करोड़ रुपये का अनुदान रखा गया है तो क्या इस अनुदान से उन्हें कुछ अधिक लाभ पहुंचने की आशा है ?

सरदार मजीठिया : मैं यह कह सकता हूँ कि इस योजना में उन को पहले से ज्यादा लाभ पहुंचेगा क्योंकि पहले तो कैंटनमेंट बोर्डों को तकरीबन साल में १० लाख रुपया दिया जाता था और इस साल से वह ५० लाख दिया जाता है और इसलिये हिस्सा जो इन को आयेगा वह प्रागे से ज्यादा आयेगा।

**श्री बाल्मीकी :** प्रागे के मेहतर, जो कैंटनमेंट एरिया के रहने वाले हैं वे इस साइट के लिये पिछले तीन साल से बराबर यत्न कर रहे हैं तो क्या सरकार उन्हें वह अच्छी साइट देने का विचार रखती है ?

**सरदार मजीठिया :** मेरे नोटिस में यह चीज नहीं आई है। अब चूंकि माननीय मेम्बर ने इस का जिक्र किया है इसलिये मैं इस पर गौर करूंगा।

**श्रीमती कमलेश्वरमति शाह :** मैं यह जानना चाहती हूँ कि जो २० करोड़ रुपया मेहतरों को आवास सम्बन्धी सुविधायें देने के लिये रक्खा गया है तो उस रुपये में से कुछ राशि बद्दीनाथ और केदार नाथ के मेहतरों के लिये घर बनाने पर खर्च की जायेगी जो कि बहुत कष्ट में हैं और जिन के पास कोई रहने का घर अथवा स्थान नहीं है और क्या केन्द्रीय सरकार प्रांतीय सरकार को इस विषय में लिखेगी कि उन के वास्ते भी घर आदि बनाने की व्यवस्था की जाये ?

**उपाध्यक्ष महोदय :** यह प्रश्न छावनियों में काम करने वाले मेहतरों से ताल्लुक रखता है।

**श्री भक्त बर्जान :** यह जो सूची सभा पटल पर रखी गई है इस में १७ छावनियों का

जिज्ञासु है, लेकिन इन में से एक भी ऐसी नहीं है जिसे कि हम पर्वतीय छावनी कह सकें। और क्या गवर्नमेंट के ध्यान में यह बात आई है कि पर्वतीय छावनियों में मेहतरों की हालत दूसरी छावनियों से भी ज्यादा खराब है और कि भ्रमली पंचवर्षीय योजना में खास तौर पर उन पहाड़ी छावनियों में काम करने वाले मेहतरों की दशा सुधारने की ओर ध्यान दिया जाना चाहिये ?

[Mr. Speaker in the chair]

**सरदार मजीठिया :** मैंने पहले ही कह दिया है कि जो जो छावनियां इस में अभी तक नहीं आई हैं उन पर विचार किया जायेगा।

**श्री प० ल० बाळुपाल :** क्या मैं जान सकता हूं कि यह वार्टर्स जो बनाये जायेंगे यह अन्य सैनिकों के साथ बनाये जायेंगे या उन को छोटे छोटे भ्रष्ट स्थानों की तरह भ्रमल बनाया जायेगा ?

**सरदार मजीठिया :** यह जो क्वार्टर्स भ्रष्टों के लिये बनते हैं उन में और जो कि दूसरे क्वार्टर्स हैं, उन में ज्यादा फर्क नहीं है। अब यह भ्रमल भ्रमल बनाये जायेंगे या अन्य सैनिकों के क्वार्टर्स के साथ बनाये जायेंगे तो यह तो जैसे जैसे कैंटनमेंट का प्लान बनता जाता है उस के मुताबिक यह बनेंगे।

**श्री प० ल० बाळुपाल :** सैनिक सैनिक तो सब समान होते हैं फिर क्वार्टर्स के सम्बन्ध में यह भ्रमल क्यों होता है ?

**सरदार मजीठिया :** छावनियों में जब कोई बिल्डिंग बनती है तो वह छावनी के प्लान के अधीन बनती है और उसी प्लान के मुताबिक हम चल रहे हैं।

#### The Dalmia Case

\*74. **Shri N. B. Chowdhury :** Will the Minister of Finance be pleased to refer to the reply given to Starred Question No. 1523 on the 17th April, 1956 and state the stage at which the case against Shri Ram Krishna Dalmia stands at present ?

**The Minister of Revenue and Civil Expenditure (Shri M. C. Shah):** The investigation into the case is likely to take some more time in view of its complicated nature.

**Shri N. B. Chowdhury :** May I know whether there is any truth in the rumour that Government are not going to proceed with the case ?

**Shri M. C. Shah :** It is absolutely incorrect and baseless.

**Shri Feroze Gandhi :** The hon. Minister gave the same answer on the 17th April 1956. May we know why it is taking Government so long ? After all, it is ten months since Shri Dalmia was arrested.

**Shri M. C. Shah :** As the hon. Member knows very well, there is a big sum of Rs. 2.20 crores involved. He also knows that there are many companies with which Shri Ramkrishna Dalmia is connected. Therefore, to trace all this big sum through all these companies and other persons concerned, the investigation officer has to go through the complicated nature of all the accounts of these companies and persons concerned. So in order to strengthen the case, it is very absolutely necessary that there ought to be a thorough investigation before attempting to draft a charge.

#### Natural Gas

\*76. **Shri Gidwani :** Will the Minister of Natural Resources and Scientific Research be pleased to state :

(a) whether it is a fact that a natural gas has been found at a number of places in Amreli, Baroda and Broach district of Bombay State ;

(b) whether Government have received any report ; and

(c) if so, the details thereof ?

**The Minister of Natural Resources Shri K. D. Malaviya :** (a) Yes, Sir.

(b) and (c). A statement giving the required information is laid on the Table of the House. [See Appendix I, annexure No. 22]

**Shri Gidwani :** It is said in the statement that in Amreli and Baroda districts natural gas has been found, but it is not of economic value. May I know whether further investigations are to be carried on or whether they are completed ?

**Shri K. D. Malaviya :** No. Further investigations are going on, and the recent geophysical explorations have also furnished some more information. But this is not enough for us to come to any conclusions just now.

**Shri Bhagwat Jha Azad :** In case this exploration discloses that there is enough gas, may I know whether Government have got any plan to capture and utilise it for our purposes ?

**Shri K. D. Malaviya :** Unfortunately, the information so far collected by us goes to show that they are not of much economic importance, except at one place where it is of considerable significance. We are pursuing our investigation at that specific place i.e. Gogha.

### Religious Teachers

\*78. **Shri Dabhi :** Will the Minister of Defence be pleased to refer to the reply given to Starred Question No. 2364 on the 21st May, 1956 and state :

(a) whether Government propose to remove the disparity in the rates of pay and allowances paid to *Padres* and those paid to religious teachers belonging to other religions ; and

(b) if not, the reasons therefor ?

**The Deputy Minister of Defence (Sardar Majithia) :** (a) The question whether the disparity in the rates of pay of *Padres* and religious teachers belonging to other denominations should be removed is under the active consideration of the Government of India. There is no disparity in the rates of allowances.

(b) Does not arise.

**Shri Dabhi :** What is the sort of disparity that is to be removed ? The hon. Minister has said that there is no disparity.

**Sardar Majithia :** I said that there is no disparity in the allowances. There is disparity in pay. Removal of that is under the consideration of Government.

**Shri Dabhi :** May I know what was the necessity for employing these religious teachers ?

**Mr. Deputy Speaker :** That is a different question altogether.

**Shri T. S. A. Chettiar :** May I know what is the disparity ?

**Sardar Majithia :** The *Padres* get Rs. 100 per month whereas these religious teachers get, up to 10 years' service Rs. 35 per month, after 10 years Rs. 40 and after 20 years Rs. 45. In addition to this they get certain other allowances; for instance they get free quarters etc.

**Shri T. S. A. Chettiar :** May I know what is the difficulty in equalising these allowances and why it should take so much time ?

**Sardar Majithia :** As I said, this question is engaging the attention of Government and the disparity is between Rs.

35 and Rs. 100. I should like here to add that the present incumbents, so far as those getting higher pay are concerned will not be affected by any changes that Government may make; but, we will see that this disparity is removed.

**Shri N. M. Lingam :** Since we have no religious teaching even in schools and colleges, may we know the need for having such teachers in the Defence Department ?

**Mr. Deputy Speaker :** It does not arise out of this question.

### Purchase of Jeeps

\*80. **Shri Kamath :** Will the Minister of Defence be pleased to refer to the reply given to Starred Question No. 2663-A on the 29th May, 1956 and state:

(a) the names of the four defendants connected with the purchase of Jeeps ;

(b) whether writs have been served on all of them; and

(c) the stage at which the matter rests ?

**The Deputy Minister of Defence (Sardar Majithia) :** (a) and (b). Writs have been taken out and served on three defendants namely,

(1) James Marshall Cornwall and Partners Ltd.

(2) General Sir James Marshall Cornwall.

(3) S. G. Klsin.

The fourth defendant Group Captain F.H.L. Searl has been declared bankrupt and, on the advice of our Counsel in the U.K., his name has been struck off from the list of defendants.

(c) The case is still in its preliminary stage and it will be some time before it will come for hearing in the Court.

**Shri Kamath :** Is the Government aware that two Englishmen named Mr. Cleminson and Mr. Potter have played not an unimportant role in the first transaction with Antinistat, and, if so, does Government propose to implead them as defendants in this suit ?

**The Minister of Defence (Dr. Katju) :** Government has acted on the advice it has received and the claim can only be put forward against the co-defendants against whom the suit has been brought.

**Shri Kamath :** \* \* \*

**Mr. Deputy Speaker :** This need not be answered because the hon. Member asked why these persons could not be made defendants and the hon. Minister replied that they acted on legal advice. There the question ends. We are going

to something else. Therefore, it does not arise.

**Shri Kamath:** Does Government propose to consult their legal advisers as to the desirability or necessity of impleading these two Englishmen as defendants in this suit?

**Dr. Katju:** I want notice of this question.

**Mr. Deputy Speaker:** So far as the earlier question, which I said does not arise out of this question is concerned, that question will be expunged from the record.

**Shri Kamath:** On what ground?

**Mr. Deputy Speaker:** Because it is irrelevant.

**Shri Kamath:** May I ask whether the rules provide for the expunction of questions which are irrelevant? There are the different categories such as defamatory, undignified, unparliamentary, etc., and there is no other category provided in the rules. At this rate putting questions would become impossible.

**Mr. Deputy Speaker:** I ought not to allow any question which is irrelevant. No question which is irrelevant will be allowed on the floor of the House. If it comes in the form of a question put to me before admission, I can rule it out as irrelevant and it will not be put on the floor of the House. But so far as questions which are put on the floor of the House are concerned, I do not know whether they are relevant or not until I hear the hon. Member. Therefore I wait to hear it and then rule it out as irrelevant. But, if in addition to that question being not merely irrelevant, it contains insinuations and various other things, it ought not to be there and I will remove it. Irrelevant matters ought not to be allowed. But wherever a question is not allowed as irrelevant we do not remove it; we say it may stand; it does not matter. But, in this particular case, it is only for purposes of insinuation that he has connected it with the other question. I will allow it to stand if it is only irrelevant. But if the question is intended merely for the purpose of making an insinuation, I am not going to allow it to besmirch the record.

**Shri H.N. Mukerjee:** On a point of order, Sir. It arises out of what you have said. I take it that you have not yet made up your mind. You seem to have ruled that irrelevancy is a ground on which you can direct that a certain matter be expunged. You have said in support of this proposition that since you can rule out a question on the ground of irrelevancy, you can also ask for the expungement of that particular thing. But the proceedings of Parliament are such that Members are entitled to say

things which if they are considered irrelevant might be described as such by the Speaker and a record thereof should be faithfully maintained. That is, I submit, the tradition of all parliamentary proceedings. The kind of proceeding which you suggest would really be a mockery of parliamentary institutions. That is why I say you may reconsider what you have said. I am sure you have said that without much careful thought.

**Mr. Deputy Speaker:** So far as Mr. Mukerjee is concerned, he need not have used the words 'Mockery' and this and that. Of course, every Member is entitled to have a difference of opinion. Certainly, if this wants further investigation, I will look into it. I won't say that this is the final word so far as this is concerned, as to whether in future particular questions which are disallowed on the ground of irrelevancy should go out of the record or not. I cannot make up my mind until I hear the question and thereafter alone I can rule it out as irrelevant. When a question is put, the House must be merely looking on and allow the question to go on record. To say that I have no right to expunge it thereafter even if it be obnoxious, is not correct. I am not prepared to accept Mr. Mukerjee's view. Anyhow, I will examine it. But so far as Shri Kamath's question is concerned, it is not only irrelevant but it also contains insinuations and, therefore, I expunge it from record.

**Shri Kamath:** I must very seriously protest against the remarks you have made, about this particular question, that it contains insinuations. I have put a question of fact and there is no insinuation. I must submit to you, Sir, that your predecessor who has graced this high office held on many occasions that certain questions were irrelevant and out of order but he never ruled that the question should be expunged. I, therefore, reiterate the point of Shri Mukerjee, and say further that it is not merely a mockery but the proceedings are becoming a farce. It is not a matter for laughter, Shri Pande. Is it Parliament or something else?

**Shri H. N. Mukerjee:** I heard Shri Kamath's question and we all got the impression that he wanted to elicit information in regard to whether writs have been issued in connection with certain people about whom he has documented evidence, apparently. The hon. Minister can deny or he can say that he wants notice. I do not see how you can interpret it as an insinuation against the British race or against particular individuals whose names he gave with a Mr. preceding their names. He mentioned their names with propriety and he only

wanted to elicit information. That is why I submit that you may please reconsider your ruling with regard to the insinuatary character of the question.

**Mr. Deputy Speaker:** So far as the question whether I am entitled to expunge or not any question which I have ruled as irrelevant, I will reconsider that matter. But so far as there insinuations are concerned, I must say that Shri Mukerjee has not followed it or, at any rate, does not seem to have followed it fully. What I understood was that the question was put to find out why two persons who, according to Shri Kamath, were connected with this at an earlier stage, were not made defendants. The hon. Minister's reply was that on legal opinion these persons could not be made defendants.

The next question was whether it is a fact that after X left the United Kingdom, two other persons also went away and then disappeared. What is the connection between X going and the others disappearing? So far as this question is concerned, it is clear that the hon. Minister said that the two persons could not be added. That is the legal opinion. Under those circumstances, the other question is only for the purpose of tacking on two other persons, who are not parties to it and who cannot be made parties to it, and associating them with another responsible person. To say that this man went and that man went is only for the purpose of putting a cloud on the persons who had no connection and had absolutely nothing to do with this question. I am therefore, not going to withdraw my ruling that the question of insinuation that is introduced is absolutely irrelevant after the answer of the hon. Minister.

**Shri Kamath :** On a point of order . . .

**Mr. Deputy Speaker:** I have heard sufficiently.

**Shri Kamath:** On a point of order, Sir. This gentleman whom you referred to as Mr. X, comes in, because the two disappeared. He had entered into the first transaction with Antimistant in which they had . . . . .

**Mr. Deputy Speaker:** It does not arise out of this question.

**Shri Kamath :** You yourself made an enquiry into this matter five years ago, and now sitting in this chair you are supporting the Government.

**Mr. Deputy Speaker :** We are getting outside the question.

**Shri Kamath:** And Government has suppressed your report . . . . .

**The Minister of Natural Resources (Shri K. D. Malaviya):** Please sit down. now.

**Shri Kamath:** I do not want him to ask me to sit down; let him keep quiet, sit down and shut up.

### राज भाषा आयोग

\*८२. श्री भक्त बर्गन : क्या गृह-कार्य मंत्री ६ अप्रैल, १९५६ के तारांकित प्रश्न संख्या १२६६ के उत्तर के सम्बन्ध में यह बताने की कृपा करेंगे कि :

(क) क्या राज भाषा आयोग ने अपना कार्य पूरा कर लिया है;

(ख) यदि हाँ, तो क्या उस के प्रतिवेदन की एक प्रति सभा-घटल पर रखी जायेगी;

(ग) आयोग द्वारा की गयी सिफारिशों के सम्बन्ध में सरकार ने क्या निर्णय किया है; और

(घ) यदि प्रतिवेदन अभी तक नहीं दिया गया है, तो आयोग ने अब तक कितनी गति की है, और उस का प्रतिवेदन कब तक प्राप्त होने की आशा है ?

गृह-कार्य मंत्रालय में मंत्री (श्री बातार) : (क) से (घ). आशा है कि आयोग ३१ जुलाई १९५६ तक अपना कार्य समाप्त करके रिपोर्ट प्रस्तुत कर देगा। कृपया संविधान के अनुच्छेद ३४४ के खण्ड (४), (५) तथा (६) की ओर ध्यान दें जिस में आयोग की रिपोर्ट प्रस्तुत कर देने के बाद की प्रक्रिया दी हुई है।

श्री भक्त बर्गन : क्या यह सत्य है कि इस आयोग के सदस्यों में से तीन सदस्यों ने अपनी यह अन्तिम राय दे दी है कि हिन्दी किसी भी समय और किसी भी दशा में भारतीय संघ-शासन की राज भाषा नहीं बननी चाहिये ? और यदि यह सत्य है तो मैं जानना चाहता हूँ कि इस प्रकार की मनोवृत्ति वाले सदस्यों को इस आयोग का सदस्य क्यों नियुक्त किया गया था ?

श्री बातार : यह सब प्रिमेच्योर है। प्रस्तावित रिपोर्ट अभी तक नहीं मिली है।

और रिपोर्ट मिलने के बाद ये सब चीजें गवर्न-  
मेंट को मालूम होंगी ।

**श्री भक्त बर्षन :** क्या मंत्री महोदय यह बताने की कृपा करेंगे कि जब यह रिपोर्ट राष्ट्रपति जी के हाथों में पहुँच जायेगी, उस के बाद क्या प्रणाली अपनाई जायेगी ? क्या केन्द्रीय सरकार स्वयं इस पर निर्णय करेगी या सम्बन्धित राज्य सरकारों से परामर्श किया जायेगा या कोई और कार्यवाही की जायेगी ?

**श्री बातार :** जो प्रणाली अपनाई जानी है उस का ब्योरा संविधान में दिया गया है । रिपोर्ट मिलने के बाद पार्लियामेंट की कमिटी की नियुक्ति होगी और पार्लियामेंट का मत ले कर सरकार जरूर सब काम करेगी ।

**Shri Veeraswamy :** May I know whether it is not a fact that the Official Language Commission was boycotted in several places in the country and whether the views of those who boycotted the Commission will be considered by the Government ?

**Shri Datar :** I am afraid my hon. friend is not correct at all. It was not boycotted; on the other hand, it was received very enthusiastically even in the South.

**Shri A. M. Thomas :** There was a report in a section of the Press giving the view of the majority of the Commission. May I enquire whether Government have made any enquiry about the truth or otherwise of that report ? May I also ascertain whether the Government is aware that a great deal of restlessness exists in certain parts of the country because of this report ?

**Shri Datar :** I may point out that there need not be any restlessness at all. Whatever appears in the Press is sometimes anticipatory; often times it may be incorrect. Therefore, I would request that all Members should not attach importance to such piece of news.

#### Administrative Vigilance Division

**\*83. Pandit D. N. Tiwary :** Will the Minister of Home Affairs be pleased to state the number of cases of misappropriation of Government money and store detected in 1956 by Administrative Vigilance Division ?

**The Minister in the Ministry of Home Affairs (Shri Datar) :** The detection and investigation of cases of misappropriation of Government money and stores is the function of the Special Police Establishment and the Vigilance Units in the individual

Ministries and Departments whose works is generally supervised and co-ordinated by the Administrative Vigilance Division. Reports received up to the 30th June, 1956, indicate that 48 cases of misappropriation of Government money and stores have been detected in 1956.

**Pandit D. N. Tiwary :** May I know the amount involved in those misappropriations ?

**Shri Datar :** The amount involved is in the neighbourhood of Rs. 5 lakhs.

**Pandit D. N. Tiwary :** May I know how many officers are involved and whether they are still working or have been suspended ?

**Shri Datar :** It depends upon the different cases. About five or six gazetted officers are involved and cases have been started and enquiries are being carried on.

**Pandit D. N. Tiwary :** Has any of them been suspended or are they working while the investigation is going on ?

**Shri Datar :** Wherever it has become necessary, officers are placed under suspension.

**Mr. Deputy Speaker :** The Hon. Member wants to know if any of these officers are suspended.

**Shri Datar :** I am not aware.

**Shri V. P. Nayyar :** Have they been promoted ?

**Pandit D. N. Tiwary :** May I know whether Government realise that there is a chance of evidence being destroyed when these officers are working in those places ?

**Shri Datar :** Government always take this fact into account, and whenever they find that the investigation cannot be carried on properly while the officer is on duty, generally he is placed under suspension or transferred somewhere else.

#### Propagation of Hindi

**\*85. Shri Madiah Gowda :** Will the Minister of Education be pleased to state:

(a) whether Government have taken any special steps during 1956 so far to propagate Hindi in non-Hindi areas;

(b) if so, the details thereof; and

(c) the amount allotted for this purpose in the Second Five Year Plan ?

**The Deputy Minister of Education (Dr. K. L. Shrivallabhi) :** (a) Yes, Sir.



(b) A statement is laid on the Table of the House [See Appendix I, Annexure No. 23]

(c) Rs. 130.0 lakhs.

**Shri Madiah Gowda:** May I know who are the persons that are responsible for preparing these basic words of 2,000 and 500 mentioned in paragraphs 1 and 2 of the statement and whether any Hindi experts of Non-Hindi area are responsible for the preparation of these basic words?

**Dr. K. L. Shrimali:** I shall need notice.

**Shri Madiah Gowda:** May I know whether there are any schemes to encourage voluntary organisations propagating Hindi in non-Hindi areas, and if so, to what extent and how it is done?

**Dr. K. L. Shrimali:** The Government of India have schemes to assist voluntary organisations and have been giving grants to various voluntary organisations for the propagation of Hindi.

**Shri Madiah Gowda:** How much is the grant? And how many were granted?

**Dr. K. L. Shrimali:** It is a long list, and if the hon. Member is interested, I will place a statement on the Table.

**Shri Madiah Gowda:** Who are the members of the Hindi Shiksha Samiti mentioned in the statement and what have they recommended at their meeting held on the 5th of this month?

**Dr. K. L. Shrimali:** I will place a copy of the constitution of the Hindi Shiksha Samiti on the Table of the House showing the representatives of the non-Hindi speaking areas and other members. I will also place a list of the names of the members on the Table of the House.

#### Statues of Foreign Rulers

\*86. **Shri H. N. Mukerjee:** Will the Minister of Education be pleased to refer to the reply given to Starred Question No. 1268 on the 9th April, 1956, and state whether any decision has since been taken regarding the statues of foreign rulers etc. in public places?

**The Deputy Minister of Education (Dr. M. M. Das):** The Question of the removal of statues of foreign rulers etc. is the concern of the respective State Governments. The Government of India, however, have suggested to the State Governments of Bombay, Madras and U. P. that they should set up museums of the British period where these statues etc. may be preserved. The Government of West Bengal have themselves suggested that the statues etc. may be housed in the Victoria Memorial Hall, Calcutta.

**Shri H. N. Mukerjee:** May I know if Government has set a target date before

which all the statues of foreign rulers and their portraits which are there in the Raj Bhavan, for example, and which advertise our former humiliation are removed to museums or such other places?

**Dr. M. M. Das:** I may inform the hon. Member that the removal of these statues is the concern of the State Governments. The Central Government is not entitled to set any target date. A suggestion may be given to them that they may take this action.

**Shrimati Renu Chakravartty:** What steps have been taken to remove the statues and the paintings which are in New Delhi and in the Rashtrapati Bhavan which is directly under the Centre?

**Dr. M. M. Das:** I have said that the statues were in great number in five States: Andhra, Madras, Bombay, U. P. and Bengal.

**Mr. Deputy Speaker:** The hon. Minister has not evidently heard the question. The hon. lady Member wanted to know, whatever might have happened with respect to the statues in the States which are the concern of the States, what happened to those statues which are in the Parliament House, Rashtrapati Bhavan, etc. at New Delhi. That is the specific question.

**Dr. M. M. Das:** I do not find any information given here. I want notice.

**श्री म० ला० द्विवेदी :** श्री उपमंत्री महोदय ने बताया है कि इन स्टैचूज को हटाने का काम राज्य सरकारों का है। मैं यह जानना चाहता हूँ कि केन्द्र द्वारा शासित जो हिस्से हैं, उन के सम्बन्ध में सरकार की क्या नीति है ?

**Dr. M. M. Das:** I have just now said that I want notice.

**Dr. Ram Subhag Singh:** On a point of order, Sir. We should be given definite information regarding the question and the Minister should be asked to furnish the information.

**Shri M. L. Dwivedi:** I submit that this information may be given tomorrow during question hour.

**Mr. Deputy speaker:** Order, order. The question is quite comprehensive but the hon. Minister restricted it to the States. The question reads:

"whether any decision has since been taken regarding the statues of foreign rulers etc. in public places."

So, it applies in a general way whether it is the State or the Centre. Did the

previous question referred to here—Q. No. 1268. refer to the statutes in the States?

**Dr. M. M. Das:** This question came up before the Central Government at the instance of the State Governments who tried to take some active steps.

**Mr. Deputy Speaker:** What about the action taken by the Central Government? Is it moving or not moving?

**Dr. M. M. Das:** I wanted notice, Sir.

### Leprosy

**\*88. Shri Jhulan Sinha:** Will the Minister of Education be pleased to state:

(a) whether grants to institutions for treatment and prevention of leprosy in the country are permissible under the rules of the Central Social Welfare Board; and

(b) if so, the amount spent so far on such institutions State-wise?

**The Deputy Minister of Education (Dr. K. L. Shrimali):** (a) Yes, in exceptional circumstances.

(b) A statement giving the requisite information is laid on the Table of the Lok Sabha [See Appendix I, Annexure No. 24]

**Shri Jhulan Sinha:** What are the exceptional circumstances which make the institutions eligible for such grants?

**Dr. K. L. Shrimali:** The Central Social Welfare Board ordinarily gives grants to institutions for the rehabilitation of lepers. The Health Ministry has been giving grants for the treatment and general care of the lepers. The Board is primarily concerned with rehabilitation but for other kinds and purposes also grants are given.

**Shri Jhulan Sinha:** Do the figures given in the statement bear any proportion to the prevalence of leprosy in the different States?

**Dr. K. L. Shrimali:** No Sir. Grants are given as we receive applications according to the requirements of different States. There is no special quota fixed for each state.

**Dr. Rama Rao:** Grants are welcome from any Ministry. May I know how the Ministry of Education decides the fitness of any institution for taking steps for the treatment and prevention of leprosy? Is it not overlapping with the duties of other Ministries and is it not likely to lead to unnecessary complications?

**Dr. K. L. Shrimali:** The hon. Member is probably aware that these grants are

administered by the Central Social Welfare Board and one of its main function is to co-ordinate the work of the different Ministries in the field of social service. From that point of view it is quite proper that it should give grants to institutions which are looking after the lepers. There is no duplication of work.

### Undertrial Prisoners

**\*90. Shri Rishang Keishing:** Will the Minister of Home Affairs be pleased to state:

(a) The number of undertrial prisoners and the dates of their admission in the Manipur State Jail; and

(b) the measure proposed to be undertaken by the State Government for the speedy disposal of the cases?

**The Minister in the Ministry of Home Affairs (Shri Datar):** (a) There were 23 undertrial prisoners in Manipur State Jail on the 5th July 1956. They were admitted in the jail on various dates from 12th October, 1955 to 3rd July, 1956.

(b) The State Government are aware of the desirability of speedy disposal of the cases and necessary steps are being taken.

### Starvation Deaths in Tripura

**\*91. Shri Biren Dutt:** Will the Minister of Home Affairs be pleased to state:

(a) whether the reports regarding deaths due to starvation in June, 1956, in the various parts of Tripura have been confirmed by the State Government;

(b) whether any relief measures have been adopted by the Government of Tripura;

(c) the number of people that have demanded work during June, 1956; and

(d) the number of people who have been given employment by the Government of Tripura?

**The Minister in the Ministry of Home Affairs (Shri Datar):** (a) No.

(b) Does not arise. But in connection with the recent floods in Tripura, certain relief measures have been undertaken by the Central Government and the State Government, as detailed in the statement placed on the Table of the House [See Appendix I, Annexure No. 25.]

(c) No information is available as no statistics were maintained.

(d) About 35,000 persons were employed on flood protection works.



**Shri Biren Dutt:** May I know whether the members of the Advisory Council of Tripura came to Delhi to discuss about the starvation cases with the Home Minister?

**Shri Datar:** I am not personally aware of this.

**Shri Biren Dutt:** May I know whether the statement issued by the Advisory Council of Tripura regarding the food situation there and the starvation cases occurring in the villages, particularly hill areas, has been brought to the notice of the Central Government by the Government of Tripura?

**Shri Datar:** I am not aware of any such statement. But the hon. Member will see that we are giving extensive aid as explained in the statement placed before the House.

**Shrimati Renu Chakravartty:** When the Advisory Council arrives at a particular decision, may I know whether such decisions or opinions are forwarded to the Central Government so that it may be aware of those opinions?

**Shri Datar:** What I said was this. I am not aware if the Advisory Council came to Delhi. So far as the general question is concerned, it is true that whenever the Council gives an opinion it is considered with great respect and followed as far as possible.

**Mr. Deputy Speaker:** She wanted to know if its views are forwarded to the Central Government.

**Shri Datar:** When it is considered that matters of policy are involved, they are sent to us; otherwise the Chief Commissioner takes action.

**Shri Biren Dutt:** Has any arrangement been made to enrol people who are willing to work in the affected areas?

**Shri Datar:** On all such occasions, I may generally say, the help of the non-official organisations is taken.

### **Buddha Jayanti**

**\*92. Shri Krishnacharya Joshi:** Will the Minister of Education be pleased to state the total number of foreign dignitaries who attended the 2500th *Buddha Jayanti* celebrations in India on Government invitations?

**The Deputy Minister of Education (Dr. M. M. Das):** In connection with the celebrations organized by the Government of India in Delhi on 23rd and 24th May, 1956, invitations were issued to 176 persons from the foreign Missions. About 40 acceptances were received for the Foundation-Stone laying Ceremony of the Commemorative Monument, held on the 23rd May, and about 70 for the Public

Meeting on the 24th. It is presumed that those who communicated their acceptance, attended the celebrations.

No invitations to any persons from outside India were extended.

**Shri Krishnacharya Joshi:** May I know the total expenditure incurred on this celebration?

**Dr. M. M. Das:** For the foundation-stone laying ceremony, the total expenditure was Rs. 1885-2-3- and the expenditure for the public meeting on the 24th was Rs. 4186-10-3, in addition to the expenditure incurred by the Delhi Municipality.

**Shri Krishnacharya Joshi:** How many foreign dignitaries will be invited to the celebration in November next?

**Dr. M. M. Das:** The list has not yet been finalised.

**Shri Telkikar:** May I know the names of places where Buddha Jayanti was celebrated in India?

**Dr. M. M. Das:** Sir, Speaking from memory, I might say that we have issued instructions to all the States Governments to hold Buddha Jayanti celebrations.

### **Oil Exploration**

**\*93. Shri M. L. Agrawal:** Will the Minister of Natural Resources and Scientific Research be pleased to state:

(a) whether it is a fact that science graduates have been recruited for short course training in Geophysical methods of Oil Exploration;

(b) if so, how many;

(c) by whom and how they have been selected; and

(d) the terms of their employment?

**The Minister of Natural Resources (Shri K. D. Malaviya):** (a) to (d). 77 posts of apprentice Geophysicists in the Oil and Natural Gas Directorate have been advertised through the Union Public Service Commission which is carrying on interviews. The selected candidates will receive training for a period of 4 months. On successful completion of their training, the candidates will be appointed Geophysicists Junior in the scale of Rs. 350—850 p.m. in the Oil and Natural Gas Directorate. During the period of their training, the apprentices will be paid a stipend of Rs. 250/- per mensem.

**Shri M. L. Agrawal:** May I know where the training will be held?

**Shri K. D. Malaviya:** The training will be held in a school to be started in Calcutta within a few days.

**श्रीमती कमलेन्दु मति शाह :** क्या मैं जान सकती हूँ कि ज्वालामुखी के पास जो तेल की खोज की जा रही थी उस का क्या हुआ। और क्या इसी तरह और पहाड़ी इलाकों में भी तेल की खोज की जायेगी या नहीं ?

**श्री के० बे० मालवीय :** इस का इस प्रश्न से कोई सम्बन्ध नहीं है, लेकिन मैं माननीय सदस्या की जानकारी के लिये कहना चाहता हूँ कि ज्वालामुखी में तो खोज जारी है, और आसपास जहाँ कहीं भी हमारे वैज्ञानिक लोग कहेंगे कि तेल की खोज की जाये, वहाँ हम तेल की खोज करेंगे।

**Shri Bhagwat Jha Azad :** May I know what percentage of our requirements would be met by the 77 candidates proposed to be recruited through the UPSC? May I also know whether the Government has got any scheme to train personnel required for specific purposes?

**Shri K. D. Malaviya :** In the first phase we are raising 8 parties of geologists and 13 parties of geophysicists. These 77 posts of apprentice geologists and geophysicists will be enough for the number of parties that we contemplate in the first phase. As soon as we have given over our work to them and our work expands, according to our requirements we may require more people.

**Shri Joachim Alva :** What co-operation have the oil companies offered for the training of these youngsters?

**Shri K. D. Malaviya :** I am glad to announce that recently the Standard Vacuum Oil people have agreed to send for senior technicians from their country for some of the theoretical lectures that are necessary for these apprentices.

### Mineral Investigations

\*96. **Dr. Ram Subhag Singh :** Will the Minister of Natural Resources and Scientific Research be pleased to state :

(a) whether it is a fact that Government propose to carry out mineral investigations and study of glaciers in the Himalayas;

(b) if so, whether plans for the same have been prepared ; and

(c) when these investigations are likely to begin?

**The Minister of Natural Resources Shri K. D. Malaviya :** (a) to (c). A statement showing the position is laid on the Table of the House. [See Appendix I, Annexure No 26.]

**Dr. Ram Subhag Singh :** According to the present programme, may I know when these investigations of the mineral resources and study of glaciers in the Himalayas are likely to be completed?

**Shri K. D. Malaviya :** The Geological Survey of India have undertaken the survey of Himalayan glaciers during this year and it is probable that this investigation may be continued next year. These investigations are being carried out on the recommendation of the International Geophysical Committee which has recommended all this survey work. In the past years also glacier studies were taken up by the Geological Survey of India in many areas like Lahaul, Garhwal, Kumaon, Sikkim etc., We have reports of all those places and it is likely next year also this work might be continued.

**श्री भक्त दर्शन :** इस विवरण से ज्ञात होता है कि इस वक्त चार दल हिमालय के विभिन्न इलाकों में जांच-पड़ताल के लिये भेजे गये हैं, और भ्रमले वर्ष भी कुछ दल भेजे जाने वाले हैं। क्या गवर्नमेंट इस बात पर विचार कर रही है कि क्योंकि यह बहुत बड़ा कार्य है इसलिये इस के लिये एक स्थायी संगठन या गवेषणा केन्द्र स्थापित किया जाये ?

**श्री के० बे० मालवीय :** गवर्नमेंट यह जरूरी नहीं समझती कि इस के लिये कोई अलग से संस्था कायम की जाये। जिम्नालाजीकल सर्वे आफ इंडिया की जो शाखाएँ खोली जा रही हैं उन्हीं के अन्तर्गत इन एक्सपिडीशन का संगठन किया जा रहा है। अभी जो श्रीनगर में जिम्नालाजीकल सर्वे आफ इंडिया की जांच खोली गयी है उसी के अन्तर्गत मचोई ग्लेशियर के अनुसन्धान के लिये लोग भेजे गये हैं। जब जब इस तरह की जरूरत होगी हम जिम्नालाजीकल सर्वे आफ इंडिया की मातहत ही में इस तरह के एक्सपिडीशन भेजा करेंगे।

### भारतीय वायु सेना

\*९७. **श्री रा० न० सिंह :** क्या प्रतिरक्षा मंत्री यह बताने की कृपा करेंगे कि :

(क) भारतीय वायु सेना के लिये हाल ही में खरीदे गये दो विमानों की कीमत क्या है;

(ख) इन विमानों की मुख्य विशेषतायें क्या हैं;

(ग) ये विमान किस देश से खरीदे गये हैं; और

(घ) १९५२ से अब तक वायु सेना द्वारा विशेष उपकरणों सहित कितने विमान खरीदे गये हैं।

**प्रतिरक्षा उपमंत्री (सरदार मजीठिया):**

(क) से (ग). संभवतः इस प्रश्न का अभिप्राय उन दो बाइकाउण्ट विमानों से है जो वायु सेना मुख्यालय के यातायात स्क्वेड्रन के लिये हाल ही में लगभग ६४ लाख रुपये की लागत से यूनाइटेड-किंगडम से खरीदे गये हैं। ये ४ टरबो प्रोप इंजनों वाले यात्री बाहक विमान हैं।

(घ) यह जन हितों में न होगा कि यह सूचना दी जाये।

**Shri Joachim Alva :** In planning the equipment and the purchase of aircraft for Indian Air Force has the Government taken note of the serious fact that by July, 1957, with the aid of the United States of America Pakistan will have possessed the largest Air Force in Asia both quantitatively and qualitatively?

**Sardar Majithia :** That does not arise out of this question.

**Mr. Deputy Speaker :** These are two aircrafts and that is too many.

**Shri G. S. Singh :** May I know whether the hon. Minister has any figures with regard to the number of times these two aircrafts have been unserviceable due to lack of spare parts?

**Sardar Majithia :** They have not been unserviceable, because, as the hon. Member knows, one is already taking our Prime Minister round the whole of Europe.

### Bomb Explosion in Delhi

\*98. **Shri Radha Raman :** Will the Minister of Home Affairs be pleased to state:

(a) whether it is a fact that two crude bombs exploded near Jama Masjid in Delhi on consecutive days i.e. on the 22nd and the 23rd June, 1956; and

(b) whether the police investigations have succeeded in finding out the clues for those explosions?

**The Minister in the Ministry of Home Affairs (Shri Datar) :** (a) Yes one on the 21st and the other on the 22nd June, 1956.

(b) The investigations are in progress.

**Shri Radha Raman :** May I know how many persons were injured in these explosions and if any arrests were made by the local police?

**Shri Datar :** In the first case 12 persons were injured to a very minor extent and in the next one 5 persons were injured. From the information before me it appears no arrests have been made and investigations are being carried on.

**Shri Radha Raman :** When does the Government hope that the investigations will be completed and a report given to the Home Ministry.

**Shri Datar :** It is likely to come in a few weeks.

**Shri B. S. Murthy :** May I know whether any more crude bombs have been discovered by the police during their investigations.

**Shri Datar :** The opinion of the expert that we have received is to the effect that the exploded substance did not constitute bombs at all; they were like big crackers.

### Rehabilitation of Ex-Soldiers.

\*99. **Shrimati Kamalendu Mati Shah :** Will the Minister of Defence be pleased to state:

(a) whether any general or special scheme has been taken up by the Government to rehabilitate the ex-soldiers of both the Garhwals;

(b) if so, the number of ex-soldiers to be benefited by it in those areas; and

(c) the actual work done under the scheme?

**The Deputy Minister of Defence (Sardar Majithia) :** (a) No schemes, general or special, have been taken up by the Government of India exclusively for the rehabilitation of the ex-soldiers of the two Garhwals. The facilities for resettlement, such as preference in the matter of employment under Government or private bodies, settlement in land colonies, assistance in the formation of transport co-operatives, vocational or technical training, etc., which are available to the ex-servicemen in general, are available to the ex-soldiers of the two Garhwals also.

(b) Does not arise.

(c) Does not arise.

**Shrimati Kamlendu Mati Shah :** May I know how many families of *ex*-soldiers were given aid and how many families benefited by the aid given during 1955-56 ?

**Sardar Majithia :** Aid given in what respect ?

**Shrimati Kamlendu Mati Shah :** I want to know whether any help was given to the families of *ex*-soldiers in both the Garhwals ?

**Sardar Majithia :** This question deals with rehabilitation. If the hon. Member wants.....

**Shrimati Kamlendu Mati Shah :** I want to know what aid has been given in the form of rehabilitation, schools and other things ?

**Sardar Majithia :** Offhand, I can give some. For instance, the U. P. Government, from the post-war reconstruction funds, had given first a loan, which was later on converted into a grant, of Rs. 500 for each man who was settled on the colonies in Afzalgarh and Manunagar. Besides that other aids must also have been given in the shape of *ad hoc* grants. If the hon. Member gives me notice about the specific items on which she needs information I shall be able to answer.

**Shrimati Kamlendu Mati Shah :** How much money was there in the fund and how much is left now ?

**Mr. Deputy Speaker :** The Question Hour is over.

#### WRITTEN ANSWERS TO QUESTION Administrative Staff College, Hyderabad

\*70. **Shri T. B. Vittal Rao :** Will the Minister of Education be pleased to state :

(a) when the Administrative Staff College at Hyderabad (Dn.) is likely to start :

(b) what will be the period of training ;

(c) the number of trainees that will be admitted ; and

(d) the minimum educational qualification required for admission ?

**The Deputy Minister of Education (Dr. M. M. Das) :** (a) As soon as the necessary arrangements for accommodation, staff, etc., have been completed, the College will start functioning.

(b) It is proposed that the duration of each course may be 3 months. There will be 70 such courses in a year.

(c) The College is being planned on the basis of 60 candidates in each course.

(d) No minimum educational qualification is prescribed, but the candidates are required to possess 10-15 years of experience in a responsible position in industry, commerce departments of government, social services etc., They should also be sponsored by their employers for the course.

#### Illegal Entry into India

\*75. **Shri D. C. Sharma :** Will the Minister of Home Affairs be pleased to state :

(a) the number of cases, if any, of illegal entry into India of persons without valid travel documents detected on the Indo-Pakistan border during the period from the 1st of February, 1956 till the end of June, 1956 ;

(b) the number of persons convicted ; and

(c) the number of persons who have refused to go back to Pakistan after the expiry of their terms of imprisonment ?

**The Minister in the Ministry of Home Affairs (Shri Datar) :** (a) to (c). The information is being collected and will be laid on the Table of the House in due course.

#### Oil-bearing Structure near Bhakra

\*77. **Shri Sadhan Gupta :** will the Minister of Natural Resources and Scientific Research be pleased to state :

(a) whether it is a fact that any oil-bearing structure has been discovered near the area which is to be inundated when the Bhakra Dam is completed ; and

(b) if so, the estimated contents of the oil resources ?

**The Minister of Natural Resources (Shri K. D. Malaviya) :** (a) A faulted anticlinal structure has been discovered in the area bordering the Bhakra reservoir. At present there are no data to show whether the structure contains any oil.

(b) The contents of oil, if any, can be found only after much further work, including geophysical prospecting and drilling.

#### Sinking Village

\*79. { **Shri Raghunath Singh ;**  
**Shri Bishwa Nath Roy ;**

Will the Minister of Natural Resources and Scientific Research be pleased to state :

(a) whether it is a fact that a village in Almora District situated on the border

of India and Tibet is sinking on account of geological changes; and

(b) if so, the details thereof?

**The Minister of Natural Resources (Shri K. D. Malaviya):** (a) and (b). A report to this effect from the Government of U. P. has been received by the Geological Survey of India. It will be investigated as soon as weather conditions permit.

#### Oil

**\*81. Shri Nambiar:** Will the Minister of Natural Resources and Scientific Research be pleased to state:

(a) whether it is a fact that Government propose to explore the oil resources of the Cauveri basin;

(b) if so, when; and

(c) the grounds on which such an exploration is contemplated?

**The Minister of Natural Resources (Shri K. D. Malaviya):** (a) Yes, Sir.

(b) and (c). The investigation has been included in the programme for the Second Five-Year Plan period. The area contains sedimentary rocks of marine origin which are usually the source-rocks for oil, but their thickness, extent and structure are matters for investigation.

#### हिन्दी में पुस्तकों का अनुवाद

**\*८४. श्री बिभूति मिश्र :** क्या शिक्षा मंत्री यह बताने की कृपा करेंगे कि :

(क) ३० जून, १९५६ तक भारत की विभिन्न प्रादेशिक भाषाओं और विदेशी भाषाओं की कौन-कौन सी पुस्तकों का हिन्दी में अनुवाद किया जा चुका है ;

(ख) इन के अनुवाद में कुल कितना धन व्यय हुआ है ;

(ग) क्या इन अनुवादित पुस्तकों को "बिना लाभ-बिना घाटे" के आधार पर बेचने के लिये सरकार ने कोई योजना बनायी है ; और

(घ) यदि हां, तो इस योजना के कब तक कार्यान्वित किये जाने की संभावना है ?

**शिक्षा उपमंत्री (डा० म० मो० दास):**

(क) से (घ). यह जानकारी इकट्ठी की जा रही है और यथा समय सभा पटल पर रख दी जायेगी ।

#### Indo-Japanese Cultural Agreement

**\*87. Shri Ram Krishan:** Will the Minister of Education be pleased to refer to the reply given to Starred Question No. 2372 on the 21st May, 1956 and state :

(a) whether the proposed Indo-Japanese Cultural Agreement has since been concluded and signed; and

(b) if so, the main features thereof?

**The Deputy Minister of Education (Dr. M. M. Das):** (a) No Sir.

(b) Does not arise.

#### Polytechnic and Vocational Institutions

**\*89. Dr. Satyawadi:** Will the Minister of Education be pleased to refer to the statement laid on the Table of the Sabha in reply to Unstarred Question No. 1093 on the 17th April, 1956 and state :

(a) whether any reservation is made for the Scheduled Castes and Scheduled Tribes candidates for admission to Polytechnic and Vocational Institutions;

(b) if not, the reasons therefor;

(c) if the reply to part (b) be in the affirmative, the mode and machinery for selection of candidates; and

(d) how the interest of Scheduled Castes and Tribes is represented in the machinery for selection?

**The Deputy Minister of Education (Dr. M. M. Das):** (a) to (c). A statement giving the required information is placed on the Table of the House. [See Appendix I, Annexure No. 27].

#### Oil-Wells in Assam

**\*94. Shri Bogawat:** Will the Minister of Natural Resources and Scientific Research be pleased to state :

(a) whether it is possible to get 10 lakh tons of oil per year for the coming 20 years from Naherkatiya oil-wells in Assam;

(b) the number of oil-wells in Assam and other parts of India; and

(c) the quantity of oil expected from other wells which are being explored?

**The Minister of Natural Resources (Shri K. D. Malaviya):** (a) This is a possibility envisaged by the Assam Oil Company.

(b) and (c). The number of wells so far drilled in Digboi area in Assam is nearly 1,000, in Naherkatiya 13 and in

Hugrija and Moran 2. Of these, approximately 580 in Digboi and 9 in Naherkatiya are at present producing crude. There are no wells elsewhere in India. It is not possible to give an estimate of oil expected from areas in which preliminary exploration is still in progress.

### Old Manuscripts

\*95. **Sardar Iqbal Singh** : Will the Minister of Education be pleased to state :

(a) the amount sanctioned for the collection and preservation of old manuscripts during 1956-57 ; and

(b) the result of the work done in this direction?

**The Deputy Minister of Education (Dr. M. M. Das)** : (a) and (b). A sum of Rs. 685/- has been sanctioned for the acquisition of 19 manuscripts during 1956-57 till 13-7-1956.

### Confirmation of Government Employees

\*100. **Shri S. C. Samanta** : Will the Minister of Home Affairs be pleased to refer to Starred Question No. 2371 on the 21st May, 1956 and state :

(a) whether Government have surveyed that the orders issued on the 30th November, 1955 regarding the conversion of 80 per cent. of the temporary posts into permanent ones have been carried out by the various Ministries and attached Offices; and

(b) if so, in how many cases the orders have not been complied with?

**The Minister in the Ministry of Home Affairs (Shri Datar)** : (a) and (b). It is for the administrative Ministries concerned to review their own permanent requirements and also the requirements of their Attached and Subordinate Offices to the extent necessary and convert a proportion of temporary posts into permanent ones, subject to the limit of 80 per cent. of the former.

### HT-2 Aircrafts

\*101. **Shri Jethalal Joshi** : Will the Minister of Defence be pleased to state :

(a) the number of HT-2 Aircrafts manufactured by the Hindustan Aircraft Limited during the year 1956; and

(b) whether there is any Scheme for its expansion in the Second Five Year Plan?

**The Deputy Minister of Defence (Sardar Majithia)** : (a) 17 (Seventeen).

(b) Yes, it is intended to develop the factory, both on the design and on the manufacturing sides.

### I.A.S. Emergency Recruitment

\*102. **Shri Bheekha Bhal** : Will the Minister of Home Affairs be pleased to lay a statement on the Table showing :

(a) the total number of applications received by the Union Public Service Commission for the Indian Administrative Service Emergency Recruitment Examination;

(b) the number of applications received from the employees of State Governments and the Central Government separately, State-wise; and

(c) the number of applications received from Scheduled Castes and Scheduled Tribes candidates, both employees and non-employees?

**The Minister in the Ministry of Home Affairs (Shri Datar)** : (a) 22,176 applications have been received upto the 7th July, 1956, which was the closing date for receipt of applications from candidates in India. The closing date for receipt of applications from candidates in London is 21st July, 1956, and from candidates in other centres of examination abroad is 17th, August, 1956.

(b) and (c). The information is being collected and a statement giving the information will be laid on the Table of the House as early as possible.

### Institute of City and Guilds (London) Engineering Certificate

\*103. **Shri Bahadur Singh** : Will the Minister of Education be pleased to refer to the reply given to Starred Question No. 1187 on the 4th April, 1956 and state :

(a) whether any decision has since been taken regarding the withdrawal of recognition of the "Final Grade Certificate in Electrical Engineering Practice of the Institute of City and Guilds, London" as equivalent to a "Degree in Electrical Engineering";

(b) the number of subjects that are taught in the courses of the Electrical Engineering Practice of the Institute of City and Guilds, London in getting the Final Grade Certificate in this Institute; and

(c) the number of subjects that are taught in securing the Degree in Electrical Engineering?

**The Deputy Minister of Education (Dr. M. M. Das)** : (a) to (c). A statement giving the required information is

laid on the Table of the House [See Appendix I, Annexure No. 28].

### Cyclone in Travancore-Cochin

\*104. **Shri C. R. Iyyunni**: Will the Minister of Home Affairs be pleased to state:

(a) whether it is a fact that there was a cyclone recently in Travancore-Cochin State accompanied by heavy rain;

(b) if so, how many villages have been affected; and

(c) the extent of damage as a result of collapse of buildings, falling of trees etc.?

**The Minister in the Ministry of Home Affairs (Shri Datar)**: (a) Yes, on 13th June, 1956.

(b) 15.

(c) About Rs. 2 lakhs.

### Oil Exploration in West Bengal

\*105. **Dr. Rama Rao**: Will the Minister of Natural Resources and Scientific Research be pleased to state:

(a) whether it is a fact that a Technical Officer has been appointed to investigate and expedite oil exploration work in West Bengal;

(b) if so, whether he has submitted his report;

(c) the action taken by Government on his recommendations or suggestions; and

(d) the main features of his findings?

**The Minister of Natural Resources (Shri K. D. Malaviya)**: (a) No Sir, but a Liaison Officer has been appointed to maintain liaison with the oil company operating in that area.

(b) to (d). Do not arise.

### Finance Minister's Visit to Japan

\*106. **Shri Wodeyar**: Will the Minister of Finance be pleased to state:

(a) whether it is a fact that the Japanese Finance Minister has invited him to visit Japan;

(b) if so, whether the invitation has been accepted; and

(c) the object of the visit?

**The Deputy Minister of Finance (Shri B. R. Bhagat)**: (a) Yes.

(b) No decision has so far been taken.

(c) No particular object has been specified in the invitation received from the Japanese Finance Minister.

### Grants to Punjab

\*107. { **Shri Bhagwat Jha Asad**:  
**Shri Ram Krishan**:

Will the Minister of Finance be pleased to refer to the reply given to Starred Question No. 2515 on the 25th May, 1956 and state:

(a) whether the Government of Punjab has requested for a further grant for the non-productive expenditure; and

(b) if so, the amount thereof?

**The Deputy Minister of Finance (Shri B. R. Bhagat)**: (a) and (b). Yes. Since the decision to make an *ex gratia* grant of Rs. 1 crore was conveyed to the Government of Punjab, that Government has sent in a request for a further grant towards their unproductive expenditure of about Rs. 5.65 crores.

### Higher Technological Institute, Northern Region

\*108. { **Shri T. B. Vittal Rao**:  
**Shrimati Kamalendu Mati Shah**:

Will the Minister of Education be pleased to refer to the reply given to Starred Question No. 301 on the 28th February, 1956 and state:

(a) whether any site has been chosen in Kanpur for locating the Higher Technological Institute for Northern Region; and

(b) when it is likely to be opened for admission?

**The Deputy Minister of Education (Dr. M. M. Das)**: (a) Not yet.

(b) It is proposed that the institute should be established in the latter half of the Second Plan period.

### Translation of Indian Classics

\*109. **Shri D. C. Sharma**: Will the Minister of Education be pleased to refer to the reply given to Starred Question No. 539 on the 7th March, 1956 and state:

(a) the number of Indian Classics that have been translated so far into foreign languages; and

(b) how many are in the process of translation?

**The Deputy Minister of Education (Dr. M. M. Das)**: (a) Five.

(b) Eight.



**Shipping Service**

\*110. **Shri Sadhan Gupta** : Will the Minister of Home Affairs be pleased to state :

(a) whether there is any proposal to augment the shipping services between the mainland and the Andaman and Nicobar islands and between the different islands in the group :

(b) if so, the details thereof; and

(c) the frequency of the shipping service between the mainland and the islands when the proposals are put into effect ?

**The Minister in the Ministry of Home Affairs (Shri Datar)** : (a) Yes.

(b) For service between the mainland and the islands, one vessel has been purchased to replace ss. MAHARAJA. She will be put on service soon. Another vessel is under construction in Hindustan Shipyard and is expected to be ready in February 1957.

A vessel has been purchased for inter-island service also. She will also be put on service soon. It is proposed to get one more vessel for this service during the five year plan period.

(c) With the completion of the vessel at present under construction at Visakhapatnam, there will be about 36 trips a year between the mainland and the islands.

**Small Savings**

\*111. **Shri Dabhi** : Will the Minister of Finance be pleased to state :

(a) whether it is a fact that, with a view to making the Small Savings drive in the country successful, Government propose to expand considerably the number of available post offices in the rural areas;

(b) whether Government propose to raise the rates of interest on the amounts deposited in the Postal Savings Banks; and

(c) if so, the particulars of the proposed expansion ?

**The Minister of Revenue and Defence Expenditure (Shri A. C. Guha)** :

(a) Considerable expansion of the Postal facilities in rural areas is envisaged in the Second Five-Year Plan irrespective of the fact that it would also assist the Small Savings Movement in those areas.

(b) The rates of interest allowed on Postal Savings Bank Deposits follow generally the conditions of the money market and are reviewed from time to time in the light of those conditions.

(c) About 20,000 Post Offices are likely to be added during the Second Plan period.

**Travancore-Cochin State Transport Department**

\*112. **Shri Kamath** : Will the Minister of Home Affairs be pleased to state :

(a) whether it is a fact that the Travancore-Cochin State Transport Department have entered into a reciprocal arrangement with the management of certain newspapers about the free transport of copies of their newspapers in lieu of free advertisements;

(b) if so, the names of such newspapers, and the terms and conditions of the arrangement ;

(c) whether it is proposed to continue the arrangement; and

(d) if so, the reasons therefor ?

**The Minister in the Ministry of Home Affairs (Shri Datar)** : (a) Yes.

(b) A statement is laid on the Table of the House [See Appendix I, Annexure No. 29].

(c) and (d). The question of terminating the existing arrangement is under consideration.

**असैनिक स्कूल-अध्यापक**

\*७१३. **श्री भक्त बर्तन** : क्या प्रतिरक्षा मंत्री २३ फरवरी, १९५६ के तारांकित प्रश्न संख्या १९० के उत्तर के सम्बन्ध में यह बतान की कृपा करेंगे कि तब से और कितने असैनिक (सिविलियन) स्कूल अध्यापकों को अन्य रोजगारों पर लगाया जा चुका है और कितने अब भी बेरोजगार हैं ?

**प्रतिरक्षा मंत्री (डा० काठजू)** : यह सूचना एकत्रित की जा रही है, और सभा-पटल पर रख दी जायेगी ।

**Military Education**

\*115. **Dr. Satyawadi** : Will the Minister of Education be pleased to lay on the Table of the Sabha a statement showing the number of male and female students receiving Military education in different Universities of India and state :

(a) whether any aid, financial or otherwise, is given by Government to these Universities for this purpose; and

(b) if so, the details thereof ?



**The Deputy Minister of Education (Dr. M. M. Das):** Information is not readily available, but will be placed on the Table of the House when collected.

(a) No, Sir.

(b) Does not arise.

**Engineering Research Institute, Calcutta**

**\*116. Shri Bibhuti Mishra:** Will the Minister of Natural Resources and Scientific Research be pleased to state:

(a) whether it is a fact that Government propose to set up an Engineering Research Institute at Calcutta to intensify research in aeronautic engineering; and

(b) if so, when?

**The Minister of Natural Resources (Shri K. D. Malaviya):** (a) and (b). No Sir.

**Fiscal Monopolies**

**\*117. { Sardar Iqbal Singh :  
Sardar Akarpuri :**

Will the Minister of Finance be pleased to refer to reply given to Starred Question No. 418 on the 2nd March, 1956 and state :

(a) whether any decision for making an expert enquiry into the possibilities of setting up fiscal monopolies with a view to augmenting public revenues has since been taken; and

(b) if so, the nature thereof?

**The Minister of Revenue and Civil Expenditure (Shri M. C. Shah):** (a) and (b). This recommendation is still under active examination.

**Hostels for Working Women**

**\*118. Dr. Ram Subhag Singh:** Will the Minister of Education be pleased to refer to the reply given to Starred Question No. 1161 on the 4th April, 1956 and state :

(a) whether the Committee appointed by the Central Social Welfare Board, to examine the question of starting hostels for working women in big cities, has since submitted its report;

(b) if so, whether the report has been accepted by the Board;

(c) the number of hostels proposed to be established under this scheme; and

(d) the total expenditure involved?

**The Deputy Minister of Education (Dr. M. M. Das):** (a) Yes Sir.

(b) The Board has accepted the report with certain modifications.

(c) and (d). The Board does not propose to establish any hostels but will offer

grants to voluntary organizations for this purpose. It is therefore not possible to indicate the number of hostels to be established or their cost.

**Mineral Advisory Board**

**\*119. Shri Madiah Gowda:** Will the Minister of Natural Resources and Scientific Research be pleased to state :

(a) whether it is a fact that the Mineral Advisory Board at their meeting held recently at Bangalore recommended the starting of a training centre at or near Bangalore;

(b) if so, the steps Government propose to take in the matter; and

(c) the probable cost of such a training centre?

**The Minister of Natural Resources (Shri K. D. Malaviya):** (a) No Sir.

(b) and (c). In view of the above, it is not proposed to pursue the matter.

**Special Police Establishment**

**\*120. Shri Bogawat:** Will the Minister of Home Affairs be pleased to state :

(a) the number of cases of corruption or illegal gratification handled by the Special Police Establishment during 1955 and 1956 so far, and the number of persons involved in those cases;

(b) the number of persons who were punished and in what manner; and

(c) the number of Gazetted Officers involved and the fine collected during 1955 and 1956?

**The Minister in the Ministry of Home Affairs (Shri Datar):** (a) to (c). A statement giving the required information and the relevant details is laid on the Table of the House [See Appendix I, Annexure No. 30].

**Scheduled Tribes and Scheduled Castes Welfare Advisory Board**

**\*121. Shri Bheekha Bhai:** Will the Minister of Home Affairs be pleased to refer to the reply given to Starred Question No. 1635 on the 21st April, 1956 and state :

(a) whether the Scheduled Tribes and Scheduled Castes Welfare Advisory Board have since been constituted; and

(b) if so, the names of their members?

**The Minister in the Ministry of Home Affairs (Shri Datar):** (a) Yes Sir.

(b) Copies of the two Resolutions issued on 12-7-1956 regarding the formation of these Boards are laid on the Table of the House. [See Appendix I, Annexure, No. 31].

### State Bank of India

\*122. **Shri Wodeyar** : Will the Minister of Finance be pleased to state:

- (a) whether it is a fact that the Chairman, the Secretary and a member of the State Bank of India have resigned; and  
(b) if so, the reasons therefor?

**The Minister of Revenue and Defence Expenditure (Shri A. C. Ghua)** : (a) The Chairman of the State Bank of India has tendered his resignation of his appointment and has desired that the resignation should take effect from the end of September, 1956.

In making a reference to the Secretary to the Bank, the Hon'ble Member has presumably in mind one of the Managing Directors of the State Bank of India—Shri S. K. Handoo—whose resignation has been reported in the papers. It is understood that he has given three months' notice to the Central Board of the Bank of the termination of his appointment, with a request that he might be enabled to proceed on leave preparatory to retirement with effect from the 1st October, 1956.

Government are not aware of any resignation having been tendered by any 'member' of the Board of Directors or of the superior staff of the Bank.

(b) No reasons have been specified in the communications addressed by the Chairman of the State Bank of India and by the Managing Director.

### Local Allowances in Assam

\*123. **Shri T. B. Vittal Rao** : Will the Minister of Finance be pleased to refer to the reply given to Starred Question No. 1529 on the 17th April, 1956 and state:

(a) whether the report of the team sent to Assam to conduct an "on the spot enquiry" regarding local allowances admissible in Assam has since been received;

(b) if so, whether it has been examined; and

(c) the nature of the decision arrived at?

**The Minister of Revenue and Civil Expenditure (Shri M. C. Shah)** : (a) Yes Sir.

(b) The recommendations contained in the Report are still under active examination of the Government.

(c) This does not, therefore, arise at this stage. However, Government orders are expected to be issued in the very near future.

### Oil Refinery

\*124. { **Shri Sadhan Gupta** :  
**Shri Wodeyar** :

Will the Minister of Natural Resources and Scientific Research be pleased to state:

(a) whether there is any proposal to set up an oil refinery in the public sector;

(b) if so, where and when; and

(c) the extent to which participation of private enterprise will be allowed in the venture?

**The Minister of Natural Resources Shri K. D. Malaviya** : (a) to (c). These matters are under Governments' consideration. It is expected that a decision will be taken shortly.

### Synthetic Rice

\*125. **Shri Kamath** : Will the Minister of Natural Resources and Scientific Research be pleased to state:

(a) whether it is a fact that synthetic rice is being produced at the Central Food Technological Research Institute, Mysore;

(b) if so, the need for such production;

(c) the components of the synthetic product; and

(d) whether it will be a marketable commodity, acceptable to the people and not beyond their purchasing capacity?

**The Minister of Natural Resources**

(**Shri K. D. Malaviya**) : (a) to (b). A statement giving the required information is laid on the Table of the House. [See Appendix I, Annexure No. 32].

### हिन्दी विश्वकोष

\*१२६. **श्री भक्त बर्मान** : क्या शिक्षा मंत्री ३० अप्रैल, १९५६ के तारांकित प्रश्न संख्या १८२२ के उत्तरों के सम्बन्ध में यह बताने की कृपा करेंगे कि :

(क) हिन्दी विश्वकोष तैयार करने के लिये काशी नागरी प्रचारिणी सभा ने जो योजना बनाई है, उस की स्थूल रूपरेखा क्या है; और

(ख) इस काम के लिये सरकार क्या क्या वित्तीय तथा अन्य सहायता देना चाहती है ?

शिक्षा उपमंत्री (डा० म० भो० दास) :

(क) एक विवरण सभा-पटल पर रख दिया गया है। [बेल्जिये परिशिष्ट १, अनुसूच्य संख्या ३३]।

(ख) हिन्दी विश्वकोष तैयार करने के लिये ६.५ लाख रुपये का अनुदान देने का सरकार का विचार है। इस विश्वकोष की रूपरेखा बही होगी जिस का सुझाव भारत सरकार द्वारा नियुक्त विशेषज्ञों की समिति तथा इस कार्य के सामान्य निरीक्षण के लिये बनाये गये विशेषज्ञों के सलाहकार बोर्ड ने दिया है।

#### Oil and Natural Gas Directorate

\*127. **Sardar Iqbal Singh** : Will the Minister of **Natural Resources and Scientific Research** be pleased to state:

(a) whether it is a fact that Government have set up a new Oil and Natural Gas Directorate for systematic and detailed prospecting of the entire areas of Punjab and PEPSU for oil deposits; and

(b) if so, where the Headquarter of the new Directorate is located?

**The Minister of Natural Resources (Shri K. D. Malaviya)** : (a) The oil and Natural Gas Directorate has been set up for detailed prospecting of oil and natural gas in the sedimentary basins of India including parts of the Punjab and PEPSU.

(b) Dehra Dun.

#### Scheduled Tribes

\*128. **Shri D. C. Sharma** : Will the Minister of **Home Affairs** be pleased to state:

(a) the amount spent during 1955-56 on the execution of development schemes in Punjab for the welfare of Scheduled Tribes out of the Central Grant-in-aid sanctioned for the purpose;

(b) whether any portion of the amount lapsed;

(c) if so, the reasons thereof;

(d) the amount allowed to lapse during 1954-55; and

(e) whether this amount was later made available for the purpose of the welfare schemes?

**The Minister in the Ministry of Home Affairs (Shri Datar)** : (a) Rs. 5,15,939.

(b) Yes.

(c) The working season in the Scheduled Areas of Lahaul and Spiti is of a very short duration. It is, therefore, not possible to do much work during this period. In the year 1955 there was very heavy snowfall in Lahaul and Spiti Areas early in October and the passes became blocked. The work had, therefore, to be stopped earlier than scheduled.

(d) Rs. 3,17,167.

(e) No.

#### Vigyan Mandir

60. **Shri Ram Krishan** : Will the Minister of **Natural Resources and Scientific Research** be pleased to state:

(a) whether any *vigyan mandir* has been established in the States of Punjab and PEPSU.

(b) if so, when ; and

(c) the total expenditure incurred on the *Mandir*?

**The Minister of Natural Resources (Shri K. D. Malaviya)** : (a) to (c). No Sir.

#### Oil Prospecting

61. **Shri Ram Krishan** : Will the Minister of **Natural Resources and Scientific Research** be pleased to refer to the reply given to Starred Question No. 2374 on the 21st May, 1956 and state:

(a) the total number of applications of post-graduate Science students, University-wise, received from the various Universities for oil prospecting operations; and

(b) the names of the selected candidates, University-wise?

**The Minister of Natural Resources (Shri K. D. Malaviya)** : (a) 1433 applications for Apprentice Geologists and Geophysicists have been received by the Union Public Service Commission from all sources. (This figure includes the applications received from Post-Graduates, Graduates and others). It is not usual to sort out the applications by Universities and the time and labour involved in collecting it in the midst of carrying on interviews will not be commensurate with the possible interest of the information asked for.

(b) Selection has not yet been finalised.

### State Savings Councils

62. **Shri Ram Krishan** : Will the Minister of Finance be pleased to state:

(a) whether the State Savings Councils have been formed in all the States; and

(b) if not, the names of the States where such Councils have not yet been formed?

**The Minister of Revenue and Defence Expenditure (Shri A. C. Guha)** : (a) and (b). We do not know what the Hon'ble Member means by Savings Councils. We have no such thing in the Organisation. But if he wants to know about the Advisory Committees—then the reply is that we have Advisory Committees in the following States, some States have not yet formed any Advisory Committees:—

1. Assam
2. Madhya Pradesh
3. Orissa
4. Andhra
5. Hyderabad
6. Madhya Bharat
7. Saurashtra
8. Travancore-Cochin
9. Rajasthan
10. Delhi.
11. Vindhya Pradesh
12. Bihar.

### Sangeet Natak Akadami

63. **Dr. Satyavadi** : Will the Minister of Education be pleased to state the amount of financial assistance proposed to be given by the Sangeet Natak Akadami to the various institutions during 1956-57?

**The Deputy Minister of Education (Dr. M. M. Das)** : The Sangeet Natak Akadami has made a budget provision of Rs. 2,36,000/- for giving grants to various institutions during 1956-57.

### Basic and Training Schools

64. **Shri Ram Krishan** : Will the Minister of Education be pleased to state the number of Basic and Teachers' Training Schools to be opened during the Second Five Year Plan, State-wise?

**The Deputy Minister of Education (Dr. M. M. Das)** : The necessary information is not yet available and can only be provided after the detailed schemes of all State Governments have been received.

### Advisory Committees in Travancore-Cochin

65. **Shri A. K. Gopalan** : Will the Minister of Home Affairs be pleased to state:

(a) the number of Advisory Committees at various levels formed in Tra-

vancore-Cochin State from March to June, 1955.

(b) the names of persons in each Committee and the organisations they represent;

(c) whether Government have received any representations to reorganise these Committees; and

(d) if so, the action taken thereon.?

**The Minister in the Ministry of Home Affairs (Shri Datar)** : (a) 19.

(b) A list giving particulars of the committees and their composition is laid on the Table. [See Appendix I, Annexure No. 34].

(c) and (d). The Government of Travancore-Cochin have received representations in respect of—

(i) Minimum Wages Advisory Committee.

(ii) Committee for Planting Industry.

(iii) Committees formed for Quilon and Kottayam Districts for the settlement of poor people on Government lands.

These representations are under the consideration of the State Government.

### I. A. F. Accidents

66. { **Shri D. C. Sharma** :  
**Sardar Iqbal Singh** :

Will the Minister of Defence be pleased to state:

(a) the number of accidents in which Indian Air Force planes have been involved, since the 1st March, 1956.

(b) the causes that led to such accidents;

(c) the number of casualties and the amount of loss involved therein;

(d) the total amount paid as compensation in all *per capita*;

(e) the number of cases in which no decision has been taken with regard to payment of compensation, so far; and

(f) in case no compensation has been paid, the reason therefor?

**The Minister of Defence Organisation (Shri Tyagi)** : (a) Four.

(b) Pilot's error of judgment in three cases and technical defect in one case.

(c) One Flight Cadet and three Air Force officers were killed. The amount

of loss of aircraft and Air Force equipment to about Rs. 16 lakhs.

(d) to (f). No compensation is payable in such cases but the rules provide for the payment of special family pension and gratuity to the widow and certain allowances to children. Where the officer is a bachelor, a dependant's pension may be granted to his parents or brothers or sisters if dependent on him and their circumstances necessitate such payments.

A claim to dependant's pension from the father of the Flight Cadet has been received and is under consideration.

A claim for Rs. 200/- as compensation for damage to civil property caused in one of the accidents has also been received and is being authorised for payment.

### University Grants Commission

67. **Shri D. C. Sharma:** Will the Minister of Education be pleased to state the total amount placed at the disposal of the University Grants Commission for disbursement during the financial year 1956-57 under various heads?

**The Deputy Minister of Education (Dr. M. M. Das):** Out of the budget provision of Rs. 3.5 crores as grants-in-aid to the University Grants Commission for 1956-57, a sum of Rs. 63,35,000 has so far been placed at the disposal of the Commission for disbursement to the Central Universities (including the Constituent Colleges of the University of Delhi), the State Universities and to meet its own establishment charges etc.

### Gold

68. **Shri D. C. Sharma:** Will the Minister of Natural Resources and Scientific Research be pleased to state the total amount of royalty received from the gold mines during 1954 and 1955 separately?

**The Minister of Natural Resources (Shri K. D. Malaviya):**

1954	Rs. 27,18,915/-
1955	Rs. 29,72,883/-

### Budget Leakage

69. **Shri Kamath:** Will the Minister of Home Affairs be pleased to refer to the reply given to Starred Question No. 2276 on the 16th May, 1956 and state:

(a) the progress so far made in the investigation of the case in connection with the leakage of budget proposals for 1956-57; and

(b) the names of the accused who are being prosecuted?

**The Minister in the Ministry of Home Affairs (Shri Datar):** (a) The investigation has been completed and a complaint has been filed in the court of the District Magistrate, Delhi under section 120-B of the Indian Penal Code read with section 5 of the Official Secrets Act (Act XIX of 1923).

(b) Dharam Pal Chadha.  
Francis Xavier Jacob.  
Nandalal More.  
Hiralal G. Kothari.

### Loans to Jammu and Kashmir

70. **Shri Kamath:** Will the Minister of Home Affairs be pleased to refer to the reply given to Unstarred Question No. 2268 on the 21st May, 1956 and state:

(a) whether the requisite information has been collected; and

(b) if so, when it will be laid on the Table of the Sabha?

**The Minister in the Ministry of Home Affairs (Shri Datar):** (a) Yes.

(b) The information is being laid on the Table of the House very shortly.

### Life Insurance Companies

71. **Shri Ram Krishan:** Will the Minister of Finance be pleased to state the gross profits of the Life Insurance Companies in India after their nationalisation, company-wise?

**The Minister of Revenue and Civil Expenditure (Shri M. C. Shah):** As valuations of Life Insurance Companies are conducted only at periodical intervals, the information asked for is not available.

### Production of Minerals

72. **Sardar Iqbal Singh:** Will the Minister of Natural Resources and Scientific Research be pleased to state the total production of Iron ore, Steel, Gold, Manganese, Copper and Silver in India during 1955-56?

**The Minister of Natural Resources (Shri K. D. Malaviya):** A statement giving the information is laid on the Table of the House [See Appendix I, Annexure No. 35].

### South Indian Languages

73. { **Sardar Iqbal Singh:**  
**Sardar Akarpuri:**

Will the Minister of Education be pleased to refer to the reply given to Starred Question No. 713 on the 15th March, 1956 and state:

(a) the number of prizes that have been awarded so far in each university to the students for the study of the South Indian Languages;

(b) whether Government proposes to enlarge this scheme; and

(c) if so, in what manner?

**The Deputy Minister of Education (Dr. M. M. Das) :** (a) Nil, in so far as the Central Universities are concerned.

(b) and (c) The matter is being considered by the University Grants Commission.

### Technical Education

74. { **Sardar Iqbal Singh :**  
**Sardar Akarpuri :**

Will the Minister of Education be pleased to refer to the reply given to Starred Question No. 423 on the 2nd March, 1956 and state the steps taken so far by Government to implement the recent recommendations made by the Central Advisory Board of Education regarding more scholarships and other facilities for admission to technical institutes?

**The Deputy Minister of Education (Dr. M. M. Das) :** A provision of Rs. 50 lakhs has since been made in the Central Sector of the Second Five Year Plan of Technical Education for scholarships and free places for technical studies. The details of the Scheme are being worked out. Some State Governments have also made provision for scholarships in their own sector.

### Indian Art Exhibitions

75. { **Sardar Iqbal Singh :**  
**Sardar Akarpuri :**

Will the Minister of Education be pleased to state :

(a) whether any Indian Art Exhibitions sponsored by Government were held in foreign countries from 1950 up-to-date; and

(b) if so, the names of those countries?

**The Deputy Minister of Education (Dr. M. M. Das) :** (a) Yes Sir.

(b) (1) Egypt, Turkey, Iraq in 1951-52.

(2) China, Japan, Australia in 1952.

(3) U. S. A., Canada in 1953.

(4) U. S. S. R., Poland, Germany in 1953.

(5) Italy in 1954.

(6) Egypt, Italy, Yugoslavia, Lebanon, Syria, Iraq in 1954-55.

(7) Burma in 1959.

(8) Czechoslovakia, Hungary, Rumania, Bulgaria, U.S.S.R. in 1955-56.

### M. E. S. Employees

✓ 76. { **Sardar Iqbal Singh :**  
**Sardar Akarpuri :**

Will the Minister of Defence be pleased to lay on the Table a statement showing:

(a) the total number of employees of M.E.S. in each category of Class I to Class IV as on the 1st April, 1956;

(b) the number of permanent and temporary employees as on that date, class-wise; and

(c) how many temporary employees have put in service for:

(i) more than 20 years;

(ii) less than 20 years and more than 10 years; and

(iii) more than 3 years and less than 10 years?

**The Minister of Defence (Dr. Katju) :** (a) to (c) The information is being collected and will be placed on the Table of the Lok Sabha.

### All India Bar

77. { **Sardar Iqbal Singh :**  
**Sardar Akarpuri :**

Will the Minister of Law be pleased to refer to the reply given to Starred Question No. 416 on the 2nd March 1956 and state:

(a) whether a final decision has since been taken for the establishment of an All India Bar; and

(b) if so, the nature of the decision?

**The Minister of Legal Affairs Shri Pataskar :** (a) No.

(b) Does not arise.

### N. C. C. Camps

78. { **Sardar Iqbal Singh :**  
**Sardar Akarpuri :**

Will the Minister of Defence be pleased to state:

(a) the number of N.C.C. camps held so far in the country for social service and developmental activities during 1956; and

(b) the services rendered by them.

**The Minister of Defence Organisation (Shri Tyagi) :** (a) and (b) A statement is laid on the Table of the House. [See Appendix I, Annexure No. 36].

### National Cadet Corps

79. **Shri D. C. Sharma :** Will the Minister of Defence be pleased to state:

(a) the total amount spent by the State Governments on the National

Cadet Corps during 1955-56; and

(b) the progress made by the State Governments in starting new centres during 1956-57?

**The Minister of Defence (Dr. Katju):**

(a) About Rs. 1.43 crores.

(b) The expansion programme has been forwarded to the State Governments for their acceptance. Some States have agreed to implement the programme while others have suggested modifications. In some cases, replies have not yet been received.

### Social Work Organisations

**80. Shri Madiah Gowda:** Will the Minister of Education be pleased to state:

(a) which of the organisations engaged in social work have received grants-in-aid and to what extent, during First Five Year Plan period;

(b) the allotment made or proposed to be made during the Second Plan period;

(c) whether individuals are also given such help; and

(d) if so, to what extent?

**The Deputy Minister of Education (Dr. M. M. Das):** (a) to (d). The information is being collected and will be laid on the Table of the Lok Sabha as soon as possible.

### Central Social Welfare Board

**81. Shrimati Kamalendu Mati Shah:** Will the Minister of Education be pleased to state:

(a) the amount of grant-in-aid given so far by the Central Social Welfare Board to each of the Social Welfare Institution in the District of Tehri-Garhwal during 1955-56; and

(b) the number of institutions doing social welfare work in the District?

**The Deputy Minister of Education (Dr. M. M. Das):** (a) A sum of Rs. 3,000/- was sanctioned to the Kushta Niwarak Samiti, Tehri Garhwal, P.O. Narendranagar during 1955-56.

(b) This information is not available.

### Soldiers', Sailors' and Airmen's Board

**83. Shri Hem Raj:** Will the Minister of Defence be pleased to state:

(a) the number of welfare workers employed in the Punjab, PEPSU and

Himachal Pradesh under the Soldiers', Sailors' and Airmen's Boards in the years 1952 to 1955, State-wise;

(b) the annual honorarium paid to the welfare workers;

(c) the ratio in which this expenditure is met by the Centre and the States; and

(d) the money paid by the Centre, annually to the Punjab Government from 1952 to 1955, year-wise?

**The Minister of Defence (Dr. Katju):**

(a) A statement is laid on the Table [See Appendix I, Annexure No. 37].

(b) The annual honorarium paid to each welfare worker amounted to Rs. 600/-. In addition, each welfare worker received Rs. 18/12/- per month as travelling expenses.

(c) From 1-12-49 to 28-2-54, the Centre shared equally with the Government of Punjab the total expenditure on these appointments. From 1-3-54 to 30-4-55, the expenditure was shared equally by the Government of Punjab and the Punjab Post-war Services Reconstruction Fund. From 1-5-55 onwards, the entire expenditure has been met by the Government of Punjab. In Himachal Pradesh, the expenditure was shared by the Centre equally with the Government of Himachal Pradesh.

(d) The money paid by the Centre to the Government of Punjab was as follows:—

1951-52 . . .	Rs. 21,862/8/-
1952-53 . . .	Rs. 21,862/8/-
1953-54 . . .	Rs. 21,862/8/-
1954-55 . . .	Nil.
1955-56 . . .	Nil.

### CORRECTION OF ANSWER TO STARRED QUESTION NO. 2244

**The Minister in the Ministry of Home Affairs (Shri Datar):** In reply to a supplementary question to starred question No. 2244 on the 16th May, 1956 regarding the recruitment of Sub-Inspectors of Police, I had stated *inter alia* that our requirements of Sub-Inspectors were 20 every two years. The words 'every two years' were uttered by me accidentally for 'twice a year'. I am now making the necessary correction.

**Shri Kamath:** I want a clarification. I cannot understand this sort of correction and this sort of mistake. How can the

Minister mistake 'twice a year' for 'every two years' ? One might say 'once a year' or 'thrice a year' for 'twice a year' perhaps by mistake. But how can the Minister mistake 'twice a year' for 'every two years' ? I think the Minister will be more careful in answering questions and not commit such a mistake as 'every two years' for 'twice a year'.

**Mr. Deputy Speaker:** It is four times higher.

**Shri Kamath:** How did it happen I want to know. Was it only a slip of the tongue or was it forgetfulness ? What was it due to ?

**Shri Datar:** 'Once a year' is within the scope of human error.

**Shri Kamath:** It is 'twice a year'. That is the correction. Such errors have happened a dozen times now.

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# LOK SABHA DEBATES

## (Part II—Proceeding other than Questions and Answers)

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### LOK SABHA

Wednesday, 18th July, 1956

The Lok Sabha met at Eleven of the Clock.

[MR. DEPUTY-SPEAKER in the Chair.]

### QUESTIONS AND ANSWERS

(See Part I)

[MR. SPEAKER in the Chair]

12 NOON

### PAPERS LAID ON THE TABLE

STATEMENTS SHOWING ACTION TAKEN BY GOVERNMENT ON ASSURANCES ETC.

The Minister of Parliamentary Affairs (Shri Satya Narayan Sinha): I beg to lay on the Table the following statements showing the action taken by the Government on various assurances, promises and undertakings given by Ministers during the various Sessions shown against each:

- |  |                                       |
|--|---------------------------------------|
| (1) Supplementary Statement No. IV [See Appendix I, annexure No. 38]   | Twelfth Session, 1956, of Lok Sabha.  |
| (2) Supplementary Statement No. VII [See Appendix I, annexure No. 39]  | Eleventh Session, 1955, of Lok Sabha. |
| (3) Supplementary Statement No. XI [See Appendix I, annexure No. 40]   | Tenth Session, 1955, of Lok Sabha.    |
| (4) Supplementary Statement No. XVII [See Appendix I, annexure No. 41] | Ninth Session, 1955, of Lok Sabha.    |
| (5) Supplementary Statement No. XIX [See Appendix I, annexure No. 42]  | Eighth Session, 1954, of Lok Sabha.   |

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- |  |                                    |
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| (6) Supplementary Statement No. XXXI [See Appendix I, annexure No. 43] | Sixth Session, 1954, of Lok Sabha. |
| (7) Supplementary Statement No. XLV [See Appendix I, annexure No. 44]  | Third Session, 1953, of Lok Sabha. |

### BUSINESS ADVISORY COMMITTEE

#### THIRTY-EIGHTH REPORT

Sardar Hukam Singh (Kapurthala-Bhatinda): I beg to present the thirty eighth report of the Business Advisory Committee.

### COMMITTEE ON PRIVATE MEMBERS' BILLS AND RESOLUTIONS

#### FIFTY-FIFTH REPORT

Sardar Hukam Singh (Kapurthala-Bhatinda): I beg to present the fifty-fifth report of the Committee on Private Members' Bills and Resolutions.

### PETITION RE. FACTORIES (AMENDMENT) BILL

Secretary: Sir, under rule 179 of the Rules of Procedure and Conduct of Business in the Lok Sabha, I have to report that a petition as per statement laid on the Table has been received relating to the Factories (Amendment) Bill, 1956.

#### Statement

Petition relating to the Factories (Amendment) Bill, 1956.

No. of signatories	District or Town	State	No. of Petitions
1	Delhi	Delhi	64

\*Correction of Answer to Starred Question No. 2244

# RESERVE BANK OF INDIA (AMENDMENT) BILL

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha): On behalf of Shri C. D. Deshmukh, I beg to move:

"That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration".

This Bill consists of only 14 clauses and can be called a very small Bill. The purposes of the Bill have already been given in the Statement of Objects and Reasons. Yet, I shall try to explain in brief the salient features of the Bill.

I shall first deal with the necessity for amending section 33(2) of the Reserve Bank of India Act, 1934, under which not less than two-fifths of the assets of the issue department of the Reserve Bank are required to be held in gold coin, gold bullion or foreign securities, the value of gold coin and gold not being below Rs. 40 crores in value. For sometime it has been felt that these provisions are unduly restrictive in the context of our plans for development. The House is well aware that a developing economy needs a growing supply of currency to meet the normal increase in the demand for currency. As economic activity expands, more money is needed to enable the large volume of transactions to be carried on smoothly. The present provisions which require that foreign exchange reserves held by the Reserve Bank of India should increase in response to the increase of notes in circulation, will restrict seriously the ability of the Bank to supply the growing requirements of currency in a developing economy.

Let me explain my point with reference to what we propose to do in the second Five Year Plan and how the present provisions would inhibit the implementation of the Plan as desired. The targets of development expenditure in the public as well as pri-

vate sectors and the magnitude of deficit financing envisaged in the second Five Year Plan will inevitably involve a substantial increase in the note issue simultaneously with a decrease in our foreign balances. In the memorandum of the second Five Year Plan, it has been stated that the deficit financing might be of the order of Rs. 1,200 crores. In view of the large foreign exchange requirements of the Plan, it is also proposed that the sterling assets held by the Bank may be drawn down by Rs. 200 crores. In these circumstances, the existing provisions set a serious limit to the bank's capacity to expand currency during the second Plan period. On July, 6, 1956, as against the note issue of Rs. 1,502.58 crores, the Reserve Bank had in the issue department in gold coin and gold bullion Rs. 40.02 crores [valued at the rate of 8.47512 grains of fine gold for rupee fixed by section 33(4) of the Act] and in foreign securities Rs. 636.61 crores. The Bank had also on that date foreign securities of Rs. 41.87 crores in its banking department but a working balance of at least this order would normally have to be maintained in the banking department. So, taking into consideration the foreign reserves of the issue department only, under the existing provisions of the Act, the additional amount of currency that could be issued would be Rs. 189 crores only. I am sure that every one would agree that a currency expansion of only Rs. 189 crores in five years would be far from adequate to meet the requirements of an economy where national income would increase by 25 per cent. Even this order of increase in currency would not be possible with an adverse balance of payments. Hence the urgency to amend section 33(2) and also section 33(4) of the Act.

The principle of linking foreign exchange reserves to note issue is in one sense a relic of the past and many countries have modified this principle in the last two decades. As long as

\*See Part I Debates, dated 18th July, 1956, cols. 152-54.

monetary authorities were obliged to tender gold or foreign exchange in return for domestic currency even for internal purposes, it was only prudent for Central Banks and Governments to hold gold and foreign exchange reserves in a certain proportionate relation with note issue. Nowadays, the central purpose of foreign exchange reserves everywhere is to enable a country to tide over temporary balance of payments difficulties. The size of the gold and foreign exchange reserves, therefore, is now determined in relation to the normal fluctuations in the payments position rather than in relation to note issue. In fact, some countries including Canada, New Zealand, Ceylon and the Philippines have gone so far as not to prescribe any reserve requirements in the form of gold or foreign exchange against the issue of currency.

One may ask that we are quoting only some rather undeveloped countries, but it should also be remembered that India also belongs to that category. Moreover, even in the United Kingdom, where the limit of fiduciary issue has been raised periodically, the increase in note issue has been to all intents and purposes without any obligatory increase in the foreign exchange reserves. The amendment in the Reserve Bank of India Act which is now proposed does not go as far as certain foreign countries have gone in this respect. We still propose to prescribe an absolute minimum of reserves both in foreign exchange and gold in order to ensure that some cushion is left against unforeseen emergencies.

I think the hon. friends would realise that the orthodox banking practice of the central banks has now been more or less abandoned by many of the countries, particularly by those which have undertaken similar development work of a huge magnitude as India has done.

On a consideration of this and other alternatives and in the context of Indian conditions it is considered best to prescribe the minimum reserve in absolute terms both in gold and foreign securities. It is accordingly propos-

ed to amend section 33(2) of the Act so that a reserve of Rs. 400 crores in foreign securities may be fixed. This is being done by clause 8(a) of the Bill.

Concurrently with amendment of sub-section (2) of section 33, sub-section (4) of the said section prescribing the rate at which the gold held by the Reserve Bank to be valued is also to be amended. At present the gold held by the Reserve Bank is valued at the rate of 8.47512 grains per rupee, i.e. at the rate of Rs. 21-3-10 per tola. It may be admitted that this price of the rupee in terms of gold is not realistic and fair compared to the market value of the rupee. In short, so long the gold is being valued at a very low price, much lower in fact than the parity for the Indian rupee which has been agreed to by the International Monetary Fund. It has now been proposed to revalue the gold at the official parity agreed to by the Fund, i.e. at the rate of 2.408 grains of fine gold per rupee or Rs. 62-8-0 per tola. This will result in the value of the gold held by the Reserve Bank being raised from Rs. 40 crores to a little over Rs. 115 crores. I may add that this change is only formal and is intended to reflect more accurately the value of our gold reserves in terms of the official parity of the Indian rupee. Simultaneously with the revaluation of the gold, the minimum limit for the holding of gold by the Reserve Bank is also being raised from Rs. 40 crores to Rs. 115 crores as in clause 8(a). This is in addition to the minimum holding of the foreign securities of Rs. 400 crores mentioned above. The total of gold and foreign securities to be held as a minimum would thus come to Rs. 515 crores. Clause 8 of the Bill deals with these amendments.

Section 37 of the Reserve Bank of India Act provides for suspension of assets requirements with regard to gold coin, gold bullion and foreign securities, subject to the payment of tax to the Government at prescribed rates, the minimum rate being fixed at 6 per cent. per annum. It is desirable to

[Shri A. C. Guha]

have a provision for suspension of assets requirements to meet unforeseen contingencies, but it is unnecessary to have any provision for any penalty in the event of such suspension. The penalty clause was imposed when the Reserve Bank was not a totally nationalised Bank and when most of the shares were held by the private sector. But now it is a nationalised Bank. The Payment of tax is only of nominal significance now since the Bank is a nationalised institution and its surplus profit, after the usual provisions for bad and doubtful debts etc. is being paid to the Central Government. Last year the Reserve Bank contributed to the revenue of the Central Government about Rs. 20 crores. There is hardly any necessity of putting a penalty clause for suspending this provision.

Clause 9 of the Bill provides for the deletion of the existing provision regarding payment of tax to Government and puts a new provision to enable the Bank to suspend the assets requirements with the previous sanction of the Central Government for a period of six months in the first instance which may be extended from time to time for periods not exceeding three months at a time. The present section 37 enables suspension only for 30 days in the first instance, to be extended from time to time by period not exceeding 15 days. The suspension should be subject to a maximum deficiency of foreign securities of Rs. 100 crores; in other words, the holdings of foreign securities should in no event be less than Rs. 300 crores. Further, the suspension should not apply to gold coin and gold bullion, the minimum holdings of which should continue to be at Rs. 115 crores. So, the total effect of this provision would be that instead of Rs. 515 crores to be kept in reserve, the Reserve Bank may, in cases of emergency, reduce the reserve by only Rs. 100 crores and may maintain a reserve of Rs. 415 crores.

Now we come to clause 10 intended to empower the Reserve Bank to ex-

ercise credit control. For many years it has been almost universally accepted that the creation and distribution of credit, under the intricate economic organisation existing in most countries should be subjected to some control. Control or adjustment of credit is accepted by most economists and bankers as the main function of a Central Bank. It is the function which embraces the most important questions of central banking policy and the one through which practically all other functions are united and made to serve a common purpose. Three objectives of credit control are mentioned by economists and bankers, namely, (a) stabilisation of exchange rates, (b) stabilisation of general price level and (c) stabilisation of business activity and employment. The traditional objective was the first one—stabilisation of exchange rates; but, with the abolition or suspension of gold standard, more emphasis is now put on stabilising price level.

It is felt that changes in price level cause important changes and disturbances in economic relations within a country as well as between countries, thus causing serious and prolonged maladjustments, dire social and economic consequences. Stabilisation of price level would eliminate such disturbances and maladjustments.

An increasing number of economists now would rather think that the main objective of credit control is the elimination or smoothing out of business cycle. They think that attainment of the other two objectives though highly desirable is but subsidiary to the maintenance of normal and steady rate of growth in the general economic activity, and is expected to prevent booms and slumps, mass unemployment etc. In the early thirties, initial emphasis was on price level objective. But the present official monetary policies of countries like Sweden, Great Britain, United States etc. tend to move more and more in the direction of economic stabilisation as objective for credit control.

Then comes the question: What are the methods of credit control? One of them undoubtedly is the lowering or raising of minimum reserves to be kept by commercial banks in the form of credit balances with the Central Bank. This is considered as an additional and more effective means of enabling the Central Bank to expand or contract credit-creating capacity of commercial banks. Under the present economic conditions, bank rate policy and open market operations may not prove quite effective or feasible means for credit control. In view of the limited efficacy of the traditional instruments or credit control, it has now been suggested that banks should be asked to keep a certain percentage of their deposits with the Central Bank and that the latter should be authorised to vary this percentage from time to time. This is what is intended to be done by clause 10 of the Bill.

The provision for minimum reserves were intended to sustain the confidence in the currency. In the ultimate analysis, however, the confidence in currency depends in the ability of the Reserve Bank to regulate credit so as to control inflationary and deflationary tendencies. That is why it is proposed simultaneously to introduce this important amendment which will strengthen the Reserve Bank's ability to regulate the credit situation effectively, through the institution of a system of flexible cash reserve requirements for scheduled banks. As a result of the deficit financing envisaged during the second Plan period, banks would acquire substantial independent cash resources. This situation would increase the ability of the banks to expand the credit. Already this year this tendency has appeared. Already indications are that scheduled bank advances have expanded rapidly in recent months. This emphasises the need for granting additional powers to the Reserve Bank to check unhealthy credit extension which under section 42(1) of the Reserve Bank of India Act, scheduled Banks

are required to maintain with the Reserve Bank minimum cash reserve of 5 per cent. of their demand liabilities and 2 per cent. of their time liabilities. These percentages have remained unchanged all these years. This is the fixed minimum reserve ratio.

The policy of fixed minimum reserve ratio has been interpreted by many as placing the trading banks in a straight jacket. Cash reserves vary with seasonal movements and also with trade cycle. So a fixed minimum would be ineffective at some time and may prove to be a serious burden to banks at other times. A low ratio is likely to be ineffective at most times and a high ratio may prove quite depressive at one time and ineffective at another stage of the trade cycle. Hence the modern tendency is to have a variable reserve ratio. The psychological reactions to the use of variable reserve ratio are likely to prove more favourable than to those of open market operations as the latter are carried on behind the scenes while the former operate openly. A trading bank can very often ignore a rise in the Bank rate unless it has to borrow money from the Central Bank. But, it cannot ignore the higher reserve ratio because it impinges on its cash balances. In many countries including U.S.A. the method of variable reserve ratio is being used to supplement the open market operations. Open market operations are intended for ordinary occasions. But in case of certain fundamental changes in the banking conditions or in the trade cycle, the method of variable reserve ratio is generally being used and is found to be more effective.

It is proposed to amend section 42 (1) of the Reserve Bank Act with consequential amendments to other sections to give power to the Reserve Bank to vary cash reserves required under that section, within certain fixed limits. It has been customary for scheduled banks to keep with the Reserve Bank balances in excess of what they are required to maintain

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statutorily, although during the last 5-6 years such excess has been declining. Thus, during the year 1955-56 on an average the scheduled banks maintained with the Reserve Bank a balance of Rs. 52.5 crores, which was Rs. 13.9 crores in excess of the statutory requirement, as compared with an average balance of Rs. 60.8 crores in 1950-51 and an excess balance of Rs. 25.2 crores. The tendency is rather ominous; we have to take action before it is too late. So comes the necessity of the amendment as proposed in clause 10.

The system of variable reserve requirements is an effective instrument which can be operated in a flexible manner. This system is a normal part of the machinery of credit control in a majority of countries which have the device of statutory reserves. The system of variable reserve requirements obtains in about 25 countries developed and undeveloped, including the U.S.A., West Germany, Mexico, Brazil, Peru, Ceylon, Burma, Pakistan and New Zealand. This weapon of credit control has been used frequently in recent years. It is proposed that the range of minimum and maximum reserves may be fixed at 5 and 20 per cent. in respect of demand liabilities and 2 and 8 per cent. in respect of time liabilities by suitably amending the said section. The distinction between demand and time liabilities for reserve purposes is customary and convenient and may continue to be made.

To enable the flexible operation of the system of variable reserves, the Reserve Bank is also being vested with the power to require scheduled banks to maintain an additional balance computed with reference to the excess of demand and time liabilities over the level of such liabilities on a date to be specified by the Reserve Bank, subject to the condition that the overall balance required to be maintained by a scheduled bank shall not be more than 20 per cent. of its demand liabilities and 8 per cent. of

its time liabilities. That means that this special requisition from the Reserve Bank on the Scheduled banks to keep some more funds will not exceed the overall maximum fixed, 20 per cent. in the case of demand liabilities and 8 per cent. in the case of time liabilities. The position may be explained thus. Within a certain period it may be found that the deposits of certain banks have increased inordinately. In such cases, it may be necessary to have this power for the Reserve Bank to ask the scheduled banks to maintain additional balances with the Reserve Bank. This policy will give some relief to the smaller banks. If you always operate on the basis of the maximum and minimum limit fixed, that would be applicable to all the banks. One bank may have within the last year increased by the deposit by a few crores. Another bank may not have any increased deposit at all. If the Reserve Bank would ask that 50 per cent. of the increased demand of this year may be deposited with the Reserve Bank as an additional balance, this 50 per cent. will not affect the smaller bank whose increase in deposits during that year is almost negligible or nil. This provision will ensure equity, in that the impact of any change in reserve requirements will be mainly on banks which have experienced relatively substantial rise in deposits. Provision is also being made to enable the Reserve Bank to pay at its discretion, interest at such rate or rates as may be determined by it from time to time, on the amount by which the minimum reserves required are in excess of 5 per cent. of demand liabilities and 2 per cent. of time liabilities, payment of such interest being, however, conditional on the scheduled bank maintaining the minimum balance required of it. These amendments are being dealt with in clause 10 of the Bill.

It is also proposed to amend subsection 2(b) of section 46(A) of the Act, with a view to removing the doubt regarding the scope of the subsection. The present amendment is



just in the form of a clarification removing some apprehended lacuna in the language of the sub-section. Section 46(A) enables the Reserve Bank to make loans and advances from the National Agricultural Credit Long Term (Operations) Fund. Such loans and advances include medium term loans to State Co-operative Banks for agricultural purposes as specified in sub-section 2(b) of section 46(A). From the point of view of the integrated programme for the development of rural credit and other rural economic activity, such as marketing and processing, it is necessary that small and medium cultivators should be active participants (as shareholders etc.) in co-operative societies and co-operative concerns connected with the marketing and processing of their own products. However, according to a strict interpretation of the term 'agricultural purposes', it may not be possible for the Reserve Bank under the present provisions to make advances to co-operative banks even in proved cases of necessity, to enable them to lend to small and medium cultivators for the purpose of purchasing shares in such societies and concerns. Clause 11 of the Bill deals with the amendment of section 46(A) of the Principal Act in order to remove the doubt and enable the Reserve Bank to make an advance for such purposes.

Clause 3 of the Bill seeks to abolish Local Boards. Section 9 of the Reserve Bank of India Act contains a provision that a Local Board shall be constituted for each of the four regional areas, namely, the Western area, the Eastern area, the Northern area, and the Southern area and shall consist of five members each to be appointed by the Central Government to represent, as far as possible, territorial and economic interests and the interests of co-operative and indigenous banks. Under the scheme of the original Act the Local Boards were meant as electoral colleges for the purpose of constituting the elected directorate of the Central Board and their principal function was to deal with share transfers, the Bank had

made continued efforts to utilise their services as much as possible, and other functions were allotted to them from time to time. Among these the most important was in connection with the banking situation in their region and their advice was sought in all cases relating to the scheduling and de-scheduling of banks, opening of new branches and other actions against banks which the Reserve Bank was empowered to take under the Banking Companies Act. When the Reserve Bank was nationalised, it was thought that these other duties could be usefully continued to be performed by the Local Boards, but their utility of functioning as electoral colleges was no longer applicable as with the nationalisation of the Bank there was no election from the Local Boards to the Central Board. Experience has shown that with the development of the Department of Banking Operations with its large inspecting staff and the detailed manner in which cases relating to banks are now prepared, there is very little that the Local Boards could contribute even in this sphere. It is thus not any lack of desire on the part of the Reserve Bank to consult the Local Boards that their usefulness has diminished. The initiative for abolishing the Local Boards has come, in fact, from the members of the Local Boards themselves who have felt that they were not making any important contribution to the working of the Reserve Bank. The cases relating to banks which are outside the general principles already formulated are now taken before the full Board which itself consists of experienced persons drawn from all parts of India. Thus, regional advice is available in dealing with these cases and there is no special merit in having separate Local Boards for this purpose. As the present system of nomination of Directors on the Central Board secures a wide representation of territorial, economic and agricultural interests, the continuance of Local Boards is no longer necessary.

Other clauses of the Bill are consequential in character, and I hope



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the House will be pleased to pass the Bill.

Mr. Speaker: Motion moved:

"That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration."

Eight hours have been allotted for all the stages of this Bill. How shall I distribute these eight hours? There are no amendments either to the consideration motion or even to the clauses. So, for general discussion we can have six hours and for the rest of the stages two hours.

Shri N. B. Chowdhury: (Ghatal): The proposal to amend the Reserve Bank of India Act, 1934 has come at a time when the Second Five Year Plan has just started working with the provision of a heavy deficit financing to the extent of Rs. 1,200 crores with its consequential expansion of credit by the banks and also speculative activity in the country. We know that when such a Plan is made without adequate guarantee of necessary supplies, the speculating sharks in the country lie in wait to get the opportunity to make money at the cost of the community. The Bill that has been brought forward contains certain provisions which, if properly used, will help the work of regulating such undesirable activities of the banks to a great extent, but it has to be seen how far the powers are used and in what manner by the Reserve Bank.

We know that the note issue is already increasing. During March, 1956 the money supply with the public increased by Rs. 117.3 crores of which Rs. 66.5 crores were under currency, against Rs. 39.4 crores during March, 1955. During the financial year 1955-56, out of the expansion of Rs. 259.85 crores, Rs. 185.7 were currency notes. This also shows a decline from 56.50 in 1954-55 to 51.35 in 1955-56 so far as the reserve ratio is concerned. In March 1956 there have been continuous declines in the ratio from 50.52 per cent. to 47.1 per cent. Along with that, in March, 1956 schedule

bank credit shows a net rise of Rs. 61.8 crores as against Rs. 17.5 crores in the preceding month and Rs. 28.5 crores in March, 1955. So, this shows that the expansion of credit by the scheduled banks has already started and it has its effects on the price position also.

We know that just a few months back after questions were repeatedly put in this House regarding the necessity of controlling credit supply against certain speculative purposes, the Government issued instructions calling for certain returns from banks regarding the supply of credit, and as a result of that certain directives had to be issued preventing the banks from giving credit for speculation in grains. That has brought about certain results, but already the mischief had been done. Yesterday the Food and Agricultural Minister, Shri A. P. Jain, said that there was no necessity to give any powers to the Government of West Bengal for anti-hoarding purposes etc. That is creating certain problems with regard to the price position in the country. So, this is the situation in which this Bill has come.

With the provision of Rs. 1,200 crores of deficit financing, certainly the Government would require to clothe the Reserve Bank with adequate powers so that they can adopt, if necessary, certain drastic measures against the recalcitrant banks so far as credit supply is concerned.

Coming to the important provisions of the Bill, I would first refer to clause 8. Here two basic changes are involved. One is, as has already been explained by the hon. Minister, with regard to the very principle of maintenance of reserve in the Reserve Bank. This is not new so far as the central banking systems in the different countries are concerned. We all know that during the thirties, when the economy of France was in jeopardy, according to the method suggested by Lord Keynes they adopted this method of maintaining only a fixed reserve instead of a percentage

of the total assets. As a result of that they were able to get over the crisis to a certain extent. Now, instead of the statutory provision as it existed before of 40 per cent. of gold coin or gold bullion and foreign securities subject to a minimum of Rs. 40 crores, it is now being provided that of the total assets, the amount of gold coin and bullion and the amount of foreign securities shall not be less than Rs. 115 crores and Rs. 400 crores, respectively in value. So far as this provision is concerned, we have no objection to it. But what I would like to observe in this connection is that while we feel that it would not be possible for Government to provide adequate gold reserve, if we maintain the traditional proportion or percentage of the assets, we find that in the country there are reports about the smuggling of gold. I am sure the Minister must be aware of the report that appeared in several papers the other day that in Calcutta, so far as Surajmals and Nagarmals are concerned, there was a searching of their houses, and a heavy amount of gold has been seized. We do not know the position. I hope the Minister would enlighten us on this matter. So, while we speak about the difficulty of maintaining gold reserve....

**Shri A. C. Guha:** The hon. Member is making some definite allegations in a case which is still under investigation. I think it may not be proper to do so. I would like to draw your attention to this.

**Shri N. B. Chowdhury:** I have only referred to the fact that such reports are appearing in the press. We do not know what has actually happened. I have made a reference only to that. Anyway, I am not proceeding further with it.

Now, I come to the sub-clause which seeks to revalue the gold in terms of the rupee. The previous standard was 8.47512 grains of fine gold per rupee, but now that has been reduced to 2.88 grains of fine gold per rupee, according to the International Monetary Fund standard. It

is true, as the Minister has stated, that the previous proportion was not realistic and had no bearing on the market conditions, and as such, it may be changed. It was changed in many other countries. So, in the situation in which we are placed today, we may also perhaps adopt the new method in order to meet our requirements. Incidentally, this helps us to build up this reserve of Rs. 115 crores by changing the value of gold; and thus, we are in a position to maintain the reserve of Rs. 115 crores so far as the gold reserve is required to be maintained.

In this connection, I would like to know from the Minister how he is going to account for the profits or the results that will accrue out of this arrangement. In some countries, they have opened some sort of adjustment account for this purpose, while a different method is adopted elsewhere. But here we do not know what exactly is in the mind of the Minister. I would request him to clarify this point further.

Coming to clause 9, I find that here, certainly, some necessary change has been made. Previously, the period of suspension of assets requirements in respect of foreign securities was 30 days in the first instance, and subsequently it could be extended by periods not exceeding fifteen days, but now it has been increased to six months and three months respectively.

At a time of planning, when it is necessary for us to import capital goods for our developmental needs, it may be necessary to suspend the reserve that we would ordinarily like to maintain. Under these circumstances, the extension of the period for the suspension of the assets requirements may be justified. But even in this connection, the point arises as to the dwindling or diminishing of the foreign exchange resources of the country. Only this morning, we heard about certain loans from foreign countries. We do not know whether we are going to get these loans by

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way of capital goods, or we will be provided with some foreign exchange which we can use elsewhere. That point needs a little clarification, so that we may know the exact position with regard to the difficulties in the matter of the foreign exchange resources.

I now come to clause 10, which seeks to amend section 42 of the principal Act of 1934. The purpose of this amendment is to strengthen the credit control machinery. The Reserve Bank of India is thereby going to assume certain powers by virtue of which it can call upon the scheduled banks to provide larger balances with the Reserve Bank. Previously, the rate was 5 per cent. for demand liability, and 2 per cent. for time deposit. But now it has been provided that it may be increased, if Government think it necessary to do so, by some notification, to 20 per cent. and 8 per cent. respectively. In view of the speculative activities which are encouraged by certain banks, it is necessary that along with deficit financing and the larger supply of money, the banks should be asked to maintain larger reserves and larger percentages of the different kinds of deposits with the Reserve Bank of India; and that will, to some extent, be a safeguard against the encouragement of speculative activities.

There is also the provision to the effect that they may call for even larger percentages of deposits from such banks. If the banks do not behave properly, then certainly such action would be justified on the part of Government.

Coming to another section of this clause, I find that there is provision for demanding interest at three per cent. above the bank rate up to one week, and beyond that, at five per cent. above the bank rate, from the defaulting banks. If the banks fail to maintain the necessary balances with the Reserve Bank in respect of their time liabilities or demand liabilities,

then Government would be in a position to charge at such penal rates. Since it is obligatory on the part of such banks, according to the provisions of this law, to maintain these reserves, naturally if they default, there will be certainly a justification for such action on the part of Government.

There is one other point on which I would like to have some clarification from the Minister. According to the Act as it stands, so far as penalty is concerned, for banks that fail to observe the principles enunciated therein, there is the provision of punishment. But that provision has been changed to a certain extent in this Bill. The implication of it is not quite clear. Previously, the language was:

"Every director and any manager or secretary", that is to say, every director and manager or secretary could be punished. But now, the language has been changed to:

"every director, manager, or secretary of the scheduled banks...."

We do not know what the necessity for this change is. I would request that this may kindly be clarified. If, according to the old provisions, every director and any manager or secretary, who knowingly or wilfully encourage such a thing or are involved in such a default, could be punished, I do not know why now the provision should be changed to the effect that every director, manager or secretary who is in default could be punished and not every director and manager or secretary.

[MR. DEPUTY-SPEAKER in the Chair]

In regard to local boards, it has been mentioned in the Statement of Objects and Reasons that it is a very minor change that has been made.

The hon. Minister has also stated that the local boards do not serve much purpose today, they do not do much work and they may be done

away with. But what is taking place is that in cities like Calcutta and Madras, they are being deprived of facilities of having such headquarters of all-India institutions, and instead everything is being taken to Bombay so far as the financial transactions are concerned. We do not understand quite clearly as to what is the necessity of doing away with the provision for these local boards. The local boards help to a certain extent to maintain contacts with the local banks and other organisations. So it is not clear to us whether the local boards have altogether outlived their utility in this situation. That is a point to which I would like a reply in more detail.

Coming to clause 11, a welcome change has been made. It has been suggested that the words 'for agricultural purposes' should be omitted, so that the bank may make advances to provincial co-operative banks for other purposes also. I do not know what is exactly in the mind of the hon. Minister when the words 'other purposes.....' have been used. If it is for purchasing shares of co-operative institutions, then certainly that is a welcome thing. But so far as the recommendations of the Rural Credit Survey are concerned, the Government are not at all prompt in acting up to the needs of the situation. So much criticism has been made from different sections of this House regarding the need for increasing the supply of rural credit and strengthening the co-operative organisations in the country.

According to the recommendations of the Rural Credit Survey, there are to be State-partnered institutions and the State is expected to purchase shares of co-operative societies or co-operative banks so as to improve the condition of the co-operative institutions. Now, here is some provision according to which it would be possible for the Reserve Bank to advance money to provincial co-operative institutions for certain purposes. We do not know exactly what purposes are in the mind of Government. We

would like to know whether this would be a measure to expedite work so far as reorganisation of the co-operative societies and arrangements for supply of rural credit are concerned.

Having said this, I would like to point out that while we support the provisions which are in this Bill, we feel that certain other provisions should have been incorporated here. Although there is a mention of control of credit and prevention of speculative activity, etc., we feel that certain other things should have been embodied in the Bill itself. In the Second Five Year Plan, it is stated:

"Deficit financing will augment the ability of banks to extend credit to the private sector. Such expansion will be needed and will have beneficial results up to a point. Care will, however, have to be taken to prevent excessive credit expansion which may react adversely on prices and to ensure that credit does not flow into speculation to the detriment of productive activity. The Reserve Bank has wide powers of supervision and control over commercial banks. It can vary its own accommodation to the banks and can issue directives to them under certain circumstances quantitative as well as qualitative controls on credit, including variations from time to time in the relationship to be maintained between the liabilities of banks and their reserves should, we suggest, be regarded as an important accompaniment to the scheme of deficit financing we have recommended."

We would have liked some selective control or qualitative control being provided for in this Bill. No doubt, when a certain action was called for a few months back with regard to countering speculation in grains, the Reserve Bank did take certain action after certain questions were put in this House. But it would have been better if there were certain

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directives from this Parliament to the effect that wherever there was any possibility of speculation in certain commodities, the Reserve Bank should be required to issue directives to the banks to prevent such speculative activities, because in our country we find that these speculators and other anti-social elements have no social compunction and they are ready to work havoc, as has already been demonstrated to a certain extent. But this is only the beginning of deficit financing as far as the provision of Rs. 1,200 crores is concerned. It is likely to increase. So along with the increased taxation, which may be to the extent of Rs. 850 crores during the period of the Second Plan, if deficit financing is resorted to to the extent envisaged, certainly it may have disastrous effects on the price situation. So unless sufficient safeguards are there by way of special powers for Parliament to call upon the Reserve Bank to take certain action in case the price index rises beyond a certain limit or goes down below a certain level, there are likely to be certain difficulties.

In other countries, for instance, Latin American countries and others, development has certainly been helped through the method of deficit financing. But they have all felt the need for regulation, and discretion is to be exercised not by the reserve bank or central or regulatory bank of the country but by the Parliament of the country, because it is the representatives of the people who can best judge the situation so far as the hardships of the people are concerned. In our country, it is very necessary, in view of the fact that there is a private sector wherein people are not always conscientious and do not work to the best interests of the country, that there should be a statutory provision to this effect that whenever the situation so demands the Parliament should be in a position to direct the financial institution, the Reserve Bank, to adopt measures which will not only check inflation or rise or fall in prices but

channelise the financial resources of the country in a way which will really help the developmental activities of this country.

Shri M. S. Gurupadaswamy (Mysore): This Bill is not simple as the Finance Minister observed.

Shri A. C. Guha: I have never said that the Bill is simple. I was very particular about that. There was no Bill which was simple in the House.

The Deputy Minister of Finance (Shri B. E. Bhagat): Particularly when Shri Gurupadaswamy is on his legs.

Shri M. S. Gurupadaswamy: This Bill introduces a major change which will affect both the monetary and the economic fabric of our society.

1 P.M.

Before I deal with the various clauses of the Bill, I would make a few observations about the main purpose for which the Bill is brought. The central purpose is to give enough powers to the Reserve Bank to create cheap money. The Government have to finance a huge Five Year Plan and they have to create new money to the extent of 1,200 crores of rupees. Already, we are creating, this year, new currency to the extent of Rs. 250 crores. More credit accommodation has also been created by the commercial banks.

Before I deal with the effects of this measure, I would like to draw the attention of Government—I think they are aware of it—to the recent statement of the Reserve Bank in respect of currency and finance. The Reserve Bank has said that the year 1955-56 was the most prosperous year from the point of view of trade, commerce and development. I agree. It was true that in the year 1955-56, we achieved a great stability in our economy, a great improvement in our fiscal as well as monetary fields. But, I am afraid, we are not able to keep up that stability in the year 1956-57. What we have achieved in the year 1955-56, we are losing in the year 1956-57. Why are we losing? We are

losing because we have been creating cheap money and flooding the market with enormous sums of money as well as credit without power to control the effects of this new creation.

The main purpose of deficit financing is to meet the accelerated developmental expenditure mainly in the public sector. But, unfortunately, much of the money that is being created today is flowing into the private sector. Government, even the Reserve Bank have not yet been able to canalise the new money to productive business and most of the money is being used by private people for financing their unproductive schemes. Government should have set up some machinery to control the expenditure also. Mere creation of money will not lead us to the desired goal unless we adopt other measures to regulate the expenditure. But, unfortunately, we have no machinery. I do not think Government has got even any machinery to collect statistics regarding the distribution of this new money between productive and non-productive enterprises. I hope Government will take my suggestion seriously and think of starting or opening a branch in the Reserve Bank to study this aspect.

I said that the stability we achieved in the economy in the previous year is being lost this year. I support my statement by taking one instance. Last year this House debated a resolution regarding the precipitous fall in prices of foodgrains and other agricultural commodities. This year we are confronted with another type of crisis, i.e. rise in the prices of agricultural commodities, especially foodgrains. The Reserve Bank, in its statement, has explained it in a very funny way. I will read out what the Reserve Bank says:

"The price situation underwent a marked change during 1955-56. Commodity prices recorded a rise during the greater part of the year in contrast to the decline in 1954-55. Over the year the Economic Adviser's general index of whole-

sale prices rose by about 1.6 per cent. as against a more or less equivalent decline in 1954-55. While to a substantial extent the rise in commodity prices was a correction of the rather sharp fall in the previous year, it also reflected the decline in output of some primary commodities and the rise in exports, in particular, of raw cotton and oils."

What I want to say is that the Reserve Bank have taken a very complacent view of things. They have simplified the whole situation. The real rise is not mere 11.6 per cent.; the rise is nearly 22 per cent. Last year there was a fall according to the statement of the Reserve Bank itself. It is admitted that the fall in prices was about 11.5 per cent. or so. This year the rise is also to the same extent. That means that the rise in prices of agricultural commodities in this period of one year is about 22 per cent. This is rather abnormal. This should have set the Finance Ministry thinking that there is something wrong in the fiscal or monetary policy pursued by Government.

At the far end of the previous Plan, lot of new money was injected into our economic system. This year we are pumping in more money and there is no possibility of squeezing out this money—getting back this money—for useful productive purposes. I ask the Government to explain why they have not taken any steps to see that the new money they have created goes only to developmental purposes and not to non-developmental purposes.

It is said that the Reserve Bank has ample powers to exercise control over the credit system, especially over the credit operations of the commercial banks. I beg to differ even here. For these one or two years the record of the commercial banks is very bleak. I have got here statistics to show that the Scheduled Banks and other Banks have dealt with the distribution of credit in a very reckless manner and the powers of the Reserve Bank of India were not used to control the activities of the commercial banks. I



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have got with me a list of defects which are prevalent in the banking world and I have noted down, for instance, fourteen defects and all of them were brought out by the Reserve Bank statement itself. The greatest defect of the commercial banks is inadequate and poor reserves, insufficient reserves against bad and doubtful debts and over-extension of advances. There are other drawbacks which the Reserve Bank itself has found, but till now these defects have not been overcome or removed. When this is so the Government again comes forward to give more powers to the Reserve Bank. We have already created cheap money, but we have been helpless to control the use of that cheap money for productive purposes. Now Government says that we should give it more powers to flood the market with more money.

The function of the Reserve Bank is to create credit whereas the function of the commercial banks is to distribute credit. In a developmental economy, the distribution of credit or allocation of credit is more important than the creation of credit. It is easy to create credit but to control its distribution is very difficult. In this respect, the Reserve Bank has failed completely. From our previous experience I am bound to say that I have no confidence in the ability of the Reserve Bank to control the distribution of credit. So, what is the remedy?

Naturally it will take me to another vital aspect that both creation of credit and distribution of credit should be completely controlled by one agency, by the Government. If that is done, then it will be possible to plough all this money to desired ends. Otherwise, what will happen? There may be control at the top, there may be control at the point of creation of money, but if there is no control at the various points of distribution, I am afraid the entire fabric of our economy will break into pieces. The new money that we have already

created has depreciated the currency, and the confidence of the people has been shaken. We are already suffering from inflationary effects. The Finance Minister may say that it is just a natural development, the rise in prices is a sign of prosperity and rise in agricultural commodities gives more money to the rural sector. He may justify it in that way. But I feel that it will have a tremendously disastrous effect on the national economy as a whole. This precipitous rise in prices by nearly 22 per cent. should be sufficient indication to show in which direction the nation is going, whether we are progressing according to plan and whether our money is going to the desired ends. We do not know what monetary standard the Government wants to adopt today. By this amendment, I feel, we are unconsciously changing our currency system. I ask therefore what type of standard the Government wants to have. Do they want a limping standard? Or paper currency standard? If Government want this, let them say so. Or do they still believe in reserves, in gold backing, and in the idea that people should have confidence in the currency? Currency is the basis of the economy of any country today. Without good currency there is no good economy. You cannot divorce economy from currency. Whatever happens in the currency world will have its effects on the economic world. It will have a great effect also on international trade and it will affect foreign exchange. If you depreciate your currency, you will depreciate to that extent the value of your economy. This will devalue the nation in a way. I do not like the devaluation of the nation. The Finance Minister drew certain parallels. I know that some other countries have adopted these measures. They have provided for absolute reserves, that is, statutory minimum reserves. The ratio between gold and currency was abolished with a view to finance increased developmental expenditure. But I want to ask the Finance Minister whether in those countries they have contemplated deficit financing to

the extent of Rs. 1,200 crores. What was the quantum of deficit financing in those countries? I think the quantum that is contemplated here is the highest in the world. Only Germany of the pre-war days did have such a huge deficit financing as this. They printed lot of paper currency; paper was available everywhere. If you want to do the same, tell us. Then, what will happen? Already ominous signs are visible. Our currency is being depreciated. People are losing confidence in the currency and there is already a great fear in the minds of the people about the issue of the new coins, (*naye, paise*) next year, and they are very much puzzled. At present they are purchasing lot of gold in the market. The gold price has consequently increased. The Finance Minister wants to bring down the gold reserves. But are we devoid of gold in this country? I want to know. We are not. The Finance Minister till today has not given his approval to nationalising of gold mines in Kolar. He has not even thought of opening up gold mines in Hyderabad. There is gold there. Why do they not exploit it?

We have started a State Trading Corporation. We are bringing certain commodities under State monopoly. We are seeing people buying gold for the purpose of hoarding it, and all this purchase of gold is going to non-productive purpose, that is, just for hoarding. Hoarding is a sin and I think it is worse than theft. May I ask what Government has done to prevent it? Will the State Trading Corporation undertake the sale and purchase of gold? In my view trading in gold should not be entrusted to private people. I ask therefore why Government should not think of monopolising the trade in gold. Monopolise and nationalise the gold mines. If these two measures are taken I am sure that an adequate bullion backing can be maintained for our currency. Then there will not be currency chaos; we can avoid it. If these measures are not taken and if you go on using the printing press at

Nasik to bring out more and more paper money, then there will be inflationary inferno. You cannot avoid its effects; they are however already visible. The idea contemplated in clause 8, is highly dangerous though it looks very simple. My hon. friend who spoke before me was supporting it. I would have done so; I was tempted to do so but the Reserve Bank and the Government have proved incapable of looking after the stability of the currency. When it is so, we cannot support this. I stand for a ratio and not for the abolition of ratio and I stand for currency stabilisation. I do not want currency chaos in this country. If that results, who is ultimately affected? It is the lower middle class and the fixed income groups and the labourers. It is these people who will be affected much. If you create more money, it will irrigate the pockets of the rich. The rich will become richer and the poor, poorer. That will be the effect of this amendment. It is not a simple Bill and it contains revolutionary changes—revolutionary, not in the right sense. It will affect the fabric of our society and the face of our economy, if not immediately, at least in the long run. This ratio and other things are very complicated and I would respectfully urge the House to study them carefully and give its advice. Any step in this direction should be taken after careful deliberation.

I agree with the hon. Minister at least on one point. The variable reserve ratio is adopted in certain countries. I have no quarrel with the principle behind it. Here clause 10 deals with the reserve requirements of scheduled banks. According to the provision it may vary within the range of five per cent. and twenty per cent. in respect of demand liabilities and between two and eight per cent. in respect of time liabilities. I do not dispute the idea but I do not know why there should be such a wide range—five per cent. and twenty per cent. The greatest curse of the banking world today is the extravagance and over-extension of advances to give



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accommodation for business people, especially the directors, their friends and relatives. This had led to so many crashes in the banking world. No steps have been taken to stabilise the banking operations. Therefore if it is provided that a lower minimum reserve should be kept, then the tendency is to approximate to the minimum and not to the maximum provided in the Bill. Therefore, I suggest that the difference between the maximum and minimum should be narrowed down. It should be ten per cent. and twenty per cent. respectively in the case of demand liabilities and four and eight per cent. respectively in the case of time liabilities. I think this will give some stability and strength to the credit operations of the banks.

The money that is created has to come back to the commercial banks in the form of deposits. This is one of the views expressed from time to time by official spokesmen. They say that the deposits of the various commercial banks have increased considerably. True. But, have they increased proportionately? What is the ratio between the note issue and deposits? This rise is not proportionate. Why is this so? It is because much of the money created is going to the non-monetised sector. Much of the rural sector comes under this sector and the money that flows to the rural sector does not come back to the banks in the form of deposits. It stays in the hands of the villagers. One of the things they do is to go to the bullion market and purchase some gold and hoard it. They hoard the currency also. They never go to the banks. Perhaps there may be the fear of the income-tax authorities but that is not the only thing. The rural people do not know the banking practices. The big landlords exchange their produce for money but that money will be in the safe custody of the landlords. The net result is that the money that is created is not going into the productive channels. In the rural sector it is hoarded and in

the urban sector it is used for speculative purposes; either way, it is not used for productive purposes. So, it is a vicious circle that you are drawing. So, without having a proper machinery for controlling credit distribution, you cannot think of creating credit. You have no right to create new credit and destroy the confidence of the people in money.

Then I come to clause 11. What does it say? It is related to one aspect. Under this clause more advances are to be given to co-operative banks and co-operative institutions enabling the villagers, agriculturists especially, to become shareholders. Even the shares will be purchased by the bank money for villagers. What a very fine idea! It looks as though it is very socialistic, very progressive. But what is it that is happening in this sector? There is a very curious procedure adopted by the co-operative societies. Each co-operative society should first clear all the money that it takes from the co-operative banks before it draws a further loan or a further advance. "Clear your first loan before taking further loans" is their policy. That is to say, all the villagers who take loans from the co-operative societies have to clear their old loans, without any exception, before they can get further loans.

Shri Kamath (Hoshangabad): Sir, I rise on a point of order. I am sure you will agree that the Minister should listen and not indulge in conversation. He is the only Minister present; there is nobody else present there.

Shri B. B. Bhagat: I am listening.

Shri Kamath: You are not listening, unless you can listen and also carry on conversation at the same time.

Shri M. S. Gurupadaswamy: Before fresh loans are advanced by the co-operative societies, I am told, the previous loans have to be cleared to the very pie. Then what is the result? Suppose one man does not pay

back the loan to the co-operative society, then all the others will suffer. No fresh loans will be issued from the co-operative society. That is your system. In my constituency many people have come to me and complained that even though they have cleared their loans, because of only one man who has not cleared his previous loan the co-operative society said that fresh loan cannot be granted to their village. Because one is a defaulter amongst so many the whole village should suffer. Your main purpose of helping the agriculturists founders on this simple technical point. If one man has not paid back his previous loan, why not wait and collect it later on? What is the harm in that? Your procedural bottle-neck comes in the way of helping these poor classes of people. What is the purpose of your saying: "We are also purchasing shares for you"? Why purchase shares at all? Give a nominal share for eight annas. Why fix Rs. 25 or any other amount that you have fixed? On a nominal share of eight annas he can draw a loan. You give loan on property and not on individuals. Therefore, where is the purpose for fixing this big amount?

I would ask, why are you making a mess of it? I would say that this provision was not at all necessary if you had reduced the share price to one rupee or eight annas. In that way you could have saved some money. You could have utilised the same amount for other developmental purposes.

Sir, I think they are making an experiment in a financial fiasco. That is what I feel. They are just making an experiment how best to create confusion in this country. I would say that these things would not help the country or the economy of the country. On the other hand you are destroying the stability of the currency and you are unconsciously transferring the currency into a paper currency. I think in the long run your currency in terms of exchange value will have to suffer. I know

the Minister has quoted some instances of Burma and other countries—all backward countries—who have also adopted these things. There is an inflationary tendency prevalent in all developing economies. But you must follow always a policy of 'playing safety'. The planners say that they do not believe in 'playing safety'. They say that policy of 'playing safety' is good for a normal economy and not for a developing economy. They say there should be an amount of risk. But what is the amount of risk? That is the most important thing. Is it Rs. 1200 crores or Rs. 100 crores? According to the calculations of economists, if you create one rupee coin it would produce credit worth Rs. 1½; that is to say the potential credit created by Rs. 1200 crores will be 1½ times, or you are creating Rs. 2000 crores worth of credit in the country. In the total of Rs. 7400 crores it comes to more than about one third, or in the public sector, where it is only Rs. 4800 crores, it is nearly half.

**Shri B. R. Bhagat:** Take the national income.

**Shri M. S. Gurupadaswamy:** I am very glad he has reminded me of national income. Our planners have estimated that after the Second Plan the rise in the national income will be about 25 per cent. It is a good figure. But while calculating this you are not taking the standard of 1939; you are taking the standard of 1960. In 1960 the whole country will be flooded with your paper currency. During the freedom struggle the Gandhi notes were created. They had no value. All these notes I am afraid will become Gandhi notes and in this context you may have a rise of 25 per cent in the national income. There I agree. But what is the use of that national income unless your national income reflects a substantial rise in the standard of living of the masses? Therefore, this comparison between the national income and the expenditure that we are going to incur and then drawing a ratio is

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wrong. I would rather ask the planners to strike a ratio between the standard of living of the masses at the time of the end of the Plan and the national income in physical terms and not in monetary terms. Let them do it. They will themselves see that whatever they have achieved is all illusory. The suffering that will result out of this will be immense and you are destroying the fabric of our economy.

Mr. Deputy-Speaker: I am charged with this defalcation?

Shri M. S. Gurupadaswamy: No. Sir; I am saying this through you.

Shri Kamath: It is routed through you. You are above all these things.

Shri M. S. Gurupadaswamy: Sir, I will only say one thing before I close. If the Reserve Bank of India (Amendment) Bill is passed as it is without adequate safeguards—I do not think they have put in any safeguards—then it will create a currency chaos, a sort of an inflationary inferno, as I put it. I think they should be more careful and I feel that they should have thought more before they brought this measure.

Shri G. D. Soman (Nagpur-Pali): Mr. Deputy-Speaker, Sir, this Bill, that we have before us, introduces two fundamental changes. One is that instead of the present proportionate reserve system, an absolute minimum is suggested as backing against the currency. The next important change is that the Reserve Bank is being given powers to increase up to four times the present minimum reserve requirements of commercial banks. These are really two very fundamental and vital changes which are being introduced by the amending Bill. We have at present a system of maintaining 40 per cent ratio of reserves against our note issue, in the form of gold, gold bullion and foreign securities which are now going to be replaced by an absolute minimum of Rs. 515 crores. The

preceding speaker, Shri M. S. Gurupadaswamy, dwelt at length upon the dangers that might arise to our national economy by doing away with this ratio and by allowing the Reserve Bank to go on expanding the currency to any extent to which they think fit. There are two sides of the picture and one can easily take an extremist view. I personally do not share the very pessimistic view of and the very extremist view which the preceding speaker took about the inability of the Reserve Bank to deal with any situation that might arise by the expansion of currency during the second Five Year Plan period. The obvious fact remains before us, as the hon. Minister, while introducing this amending Bill, pointed out, and that is, unless this amendment is carried out, the Reserve Bank will have at its disposal the expansion of only about Rs. 189 crores during the entire second Plan period. That means that the only alternative to this amendment will be that we must slow down the pace of our developmental programme, because it is quite obvious that it would not be possible for our economy to be expanded to the extent envisaged in the second Five Year Plan unless this amendment is carried out.

Then, I do not also share the pessimistic view of the preceding speaker that the Reserve Bank is totally incapable of dealing with any situation of inflation that might arise. This question of deficit financing and the consequent inflation that might arise have been debated on many an occasion in this House, and it is certainly not correct to say that the Government of India or the Reserve Bank are not conscious of the implications of the heavy amount of deficit financing that is involved in the second Five Year Plan. Even the post performance of the Reserve Bank shows that as and when circumstances have warranted, the bank has taken suitable measures as far as could be possible, in the circumstances, to deal

with a particular situation. We remember that the Reserve Bank followed consistently a credit squeeze policy when, after the Korean war, inflationary tendencies and conditions continued and it was, I think, to a very great extent, due to the credit squeeze policy of the Reserve Bank that ultimately the inflation was curbed. Indeed we were faced with a situation when everybody was complaining against the precipitate fall in the prices of several commodities.

Then again, only recently we have seen that the Reserve Bank have given a directive to the scheduled banks to limit their advances against foodgrains. Therefore, it is hardly proper or correct to say that this amendment will in anyway come in the way of the Government and the Reserve Bank taking such measures as will be required to deal with any inflation that might arise out of this policy of deficit financing. The fact has got to be faced. If we are really serious in executing the huge developmental programmes in the second Five Year Plan, naturally, the currency will have to be expanded and to that extent, the amendment suggested in the Bill has got to be accepted.

As I said earlier, there is another side of the picture also. Here, I would like to draw the attention of the Government that they would have been very well advised if, instead of doing away with this ratio altogether, they could have amended the percentage to a figure which could have met the requirements of the situation. As it is, so far as the revaluation of gold prices is concerned, that will give the Reserve Bank a certain increase in its holdings and in the ratio of backing against the note issue. At present the statutory limit is 40 per cent. Suppose that limit would have been reduced to 20 or 25 per cent, then, in my opinion, it would have been a more sound way of dealing with the situation than by giving this blanket power of doing away

with this ratio altogether and only providing an absolute minimum of Rs. 515 crores. After all, as Shri Gurupadaswamy has said, we have of course to see about the soundness and confidence of our credit system. If by any reason, at any time, in our country or in other countries where our rupee at present enjoys such a high reputation, any lack of confidence is created by an undue expansion of currency and by a very low level of backing in gold, or in foreign securities, then, that might have some repercussions which we must avoid by taking suitable efforts. So, my suggestion to the Government would be that instead of doing away with this ratio altogether, it would be much more desirable if this ratio is reduced and readjusted from 40 per cent to 20 per cent. It will, on the one hand, enable the Government and the Reserve Bank to meet the requirements of our expanding economy and on the other hand, also ensure that confidence and stability in our currency which also has to be given proper consideration.

So far as the present position of the rupee is concerned, it is really very commendable to find that our rupee enjoys a very creditable position among the various countries of West Asia. Indeed, in certain countries like Bahrain and Kuwait, the rupee is used both for internal as well as international purposes. We have, therefore, to formulate our policy in a manner which will allow our present credit that we enjoy in the various markets not only to remain intact but also to increase. We should not, therefore, take any measures which might in any way undermine that confidence in our currency. From that point of view, I submit that some sort of link should be maintained between the note issue and between the reserves which the Reserve Bank is obliged to keep under the present Act.

I would now like to come to the next important amendment before us and that is in regard to clause 10 of

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the Bill which relates to the control over commercial bank credit by the Reserve Bank. Even as things stand at present, the Reserve Bank has already got powers to restrain undue expansion of credit by increasing the bank rate or by reducing liquid balances of commercial banks through the open market operations or even giving specific directions to the commercial banks under the Banking Companies Act, 1949. As it is, therefore, the Reserve Bank has got adequate powers to ensure that the commercial banks formulate their credit policy in conformity with the policy of the Government and the Reserve Bank. This amending Bill seeks to empower the Reserve Bank to increase the minimum reserves which the commercial banks are required to maintain with the Reserve Bank from the present 5 per cent of their demand liabilities to 20 per cent and from the present 2 per cent of their time liabilities to as much as 8 per cent. This is a four-fold increase and I think this is not desirable and justified by the present circumstances. As I pointed out earlier, the Reserve Bank have already got adequate powers to regulate the credit facilities that may be given by the commercial banks in the manner that they think fit. But if the new powers are to be suddenly exercised at the time of the busy season, the commercial banks may be faced with a very awkward situation to fulfil the ordinary banking role which they are doing at present. The entire purpose of taking these powers is, of course, to keep a proper control over the situation which might be created by the policy of deficit financing. Even according to the existing powers contained in the Banking Act, it has not been beyond the powers of the Reserve Bank to take such steps as are necessary to be taken and therefore, such a drastic increase in the maintenance of reserves by the commercial banks with the Reserve Bank might create some avoidable hardship. Even in the United States where this system of variable reserves prevails, the maximum

increase which can be made is limited to twice the minimum. Therefore, so far as our country is concerned, the present powers that are being taken are far more than what is warranted by the circumstances. I would like to suggest that these percentages should be double the present ratio and they should not be increased four-fold, as contemplated under clause 10 of the present Bill.

So far as the payment of interest is concerned, I think the clause in question is rather vague. No indication has been given as to the rate of interest which will be paid to the commercial banks for these additional reserves which they may be called upon to deposit with the Reserve Bank. I would, therefore, like to seek a clarification from the hon. Minister as to the rate of interest which is proposed to be paid under this clause. After all, these commercial banks will be deprived of utilising those funds in a commercial manner and to that extent they will suffer. It is only fair that a reasonable rate of interest should be allowed by the Reserve Bank for such compulsory deposits.

I have got only one point more and that is about the local boards. Although it is a small matter, still I feel it is hardly desirable to do away with the present system of having local boards. The constitution of the Central Board is done more on merits than on a regional basis; and, if we have the present system of local boards, that gives an opportunity for regional considerations to be kept in view and the regional representatives thereby get a fair chance of having a proper voice in the operations of the Central Bank. I do not think any harm in any case is being done by having these local boards. I would, therefore, suggest that this abolition of local boards should not be insisted and the local boards should be allowed to continue as at present.

Shri V. B. Gandhi (Bombay City—North): Mr. Chairman, this is an important Bill and a necessary one; and,

it has not come before the House any too early. I compliment the Finance Minister on his lucid speech on this subject which, to most of us, was rather of a technical nature. Although I would recommend that the House should give its general support to this Bill, if I had my way, I would make some rather important changes in this Bill.

For instance, if I had my way, I would not give to Government too free a hand in this matter of currency expansion. I will not do it at least at the present time, not in this transitional stage in our economy. I would also not base our proposals on the experience and on the pattern of Canada or the United Kingdom and such other countries referred to in the speech of the Minister. There are many reasons why we should not have these countries as our models. If one is to give one reason, it is this. In the supply of money in these countries, the bank money or the bank deposits play a very predominant role and the currency or the Government money plays a minor role, while in our country, it is the Government money that meets most of the needs of the community whereas the bank money or the bank deposits play a relatively minor role.

I would also see that our legislation provides for the Reserve Bank of India some ability to say "No" to Government sometime. In other words, the Reserve Bank authorities should be placed in a position in which in certain extreme contingencies they can say to the Finance Minister, "we are sorry, Mr. Finance Minister; we have not got enough cover of the requisite kind to issue any more notes". If the Reserve Bank authorities are placed in that position, then the Finance Minister would necessarily have to come to Parliament for help. Parliament, therefore, according to my view, should retain some control over the actions of Government in these monetary fields in certain circumstances. Parliament of course will be there to help the Finance Minister after it has had an opportunity to review the

actions of Government, I know that these changes that I have suggested I am doing too late in the day. I realise that there is no chance of these being accepted. However, I am just doing it for what it is worth.

2 P.M.

Now, after these preliminary remarks, turning to the provisions of the Bill, we see that there is a certain vital assumption behind this Bill and that assumption is that in this country there is going to be a growing need for a steady and substantial expansion in the volume of money. The Finance Minister in his speech has rightly said that a developing economy needs a growing supply of money. That is correct; the assumption is valid. Even if we look at the trend as it exists today we find that the trend is towards an expanded volume of notes in circulation. For instance, in 1952-53 note in circulation were Rs. 1,119 crores; in 1954-55 they increased by more than Rs. 100 crores to Rs. 1,236 crores and in 1955-56 there was another increase by almost Rs. 200 crores and the circulation stood at Rs. 1,424 crores. So, the trend is there and I suppose we do not want to change it and we certainly cannot stop it. Now, there are other good reasons why we should accept and welcome this trend and we should be prepared to give to our country an expanded volume of money. Some of the speakers who preceded me have already referred to these reasons, for instance, there is the objective of the Second Five Year Plan, namely, that we are aiming at an increased national income of 25 per cent. Now that would certainly require an additional supply of money by at least that much, if not more. Then of course there is this contemplated deficit financing in our planned programme. This deficit financing of Rs. 1,200 crores is already mentioned. Now we understand that some Rs. 200 crores will be provided by drawing down our sterling balances and therefore perhaps the possible net addition to our supply of money would be somewhere of the magnitude of Rs. 1,000 crores. But even then, there



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they are, these one thousand additional crores! Even if we take an approximate or crude illustration, our currency or notes in circulation at the present time are of the order of somewhere about Rs. 1,500 crores. Another Rs. 1,000 crores are to be added to it and ultimately in the course of the next five years we are going to have a possible volume of Rs. 2,500 crores of notes in circulation. Now, if the ratio of two-fifths of the special kinds of assets, as provided in the existing Reserve Bank of India Act were to hold good, then it would require a thousand crores to make up the statutory minimum reserve in gold or foreign securities. Now on the face of it we know that it is a kind of an impossible proposition. We do not have that much available in foreign securities. Taking our gold at Rs. 115 crores, surely there will still be Rs. 885 crores of foreign securities necessary if the present ratio were to be allowed to hold good. We have not got that much in sterling securities; we do not hope we shall ever have that much available. Our present sterling balance is somewhere in the neighbourhood of Rs. 750 crores. Now with all our programme of development under the Second Five Year Plan, a lot of capital goods have to be imported. With all these in front of us it is obvious that we shall not have even these Rs. 750 crores of sterling balances for long with us. They will soon be depleted and therefore it is an impossible situation and we must help the Government to have some of the limitations on their power to increase the volume of money in the country relaxed. My difference with the Government on this point is whether this relaxation of limitations should be done in the manner suggested in the Bill or in some other way. The Bill suggests doing away with the present system of ratio of minimum reserve and replacing it by some kind of a fixed amount of minimum reserve. In view of the special circumstances of our country, I for one would suggest that we still continue for some

time this ratio pattern of our currency reserve.

Supposing instead of two-fifths, we change it to three-tenths, or go even lower down and make it one-fifth we find that at one-fifth proportion it is still possible to have a note circulation of the order of Rs. 2,500 crores. That is just the kind of level we expect to reach by the end of the second Five Year Plan. Now it will be quite possible for Parliament to review at that time the situation, to reconsider the facts that may have emerged during the second Five Year Plan period and then decide whether this ratio should be further changed or it should be given up in favour of a fixed amount reserve of the kind suggested in the Bill. One serious shortcoming of this fixed amount reserve is that it gives Government too free a hand in the matter. Here we have a reserve of Rs. 515 crores, unalterable, immutable in a way. It can of course go down by a Rs. 100 crores, but it is not necessary to increase it. On the strength of this Rs. 515 crores Government under this Bill will have the freedom to support a currency of any amount. With this "fixed amount" system, with the proposal that is there in the Bill, Government will have freedom to support on the basis of these Rs. 515 crores, any volume of currency in circulation: not Rs. 1500 crores that is there today, not Rs. 2,500 crores that we expect it to be in five years, but even Rs. 55,000 crores, if Government so pleases. That is the kind of blank cheque that Government is likely to get under this new system of reserve.

Take the amendment suggested to section 37 in the matter of suspension of assets requirements. There also, the Government is going a bit too far and too fast. Section 37 in the existing Act provides for a period of 30 days to be extended by other periods of 15 days each. Here, the Government is providing for a period of six months at one stretch with possible extensions of three months each, for this lapse from the minimum requirements of

reserves. I do not know, but after all, let us be clear about one thing. When we are legislating, we are legislating not only, for this excellent and good Government, this Government which is responsible to this Parliament, we are legislating for all kinds of Governments, all kinds of imaginable Governments that may follow. Therefore, we must make sure that in every legislation, some kind of moderation and proper check is provided. Any irresponsible Government, any Government that chooses to follow rash policies, any Government that has forfeited the confidence of this House can have enough time in six months, with further additional periods of three months each to do irreparable damage to our economy without the Parliament having any opportunity to review this action of the Government and check it. I will just leave it at that.

It was rather a kind of an amazing argument which the Finance Minister made in respect of the proposal in this Bill to remove the tax that used to be there for this lapse from the required minimum reserve. That tax was a kind of a penal arrangement. It was not an arrangement of profit to the Government. For the Minister to tell us that we are removing the tax because the Reserve Bank belongs to the Government, the surplus profit of the Bank goes to the Government, and whether we collect it by way of a tax or whether we collect by way of profit of the bank, is the same to the Government, is rather a far-fetched explanation. The principle behind that tax is that it is a penal arrangement to check the Bank and the Government which owns the Bank from going beyond certain limits. Some of the fears that I am expressing here are really not groundless and they are not being conjured up by any nervous minds here. But, Governments have been known to have done all these things. I may perhaps have an opportunity to refer to some of these things presently. We may be asked why we are attaching so much importance to these currency reserves and the ratio of these currency reserves. We may be

told that after all it does not matter what kind of backing or what kind of assets you have behind your currency for the value of your money. The value of your money in these days is, in a sense, independent of the kind of backing you have for your money. True. We agree. But, then, there is some kind of relationship between the value of money and the quantity of money that is in circulation in the country. If, instead of Rs. 1500 crores worth of notes that are in circulation today and that are doing the "money work" in this country, we have Rs. 55,000 crores worth of notes in circulation, would not that make some difference to the value of your money? It certainly would. Leaving that aside, there is another factor, and that is the confidence of the people in their money. That is a very important factor. All the most disastrous inflations in recent history, such as the inflations in Russia, Austria and Germany after the first world war in the early twenties of this century, have reached their excesses, not because of the un-ending stream of Government money that was being poured into circulation, by the Governments of the countries, but because the people had lost confidence in their money. Once the people lose confidence in money, something happens to the rate of velocity of circulation. Velocities go up to tremendous rates and the disaster is complete. All these considerations should not be easily lost sight of in providing for proper checks, for proper moderation, for some limitation on the powers of the Government in this matter.

Finally, I shall come to clause 10, which amends section 42 of the Reserve Bank of India Act. I support the idea of giving wide powers to the Reserve Bank to regulate the expansion of bank credit and to control bank credit. The Central Bank of every country should have these powers. Especially in the context of inflationary possibilities that we envisage as a result of our planned programmes, such power must be placed in the hands of the Reserve Bank of India. But, I would only



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say here that the powers as provided in the Bill are rather of an extreme kind. Powers to vary the reserve requirements to such a high percentage as 20 and 5 are rather of a stringent kind. I only hope that the Reserve Bank authorities will use these powers in moderation and will use them only in cases of grave emergency.

Finally, as I said, this Bill is a necessary Bill. It is desirable that the limitation on the powers of the Bank should be relaxed in some manner, but I would have it recorded here that in giving these powers which are a bit too wide, in giving too free a hand to the Government, this House had its qualms.

Shri Joachim Alva (Kanara): While making my observations on this Bill, may I pay my humble tribute to the institution of the Reserve Bank of India! The Reserve Bank possesses a character, authority and influence in our national and economic affairs almost in an unparalleled degree. It should be the duty of every patriot to preserve the authority and influence and character of the Reserve Bank as it was founded and preserved by its promoters. The retiring Finance Minister has played a notable part in shaping the policy and character of the Reserve Bank.

In paying a tribute to the Reserve Bank, the bank which is the pride of our national economic life, the fulcrum of our industrial activity (though it may not have a lot of gold in its coffers) I would point out that it has not tackled some of the major, vital problems that face our national life.

I would say hands off the Reserve Bank, not a cent of decrease in its reserves. The day you start tinkering and tampering with the reserves shall start our downfall. We have launched on a very big five year plan to be succeeded by other five year plans, and so the character and the strength and the weight of the Reserve Bank should not in any way be tampered with or affected. Instead,

we must keep fool-proof and rigid these requisites of reserves and retain them all whatever the emergency may be. As some friends said just now, Governments may come and go, but the Reserve Bank is the foundation of our national economy and its character must be preserved. When the Finance Minister comes before the House saying that the Reserve Bank shall have Rs. 515 crores of reserves and it could be reduced by Rs. 100 crores if necessary, it does produce a lot of qualms on our conscience. We are really worried as to what may be our fate, if not five years hence, at least ten years hence. We do not want any lessening of the percentage of cash balances on account of the demand and time deposits in the scheduled banks. The scheduled banks must be kept under tight and rigid controls. Otherwise, quite many of them who have indulged in nefarious, blackmarketing activities committed by their directors or their associates or relatives will play ducks and drakes with our finances and we shall be helpless against that current.

I would mention three important points which have not been tackled by the Reserve Bank yet. I do grant that the Reserve Bank has been doing a very big and splendid job. It has been the first to provide quarters to its employees. We have the rich foreign banks which only cater to the white employees at the top and do not care to give any kind of quarters in large industrial cities to their underpaid employees. The clerks drag on their existence, and the Indian officers in many of the foreign banks or Indian banks are not provided with quarters. If we are going to have a Welfare State we must provide all these amenities.

Then I come to gold which is everything in this world, which will do everything to the Reserve Bank, which has assumed a factor of tremendous importance. The Soviet Union today claims to be the second largest holder of gold in the world as well as being the second largest pro-

ducer of gold in the world. Thirty years ago the gold in the Soviet Union may have only consisted of jewellery the czars and czarian, wore. These are facts which should induce us to see why we cannot also produce gold. The Reserve Bank cannot merely sit and discharge only clerical, supervisory or organisational functions and forget this major function of seeing that the country produces gold. Tell me how much gold you have and I shall tell you what your strength is.

The non-Soviet countries are producing 27.15 million oz. of gold and the Soviet Union has been producing anything between 8 and 15 million oz. of gold per year, that is two-fifths of the world's output. How is it from merely having the black gold of coal or steel they have come to have this yellow metal?

We, in India are quibbling with the problem whether the Britishers or our Welfare State will control our gold mines. We do not come to a decision about foreign banks, about the gold which is right under our feet, and then we say: reduce the reserves which have been sanctioned from the day the Reserve Bank started. On the one hand we are thinking of expanding our economy during the Second Plan. At the same time we are trying to be less rigid, less careful about the reserves. I would say it is better that we be warned in time about the lessening of the reserves, or the rigidity and control over it, than come here one day to be faced with the fact that the gold reserves have vanished.

I am quoting from the *Bullion Review*, 1955 by Samuel Montague of London which has splashed these figures. The Soviet holdings are anything like 200 million oz. of gold, equivalent to Rs. 3,325 crores. This is because their economists were as much careful as their revolutionaries in regard to their gold reserves. I recall a remark made by my Professor of Economics at Bombay St. Xavier's College nearly thirty years ago, Professor Correia Fernandes, was a

Roman Catholic who was not enamoured of the Soviet Union, but he said "They have humanised money in the Soviet Union". They are standing abreast of the world and putting the gold on the markets of Zurich, Washington and London, and even Bombay, and thus shaking up the foundations of the world markets. It is time that we do not neglect our gold mines. The gold companies of London are holding our mines; we are only discussing who will own them!

In the year 1954 we produced 239,162 oz. of gold in India.

Shri V. P. Nayar (Chirayinkil): Fine ounces.

Shri Joachim Alva: I do not know about the fineness. I only know the word "gold". I am not a connoisseur of gold; I possess very little of it. In 1955, 210,880 oz. of gold was possessed by India. Out of this the four reefs in Mysore produced not less than four-fifths, with Hyderabad producing less than 20,000 oz. of gold. Fortunately, Mysore is going to be a very large State. It should see to it that gold is extensively mined and increased. Has the Reserve Bank egged on the other departments of the Government of India to see where our gold lies under our feet elsewhere in the country? It is not the duty of the Reserve Bank merely to audit bank accounts in general, not merely to be a depositor, not merely to lay down the security in terms of gold, but also to actively survey other departments of national activity connected one way or other with its main activity and thus help to produce more gold. I want to emphasise this gold producing factor, because I find that this point is not taken due note of. We can also rely on figures in regard to gold production by other countries. However, where do we stand in the world of gold, which is dominated by the Soviet Union? Where do we stand when compared with Canada which comes third or the U.S.A. which comes fourth—the Union of South Africa topping the list. We

[Shri Joachim Alva]

are almost in the last rung of the ladder so far as gold is concerned. Unless the Reserve Bank is going to tackle this point, we shall be nowhere in the world. If the Finance Minister thinks that I am off the point or that I am talking not to the point, I can only say that he is suffering from a lack of deep love for enriching his own country. Unless we emphasise these national points of wealth, and unless we find out where the gold is lying in different parts of the country, we cannot put guts into our bank. So, I would once again earnestly request the Finance Minister to see that the Reserve Bank of India lays its hands on almost all aspects of our national economy and to see that we explore every avenue of gold-prospecting in our country, so that our gold producing and holding figures may jump up.

I now come to the foreign banks. What are these foreign banks doing? On the one hand, only this morning, the Minister told us—I am not quite sure whether he told us, but I have got these figures with me—that Rs. 20 crores are going to be advanced to us by the United Kingdom for the Durgapur steel plant, Rs. 40 crores are going to be advanced to us by the U.S.A. for development and food projects, and Rs. 63 crores are going to be advanced by the Soviet Union for the Bhilai steel project. On the other, we find that the figures of the Soviet Union loan even on paper are higher. Perhaps, they are able to give us more because of the strength of the gold behind them; the gold which they can just throw about on the bank vaults of Zurich, Washington and even Zaveri Bazar in Bombay where there are in operation the worst speculators and blackmarketeers, damaging the interests of their country, who are making their fortunes, as they did when Britain went off the gold standard. You know how India shook when Britain went off the gold standard and you know also how a few blackmarketeers who put their hands on every kind of national industry made

their huge fortunes. They started on the great road of fortune-making from the year 1931 onwards, clubbing with perhaps the Congress on the one hand, and on the other with the blackmarketeers and speculators, and thus multiplied their fortunes when Britain went off the gold standard.

I am concerned with this aspect, because I want to point out that unless we control this horde of blackmarketeers who are on our stock exchange, unless we bring forward an all-embracing Bill meant for all aspects of our national life, we cannot really go ahead.

Now, what is the position in regard to the foreign banks? I know it is an old subject beaten on every aspect, but we cannot help it. If the Reserve Bank has not done its duty properly in controlling the foreign banks, it is certainly our duty to point it out. The foreign banks are still going on as merrily as when Robert Clive first came to India. I would like to draw your attention in this connection to the news item that has appeared in the front page of the Times of India, today, in regard to the attitude of, I would say, a black Prime Minister of a colony which is the largest colony of the British Empire, but which is not yet independent.

"Mr. Nnamdi Azikiwe, Premier of East Nigeria served notice today that he planned to resign and accused the Colonial Secretary, Mr. A. T. Lennox-Boyd, of insults, antagonism and interference."

The Ministers have threatened to resign also.

Now, what is the charge against Mr. Lennox-Boyd? The charge is this:

"We must decide where our money must be banked and you cannot properly interfere in order to protect a British banking monopoly."

The news item further goes on to say:

"The resignation of his Ministers, Mr. Azikiwe said, would enable Mr. Lennox-Boyd 'to rule arbitrarily 4,000 miles away on secret information from obdurate and old-fashioned Governors'."

You can just change the commas and dots and apply these charges and counter-charges where India is concerned.

Again what has the Reserve Bank done in respect of the thirteen foreign banks which have a stranglehold on our economy? Has it lifted its finger and said that the higher executive shall be an Indian? I know that the Commerce and Industry Ministry has at least started thinking on these lines and has made a beginning in this direction where foreign firms are concerned. If you look at the proportion of the money paid to the higher employees in these banks, you will find that it is a colossal percentage. It is simply staggering. I do not want to merely make this statement without linking it up with facts. The facts are as follows. The average emoluments per officer in the Class A foreign banks was Rs. 17,310 in 1948, whereas that in the case of a Class A Indian bank was Rs. 5,460. The highest and lowest emoluments per officer for 1954 in a Class A foreign bank was Rs. 38,640 and Rs. 14,000 respectively, while in the case of a Class A Indian bank they were respectively Rs. 9,040 and Rs. 5,370. The average emoluments per member of the clerical and subordinate staff in 1948 was Rs. 1,880 in the foreign banks and Rs. 1,170 in the Indian banks. Finally, the proportion of average emoluments per officer to average emoluments per member of the clerical and subordinate staff in terms of percentage for 1954 was 787 in the foreign banks and 409 in the Indian banks.

Sir, these facts speak for themselves. These facts go to show how huge the deposits with the foreign banks are, and how they have manipulated the payment to their staff. There are

things which the Reserve Bank must take note of. The Reserve Bank must not merely say to the Indian scheduled banks, 'You put your house in order, otherwise, I shall have to close you down, I shall not give you the certificate of working'. It should say at the same time to the foreign banks, also, 'What about Indianisation? What is the progress that you have made in this direction?' They may have Indians as accountants, clerks and so on, but they will not have Indians on the higher executive jobs. Again, the foreigners who are there can get six months' leave when they have put in only 24 months of service. These are the privileges which the foreign executives enjoy. In this way, they are taking away a lot of money from our land. Unless we stop all this, we shall not be able to save our money from being taken away from our land.

Why is it that I say that the Reserve Bank must once and for all put a stop to any foreign bank coming and operating on our soil adopting these methods. We have got thirteen foreign banks in our country. I shall not say a word about the banks from our neighbouring countries. There is the Habib Bank from Pakistan which is our neighbour and there is also the Bank of China from our friend and neighbour China. The money that they are taking out is infinitesimally small compared to what is being carried away by the other eleven banks. So, I shall separate the wheat from the chaff, and when I say anything about foreign banks, I shall not apply those arguments to the Bank of China or the Habib Bank from Pakistan, operating from Pakistan having been first founded in India. I shall apply my yardstick only to the other eleven foreign exchange banks.

Again, how is it that the Reserve Bank is not liberal in granting licences to Indian banks for foreign exchange operations in foreign countries? If I have to make any remittance to a foreign country, I must go to a foreign bank, and all the commission is to be earned by the foreign bank even though the Indian bank may have to

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do all the preliminary work. It may be that there are one or two or even five Indian banks that have been allowed to operate on foreign exchange, but they have been allowed to do so for hardly a few years now. Why is it that out of so many banks, nearly 65 Indian banks, you have found hardly five worthy of being given certificates for operating on foreign exchange? The result of this has been that we have lost several millions of pounds, which we have given just like *bakshies* to the foreign or exchange banks, because we are not able to do anything. Do you mean to say that you have no confidence in the eight Class A Indian banks whose working funds are above Rs. 20 crores? Do you mean to say that you have no confidence in the eight Indian banks whose working funds are below Rs. 20 crores but not less than Rs. 6 crores? Again, do you mean to say that you have no confidence in the 49 Indian banks whose working funds are below Rs. 6 crores but not less than Rs. 2 crores? You can certainly pick out at one stroke at least 24 banks out of these for foreign exchange operations. I do not know the figures quite well, but I would like the Minister to enlighten us on this point. At present, I think there are not more than six Indian banks which are operating on foreign exchange. I thought that when the former capable and patriotic Reserve Bank Governor became the Finance Minister of India, he would try to bring down these anomalies and put things right, so that our banks also could earn foreign exchange commissions; I thought that he would do something in order to prevent this draining of our funds, and help in the building up of our economy in the right way by allowing our banks and agencies to operate in foreign lands, so that they could be a matter of pride for our country. But I am sorry to find that nothing has been done in this direction at all.

I have laid emphasis on these aspects of our national life, because I feel that they ought to be really

taken note of by the Reserve Bank. The Reserve Bank has still to play a very large and historic role in our national economy. Unless it goes on discharging that responsibility, which I find it has not even initiated at present to discharge, we shall be going down the hill. If the Bank of England is able to play its role effectively and seriously, unmindful of whatever protests you may launch, if the Federal Bank of the U.S.A. is able to do what it likes, I do not see why our Reserve Bank also should not play its important role in the manner in which it ought to play it. If it is prevented from doing so, then what is the reason for it? The reason is, let us not forget, that we are still entangled in the sterling bloc. The sterling bloc had its stranglehold upon us. This House before it became Sovereign in 1947, was rocked with great controversies, the economic controversies of the exchange ratio. In the days gone by, before 1930, we wanted the exchange to be at 1/4 whereas Britain wanted to thrust on us the rate of 1/6. Britain always saw to it that she placed the best men to manage the financial affairs from her point of view. These men have sat on our Treasury Benches and then they have been sent back to the City of London. In the case of Defence and Finance, Britain ruled us with an iron hand and she never let go down a single pie or penny of her pound where India was concerned. So far as Finance and Defence affairs were concerned, these great men Britain sent, went revolving from London to Delhi in such a succession that India was in their ambit ruled with an iron hand. That was before independence. But still, after independence, we somehow or other seem to be morally under their influence, though physically we may say we are free! Morally we are still afraid of many of the strangleholds and restrictions that Britain had imposed on us. It is no use saying that we are tied up to the sterling bloc. I want the Reserve Bank of India to take the initiative in this matter of having our own bloc, a bloc which can stretch from Cairo right up to Tokyo, to

embrace all those countries which are pulsating with a new life, with a new economy balanced by five year plans, so that they can shake off the restraints imposed on them by the West.

It is no use saying that we are in the sterling bloc because we are in the British Commonwealth. Canada, which is the number two member of the British Commonwealth, is tied up to the dollar bloc. What is good for Canada is certainly good for us. After all, even in respect of Canada, let us not forget that there is a strong political and economic campaign raging in Canada because 60 per cent. of their major industries are in the grip-hold of the Americans. If Canada, which is the third largest producer of gold in the world, is finding it difficult to fight the hegemony of the U.S.A. in regard to 60 per cent. of its industries in Canada itself, what about India which has been under the influence of Robert Clive and Clive Street and which has been struggling to get out of the stranglehold of Britain?

I would, therefore, implore the authorities to have a good look round at the operations of the foreign banks. I would request them to see that the Indian banks, which are of our flesh and blood, are helped to get more foreign exchange business and to establish more centres for foreign exchange abroad.

Lastly, I do not know whether it is time for the Reserve Bank to come to a decision that all the banks should be nationalised. If the Finance Minister has boldly followed a policy of nationalisation of insurance companies, it is time that within a few months or within a year or two, the Indian banks were nationalised.

**Shri Barman** (North Bengal—Reserved—Scheduled Castes): Not being a financier myself, I shall not deal with the problem so far as the financial considerations are concerned. I shall just say a few words about the economic and social effects or outcome that we expect out of this Bill. It has been stated in the Statement of Objects and Reasons:

"The process of planned economic development necessarily implies a certain amount of credit creation and a consequent increase in the note issue."

This is in relation to the Second Five Year Plan which we have as our national objective. If we concede this claim of the Ministry that in order to fulfil our national objective of the Second Plan it is necessary to have a certain amount of credit creation and consequent increase in the note issue, then automatically it follows that we have to give our assent to the Bill so far as clause 8 is concerned. Keeping our gold reserve as it is—we are not going to diminish our gold reserve in any way—what the Ministry is doing is just to revalue the price of the gold in the reserve; it is the aim of the Ministry to revalue it with the purpose of viewing currency circulation from the ratio standard.

At present, it is up to a certain ratio in relation to the gold reserve that the Reserve Bank is authorised to issue currency. The Ministry wants that it should be untied so far as the ratio is concerned. But so far as the gold is concerned, it is there and it is certainly only being revalued on the basis of the present value of gold. We all know that the price of gold has gone up. The hon. Minister himself has given the price of gold at present as Rs. 63.....

**Shri A. C. Guha:** Rs. 62-8.

**Shri Barman:** ..whereas it is valued at the artificial, old rate of Rs. 21 only.

**Shri A. C. Guha:** Rs. 21-3-10.

**Shri Barman:** I am speaking roughly. What is the difficulty in this? The only objection that I apprehend has been raised by some Members is that once we give a free hand to the Ministry to issue currency irrespective of the ratio, it may run amuck and create inflation in the market.

We should understand the time when this ratio was fixed and the time when this Bill is before this



[Shri Barmar]

House. At the time the ratio was fixed, there was a Government which was not really directly responsible to the people. Now by no stretch of imagination can it be said that the popular Government can ever dare to do something to bring in inflation in this country which will disturb and disorganise all economic activity of all strata of society and create chaos, and will still remain intact in their seat. Nobody can suggest that. So what is our basis? Our basis is our confidence in the Ministry. That Ministry is constituted by this House which is again constituted by the people. Having our reserve there already, we need not have any apprehension that once the currency issue is freed from that ratio, there will be all disorder and chaos in this country so far as the economic condition of the country is concerned.

The hon. Member who preceded me spoke of the gold reserve of this country and that country and he incidentally mentioned that it is only those countries which have gold reserve which are helping us. I do not know what is the reason for his statement. If today Russia is helping us with capital machinery worth Rs. 63 crores in order to instal a steel plant here, it is not because Russia has much gold, but it is because of Russia's productive capacity in respect of capital machinery which she can supply to other countries, thereby helping them. So it is not based on the gold reserve but on the capacity of that country to produce capital goods. If that be so, how does it matter whether we hold in this country a certain quantity of gold and do not try to hold a greater reserve of gold? If it is to be embedded or put in an almirah or a safety vault or in the government treasury, I think it is all the same whether it is gold or iron, provided the confidence in the Ministry remains that it is not going wrong and that it is going in the right direction so far as the economic and social uplift of this country is concerned. I do not put much value upon

the quantity of gold that our Government possesses nor do I despair that our Government is not trying to have more gold reserves.

I had an occasion to visit a place in my State, the Gosaba zamindari of Sir Daniel Hamilton and I had the good fortune of remaining with Sir Daniel and Lady Hamilton in his zamindari. When I was going round with them, he observed how he had made that desolate country very prosperous. It was a jungle; it was marshy land and there was nothing growing in that area. After he took the lease he converted it into a productive area. For that purpose he had produced the Gosaba note. That was one rupee note which could not be in circulation outside his zamindari; but, within the zamindari he applied that for mobilising the labour forces there and transforming that desolate part of Bengal into a fruitful area. I cannot elaborate on that but it is a fact. The simple mechanism was that while the labourers were working in clearing the jungles they were paid in that currency and when those people had to pay rent to the zamindar they paid back in those notes. So, Sir Hamilton said that currency is nothing but a medium invented by man; that is the proper function of currency. He said that it is the man that produces wealth and not currency. In order to mobilise that manpower we require a medium and that is currency. He said that it is the man and not the dead metal, gold or any other. He concluded by saying that the dead metal should not rule over the living. So, we should not be bound by the gold standard or the quantity of gold that we possess. It is enough if we have sufficient reserve to deal with foreign exchange or with other countries in money matters. That being the position, I think, in order to fulfil the objective of the Second Five Year Plan, Government require the provision to be amended and so we should certainly accept that position. It is not the currency that is circulated that creates inflation but it is the abuse of that currency that creates it. That is my

reading of the situation. If the currency is utilised for the purpose of the creation of wealth and if the planning and execution are all right and if it be an economic proposition and we get results out of it, then, certainly the currency can be brought back to its proper place after doing its job. That is our purpose. What is necessary is that at the time Government issues currency in order to mobilise our man-power, in order to utilise our natural wealth which we have in abundance in our country, it is necessary that the Ministry should see that the planning is all right in all its bearings and that no money is wasted and everything is done in an economic way. If that is done, I do not think there is any fear about inflation because of the issue of currency.

As regards control of commercial banks, I want to mention in brief that this is a mechanism devised by the Ministry to which I give full support. But, I go further than that and say that by this mechanism alone the desired result cannot be achieved. So long as there is money in private banks and that money is under the control of private business, it is very difficult, by rules and regulations, to have the desired utilisation of that money. Government may make a rule and may change after some mischief is done but, ultimately, the only solution is that just as Government have proceeded with the nationalisation of the Imperial Bank they should proceed as early as possible to nationalise all banks. It is not the money belonging to a particular person but it is the money belonging to the public with which they play havoc in the social life of the country. Therefore, I fully support the present proposal.

Coming to another important clause, clause 11, I support this also. In order to help agricultural activities, Government should do whatever is possible. In 1953, by the amendment of the Reserve Bank Act, we have expanded the scope of agricultural operations, by including animal husbandry, marketing of produce and all that. All these are included under

agricultural operations. Government should now try to have a machinery at their disposal to bring it into actual practice in the rural areas. In the rural areas, there are two things necessary. Co-operatives should be formed with the help of government money but that money should not be misused or wasted. There should be personnel trained by Government in the art of co-operation. In that way Government can do a lot in the rural areas. Left to themselves the rural areas will be exploited as is being done by the middlemen today. Whatever attempts Government make in that direction would be welcome in the rural areas. It is an urgent matter. Along with the development of this country in all other spheres of life, the rural areas should also be developed gradually and they should enjoy all the benefits that accrue to this country due to the development plan.

I wholeheartedly support the Bill.

**Shri T. S. A. Chettiar (Tiruppur):** Nothing has changed so greatly as economic theories and practices during the last two decades. When we were studying in colleges we were told that the Central Bank the Reserve Bank should always have in reserve an amount of money equal to the amount that has been issued as notes outside either in the form of gold, silver or other securities. But, then came the first World War and with it came a reorientation of money values. The idea of created money came into vogue and the countries which were ravaged by the War thought that by created money they could solve their difficulties. In the post-war years there were also certain tragic circumstances among which one was about the limits of created money. I think every economist, every trader, even in India, knew the tragic stories of the German marks. The German marks were depreciated so much that so many people who purchased those marks broke down. That was undue speculation, but along with that speculation, there is this great truth that there is a limit to the extent of created



[Shri T. S. A. Chettiar]

money. If you transcend this limit, the natural laws are put into action and indeed we are paid back very badly by the rise in price of various other things. The very industries which we wanted to buck up and build, the very products which we wanted to produce, received a setback when due to inflation many bad effects arose out of this created money. So we will be well advised and the Government will be well advised to think a hundred times before taking large steps in the matter of going in for created money. In our Second Five Year Plan there is a programme for Rs. 1,200 crores of created money. In the present circumstances, in the circumstances of our production we think that Rs. 1,000 crores will not be too much of created money and will not create conditions in the market which will bring in inflationary conditions. Money is to be the man's slave and not his master. While I am for using the money as our own instrument for progress, I am also a conservative, and am conservative enough to think that every instrument must be properly utilised. This system or project of deficit financing or created money must also be used wisely as every instrument, if not used wisely, will come back upon ourselves and do harm. Even this instrument of created money may do us harm if not used wisely and within limits.

3 P.M.

Now I come to clause 8. Section 33 of the original Act has an automatic limit for deficit financing and a certain proportion is prescribed. I need not read to you the proportion that has been fixed. It says that of the total amount of the assets, not less than two-fifths shall consist of gold coin, gold bullion or foreign securities. But clause 8 does not put any limit. It puts certain absolute limits such as Rs. 115 crores and Rs. 400 crores, that is, for gold coin or gold bullion. This means that any amount of deficit financing might be resorted to provided this amount of reserve is kept in the Reserve Bank. I want the Gov-

ernment to consider, and the Reserve Bank to consider whether it is wise for us to allow this deficit financing to any extent. Under this amendment, the Parliament gives the Reserve Bank power to issue any amount of deficit financing provided they keep within this amount of reserve mentioned in this amendment. Then it goes further, and clause 9 gives the exemption. In the original section 37, there is a period of 15 days, but this clause goes very much further and says "with the previous sanction of the Central Government, for periods, not exceeding six months in the first instance". You know what an amount of harm can be done in the financial market. In six months, it can upset the whole market, and once it is upset, it is very difficult to rebuild it. What is being done under clause 9? For six months in the first instance, even these limits of reserve need not be kept. Of course, there is a provision that the amount of foreign securities so held shall not at any time be less than Rs. 300 crores in value. This is for the purpose of exchange. But the gold may be spent away and there is no restriction on that. Barring this Rs. 300 crores, which is mentioned in the proviso to section 37, as in clause 9, every other thing can be spent away, with the consent of the Central Government, for periods not exceeding six months in the first instance. I think the present Government is a wise government. We are a Congress Government and I have faith in the Congress Government. But we know what is meant by government. Two people make the government—the Finance Secretary and the Finance Minister—and between them is the Government. The Governor of the Reserve Bank is on the other side, and between them they can upset the balance of the whole country. I want you to consider whether it is wise for us to give such powers to any government. After all, there is the ordinance-making power. Within six weeks of the issue of the ordinance they can come to this House. As a conservative in financial

matters—I am proud to be a conservative in financial matters,—because in financial matters the whole nation is concerned,—it is not your own finance, it is not a particular family's finance, it is not a particular community's finance, but it is the finance of the whole country—I would suggest that a little more conservatism is necessary and such absolute powers as are being given here to Government are not proper and not wise. We can as well say that the Reserve Bank can do anything with the consent of the Government. This is what is being done in clause 9, and I say that it is not fair and not good. Here my hon. friend told us that the Government is elected by the House and the House is elected by the people. For five years we are good in any way. This is not a matter of election, I think, but it is a matter of doing a wrong which we can never put right. I consider that powers like this should be vested in the Legislature, and Legislature only, and such absolute powers should not be vested in the Government and should not be given to the Government.

I now come to clause 10, which is a corollary to the action that we want to take, that is, to control the finances of this country. When we have taken to deficit financing, it is possible that we have got a lot of money in the market and that inflation may come about. For the present, we want to control inflation by restricting the advance of money by banks. When we want to do that, this sort of power must be taken. The power that is taken is that the Reserve Bank may own any bank under clause 10(a) (1), to deposit in the Reserve Bank five per cent. of the demand liabilities and two per cent. of time liabilities and by notification in the Gazette of India, "increase the said rates to such higher rates as may be specified in the notification so however that the rate shall not be more than 20 per cent. in the case of demand liabilities and more than eight per cent. in the case of time liabilities." But here also much depends upon the wisdom with which

it is used. It is possible for any bank to deposit a certain amount of money with the Reserve Bank. I would like to know whether this deposit, like the current account deposits, will bear no interest. As you know, the practice varies from bank to bank. There are certain banks which pay no interest on current account liabilities, like the old Imperial Bank and the present State Bank of India. There are certain other banks like the co-operative banks in my own district, which, up to Rs. 10,000 pay one-fourth per cent. or half per cent. interest and above Rs. 10,000 pay no interest. There are certain other banks which do not pay any interest up to Rs. 10,000 and pay some interest only above Rs. 10,000. If a creditor has a current account for the amount less than Rs. 10,000, no interest is paid on it, but if a creditor has a current account for an amount above Rs. 10,000, some interest is paid. This interest itself varies from bank to bank. The Bank of Baroda may not pay, for instance, the same rate of interest as some other banks. Some banks pay  $3\frac{1}{2}$  per cent. while others do not want to pay more than 2½ per cent. interest. What is the interest which the Reserve Bank will pay to these banks when it asks them to deposit these large amounts with it. Take a bank X which is asked to deposit Rs. 50,00,000 with the Reserve Bank. Nothing is said here about the rate of interest to be paid in respect of it. It is only stated that if the banks do not deposit the amount, there will be penal action, and there is a penal section for it. In fairness to the banks themselves so that they may be good to their creditors, you must pay some interest as they are already paying it to their creditors. I would like to be made clear on this point as to what is intended by this clause. Is it their intention to say that this money is withdrawn for fighting inflation and so no interest will be paid? They may say that all this money will be lying in the Reserve Bank itself and it will not be utilised and for that reason no interest will be paid. Or, will some interest at a uniform rate be paid to the banks? We must think over these

[Shri T. S. A. Chettiar]

matters and come to a conclusion. I wish these were dealt with in the Bill itself so that it may have been clear to the banks as to what is to happen.

Clause 3 seeks to abolish the local boards. The hon. Minister said that they mainly dealt with the transfer of shares and that since all the shares had been acquired by the Government there was no necessity for them. If you refer to the Reserve Bank Act which deals with the constitution of these boards, it says that a local board shall advise the central board on such matters as may be generally or specifically referred to it and shall perform such duties as the central board may delegate to it.

India is a large country and unfortunately it is true that the Centre is more influenced by Bombay and Calcutta than any other State. In Calcutta and Bombay there are people with a lot of money and there are many monetary dealings; they are the main monetary centres in India and they will influence the central board when representation is not given to the other States or areas. There may be matters or particular trades or phases of monetary activities which are peculiar to certain parts of this great country. The agricultural commodities, the trades, the industries and the lives of the people in different parts are not uniform. So, it will be a mistake not to have these local boards. They will be able to voice or say what they think good for that part of the country though it is left to the central board to accept or not to accept those suggestions. They will know the needs of the people and the Government is not well-advised in abolishing these local boards. It is not merely for the transfer of shares. It is the smallest thing that any directorate does; it is a very formal matter. The local boards were meant to take stock of the situation in that part of the country and to go into the trends, conditions, etc. of the trades or industries in that part and then advise the central board to take effective steps as are necessary for the uplift of that

part of the country. In my opinion, it is a mistake to abolish these local boards and I hope the Government will consider this point.

All of us are agreed on clause 11. We have passed amendments in the previous session that the Reserve Bank must be in a position to advance loans for agricultural purposes. Clause 11 helps in the implementation of that programme.

I heard two Members speak about nationalisation of banks, others might have spoken in my absence. I was one of those who advised the nationalisation of insurance and I think Government was well-advised in doing that. But, I think it is wrong for us to rush ahead in these matters. Insurance has been nationalised. I cannot say that it has been organised on a proper basis. It requires a great deal of man-power, effort, wisdom and direction to organise it on a proper basis. With the resources and material available to us, it is wrong for us to nationalise large aspects of the economic life of our people. We should have men with the necessary aptitude for this purpose. In a socialist country where there is a lot of nationalisation, it is the bureaucracy that rules—not even the Minister. The Minister is the figurehead. With more and more nationalisation, it is vested on the officers of the Government to administer them. The result will be this. We may pass laws in this House. The Ministers may say: 'Yes'. What will be done will not be in the spirit with which we passed here but what will be interpreted to have been passed by the petty people in the districts. We have not got the kind of bureaucracy which will be kind to the poor man. That quality of democracy where one will work for service and not for power is not prevalent. In the absence of it, I should think a great deal before nationalising this or that.

There was a Secretary to the Government; he is no more here. He told me one day in an expansive mood that he could take up Tatas and run

it the next day. The Tata industries were built in the course of a century and is highly technical in character. This man, because he was the Secretary here, says that he can run them. That shows how our people think. They think—an I.A.S. man or an old Civilian—that they can do anything. That is what is happening today. It is dangerous for us to talk about nationalisation without knowing the implications. We will be putting ourselves completely into the hands of these permanent paid bureaucrats. They will do any harm they like and the poor Ministers could do nothing. They want to sack them and punish them but they could not and so they come here and justify their actions. So, unless we develop the necessary spirit, the necessary technical personnel and the aptitude in the minds of our people, let things be left as they are today. Let us not have too many disturbances.

When we talk about finance and economics these are matters which concern everybody. It concerns every widow, every poor man and every labourer. A rich man is not very much affected by inflation. It is the others who are affected. I support the Bill generally but I would advise greatest caution in taking action under these clauses.

Shri C. R. Iyyanar (Trichur): It is true that the Government will have to carry on the administration and work the Second Plan with deficit financing. Probably, it would be necessary for the Government to have the maximum of credit and currency. The banking concerns in the West have developed in a manner which probably may not quite fit in with the banking institutions that have developed in our country. Taking into consideration how the Government of Germany and other Governments had to suffer because of the loss of currency after the First World War, they have fixed a ratio, that is 40 per cent. must be available so that the notes in currency may be 100 per cent. That is the ratio they have fixed as some-

thing satisfactory; otherwise it may be tilted down.

Here also we have been following the same tradition. The point is that it may be difficult to maintain that ratio. Therefore, we have reduced it, not in percentage ratio but in figures—Rs. 115 crores and Rs. 400 crores, that is Rs. 515 crores in all. To that extent we must have gold coin, gold bullion and foreign securities. As Shri Somani has already said, my own personal view is that it is always better to put it in the form of percentage ratio and not in the form in which it is stated here. Now one does not know what is the value of the notes in currency. It may be crores and crores and here we have got only Rs. 515 crores in gold coin, gold bullion and foreign securities. Personally speaking I would say that the impression that will be created in the minds especially of foreigners and foreign companies would be that the Indian Government is printing notes without any reference to anything. They are bound to have only Rs. 515 crores and the value of the notes that they have received may be so many billions or may be anything. Therefore, at least in view of the impression that we create in the minds of foreigners, what I would say is that it is better to have it in percentage ratio.

What I want to say next is with regard to the amendment in clause 10 of this Bill. From my experience in the banking world I would say that the Madras State and Travancore-Cochin State stand on an entirely different footing from the banking institutions that are run in the rest of India. Why do I say that? My reason is this. We have got about 142 banks in Travancore-Cochin alone and about 153 or 154 banks in Madras, whereas in U. P. there are only 25 banks, in West Bengal there are only 32 banks and in Bombay there are only 53 or 54 banks. What exactly is the reason that in South India there are so many banks? One difference that I can easily point out so far as the banks there and the banks at other places are concerned is, that there the

[Shri C. R. Iyyunni]

demand deposit is only 25 per cent. and the time deposit is only 75 per cent. whereas in the banks at Bombay or Calcutta the time deposit is 60 per cent. and the demand deposit is 40 per cent. In spite of that, you find in the Banking Act there is a section which says that a flat rate of 20 per cent. should be maintained in each of the banks without reference to the percentage in time liability or demand liability.

I say that is a wrong procedure. It is not justifiable too. The whole point is, in respect of demand deposits most of the banks like the State Bank, the Central Bank or the Indian Bank do not pay any interest whatever. If at all they pay any interest it is only half a per cent. or below one per cent. whereas in the case of fixed deposits the interest will be 3 per cent.,  $3\frac{1}{2}$  per cent. or even 4 per cent.

What do you find in Travancore-Cochin and in the Madras State? There even for the current deposits they are paying much more interest and in the case of fixed deposits it will be very much more. According to section 24 of the Banking Companies Act you have to maintain 20 per cent. of the time liability and the demand liability. What I am pointing out is this. The banks which are run in cities like Calcutta, Bombay, Delhi and so on, get plenty of money. Most of the people there deposit money even without interest. That is not the case with smaller banks. We have got only smaller banks in South India. We have only 10 or 12 scheduled banks and the others are all below Rs. 1 lakh—Rs. 50,000 and so on. Our economy is completely tied up with those smaller institutions. What is the kind of work that they do? They lend money to all and sundry and that is how we are somehow or other trying to maintain our economy. Even by doing that we do not succeed.

Now let us consider what is stated in the amendment here. By this amendment power is given to the Reserve Bank to ask the other banks

to pay or to maintain 20 per cent. of one deposit and 8 per cent. of the other deposit. Is it possible for these small banks to do it? It is impossible; that is what I would say. It may be that by a notification the Reserve Bank may say that all other banks will have to pay 20 per cent. of demand liabilities and 8 per cent. of time liabilities. They cannot make any distinction between the banking institutions in Travancore-Cochin or Madras and the banks situated in other parts of India. The result will be that the banks in Travancore-Cochin and Madras will not be able to do it and they will have to be closed down. That is what is really going to happen. It may be said that the Reserve Bank will show all kindness to the various banking institutions in India. That is correct. They do generally take a compassionate view. I certainly concede that position. They have been doing so especially with regard to the banks in Travancore-Cochin. In spite of the fact that the banks maintained 20 per cent. of the time and demand liabilities for one year they were good enough to allow retention of only 15 per cent. I can perfectly understand that. I agree they are also people who know what will be the fate of these banks if, strictly speaking, the amount equal to 20 per cent. ratio is to be maintained. The kind of work which these banks are doing is one which no other bank, not even the State Bank which was originally known as Imperial Bank, would be able to do. I have some experience of the State Bank. What is the kind of business they are doing in my part of the country? They are giving overdrafts for half a dozen people and giving loans on securities of goods besides exchange work. As a matter of fact, there are about 30 banks in my own place started by the people of the locality and incorporated there. What is it that they are doing? The ordinary man will go to those banks, and not to the State Bank, the Central Bank or the Indian Bank, because it would be very difficult for him to do so. It is the smaller banks that can help such people, and it is the smaller

banks that can help all kinds of people. The smaller banks could easily help the merchants, the small industrialists and the small-scale industries. Therefore, I submit that giving of such vast powers in the hands of the Reserve Bank is not quite desirable. I would also say that the introduction of a Bill like this, at the present stage, will create an impression in the minds of the foreign nations that there is something risky or shaky about the financial conditions of our country. It would have been better if the Government brings this Bill some-time later, say, after two or three years, that is, during the second or the third year of the Second Five Year Plan.

**Shri A.C. Guha:** I would request the hon. Member to read clause 10. It applies only to the banks in the Second Schedule. So the clause is not applicable to most of the Travancore-Cochin banks.

**Shri Iyyanari:** I know that. So far as those banks situated in Travancore-Cochin are concerned, the ratio is about 25 per cent. of the demand liability and 75 per cent. of the time liability. But with regard to the banks situated in Bombay, Calcutta and other places, the ratio is 60 per cent. current deposit and 40 per cent. time liability. It is true that out of the 142 banks in my part of the country, only 12 will be affected. That is all right. I can understand it. But it is only with regard to these banks that I am making my observations now. What I submit is, with regard to these banks, the difference should be noted. It is well and good to say that we are following the traditions of the banking institutions in America and Europe. But India is a vast country and, as the previous speaker said, everything is different in India. The lives of the people are different, the kind of work that they do is different, the commercial produce is different and thus everything is different. This is a vast country consisting of millions of people. India is something as big as Europe without Russia. There is no other country like ours which

varies in so many respects. If you are going to make a law which will apply uniformly to all people, certainly it will be very difficult to make such a law. In certain matters, the local conditions will have repercussions and the local conditions cannot be taken care of by the amending provisions of this Bill. But that is exactly what is being done. The ultimate difficulty will be that these clauses will have very serious repercussions on the local conditions of the people of certain parts of this country.

What does clause 10 say? I am not so much concerned with clause 10(1) as such, as with the proviso. The proviso reads thus:

"Provided that the Bank may, by notification in the Gazette of India, increase the said rates to such higher rates as may be specified in the notification so however, that the rate shall not be more than twenty per cent. in the case of demand liabilities and more than eight per cent. in the case of time liabilities."

So, by mere notification, the bank may increase the rates. It says that the rate shall not be more than 20 per cent., that is, four times the present rate. So, what I submit is, this is a matter which must engage the serious attention of the Finance Minister. Of course, I understand that the Finance Minister does not do this with a bad motive. But he must consider the serious repercussions this will have so far as the banks in our part of the country are concerned.

[SHRI BARMAN in the Chair]

Then I come to the payment of interest. If a scheduled bank is not in a position to maintain the balance as per the provisions of this Bill, it has to pay an interest to the Reserve Bank at the ordinary rate plus three per cent. more. The clause says: "...three per cent. above the bank rate". If the bank has to maintain a balance of Rs. 1 lakh and if there is a deficit of Rs. 50,000 or Rs. 25,000,



(Sri Iyyanni)

then, it has to pay an interest on that amount at the market rate plus 3 per cent. more. Why should the Reserve Bank be guided more by a profit motive than by anything else? That is what I cannot understand. After the prescribed period, the interest would be raised to five per cent. plus the bank rate. I would say that if the bank is not in a position to maintain the minimum balance, some reasonable time may be granted to it. If, within that time, the deficit is not made up, then the bank may be allowed to carry on with its business. It is not proper to say that the Reserve Bank should get three per cent. more than the market rate also. Why should it get it? What is the kind of help that the Reserve Bank renders? As a matter of fact, at the time of the crash of the Travancore-Quilon National Bank in Travancore, the Reserve Bank did not go to the help of that bank. In spite of it, that bank which crashed was able to pay 12 annas, 13 annas, 14 annas and finally even 15 annas in the rupee to the depositors. This is the kind of help that the Reserve Bank gives to the smaller banks! This is the kind of help that the smaller banks can get at the hands of the Reserve Bank. Of course, it is too much for anybody to say further. What I submit is, the Reserve Bank should not be guided by the motive of profit. The Reserve Bank may say, "If you are not able to make up the deficit, you will be given only such and such time within which you must come up. If you are not able to do it, we will close your shop". That is all that the Reserve Bank can say. Instead, what does it do now? The banks which fall in deficit will have to pay three per cent. more than the market rate. If the deficit continues, say, for a certain period, the interest is charged at a higher rate plus the market rate.

Therefore, I submit that it is time that the Finance Minister should carefully and guardedly move in this matter. Otherwise, I fear that the impression that will be created in the

minds of the people abroad will be something different from the impression that the Finance Minister himself has got so far as this Bill is concerned. That is all that I have got to say with regard to this Bill.

Pandit S. C. Mishra (Monghyr North-East): Mr. Chairman, Sir, one of the best speeches in support of this Bill certainly came from you. But my friend who spoke last said that Government should be more careful. At the same time, he said that the Government are not realising what they are doing. I feel that Government are wilfully doing these things. They have taken into full consideration the consequences that will follow. A certain devotee of Lord Buddha asked him, "If a man commits a sin without knowing about it, is he more guilty than the man who commits a sin with the knowledge that he is committing a sin"? The obvious and more logical reply that will come from anybody will be that the man who commits a sin without knowing about it is not so guilty as the other man who commits a sin with the knowledge that he is committing a sin. But, the reply that came from that great lord was just the reverse. He said, "the man who commits a crime with the knowledge that he is committing a crime is less guilty than the man who commits it without knowing about it". The devotee was very much perplexed. Lord Buddha asked him, "A man puts his finger in fire knowingly and another man puts his finger in fire unknowingly. Whose finger will be burnt more"? The obvious reply is that the man who puts his finger in the fire knowingly will be more cautious. Therefore, if the Finance Ministry is quite innocent, as my good friend was saying, then it will be more dangerous for the country. If they are proceeding knowing that they are committing a crime, I think there will be less danger for the country. Therefore, I am also trying to give my bit to them in understanding what they are going to do.

Of course, in the Finance Ministry there is the Minister, Deputy Ministers, advisers and so on; have they thought over the matter as to what is the main purpose of currency? I can understand that we have used up all the accumulated wealth that we had at the end of the last war. We have perhaps used up everything that we could get from the country. The Finance Ministry has squeezed our nation white and all the resources have been used up. Now we are at the last stage of inflating the currency. Certainly I agree that we are on the threshold of development. Certainly our country is developing and we are having many things in the form of assets. We have the Bhakra-Nangal Project, the Damodar Valley Project and many other things and we are really adding to the wealth of our nation. I will accept it; but, what is the relationship between currency and the wealth of the nation? I think we shall all agree that only that portion of a nation's wealth is related to currency which is required for daily use. All goods, all that wealth which is in the form of fixed goods, 'fixed wealth' does not require any currency. Therefore, if we are going to relate our currency not to the goods that are in circulation but to the goods that are fixed in the form of fixed wealth, certainly we shall bring our nation to disaster. I think the Government already have the advantage of that amount of wealth which is the difference between the deposits and the actual circulation of notes. The benefit of that difference has already been given to the Government. Now we are going to increase currency without any reference to the ratio etc. We have got a very good hall here; this is an asset of our nation. If any person possesses it, he will be a wealthy man. But, there may be a time when a cup of tea, a loaf of bread or any little particle of food may be more valuable to a man than a whole hall or a river valley project. The real question about relationship should be that. Our great lord, Mr. Krishnamachari, is not here.

An Hon. Member: Lord of lords!

Pandit S. C. Mishra: Of course, he is lord of lords.

Shri A. M. Thomas (Ernakulam): On a point of order, Sir. Is it open to the hon. Member to speak in such derisive terms about another Member of the House? Can he talk in such contemptuous terms?

Shri V. F. Nayar: Is saying that he is a "lord" contemptuous?

Mr. Chairman: It is rather out of the way to speak about a Member of the House as "lord".

Pandit S. C. Mishra: I said nothing contemptuous. Anyway, I may call him the "greatest commoner". If "lord" is ruled out, I may be allowed to call him the "commonest of the commoners".

Shri B. S. Murthy (Eluru): You can say "my hon. friend".

Pandit S. C. Mishra: All right if humour is banned, my hon. friend...

Mr. Chairman: Hon. Members should remember that while they are making deliverances in the House, every Member has got equal right and equal obligation towards each other. How will the hon. Member himself like to be called in that way? That is a matter to be considered by every Member. It is better that we keep a happy relationship while mentioning about each other.

Shri A. C. Guha: The hon. Member said that a time may come when a cup of tea will be more costly and more desirable than this big hall.

Pandit S. C. Mishra: I said, there may be a time when a man will require a cup of tea or a loaf of bread more than a great hall. He may be dying of hunger and at that time the hall may mean nothing to him; the only thing he will need will be a cup of tea or a piece of bread. He may have many other fixed assets, but he will need a cup of tea more than anything else. That was what I was saying. I had nothing to say derisively about that hon. Minister.



[Pandit S. C. Mishra]

My point was this. We had occasion to hear something during the Question Hour a day or two ago about cement in the north of Bihar. Cement sells at Rs. 6 or Rs. 7 ordinarily. Perhaps the import of cement has been banned and in north of Bihar...

Shri A. C. Guha: Does the hon. Member say that import of cement has been banned?

Pandit S. C. Mishra: Yes; I am only stating a fact. You will find that no more cement is being imported. I am going to tell the consequences.

Now, in North Bihar,—you may perhaps call it black market, I say open market—in the real market, cement is selling at Rs. 18 a bag. Mark the difference between Rs. 7 and Rs. 18. What is the result? All sorts of corruption. Anybody who has influence and wants money approaches the officials and gets permits for cement in many ways. People who really require cement are buying at the rate of Rs. 18. Here, in our national economy, round the table we sit and calculate that import will be harmful to our nation and say that we must do with what we are begetting and that also through the Government. The ultimate result is corruption, dishonest money. I was going to say, if the currency becomes disproportionate to the quantity of goods in circulation, a result like this follows. We have also known what has happened in Germany, and in other countries where there was inflation. There was a breakdown in the currency system. My advice is this. Some of our friends thought that perhaps this would come in the last stage. We have not yet reached the end of the Second Five Year Plan. We are just in the beginning of it. The first thing that is let loose is the currency of our country. I would request my friends, whoever be in charge of these things to consider whether, even after getting power in their hands, they should not proceed cautiously. Besides, our friend has said that the impression outside will be something against us.

The impression inside will be even worse. People will now think that perhaps whatever they are holding in the form of current assets are going to become useless. After that, I think the insecurity in the minds of even the smaller people will increase. People are not attaching any value to future prospects. They do not know whether any wealth that is lying with any person is secure. Now even these little current things will become insecure. I hope certain people in the Ministry the advisers at last are not changing and advisers are always the masters. Of course we cannot advise the advisers. We can only advise the so called masters of the advisers. And to them, I will say only this. Leave the currency aside. You mop up everything that is in the pockets of the people. Try to get more wealth. But, please do not let loose the currency. Otherwise, we will have disastrous results.

Dr. J. N. Farekh (Zalawad): Sir, I consider that it is a very important measure which is before the House, and that it is very necessary in a developing economy of an under-developed country. The provisions of this Bill can be divided into three or four parts. First is the de-linking of the currency from the gold and bullion assets and reserves. Then, there is the revaluation of gold. The valuation that has now been accepted by the International Monetary authority from Rs. 21-7-0 has been raised to Rs. 62-8-0. As has been explained by the previous speaker and as pointed out by the Minister this is necessary in view of the deficit financing that we have got to undertake in our Second Five Year Plan. No doubt, there are dangers in this measure and the weapon that we are giving is certainly an important and a dangerous one. It will have to be judiciously used by the authorities concerned. But, when we are out to launch on a very ambitious and big programme of deficit financing to finance our Second Plan, there are certain measures which are inevitable, and

which we have got to resort to. The Finance Minister in his budget speech the other day said that we have to prefer between stagnation and stability or development and deficit financing. A bold programme has been enunciated. I am sure when things are to be handled by experts and people who know their job, there would not be any inherent dangers. At the same time, the authorities will have to be watchful. I am sure if a proper check is kept and a vigilant eye is kept, there would not be much to be afraid of.

One idea is about credit control that is proposed by this measure. For that, certain powers are to be assumed by the Reserve Bank, the scheduled banks have to maintain a certain percentage of their time deposits and demand deposits, with the Reserve Bank. This ratio is now altered to be 20 per cent. and 8 per cent. This is also necessary. Because, when the country is going with the Second Plan, when the monetary policy is regulated, when production rises, when the capital structure and investment market is undergoing a change, when deficit financing is resorted to, there will be surplus money. When we are pumping more money into the villages for our Second Plan, if it is not properly mopped up, there are dangers. This is one of the weapons which can be resorted to. Another weapon is the additional bank rate. Inflationary tendencies all over the world are making headway. In other foreign countries also, prices are rising. Even in the case of necessities of life, prices are rising. If increased production and coordination of all these factors is not attended to, more inflationary pressures will be the result. This is merely an enabling measure to mop up the surplus. We know that the Bank of England, and some other countries also, had to raise their bank rate. It is 5½ per cent in England. This was done with a view to bring down the disequilibrium in the financial structure. India is placed in a peculiar position. On the one hand, we

have an ambitious development programme. We have to import so many things. At the same time, whether cheap money conditions and cheap rate money policy could be resorted to indefinitely is a question. It may be that the Reserve Bank may have to come out and move in the matter with their eyes on the bank rate also.

Just as the Finance Minister said, this policy of having a variable reserve ratio, which is in vogue in other countries, has to be resorted to as a monetary curb which is also very necessary for credit control. Otherwise, there may be disastrous results and inflation of a high degree. It is very essential that our monetary policy should be geared to the present circumstances. Price levels and price fluctuations are dependent on many factors. Long-term, medium-term and short-term price levels in the country are dependent on the Government policy, on budgetary policy, on the taxation structure and other factors that are operating in our country and the impact of international economy that may be felt here. Therefore, this aspect will have to be very judiciously looked into and I feel this is a very important power that is being taken by the Reserve Bank. I am quite sure it will be judiciously used.

4 P.M.

My friend just now referred to the interest that will be given by the Reserve Bank to the scheduled banks on the deposits kept by them. There is provision (IB) in page 4:

"...any balance with the Bank the amount of which is not less than that required to be maintained by such notification, the Bank may pay to the scheduled bank interest at such rate or rates as may be determined by the Bank from time to time on the amount by which such balance actually maintained is in excess of the balance..."

[Dr. J. N. Parekh]

So, the power to give interest for the amount in excess is there, and I am quite sure that will be settled by mutual discussion and adjustment.

The lacuna that is found in regulating the supply of agricultural credit is sought to be removed by clause 11. When the co-operative movement and the agricultural economy are playing a very vital part in our country, such a sort of financing is very necessary and essential. More so, when marketing, processing and other things are to be taken up. This is also an enabling provision which is necessary.

Here I would like to mention a word about agricultural credit that is given by the Reserve Bank through the apex banks and taluk banks. The Reserve Bank gives the money at a low rate of interest so that the agriculturists at the other end may get the benefit of it, but what is happening in certain States is that the apex banks are charging a rate higher than that of the Reserve Bank, and in their turn the taluk banks do the same. Moreover, the co-operative societies also are charging much more so that the very idea of giving cheap credit to the agriculturist is nullified, because whatever the intention of the Reserve Bank there is no scrutiny or check or control over the way the whole thing is done.

The abolition of the Local Boards is envisaged in this Bill. Some of the speakers have said that this requires a little re-thinking. I would also request the Minister to think about it, because the Local Boards have had to play so far and have to play in the future a vital part. They are a useful wing in the different areas, and their existence will go a long way to help the area. There is also another reason why they should be there. I understand we are having in this House a Bill which will undertake the control or management of State Banks in the Part B States. It is not clear whether the State Bank of India or the Reserve Bank will be

in charge of them, but it was reported in the papers that they may come under the control of the Reserve Bank. If that is so, it is all the more necessary to have these Local Boards because they can act as a liaison and make for contact and close co-operation between the different areas, because these banks are scattered far and wide in different States. I think the Local Boards will perform a useful function in this connection. So, this idea may be reconsidered.

Shri A. M. Thomas (Ernakulam): Mr. Chairman, Sir, although this is a very important measure, I do not think it is a controversial one. One of the Members who spoke on the Bill, Shri Alva, said that we should not tinker with the Reserve Bank. It appeared from the trend of his speech that we are doing something which is unhealthy, we are adopting a procedure which is questionable. Although you, Sir, in your humility said that you are not a financier, I think your speech was the best defence of the provisions of this Bill. One can very well understand if a note of caution is sounded that we should not create currency to any indefinite extent, that we must keep a close watch on inflationary tendencies. That we can very well understand, but one cannot at all quarrel with the provisions of the Bill which will enable the Reserve Bank, which is the central banking institution, to shape the currency structure in such a manner as to meet the requirements of the Second Plan.

Some other Members also, perhaps, influenced by orthodox conceptions of maintaining the reserve for the minting of coins or of currency, have stated that we must be beware of of the impression that this measure would create in the foreign countries. You will note that even in a country like the U.S.A. whose financial position is very strong, they loosened the provisions with regard to the ratio to be observed when they found their economic position to be a little difficult. During the

Second World War, the United States, when faced with the problem of rapidly declining currency reserve, did not hesitate to reduce the statutory currency reserve limit from 40 to 25 per cent. So this measure, I should humbly submit, is not one which in any way affects the economic stability of the country or the respectability of the Indian Rupee.

There are four main provisions in the Bill. One enables the Reserve Bank to reduce the ratio of the reserves, another authorises the Reserve Bank to compel the scheduled banks to increase the percentage of deposits with the Reserve Bank of their time and demand liabilities. The third enables the Reserve Bank to make advances from the newly created National Agricultural Credit Fund to the State co-operative banks and for agricultural purposes, and lastly there is the provision to abolish the Local Boards. I must confess at the outset that I was not at all impressed by the arguments advanced by the hon. Minister in justification of the abolition of the Local Boards. I venture to submit that this would be treated as perhaps a reactionary and, if I may say so, retrograde measure. Criticism has been levelled outside this House also that this step is bound to be unpopular.

According to the provision in the Act as it stands,

"A Local Board shall be constituted for each of the four areas specified in the First Schedule and shall consist of five members to be appointed by the Central Government to represent, as far as possible, territorial and economic interests and the interests of co-operative and indigenous banks."

The function of the local board is laid down in the following terms:

"A Local Board shall advise the Central Board on such matters as may be generally or specifically referred to it and shall perform

such duties as the Central Board may delegate to it."

One can very well understand that with the nationalisation of the Reserve Bank, some of the advisory functions which these local boards were exercising have ceased to exist. But considering the enlarged activities of the Reserve Bank which is permeating into the entire economy of our country, I fail to understand how the advice of the local boards would not be useful for the Reserve Bank to carry on its functions effectively and to the benefit of the country.

I said that the abolition of the local boards would be treated as a retrograde or reactionary measure. I have my own arguments for that. When the State Bank of India Bill was discussed by this House, the opinion was voiced from various sections of this House that in order that the State Bank may function efficiently and satisfaction may be given to the people all over the country, it would be desirable to have regional boards in various parts of the country. And that principle was accepted also by Government. When the Life Insurance Corporation Bill was passed, the very same argument was advanced, and Government had conceded that it would be desirable to have zonal boards. I do not understand why when that is the general policy of Government, they have not thought fit to retain a machinery which already exists under the present Act, and which would be very useful also. The functions of the Reserve Bank are very much varied and complex, and it requires a great deal of local knowledge. Besides, its policies will have to be shaped after taking into consideration the circumstances existing in the various parts of the country.

My hon. friend Shri C. R. Iyyunni's arguments with regard to the keeping of the reserves in Travancore-Cochin were taken to be not very relevant to the provisions that we are now going to legislate. But they indicate that it would be useful to have these local

[Shri A. M. Thomas].

boards for they will take into account the local circumstances and then make recommendations to the Reserve Bank to shape its policy or modify its policy in the light of those circumstances. As far as banks in Travancore-Cochin are concerned, I could say that the recommendations of the local boards set up under this Act were very useful. They really took into account the economy of the local areas and then made the necessary recommendations. The Reserve Bank also considered those recommendations and made the necessary modifications in regard to the percentage of reserves of demand and time liabilities as far as Banks in Travancore-Cochin were concerned.

What I would like to impress upon this House is that these local boards fulfil a very useful function. If Government are of opinion that the present functions allotted to the local boards do not justify their existence, then I would like to know what is there that stands in the way of Government in giving more powers and more functions to these local boards. For example, in the matter of catering to rural credit and in many other matters, I submit, the advice of the local boards will be very useful. Therefore, I think it would be very good if Government could be persuaded to reconsider their position.

With regard to the percentage of reserves to be kept with the Reserve Bank, the Minister has assured the House that while enforcing the provisions of this Act, the Reserve Bank will take into consideration the circumstances of the various banks and would take such steps as would be necessary to meet the particular circumstances existing in various institutions and in various areas. That is an assurance which I very much welcome. But I would like to ask how, if such high percentages of reserves are to be kept with the Reserve Bank, the banks will be in a position to make advances to their clients at reasonable rates of interest. Of

course, the restriction extends only to scheduled banks. That is good so far as it goes. But how would it be possible for the scheduled banks to give advances to their customers at reasonable rates of interest, if such high percentages are to be kept with the Reserve Bank? That is also a point which has to be taken into consideration by Government. Though it may apparently appear to be a discriminatory measure which authorises the Reserve Bank to adopt different ratios in respect of different banks, yet I think that that is an important provision which is necessary, for the Reserve Bank has necessarily to take into account the local circumstances and make a distinction between bank and bank. For example, there are very big banks and foreign banks functioning in our country, which attract very heavy deposits, while there are also other scheduled banks which are not in a position to attract so much of deposits. So, I would submit that such a provision is a desirable one, and it should not be attacked on the ground of discrimination.

With regard to the provision that enabled the Reserve Bank to make advances from the National Agricultural Credit (Long Term Operations) Fund for the purposes enumerated, I do not think that anybody would raise his voice against it. In fact, a provision of this nature was long overdue. I therefore submit that the provisions of this Bill are necessary and welcome. But the only consideration that Government have to keep in mind is that the Reserve Bank should be very careful while enforcing the provisions of this enactment. I hope Government also would keep an eye on the way in which the Reserve Bank functions in relation to the legislation that we are now seeking to put on the statute-book.

With these words, I support the Bill.

Kumari Annie Mascarene (Tiruvandrum): I oppose the Bill. I feel

this is one of the most unwise steps that a Finance Minister can take regarding the financial structure of the country. A bank is a very delicate structure of monetary resources, and any change to such a financial structure should be carefully thought out before it is made.

We are just a growing nation and our plans are in progress. I am surprised at this Government always calling upon the resources of the economic structure of the country to build up the country. If they will only look around and see how China had built up and how Russia had built up their countries without monetary resources at their command, when the wealthy nations of the world refused them help, they will see how they had put in manual labour in co-operation with the people with a patriotic motive to build up their country. They have succeeded that way. Those of us who read the reports of how China had built up herself, will feel that the present China and also the present Russia have grown to their stature not so much by financial resources but by human co-operation and labour.

With regard to this amendment, I oppose it because the Statement of Objects and Reasons clearly shows that the amendment is meant not for the stability, growth of credit or the reserve of treasure in the country but to utilise its resources on the excuse of the Second Five Year Plan. The Statement clearly says:

"The process of planned economic development necessarily implies a certain amount of credit creation...."

I agree—

"and a consequent increase in the note issue". That is where I disagree. We have had bitter experience of inflationary tendencies after the late war, and the nations have hardly recovered. "Consequent increase in the note issue" means we are going in again for inflationary steps. That,

in the long run, will not be very economic to our financial structure, nor to our industries and agriculture. The repercussions of this step will, in the long run, be very adverse to the nation.

Again I wish to invite the attention of the Government to the Reserve Bank itself. I have been studying in great detail the statistical statements maintained by the Reserve Bank as we find in the Library and I have noticed that the statements kept continuously do not agree with regard to the correctness of accounts. I have pointed out this during my budget speeches and have also written to the Finance Minister for an explanation with regard to these incorrect accounts found there. He has given me a reply but I am not convinced. In the light of these facts, here we are going in for further amendments which will more or less confuse the accounts rather than correct them.

Now section 33(4) is being amended to revalue gold at the rate agreed to by the International Monetary Fund. I wish the Government had considered it before they had included this amendment. What is the real rate of the I.M.F.? What is our treasure, the value of our gold reserve? What is the value of the gold in their hands, especially the wealthy nations of the world like America and England? What is our share in the I.M.F.? What are their shares, and what is their hold on it, and what is our hold on it? And also what will be the repercussion of the rate of gold on our rupee value? Surely it is depreciating the rupee. Why are we doing so? They say it is necessary. Necessity and reality are two different things. Necessity may not survive or may pass off but reality will survive. We have to be very careful with regard to our treasure.

I wish to invite Government's attention to one or two facts regarding our gold and other metals. Tourists who come to this country go



[Kumari Annie Mascarene]

to our shops, especially where ornaments are sold. I have seen them buying gold and other ornaments. They buy gold ornaments, they buy silver ornaments, they buy even brass and take these away. And here we have paper currency. I have seen them taking these things away with my own eyes. The tourists, ladies and gentlemen, who come to this country engage tongas and they just pay Rs. 5 to the tongawalla, not for fare but for the brass ornament around the horse's neck. They have got it and they have shown it to me. I have seen it. That means that gold, silver and even brass treasure is being taken away from our country. There is nobody to check this. They are carrying it away and here we are getting paper currency. I wish the Government had taken note of these facts. I have been watching them for the last two or three years, and I am convinced that these metals are being taken from our country outside. What is the monetary rate compared to the treasure in their hands and the treasure in the country?

Take the statistical accounts maintained by the Government regarding industry and commerce, import and export and the treasure in the country itself. I would invite you to just have a cursory glance at the first page of these statistical statements retained at great cost by this Government regarding industry and commerce. You will find that every year in spite of our plans the imports are increasing and gold reserves are going out of the country. Day before yesterday, I heard the Food Minister say that owing to exigencies we are importing rice and wheat almost every year. That means, in spite of the plans, in spite of utilising the resources of our banks for building up the country, in spite of eight years having passed, we are not yet self-sufficient with regard to food. And hereafter we are going to utilise the resources of the Reserve Bank, the reservoir of all the banks in this country. Amendments like this

agreed to by the I.M.F. regarding rate and the inflationary tendency in the note issue, all these are going to have repercussions not of a very profitable character in this country.

This is a measure which is very dangerous. Government are handling the resources of the Bank. Sometimes nations do that. We have seen how Japan had grown up a few years back, before the second world war, and how she had utilised the world bank's resources and how the inflationary repercussions of that reflected on Japan afterwards. If you only have a cursory glance at how monetary resources are utilised for spending by each nation, you will find that this is a very unwise step.

With regard to the Reserve Bank itself and with regard to planning, I humbly suggest that as far as banks are concerned, they must be maintained taking into account the stability of reserves, metallic value, not by the Government but by the bank authorities who should not be subservient to Government. Banking is a very delicate structure and it does not require much to crash a bank. We in Travancore have had bitter experience of bank crashes, of how for no reason, power-seeking politicians have come up and have crashed our banks, and people had gone to dogs. This was for no reason whatever, and after the liquidation, they found that they had got 16 annas in the rupee. Therefore, handling the Reserve Bank resources for the Second Five Year Plan should be done with great care and consideration. The amendments are not to our advantage. When you go into the accounts of the First Five Year Plan, the reports say that about Rs. 10 crores are flowing through in Bhakra-Nangal expenditure itself. That shows Government is very much concerned with money resources from the banks and spending them not with any care. If you examine the accounts of the first Five Year Plan, you will find that there are many loopholes in it which cannot be ac-

counted for and yet the common man has to pay through the nose for it.

Now, we are going in for the Second Five Year Plan. Government will not ask the labourer for the patriotic offering of his services or for the common man's co-operation but this money has to be utilised in many ways.

I oppose this measure and I request Government to adopt this measure, if they are strong on it, with great care; and, if they are going to push it through, I hope, a day will come when they will regret it bitterly.

Mr. Chairman: The hon. Minister.

Shri Matthen (Thiruvellah): I thought I would get a chance.

Mr. Chairman: Does the hon. Member want to speak?

Shri Matthen: Yes, Sir.

Mr. Chairman: Yes, he may speak.

Shri Matthen: I thought there would be other hon. Members standing up. But, when I heard you were asking the hon. Minister to speak....

Mr. Chairman: Yes, he may continue.

Shri Matthen: I have only just a few observations to make.

[MR. SPEAKER in the Chair]

Mr. Speaker, Sir, first of all I have a submission. Heavy Bills like this—and this is a very important Bill—should not be brought for discussion so early in the session when everybody is engaged in one committee or the other. There are other Bills which do not require so much of thought and so much of study and which could have been taken up. I hope you will keep this in mind in future.

Mr. Speaker: There is no time for the others. There is the Planning Commission Report, the States Reorganisation Bill and others; they are taking a lot of time. Only yesterday in the Business Advisory Committee we

were discussing it and 100 hours are being allotted.

Shri Matthen: Before I start, I hope I can make such a general suggestion.

After hearing the speeches here I fear there is an honest misunderstanding that increase of note issue is inflation. There is a lot of difference. When the economy is developing and growing, naturally, note issue will grow. I admit it can develop inflation but it need not. Mere increase of note issue is not inflation, if the economy of the country justifies or supports it.

The hon. lady Member was striking a very serious and disastrous note about this Bill coming at this stage. With all due respect to my friend, I am not able to support her views. What is the great disadvantage or catastrophe of this Bill coming in? Is it a natural Bill for a developing country. It is a Bill for empowering Government to have a reduction in the matter of gold reserves or other securities for the development of the country. I just want to tell my hon. friend, Shri Gurupadaswamy and others that Hitler's economy was not supported by any gold reserve or anything of that sort.

Kumari Annie Mascarene: That is why it crashed.

Shri Matthen: He was able to maintain the economy in spite of the very large means to which he resorted and which you may call legitimately as deficit financing. The important thing is the development of the economy of the country and the more important thing is the watching of it by a competent Finance Minister and a competent Reserve Bank executive. Therefore, I am not worried about this Bill coming in. In fact, I was really wondering why it had not come earlier.

Shri Gurupadaswamy was telling the House that the banking system will suffer. I did not follow my friend at all. (Interruption). The provision is perfectly clear and empowers the



-[Shri Matthen]

Reserve Bank, if they think so, to raise the minimum which the Scheduled Banks have to maintain with the Reserve Bank—both demand liability and time liability—if they find that there are inflationary tendencies and the banks are going in a careless way. There are penalties also provided in this Bill. If the Reserve Bank executive is competent, I think, this Bill provides ample power.

**Shri M. S. Gurupadaswamy:** Has it been competent?

**Shri Matthen:** That is a different matter. I am only telling you that the provision in this Bill.....(Inter-  
ruption.)

**Shri M. S. Gurupadaswamy:** What about commercial banks?

**Shri Matthen:** They are progressing very well.

**Shri M. S. Gurupadaswamy:** No crashes?

**Shri Matthen:** I certainly do not support my friend, Shri Gurupadaswamy's suggestion that banking should also be nationalised. They have nationalised one bank the Chairman of which has resigned and the Managing Director has resigned; I do not know why. Do you want other banks also to be nationalised? We have already nationalised the insurance companies; we do not know the fate of that. Let us go slow in the matter of nationalisation.

**Mr. Speaker:** That is not now before the House.

**Shri Matthen:** I was only referring to a remark of my.....

**Mr. Speaker:** The hon. Member may ignore such remarks which are not relevant to the issue.

**Shri V. P. Nayar:** No side-tracking of the issue.

**Shri Matthen:** He wanted to nationalise banking completely. I was only referring to it. I said it was better not to do it now. We have nationalised

our insurance companies. We are on the eve of the Second Five Year Plan. It is better not to nationalise more.

I entirely agree with the hon. Finance Minister that this Bill is nothing very startling. It is necessary to protect the economy of the country by the reduction of gold reserves or other securities. These are very minor matters. If the economy is developed properly and controlled properly, and I have no doubt, the economy of our country is developing very well.

Therefore, I have great pleasure in supporting this Bill.

**Shri V. P. Nayar:** I want my hon. friend who has very great experience of banking in my State to clear a doubt. A point was made by Shri Iyyunni that in respect of the banks in Travancore-Cochin, the proportion of demand liabilities to time liabilities was very much different from the proportion in other parts of the country, and that this will particularly affect the banks of Travancore-Cochin with a different proportion. I want to know whether the hon. Member has any suggestion to make about that provision in the Bill.

**Shri Matthen:** There is no new suggestion except the empowering one.

**Shri A. M. Thomas:** This is only an enabling measure.

**Shri Matthen:** It is an enabling measure. In case of emergency it ought to be done, whether in Travancore-Cochin or any other place.

**Shri V. P. Nayar:** His case was that the proportion of demand liability and time liability in Travancore-Cochin was the reserve of what we have got in the other States and that this particular provision relating to them will affect the banks of Travancore-Cochin and the whole economy of the State will crumble.

**Shri A. C. Guha:** May I intervene for a minute and say that this clause

will apply only to scheduled banks? But I think that most of the banks in Travancore-Cochin are not scheduled banks and so, that clause will not apply to those banks in Travancore-Cochin.

**Mr. Speaker:** I call upon the hon. Minister to reply as I find none others wishing to speak.

**Shri A. C. Guha:** Mr. Speaker, Sir, I think this Bill has more or less been welcomed by this House except perhaps three hon. Members. Shri Gurupadaswamy, with his inverted logic, agrees to and commends the nationalisation of banks but demurs at some power being given to the nationalised Reserve Bank to control the vagaries and activities of the commercial banks, about which activities he is so much afraid and so much uncertain. Another hon. Member, Pandit S. C. Mishra of the same party, condemned this Bill and so also the lady Member from Travancore-Cochin. The lady Member has said that Russia and China have performed all their development works without any fiscal or monetary policy, without taking recourse to any money or anything like that. It is not only Shri Matthen who has not been able to follow her, but I think most of us on this side have not been able to follow her in this matter.

Let me now come to the main items of the Bill. There are three or four main items. The first is that instead of having the ratio basis of reserves against note issue, we are providing here a fixed reserve for note issue. The second item is a variable reserve deposit from the scheduled banks to be kept with the Reserve Bank. The third item is revaluation of Gold reserve of the Reserve Bank. The next item is the abolition of the Local Boards. That item is not so much important for the present purpose and so I can keep it separate from the real purpose of the Bill.

Shri Matthen has said that he feels that the provisions of the Bill are quite useful and necessary. Of course, he has suggested two provisos—if the economy of the country develops

properly; and if the Reserve Bank authority is competent.

I do not like to take the help of the argument which Shri Barman put forward that the Ministry is elected by this House and is responsible to this House. That is, of course, the fundamental fact which this House should bear in mind. Apart from that, I would like to say that India can feel proud that in spite of so many handicaps and difficulties with which Independent India started, we have been able to keep our fiscal and monetary policy quite sound, we have been able to keep our fiscal and monetary position quite respected throughout the world. Only in today's papers we find a summary of the review of the Reserve Bank about the economic position of the country. I hope you will allow me to read out a few lines as to the trends in the matter of economy.

"The trends in the main economic indicators during this quinquennium were an: 18 per cent rise in national income; a 25 to 30 per cent rise in industrial production; a 20 per cent rise in agricultural output; a 10 per cent rise in money supply with the public; a 13 per cent decline in wholesale prices; and a 5 per cent decline in the working class cost of living index."

**Shri M. S. Gurupadaswamy:** That was in the previous year, 1955-56.

**Shri A. C. Guha:** This is for the First Plan period. I do not think Shri Gurupadaswamy will object to these figures.

**Shri M. S. Gurupadaswamy:** The position is now changed.

**Shri A. C. Guha:** During the First Plan period, it is recognised not only in India but also abroad that India has been able to maintain its economic position; the value of its currency in the international market is kept intact. I can say that our economic reputation has increased during the First Five Year Plan. In the Second Five Year Plan we have undertaken a very big and ambitious scheme. From the point of view of our resources, surely, Rs. 4,800 crores to be spent

[Shri A. C. Guha]

in the public sector with the proposal of Rs. 1,200 crores to be spent by deficit financing is an ambitious scheme. That is from the point of view of our financial resources. But as every hon. Member of this House knows, every Ministry of the Central Government and every State Government put forward their demands at a much higher level. That is because they are conscious of the eagerness of the people for rapid and quick development. They were all eager that India should develop at a rapid pace. Considering that, they put forward their demands and their programmes of development. The Planning Commission and the Central Government cut down those programmes and the financial implications by about the half, and that is almost the minimum which the development work of the country would demand of this Government. The implication of this development work is not unknown to the Members of this House or to the Government or to the Reserve Bank. The Reserve Bank in its report again says:

"It is of the utmost importance that the considerable inflationary potential arising from the developmental expenditure in the public and private sectors and deficit financing under the Plan should to be held in restraint. In this task fiscal and monetary policy will have to play an increasingly important role."

So we have accepted the Second Plan and the expenditure target involved and implied in that Plan. We must accept the risks and dangers inherent in this and we must also have the courage and the promptness to take adequate action to forestall those dangers which we all can realise and which the Report of the Reserve Bank has also put before the public.

Shri Gurupadaswamy just interrupted me and referred to the price structure prevailing at present. During the last few months, the prices have risen somewhat abnormally. But, at the same time, I should like to remind him that the present price structure could not be compared with that

of a slump period. From the middle of 1954 till the end of 1955, there was a demand even from Opposition parties to give price support to agricultural commodities as they were selling very much below an economic price. I do not know whether he suggests that the prices should go down to that level which his party deemed to be uneconomic. Leaving aside the Korean war boom period, if we compare the present prices with those of 1949, 1950, 1951 or 1953, they are not very high. Before January 1956, the prices were four or five per cent. lower than those of 1949, 1950 and 1951. After that there has been some rise. But they are not so high as to make his friends in my part of the country organise a famine resistance movement. I do not know where the famine is. It is as if they are preparing to fight the traditional windmill in their eagerness to fight.

Before coming to the clauses of this Bill, I would like to dispose of some other matters which have entered the discussion. I think Shri Alva is under some misapprehension about the position of the foreign banks. The position has been rapidly improving even in regard to exchange business. The deposits of the foreign banks have surely increased but simultaneously the deposits of the Indian banks have also increased. But the percentage of business of Indian Banks in foreign exchange has considerably increased. In 1948 the Indian banks were doing only thirteen per cent. of the total sterling exchange business it has now increased to about twenty five per cent. Similarly with regard to dollar exchange business it was eighteen per cent. in 1948 while it is 43 per cent. now. In the matter of deposits also, the rise in the deposits of the foreign banks has not been anything spectacular or disproportionate to the rise of deposits in the Indian banks. I can assure him that the Government is keen and careful to see that the Indian banks play their due part in the economy of our country, particularly in the handling of foreign exchange. But he

has said that the Reserve Bank should take steps to ban the foreign banks. We cannot go back to the 18th or 19th century. He said "The Reserve Bank must once for all put a stop to any foreign bank coming and operating in India".

**Shri Joachim Alva:** I never said that. I am afraid the hon. Minister was misunderstood the position. They must liberalise the terms to the Indian banks in the matter of foreign exchange. I would like him to quote the figures. How many permits were given to the Indian banks?

**Shri A. C. Guha:** The Indian banks are also working in foreign countries. Whenever there is an application for opening a branch of an Indian bank in a foreign country, the Reserve Bank has surely been treating such applications liberally and with sympathy. I may assure him that I have no quarrel with him in this matter. I fully share his anxieties and feelings and the Government is also keen on this matter and the Reserve Bank will surely implement the policy of the Government. Thus, the Indian banks will play an increasingly important part in the economy of the country.

Perhaps the most important and contentious provision in the whole Bill is about the fixed reserve against the note issue. I have said in my introductory speech that many countries, including U. K., are not restricting their note issue on the basis of a proportionate reserve in gold or foreign securities. Suggestions have been made to fix a lower ratio. We may fix a particular figure. On some occasions, it may be found unnecessary to keep that much of foreign securities and then it will amount simply to a sort of hoarding them; they may be so essential for our development work. In certain cases to fix a certain proportion of foreign securities to be kept as a reserve against note issue may be found to be a handicap for the expanding economy of the country.

The hon. lady Member from Travancore-Cochin has agreed with the State-

ment of Objects and Reasons when it says:

"The process of planned economic development necessarily implies a certain amount of credit creation....."

But, she is unable to agree with the concluding portion which says: "...and a consequent increase in the note issue." She must have her own economics. Anyhow, it is known to most of the Members of this House that credit lead to an increase in the note issue and it will not be quite proper for the Government to put any handicap or bar on the Reserve Bank's capacity for note issue.

Here again, I would ask the hon. Members to recollect that the Reserve Bank and the Government have been acting cautiously in this matter. We have not so far been using the present reserves for the issue of notes wrecklessly. In future also, I can assure this House that the Government and the Reserve Bank will be very careful in the issue of the notes even though they are unfettered by any fixed ratio. They will not use that unless the economy of the country demands it. When we say that it will be necessary to create credit, we also know the inherent dangers. The passage that I have just now quoted from the report of the Reserve Bank show that the authorities, both of the Reserve Bank and of the Central Government, are quite conscious about the inherent dangers of this policy. That is why we should immediately take the precautionary steps and those precautionary steps we are providing in this Bill.

5 P.M.

**Mr. Speaker:** How long is the hon. Minister likely to take?

**Shri A. C. Guha:** I will require at least 10 or 15 minutes more.

**Mr. Speaker:** Now that he has started explaining things I think it is better that the trend is not broken. What is the good of putting it off to some other

[Mr. Speaker]

day for 10 or 15 minutes? If he and the House is willing, we may sit for another 15 minutes.

Shri A. C. Guha: I would prefer to finish it today.

Mr. Speaker: The subject is fresh in the minds of all people. I would therefore request hon. Members to stay for another 15 minutes more in which it will be finished.

Shri A. C. Guha: Sir, I was speaking about the steps taken by this Bill to counteract the possible inflationary tendencies inherent in this credit creation.

Mr. Speaker: I find Shri B. R. Bhagat leaving the House. If Ministers themselves go away, others will also go away.

Shri A. C. Guha: Ministers belonging to the same Ministry, Sir.

Mr. Speaker: My difficulty is about the quorum.

Shri A. C. Guha: Shri N. B. Chowdhury mentioned about the increase in profits to the Reserve Bank arising out of the re-valuation of gold. I should like to tell him that the Government is considering this matter. It may be that we may allocate the profit to the Reserve Bank to be added to the reserve fund of the Bank or we may decide some other course. Anyhow, if it is necessary we may come before the House with another Bill about this matter.

Shri N. B. Chowdhury: Why do you not provide for it in this Bill itself?

Shri A. C. Guha: No, that is not possible. This matter came up later and it was not possible to put this under this Bill. Anyhow, if occasion needs it we shall come up before this House with another Bill. It may be that we may be able to do without any further Bill also.

He also enquired about the loans from the foreign governments, how they will be paid, in what foreign ex-

change the loans will be and so on. The loans will be in the shape of capital goods for the projects indicated and they will not be in the shape of foreign exchange currencies to be utilised for purchase of capital goods. This will however mean saving of foreign exchange to that extent to the projects for which capital goods are required or included in the Second Five Year Plan.

Sir, some Members enquired about this foreign loan or foreign aid and raised some objection. They asked as to why we should go to America or other countries. As already stated during the Question Hour, it is our policy, irrespective of politics of the particular country, if we can get any loan from any country without any political strings we shall accept it. We need this and I should say we are grateful to the benefactor countries, whatever power bloc they may belong to, who have come forward to help us in this development work. I think Shri Joachim Alva mentioned about Rs. 40 crores from the United States of America. This Rs. 40 crores is only the present allotment. It will not be technically quite correct to say that it is the annual allotment. I think previously we were getting allotment almost annually and that position may continue. It may also happen otherwise, but we expect that that position will continue. Other countries also, some Commonwealth countries and some smaller countries have also come forward and rendered some help. Whatever the quantum of help, we are grateful to them who have helped us. But such help must always be without any political strings.

Shri Gurupadaswamy said that we should take adequate measures to control the credit situation. That is what we are providing in this Bill. The Reserve Bank has also got some authority already. Just a few minutes ago he interrupted me about the present inflationary position in the country and the expansion of cred

by the scheduled banks. The Reserve Bank has already asked the scheduled banks to give a periodical return of any advances given against agricultural goods. The present tendency of inflation may, to some extent, be due also to hoarding with advances from the scheduled banks. The Reserve Bank is already taking action and if necessary adequate action will be taken so that the inflationary tendency may not be helped with the aid of advances from banks for hoarding and profiteering.

**Shri M. S. Gurupadaswamy:** Is it not true that much of the hoarding of grains recently was due to the liberal accommodation that the merchants got from various banks? Now if you apply some restriction on that, is it not too late because the season is over?

**Shri A. C. Guha:** I do not think it is too late. I cannot deny that there has been some hoarding and that may be with the help of advances given by scheduled banks. But from the time this question has taken a cognizable size the Reserve Bank and the Government are moving in the matter. They will take adequate steps. I do not think the position has come to raise up a cry of famine or anything like that. It is simply creating panic among the people and in a way helping the hoarders so that they may take advantage of the panic created amongst the people.

A few friends have mentioned about re-valuation of gold. Sir, we are a modest nation and full of humilities. So long we are valuing our gold at the rate of Rs. 21½/10 per tola. It is very much out of date. According to the International Monetary Fund value of gold in terms of our rupee is at Rs. 62-8-0 per tola and we are putting here the same value as is recognised by the International Monetary Fund and in the international monetary market. So, we are not doing anything egregious or dishonest. We are just putting into practice what is the reality of the present market.

**Shri Gurupadaswamy** has suggested that the Government should engage themselves in gold trade. I do not know how this suggestion could have come up. In this connection, particularly, I think he should know that Government has practically banned the import of any gold. We do not like to waste our valuable foreign exchange by importing gold. So, there cannot be any question of the Government taking up the trade in gold. I do not know what purpose it will be serving.

**Shri M. S. Gurupadaswamy:** Internal trade.

**Shri A. C. Guha:** **Shri Somani** and **Shri N. B. Chowdhury** also referred to the interest to be paid by the Reserve Bank to the scheduled banks for the excess reserve deposits that the Reserve Bank may demand from the scheduled banks.

In the Bill no fixed rate is mentioned. **Shri G. D. Somani** and **Shri T.S.A. Chettiar** both feel that there should be a fixed rate. But it is necessary that the provision regarding payment of interest should be somewhat flexible. The rate would have obviously to depend upon the money market conditions which vary from time to time, the trend of bank earnings and on the amount of expenses incurred on the banks in acquiring the deposits. It is not possible to provide for all circumstances in the Act and it is best to leave it to the discretion of the Reserve Bank of India which will consult Government whenever necessary. I think I have more or less replied to all the points.

**Mr. Speaker:** He may refer to the other points, if any, during the course of discussion on the clauses.

**Shri A. C. Guha:** I have only on more point about the Local Boards which an hon. Member from behind has reminded me. I have stated in my earlier speech that the initiative has to come from members of the Local Boards themselves. I can understand the feelings of the people against

[Shri A. C. Guha]

the abolition of the Local Boards. Though the Reserve Bank has tried to utilise these Local Boards, it has not been able to make any use of the Local Boards. The members themselves have felt that they are hardly of any use for the Reserve Bank or for the economy of the country.

Shri A. M. Thomas: It is because they are not taken into confidence in serious matters.

Shri A. C. Guha: There must be some limit between the functions of the Local Boards and the Central Board. The Central Board has delegated some powers and functions to them, but they have not been found to be very useful to the Central Board. I do not think it will do much harm to the country, even though there may be some local feelings, if

the Local Boards are abolished. I can appreciate the local feelings, but still, for the co-ordination and for the centralised administration of the Central Bank, the provisions that we have made may be agreed to. I hope that the Bill will be accepted by the House.

Mr. Speaker: The question is:

"That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration."

*The motion was adopted.*

Mr. Speaker: The House will now stand adjourned till 11 A.M. the day after tomorrow.

5-13 P.M.

*The Lok Sabha then adjourned till Eleven of the Clock on Friday, the 20th July, 1956.*