

HOUSE OF THE PEOPLE

The Reserve Bank of India (Amendment) Bill, 1950

(REPORT OF THE SELECT COMMITTEE)



PARLIAMENT SECRETARIAT
NEW DELHI.

Dec, 1950

List of Reports of Select Committees presented
to Parliament in 1950.

S.No.	Short title of the Bill.	Date of presen- tation.	Date of publicat- ion.
1.	The Industrial Disputes (Appellate Tribunal) Bill, 1949.	10.2.50	25.2.50
2.	The Mines Bill, 1949. ✓	10.2.50	25.2.50
3.	The Industries (Development and Control) Bill, 1949. ✓	10.2.50	25.2.50
4.	The Banking Companies (Amendment) Bill, 1949.	16.2.50	25.2.50
5.	The Army Bill, 1949.	21.3.50	1.4.50
6.	The Air Force Bill, 1949.	21.3.50	1.4.50
7.	The Insurance (Amendment) Bill, 1949.	24.3.50	1.4.50
8.	The Finance Bill, 1950. ✓	27.3.50	1.4.50
9.	The Road Transport Corporations Bill, 1949. ✓	15.11.50	18.11.50
10.	The Labour Relations Bill, 1950.	1.12.50	16.12.50
11.	The Trade Unions Bill, 1950.	1.12.50	16.12.50
12.	The Reserve Bank of India (Amendment) Bill, 1950.	13.12.50	23.12.50

PARLIAMENT OF INDIA

Corrigendum

to

The Reserve Bank of India (Amendment) Bill, 1950,
as amended by the Select Committee.

At page 3 of the Bill as amended in line nine for
"13. Amendment of sections 36 and 37, Act II of 1934. -
In sections 36 and" read as follows :-

"12. Amendment of section 33, Act II of 1934. -
In sub-section (3) of section"

NEW DELHI,

The 16th December, 1950.
Gogiani-1200

M.N.KAUL,

S E C R E T A R Y.

THE RESERVE BANK OF INDIA (AMENDMENT) BILL, 1950

REPORT OF THE SELECT COMMITTEE

We the undersigned members of the Select Committee to which the Bill further to amend the Reserve Bank of India Act, 1934, was referred, have considered the Bill and have now the honour to submit this our report with the Bill as amended by us annexed thereto.

Clause 4.—Clause (ee) of section 2 of the Reserve Bank of India Act, 1934, introduced by the Adaptation of Laws Order, 1950, will become unnecessary if the Act is extended to Part B States as proposed, and is, therefore, being omitted.

Clause 6.—We think that the period during which financial accommodation will be provided by the Reserve Bank should be extended to 15 months. Although 12 months may be normally sufficient for the purpose of financing seasonal agricultural operations, certain crops such as sugarcane take longer to mature and market. There should be no legal bar in the way of the Reserve Bank providing finance for a somewhat longer period than 12 months where this is considered necessary and appropriate.

Clauses 8, 9 and 10.—In view of article 283(2) of the Constitution, we think the proper course to adopt would be to make sections 20 and 21 of the Act inapplicable to Part B States and, by the insertion of a new clause, to authorise the Reserve Bank to transact Government business of Part B States on agreement.

We have, therefore, redrafted clauses 8 and 9, and inserted a new clause 10, the subsequent clauses having been renumbered accordingly.

Clause 13 (original clause 12).—While considering this clause, it struck us that the definition of "foreign securities" in section 33(6) of the Reserve Bank of India Act, 1934, is too wide and we therefore feel that in consultation with the Reserve Bank of India the matter may be examined and, if found advisable, a suitable amendment may be promoted later.

Clause 14 (original clause 13).—It has been represented that the period of two working days prescribed for the submission of returns involves some practical difficulties by the scheduled banks in obtaining telegraphic information from their branches. We have, therefore, proposed that the period should be extended to 5 days, and in order to provide for the special difficulties of any bank owing to the geographical position of its branches, we have also provided that a provisional return may be submitted pending the submission of a final return within 10 days from the date to which it relates.

Apart from minor drafting changes, opportunity has been taken to clarify that the information in regard to bills purchased and discounted is only in respect of inland bills.

Clause 15 (new).—In our opinion the Reserve Bank should be empowered to call for returns from State Co-operative Banks whether such Banks have transactions with the Reserve Bank or not and with this object in view we have omitted the words "with which it has any transaction under section 17" from section 44 of the Act.

Clause 17 (new).—This preserves the existing position, namely, that the right of the Imperial Bank to be the sole agent of the Reserve Bank is confined to Part A States and Part C States.

2. The Bill was published in Part II of the Gazette of India, dated the 29th April, 1950.

3. We think that the Bill has not been so altered as to require circulation under rule 77(4) of the Rules of Procedure and Conduct of Business in Parliament, and we recommend that it be passed as now amended.

M. ANANTHASAYANAM AYYANGAR
 B. R. AMBEDKAR
 C. D. DESHMUKH
 B. L. SONDHI
 * BALI RAM BHAGAT
 HIRDAY NATH KUNZRU
 T. A. RAMALINGAM CHETTIAR
 N. G. RANGA
 V. S. SARWATE
 P. D. HIMATSINGKA
 *RANBIR SINGH CHAUDHARI
 G. DURGABAI
 SATYENDRA NARAYAN SINHA
 *MAHAVIR TYAGI
 *ARUN CHANDRA GUHA
 SYAMNANDAN SAHAYA
 M. V. GANGADHARA SIVA
 GOKUL LAL ASAWA
 *UPENDRANATH BARMAN
 ROHINI KUMAR CHAUDHURI
 *RAMNATH GOENKA
 *K. T. SHAH

NEW DELHI ;
 The 13th December, 1950.

* Subject to a minute of dissent.

MINUTES OF DISSENT

I

While expressing my gratitude to the Honourable Minister for Finance in particular and the Members of the Select Committee in general for extending the period of accommodation from twelve months to fifteen months under sub-clause (2) of the clause 6 of the Bill in Section 17 of sub-clause (b) of clause (2) of the Act, that the bank may make available for productive finance in the field of agriculture and co-operation, I cannot help stating it that it does not go far to satisfy the demands of finance for Agriculture, not only that for long or medium term, but even that of short term of the growers through the co-operative or schedule banks; which has become much more imperative for the fulfilment of self-sufficiency programmes for food, jute and cotton and specially in the absence of any special institution for financing agricultural finance, such as Agricultural Finance Corporation or other institution which can indirectly be effected such as state or co-operative ware-houses or any scheme for insurance of crops or cattle; to meet the demands of long, medium and short term finance for it and it would have been at least a small consolation and a step in the right direction, if the extension has been made at least for one and a half years if not two years. To be more frank the facilities exist or sought to be brought forward by this measure are only for the marketing of produce and cannot serve the purpose of other agricultural operations.

NEW DELHI ;

The 13th December, 1950.

RANBIR SINGH CHAUDHARI

II

The purpose of this amending Bill has been to help agricultural credit. So, we proposed that the Reserve Bank should be allowed to discount deeds and documents arising out of loans and advances made by Scheduled Bank or State Co-operative Bank on the hypothecation of standing crops. The Select Committee after discussing the matter have felt that such operations are already permissible according to Section 17, sub-section (4), clause (d) and also according to Section 17, sub-section (2), clause (b).

We further proposed that as the Rural Banking Enquiry Committee had recommended the establishment of Land Mortgage Banks for long term agricultural finance, debentures of such banks should be included in the list of acceptable securities of the Reserve Bank. On this point also the Select Committee have felt that these are already included.

On both these points, there should be a clear declaration by the Government, and if there are any practical difficulties, those should be removed without delay.

NEW DELHI ;

The 13th December, 1950.

UPENDRANATH BARMAN

ARUN CHANDRA GUHA

MAHAVIR TYAGI

RAMNATH GOENKA

III

In order to secure greater facility of financing agricultural operations, I think it is necessary that the Imperial Bank of India, agent of the Reserve Bank of India, should be nationalised. Section 45 of the Reserve Bank of India should be accordingly amended so as to achieve this aim.

NEW DELHI ;

The 13th December, 1950.

K. T. SHAH

THE RESERVE BANK OF INDIA (AMENDMENT) BILL, 1950.

[AS AMENDED BY THE SELECT COMMITTEE.]

(Words underlined indicate the amendments suggested by the Committee; asterisks indicate omissions.)

A

BILL

further to amend the Reserve Bank of India Act, 1934.

BE it enacted by Parliament as follows:—

1. Short title and commencement.—(1) This Act may be called the Reserve Bank of India (Amendment) Act, 1950.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint in this behalf.

2. Substitution of "India" for "States" in Act II of 1934.—In the Reserve Bank of India Act, 1934 (hereinafter referred to as the said Act), unless otherwise expressly provided, for the words "the States", wherever they occur, the word "India" shall be substituted.

3. Amendment of section 1, Act II of 1934.—In sub-section (2) of section 1 of the said Act, for the words and letter "Part B States" the words "the State of Jammu and Kashmir" shall be substituted.

4. Amendment of section 2, Act II of 1934.—In section 2 of the said Act,—

(i) clause (bb) shall be relettered as clause (c);

(ii) the existing clause (c) shall be relettered as clause (f) and that clause, as so relettered, shall be inserted after clause (e);

(iii) clause (ee) shall be omitted;

(iv) after clause (f), as *relettered, **the following clause shall be inserted, namely:—

'(g) the expressions "State Government" and "State Governments", unless otherwise expressly provided, do not include the Government of the State of Jammu and Kashmir.'

5. Amendment of section 11, Act II of 1934.—In section 11 of the said Act,—

(a) in sub-section (1), for the words "any other Director" the words "any other Director or any member of a Local Board" shall be substituted;

(b) in sub-section (5), for the words and letters "of a Part A State or a Part C State", the words "of any State" shall be substituted.

6. Amendment of section 17, Act II of 1934.—In section 17 of the said Act,—

(1) in clause (1), the words and letter "Part B States" shall be omitted;

(2) in sub-clause (b) of clause (2), for the words "nine months" the words "fifteen months" shall be substituted;

(3) in sub-clause (c) of clause (2), the words and letter "or such securities of Part B States as may be specified in this behalf by the Central Government on the recommendation of the Central Board" shall be omitted;

(4) in clause (4),—

(a) the words and letter "Part B States" shall be omitted;

(b) in sub-clause (d), for the words "which have been transferred" the words "such documents having been transferred" shall be substituted;

(5) for clause (6), the following clause shall be substituted, namely:—

"(6) the issue of demand drafts, telegraphic transfers and other kinds of remittances made payable at its own offices or agencies, the purchase of telegraphic transfers, and the making, issue and circulation of bank post bills;"

(6) in clause (8),—

(a) the words and letter "or such Part B States" shall be omitted;

(b) in the first proviso, for the words "authority or State", in both the places where they occur, the words "or authority" shall be substituted;

(c) the second proviso shall be omitted;

(7) in clause (11),—

(a) the words and letter "or any Part B State" shall be omitted; and

(b) after the words and figures "established under the Industrial Finance Corporation Act, 1948", the words "or the Government of any such country outside India or any such person as may be approved in this behalf by the Central Government" shall be inserted;

(8) in clause (13), for the words "in the shares" the words "in the shares and securities" shall be substituted;

(9) in the second proviso to clause (14), for the words "share capital" the word "capital" shall be substituted.

7. Amendment of section 19, Act II of 1934.—For clause (2) of section 19 of the said Act, the following clause shall be substituted, namely:—

"(2) purchase the shares of any banking company or of any other company, or grant loans upon the security of any such shares;"

8. Amendment of section 20, Act II of 1934.—In section 20 of the said Act, for the words and letter "the State Governments and such Part B States as may be approved of and notified by the Central Government in the Gazette of India" the words and letter "and the Governments of Part A States" shall be substituted.

9. Amendment of section 21, Act II of 1934.—To section 21 of the said Act, the following sub-section shall be added, namely:—

"(5) In this section, the expressions "State Government" and "State Governments" do not include the Government of any Part B State."

10. Insertion of new section 21A in Act II of 1934.—After section 21 of the said Act, the following section shall be inserted, namely:—

"21A. Bank to transact Government business of Part B States on agreement.—(1) The Bank may by agreement with the Government of any Part B State undertake—

(a) all its money, remittance, exchange and banking transactions in India, including in particular, the deposit, free of interest, of all its cash balances with the Bank; and

(b) the management of the public debt of, and the issue of any new loans by, that State.

(2) Any agreement made under this section shall be laid, as soon as may be after it is made, before Parliament.

11. Amendment of section 26, Act II of 1934.—In sub-section (2) of section 26 of the said Act, for the words "save at an office or agency of the Bank", the words "save at such office or agency of the Bank and to such extent as may be specified in the notification" shall be substituted.

12. Amendment of sections 36 and 37, Act II of 1934.—In sections 36 and 37 of the said Act, for the words and figures "of section 18" the words, figures and brackets "of sub-section (1) of section 18" shall be substituted.

13. Amendment of sections 36 and 37, Act II of 1934.—In sections 36 and 37 of the said Act, for the words "sterling securities", wherever they occur, the words "foreign securities" shall be substituted.

14. Amendment of section 42, Act II of 1934.—In section 42 of the said Act,—

(1) For sub-section (2), the following shall be substituted, namely:—

"(2) Every scheduled bank shall send to the bank a return signed by two responsible officers of such bank showing—

(a) the amount of its demand and time liabilities and the amount of its borrowings from banks in India,

(b) the total amount of legal tender notes and coins held by it in India,

(c) the balance held by it at the Bank in India,

(d) the balances held by it at other banks in current account and the money at call and short notice in India,

(e) the investments (at book value) in Central and State Government securities including treasury bills and treasury deposit receipts,

(f) the amount of advances in India,

(g) the inland bills purchased and discounted in India,

at the close of business on each Friday, and every such return shall be sent not later than five days after the date to which it relates:

Provided that where Friday is a public holiday under the Negotiable Instruments Act, 1881 (XXVI of 1881), for one or more offices of a scheduled bank, the return shall give the preceding working day's figures in respect of such office or offices, but shall nevertheless be deemed to relate to that Friday:

Provided further that where the Bank is satisfied that the furnishing of a weekly return under this sub-section is impracticable in the case of any scheduled bank by reason of the geographical position of the bank and its branches, the Bank may allow such bank—

(i) to furnish a provisional return for the week within the period aforesaid to be followed up by a final return not later than ten days after the date to which it relates, or

(ii) to furnish in lieu of a weekly return a monthly return to be sent not later than fourteen days after the end of the month to which it relates giving the details specified in this sub-section in respect of such bank at the close of business for the month".

(2) in sub-section (3A), in clause (a) and in the *Explanation*, the words "managing agent" shall be omitted;

(3) in sub-section (4), for the words "shall be liable to pay to the Central Government or to the Bank, as the case may be, or to each," the words "shall be liable to pay to the Bank" shall be substituted;

(4) in sub-section (5), for the words, brackets and figure "by the Central Government in the case of a failure to make a return under sub-section (2) to the Central Government, or by the Bank with the previous sanction of the Central Government in other cases", the words "by the Bank" shall be substituted;

(5) in clause (a) of sub-section (6), for the words "in any State of India" and "outside the States of India", the words "in India" and "outside India" shall respectively be substituted;

(6) after sub-section (6), as so amended, the following sub-section shall be inserted, namely:—

"(7) The Bank may, for such period and subject to such conditions as may be specified, grant to any scheduled bank such exemptions from the provisions of this section as it thinks fit with reference to all or any of its offices or with reference to the whole or any part of its assets and liabilities".

15. Amendment of section 44, Act II of 1934.—In section 44 of the said Act, the words and figures "with which it has any transaction under section 17" shall be omitted.

16. Amendment of section 51, Act II of 1934.—In section 51 of the said Act, for the words "Auditor General", the words "Comptroller and Auditor General" shall be substituted.

17. Amendment of the Third Schedule, Act II of 1934.—In paragraph 2 of the Third Schedule to the said Act, for the words "the States" the words and letters "Part A States and Part C States" shall be substituted.

PARLIAMENT OF INDIA

**Report of the Select Committee on the Reserve Bank of India
(Amendment) Bill, 1950.**

(As amended by the Select Committee)