

Tuesday
8th February, 1949

**THE CONSTITUENT ASSEMBLY OF
INDIA (LEGISLATIVE) DEBATES**
(PART I—QUESTIONS AND ANSWERS)

Official Report

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**Fourth Session
OF THE
CONSTITUENT ASSEMBLY OF INDIA
(LEGISLATIVE)
1949**



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CONSTITUENT ASSEMBLY OF INDIA (LEGISLATIVE) DEBATES

(PART I—QUESTIONS AND ANSWERS)

Tuesday, 8th February, 1949

The Assembly met in the Assembly Chamber of the Council House at a Quarter to Eleven of the Clock, Mr. Speaker (The Honourable Mr. G. V. Mavalankar) in the Chair.

STARRED QUESTIONS AND ANSWERS

(a) ORAL ANSWERS

ARMED FORCES IN PORTUGUESE GOA

*192. **Shri B. K. Sidhva:** (a) Will the Honourable the Prime Minister be pleased to state whether Government have any information regarding the strength of the total Armed Forces in Portuguese Goa?

(b) Is it a fact that the Portuguese Government have disbanded the very old Mahratha Units made up of Christian and Hindu soldiers and replaced them by African soldiers?

(c) What is the strength of the Police Force in Goa and do they comprise of the local people or Africans?

(d) Is there any cruiser or man-of-war or other armed vessel stationed in the ports of Panjim and Marmugao?

Dr. B. V. Keskar (Deputy Minister for External Affairs and Commonwealth Relations): (a) to (d). Government are not in a position to supply the information required with any precision. It is reported that the total Armed Forces in Goa are about 1,400. It is further reported that African soldiers are being used to replace the indigenous elements in the Armed Forces.

The strength of the Police Force of Goa is said to be about 600 to 650. This Police is a mixed one consisting of local nationals, European-Portuguese officials and the Indo-Portuguese elements in the population.

There is normally a sloop stationed in Goa.

Shri B. K. Sidhva: What is the strength of the garrison at Goa under the regulation in force?

Dr. B. V. Keskar: I am sorry, I am not able to supply the information immediately.

Shri B. K. Sidhva: May I know whether any consultation or discussion has been going on with the Government of India and the Portuguese Government in connection with the Portuguese possessions in India?

Dr. B. V. Keskar: Does this question arise, Sir?

Mr. Speaker: No.

Shri B. K. Sidhva: Is it a fact that Mr. George Vaz, Secretary of the Goan Congress stated some three weeks ago that during the Asian Conference, 8,000 troops were sent from Goa?

Dr. B. V. Keskar: We have no information.

Shri H. V. Kasmath: May I know if there is any manner of repression of the national movement for freedom in Goa?

Mr. Speaker: This question does not arise. Next question.

APPLICATIONS FOR IMPORT PERMITS

*193. **Shri R. K. Sidhva:** (a) Will the Honourable Minister of Commerce be pleased to state the number of applications received during the year 1948 for permits to import goods from foreign countries (soft and hard currency areas)?

(b) How many were granted and how many were rejected?

(c) What is the highest amount of permits given to one individual and what is the lowest?

(d) What is the period taken in disposing of all permit applications after their receipt and what are the reasons for refusal of permits?

The Honourable Shri K. C. Neogy: (a) to (c). I lay on the table a statement giving the requisite information.

(d) Ordinarily the period taken in disposing of applications received complete in all respects is between one and two weeks from the date of receipt. When additional information has to be collected for completion of data and documents or in the case of restricted items where they involve consultation with other Ministries more time is taken, say two to four weeks. Newcomer applications for imports of commodities restricted by monetary ceilings take a longer period in disposal, as all such applications are to be collected, scrutinised and considered together for the allocation of quotas from the newcomer margin of the monetary ceiling.

The reasons for the refusal of licences generally are:

- (i) Irregular and incomplete applications.
- (ii) Applications received after the prescribed dates.
- (iii) Conservation of foreign exchange resources.
- (iv) Absence of definite offer of supply from suppliers or absence of any trade contacts with overseas suppliers.

Statement showing the number of applications received for import permits, licences granted etc. for imports from foreign countries during the year 1948.

Number of applications received for import permit during the year 1948.	Number of applications against which licences granted.	Number of applications rejected	Highest amount of licences granted to an individual or firm	Lowest amount of licences granted to an individual.
			Rs.	Rs.
† 4,24,494	185,837	† 219,906	4,12,89,546	5

† Excludes applications for iron and steel goods (figures not readily available).

Note:	(1) Applications pending on 1st January 1949	5028	} These applications have neither been granted nor rejected.
	(2) Applications for items subsequently brought under open General licence	31,503	

Shri R. K. Sidhva: Arising out of the answer to part (c) of the question: Will the Honourable Minister state what is the highest individual amount of permit that was given to one individual?

The Honourable Shri K. O. Neogy: Yes, I have included it in the detailed statement. The highest amount is Rs. 4,18,89,648.

Shri B. K. Sishva: May I know to whom the permit has been issued and for what purpose?

The Honourable Shri K. O. Neogy: It was given to the Standard Vacuum Oil Company of Bombay for the importation of lubricating oils.

Mr. Homi Mody: Arising out of the Honourable Minister's reply on the question of delay; are there not standard forms in use which may be made available to the various Chambers of Commerce so that complete information on standard forms may be assured?

The Honourable Shri K. O. Neogy: Yes, there are such forms prescribed. But even these are found deficient sometimes, especially when there are particular details to be considered.

Mr. Homi Mody: May I know from the Honourable Minister what are the principles followed in respect of applications from parties who have never been in the trade before?

The Honourable Shri K. O. Neogy: I believe the honourable member refers to the newcomers' category. We generally reserve a proportion of 10 per cent. of the total in respect of certain ceiling articles, as they are called; and normally we expect some acquaintance with the trade. That is to say, the newcomer need not necessarily have experience in foreign trade, but he should have some trade experience, apart from other conditions that he is expected to fulfil.

Shri T. T. Krishnaswami: May I ask the Honourable Minister the reasons that have induced him to agree to the insisting on the production of a tax clearance certificate before grant of import license?

The Honourable Shri K. O. Neogy: Several factors have led Government to decide that in the case of all applicants for licenses they should produce a certificate from the Income-tax Authorities, not necessarily stating that the parties have paid income-tax, because it is not the intention to insist on income-tax payment as a specific qualification in all cases, but we should like to know whether these parties have at least satisfied the income-tax authorities that either their income has been assessed income-tax, or that no tax is payable. One of the reasons that induced Government to adopt this condition was, as the House itself very well knows, that there were complaints in the past that bogus applications were made in large numbers, and that licences obtained on the strength of such bogus applications were sold in the market. At one time a mere letter-head and a sign-board were considered to be sufficient qualification for getting export or import licences. In order to eliminate such bogus applications it was found necessary to insist upon certain conditions, and this was one of the conditions that was considered to be helpful in eliminating the bogus applications, as also those who could not possibly stay on in the trade, that is to say, people who would not either have sufficient financial backing in order to enable them to handle the trade or who would normally not be expected to stick on to the trade.

Shri T. T. Krishnaswami: Does this mean that people who do not pay income-tax would not be granted import licences?

The Honourable Shri K. O. Neogy: That is not the position. If the honourable member had looked into the certificate, he would have seen that the certificate required is that if a tax has been paid, that tax should be specified; and if no tax has been paid, the income-tax authorities should say that it is not due to any laches on the part of the party.

Shri S. V. Krishnamoorthy Rao: Are the rules and regulations which lay down the conditions for the grant of import and export licences printed and made available to the public?

The Honourable Shri K. O. Neogy: Yes, I think so. The trade organizations have them. If the House is interested in this particular question, I could place on the table of the House a full statement indicating the principles and the procedure that are followed.

Shri L. Krishnaswami Bharathi: With reference to the answer given with regard to the newcomer applications, what is the actual percentage which has been accepted? Is it far below the ten per cent.? May I know whether the ten per cent. permits have been given to newcomers?

The Honourable Shri K. O. Neogy: If my honourable friend has any specific case in mind, he might let me know so that I could go into the case. Ten per cent. has been fixed in certain cases. What happens is that when the newcomers applications are collected, the available quantity on the basis of that ten per cent. proportion is distributed among the applicants on a certain basis.

Srijut Rohini Kumar Chaudhuri: May I know if applications received from *bona fide* traders who pay incometax and who had also licenses granted by Provincial Governments for particular trade are not considered unless they can prove that they had past dealings with Pakistan?

The Honourable Shri K. O. Neogy: The honourable member is obviously referring to refugees from Pakistan. They would perhaps be considered as newcomers unless they had previous trade dealings in Pakistan.

Shri B. Das: May I enquire if the largest number of newcomer applications come from Madras Province and hence Government have introduced this system?

The Honourable Shri K. O. Neogy: I should not think so.

Shri M. Ananthasayanam Ayyangar: May I know if there are any safeguards provided against selling away these permits in the black-markets?

The Honourable Shri K. O. Neogy: This is one of the safeguards that I have just stated about income-tax payment and several other precautions are also taken.

Shri Biswanath Das: May I know the justification for the fixation of ten per cent. only for newcomers?

The Honourable Shri K. O. Neogy: As a matter of fact I have a feeling that we are unnecessarily diluting trade and reducing the volume of trade to be handled by each individual to a very small fragment with the result that many of these people will have no chance of surviving in the trade once the controls are removed.

Shri R. K. Sidhva: Despite these precautions, may I know whether it is a fact that the permits are sold even in the Bombay market?

The Honourable Shri K. O. Neogy: Perhaps my honourable friend refers to ancient history.

Shri R. K. Sidhva: I am talking of the last four months.

The Honourable Shri K. O. Neogy: I should like to have specific instances.

PROVIDENT FUNDS OF EMPLOYEES OF LOCAL BODIES IN PAKISTAN OPTING FOR INDIA

*194. **Shri R. K. Sidhva:** (a) Will the Honourable Minister of Relief and Rehabilitation be pleased to state whether any representation has been made to him in connection with the non-payment of provident funds of the employees of the local bodies in Pakistan who have opted for India?

(b) Is it a fact that despite several letters and reminders by various such employees to the authorities in Pakistan no payment has yet been made?

(c) During the various Inter-Dominion consultations and discussions, have Government brought this matter to the notice of the Government of Pakistan? If so, with what result?

(d) If not, do Government intend to take up this matter with the Government of Pakistan. If not, why not?

The Honourable Shri Mohan Lal Saksena: (a) and (b). Yes.

(c) The question of payment of Provident Fund and other dues of local bodies was discussed at the Inter-Dominion Conference held on 22nd—25th November, 1948 and it was considered that the two Dominions could only use their best offices in settlement of these claims. Suitable machinery for dealing with these claims, has been devised. Each Dominion has undertaken to ensure speedy payment by the local bodies concerned.

(d) Does not arise.

Sardar Hukam Singh: Have the Muslim employees who have migrated now to Pakistan left some provident funds in our local bodies?

The Honourable Shri Mohan Lal Saksena: Yes, they have.

Sardar Hukam Singh: Are there any difficulties in providing those amounts to our refugees as part payment of their claims?

The Honourable Shri Mohan Lal Saksena: Yes. As a matter of fact according to the latest arrangements between the two Dominions, they will be using the good offices of the Local bodies for getting payments of these funds.

PREMISES REQUISITIONED BY GOVERNMENT IN BOMBAY AND DELHI

*195. **Shri R. K. Sidhva:** (a) Will the Honourable Minister of Works, Mines and Power be pleased to state the number of premises which stand requisitioned in the cities of Bombay and Delhi?

(b) How many of them were requisitioned during the current year?

(c) What is the total amount paid by Government as rent for all the requisitioned premises and what is the amount recovered from the tenants occupying the requisitioned premises?

The Honourable Shri N. V. Gadgil: The honourable member presumably desires to know the number of premises which stand requisitioned in favour of the Central Government in the cities of Delhi and Bombay. A statement showing the information desired by him in parts (a), (b) and (c) of his question has been placed on the table of the House.

STATEMENT

Serial No.	Name of the Cities *	Total number of premises which stand requisitioned in favour of the Central Government	Number of premises requisitioned during 1948	1949	*Amount of compensation paid till 31st December 1948 since requisitioning started	*Amount of rent recovered till 31st December 1948 since requisitioning started
(1) Delhi—						
(a) By Central Government		254†	36	4	Rs. 45,18,688-14-0	Rs. 24,23,432-8-0
(b) By Delhi Administration		220	119	..	Rs. 2,93,952-12-0	Rs. 2,63,108-4-0 (Approx.)
		474				
(2) Bombay—						
(a) Central Government (excluding the Defence Ministry).		†75‡	3	..	Rs. 10,78,907-0-0	Rs. 5,92,452-0-0
(b) Defence Ministry		49	..	..	Rs. 2,39,442-0-0 (per annum)	Information not readily available.

* Information as regards compensation paid or rent recovered after 1st January 1948 is not readily available.

† Includes four non-residential houses.

‡ Includes eight plots of land.

§ Includes six non-residential houses.

¶ Information as regards the total amount hitherto paid is not readily available.

NOTE.—The difference between columns 6 and 7 is mainly due to the fact that (i) Recovery of rent is restricted to ten percent of an officer's salary, and (ii) No rent is recovered on some buildings which are used for non-residential purposes (offices, etc.).

Shri R. K. Sidhva: May I know that percentage of accommodation is reserved for Central Officials in Bombay and Delhi and also what percentage for offices in Bombay and Delhi?

The Honourable Shri N. V. Gadgil: So far as Delhi is concerned, it is entirely reserved for the Officials and offices of the Central Government. So far as Bombay is concerned, as regards residential accommodation, some percentage is reserved in consultation with the Government of Bombay.

Shri R. K. Sidhva: Why no percentage is reserved for the citizens in Delhi?

The Honourable Shri N. V. Gadgil: The obligation of the Government is to accommodate Government Officers and Offices.

Shri Deshbandhu Gupta: May I know whether it has become a practice in Delhi that all new buildings are requisitioned?

The Honourable Shri N. V. Gadgil: I do not know whether it is a practice but if new buildings are available for Government purposes and if there is a clear necessity for requisition, it is done.

Shri Deshbandhu Gupta: Is it not a fact that this is retarding the progress of new buildings?

The Honourable Shri N. V. Gadgil: It is a matter of opinion.

Shri H. V. Kamath: Which are the Hostels or Hotels in Bombay where accommodation is reserved for Government servants and where they get top priority?

The Honourable Shri N. V. Gadgil: I do not know whether it arises out of this question.

Shri Deshbandhu Gupta: In many cases where notices are served for requisition, is it a fact that public purpose is not defined?

The Honourable Shri N. V. Gadgil: It is defined in the Act itself and even in the notice mention is made that it is required for public purposes. Apart from this under the Act under which this requisition process is initiated, there is a provision for the aggrieved party to go to the Chief Commissioner.

Shri Deshbandhu Gupta: Have not instances come to his notice where people have represented that public purpose was not defined in the notices?

Mr. Speaker: Need not be answered.

Mr. Homl Mody: With reference to the Honourable Minister's answer, is he aware that in one province atleast there is no question of public purpose at all and buildings can be requisitioned for any purpose? I am quoting the very words 'for any purpose'.

The Honourable Shri N. V. Gadgil: I cannot answer for any province but if it is concerning the Central Government, I shall be in a position to answer it.

Shri H. V. Kamath: Is it a fact that in Bombay there is a hotel—the Grand View Hotel—where accommodation is reserved for Government servants but where neither the food nor the service is satisfactory?

Shri R. K. Sidhva: May I know how many buildings were requisitioned in Bombay and Delhi in 1948?

The Honourable Shri N. V. Gadgil: I require notice of that. The total number of requisitioned houses is given in the statement placed before the House.

Mr. Speaker: When in reply statements are filed, the better course is to study them and then put the further questions; otherwise it takes a longer time of the House and other subsequent questions for oral answers are barred.

REHABILITATION OF REFUGEES AND TOWN PLANNING SCHEMES

*196. **Shri Lakshminarayan Sahu:** (a) Will the Honourable Minister of Relief and Rehabilitation be pleased to state what was the Hindu, Sikh and Harijan population in Eastern and Western Pakistan, before the partition of India?

(b) What is the number of refugee families rehabilitated up till now since the partition and what action are Government taking to rehabilitate the rest?

(c) Have the refugee societies submitted Town Planning Schemes for the approval of the Government of India and for allotment of land for the purpose? If so, what action has been taken in the matter?

The Honourable Shri Mohan Lal Saksena: (a) A statement showing the 1941 census figures of the Caste Hindus, Sikhs and Harijans population in Eastern and Western Pakistan is placed on the table of the House. Figures of population at the time of partition were not available.

(b) The honourable member is referred to the answer given by me on the 3rd February, 1949, to starred question No. 88(C) by Mr. R. K. Sidhya. Various rehabilitation schemes drawn up by the Provincial or State Governments are in the process of execution with the sanction of Government of India.

(c) Yes. These schemes have been considered individually; in some cases the Co-operative Societies were given assistance in the execution of the schemes.

Statement showing population of Eastern and Western Pakistan in the year 1941

	Eastern Pakistan	Western Pakistan	Total
Caste Hindus.	7,360,812	3,322,052	10,682,864
Sikhs.	1,236	1,515,782	1,517,008
Harijans.	4,284,153	483,205	4,769,418
	<u>11,646,191</u>	<u>5,323,009</u>	<u>16,969,290</u>

It is estimated that the average increase in population up to 16th August, 1947 was twelve per cent of the figures of 1941.

Shri H. V. Kamath: In connection with the rehabilitation of refugees, is there any proposal before the Government to set up a National Housing Corporation?

The Honourable Shri Mohan Lal Saksena: Yes; the scheme is under consideration.

Shri H. V. Kamath: May I know at what stage the matter stands, Sir?

The Honourable Shri Mohan Lal Saksena: It is with the Finance Ministry.

Dr. Mono Mohan Das: What is the number of Harijan population still living in Western Pakistan?

The Honourable Shri Mohan Lal Saksena: About one and a half lakhs.

Dr. Mono Mohan Das: Has the Government any information about their present condition?

The Honourable Shri Mohan Lal Saksena: Yes.

Dr. Mono Mohan Das: May I know what is that?

The Honourable Shri Mohan Lal Saksena: As a matter of fact, we have not received any definite complaints. We wanted to take them out, but they

would not come out unless we make arrangements to take out their cattle also. So, they prefer to remain there instead of being taken out without their cattle.

Sardar Hukam Singh: What is the line, Sir, that we call those persons as not rehabilitated, and if it is crossed, we say they have been rehabilitated? Persons who are going as hawkers or sitting in the pavements, are they rehabilitated?

The Honourable Shri Mohan Lal Saksena: No.

Shri H. V. Kamsth: In connection with scheme of the National Housing Corporation which is under consideration of the Government, may I know how many houses the Government proposes to build all over India?

Mr. Speaker: Order, order. That is going into a scheme which has not yet been finalised.

Sardar Hukam Singh: How long would it take to rehabilitate the refugees that are still in the camps?

The Honourable Shri Mohan Lal Saksena: As a matter of fact, as I said on the last occasion, the time limit set by the Government of India in its directive is 31st March, 1950. We hope that the provincial Governments and the State Governments will co-operate in completing the rehabilitation work within this time.

HOUSES FOR REFUGEES IN SHADIPURA NORTHERN EXTENSION SCHEME

*197. **Shri Lakshminarayan Sahu:** (a) Will the Honourable Minister of Relief and Rehabilitation be pleased to state whether it is a fact that Government proposed to construct for sale 101 houses in the Shadipura Northern Extension Scheme for the Western Pakistan refugees on payment of the cost of construction, development etc., before and after taking possession of such houses while the land under such houses was to be leased for 99 and 90 years on certain conditions?

(b) If so, what is the reason for adopting this new method of granting leases?

The Honourable Shri Mohan Lal Saksena: (a) Yes, excepting that development charges etc. are not included in the cost of the house. The land on which the houses are built will be treated as on lease for 99 years and the terms quoted by the honourable member will apply to smaller plots.

(b) The terms on which the plots are leased out have been announced in press and copies are laid on the table. These terms have been prescribed to assist refugees who may find the usual terms of leases too harsh in their circumstances and may not be in a position to build themselves.

GOVERNMENT OF INDIA

MINISTRY OF RELIEF AND REHABILITATION (REHABILITATION AND DEVELOPMENT BOARD)

Press Note

The terms on which plots will be leased out to refugees in the rehabilitation schemes of the Rehabilitation and Development Board are announced for general information.

For refugees of the destitute, poor and lower middle classes :

- (i) for the first five years only ground rent will be recovered assessed on the cost of land plus cost of development at the Government rate of interest;
- (ii) for the next 15 years, besides ground rent as above, 15 equal instalments will be recovered to cover the actual cost of acquisition and development;
- (iii) in the 21st year, the lease will be renewed on ground rent calculated at the market value then prevailing the total period of lease being 99 years;
- (iv) the lease will be non-transferable for the first period of 20 years, thereafter, the lease will be transferable with the first option to Government;

(v) The above concessions will be applicable in the Shadipur, Nizamuddin, Jungpura and Matkaganj scheme.

2. For middle and upper middle classes, lease will be given on a tender basis.

MINISTRY OF RELIEF AND REHABILITATION
(REHABILITATION WING)

Press Note

It has been decided to construct, for sale to refugees from West Pakistan, 101 houses in the Shadipur Expansion Scheme. These houses will have two floors, ground and upper, and are expected to be completed within 101 days. The cost of construction of a house excluding the cost of land, electric fittings and services is estimated to be between Rs. 15,000 and Rs. 17,000. The plan of the houses can be seen at the site, at the office of the Chief Commissioner, Delhi, and in room No. 76-B North Block, Central Secretariat Buildings.

2. Applications in writing are to be made to the Chief Commissioner, Delhi for allotment and must be handed in before the 15th of November 1948. Applications must be accompanied by a treasury receipt for Rs. 4,000 credited to the Government of India under the Head of account "P Deposits and Advances etc.—Civil Deposits—Revenue Deposits". The next instalment of Rs. 4,000 will be called up when the application for allotment is accepted. The balance of the price of the house will have to be paid at the time of receiving possession of the house. The plot on which the house is built will be given on 99 years' lease to the allottee on the following terms :

- (i) for the first five years only, ground rent will be recovered assessed on the cost of land plus cost of development at the Government rate of interest;
- (ii) for the next 15 years, besides ground rent as above, 15 equal instalments will be recovered to cover the actual cost of acquisition and development;
- (iii) in the 21st year, the lease will be renewed on ground rent calculated at the market value then prevailing the total period of lease being 99 years;
- (iv) the lease will be non-transferable for the first period of 20 years, thereafter, the lease will be transferable with the first option to Government.

3. Preference will be given to registered refugees. Applications should be accompanied by sufficient proof of arrival of the applicant in Delhi before the prescribed dates i.e., 10th December, 1947 in the case of refugees from West Punjab, and 29th February, 1948 for others. This proof can be in the shape of registration certificate, ration cards, certificate of registration in a refugee camp or a certificate of obtaining Government service before the prescribed dates.

Shri Deshbandhu Gupta: May I know, Sir, whether it is a fact that in the Shadipur North Extension Scheme there are about three thousand plots ready to be allotted to refugees and they have not been allotted as the Advisory Committee could not come to an agreement as to the persons to whom they should be given?

The Honourable Shri Mohan Lal Saxena: It is not correct to say that three thousand plots are ready. It is, however, true that the delay in allotment has been mostly due to disagreement amongst the members of the Committee and the Committee has been addressed to expedite the same.

Shri Deshbandhu Gupta: Is it a fact that building material worth many lakhs or perhaps worth quite a very big figure is lying there unused because these plots have not been allotted?

The Honourable Shri Mohan Lal Saxena: Yes; that is so; building material worth crores, not lakhs. Now at least 1,000 plots have been allotted and I hope most of the material will be used up.

EXPENDITURE IN CONNECTION WITH FRENCH AND PORTUGUESE SETTLEMENTS
IN INDIA

*198. **Pandit Mukut Bihari Lal Bhargava:** (a) Will the Honourable the Prime Minister be pleased to state what expenditure the Government of India

have to incur every year in connection with the French and Portuguese settlements in India?

(b) Is this expenditure being incurred in pursuance of certain agreements concluded between the British Government and the French and Portuguese Governments, and if so, is it a fact that the advantages for which the expenditure was originally agreed to be borne have now ceased to exist?

Dr. B. V. Keskar (Deputy Minister for External Affairs and Commonwealth Relations): (a) The Government of India and some Provincial Governments pay to the French India Government an annual sum of Rs. 11,48,000/- in fulfilment of certain agreements and conventions entered into with the French Government at different times. The details of these are given in an attached statement, which I am placing on the floor of the House. There being no such agreements with the Portuguese India Government, no payments are being made to that Government.

(b) These agreements were entered into by the contracting parties for their mutual benefit. The Government of India are considering whether under present conditions it will be advantageous to continue all or any of them.

STATEMENT

Details of payments made by Government of India and certain Provincial Governments to the French India Government.

(i) Compensation under the Customs Union Agreement.	Rs. 8,20,000.
(ii) Salt Conventions :	
(a) 1816	Rs. 4,26,000
(b) 1837	Rs. 14,000
(c) 1859	Rs. 20,000
(iii) Postal Convention (February 1945)	Rs. 50,000
(iv) Opium Convention (January 1945.)	Rs. 18,000
	Rs. 11,48,000

Prof. N. G. Ranga: May I know, Sir, when was the latest of these agreements concluded?

Dr. B. V. Keskar: One of the agreements was concluded in 1946.

Seth Govind Das: Are there not such agreements which have lapsed now, and if so, are negotiations going on for fresh agreements?

Dr. B. V. Keskar: One of the agreements is due to lapse in April. The question whether we should start negotiations for a fresh agreement or not at all, is under consideration.

Seth Govind Das: Have the Government of India been approached so far as that agreement is concerned for any negotiations?

Dr. B. V. Keskar: I do not think so.

Shri H. V. Kamath: Is not the termination of all these agreements the subject of any talks, informal or otherwise, which our Government is having with the French Government?

Dr. B. V. Keskar: I may inform my honourable friend that these agreements have nothing to do with any political questions at all. They are purely commercial or relate to postal arrangements, etc., which, really speaking, have been entered into because we thought they were for our own benefit.

Shri H. V. Kamath: In what respect, Sir, are they of advantage to us?

Mr. Speaker: Order, order. He can refer to the agreement.

RAMPADASAGAR PROJECT

*199. **Prof. N. G. Ranga:** Will the Honourable Minister of Works, Mines and Power be pleased to state:

- (a) how far the investigations on the Rampadasagar Project have progressed;
- (b) whether the estimates thereof are ready;
- (c) when the American experts scrutinised them and approved of them;
- (d) what the latest estimate of the cost of the project is;
- (e) whether the construction of a Cement Factory at Polavaram will considerably economise the proposed expenditure;
- (f) whether a railway line is proposed to be constructed between Polavaram and Kovvur to economise the expenditure;
- (g) whether it is possible to undertake the project in parts; and
- (h) whether the machinery and iron and other materials needed have to be imported from America and if so, whether any negotiations are being carried on with any American Company both for the supply of materials and for the construction of the dam.

The Honourable Shri N. V. Gadgil: (a) to (h). The Rampadasagar Project is under the administrative control of the Madras Government and as such the question can best be answered by that Government in the Provincial Legislative Assembly.

Prof. N. G. Ranga: May I know, Sir, whether the matters concerning this project are being placed before the experts who have come over here on behalf of the World Bank?

The Honourable Shri N. V. Gadgil: I cannot say so far as this particular project is concerned; but generally it is being done.

Prof. N. G. Ranga: May I know, Sir, is it not a fact that the Expert Committee has submitted its report to the provincial Government as well as to the Central Government and if so, what is it that the Expert Committee has recommended?

The Honourable Shri N. V. Gadgil: The Expert Committee has recommended many things and it is not possible within the short space of time to deal with all the recommendations.

Prof. N. G. Ranga: Is it not a fact that the Expert Committee was appointed by the Central Government and that it has recommended in favour of undertaking this project immediately?

Mr. Speaker: I think a few days back some questions on this point were answered.

Prof. N. G. Ranga: These points were not answered.

Mr. Speaker: There were questions on the Rampadasagar Project.

Prof. N. G. Ranga: The Expert Committee has recommended in favour of undertaking this project.

The Honourable Shri N. V. Gadgil: So far as the recommendations of the Committee are concerned, they are to the effect, as far as I am able to answer off-hand, that it is a feasible project. But, the financial implications are too complex to be determined so quickly.

Prof. N. G. Ranga: May I know what the responsibility of the Central Government is in regard to this particular project? I am only told that it is the administrative responsibility of the Madras Government.

The Honourable Shri N. V. Gadgil: The Central Government's responsibility in any big project is financial responsibility, in the sense, that when the provincial Government applies for a loan, the loan is advanced on certain well-defined principles.

Prof. N. G. Ranga: Is it not a fact, Sir, that the Madras Government has asked the Central Government to help it to undertake this project?

The Honourable Shri N. V. Gadgil: As yet all the data necessary for final approval are not collected.

Shri M. Ananthasayanam Ayyangar: May I ask the Honourable Minister if, besides giving financial assistance, the Central Government is also not undertaking important projects such as the Hirakud Dam for construction by itself?

The Honourable Shri N. V. Gadgil: With regard to the Hirakud Project, there was an agreement between the Orissa Government and the Central Government and as a result of that agreement, the construction has been undertaken by the Central Government.

Shri M. Ananthasayanam Ayyangar: May I know is it for want of an agreement that the Central Government is refusing to finance the project though it has been completely investigated and technically approved?

The Honourable Shri N. V. Gadgil: No.

Shri M. Ananthasayanam Ayyangar: May I know if it is not the only project which has been surveyed and investigated at a cost of 55 lakhs and found feasible and not undertaken?

The Honourable Shri N. V. Gadgil: The answer to this question will be, that the Ranupadasagar Project will cost 120 crores. It is for the Government of India to decide whether they should sanction this project costing 120 crores immediately to the prejudice of other projects benefits from which are likely to come earlier.

Shri M. Ananthasayanam Ayyangar: Is it not a fact, Sir, that the projects for which three crores of rupees have been sanctioned by the Standing Finance Committee for investigation, the Narbada Valley Project, the Tapti Valley Project, each of them would cost a hundred crores?

The Honourable Shri N. V. Gadgil: That is not so.

Shrimati G. Durgabai: May I know what is the amount already spent for the preliminary survey of this Ranupadasagar Project?

The Honourable Shri N. V. Gadgil: I cannot give it. It is much better that this question should be asked in the Madras Assembly.

Prof. N. G. Ranga: Is not it a fact that it was stated before that the investigation into all these projects were expected to be completed within the next five years and thereafter they could be undertaken?

The Honourable Shri N. V. Gadgil: Obviously my honourable friend is working under some misapprehension. There are two stages in each scheme: one stage is the investigation and the other is the construction. In order to have a good schedule through the next fifteen years, some projects are undertaken having regard to the financial position of the country and there are other projects whose investigation has to be completed, so that at any stage this country will not find itself unable to proceed with any project for want of complete investigation.

KRISHNA-PENNAH PROJECT

*200. **Prof. N. G. Ranga:** Will the Honourable Minister of Works, Mines and Power be pleased to state:

(a) how far the investigations on the Krishna-Pennar project have progressed;

(b) whether the estimates are ready;

(c) what the latest estimate of the cost of the project is;

(d) whether it is possible to undertake the project in parts; and

(e) whether any investigations are being carried on to extend the project by constructing the third canal through Korti Kanuma and Nallamales to benefit the Markapur and Curabum Taluks of Kurnool District and the upland areas of Guntur and Nellore Districts which are in the famine zone?

The Honourable Shri N. V. Gadgil: (a) to (e). The Krishna-Pennar project is under the administrative control of the Government of Madras, and as such the question can best be answered by that Government in the Provincial Legislative Assembly.

Shri M. Ananthasayanam Ayyangar: Are we to understand from the Honourable Minister that the Centre itself supervises no control over any of these big projects?

The Honourable Shri N. V. Gadgil: That is not the correct position. The position is that the Central Government gives such direction and assistance as is required by the Provincial Government concerned. When the project falls completely within the jurisdiction of any particular province, the responsibility of that project is with the Provincial Government.

Prof. N. G. Ranga: Are we to understand that the Central Government is really not taking any initiative or giving any direction in developing such projects as these with a view to improve the food situation in this country and also to minimise famine conditions?

The Honourable Shri N. V. Gadgil: The initiative is taken both by the Central Government and the Provincial Government concerned. In many cases, so far as big projects are concerned, the initiative is taken by the Central Government.

Shrimati G. Durgabai: May I know whether the Honourable Minister would think it desirable to have some kind of Central control over such multi-purpose projects?

Mr. Speaker: Order, order.

INTERNATIONAL TRADE POSITION OF INDIA

*201. **Prof. N. G. Ranga:** Will the Honourable Minister of Commerce be pleased to state:

(a) what the latest international trade position of India is;

(b) whether it has improved or worsened by the recent programme of encouraging both exports and imports;

(c) in what commodities the exports and imports have been speeded up and to what extent; and

(d) whether the duties on imports of luxuries have been enhanced and if so, on what commodities and to what extent?

The Honourable Shri H. C. Neogy: (a) Three statements showing (i) India's balance of trade, (ii) exports of Indian merchandise, and (iii) imports of foreign merchandise during April—November, 1948, with corresponding figures

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STATEMENT 1

India's balance of trade

(Value in rupees)

	Imports		Exports		Balance	
	April—October, 1947	April—October, 1948	April—October, 1947	April—October, 1948	April—October, 1947	April—October, 1948
Currency Areas					Excess exports+	Excess imports
Dollar Areas	80,98,16,610	97,12,09,237	56,61,96,930	57,59,01,654		
Hard Currency Areas	4,67,29,087	5,83,86,799	7,57,53,514	9,98,23,844		
Total of Dollar and Hard Currency Areas	85,65,45,697	1,02,95,96,036	64,19,50,444	67,57,25,498	-21,65,95,253	-5,38,70,588
Medium Currency Areas	6,38,39,004	3,60,84,071	62,32,372	67,62,684	-5,75,90,632	-2,93,22,007
Soft Currency Areas	1,46,27,67,992	1,90,09,44,602	1,54,18,00,860	1,69,88,77,907	+7,90,32,968	-20,20,66,695
Total of Medium and Soft Currency Areas	1,52,65,96,996	1,93,70,28,673	1,54,80,33,232	1,70,56,39,971	...	...

STATEMENT II
Exports of Indian Merchandise

(Value in Rs. lakhs)

1947

1948

Articles

	April	May	June	July	August	Sept.	Oct.	Novr.	Decr.	APRIL	MAY	JUNE	JULY	AUGUST	SEPT.	OCT.	NOV.	DECEMBER	
Total	391	374	323	304	450	693	643	3,030	643	3,030	300	300	435	518	500	600	3,476	3,476	
Tobacco	31	23	30	138	33	99	86	34	34	34	90	65	67	111	93	128	378	378	
Gum, resin and Lac	128	123	71	30	80	64	34	143	64	143	74	101	34	81	48	61	94	607	607
Skins and skins raw or dressed	74	104	71	55	40	34	53	634	61	634	84	44	44	41	47	48	81	360	360
Other Vegetable Mineral and Animal	48	64	35	99	80	87	134	80	80	80	104	92	80	98	97	48	54	340	340
Wool	10	47	31	78	26	33	119	53	408	156	117	30	35	28	47	44	49	434	434
Coarse raw wool	311	335	303	609	338	316	186	800	3,931	341	304	314	168	146	46	54	160	1,374	1,374
Fine raw and waste	138	800	307	79	136	136	131	261	1,287	300	300	347	316	160	80	128	68	1,871	1,871
Skins and skins raw or dressed and Leather	160	146	139	184	168	80	118	146	1,046	177	61	119	103	70	138	138	78	360	360
Coarse Yarns and Manufactures	131	100	100	800	-100	184	130	31	1,306	341	170	300	435	501	500	333	3,044	3,044	
Fine Yarns and Manufactures	538	977	1,938	738	1,000	1,431	1,001	7,001	967	1,073	1,310	1,434	1,643	1,343	1,091	1,036	10,100	10,100	
Others	656	654	678	654	526	307	379	649	1,306	690	477	690	700	610	565	690	615	4,649	4,649
GRAND TOTAL	3,310	3,665	3,633	3,317	3,800	3,340	3,304	13,199	3,304	13,199	3,000	3,000	3,638	3,800	3,430	3,326	3,644	37,403	37,403

*The cumulative figures take account of the revisions made in the monthly figures after they were published. The monthly figures given above are unrounded.

Feb. (1).—Figures from April to July 1947, are for individual months. (2) Figures from August 1947 onwards are for Indian Countries only except that they include the direct foreign trade of Ceylon. (3) Figures for the first fortnight of August 1947 and 48 are based on India's home-borne Trade with Pakistan upto September 1947. (4) Figures from April 1948 relate to the combined trade on private and Governmental accounts. (5) Trade of Egypt has been included from 1st June 1948.

STATEMENT III
Imports of Foreign Merchandise

(Value in Rs. Lakhs)

Articles	1947							1948							April to Novr. ^a	
	April	May	June	July	August	Sept.	Oct.	Novr. ^a	April	May	June	July	August	Sept.		Oct.	Novr.^{a}
Grain, pulse and flour	129	109	267	171	92	236	204	28	1,189	337	701	680	404	300	459	4,380
Oil, vegetable, mine- ral and animal.	182	332	481	402	237	332	433	2,354	345	342	226	344	270	233	303	2,354
Cotton raw and waste	475	192	295	255	244	255	142	244	452	546	509	513	497	278	421	3,261
Chemicals, drugs and medicines.	132	171	147	213	295	131	189	160	187	165	257	303	275	246	323	1,924
Cutlery, hardware and implements, etc.	133	268	153	323	207	189	309	169	89	164	95	112	125	129	135	887
Dyes and colours	137	133	96	151	122	132	197	25	119	127	163	217	164	131	76	1,121
Machinery of all kinds (including boring for machinery).	336	502	332	403	439	490	443	467	743	647	530	632	585	495	645	5,046
Metals—Iron and Steel and manufac- tures thereof	52	74	60	83	63	64	54	75	102	91	102	120	99	64	90	737
Metals other than Iron and Steel and manufactures thereof	142	118	147	153	119	152	63	192	110	143	292	252	209	145	219	1,373 ^b
Paper, paste-board and stationery.	152	165	160	176	139	138	73	88	89	89	55	60	115	106	132	669
Vehicles (excluding motorcycles, etc., for Railways).	169	243	196	277	221	211	202	225	231	265	237	166	247	279	272	1,998
Cotton Yarns and manufactures.	74	63	63	55	59	69	68	479	77	69	125	112	108	116	114	323
Others	1,149	1,337	1,127	1,269	1,151	856	764	766	604	669	790	845	926	901	1,024	6,323
GRAND TOTAL	2,249	2,719	2,505	2,933	2,306	2,951	2,956	2,973	4,322	2,575	4,057	4,390	2,925	2,514	4,222	30,987

^aThe cumulative figures take account of the revisions made in the monthly figures after they were published. The monthly figures given above are unrevised.

^b Figures from April to July 1947 are for undivided India. (3) Figures from August 1947 onward are for Indian Dominion only except that they include the direct foreign trade of Chittagong Port for the first fortnight of August, 1947 and do not include India's sea-borne trade with Pakistan up to November 1947. (4) Figures from April 1948 relate to the combined trade on private and Government account. (5) Trade of Kutch has been included from 1st June 1948.

STATEMENT IV

Export of principal commodities in which there have been an increase as compared to 1947

(Quantity in tons.)

Commodities	Jan.—Dec.	Jan.—Dec.	Increase as compared to 1947
	1947	1948 (Nov. and Dec. Provisional figures)	
Tobacco	14,287	19,425	5,138
Mica	9,657	17,923	8,266
Lao	26,568	26,842	270
Castor Oil	17,046	16,808	488
Groundnut Oil	24,621	30,441	5,820
Linseed Oil	10,498	9,972	1*
Groundnut Seed	20,542	55,242	34,700
Niger Seed	2,172	21,566	19,894
Cotton Piecegoods	22,426	30,775	8,349
Jute Manufactures	829,528	963,432	133,909

* Decreased by 531.

STATEMENT V

Imports of principal commodities in respect of which there has been increase in imports during April–November 1948, as compared with April–November 1947

Quantity

Articles	Unit	April—	April—	Increase in 1948 over 1947
		November 1947*	November 1948†	
Fish (excluding canned)	owt.	16,196	23,269	7,073
Grain, pulse and flour	Tons	4,42,560	11,50,981	7,08,621
Cloves	Owts.	52,042	1,29,418	77,376
Starch, dextrine and farina	"	4,31,191	5,06,911	75,720
Gums and resins	"	55,407	2,15,715	1,60,308
Hides and skins, raw	Tons	765	34,638	33,873
Petroleum dangerous flashing, below } 76 deg. F. including Petrol	Galls.	7,66,50,769	7,94,52,051	2,801,282
Cotton, raw	Tons..	78,679	84,979	6,300
Wool, raw	Lbs.	78,82,084	98,85,141	30,03,057
Cement	Tons	55,447	50,105	44,663
Calcium compounds	Owts.	52,196	55,217	3,021
Potassium compounds	"	19,143	40,825	21,682
Sodium Carbonates	"	8,165,438	34,76,871	16,61,333
Caustic soda	"	1,90,786	15,18,970	14,23,184
Sodium hydrosulphate.	"	50,861	64,967	14,106
Sulphur	"	4,51,558	5,46,111	94,553
Quinine salts	Lbs.	63,154	1,71,900	1,08,746
Gas engines (other than locomotives)	No.	28	71	43
Oil engines (other than for marine purposes)	"	6,407	8,874	2,467
Typewriters	"	14,873	20,245	5,433
Copper, excluding ore	Owts.	8,18,667	6,26,017	3,12,350
Iron or steel	Tons.	58,635	81,078	22,343
Lead (excluding ore)	Owts.	71,228	1,41,291	70,063
Tin	Owts.	2,259	12,038	9,769
Zinc or spelter	"	4,84,658	5,08,856	74,208
Rubber, raw	Lbs.	86,17,879	80,43,125	44,25,346
Salt	Tons.	2,33,801	2,52,873	13,573
Motor omnibuses, motor vans and lorries	No.	7,855	14,611	6,756
Cotton piecegoods	Yds.	1,59,93,684	2,18,25,521	58,31,837

* (i) Figures from April to July 1947 are for undivided India

(ii) Figures from August 1947 onwards are for Indian Dominion only except that they include the direct foreign trade of Chittagong Port for the first fortnight of August 1947, and do not include India's sea-borne Trade with Pakistan upto November 1947.

† (i) Figures from April 1948 relate to the combined trade on private and Government accounts.

(ii) Trade of Kutch has been included from 1st June 1948.

STATEMENT VI

Increase in Duty

Tariff Item 1	Nature of article 2	Extent of increase 3
22(2)	Ale, beer, porter, elder and other fermented liquors, etc.	25% <i>ad val.</i> on the previous existing duty.
22(4)	Spirits (other than denatured spirit).	25% <i>ad val.</i> on the previous existing duty.
24	Tobacco, manufactured, not otherwise specified.	Rs. 3-4-0 per lb. (<i>i.e.</i> , from Rs. 13 to Rs. 16-4-0 per lb.)
24(1)	Cigars	25% <i>ad val.</i> on the total duty chargeable (<i>i.e.</i> , from 30% <i>ad val.</i> plus Rs. 12-8-0 per lb. to 37½% <i>ad val.</i> Rs. 15-10-0 per lb.)
24(2)	Cigarettes	25% <i>ad val.</i> on the total duty chargeable (<i>i.e.</i> from 30% <i>ad val.</i> plus Rs. 31-4-0 per thousand or Rs. 12-8-0 per lb. whichever is higher to 37½% <i>ad val.</i> plus Rs. 39-1-0 per thousand or Rs. 16-10-0 per lb. whichever is higher).
24(3)	Tobacco, unmanufactured	Rs. 1-14-0 per lb. (<i>i.e.</i> from Rs. 7-8-0 per lb. to Rs. 9-6-0 per lb.)
28(14)	(a) Talcum powder, tooth powder, tooth paste, shaving soap and shaving cream. (b) Toilet requisites not otherwise specified.	<i>Nil.</i>
34(3)	Fireworks, not otherwise specified	25% <i>ad val.</i> (<i>i.e.</i> from 30% to 37½% <i>ad val.</i>).
48	Fabrics, not otherwise specified, containing more than 90% of silk including such fabrics embroidered with artificial silk.	25% <i>ad val.</i> on the previous existing duty.
48(1)	Fabrics, not otherwise specified containing more than 90% artificial silk.	Ditto
48(4)	Fabrics, not otherwise specified containing more than 10% and not more than 90% of silk, etc.	Ditto
48(6)	Fabrics, not otherwise specified, containing not more than 10% silk but more than 10% and not more than 90% artificial silk	Ditto
48(10)	Fabrics containing gold or silver thread	25% <i>ad val.</i> (<i>i.e.</i> from 60% to 75% <i>ad val.</i>)
49	Textile manufactures (specified articles like bed sheets, table cloths etc.)	If the goods contain not less than 50% of silk or artificial or of both. { 25% <i>ad val.</i> of the previous existing duty.
51	Socks and stockings made wholly or mainly from silk or artificial silk.	25% <i>ad val.</i> (<i>i.e.</i> , from 60% to 75% <i>ad val.</i>).
61(6)	Articles, other than cutlery and surgical instruments, plated with gold silver.	25% <i>ad val.</i> (<i>i.e.</i> , from 60% to 75% <i>ad val.</i>)

1	2	3
61(9)	Cutlery plated with gold or silver	25% <i>ad val.</i> (i.e., from 60% to 75% <i>ad val.</i>)
76(1)	Motor cars including taxi-cabs etc.	20% <i>ad val.</i> standard rate (i.e., from 50% to 60% <i>ad val.</i>) and approximately 27.1% <i>ad val.</i> on imports from U.K. (i.e., from 42½% to 54% <i>ad val.</i>)
82(1)	Ivory, manufactured, not otherwise specified.	25% <i>ad val.</i> (i.e., from 60% to 75% <i>ad val.</i>)
84	Toys, games, playing cards and requisites for games and sports, etc.	25% <i>ad val.</i> (i.e., from 60% to 75% <i>ad val.</i>)
85(1)	Smokers' requisites excluding tobacco and matches.	25% <i>ad val.</i> (i.e., from 60% to 75% <i>ad val.</i>)

Shri H. V. Kamath: With reference to part (d) of the question, what were the reasons that motivated Government to exclude cosmetics from the category of luxury goods for the purpose of enhanced taxation?

The Honourable Shri K. O. Neogy: I think Government might claim some kind of credit for that!

Shri H. V. Kamath: What were the reasons? Why does not Government consider cosmetics luxury goods?

The Honourable Shri K. O. Neogy: It is a matter of opinion. The honourable member may hold one view and others may hold another.

Shri B. Das: Will the Honourable Minister kindly review the statements laid on the table and state to the House what have been . . .

Mr. Speaker: The Honourable Minister need not answer that.

The Honourable Shri K. O. Neogy: The figures are of such detailed character and the subject matter is of such great importance that I should not like to make any statement until and unless honourable members have studied these statements and there is a better opportunity afforded to the House for a general discussion on this issue.

Shri T. T. Krishnamachari: In regard to the answer to part (d), may I know whether this idea of raising the duty on imports of luxuries has been motivated by the fact that the Government do not want luxuries to be brought into the country, or is it that they want increased revenue?

The Honourable Shri K. O. Neogy: The step was taken mainly for the purpose of countering inflation, and this method is a recognised way of countering inflation: that is to say, freeing as far as possible the importation of such articles and at the same time raising the import duty to a high figure.

Prof. M. G. Ranga: In view of the fact that suggestions were made in this House that the State should explore all possibilities for managing the export trade from this country itself, have Government made any progress in consideration of that suggestion?

The Honourable Shri K. O. Neogy: Well, the matter is under examination.

Shri T. T. Krishnamachari: Is the Honourable Minister in a position to state that the imports of luxuries have dropped since the duties were increased?

The Honourable Shri K. O. Neogy: That may be so.

Shri T. T. Krishnamachari: Is he examining the position?

The Honourable Shri K. O. Neogy: I should like to have notice of that question.

SETTING UP OF A NEW SHIP-BUILDING YARD

*202. Prof. N. G. Ranga: (a) Will the Honourable Minister of Commerce be pleased to state whether Government have decided upon starting a third Shipping Company and if so, on what terms of partnership with private capital?

(b) Where do Government propose to have their ship-building yard?

(c) Through whom do they propose to have it constructed, departmental agencies or contractors?

The Honourable Shri K. C. Neogy: (a) No, Sir. No decision has so far been taken to start a Third Shipping Company.

(b) and (c). These parts of the question relate to a matter that pertains to the portfolio of my Honourable colleague, the Industry and Supply Minister and should be addressed to him.

Shri H. V. Kamath: What action has Government taken so far on the report of the Reconstruction Policy Committee which submitted its recommendations sometime in 1947?

The Honourable Shri K. C. Neogy: This very idea is the principal result of the recommendations of that Committee namely the idea of having three shipping corporations for carrying on overseas trade.

Shri H. V. Kamath: How much additional tonnage have we acquired or built since the Interim Government came into office in 1946?

The Honourable Shri K. C. Neogy: I am afraid I should like to have notice of that question.

VOCATIONAL TRAINING CENTRES FOR REFUGEES

*203. Dr. V. Subramaniam: (a) Will the Honourable Minister of Relief and Rehabilitation be pleased to state the number and nature of vocational training centres opened for giving training to refugees as artisans and the number of refugees trained till now at Delhi?

(b) How many persons were given employment after the training period?

The Honourable Shri Mohan Lal Saxena: (a) There are five Training Centres in Delhi for imparting technical and vocational training to refugees. 462 trainees passed out of these centres up to the 31st December, 1948. A statement showing the trades in which training is imparted is placed on the table of the House. There are also nine Work and Relief Centres working under the Women's Section of the Ministry of Relief and Rehabilitation. The number of trainees is 1,200 and wage earners 2,072. Training in tailoring, hand and machine embroidery, knitting is given at these Centres. There is also an apprenticeship training scheme under which suitable refugees are taken on as apprentices in factories and given training in production work. At the end of December, 1948, there were 247 such apprentices in different factories in Delhi.

(b) 206 trainees were given employment.

STATEMENT

*Trades in which training is imparted**Trades for men—*

- Blacksmithy.
- Bricklaying.
- Carpentry.
- Machining.
- Draughtmanship.
- Fitting.
- Turning.
- Plumbing.

Motor mechanism.

Concreting.

Welding.

Tin and coppersmithy, etc.

Weaving of cotton and silk fabrics.

Carpet weaving.

Bleaching and dyeing.

Calico printing.

Cutting and tailoring.

Wood carving.

Toy making.

Basketry.

Footwear manufacture.

Soap and chemical making.

Fitter Shop.

Painting.

Foundry.

Masonry.

Motor mechanics.

Bakery.

Confectionery.

Trades for women—

Stenography.

Tailoring.

Calico printing.

Embroidery.

Knitting.

Weaving.

Soap making.

Basket making and willow work.

Shri Deahbandhu Gupta: May I ask the Honourable Minister whether his attention has been drawn to the system followed in the United States of America for vocational training and where several millions of demobilised soldiers have been given vocational training and where these institutions are self-supporting?

Mr. Speaker: This is more giving information than asking! Next question.

ORGANISATIONS DOING REFUGEE RELIEF WORK.

*204. **Dr. V. Subramaniam:** (a) Will the Honourable Minister of Relief and Rehabilitation be pleased to state the number of organisations which do relief work for refugees?

(b) Are Government aware that there is no co-ordination between the private organisations and the Government's relief machinery?

(c) Are Government aware that Government contractors are exploiting refugee labourers by paying low wages for their work especially in the manufacture of Rajayees, Police uniforms, etc.?

(d) Is it a fact that the Government of India prefer giving contracts to private people for making Police uniforms, military dress, etc. to giving such contracts to relief associations even though they promise to execute the work satisfactorily?

(e) Do Government propose to help the relief associations by giving them such contracts?

The Honourable Shri Mohan Lal Saxena: (a) In areas under the administration of the Central Government the following are four of the organisations assisting in the relief of refugees: (i) United Council for Relief and Welfare, (ii) Marwari Relief Society, (iii) Central Relief Committee, and (iv) Congress Seva Dal.

Information regarding similar organisations in the Provinces and States has been called for.

(b) No.

(c) Government are not aware of the fact and will be grateful to the honourable member for such information as he can supply. All these contracts excepting those executed by the Vocational Training Centres and the Women Section of the Ministry of Relief and Rehabilitation and by the Central Relief Committee and Provincial Governments were placed through the Directorate-General of Industries and Supplies, in accordance with the procedure followed by the Government in obtaining such supplies.

(d) No.

(e) Yes; whenever there is a reasonable chance of the contracts being executed satisfactorily.

BREACH OF INDO-PAKISTAN AGREEMENTS.

*205. **Seth Govind Das:** (a) Will the Honourable the Prime Minister be pleased to state how many Inter-Dominion agreements have been entered into so far with Pakistan?

(b) How many such agreements or different items of such agreements are alleged to have been broken by either party?

(c) What is the total amount spent by India so far for such Inter-Dominion conferences?

The Honourable Shri N. Gopalaswami Ayyangar (Minister for Railways and Transport): (a) and (b). A statement showing the Inter-Dominion Agreements entered into with Pakistan and whether or not violations of these agreements have been alleged by either side is placed on the table of the House.

(c) The Conferences were arranged by different Ministries over a period of more than a year, and expenditure was mostly on account of the travelling allowances of representatives, official and non-official, who participated in these Conferences on behalf of the Government of India. I am afraid it is not possible to give the exact amount without very detailed enquiries.

STATEMENT

Showing the Inter-Dominion agreements entered into with Pakistan, and whether or not violations there of have been alleged.

Inter-Dominion agreements	Whether violations have been alleged or not.
1. Agreement reached in December 1947 on matters relating to refugees.	Yes.
2. Agreement reached in January 1948 on food supplies	No.
Agreement reached in March 1948 on food supplies.	No.
Agreement reached in March 1948 regarding recovery of abducted women, exchange of prisoners and other matters relating to refugees.	Yes.

- | | |
|---|--|
| 5. Agreement dated 31st March, 1948 in regard to modifications in the monetary agreement between India and Pakistan. | No. |
| 6. Agreement reached at Calcutta in April 1948 on all issues outstanding at that time between the two Dominions, particularly in regard to measures for stopping the flow of refugees from East Bengal to West Bengal and vice versa. | Yes. |
| 7. Reciprocal agreement for furnishing details of Government servants arrested in either Dominion. | No violations have come to Notice. |
| 8. Agreement reached in May, 1948 on canal water dispute between East and West Punjab. | There have actually been no breaches by either Government though there has been difference of opinion about the interpretation of some of the clauses of the Agreement. |
| 9. Agreement reached in May 1948 on postal and telegraph rates. | No. |
| 10. Agreement reached in May 1948 at officers level Conference regarding outstanding financial matters. | No. |
| 11. Agreement reached at Karachi in May 1948 on mutual supply of essential commodities required by one from the other and further agreements on clarification and arrangements for fulfilment thereof entered into in October 1948 and November 1948. | No breach of the agreement by Pakistan has come to notice but Pakistan invoked the escape clause for its failure to supply the agreed quantity of food-grains owing to floods. |
| 12. Agreement dated 30th June, 1948 relating to payments between the two Dominions. | No. |
| 13. Bilateral agreement reached in June 1948 on air transport. | No. |
| 14. Agreement reached in July 1948 regarding evacuees property. | Yes. |
| 15. Agreement reached in July 1948 on food supplies. | Owing to floods, Pakistan found itself unable to supply in full the quantity of food grains agreed to by her. |
| 16. Agreement on recovery of abducted women reached in September 1948 and modified further in November 1948. | No. |
| 17. Agreement reached in November 1948 at Officers level Conference regarding outstanding financial matters. | No. |
| 18. Agreement reached at New Delhi in December 1948 on all outstanding issues between the two Dominions, political, economic, financial, boundary disputes, partition matters, division of stores, etc. | No. |
| 19. Karachi (January 49) agreement regarding evacuees' property and other issues arising out of the agreement reached in December, 1948. | No. |

Seth Govind Das: With reference to part (b) of the question, is it not a fact that most of the breaches of these agreements were made by the Pakistan Government and not by us?

The Honourable Shri N. Gopalaswami Ayyangar: It is rather difficult to assess the quantum of breaches on either side. Certain breaches have been alleged against Pakistan and certain other breaches have been alleged against us by Pakistan.

Seth Govind Das: Is it not a fact that the majority of those breaches were made by Pakistan?

Mr. Speaker: Order, order. The honourable member might study the statement.

Shri R. K. Sidhva: Last week the Honourable Minister gave an answer to one of the questions regarding a press note issued by the Pakistan Government in connection with the violation of one of the agreements, that the matter has

been referred to the Pakistan Government and the reply was awaited. May I know whether the reply has since been received?

The Honourable Shri N. Gopalaswami Ayyangar: So far as I know, it has not yet been received.

Shri B. K. Sidhva: What steps do Government intend to take to have the matter expeditiously disposed of?

Mr. Speaker: Further representations will, I suppose, be made.

The Honourable Shri N. Gopalaswami Ayyangar: We will press them to send a reply as early as possible.

NEGOTIATIONS WITH CEYLON RE-RIGHTS OF INDIANS

*206. **Seth Govind Das:** (a) Will the Honourable the Prime Minister be pleased to state what is the latest arrangement agreed upon by the Governments of India and Ceylon on the question of rights and privileges of Indians living in Ceylon, in view of the two Bills passed in Ceylon affecting Indians living there?

(b) Is it a fact that the Government of India are still carrying on negotiations with the Government of Ceylon on this question?

(c) If the answer to part (b) above be in the affirmative, what is the result of such negotiations?

Dr. B. V. Keskar (Deputy Minister for External Affairs and Commonwealth Relations): (a) The citizenship rights for Indians resident in Ceylon will be governed by the provisions of (i) the Ceylon Citizenship Act, No. 18 of 1948 and (ii) the Indian Residents (Citizenship) Bill which is now before the Ceylon Parliament. The Act and the Bill appear respectively as Annexures III and II to the published correspondence on the subject between the Governments of India and Ceylon. Copies of this correspondence have been supplied to all honourable members of this House. It will be seen from the published correspondence that the Government of India have not been able to agree with several important provisions in the Ceylon legislation.

(b) and (c). No negotiations on this subject are at present being carried on between the Government of India and the Government of Ceylon.

Seth Govind Das: Is it not a fact that some of our labourers who are working in Ceylon want to be repatriated to India?

Dr. B. V. Keskar: Some might want to be repatriated.

Seth Govind Das: Have the Government of India received any such applications recently?

Dr. B. V. Keskar: I will make enquiries.

RECORDS OF SERVICE OF REFUGEE GOVERNMENT OFFICIALS

†*207. **Giani Gurmukh Singh Musafir:** (a) Will the Honourable Minister of Relief and Rehabilitation be pleased to state whether Government are aware that the Government of Pakistan in spite of repeated requests by the heads of Departments in the Indian Dominion, calling for the records of service of absorbed Refugee Government Officials, have not been supplying any records, especially those of Sikh Government Officials?

(b) If so, do Government propose to take steps to get the service records, General Provident Funds and other due emoluments of the Government Officials from Pakistan now absorbed temporarily in services in the Indian Dominion.

†Answer to this question laid on the table, the questioner being absent.

The Honourable Shri Mohan Lal Saksena: (a) Yes.

(b) Yes, action is being taken under the Agreement recently reached with the Pakistan Government for the exchange of records and payment of dues such as pay, leave allowances and provident funds etc. of Government officials who have come to the Indian Dominion.

PARTITION OF ASSETS OF CO-OPERATIVE BANKS BETWEEN INDIA AND PAKISTAN

***208. Sardar Bhopinder Singh Man:** (a) Will the Honourable Minister, of Relief and Rehabilitation be pleased to state the decisions arrived at between Pakistan and India regarding the partition of the assets of Co-operative Banks?

(b) What is the total amount of money left behind by Hindus and Sikhs in West Punjab Co-operative Banks and the amount left by Muslims in East Punjab Co-operative Banks?

(c) Is it a fact that so far no payment has been made by the Co-operative Banks to any Hindu or Sikh depositor who has come from Pakistan and if so, why?

The Honourable Shri Mohan Lal Saksena: (a) Some details of the issues involved have been worked out and the matter is now being taken up with the Pakistan Government.

(b) The total amount left by Hindus and Sikhs in West Punjab Co-operative Banks is Rs. 8,54,54,746 against corresponding amount of Rs. 1,29,90,387 left by Muslims in East Punjab. In addition claims of Hindus and Sikhs against West Punjab to the extent of Rs. 75 Lakhs have yet to be verified.

(c) Yes.

Sardar Bhopinder Singh Man: Is it a fact that the Punjab Co-operative Bank now in Pakistan has got certain securities deposited with the Reserve Bank of India? If so, what is the amount?

The Honourable Shri Mohan Lal Saksena: I will require notice of that question.

Sardar Bhopinder Singh Man: In case there are certain such securities do Government propose to utilise them or withhold them, unless the Pakistan Government allowed the West Punjab Co-operative Banks to pay the money to their Hindu and Sikh depositors?

Mr. Speaker: It would be hypothetical at this stage.

IMPORT OF PLASTIC MATERIALS

***209. Shri B. P. Jhunjhunwala:** (a) Will the Honourable Minister of Commerce be pleased to state the policy of Government with regard to the import of plastic material, (i) raw product, e.g., plastic sheets, etc. and (ii) manufactured goods?

(b) Have Government examined the comparative prices of imported raw materials and imported manufactured goods?

(c) What is the difference between the price of imported manufactured plastic goods and that of indigenous manufactured plastic goods?

(d) What is the total quantity of plastic materials imported (i) raw materials and (ii) manufactured materials—and what is their value (under two separate heads)?

The Honourable Shri K. O. Neogy: (a) With regard to the Raw Product, such as moulding powders, plastic sheets, rods, etc., licences for imports from the U.S.A. and other hard currency countries were granted to regular importers on the basis of their past imports and to actual users on the basis of their requirements. Import of these goods from the U. K. and other soft currency

countries are covered by Open General Licence No. XI and no licences are required for their import from those countries. Imports from Switzerland shipped up to 31st January 1949 and from Japan shipped upto 31st March 1949, will not also require a licence as they are covered by the Open General Licence Nos. XII and XIII respectively.

As regards Plastic manufactures like plastic belting, straps, plastic shades, ashtrays, wallets, handbags, etc., no licences are being granted for importation from the U.S.A. and other hard currency countries. Licences for importation from U. K. and other soft currency countries are being granted on a restricted basis. Electrical accessories including those made of plastic material are, however, on Open General Licence for Soft Currency areas, whereas they are prohibited for imports from dollar and hard currency areas.

(b) Yes.

(c) Generally speaking, the prices of the indigenous articles are about the same as those of the imported goods, but the finish of the indigenous manufactures is often of a lower standard.

(d) Figures in quantity, are not available. I lay on the table a statement showing the figures in value, which are available, of the imports made in the five years from 1944-45 to 1948-49.

Statement showing the figures in value of import of Plastic materials (i) Raw and manufactured, under two separate heads for the five years from 1944-45 to 1948-49.

(Figures in Rs. 000.)

Description.	1944-45	1945-46	1946-47	1947-48	1948-49	Remarks
<i>Plastic material.</i>						The figures relate to imports made at Bombay. The import figures at other ports are not available.
(i) Raw	...	...	25	...	...
(ii) Manufactured.	34	331	17,80	25,05	398	
					(upto November 1946 only)	

Shri B. P. Jhunjhunwala: What is the criterion on the basis of which quantitative restriction is imposed by the Government on imported manufactured goods?

The Honourable Shri K. C. Neogy: Will the honourable member refer to the particular point in my own reply? Is it a general question, or is it with reference to plastic goods?

Shri B. P. Jhunjhunwala: My question is regarding plastic goods. The Honourable Minister has stated that restrictions are put on the importation of manufactured goods from the sterling areas. What is the criterion on which this restriction is put?

The Honourable Shri K. C. Neogy: The restriction is mainly determined by the availability of the required article in India out of local manufacture. This is the principal consideration.

Shri T. T. Krishnamachari: May I know whether there has been any examination of this question, whether the matter has been referred to the

Tariff Board to determine if the industry needs protection and if protection should be given to this industry?

The Honourable Shri K. O. Neogy: That is so. The whole question of the plastic industry is being examined by the Tariff Board at the moment.

Shri T. T. Krishnamachari: Am I to understand that this quantitative restriction on goods from the sterling area is a temporary arrangement?

The Honourable Shri K. O. Neogy: It is not intended to operate as a protective measure at all, temporary or otherwise.

Shri T. T. Krishnamachari: What is the idea really behind this quantitative restriction?

The Honourable Shri K. O. Neogy: The idea is conservation of our foreign exchange as far as possible, that is to say, we are not expected to utilise our foreign exchange for the purpose of importation of articles which can be had within the country out of local manufacture in sufficient quantities.

INFLUX OF REFUGEES FROM PAKISTAN

***210. Shri B. P. Jhunjhunwala:** Will the Honourable Minister of Relief and Rehabilitation be pleased to state:

(a) the total influx of population from Pakistan, (i) Eastern Pakistan and (ii) Western Pakistan, into India till 31st December 1948; and

(b) the financial burden of such influx on the Public Exchequer till that date?

The Honourable Shri Mohan Lal Saksena: (a) The honourable member is referred to the reply given by me to part (a) of Starred Question No. 90 by Shri Biswanath Das on the 8rd February, 1949.

(b) The total expenditure so far reported on relief and rehabilitation is about 2168 lakhs.

OBJECTIONS BY WHISKY MANUFACTURERS ASSOCIATION, LONDON FOR PLACING ORDERS WITH MR. BUTLER

***211. Shri Lakshminarayana Sahu:** (a) Will the Honourable the Prime Minister be pleased to state whether it is a fact that the High Commissioner for India in the U.K., placed an order for whisky for the Indian Army with one Mr. Butler?

(b) If so, is it a fact that the Whisky Manufacturers Association represented the matter to the Director General of Supply in India Office in London and asked the reason for giving higher rates for whisky than the market price prevailing in London?

(c) Did they state that if this contract were given to Mr. Butler, the Association would refuse to supply whisky in future to the Indian Army?

(d) What action did the High Commissioner in consequence take in respect of the said contract?

Dr. B. V. Keskar (Deputy Minister for External Affairs and Commonwealth Relations): (a) to (d). No order for whisky was placed with anyone of the name of Butler. The transaction was a normal one conducted on behalf of the Defence Ministry through normal channels. An order for the supply of whisky was placed, in accordance with the prescribed rules for the placing of Government contracts, with H. Bensons Ltd. The High Commissioner's attention being drawn to it, he succeeded later, through the good offices of the Scotch Whisky Association, who are not traders but an association

controlling the market, in securing the entire supply at a lower price. This effected a saving of approximately £8,000. Legal opinion was received that the contract with Bensons having been completed, could not be terminated. The matter was thereupon compromised by the payment of £400 to Bensons Ltd., which was the amount actually expended by them in their attempts to secure supplies. Even so, there was a net saving to Government of nearly £5,600.

Shri H. V. Kamath: Are all our purchases there made through the Director-General of Stores and Supply in the India Office?

Dr. B. V. Keskar: There is a fixed procedure for securing such supplies and that procedure was followed in this instance also.

Shri H. V. Kamath: Who is the purchasing agent with the Government of India in England?

Dr. B. V. Keskar: I require notice of that question.

Shri H. V. Kamath: Is he a Britisher?

The Honourable Shri Jawaharlal Nehru: No, Sir.

Shri H. V. Kamath: Has the Honourable the Prime Minister's attention been drawn to the latest statement of Shri Sarat Chandra Bose wherein he says that the purchasing agent with the Government of India in England is one Mr. Cleminson who had appointed on behalf of the Government of India one Mr. Potter as official broker; and may I know whether it is true that purchases which are made through the Director General of Stores are in actual fact only nominally so made?

The Honourable Shri Jawaharlal Nehru: As a matter of fact I ventured to give a reply to most of the points raised by the honourable member a few days ago in answer to a question. With regard to the further statement purporting to come from Mr. Sarat Chandra Bose I can only regret that statements are made which have extraordinarily little relation to facts. It amazes me that any person who in the faintest degree considers himself responsible should make such statements without the slightest reference to anybody. Mr. Sarat Chandra Bose was in London and on arrival in India he did not try even to verify the statements which he had made: on arrival in India he did not try to put himself in touch with anybody and find out whether his statements were correct or not. He could have done that. In fact most of the statements that he has made are, like this present one, incorrect and completely baseless.

• May I inform the House in this connection that India House in London is a very big organisation which not only carries out its old functions such as they were but carries on all the functions of India Office which ceased to exist and which were transferred to India House. Further, now—since the last year and half—it is on a par with one of our principal Embassies. It carries on, in addition to its own functions, the old functions of the India Office which are still continued, as well as diplomatic and consular functions, with the result it is a very big establishment now. Many of the people employed there have been employed previously, that is from the previous regime. Some have come over from India Office—old hands with fifteen or twenty years service. What we have attempted to do is naturally to change the heads of departments and the principal officers, and we have succeeded in doing that. The heads of departments and principal officers, I believe, are Indian now. Most of the English staff are clerical staff and the lower staff. Even in regard to those it is our ceaseless attempt to change them. But may

I mention to the House one or two matters in this connection? First of all it is not a particularly easy matter to send there large numbers of clerks from India for the clerical work. Apart from the expense involved it is not easy to find suitable men—suitable not from the point of view of competence of doing the work; that we will find no doubt—but suitable from the point of view of being able easily to fit in there. This is a difficulty not only for the clerks themselves but even greater for their families. We cannot send them for long periods without the families also being sent. So it is not an easy matter. But we are sending them more and more. Many fit in; many do not fit in and we have to bring them back. All these difficulties have to be considered. As a matter of fact a large number of people employed there—old employees—have been replaced by Indians who have been sent there. But, as I said, we have started at the top and we have succeeded in that. We now propose as an efficiency measure, which may also of course bring about economy to overhaul the whole staff with the help of the High Commissioner there and with the help of some officer sent from here, so that we can make the working more efficient than it is at present. My own personal experience of its work during the last two or three years as a result of watching it from here and also during my last visit to England was that there has been a great improvement in the efficiency of the work there generally speaking and a general co-ordination of an extraordinarily complicated structure.

Shri M. Ananthasayanam Ayyangar: May I know what are the more important India Office functions which still continue after the Independence Act was passed?

The Honourable Shri Jawaharlal Nehru: Mostly pensions etc.—payments of that type which are pretty extensive.

Srijut Rohini Kumar Chaudhuri: May I ask for whom this whisky is intended? Is it for the entire Indian Army or for non-Indian officers of the Army?

Dr. B. V. Keekar: That question should be addressed to the Defence Department.

The Honourable Shri Jawaharlal Nehru: No, no. I will answer it. I regret the habit to refer questioners to other Departments. In so far as we can we should answer the questions. If there is anything that remains it can be asked from the other Department.

With regard to the present question, it is meant for the Indian Army, both Indian and non-Indian.

Shri B. Das: Has the Honourable the Prime Minister examined with the help of the Honourable Minister for Industry and Supply the files dealing with the scope of purchases in London, and has he also come to know that there are various cases where the High Commissioner in London has himself taken personal interest in the placing of orders, which was not the practice even with the former Government which the Honourable the Prime Minister has succeeded?

The Honourable Shri Jawaharlal Nehru: I do not know which matters the honourable member is referring to. If it is relating to this whisky . . .

Shri B. Das: Not about whisky.

The Honourable Shri Jawaharlal Nehru: How can I answer about odd questions. In this particular matter, because this question was put we took

special interest and we found that the High Commissioner knew nothing about it till he was directly approached by the Defence Ministry to intervene and help them.

Mr. Tajamul Husain: Do Government propose to take action against those people who make false and reckless statements against Government, and if not, why not?

The Honourable Shri Jawaharlal Nehru: We will have to have a separate Ministry for that.

Mr. Speaker: The question hour is over.

(b) WRITTEN ANSWERS.

GAZETTED OFFICERS IN AND WORKING OF LABOUR BUREAU

*212. **Shrimati Dakshayani Velayudhan:** Will the Honourable Minister of Labour be pleased to state:

- (a) the number of Gazetted Officers in the Labour Bureau; and
- (b) the nature of the work of the Bureau?

The Honourable Shri N. V. Gadgil (Minister for Works, Mines and Power):

(a) Seven.

(b) The Labour Bureau is responsible for (i) collection and compilation of statistics under various Labour Acts (ii) conduct of research into specific labour problems with a view to furnishing data required by Government for the formulation of policy and (iii) publication of intelligence regarding labour matters through the media of a monthly Labour Gazette, Labour Year Books monographs, etc.

FOREIGN INSURANCE COMPANIES

*213. **Dr. P. S. Deshmukh:** (a) Will the Honourable Minister of Commerce be pleased to state the number of foreign Insurance Companies carrying on business in India?

(b) Are there any restrictions placed upon such Companies?

(c) If so, what are they?

(d) Have Government information regarding the extent of business done by Indian Insurance Companies in foreign countries?

The Honourable Shri K. C. Neogy: (a.) 107.

(b) and (c). There are no restrictions placed upon such companies other than those provided for in the Insurance Act, 1938. I would invite special attention to the following: (i) Section 27(2) which requires investments in Government and approved securities to cover the full adjusted life policy liabilities in India; (ii) Section 27(4) which requires that these investments should be kept in trust in India; (iii) Section 62 which empowers the Government of India to impose such further special requirements as may be considered necessary having regard to the treatment meted out in the country outside India in which the non-Indian Company may be incorporated to Indian companies carrying on insurance business there; and (iv) Section 64 which requires the books of account and registers of such companies to be maintained at the company's principal office in India.

(d) Yes. I lay on the table a statement giving the requisite information.

STATEMENT

The figures for 1947 are as follows

(excluding those relating to Pakistan) :—

(i) Life business (1) affected in 1947 and (2) in force on 31st December 1947.

Number of Policies		Suminsured including Bonuses		Annual Premium income	
New (1)	Total (2)	New (1)	Total (2)	New (1)	Total (2)
16,500	840	5.51 crores.	25.35 crores.	35 crores.	1.43 crores.

- (i) Fire Insurance Net Premium in 1947 Rs. 1.50 crores.
 (iii) Marine " " " " 0.46 crores.
 (iv) Misc. " " " " 0.16 crores.

RECIPROCAL RIGHTS FOR INDIANS TO DO BUSINESS IN FOREIGN COUNTRIES

*214. Dr. P. S. Deahmukh: (a) Will the Honourable Minister of Commerce be pleased to state whether we have secured any reciprocal rights of doing business in any foreign countries whose nationals are being permitted to do business in India?

(b) Has this matter been recently examined?

(c) If so, what are the conclusions reached in this matter?

The Honourable Shri K. C. Neogy: (a) to (c). I would invite the honourable member's attention in this connection to his starred question No. 230 answered by my predecessor on the 11th February 1948, regarding the facilities offered to Indians in foreign countries for the opening of and establishment of commercial concerns. The information so far collected from our Embassies and Trade Commissioners abroad regarding the restrictions placed on Indian businessmen setting up business concerns in foreign countries, is laid on the table of the House. This information reveals that some foreign Governments have imposed certain restrictions, and the question of removing these disabilities is now engaging Government's attention, particularly having regard to the fact that no restrictions have so far been imposed on any foreigner carrying on lawful trade or business in this country.

Statement showing the restrictions on the activities of the Indians engaged in trade and commerce in the countries abroad

COUNTRIES AND THEIR RESTRICTIONS ON THE ACTIVITIES OF FOREIGN BUSINESSMEN

France.—There are no restrictions on the activities of Indian traders as such but all foreign nationals are subject to the following regulations in trade matters:

- (i) They have to secure businessman's identity card which specifies the profession or profession chosen, the Department, or Departments where they can do business and their rights and obligations in the conduction of their business. They cannot engage in any commerce or trade other than that specified in the card or outside the territorial limits indicated therein.

- (ii) The businessman's identity card cannot be issued to them, except in exceptional cases, unless they have received authorisation to reside in France and are not in that country only temporarily or without an identity card. It is also not issued to those who have declared that they have come to that country for a reason other than that of engaging in trade.
- (iii) The businessman's identity card can be withdrawn if false reasons have been given to obtain it or if the holder is declared bankrupt or condemned for crime, without prejudice to any expulsion order which may be served on him.
- (iv) The identity card prescribed for (a) partners held jointly and severally responsible for the company's debts, (b) presidents of board of directors of a limited company, (c) administrators of limited companies, (d) persons managing a branch or agency is the businessman's identity card. A managing director is considered a businessman only if he is the chairman of the board of directors and in such cases he must hold a businessman's identity card. In the case of general director or administrator the identity card should bear the mention of president or administrator as the case may be. If the businessman in question already possesses a foreign businessman's card "no purpose is served", i.e., he must obtain the identity card prescribed for a general director or administrator in addition.
- (v) The fact that an alien has been residing in that country for a great many years does not dispense him with securing the businessman's identity card in order to operate a business.
- (vi) Business undertakings relating to road transportation, travel agencies, wheat trade and especially canvassing (bank canvassing) are closed to foreigners. Employment of alien workers is permitted only upto the prescribed percentage for the profession. Alien workers have to obtain worker's permit.

It may be added that the French Law provides that aliens wishing to exercise a commercial or industrial occupation will be accorded the same treatment as that in force for Frenchmen of the same profession in their respective country.

United States of America.—The principal and real disadvantage from which the Indian businessmen there actually suffer and from which all their present disabilities evidently accrue arises from their insecure status under the immigration laws of that country. The Indian businessmen established in or visiting that country do not have the same status as the American businessmen established in or visiting India have, i.e., they are not allowed to stay there as long as they wish or their business demands. Indians desirous of acquiring technological training in the U. S. industry, private firms and business as private individuals are not permitted to stay there for a period necessary for them to learn and acquire the desired technological experience and training for their chosen vocation. Even those who are now eligible for U. S. citizenship are not, in a commercial sense, treated on equal terms with the businessmen of many other countries. The following disabilities also attaching to other aliens apply to Indians in addition :

- (i) In the establishment of the corporate form of business it is required that of the minimum number of three directors at least one must be a U. S. citizen and resident of the particular state.
- (ii) The non-resident alien who is not engaged in business in the United States but derives an income from sources in that country of \$ 15,400 or less is taxed at the rate of 30 per cent. thereof and is given a personal exemption of \$ 500 only so that he pays a higher rate of income-tax than a resident alien or a citizen. Residence is a matter of intention but where the alien is under compulsion of leaving the country upon the expiration of his visa period he is regarded as a non-resident, at least for purposes of income-tax.

United Kingdom.—There is no anti-Indian legislation, regulation or notification in that country, but apparently they are subjected to the restrictions that apply to other foreigners in U. K., though this has not been definitely stated by the Trade Commissioner.

South American countries and Argentine.—There are financial restrictions governing the entry of foreign money and controls and the movement of funds, and remittances of profits and dividends. There has also been a proposal to compel employment of Argentine nationals as clerical staff but no orders to this effect have yet been issued.

Uruguay.—There is no discrimination against foreign nationals.

Venezuela.—In general terms, the Constitution guarantees to foreigners resident there, without prejudice to inter-national agreements, equal rights as nationals of that country. Restrictions may, however, be imposed upon the exercise of the rights enjoyed by all foreigners, or by a certain class thereof, whenever called for by grave reasons of internal or external security, or of public health and welfare. As far as immigration is concerned, no persons are accepted except those of the white races. Foreigners wishing to enter that

country must apply for a permit from the Ministry of Foreign Affairs (in Caracas), giving certain particulars including those relating to professional activities and capital or means of livelihood.

Honduras.—Foreign firms desirous of establishing branches in Honduras have to submit for record in the Register, maintained for private traders and firms or companies, recognition of their legal status and certificate of the Honduranian Consul as to their constitution and authorisation under the laws of their respective countries, in addition to the particulars required from Honduranian nationals.

Bolivia.—There are no restrictions other than those applicable to Bolivians themselves.

Panama.—There are no discriminatory restrictions. The retail trade is, however, restricted to the following classes of foreigners :

- (i) Those who on the coming into force of the present Constitution were naturalised Panamenians and married to Panamanian nationals or have children of Panamenian nationality.
- (ii) Naturalised Panamenians not included in the preceding item 5 years after having obtained definite citizenship.
- (iii) Naturalised Panamenians not included in the preceding items who at the time of the enforcement of the present Constitution were engaged in retail trade according to the law; and also foreigners in similar circumstances.
- (iv) Legally constituted companies or associations of persons consisting of foreigners so empowered individually and also those who, while not so constituted, were legally engaged in retail trade on the coming into force of the present constitution. Foreigners not authorised to engage in retail may however, participate in companies which sell products of their own manufacture. Nationals of those States having enterprises or organisations in the Isthmus of Panama in which Panamenians are employed, may engage in retail trade, always provided that such nationals are legally domiciled in territory under the jurisdiction of the Republic of Panama.

El Salvador.—Persons of Arab, Palestinian, Turkish, Chinese, Lebanese, Syrian, Egyptian, Persian, Indian and Armenian races—irrespective of the nationality they may possess or have acquired—cannot indulge in any commercial or industrial activities or participate as partners in commercial or industrial concerns.

Ceylon.—There are no restrictions on the activities of Indian traders as such. They are, however, subjected to the following restrictions, as any other foreign national :

- (i) They cannot fish in Ceylon waters for profit.
- (ii) Every road service licence issued to a company is subject to the condition that the licence will be revoked if at least eighty-five per cent. of the share capital of the company is not held by persons who are Ceylonese. "Ceylonese" means a person domiciled in Ceylon and possessing a Ceylon domicile of origin.
- (iii) In accepting tenders for Government contracts preference is given to the tenderer who specifies the lowest percentage of non-Ceylonese labour which he proposes to employ for the purpose.

Iran.—The foreign businessmen including Indians are subjected to the following restrictions :

- (i) They cannot become members of local Chambers of Commerce.
- (ii) They cannot become Directors of Companies with monopoly rights, such as Telephone Co. and other public utility services organisations.
- (iii) They cannot act as Brokers or Clearing Agents.
- (iv) They cannot operate hotels, garages, cinemas, theatres, etc.
- (v) They cannot own agricultural land or properties, except those required for their business and residence.
- (vi) The foreign exchange regulations hit hard the Indians in particular. They are not allowed to remit money to India to meet the family expenses, insurance premia, etc. Even for their air passage to India they have to get money from India as it has to be paid in sterling and the Iranian Government do not give it.
- (vii) Foreigners desirous of staying there for more than a month have to obtain residential permit on payment. Even travelling from one town to the other is subject to permit system.
- (viii) They are not permitted to leave that country unless they have produced clearance certificates from the Exchange Control Department, Incometax Department, Bank Melli and the Police Department.

- (ii) Indian traders are not allowed visa for that country unless they have an established business house there or intend to go there for touring. Even for the old traders it is difficult to obtain visas. New traders are not normally granted visas.
- (x) They cannot reside in frontier towns. This law has not yet been enforced strictly. There is a large number of Indian merchants in Zahidan and Kborramahab which are on the frontier.
- (xi) They have to obtain a special licence for trading.

Iranian Government have also enacted a law which would root out foreigners from the import trade of that country and also drastically curtail their other trading activities. Full details have not yet become available.

Canada.—The principal and real disadvantage from which Indian businessmen actually suffer is the lack of their status there under the immigration laws of that country. Although there are no statutory restrictions on the conduct of trade by Indians, the temporary non-immigrant visa which is usually granted to them makes it not only impossible for them to stay there for any length of time to carry on their business but also strictly speaking, it does not, in effect, even permit them, under the immigration laws, to engage in business other than that of a transitory nature.

Although there are no legal restrictions on the activities of Indian businessmen in Canada apart from those accruing from Immigration Laws, it is understood that in the province of British Columbia where the majority of Indians reside, there has always been a certain amount of unwillingness on the part of some municipal organisations to grant licences to Indians to do business.

Countries within the jurisdiction of the Trade Commissioner at Alexandria, viz., Egypt, Turkey, Syria, Palestine, Trans Jordan, Saudi Arabia, Iraq, Arab shore of Persian Gulf including Bahrein and Kuwait, Muscat, Sudan and Yeman.—There are no exclusive legal restrictions against Indians as such. Whatever regulations there are, they apply to all foreigners equally. Information regarding the restrictions on foreigners in these countries has been promised by the Indian Trade Commissioner and may be awaited.

Australia.—Indian businessmen permanently domiciled in Western Australia cannot be registered as owners or occupiers of a factory nor can they be employed or engaged by the occupier of a factory unless they were so registered or employed, as the case may be, by 1st November, 1935. They cannot also be registered as occupiers of or assistants in a small shop. Thus Indians are clearly prevented from working in or owning a shop or a factory in Western Australia.

The case of Indian nationals not permanently domiciled in Australia is covered by an agreement between the Governments of India and Australia concluded in 1934. Under that agreement Indians are not eligible to enter Australia for the purpose of settling there permanently and following any occupation they may choose. *Bona fide* merchants may however go and remain there indefinitely provided they retain their status as merchants, i.e., they engage in promoting trade between the two countries on a wholesale basis and to the extent of not less than £ 500 per year. The term 'merchant' does not apply to retail shop-keepers and hawkers. An established house in India can also send a representative to that country to open a branch there provided the above-mentioned condition is satisfied. If the volume of trade exceeds £ 1,000 in value, the representative would be permitted to import an assistant from India. The manager would be entitled to introduce his wife and minor children with him.

If an established firm in India doing overseas trade wishes to send a representative to Australia to inspect conditions or book orders there will be no objection to their doing so. Previous authority to land is not necessary but it is understood that it is desirable that the representative should hold some credentials in addition to a valid passport.

Colony and Protectorate of Kenya.—There are several ordinances which do not contain any provisions discriminating against Indians but their administration has shown that their operation in majority of cases and their continuance is directed against both the Indians and Africans in particular.

Tanganyika Territory.—There is no anti-Indian legislation there, in particular. Restrictions applying to other foreigners which may *inter alia* apply to the Indians residing in Tanganyika have not been indicated.

New Zealand.—They are not subject to any disabilities.

French Establishments in India.—There are no restrictions.

Belgium.—Establishment of a foreign business concerns is subject to permits. Applications are examined with a view to seeing whether the applicants meet the requirements laid down for the exercise of their professions and whether their activity would benefit national economy.

Indonesia.—In theory Indians are subject to the same trade regulations which apply to other foreign nationals. Difficulties experienced by them in the matter of import and export trade are mentioned below.

Import Trade.—All imports are effected through Government organisations. Restrictions on the issue of licences for private imports apply to all.

Export Trade.—Although there are no regulations discriminating against Indians, it is alleged that in practice all the better qualities of exportable commodities are made available mainly to European and American concerns while others are allotted comparatively small quantities of such commodities.

Nepal.—Foreigners are not allowed to establish commercial concerns except when they are clearly to the benefit of that country.

In the case of concerns of limited liability financed jointly by Nepalese and non-Nepalese nationals, the voting strength in the meeting of the Boards of Directors is always ensured in favour of Nepalese nationals irrespective of the proportion of investments among Nepalese and non-Nepalese.

Customs duty is charged from foreigners in monthly instalments whereas Nepalese subjects can pay it annually.

Switzerland.—Character, health and integrity of foreign nationals, the line chosen and the kind of activity to be pursued by them are investigated before granting business permits to them.

Siam.—There are no restrictions.

Netherlands.—Establishment of foreign commercial undertakings is subject to licences the issue of which is governed by various factors including investment of *ad hoc* proportions of Netherlands capital and constitution of the Board of Directors. Employment of foreign labour by foreign business concerns is also subject to licence and permission for employing foreign clerical staff is usually refused.

Burma.—Starting of new foreign enterprises is disfavoured particularly by refusing emigration and immigration facilities to personnel of new firms. Matters in regard to re-entry into Burma of non-*evacuee* personnel of even old established concerns have been made difficult frequently. Entry and duration of stay of foreigners in Burma are strictly regulated. Although there is no statutory discrimination against commercial concerns having foreigners in their employ or having foreign capital in their investments in the matter of import licences, preference is given to indigenous Burmese concerns.

Afghanistan.—(i) Foreigners desirous of doing business have to secure a trading permit. The permit has to be renewed annually and a fee is levied depending upon the amount of customs duty paid during the preceding year. If a trader has paid no customs duty during the preceding year, the duty paid during the year before is taken to determine the fee. Should a trader pay no duty for 3 years, he is considered unfit for trade unless he gives a substantial reason for not doing so and invariably his trading licence is not renewed. The Government has full authority to cancel the permit once granted at any time, should the behaviour of the person concerned is found objectionable. In the case of fresh applicants, it is left to them to determine the class in which they wish to be put for the payment of fees for the trading permit.

(ii) Foreign nationals can maintain their accounts in their own language but they have to produce a true copy thereof in Persian while submitting them to the Income-tax Commissioner at the end of every year or to courts or other departments of the Afghan Government. The responsibility for the accuracy of the translations lies on the trader concerned.

(iii) In assessment of income-tax in the case of foreign traders normal expenses of trade are not allowed beyond a certain minimum for calculating net profits.

(iv) No joint stock companies with foreign investments can be formed except with the permission of Afghan Government. There is no proper company law in operation. Each case is considered on its merits. In no case is a foreign company permitted to invest fully its capital in any industrial concern unless it is to explore the possibilities of mining oil, etc. Foreign business concerns doing business on a large scale can be successful only if the local administration is entrusted to the Afghans. The composition of Directorates between foreigners and Afghans should be such as to give them almost equal representation. The Chairman should be an Afghan.

(v) Although there is no law discriminating between Afghan and foreign traders, the former are given preference over the latter by the officials.

(vi) Foreign nationals cannot engage themselves in the profession of brokery.

(vii) Foreigners are not eligible for election as members of 'Chambers of Commerce' one of the functions of which is to hear appeals against decisions relating to trade disputes. The 'Chambers of Commerce' also introduce traders and commercial institutions in Afghanistan to those in foreign countries. They are also consulted, when necessary, by the Government in regard to matters relating to trade and commerce.

Norway.—(i) Only those are granted permits, called 'letter of commerce', for doing business who are residing and have resided in Norway for not less than two years. Persons not fulfilling this condition but wishing to obtain orders for foreign merchandise—for their own account or for some one else's account—can obtain a special permit called "Handelpass" for this purpose on payment of 50 Kr. This permit remains valid for 15 days from the date of issue. Directors and officers of non-resident firms working through a representative holding a business permit need not obtain "Handelpass".

(ii) The Administrators and Directors of joint stock companies established by foreign nationals must be residing in and must have resided for not less than the last two years. The permanent Director of such a company must secure a 'letter of commerce'. If the Director is not a member of the Board of the Company, the member of the Board must secure the 'letter of commerce'.

(iii) For the purpose of issue of import licences firms employing aliens or whose capital is partly or entirely foreign are grouped together according to category.

Sweden.—Foreigners wishing to engage themselves in business have to obtain a permit from the Government. Even those holding such a permit cannot engage themselves in travelling salesman trade or bargain sales. An alien wishing to act as travelling salesman, for his own account or some one else's in connection with the sale of merchandise for delayed delivery can do so by paying a special tax. An alien cannot be the principal ship-builder of a Swedish vessel. An alien cannot become a member of the Board or Managing Director, holder of a power of attorney, auditor or liquidator of a limited company.

DIRECT CONTROL OF CENTRE OVER MINERAL RESOURCES IN PROVINCES

*215. **Shri S. Nagappa:** (a) Will the Honourable Minister of Works, Mines and Power be pleased to state whether there is any proposal from the Government of India to bring the mineral resources of the provinces under their direct control?

(b) Is there any foreign investment in any of the mineral resources of the Country; and if so, on what understanding has such investment been permitted?

The Honourable Shri N. V. Gadgil: (a) The question of framing rules under the Mines and Minerals (Regulation and Development) Act, 1949, is at present under consideration of Government.

(b) A considerable amount of foreign capital has been invested in the Indian mining industry, particularly in petroleum, gold, copper, manganese and coal. The whole question of participation of foreign capital in Indian industry is separately under consideration of Government.

SHORTAGE OF PETROL SUPPLY

*216. **Shri S. Nagappa:** (a) Will the Honourable Minister of Works, Mines and Power be pleased to state whether it is a fact that there is shortage of petrol supply in the country?

(b) If so, what steps have been taken to meet the deficiency?

(c) Have the experts discovered any other fluid to use in place of petrol? If so, what is it?

The Honourable Shri N. V. Gadgil: (a) Yes.

(b) Government have been trying to get larger quantities of petrol from foreign countries and developing our own resources, Government are also considering the possibility of increasing the production of power alcohol to be used for admixture with petrol, as well as the possibility of manufacturing synthetic oil from coal. Steps are also being taken to augment the tank wagon fleet in order to facilitate the transport of petrol to distant places in the country.

(c) No.

HIDES AND SKIN SHOPS LEFT BY MUSLIMS IN DELHI

*217. **Master Nand Lal:** (a) Will the Honourable Minister of Relief and Rehabilitation be pleased to state how many shops and godowns in Delhi evacuated by Muslims trading in Skin and Hides are in the possession of the Custodian of Evacuee Property?

(b) How many of these shops and godowns have been allotted to refugee traders in Skin and Hides and how many to others?

The Honourable Shri Mohan Lal Saksena: (a) and (b). Nine such premises are in the possession of the Custodian of Evacuee Property. Seven of these premises, including two houses are occupied by 42 refugee families and the remaining two are used as business premises by three refugees. Confirmatory allotments have been made in four cases. In the two shops used for business purposes trades other than hides and skins are being carried on.

EXCHANGE OF URBAN IMMOVABLE PROPERTY OF REFUGEES

*218. **Giani Gurmukt Singh Musafir:** (a) Will the Honourable Minister of Relief and Rehabilitation be pleased to state whether an agreement has been reached between the Dominions of India and Pakistan regarding the exchange of urban immovable property of refugees?

(b) If the answer to part (a) above be in the affirmative, have Government considered the difference between the value of such property in one dominion and that in the other dominion, and also the difference between the purchasing power of an average citizen of one dominion and that of the other dominion?

The Honourable Shri Mohan Lal Saksena: (a) Yes.

(b) Yes.

RESTRICTIONS ON VISITORS TO KOHIMA AND IMPHAL

*219. **Srijut Rohini Kumar Chaudhuri:** (a) Will the Honourable the Prime Minister be pleased to state whether it is a fact that people from the Province of Assam are not allowed to visit Kohima in Naga Hills (Indian Dominion) and Imphal in Manipur State without obtaining previous permission from the Deputy Commissioner of Naga Hills and Chief Minister of the State respectively?

(b) Have the restrictions referred to above been continued from the days of the British regime or have they been reintroduced recently?

Dr. B. V. Keskar (Deputy Minister for External Affairs and Commonwealth Relations): (a) and (b). It is a fact that under the Eastern Frontier Regulation of 1878 no one other than an officer on Government duty and Indian residents of Manipur and Naga Hills may go beyond a certain line in the Naga Hills and Imphal in Manipur State without a pass.

These restrictions have been in existence from the time of the British regime.

A similar question was asked by the honourable member in November 1946. Enquiries were thereupon made from the Governor of Assam and a Conference of officers serving in Tribal territory was held. The tribal people themselves are reported to have expressed themselves vigorously in favour of the retention of the regulations because they were afraid that an unrestricted movement might lead people to go there for the purpose of exploiting them. Thereupon the retention of the regulations was included in an understanding which the Governor reached with the Nagas. It was however arranged that facilities should be easily available in special cases.

As regards Manipur the retention of the permit system was approved by the Government of India in response to a representation from the Chief Minister of the State, who urged that the system had worked very well in the past and that its abolition would adversely affect the interests of the Manipuris.

In view of the strong views held by the people resident in these tribal areas on this subject and their apprehension that unrestricted movement might adversely affect their interests, the Government of India have been reluctant to remove these restrictions. They desire to proceed with the goodwill of the inhabitants of these areas and having due regard to their sentiments and customs. For other reasons also these frontier areas require special care.

UPLIFT OF PEOPLE IN ASSAM TRIBAL AREAS

*220. **Brijut Bohini Kumar Chaudhuri:** Will the Honourable the Prime Minister be pleased to lay a statement on the table indicating what steps have been taken after 15th August, 1947:

- (a) to ameliorate the condition of the people of the Tribal areas of Assam;
- (b) to improve their economic condition;
- (c) to grant educational facilities; and
- (d) for better administration of Justice?

Dr. B. V. Keskar (Deputy Minister for External Affairs and Commonwealth Relations): A statement is laid on the table of the House showing the staff and works sanctioned and the budget provision made for improving the condition of the people of the Tribal Areas of Assam.

An Education Officer and an Assistant Education Officer have already been appointed to do the ground work before opening schools and a training school for training primary school teachers has also been opened at Sadiya. Two Additional Assistant Educational Officers have been appointed to the Subansari Area and the Tirap Frontier Tract to study Tribal customs and language. More Officers will be employed as opportunity occurs.

As some of the Tribal Areas of Assam are populated by tribes which have special customs of their own and which are not easily accessible, no changes have been made in the administration of justice. Tribal disputes are settled by Political Officers according to local custom and the prevailing circumstances.

STATEMENT

Detailed statement of provision sanctioned for Development of Tribal Areas.

Details.	Amount sanctioned. for 1948-49	Amount sanctioned. for 1949-50
1. <i>Abor Hills.</i> —		
Political Presents	92,800	92,800
Maintenance of Vehicles		
2. <i>Mishmi Hills.</i> —		
Salary, Travelling Allowance and Other Charges for additional staff for Development	1,21,400	1,25,700
Maintenance of Vehicles		
Portage		

3. *Se-La Agency.*—

Other charges	}	19,000	14,700
Maintenance of Vehicles			

4. *Subansiri Area.*—

Salary, Travelling Allowance and Other Charges for additional Development staff.	}	18,000	18,000
Maintenance of Vehicles			

5. *Trop Frontier Tract.*—

Salary, Travelling Allowance and Other Charges for additional Development staff	}	21,800	21,800
Maintenance			

6. *Education.*—

Pay, Travelling Allowance and other charges for additional development staff	}	83,800	83,800
Grants-in-Aid to students			

7. *Medical.*—

Salary, Travelling Allowance and other charges for additional Development staff	}	20,600	20,600
Stipend			

8. *Agriculture.*—

Salaries, Travelling Allowance and other charges etc. for additional Development staff	}	1,28,000	1,28,000
Anti-erosion and permanent cultivation.			
Grants in Aid for Development crop demonstrations and related local industries.			

9. *Tuensang Area Development*

85,400	85,400
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Total	5,90,000	5,90,000
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10. *Miscellaneous*

10,000	10,000
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Grant Total	6,00,000	6,00,000
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Statement showing the staff sanctioned after the 15th August 1947 in connection with the (i) extension of administration to part of the Naga Hills Tribal Areas of Assam, (ii) execution of 'Works' programme for the development of the Tribal Areas and (iii) educational development of the tribal people.

Designation of the post.	Strength
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(i) EXTENSION OF ADMINISTRATION TO PART OF THE NAGA HILLS TRIBAL AREAS OF ASSAM.

Central Administration.

Assistant to the Deputy Commissioner at Tuensang	1
Upper Division Assistant	2
Lower Division Assistant	1
Head Interpreter	1
Interpreters	14
Dakwalla	4
Chowkidar	1

Education.

Head Pandite	2
Pandit	10

Public Health.

Vaccinator	2
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Medical.

Sub-Assistant Surgeon	1
Compounder	2
Medicine Carrier	1

Civil Works.

Overseer	1
Sub-Overseer	1
Chowkidar	1
Chaprasi	2

(ii) EXECUTION OF 'WORKS' PROGRAMME—ENGINEERING STAFF.

Superintending Engineer	1
Executive Engineer	1
Assistant Engineer	2

Office of the Superintending Engineer.

Overseer	9
Draftsman	1
Tracer	1
Computer	1
Head Assistant	1
Upper Division Assistant.	4
Lower Division Assistant.	2
Duftry	1
Orderly, etc.	4
Chowkidar	1

Office of the Executive Engineer.

Tracer	3
Store-keeper	2
Lower Division Assistant.	9
Accounts clerk	2
Duftry	2
Chowkidar	6
Computer	1
Draftsman	1
Head Assistant	1
Upper Division Assistant.	1
Accountant	1
Peon	6
Motor Mechanic	2
Driver	30
Handyman	90

(iii) STAFF FOR EDUCATIONAL DEVELOPMENT.

Education Officer	1
Assistant Education Officer	3
Lecturer	1
Teacher for Handicraft	1
Head Clerk	1
Upper Division Clerk	1
Lower Division Clerk	4
Peon	8
Teacher	37
Supervisor	2

Detailed statement of building programmes for 1948-49 as approved by the Priorities Board on the basis of ceiling provision sanctioned by them.

1948-49

0.2. Communication (Roads)	
1 Namdang—Changland Road	3,51,666
2 Layu-Dilli Road	1,71,983
3 Pasighat—Tuting Road	3,07,167
4 Mishmi Hills—Payu to Chowkhan	3,000
4(a) Subansiri—Diju—Pilu Road	15,000
5 Se-L-Kuteha foothill Road to Songe Duong	15,000
6 Meka—Niamghat Track	9,000
7 Approach Road to NEF Colony Margherita	3,850

8 Nambhik Mia Road	6,000
9 Pasighat—Ledum Road	1,400
10 Morkonglelek Road	30,000
11 Lump provision for repairs to Roads	1,29,999
12 Tiesang Area Roads & Buildings	1,90,945
13 Tools and Plant Obarges	1,65,600
14 Lump provision for adjustment of cost of material transferred from CPWD Stores	51,000

TOTAL.—Communications 14,51,510

Buildings.

15 Quarter for P. O. Tirap	7,365
16 Quarter Headquarters Assistants	4,231
<i>Mishmi Hills—</i>	
17 1 quarter for Transport Supdt.	6,723
18 1 garage for P. O. & A. P. O. Transport pool	6,450
19 Sadiya—construction of quarters of 6 Political Jamadars @ 1000 each	4,200
20 Sadiya—Quarters for 3 Interpreters	3,400

21 Sadiya—Quarters Tibetan Interpreters	6,100
22 Construction of bungalow for P. O. Lohit Valley	14,000
<i>Pasighat—</i>	
23 Pasighat—Construction of 1 bungalow for P. O.	16,866
24 Construction of quarters for 19 interpreters	12,651
25 Pasighat—1 staging quarter	6,533
26 Construction of barracks for motor vehicles staff and 1 garage for P. O. Transport pool	6,000

Hospitals—

27 Mishmi-Dombuk	35,300
28 " Toku	35,300
29 Kolong Tang	40,000
30 Leper Colony at Pasighat	50,000
31 Base Hospital at Pasighat	2,60,000

Agriculture—

32 Quarters.—8 Asst. Farm Managers	9,383
33 Quarters—2 L. D. Clerks	6,266
34 for 3 Farm Managers	14,965
35 for 1 Lower Division clerk	3,100

Education.

36 Quarter—I. U. D. Clerk	4,550
37 Quarter—1 L. D. Clerk	3,150
38 Quarter—1 Educational Officer	13,000
39 Quarter—for 1 Head Clerk	5,500
40 Quarter—for 5 peons	3,300
41 Jeans School including buildings for staff etc.	17,550

Engineering.

42 Quarters—for 2 Executive Engineers	23,980
43 Quarter—for 5. S. D. O.	37,157

44. Quarters—for 11 Overseers	63,335
45. Quarters—for 2 Head Clerks & 2 Accountants	3,523
46. Quarters—for 2 U.D. Clerks	1,800
47. Quarters—Quarters for 5 L.D. Clerks, 1 Computer, 1 Tracer, 1 Draftsman & 16 L.D. Clerks of S.D. Offices.	32,333
48. Quarters—2 peons and 2 orderlies	3,800
49. Quarters—9 Chowkidars & 9 peons of S.D. Offices	1,038
50. Quarters—1 office for Executive Engineer and 3 offices for S.D. offices	16,145
51. Quarter—1 Tracer	3,100
52. Quarter—1 Draftsman	4,800

53. Quarters—6 offices for S.D.O.	9,000
54. Mishmi Hills—Quarters for 4 U.D. Assistants	13,972
55. Mishmi Hills—Quarter for 12 L.D. Assistants	14,696
56. Barracks for Menials, Drivers & Handymen	2,534
57. Abor Hills—Quarters for 2 U.D. Assistants	5,517
58. Abor Hills—Quarters for 12 L.D. Assistants	40,000

Mishmi Hills. Outside the Plan.

1. Quarter for 1 Storekeeper	4,500
2. Quarter for 1 Moharrir	3,100

At Dembuk.

3. Quarter for 1 Moharrir	8,100
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At Tezu.

4. Quarter for 1 Moharrir	3,100
5. Quarter for 1 Driver	1,600
6. Quarter for Petrol Dump	400
7. Quarter for 1 motor mechanic	8,100
8. Quarter for Tribal Area Office	5,000
9. Quarter for 1 Base Supdt.	7,974

Total	8,86,884
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10. Quarter for 1 Headquarter Assistant	6,300
11. One Office for A.P.O.	5,250
12. Demonstrated School Trainees accommodation	3,933
13. Drill Shed	7,500
14. Male Teacher's Hostel	13,000
15. One quarter for senior Teacher	7,500
16. 2 Quarters for Junior Teachers	11,100

Medical.

17. 2 Quarters for Head Assistants & Accountants	11,100
18. 3 Quarters for Lower Division Assistants	9,400
19. 2 Quarters for Chaprasies	1,600
20. 1 Quarter for Handyman	800
21. 1 Quarter for Assistant Surgeon	6,200
22. 1 Quarter for Driver	1,600

Engineering Se La Agency.

23. 1 Quarter for Muharrir at Charduar	3,150
24. Temporary Buildings under all Departments	12,281
25. 1 Quarter for Muharrir at Doimara	3,150

Political Se La Agency.

26. Tribal area office	8,602
27. Staging camp	8,111
28. One Quarter for Upper Division Asstt.	7,000
29. Two Quarters for Lower Division Asstt.	7,000
30. 1 Bungalow for Headquarter Asstt.	8,264
31. 1 Quarter for Driver	1,600
32. 1 Quarter for Handyman	800

Se La Agency.

33. Temporary Buildings for all Deptts.	6,070
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Subansiri Area.

34. 1 Quarter for Assistant	3,133
35. 1 Quarter for Driver	1,600
36. Kimin Base Camp	40,000
37. Garage & Barracks for Transport pool	6,000

Subansiri Area (Engineering)

38. Temporary Buildings under all Depts. 4,983

Abor Hills

39. 1 Quarter for Driver 1,000
 40. 3 Quarters for Moharrirs at Pasighat 9,499

Political

41. Political Officer's office 9,784
 42. Base Superintendent's quarter 5,880

Agriculture

43. Bungalow for Assistant Agriculture Officer 7,500
 44. Quarter for Upper Division Assistant 6,000
 45. 4 Quarters for Peons 8,200

Agriculture Office Abor Hills

46. Office for the Assistant Agriculture Officer 4,416
 47. Office for Farm Manager 1,000
 48. Godown for Farm Manager 666
 49. 1 Quarter for Driver 1,600

Education

60. M. E. School at Pasighat 17,603

Engineering

51. 1 Quarter for Moharrir at Namdang, Changlang Road 3,133
 52. 1 Quarter for Moharrir Layu, Dilli Road 6,133
 53. 8 Quarters for Stilwell Road 9,400
 54. 2 Quarters for Namohik Miao Road 1,333
 55. Additions and alterations to M.E.S. building for Political Officer accom-
 dation 3,342
 56. Motor Garage 387
 57. Motor Garage at Namghat at Dilli 2,500
 58. Staging camp at Dilli 9,589
 59. Supplementary estimate for furniture for Staging camp 1,670
 60. Additions and alterations to buildings to accommodate visitors at Mar-
 gherita 7,487
 61. 1 Quarter for motor mechanic 4,700
 62. Special repairs to Garage 360
 63. 3 Quarters for Demonstrators 6,266

Abor Hills

64. Temporary buildings under all Depts. 13,400
 65. Temporary buildings 21,848

Subansiri Area

66. One Quarter for Overseer 6,000

Total for buildings 12,60,315

Grand total under Buildings and Communications for 1948-49 27,11,925 or say 27,12,000

Detailed statement of buildings and Road projects sanctioned for the year, 1949-50, under the revised plan.

Buildings

1. Leper Colony at Pasighat	1,90,000
2. Pasighat Base Hospital	2,00,000
3. Lump provision for buildings in Tribal area including Tuensang	1,93,000
Total for buildings	5,83,000

Communications

4. Namdang Changlang Road	3,50,000
5. Layu Dilli Road	3,50,000
6. Pasighat, Tuting Road	3,00,000
7. Lump provision for Roads in Tuensang Area	2,55,000
8. Other Roads in Tribal areas including Charthuar Doimara Road	7,39,000
9. Repairs to Road in Tribal Areas	2,62,000
Total for communications	22,46,000

Grand total under Development for 1949-50 28,29,000

HYDRO-ELECTRIC SCHEME FOR ASSAM

*221. **Srijut Rohini Kumar Chaudhuri:** Will the Honourable Minister of Works, Mines and Power be pleased to state whether Government have approved of any Hydro-Electric Scheme for the Province of Assam and if so, to what extent they have agreed to finance the same?

The Honourable Shri N. V. Gadgil: No. But Government have sanctioned preliminary investigations of two sites at Manas and Dihang at an estimated cost of Rs. 80.74 lakhs on the understanding that (i) if the projects materialize, the cost of investigations now proposed, will be debited to the project estimates and (ii) if the projects do not materialize, the cost of the investigations will be debited to the post-war development grant by the Central Government to the Government of Assam.

BHORALI RIVER SCHEME IN DARRANG DISTRICT, ASSAM

*222. **Srijut Rohini Kumar Chaudhuri:** Will the Honourable Minister of Works, Mines and Power be pleased to state what progress has been made in the matter of the Bhorali River Scheme in the District of Darrang in Assam?

The Honourable Shri N. V. Gadgil: Training of river Jis Bhorali is under the administrative control of the Government of Assam, and as such the question can be best answered by that Government in the Provincial Legislative Assembly.

LABOUR WELFARE OFFICERS FOR ASSAM

*223. **Srijut Rohini Kumar Chaudhuri:** Will the Honourable Minister of Labour be pleased to state how many Labour Welfare Officers have been appointed for the Province of Assam?

The Honourable Shri N. V. Gadgil (Minister for Works, Mines and Power): So far as Central Government undertakings are concerned, there is no whole-time Labour Welfare Officer appointed for Assam. The Ministry of Railways have an Assistant Welfare Officer employed at the headquarters of the Assam Railways and one Divisional Personnel Officer and four Assistant Personnel Officers also look after the welfare of labour employed by the Assam Railways

The Ministry of Defence and the Posts and Telegraphs and Central Public Works Departments have part-time officers attending to labour matters so far as they are concerned.

Government have no information regarding the number of Labour Welfare Officers employed by the Government of Assam or private concerns.

SHORT NOTICE QUESTION AND ANSWER

INDIANS IN COMMUNIST-OCCUPIED CHINA

Shri H. V. Kamath: Will the Honourable the Prime Minister be pleased to state:

(a) the number of Indian nationals in Communist-occupied China, and the rest of China respectively;

(b) the nature and value of the property held by them; and

(c) the measures, if any, that have been taken to safeguard the lives and property of our nationals there?

The Honourable Shri Jawaharlal Nehru: (a) The number of Indian nationals in areas occupied by the Communist forces in China is estimated at about 60. In the rest of China, there are about 770 Indians.

(b) The nature and value of the property held by them cannot be estimated. Indians are generally concentrated in the principal cities of China. In Peiping and Tientsin they hold considerable landed and commercial properties. In Shionghai, old established families hold urban landed property, and the Sikhs, previously employed in the Shanghai Police, own a few houses.

(c) Local arrangements were made in co-operation with other Consuls in different cities to evacuate Indians in case of emergency. Most of the Indian residents in China have been established there for 30 to 40 years and were not willing to be evacuated. No need has been felt to press for evacuation as the lives and properties of foreigners have not been threatened by any party so far.

Shri H. V. Kamath: Have the Koumintang and the Communist authorities agreed to provide adequate facilities for such of our nationals as like to return home?

The Honourable Shri Jawaharlal Nehru: No such question has arisen. No-body has interfered with our nationals there.

Shri H. V. Kamath: Does our Ambassador there furnish reports on the fast-developing situation daily or at less frequent intervals?

The Honourable Shri Jawaharlal Nehru: Normally every day or every second day, sometimes twice a day.

Shri H. V. Kamath: Are the postal, telegraph and telephone communications between India and China intact?

The Honourable Shri Jawaharlal Nehru: Yes, Sir, they are functioning. I am not quite certain about the postal delays, but letters come and telegrams certainly come in good time.

Shri H. V. Kamath: Has our Ambassador in China been instructed to remain at his post no matter what happens?

The Honourable Shri Jawaharlal Nehru: Our Ambassador in China, in common with other Ambassadors there, has been asked to stay on there for the present and to report. We cannot say definitely what future developments might be, but our present intention is that he should stay on there. We have asked him to send a senior official, a Counsellor, to Canton when need arises.

Shri H. V. Kamath: How many students are there in China; and how many labourers, if any?

The Honourable Shri Jawaharlal Nehru: I cannot answer that.

Seth Govind Das: Has our Ambassador approached the Government of India with respect to those 60 Indians who are living in the territory which has been occupied by the Communists, with respect to their evacuation or anything of that kind?

The Honourable Shri Jawaharlal Nehru: I have just answered that question. The question has not arisen. We have made arrangements for those who want to come; they do not want to come and apparently they do not fear any untoward developments.

Shri H. V. Kamath: Have our nationals expressed a desire to come over from the Communist-occupied zone to the Koumintang zone?

Mr. Speaker: I think it has been answered already.

Shri H. V. Kamath: It has not been answered, Sir.

Mr. Speaker: Yes, it has been answered.

Tuesday
8th February, 1949

THE CONSTITUENT ASSEMBLY OF INDIA (LEGISLATIVE) DEBATES

(PART II - PROCEEDINGS OTHER THAN QUESTIONS AND
ANSWERS)

Official Report

70

Volume I, 1949

(1st February, 1949 to 23rd February, 1949)

Fourth Session
OF THE
CONSTITUENT ASSEMBLY OF INDIA
(LEGISLATIVE)
1949



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CONSTITUENT ASSEMBLY OF INDIA (LEGISLATIVE) DEBATES

(PART II—PROCEEDINGS OTHER THAN QUESTIONS AND ANSWERS.)

Tuesday, 8th February, 1949

The Assembly met in the Assembly Chamber of the Council House at a Quarter to Eleven of the Clock, Mr. Speaker (The Honourable Mr. G. V. Mavalankar) in the Chair.

QUESTIONS AND ANSWERS

(See Part I)

11-50 a.m.

DEATH OF MR. C. N. MUTHURANGA MUDALIAR.

Mr. Speaker: Before the House proceeds now to further business, I have to invite its attention to the sad demise of Mr. C. N. Muthuranga Mudaliar, who was an ex-Member of the old Central Assembly. He died at Madras on the 5th February. He was a Member of the old Central Assembly from November 22, 1934, to March 30, 1940 when he resigned. He was a prominent leader of the Congress in Madras, a President of the Tamil Nad Congress Committee, and a Member of the A.I.C.C. I request the House to stand in silence to respect the memory of the deceased.

PROTECTIVE DUTIES (AMENDMENT) BILL—concl'd.

Mr. Speaker: The House may now proceed with the further consideration of the following motion moved by the Honourable Shri K. C. Neogy yesterday:

"That the Bill to amend the Protective Duties Act, 1946, be taken into consideration."

Shri M. Ananthasayanam Ayyangar (Madras: General): Sir, I agree with the Honourable Minister that this Bill is necessary. There was a misunderstanding regarding the scope of the Bill. As the Honourable Minister himself explained the Bill intends to clothe the Government with power which power has already been given under the Act of 1946, to give protection for such industries as have been recommended to be protected by the Tariff Board, and at a time when the Assembly is not in session and a regular Bill could not be introduced and an Act passed by the Legislature. Instead of resorting to an Ordinance power is given under the previous Act to the Government to impose, by a notification protective duties for such industries as have been recommended by the Tariff Board. I welcome this measure for the reason that the power to pass Ordinances is not being invoked and after such a notification is issued, at the next session of the Assembly the matter should be placed before the Legislature for its acceptance and enactment. There are all these safeguards.

In addition, I would like to suggest some more power to enable the House, though not in Session, through its Standing Committee of the Department to which this matters relates—I mean the Standing Committee for Commerce—to go into the matter to see if the Tariff Board's recommendation in any particular case ought to be accepted or not. It may be that to convene a special Session of the Assembly may not be practicable before action is taken on the recommendation of the Tariff Board, but to convene a meeting of the Standing Committee relating to the Commerce Ministry may not be difficult as the Standing Committee does not consist of more than ten or eleven Members. So, this suggestion I would make for consideration by the Honourable Minister before action is taken in regard to any particular matter by way of imposing a protective duty.

I would also like that the previous precedents should be followed in regard to the printing and circulation of all reports sent by the Tariff Board in connection

[Shri M. Ananthasayannam Ayyangar.]

with recommendations as to whether particular protective duties are to be imposed or not. That was a constant feature in the previous Assembly under the previous Government, but on account of various difficulties that have arisen, like these constant strikes in the printing press, such reports have not been printed in recent times. Normal conditions have been restored and I do not see why these reports ought not to be printed and circulated before even the matter is placed before the Standing Committee or at any rate before the Government makes up its mind to impose protective duties or act upon the recommendations of the Tariff Board.

Thirdly, I would like that the Tariff Board should be asked to submit half-yearly reports regarding its work, the number of cases that were placed before the Board for its consideration and what action was taken on those matters. Many bodies have been brought into existence to assist the Government from day to day with respect to various matters where expert opinion is necessary, but those matters are not placed before the Assembly and the Assembly is very often denied opportunities to discuss them. No doubt when a Bill is introduced recommending the imposition of any protective duty we have an opportunity to discuss the recommendation of the Tariff Board; but whether a Bill is introduced or not we should generally like to have a record or statement made to the House regarding the work of the Tariff Board inasmuch as it is a very important function that the Tariff Board is performing.

I would also like to know in this connection as to how many industries are waiting for consideration before the Tariff Board, how many have been disposed of during the past year, how many are under consideration by Government, if any, have been considered, and why those matters are not now being placed before us. We have yet two and a half months during this Session if Government contemplates bringing forward any Bill for the purpose for which Government is seeking to have power extended by this amending Bill by a couple of years more than was provided under Act XVII of 1946. Otherwise I support the motion for consideration.

Shri B. Das (Orissa: General): Sir, I endorse the observations of the Honourable the Deputy Speaker that the Honourable the Minister for Commerce should instruct the Tariff Board to submit yearly a report on its activities. The Tariff Board is a Statutory Board now and it has to do certain regular revision and examination of the tariff question from time to time. Up to now, apart from the reports which the Tariff Board submits, we have not had a review of its work and also an opportunity of examining whether the statutory power we have given to it are ample or not. I do hope that the Honourable the Minister for Commerce will accept the suggestion made by the Honourable the Deputy Speaker.

Sir, I have no objection to the Bill. Government will have to have some time to examine the recommendations of the Tariff Board and I do not mind the time being extended to April 1951. On the last occasion we granted extension; I referred to the anomaly that the Tariff Board has no power to examine the Imperial Preferences included in the system of protective tariff. The question was again recently debated on the floor of this House and my honourable friend said that if the House gives a mandate to the Government that Imperial Preference should end, Government will accept it. I thought, Sir, that Government and we on this side are all one. Our visage must be reflected by the governmental action. Government is the executive of the House and we are from one parte. Why is it that Government has had no time to make a reference to the Tariff Board to examine the problems or any other body whether the obnoxious Imperial Preference should end? It is pertinent for me to ask,—and the Honourable the Minister for

Commerce may enlighten the House—whether the Tariff Board has any such idea in its mind or whether it is tied down to the chariotwheel of old recommendations of the predecessors of the present Tariff Board who did not touch the issue of Imperial Preference which vitiates our protective tariff system. How can protective tariff work when England and certain British colonies and Dominions enjoy advantages simply because we were formerly part of the Empire known as the "British Empire" which is now ended? I hope, Sir, that the Honourable the Minister for Commerce will take this occasion to clarify the position of his Government whether they are alive to the great desire of the members of this House that Government should proceed in the matter and examine it from the point of view of a new agreement between Free India and Free England and whether for our national dignity such type of Imperial Preferences should not end at the earliest.

Pandit Thakur Das Bhargava (East Punjab: General): Sir, when the original Bill which is sought to be extended for two years more was before the House in 1946, an amendment was moved by me to the effect that the Government of the day, i.e. the then Government, should be obliged to take notice on the report of the Tariff Board if the Standing Committee for Commerce concurs with the Government and that no discretion should be given to the Government not to give immediate effect to the report of the Tariff Board if the Standing Committee wanted it. In case the Standing Committee did not concur, then also the Government according to my amendment, was to be given powers to give effect to the Tariff Board in regard to any particular industry. Now, the situation is changed.

I am very glad to give my wholehearted support to the measure, but at the same time, I would like to support the proposal of Mr. Ananthasayanam Ayyangar that in every case in which the Executive takes action, it should consult the Standing Committee for Commerce. I may just read out the assurance given by the then Member for Commerce, Sir Azizul Haque, in this respect. He said:

"I have no hesitation in giving an assurance that such matters will be placed before the Standing Committee for Commerce. But I certainly feel that an amendment of this character is one which should not be on the Statute-Book. I give this assurance that every case will be placed before the Standing Committee for Commerce for their advice and I do hope that on that assurance my honourable friend (referring to myself) will find reasons not to press his amendment."

On the basis of this assurance, I said: "I beg leave to withdraw the amendment." This was in 1946 when the original Bill was passed. So I beg the Honourable Minister for Commerce to kindly agree that when our Government takes action, they will consult the Standing Committee for Commerce. This is all I have to submit.

The Honourable Shri K. C. Neogy (Minister for Commerce): I am very sorry that my honourable friend, Mr. Ramnarayan Singh, could not be present here to finish his unfinished speech. Now, I do not know—I hope he is not indisposed—but on looking through the proceedings of 1946 when this measure was under discussion in the then Legislature, I find that Mr. Ramnarayan Singh was one of the earliest speakers to give his unconditional support to this measure. I wonder whether he had forgotten what attitude he had taken up on the previous occasion, because his speech yesterday gave me the impression that he was wholly opposed to the present measure which is merely one to extend the operations of the measure with which he was in full agreement. I am very glad Mr. Ananthasayanam Ayyangar who also participated in the discussion in 1946 has again repeated his support of this measure. The point to which reference was made both by him and also by Pandit Thakur Das came under careful consideration and I should like to point out certain practical difficulties. When a measure for protection is recommended by the Tariff

[Shri K. C. Neogy].

Board, that recommendation is examined not merely by the Ministry of Commerce, but actually action on the recommendation of the Tariff Board is decided upon as a result of discussions of three Ministries—'Commerce', 'Industry and Supply' and 'Finance'. Now, I do not know whether it would be proper to consult merely the Standing Committee attached to the Commerce Ministry before taking action upon the question of issuing a notification under this measure. But at the same time, I should not like to say that the Standing Committee should not at all be consulted on this account. I have pointed out one difficulty. There are several other difficulties also to which I need not refer at the present moment. However, my intention is to place this very issue before a meeting of the Standing Advisory Committee attached to the Ministry of Commerce. I should like to place all the various considerations before that body, and then decide upon the appropriate course of action.

Sir, several suggestions were made by my honourable friend Mr. Ananthasayamm Ayyangar and also by Mr. Das as regards the supply of information about the activities of the Tariff Board and other connected matters. I am in sympathy with much of what has been said on this particular subject, and I will take the earliest opportunity of furnishing such information as can be collected at an early date, for the information of this House. I should not, therefore, like to give any off-hand replies to the various points raised. I hope to be able to circulate a statement to the members of this House, covering as many of those points as possible before the present session terminates.

Mr. Speaker: The question is:

"That the Bill to amend the Protective Duties Act, 1946, be taken into consideration."

The motion was adopted.

Mr. Speaker: The question is:

"That clause 2 stand part of the Bill."

The motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and the Preamble were added to the Bill.

The Honourable Shri K. C. Neogy: Sir, I move:

"That the Bill be passed."

Mr. Speaker: The question is:

"That the Bill be passed."

The motion was adopted.

SCHEDULED SECURITIES (HYDERABAD) BILL

The Honourable Sardar Vallabhbhai Patel (Minister for Home Affairs and the States): Sir, I move:

"That the Bill to provide for the control of the transfer of certain securities and for the issue of duplicate securities in respect thereof, be taken into consideration."

The House is, I think aware of the history of the loan of rupees twenty crores which was made by the Hyderabad Government in December 1947. This loan was negotiated at a time when the Standstill Agreement between the Hyderabad Government and the Government of India was in existence, and when negotiations were going on for settling the future relationship between the Government of India and the Hyderabad Government after the termination of the Standstill Agreement. Without a word to us, or any kind of intimation to the Government of India, the Hyderabad Delegation—the Leader of the Hyderabad Delegation who was the Prime Minister of the Government of Hyderabad, was at that time negotiating for a loan of rupees

twenty crores to be given to the Pakistan Government. Now, he entered into this financial transaction concealing these facts from us and transferred securities to the extent of rupees twenty crores which were held by the Hyderabad Government to Pakistan. As soon as we came to know of it, we made our attitude quite clear to the then Hyderabad Government or Prime Minister that this was a clear breach of the Standstill Agreement between the Government of India and the Government of Hyderabad, and that the Government of Hyderabad would be responsible for all the consequences. As a result of that, he, the Prime Minister of Hyderabad negotiated with the Pakistan Government and came to an arrangement that the securities will not be cashed and that they will not be negotiated in any manner during the time the Standstill Agreement was in force.

After this it was brought to the notice of the Government of India that an application was made to the Reserve Bank for the conversion of some of these securities into promissory notes of small denominations. Such a conversion was obviously intended for the purpose of disposing of the securities. That was, therefore, a fresh breach of the undertaking given by the Hyderabad Government.

In lieu of these securities, the Hyderabad Government were to receive securities of the Pakistan Government. We had evidence that the Hyderabad Government were making frantic efforts to purchase warlike materials, obviously with a view to prepare the Hyderabad Government militarily. Large blocks of Hyderabad Government's holdings of Indian Government's securities were also being sold. This could not but have a detrimental effect on the Indian market. To protect our interests, therefore, it became necessary to promulgate an Ordinance on the 1st of July, 1948 so as to prevent the sale or transfer of Government of India's securities held by, or on behalf of the Hyderabad Government, in the Hyderabad State Bank, including the securities worth rupees twenty crores which had been transferred to Pakistan.

Till then, of course, we were not in full possession of facts leading to the negotiations of the transfer and of the part which was played by the various parties in this transaction. We have now irrefutable evidence to show that the then Prime Minister of the Hyderabad Government, Mr. Laik Ali, exceeded the instructions of His Exalted Highness the Nizam and the Council in regard to this transaction and concluded an agreement which was quite different from the one originally contemplated by the Nizam and his Council. I am saying this not in order to excuse or mitigate the breach of the Standstill Agreement, but only to bring out clearly the close and intimate relationship which then existed between the leading personalities in Hyderabad Government and the Pakistan Government whose Finance Minister is, of course, an ex-employee of the Nizam, and subsequently became his pensioner. In November, 1948, His Exalted Highness the Nizam declared that the transfer of securities worth rupees twenty crores to the Pakistan Government was beyond the competence of the Hyderabad Government and therefore, invalid. The Government of Hyderabad thereupon wrote to the Pakistan Government through us requesting them to return those securities. The Pakistan Government refused to do so on various grounds which were found to be quite untenable. The Hyderabad Government then wrote to the Government of India to authorise the Reserve Bank of India to cancel these securities and issue duplicate to them. We felt that the request was reasonable and, therefore, in order to protect the interests of the Government of Hyderabad as well as those of the Government of India, issued an Ordinance on 31st December, 1948, giving such authority to the Reserve Bank. This Ordinance would expire on the 30th June, 1949. At

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the same time, it is necessary to protect the interests of the Government of Hyderabad as well as of the Indian Government and so we think that the provisions of this Ordinance should now be incorporated in a short piece of legislation. This is now brought before the House. The provisions of this Ordinance have, therefore, been included in this Bill, and I hope it will be passed.

Mr. Speaker: Motion moved:

"That the Bill to provide for the control of the transfer of certain securities and for the issue of duplicate securities in respect thereof be taken into consideration."

Maulana Hasrat Mohani (U. P. Muslim): This is a Bill which seeks to make legal something that has been quite illegally done by introducing a Bill in the Indian Parliament. It says in the Statement of Objects and Reasons:

"It was brought to the notice of the Government of India in December 1947 that notwithstanding the Standstill Agreement with H.E.H. the Nizam of Hyderabad, the Hyderabad Government had decided to transfer Government of India Securities worth Rs. 20 crores to the Pakistan Government. The Government of India considered that this decision of the Hyderabad Government was in clear breach of the Standstill Agreement."

So the main basis of our demand is that we consider that this is done against the Standstill Agreement. I have got a copy of the Standstill Agreement. That Agreement was not unilateral. It was binding on both the parties and I submit that once the majority of the sections in that Agreement was most flagrantly broken by the Indian Government, I think that Agreement was no more. The second article of the Agreement runs thus:

"Nothing ~~shall~~ contained shall impose any obligation or confer any right on the Dominion to send troops to assist the Nizam in maintenance of internal order or to station troops in the Hyderabad territory except in time of war and with the consent of the Nizam which will not be unreasonably withheld. Any troops so stationed to be withdrawn from Hyderabad territory within six months of the termination of the hostilities etc."

Mr. Speaker: Order, order. Will the honourable member resume his seat? I must make it plain to the honourable member that while it may be perfectly competent for him to allege or advance that this particular conduct in transferring the Securities was not a breach of the Standstill Agreement, it will not be permissible for him to proceed on the other line of argument that, because of certain alleged breaches by the Government of India, the Standstill Agreement did not exist. That will open a very wide question which is not relevant at all for the present discussion. He may, therefore, restrict himself accordingly.

Maulana Hasrat Mohani: I am not going to other fields. Even supposing that it was done against that Standstill Agreement, I submit that the transaction which was entered into between the Reserve Bank of India and the Nizam's Government has been completed. There was no objection at that time and it is no use now for the Indian Government to come forward and say that the Nizam has now said that all those transactions are invalid because the Hyderabad Council had no power to enter into or transfer any of its assets to Pakistan. There was no objection at that time. Now nobody pays any attention to whatever the Nizam says. (*Honourable Member:* "Why?"). Nobody would believe—not even the United Nations Council when you said that the Nizam withdraws all these things. It is in duress and we need not take them into consideration. I suggest that we should not take into consideration anything that has been said by the Nizam now. We should see what was done at the time when this transaction was completed between the Reserve Bank of India and Pakistan. Those people who were responsible and who had the right and authority to transfer the funds belonging to Nizam to any other

Government, they did it and they were perfectly justified in transferring it and the Reserve Bank had no objection at that time. Of course there was some suggestion on the part of the Indian Government but they clearly said that they were helpless. The transaction had been completed and there is no legal flaw and now we could not rescind that. You now come forward and say make it illegal by introducing a Bill in this Parliament. I submitted yesterday and I will submit again to-day that you are introducing a very dangerous precedent. You may do anything which is illegal, immoral and present a Bill and get it passed in any House. You may say night is day and get it passed.....

Mr. Speaker: Order, order.

Shri Biswanath Das (Orissa: General): May I request you to call upon the honourable member to withdraw what he said just now?

Maulana Hasrat Mohani: I am not going to withdraw at all. This is a very dangerous principle. I mentioned it yesterday also but you took advantage of my speech being in Urdu.....

Mr. Speaker: Let him not bring in yesterday's speech. That is irrelevant.

Maulana Hasrat Mohani: Supposing the Labour Government or supposing Mr. Churchill's party takes it into its head and gets a Bill passed from the British Parliament to repudiate all the Sterling Balances as he has already been suggesting that this whole thing should be done away with because India has been saved from the trouble of being involved in the Great War and therefore the whole thing should be wiped out and suppose the British Parliament passes it, will that justify their action of repudiating all your Sterling Balances because a Bill has been passed in the English Parliament. So I say you are making a very dangerous precedent. By introducing any Bill and getting it passed and by passing that Bill if you want to make whatever is illegal or immoral as legal, it will not help you. Besides that, if you go on like this you are creating a precedent and people will take you to task as they have already taken. You introduced this system....

Mr. Speaker: Order, order; let the honourable member address the Chair.

Maulana Hasrat Mohani: By you, I mean the members responsible for this Bill (*An Honourable Member:* "He means the Government.") I mean the Congress party; it is on the basis of one party that they are sitting here.

Mr. Speaker: The honourable member need not go beyond the scope of the Bill. What are the arguments he has got to advance?

Maulana Hasrat Mohani: This is a very dangerous thing. You introduce something and you take advantage of your strong position in this House. (*An Honourable Member:* "Again, 'you'.") It makes your position ridiculous. You first introduce a thing. Take for example, you adopted this principle of police action. You copied it.....

Mr. Speaker: Order, order. The honourable member is going into irrelevancies. I cannot allow this speech to go on. Has he any points to make in respect of the Bill?

Maulana Hasrat Mohani: So I say you are creating a precedent. I oppose this Bill because it introduces something very dangerous which may prove very harmful to you afterwards. It will be used against you. (*An Honourable Member:* "Against the Speaker?") All right. There are two things here which are inconsistent. In one place you say that you.....(*An Honourable Member:* "Who says?")

Mr. Speaker: Order, order; let him proceed.

Maulana Hasrat Mohani: The Bill says. Those who are responsible for presenting this Bill. I ask them to see and consider their ridiculous position. Here the Bill says,—it is a controversial matter—that there will be no appeal and no court of law can say anything in respect of this matter; courts are precluded. Why so? Supposing there is a party which says that you are not justified in framing this Bill and in introducing this Bill and go to a court; are you of aid? Why should you say that no court can hear anything against you. This shows that your position is weak; this shows that you are doing something against your very conscience. I submit therefore that there are so many inconsistencies in this Bill. You are taking advantage of your majority.

Mr. Speaker: Order, order. The honourable member will now discontinue his speech. He is repenting the same thing.

सेठ गोविन्द दास : सभापतिजी, मैं इस बिल का स्वागत करता हूँ और माननीय सरदार वल्लभ भाई पटेल को इस बिल के यहाँ पर लाने पर बधाई देता हूँ। मुझे वे दिन याद आ जाते हैं जबकि इस सम्बन्ध में दो (Ordinances) जारी हुए थे। यदि वे (Ordinances) जारी न होने तो आज हमारे देश का कितना नुकसान हो जाता यह हम साफ तौर से समझ सकते हैं।

यहाँ पर जनाब हसरत मोहानी साहब ने जो कुछ कहा उस पर मुझे बड़ा ताज्जुब हुआ है। पहले तो मैं आपसे, सभापति जी, यह कहना चाहता हूँ कि इस प्रकार के शब्द कि हम यहाँ पर रात को दिन बना सकते हैं और दिन को रात, केवल जिन्होंने बिल उपस्थित किया है उन्हीं के खिलाफ नहीं जाते पर हमारी पूरी इस धारा सभा के खिलाफ जाते हैं और मैं तो आपसे हम लोगों के अधिकारों की रक्षा की दृष्टि से यह निवेदन करना चाहता हूँ कि आइन्दा इस प्रकार की बातें, जहाँ तक हमारी धारा सभा का सम्बन्ध है, न कही जानी चाहियें। यदि कोई सदस्य इस प्रकार की बातें इस धारा सभा में कहता है कि हम इस धारा सभा में रात को दिन और दिन को रात बना सकते हैं तो मैं आपसे कहता हूँ कि उन सदस्यों को अपने इन शब्दों को फौरन वापस लेना चाहिये और अगर वह सदस्य वापस लेने के लिये तैयार न हों तो आपको अपने अधिकारों का उपयोग करके उन्हें House के बाहर निकाल देना चाहिये।

Mr. Speaker: I have already expressed my disapproval and called the member to order when he said so. I do not think the matter need be pursued any further and his argument need not be taken very serious notice of (*Interruption by Maulana Hasrat Mohani*) Order, order. Our time is more valuable and we may apply it to the quick disposal of the Bill before us which is a non-controversial matter and a measure of a formal character. I do not see why any further arguments are necessary. For those who want to oppose, the matter stands differently.

सेठ गोविन्द दाम : मुझे तो ज्यादातर उन्हीं बातों के उत्तर देने की जरूरत थी जो कि यहां पर इस प्रकार के विवादास्पद बिल के न होते हुए भी कही गईं, और मैं समझता हूं कि उनका जवाब दिये जाने की बहुत आवश्यकता है। परन्तु जैसा कि आपने कहा कि इस बिल में कोई ऐसी चीज नहीं जो कि विवादास्पद हो, इस लिये मैं अब और अधिक न कहूंगा।

अन्त में मैं फिर सरदार वल्लभ भाई पटेल को इस बिल के लाने के लिये बधाई देता हूं जो उन्होंने इस देश को करोड़ों रुपये की हानि से बचाया है। उसके लिये हमारे सारे हाउस को उनका अनुगृहीत होना चाहिये। मैं इस बिल का समर्थन करता हूं।

(English translation of the above speech)

Seth Govind Das (C. P. and Berar: General): Mr. Speaker, Sir, I welcome this Bill and congratulate the Honourable Sardar Vallabhbhai Patel for having brought it before this House. I am reminded of the days when two Ordinances were promulgated in this connection. We can very well realize what loss our country would have sustained had not these two Ordinances been issued.

I have been really very much surprised to hear what the Honourable Maulana Hasrat Mohani has said. First of all I would like to tell you, Sir, that such words as we make night a day and the day a night do not only go against those who have presented this Bill, but against the whole of the Legislature. I would at least request you with a view to ensure protection of the rights and privileges of the members of this House that so far as our Legislature is concerned such things should not be allowed in future. If any member says such things in this House that we can make night a day then I would submit that those members should at once withdraw their words. And in case they are not prepared to withdraw them, you should, Sir, exercise your powers and call upon them to leave the House.

Mr. Speaker: I have already expressed my disapproval and called the member to order when he said so. I do not think the matter need be pursued any further and his argument need not be taken very serious notice of. *(Interruption by Maulana Hasrat Mohani)* Order, order. Our time is more valuable and we may apply it to the quick disposal of the Bill before us which is a non-controversial matter and a measure of a formal character. I do not see why any further arguments are necessary. For those who want to oppose, the matter stands differently.

Seth Govind Das: I was more concerned to reply to the arguments which have been advanced here against the non-controversial measure of this kind, and I feel it absolute & necessary to have replied to it. But as you have pointed out that this Bill does not contain anything which is controversial, I would not like to say anything more.

To conclude, I will again congratulate the Honourable Sardar Vallabhbhai Patel for his having brought forth this Bill, and saved this country from sustaining a loss of several crores of rupees. For this the whole House should be grateful to him.

I support this Bill.

The Honourable Sardar Vallabhbhai Patel: Sir, I do not think I would be justified in taking serious notice of the irrelevant ruminations, the substance of which, really, I must confess, I have not been able to follow at all, except the repetitions of "you say", "this is dangerous", "that is dangerous". I do not know whether the honourable member himself has understood what he is saying.

Maulana Hasrat Mohani: You will understand some time later.

Mr. Speaker: Order, order.

The Honourable Sardar Vallabhbhai Patel: I would only say that this is a simple measure on which I did not anticipate any debate or controversy. I thought it was five minutes work. For the assurance of the House, I may say this much. If this Bill had not been brought forward in this House, I would have failed in my duty to protect the interests of the people of Hyderabad.

I move that the Bill be taken into consideration.

Mr. Speaker: The question is:

"That the Bill to provide for the control of the transfer of certain securities and for the issue of duplicate securities in respect thereof, be taken into consideration."

The motion was adopted.

Mr. Speaker: I will now take up the Bill clause by clause. May I know if Mr. Naziruddin Ahmad proposes to move the amendments?

Mr. Nasiruddin Ahmad (West Bengal; Muslim): My amendments are of a drafting nature. If they are acceptable, I shall move them. Otherwise.....

Mr. Speaker: I shall send them to the draftsmen for consideration.

Mr. Nasiruddin Ahmad: Except amendment number 5 to clause 5.

Mr. Speaker: Then, I shall put clauses 2, 3 and 4 together.

The question is:

"That clauses 2, 3 and 4 stand part of the Bill."

The motion was adopted.

Clauses 2, 3 and 4 were added to the Bill.

Mr. Nasiruddin Ahmad: Sir, I beg to move:

"That in clause 5 of the Bill, for the words 'shall be instituted', the words 'shall lie' be substituted."

Sir, clause 5 says:

"No suit or other legal proceeding for the enforcement of any rights or remedies in respect of any scheduled security shall be instituted....."

This is an injunction against a party asking him not to institute the suit or proceeding. It is no direction to the Court to refuse to recognise such a suit. The better way would be that no suit would lie. It would prevent the jurisdiction of the Court from taking notice of it unless with the previous consent of the Central Government.

The question is whether we should tell the litigants that no suit should be instituted. Supposing anybody in disregard of the injunction institutes this suit, the Court will be in a difficult position. Section 9 of the Civil Procedure Code lays down that any suit of a civil nature may be entertained and taken notice of by the Court. In these circumstances the Court may take notice of a suit or proceeding even in contravention of this clause. If we say no suit "shall lie" that makes the suit absolutely illegal. It is from this point of view that I have submitted this amendment.

The Honourable Sardar Vallabhbhai Patel: I do not accept the amendment. I believe that the words "shall be instituted" will not be interpreted by any litigant as an injunction for which he will be liable to be hauled up; nor will the Court interpret it in any other manner than in the proper manner.

Mr. Speaker: So I need not put the amendment to the House.

The section is now open to discussion.

Srijiit Rohini Kumar Chaudhuri (Assam: General): What I wanted to say is that Mr Ahmad's.....

Mr. Speaker: That is not before the House now.

Srijiit Rohini Kumar Chaudhuri: Then that is all right.

Mr. Nasiruddin Ahmad: May I draw your attention to Clause 6? There is the analogy: "No prosecution shall lie." That is the language in Clause 6.

Mr. Speaker: Should I put all the clauses together, or should I put them one by one?

Honourable Members: All together!

Mr. Speaker: The question is:

"That Clause 5 stand part of the Bill."

The motion was adopted.

Clause 5 was added to the Bill.

Clauses 6 and 7 were added to the Bill.

The Schedule was added to the Bill.

Clause 1 was added to the Bill.

The Title and the Preamble were added to the Bill.

The Honourable Sardar Vallabhbhai Patel: Sir, I move:

"That the Bill be passed."

Mr. Speaker: The question is:

"That the Bill be passed."

The motion was adopted.

PUBLIC DEBT (CENTRAL GOVERNMENT) AMENDMENT BILL

The Honourable Dr. John Matthai (Minister for Finance): I beg to move:

"That the Bill to amend the Public Debt (Central Government) Act, 1944, be taken into consideration."

This, Sir, is a simple and straight forward measure. The Public Debt Act of 1944 seeks to regulate the Public Debt of the Central Government. The intention of the Government was to undertake a fairly comprehensive legislation regarding the public debt of the Country not merely of the Centre but also of the Provinces. But it so happens that under the Constitution Act, the public debt of the provinces is a matter for legislation by the Provincial Legislatures. Therefore, the Act as it stands at present governs only the public debt of the Central Government. That has created an anomalous position, because the money market of the country is the same and the authority which regulates the public debt both of the Central Government and the Provincial Governments is the same authority, namely, the Reserve Bank. It therefore stands to reason that our policy regarding the public debt and our administration of the public debt should both be on uniform lines.

Now this matter was put to the Provincial Governments and the Provincial Governments have readily agreed to the Centre legislating also for the

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regulation of the provincial public debts and the Provincial Legislatures have passed legislation agreeing to the Central Legislature legislating for their public debts. Therefore, the matter is purely a formal one, and I ask the House to accept my motion.

Mr. Speaker: Motion moved:

"That the Bill to amend the Public Debt (Central Government) Acts, 1944, be taken into consideration."

Shri B. Das (Orissa: General): I welcome the Bill. I am glad to learn from the Honourable the Finance Minister that the various Provincial Governments have agreed to this measure. Some how the general impression all over the country is that these various Provincial Government can borrow any amount of money and play with it as they like! A case in point is the controversy that is agitating the country over the acquisition of zamindari rights by the Provincial Governments. I am not referring only to the impression among those who are in the know; but among the public the impression is that a Provincial Government can borrow hundreds of crores, issue bonds and acquire zamindari rights, coal-mines and even steel works.

[At this stage Mr. Speaker vacated the Chair, which was then occupied by Mr. Deputy Speaker (Shri M. Ananthasayanam Ayyangar).]

This kind of loose talk in certain quarters, whether amongst politicians or amongst responsible Ministers in the provinces has not helped the country, the stock exchanges and the money markets to have any confidence in the Government.

I therefore welcome this Bill and I am glad that the Provincial Governments have agreed to it and I hope that confidence will be restored in the financial markets and that there will be no vacillation or fear among any class of people.

Prof. N. G. Ranga (Madras: General): I had no intention in the beginning to speak on this Bill at all, but my honourable friend, Mr. B. Das, provokes me to speak. I entertain fears from the other end. I certainly have no objection that the Central Government should be made aware of the public debt policy and programmes of the Provincial Governments so long as they can sit together and place their demands in the share market in a concerted manner. At the same time, I certainly cannot be a party to the Central Government getting the power to dictate to the Provincial Governments whether they could approach the share market at all, and when, for what sums and for what objects. If the Central Government were to take power into its own hands to dictate to the Provincial Governments, then these Governments would be reduced to the same status as Municipal Councils and Local Boards and they would not have the initiative for taking up any large and important policies or programmes for the social and economic development of the Country. As it happens my honourable friend, Mr. Das, has special objection to the policy relating to the zamindari system. He does not want the Provincial Governments to go to the market and raise loans and pay compensation to the zamindars. Tomorrow someone else will say "I do not want such and such a Provincial Government to nationalise and take over such and such a local industry, purchase such and such mills or factories. Therefore I do not want the Provincial Government to be able to go to the share market and borrow money. I would like that it should come to the Central Government." In this way the decisions of the Provincial Government would be set at naught.

The House remembers what happened sometime ago when the Madras Government wanted to pursue a particular policy, in regard to textile mills and the textile industry. The Central Government came in the way and said that the Madras Government could not pursue that policy and the Government

was in the horns of a dilemma whether it should pursue its policy and afterwards take its chance in the Federal Court or accept this advice coming from the Central Government, which nevertheless amounted, under the circumstances, to a mandate. We do not want a similar experience to be repeated again and again in different provinces. Therefore I want a categorical assurance from the Honourable Finance Minister that the Government of India certainly does not have any such intention whatsoever, by getting this Bill now passed of controlling the provincial governments in their policies and programmes even in regard to their raising loans in the public market. Unless they give such an assurance I am afraid it will become necessary for the provincial governments to revise their own views and approach the Central Government for a suitable amendment of this Bill.

The Honourable Dr. John Matthai: Sir, with regard to the question raised by my honourable friend Prof. Ranga it is not the purpose of this Bill in any manner to limit the discretion of provincial governments as regards the purposes or objects for which they want to raise funds. All that this Act does is to regulate what I may call the technical and administrative aspects of public debt. But what the provincial government would like to spend their funds on is a matter which under our present set up is for the provincial government to decide and the kind of tradition that we have established is this that the Central Government gives consideration to proposals which are made by the provincial government. At the same time, although it has nothing whatever to do with this matter, there ought to be of course a certain amount of co-ordination between the Centre and the provincial government—co-ordination which would be brought about entirely on a basis of mutual agreement and settlement. This Bill does not at all affect the main issue raised by my friend Prof. Ranga and I have no hesitation in giving him the kind of assurance that he wants.

Mr. Deputy Speaker: The question is:

"That the Bill to amend the Public Debt (Central Government) Act, 1944, be taken into consideration."

The motion was adopted.

Mr. Deputy Speaker: The question is:

"That clauses 2 to 7 stand part of the Bill."

The motion was adopted.

Clauses 2 to 7 were added to the Bill.

Clause 1 was added to the Bill.

The Title and the Preamble were added to the Bill.

The Honourable Dr. John Matthai: Sir, I move:

"That the Bill be passed."

Mr. Deputy Speaker: The question is:

"That the Bill be passed."

The motion was adopted.

BANKING COMPANIES BILL—contd.

The Honourable Dr. John Matthai (Minister for Finance): Sir, I move:

"That the Bill to consolidate and amend the law relating to banking companies, as reported by the Select Committee, be taken into consideration."

Sir, the Banking Bill, as the House is aware, has been before the country for a fairly long period of years and both the public and honourable members are familiar with the main provisions of this Bill. This Bill also has had the experience of being subjected to careful scrutiny by more than one Select Committee and therefore I submit that the Bill as it has emerged from the

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Select Committee after this long process of careful scrutiny deserves respectful consideration.

Sir, the matters in regard to which changes have been made by the Select Committee in the original Bill have been set out in the report of the Select Committee. That report is a clear and concise document which sets forth the main matters covered by the Select Committee's proceedings with, if I may say so, commendable clarity. I do not think, therefore, it is necessary that I should go over the whole ground again; which would be wasting the time of the House. What I propose to do in the few remarks that I want to make to the House is to call attention to some of the more salient matters, in regard to which changes have been proposed by the Select Committee.

The first matter to which I would like to refer is the definition of a banking company, which is set out in the Select Committee's report. There has been a considerable amount of controversy as regards the definition to be adopted in the Bill of banking companies. The point regarding which most of this controversy has occurred is whether a business concern which accepts deposits which are repayable on demand could be excluded by a formula of the kind which was embodied in the original Bill. There was a good deal of discussion on this question with reference to the practice of accepting demand deposits for the purpose of financing trade or manufacture—a practice which having been in vogue for a considerable period and at any rate in those parts of the country where it is in vogue has not led to any serious financial dislocation. There was general agreement that it was not necessary that the scope of this Bill should be extended to such concerns. On the other hand, the feeling of the Committee was, and I think rightly, that the distinguishing feature of a banking company is that it accepts demand deposits which are repayable by means of a cheque. That is the outstanding, if I may say so, characteristic feature of a bank and the problem before the Select Committee was how exactly to reconcile these points of view. The formula which is suggested by the Select Committee is that any company which is engaged in trade or manufacture and accepts deposits for the purpose of financing such trade or manufacture would not be a banking company within the framework of this Bill, and if that is so, such a concern would not be brought under the regulation and control provided in this Bill.

In order to make the position absolutely clear from the legal point of view I propose to make an amendment of which I have given notice to say that the acceptance of deposits is merely for the purpose of financing trade or manufacture.

Another point regarding which there has been a good deal of discussion is the limitation regarding employment of persons by a banking company. The controversy arose from the provision contained in the original Bill that no person who is engaged in any other business or vocation could be employed by a banking company. That is rather a sweeping proposal and it certainly would make it impossible for example for a banking company to have on its staff a part-time person as Legal Advisor. If a person who is engaged in any other business or vocation is not to be employed, that class of person would be completely shut out. The Select Committee thought that was a point regarding which a suitable change should be made. What has happened now is that it is only with regard to the management of a bank that people engaged in any other business or vocation would be ruled out. That is to say, there is nothing to prevent a banking company from employing such a person. All that is prohibited is that such a person cannot be engaged for the management of the banking company.

Another point regarding employment which created some controversy was this. In the original Bill there is a provision that when there is a contract for management of a banking company beyond a period of five years that matter should be subject to the approval of the shareholders in a general meeting. The Select Committee went into this matter with some care, and on the whole they felt that from the point of view of good administration, from the point of view of preventing such things as canvassing for votes, it is better to leave out this provision: so that as the Bill has emerged from the Select Committee the question of extending a contract for management beyond a period of five years is a matter which would be settled by the Directors of the banking company. Apart from the fact that in matters of this kind it is of some importance that canvassing of votes should as far as possible be prevented, there is a further consideration in the case of banking companies which is this, that shareholders might also be borrowers from the banking company. It is therefore of special importance in the case of banking companies that the approval of the shareholders as an essential condition for the extension of contract of management should be avoided.

The next question is the question of limitation of dividends. The provision in the original Bill is that the dividend payable by new banking companies should be restricted to 9 per cent.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Speaker (The Honourable Mr. G. V. Maralankar) in the Chair.

The Honourable Dr. John Matthai: Sir, when the House adjourned I was on the subject of limitation of dividends. The provision in the original Bill before the Select Committee revised it was that the dividends payable on capital by new banking companies should be limited to 9 per cent. that provision has been omitted by the Select Committee so that, as the Bill before the House now stands, there is no limitation at all on dividends payable by banking companies. The reasons for which the Select Committee took this decision are, if I may say so, sound reasons. They are mainly these. In the first place it is not a sound thing to have one kind of regulation in the matter of dividends of new companies and another in respect of old or existing companies. The result of such discrimination is that when it came to arranging for expansion of business, old or existing companies would be placed in an unduly favourable position and new companies would be placed at a disadvantage. (Interruption). I was saying that it was not a reasonable kind of provision to make that there should be distinction in the matter of the rate of dividends payable between new companies and old companies because it places new companies in an unfavourable position. The provision which existed in the Bill before the Select Committee revised it was that there should be a limitation on dividends to 9 per cent. in respect of new banking companies.

The second objection to that provision is this that there is really no reason why a distinction should be made between business concerns engaged in one line of business and business concerns engaged in other lines of business, that is to say, if you are going to tackle this problem of dividend limitation the problem must be considered with respect to the general practices in the country—it must be handled as a general problem, not as a problem relating to one particular class of concerns.

The third objection is, if the House is going to accept the Bill for limitation of dividends which is now under its consideration, then this question would be covered for a period of two years after the 31st December, 1950

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by the Bill which is already before the House, and during this period, therefore, it is somewhat unreasonable that there should be a special provision in regard to banking companies.

That, therefore, is the position regarding limitation of dividends.

The next important question is with regard to investment by banking companies in shares of business concerns. When I say "investment", what it really means, when you apply it to banking concerns, is not direct investment but loans or advances made against the security of industrial shares; the provision in the original Bill was that such investment should be limited to twenty per cent. of the issued share capital of the company or twenty per cent. of the share capital plus the reserve of the banking company. The Select Committee has restored the original provision of forty per cent. Now, forty per cent. is the limit laid down in the Companies Act with regard to banking companies. The provision in the Companies Act is that such investment should not be more than forty per cent. of the issued share capital of the company concerned. What the Bill does is to limit it to forty per cent. of the paid up share capital of the company, or forty per cent. of the banking company's paid up share capital plus reserve, whichever is less.

It is necessary to look at this question of limiting investments of this character from two points of view. From the point of view of a banking company it is an essentially sound thing that there should be some limitation of this character. I say it is a reasonable thing from the point of view of banking companies because otherwise you might find that where a banking company invests an unduly large part of its resources in a single industrial concern it is likely to affect, under certain circumstances, the stability of the banking company. So, from the banking company's point of view, there is no sound reason for a limitation of this character.

The question must be looked at also from the public point of view because if you do not have a limitation of this character then a position may arise where a banking company would be able to acquire almost a position of monopolistic control in regard to industrial concerns. Both in this country and in other countries we have had experience of the adverse consequences that might arise when merely financial interests acquire an undue degree of control over the industrial concerns of a country.

The reason why the Select Committee decided to restore the original limit of forty per cent. is this. In regard to the bigger banking companies, that is to say banking companies which have a very large number of branches scattered all about the country, from a purely administrative point of view it is a matter of very considerable difficulty to see that this limitation is adhered to in the day to day administration of the company. From a purely administrative point of view a limitation of that kind would be difficult to work. That is one objection.

Another objection is this, that if you have an unduly low and rigid limitation, then a banking company may quite conceivably find that although there are shares of first-class industrial concerns in which they may invest their funds, this limitation would compel them to leave these first-class industrial concerns out and invest in concerns of inferior standing.

Prof. N. G. Ranga (Madras: General): Supposing it is the other way about, and they go on investing in concerns of doubtful validity?

The Honourable Dr. John Matthai: Well, all that I can say in reply to that is this, that if you are going to have banking companies in the country under the present economic set-up you must assume that the people who are responsible for managing these companies know something of their business. Unless you make a certain assumption, it would be impossible for us to work through the existing economic machinery.

The next point to which I would like to refer is the prohibition of the granting of unsecured loans in cases where there is a common Director between the banking company and a company which asks for a loan from the banking company. The provision in the original Bill was that where there was a common Director between a private company and a banking company, the banking company would be prohibited from granting an unsecured loan to the private company. That question was considered by the Select Committee and they decided that that kind of prohibition would be unduly restrictive in its character. The result of that would be that the business of the private company in question would necessarily be diverted to other quarters. That objection applies equally to public companies. I may tell the House that at a certain stage in the history of this Bill a similar prohibition was sought to be enforced in respect of public companies also. It was left out, and it was considered then that the restriction should be limited to private companies. The Select Committee considers that even in respect of private companies the restriction would be unduly rigid. The provision now in the Bill as it has been revised by the Select Committee is that that kind of prohibition would now apply in cases where the Director in question is a managing agent or a partner or where the Director is himself a guarantor of the loan. In other cases, the prohibition would not apply.

There is a consideration of general importance which I think it is necessary for us to bear in mind in the present circumstances of the country, that is to say, if you are going to place restrictions of this kind on people accepting Directorships in banking companies, the result is likely to be that you would find it difficult to secure people of the necessary qualifications and experience for accepting the Directorship of banking companies. As a matter of fact, in the brief experience of industrial concerns that I have had, it has not been an easy matter to find people of requisite qualifications and experience of appointment as Directors of companies, and in view of the fact that there is a paucity, in the present stage of economic development, of men of that kind, a restriction of this kind, I suggest, in the public interest, would be undesirable.

Another question of an important character which is raised in the Select Committee's report is with regard to the Reserve Bank. Originally, there was a provision that whenever a banking company was to be liquidated, when there were winding up proceedings, there was a provision that invariably the Reserve Bank should be the official liquidator. That has now been dropped and the provision as it stands now is simply this, that it is only in cases where the Reserve Bank applies for appointment as official liquidator that the Reserve Bank would be called upon to undertake these duties. The reason for it is that at present there is not enough staff available to the Reserve Bank to undertake the functions of liquidator in all cases where winding up proceedings are started.

Similarly there was a suggestion, in the course of the discussions on this Bill, that in regard to the inspection of banks by the Reserve Bank these inspections should be of a regular character, that is to say, instead of simply applying this provision for inspection to banks when they are in trouble, the Reserve Bank should arrange for a regular inspection from time to time. The reason for that suggestion is that if the Reserve Bank arranges for the inspection of a bank only when the bank is in trouble, then it is likely to create panic. There is a feeling produced that the particular banks is in trouble and panic arises among the depositors. So the suggestion was made that the inspection should be a regular inspection. There again, the difficulty of staff arises and under present conditions, however much an arrangement of that kind may be considered desirable, it was found for practical reasons difficult to arrange for it.

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There is just one more point to which I want to refer. I have given notice of an amendment that in all cases where the Government or the Reserve Bank or their officers take action in pursuance of the provisions of this Bill in good faith, they should be granted protection in respect of such action. That, of course, is a provision which occurs in many Acts of this kind. We have considered it necessary to introduce a provision of this kind into this Bill, because cases have arisen recently where legal proceedings have been started against Government and the Reserve Bank and some of their officers in respect of action which they have taken in good faith in pursuance of the duties which they are called upon to perform in matters of this kind, and personally I think it is a matter of great importance that that kind of protection should be afforded to Government and the Reserve Bank and their officers.

I think, Sir, I have covered the more important points which are set out in the report of the Select Committee and I have no doubt in the course of the general discussion and the discussion on the various amendments that there would be opportunities of discussing other aspects of the Bill which I have not been able to mention in the course of this brief introduction.

Mr. Speaker: Motion moved:

"That the Bill to consolidate and amend the law relating to banking companies, as reported by the Select Committee, be taken into consideration."

Shri T. T. Krishnamachari (Madras: General): Mr. Speaker, in supporting the motion made by my honourable friend the Finance Minister, I would like to make a few remarks on the report of the Select Committee. The House knows that I was a member of the Select Committee, and I am well aware of the fact that any criticism that I have now to offer on the Bill as it has emerged from the Select Committee should be related to suggestions made in the Select Committee which were either accepted or rejected. Sir, in his opening remarks, the honourable the Mover referred to the age of this particular measure. I would like to remind the House that the proposal for a banking legislation emanated in 1939 from the then Governor of the Reserve Bank, Sir James Taylor, and substantially, except perhaps with reference to the provisions which give larger power to the Reserve Bank to interfere in the monetary set-up of the country, the Bill to day represents the suggestions that were embodied in the original proposals of the late Sir James Taylor. I am laying emphasis on this particular fact because I want the House to realise that while the world has moved very very fast during these ten years, and ideas in regard to monetary control by government and the type of machinery required by it to be at its disposal have undergone revolutionary changes, we are here considering a Bill which, in the main, was the product of an emergency that occurred in 1938, namely, the failure of a few banks which prompted the Reserve Bank to bring forward draft proposals for banking legislation. That I think is at once an apology and an explanation for bringing before this House a Bill which is, in my opinion, a measure which falls far short of the needs of the moment, and that is a point which I would like to develop a little further as I go on.

Sir, it has been my good fortune or misfortune, perhaps, to have been able to speak in this very House on more than one occasion in regard to proposals for banking legislation. I remember some time in the fall of 1944, a measure of this sort was circulated for eliciting public opinion. Again some time in April 1945 a measure of this nature was referred to a Select Committee, and on both occasions I participated in the debate. Certain suggestions were made by me, a few of which were incorporated in the Bill that was brought up later.

As the honourable the Mover rightly pointed out, this measure has gone through two select committees—something unique for any piece of legislation—before it came before this House. And honourable members will note that in many respects, or in some important respects, the Bill as it has now emerged from the Select Committee is perhaps a little more retrograde than what it was at the time it emerged from the last select committee, whose report, however, was not taken into consideration by the House.

Sir, if the House will pardon me for introducing a personal note, I would like to say that I am neither a person who has interests in banks, nor am I one of those persons who have large vested interests at stake. My only reason for trying to speaking on this measure is that I am a student of banking and allied economic matters and I thought I would be failing in my duty if I did not place my own views before this House and before the wider public, while a measure of this nature is under consideration.

Sir, after this preamble, I must say that I am not perfectly satisfied with the measure as it has emerged from the Select Committee. I have taken up a few points from the Select Committee's Report to indicate my disapproval and I have incorporated them in my minute of dissent; and if I am permitted, I shall be moving a few amendments in support of those points that I have made out in my minute of dissent. But now at this stage I propose to touch only on certain general aspects of this measure.

One important aspect of this measure which I would like to touch on is the question of liquidity demands made by this Bill as it has emerged from the Select Committee. In essence it has not changed in shape or form from what it was in the original draft which the House committed to the Select Committee. This question of liquidity of the assets of a bank is now being decided under conditions which will not obtain for all time to come. We are now supposed to be in a period of inflation when there is plenty of money, though it now seems to have come to a stage that the people who need the money are not able to obtain it and most of all, one institution which needs money—the Government—is not able to obtain any money. But at the time when this proposal originally saw the light of day, it was brought out because of a banking crisis, because of a definite difficulty felt by a particular bank which though it ultimately paid twelve annas in the rupee had to go into liquidation for the one sole reason that the Reserve Bank was not able to come to its rescue, partly because of the working of Section 17 of the Reserve Bank Act, and partly because the elasticity afforded by the provisions of Section 18 of the Reserve Bank Act was not made available to that institution.

Sir, normally the position of good small banks in this country is that they do not have enough money to advance to their customers at the time when it is necessary when seasonal demands are high. One might very well ask, "Why should we have good small banks?" In fact, this particular fact was brought to my notice very forcibly when the Select Committee received a deputation of bankers. I asked one of the members of that deputation whether he was satisfied that the percentage of liquidity that is sought to be enforced by this Bill was not on the high side so far as the smaller Banks are concerned as I thought he was aware of the position of the smaller banks, but he said, "It is all right". But the real fact is—I do not know what has happened in the previous select committee—this Select Committee has not called up representatives of the smaller banks to come before it and testify as to what they would like the liquidity conditions to be fixed at. Sir undoubtedly friends in this House will speak about nationalisation and I shall have a few words about it before I sit down. But I do feel that the common man, the people in the country who need money during seasons for financing agricultural

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business and the marketing of agricultural produce, depend largely on the smaller banks and I do not know whether this banking Bill should not have been preceded by another banking enquiry committee which should have decided for us what type of banks we should encourage in this country whether we should encourage the unit type of bank or whether we should encourage banks with a large number of branches. Here in this country we have a very mixed system. The smaller banks, banks which more or less approximate to the unit type of banks have no part or lot in this particular measure and only the bigger banks are able to represent their cases before the Select Committee and before the Honourable Minister and they have a certain amount of say in the ultimate formation or shaping of the measure before the House. I think this is a matter which we should consider before long, as I believe the Honourable Minister thinks that the inflation has started going down the curve and we might very well be in the midst of a depression before long.

The Honourable Dr. John Matthai: May I explain? I do not think I have ever stated anywhere, even in conversation with my honourable friend that we are in sight of depression. It has never been my opinion.

Shri T. T. Krishnamachari: I stand corrected. I apparently read far too much from one or two remarks which my honourable friend was good enough to let fall. But that at any rate is the opinion of the Honourable Minister's economic advisers, I mean the advisers of the Finance Department. I find Dr. Thomas almost Cassandra like prophesying that before long there will be depression.

Prof. N. G. Ranga: There is economic depression in the countryside. Go and see it.

Shri T. T. Krishnamachari: My own feeling is we will probably have to consider before long whether the interest of the agriculturists, of the small man or small business will not be best served by encouragement of unit banking to which no encouragement of any sort is being offered in this particular measure. I have in fact suggested at one stage that the question of fixing the percentage of the liquidity of assets must be a matter which should be elastic and must be left to the Reserve Bank to settle and even vary in accordance with the needs of the time within the particular limits that we might fix in the Statute. In harping on that point of view I have this in mind that most of the agricultural operations which demand financing are seasonal and such business is of a self-liquidating nature because of the reason that the security offered must before long be sold and the money returned to the bank. So some such consideration would probably have been more suited to the requirements of the rural countryside. I do hope that some time may come that the Government of India, alert and alive as it is, will perhaps use its Ordinance making powers to make this alteration in the present measure to suit circumstances as and when they arise.

Sir, one other matter to which my honourable friend the mover referred and it is in regard to limitation of dividends. My honourable friend referred to another measure which this House has committed to Select Committee *vis.*, the Limitation of Dividends Bill. I would ask for forgiveness if I make a reference to the content of that Bill which I think is very necessary in order to meet a particular argument which I have sought to import in my Minute of Dissent. My feeling was that the original Ordinance which the Bill that has gone to the Select Committee seeks to put on the Statute Book on a semi-permanent basis hardly fitted in with our own ideas in regard to limitation of dividends to be paid by banking companies. I refer to the Ordinance and not to the

Bill. The Ordinance merely crystallised the existing practice. It crystallises the *status quo*. I wanted to find arguments against this particular idea as being a check against that somehow crept into the authorities and I borrowed from the Library 'The Investor's Year Book' issued by Place Siddon and Cough one of the most prominent Brokers in this country and I went through the payment of dividends over a period of years for some selected companies. I found that in the main what the Ordinance sought to do was merely to crystallise the payment of dividends because if you take the Imperial Bank, the dividend for a period of years in the past has been 14 per cent. If you take the Central Bank after the war—they were very conservative before the war—I know I am speaking in the presence of the Chairman of its Board of Directors—before the war they were paying 9 per cent. and after the war they started increasing the dividend, and in any event even the quantum of dividend to be paid by the Central Bank even after the application of the Ordinance will not vary. So it seems to me that except in the case of Tata Deferreds which for a capital outlay of Rs. 30 often pays a dividend of five times that amount, if not more, where the variations have been phenomenal from 130 rupees and odd to 64, even where the present Limitation of Dividend Ordinance which now rules will afford the recipient of dividend a possibility of obtaining somewhere about Rs. 85 on a capital outlay of Rs. 80, I do not see that this Dividend Limitation is worth anything as an anti-inflationary measure. As I have great respect not merely for the experience but also for the wisdom and moderation of my honourable friend, the Mover, I felt that in justifying the elimination of the dividend limitation clause from the Bill my honourable friend was emphasising a fact which is not merely unsustainable but also unnecessary.

Sir, coming to this particular matter of whether dividends of banks should be limited or not, I think banking companies stand on a different footing from other companies. For other type of companies we allow large amount of freedom but for banks we don't allow. Why? One reason for interference by Government was said to be the protection of the interest of depositors. But, Sir, with the acceptance of the idea of monetary management which is the basis of Keynes's idea all the time—which he further elaborated in his monumental work on the General Theory, Governments have now come to accept the position that monetary management happens to be the primary duty of Government and I think that is perhaps the main justification for our having as Finance Minister a person of the type of Dr. Matthai with his considerable experience of economics and of management in business. This Government have accepted more or less the duty that has devolved on them of monetary management and we cannot have banks in the future, whether we nationalise them or not, which can do what they want, whatever might be the strength and influence of the vested interests who control them. It is not merely for the protection of depositors that control of Banks is needed which is an erroneous idea which has been given the go-by long time back. The banks have got to be controlled either by the Government or by its agent—the Reserve Bank—in various ways as a corollary to Government's monetary Policy which is the only justification for this elaborate measure before this House and it would be idle to-day to say that we are going to treat the banks on the same footing as any other companies and we are not going to permit banks to pay such dividends as we are permitting other companies to do because the foundation of the monetary policy of the Government will have to, to some extent, depend upon the interest paid by the banks for deposits and which again has some connection with the rate of dividend they pay to shareholders. Sir my honourable friend the Finance Minister will say—supposing I accept your suggestion and limit the dividend of banks to 9 per cent. what will happen to the share market. The price of the shares will drop. I say the price of the shares of the Imperial Bank,

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Sir, dropped from Rs. 2265 last February to Rs. 1700 and odd this February. Was the Finance Minister of that time or the *locum tenens* who occupied that position during the middle period or the present incumbent able to defend and safeguard the interest of these share-holders? And I do not think any great disaster would have overtaken us if by our limiting the dividend to 9 per cent. the share value of the Imperial Bank the paid up value of which is about Rs. 500 has been brought to Rs. 1350 or Rs. 1400. Some people will suffer for the sake of large number of people. Any salutary measure of this nature where it fixes the dividend of semi-public organizations like a bank for reason of its stability and also particularly to discourage bankers from giving a larger rate of interest to depositors than what they ought to do so as to keep their income a little lower than what it otherwise will be, I think all these conditions require that limitation of dividend of banks must be undertaken, if not to-day at least to-morrow or the day after and I don't think it is any use saying that here is a Dividend Limiting Ordinance which is in operation and let us hear nothing more about dividend limitation. Let us consider the whole scheme in relation to private companies where risks are of a very much larger nature than that of banks where there is no Bill similar to the one that we are now considering which ensures stability and security of banks and where there is a perfect justification for limitation of dividends. Sir, one other point in relation to the body of the Bill to which I would like to refer is in regard to clause 19. Sir, I have had the advantage of hearing my honourable friend, the mover, explain why the recommendation of the previous Select Committee in regard to the fixation of the percentage of possible advances on shares of an institution was given up and why we have gone back to the original provisions of the Companies Act with the difference that he has indicated that exists between the provisions of the Companies Act and the provisions of this Bill. I do not think it is a very proper change. I would like to link this up with my criticism of voting rights.

Voting rights as they are conceded by this measure are: a person can have 10 per cent. of the total voting rights in so far as newer banks are concerned. We have known for a long time, in four or five years now, a number of Insurance Companies have changed hands and in every case where an Insurance Company has changed hands, it is linked to a Bank. (Shri B. L. Sondhi: "In every case?") "Practically in every case." I am not afraid of my honourable friend's challenge because I think I am a little better informed in this matter. (Shri B. L. Sondhi: "That is what you think a very much mistaken impression.") Wherever an Insurance company changed hands, it was linked to a Bank. Whenever control of an Insurance company was sought to be obtained, the person who attempted to control had some kind of link with a Bank. In every case where an Insurance company came a cropper, there is a Bank somewhere there in the offing. I can tell him of an exception: I do not like to mention names; I know of two Insurance companies that changed hands without the aid of a Bank helping in the process. But that is an evil which this House is aware of which this House was made aware of times without number. A committee was appointed with an honourable member of this House, as he then was, Sir Cowasji Jehangir as Chairman to recommend ways and means of preventing this kind of fraudulent transfers and manipulation of other peoples' assets. Voting rights form an important part in this operation. You might ask me, supposing you reduce the voting rights from ten to two and a half per cent., what do you achieve? Cannot the owner of these shares get 20 dummies in order to achieve his object? I agree, Sir, that every provision that we make in this particular measure can be got over somehow by the introduction of some type of dummies. That does not mean that you should not make the business of

obtaining a minimum more difficult. That is what we can possibly do; that is what human ingenuity can do. If people thieve, we prevent that by putting policemen to watch for them and we put the thieves in jail when they are caught. We will put a different type of policemen in this manner by limiting the opportunities for these people to manipulate the interests of depositors and thereby interfere with the monetary mechanism of this country. I find no justification at all for the rejection of the idea that those people who seek to use the Bank's funds for purposes of their own, for disturbing the economy of the country, their opportunities must be limited. I do feel that it will probably be more proper for me to say that no person should have more than one per cent. of the voting rights. I am amazed at my own moderation in that I have suggested it ought to be two and a half per cent. and not one per cent.

That again links up with the proposition in clause 19 whether any restriction in the investment in the shares of any one company by a Bank is a wholesome restriction. I do not think it is going to unduly affect the business of this country by accepting the suggestion of the original Select Committee instead of changing it to what it was prior to that committee's report.

I now propose to deal with one or two matters of general interests before I sit down. The basis of this measure is that we are throwing an enormous amount of responsibility on the Reserve Bank. Oftentimes when we had asked for some more restrictions, some more enquiry, some more statistics, it was urged and the argument was appreciated by some of us that the Reserve Bank as it now is, is not in a position to undertake an enormous amount of responsibility all at once. Even so, the amount of work that we are saddling on the Reserve Bank, the amount of responsibility that we are asking the Reserve Bank to undertake in this Bill is something very immense. I would ask the House to remember that when we shove this responsibility on the Reserve Bank, we are shoving it on an institution which has been nationalised. The Reserve Bank has been nationalised in order to meet a cry that existed right from the day when the Reserve Bank was brought into being. I will ask my honourable friends who have been urging for the nationalisation of the Reserve Bank, if they have found any visible change in either the character of that institution or in its personnel or in its outlook. I do hope that in the future the Reserve Bank would have more influence than what it has been having on the Government of India. Reverting for a moment to the question of limitation of dividends, I would like to refer to a Book produced by the Reserve Bank, Report on Currency and Finance for 1947-48, where the Reserve Bank has referred to at length to the Banking legislation and has said; "The main features of the new Bill are as follows:" Item 5 in these main features is limitation on payment of dividends. I did hope that the nationalised Reserve Bank will have a little more control, a little more pull over the Government and over us who are either controllers of this Government or are being controlled by the Government, whichever way you take it, in implementing what it thinks as most wholesome. I revert again to the composition of the Reserve Bank and the responsibility that we cast upon it. Nationalisation has not made any change in the personnel; the personnel remains the same; naturally, it will remain the same. I am not, Sir, for one moment, referring to the appointment of the successor to the present Governor of the Reserve Bank. Perhaps, I might make some reference to it on the proper occasion. The successor of the present Governor will be judged by his performance. I would make a reference to a fact which has come into being. I am referring to the Constitution of the Board. My honourable friend the mover has constituted the new Board taking advantage of the powers conferred on him. To some extent he has preserved the old set up in order to provide continuity. He has also provided new blood. Sir, in order to make the

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institution a live institution more alive to the needs of the country, to bring in more expert assistance to the Government which a shareholders Bank cannot provide. What is the type of new blood that is brought in? Old blood which will coagulate and ultimately produce thrombosis. I do not find a single economist of any standing, a single public man.

An Honourable Member: There is Shri Gadgil.

Shri T. T. Krishnamachari: Shri Gadgil is not in the Central Board, let me tell my honourable friend who interrupts. He is in the local Board of Bombay which has absolutely no powers whatsoever. The power of the local Boards have not yet been defined; as at present they have no powers at all. There is no economist, no man of any catholic outlook, not even labour leader. The new blood is in the form of old people whose arteries are getting thickened through which blood is running very slow, who are very near being affected by thrombosis. My honourable friends want nationalisation; here it is on a silver platter; take it.

Prof. N. G. Ranga: At least we are able to say this in regard to a nationalised institution. About his own institution, we can say nothing.

Shri T. T. Krishnamachari: I have one more word to say about the Reserve Bank as it is at present constituted. The functions that are cast on it are far more than I can bear. What is to be the type of Reserve Bank in order that it may shoulder those functions and more functions that we would seek to put on it? I am not a conservative. As I said, I do not believe in theories propounded by vested interests. I believe in change and I believe in experiment. I do not believe in what my honourable friend says who is sitting in the front opposition Bench who asks this Government not to experiment with new sociological ideas.

I want this Government not to experiment with sociological ideas. I want them to embark on them. And therefore, Sir.....(Mr. *Homy Mody*: "Heading towards insolvency!") If my honourable friend will be audible enough I will be able to convey my own reply to whatever remarks he has to make. But he is not audible ...

The point I want to urge is this. We are either committed to an enormous expansion of the Reserve Bank so that it might fulfil its functions properly not only in so far as this Bill lays on it but also take up the monetary responsibility that will be cast on it, or to make it take over an institution which is performing some of the functions that the Reserve Bank has to undertake and seek to integrate it into its own so as to provide a very necessary apparatus in the hands of the Honourable the Finance Minister in order to control the monetary mechanism of this country. Though my honourable friend might hold other views, when the Government made that slip, that false step in rationalising the Reserve Bank, which we all know means nothing, which we all knew would mean the appointment of another civilian as a Governor and which we all knew meant the continuing presence of vested interests in the Directorate, when the Government made that false step, it committed itself irrevocably to the principle of enlarging that particular bank and also making it imperative for the Reserve Bank to absorb the Imperial Bank either today or tomorrow and make it a nationalised institution. To say to-day that the State should not interfere with commercial banking is saying something that is entirely out of date. The State has to interfere in commercial banking. In certain respects it does and this very Bill seeks to enlarge the scope of that particular type of interference. If my honourable friend will to-morrow seek to expand the Reserve Bank so that it may have 400 or 500 branches undertaking the Treasury duties of the various Provincial Governments, seeking to provide transfer of monies where necessary, and undertaking the full responsibility that

this Bill and other Bills that will come later on will impose on it, well I am perfectly willing that the Imperial Bank be left out of ken and I am even willing for it to go out of existence. The alternative is for the Government to shake off its present inertia where the question of the Imperial Bank is concerned and make it an adjunct of the Reserve Bank or make it an allied institution so that the Reserve Bank work may become more efficient, so that the Government's policy in regard to monetary control can be more effectively implemented and so that this Banking Bill can become something very real.

I would like to mention a particular lacuna in this Bill, which is partly due to the fact of the constitutional set-up, and partly due to the fact that we have not courage enough to expand. Sir, the so-called non-Scheduled Banks have been left out of the orbit of this Bill more or less, except the control that the Reserve Bank may impose on it and the general provisions regarding banking business contained in this measure. We have one of two methods open to us in dealing with such institutions. Either we make all joint stock banks raise themselves to the level of a Scheduled Bank, namely that they shall have as their capital and reserves something to the tune of Rs. 5 lakhs—and this is not an impossibility—so that we shall not have the non-Scheduled Banks; or we must perhaps change the scope of this measure later on.

The other type of institution which wholly goes out of this measure are the private moneylenders. Sir, we cannot legislate for moneylenders because money-lending and moneylenders happens to be a provincial subject. But I do wish that the Government in consultation with the Reserve Bank would formulate a draft Bill for the use of the Provincial Governments—a draft Bill that is capable of uniform application in all provinces—which will provide a sort of adjunct to this measure which we have before the House today, which will seek to control private money-lending and moneylenders. My own view is that private money-lending must be put an end to. But it may not be very wise to do it because we might be withholding from those people, who are otherwise not supposed to be credit worthy the only type of credit that they get.

The compromise that is open to us is what I have mentioned. I would request the honourable the mover to get in touch with the Provincial Governments, seek their permission, and then get a move on with the Reserve Bank and put out a draft Bill for controlling money-lending and moneylenders.

I am laying stress on this particular aspect of the work we have to do in an advisory capacity, because of the influence the Central Government has because I see that interest rates are rising for those people who need money badly for their seasonal operations. There is no point in the Government saying that we are going to stick to our cheap money policy while they allow the moneylenders to lend at twelve per cent. or more as it might be if the present conditions persist in the rural areas. So the Government of India have willy-nilly to exercise some control over private lending and the rate of interest at which they lend if they are going to maintain a cheap money policy. We cannot have control at one end and absolute freedom to do what people like at the other end. So action in this direction has to be taken before long. If necessary, the Government of India must arm itself with powers in order to interfere in an emergency, because we cannot control one aspect of the monetary mechanism and at the other end leave quite a lot of it out of the scope of our control.

An old story which I would like to repeat here is this. Here this Bill gives a lot of powers and lays a lot of duties on the Reserve Bank. But it is not helping the Reserve Bank to go easily to the aid of institutions that need aid. I remember, Sir, in September 1947, due to the conditions obtaining in the

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Punjab, where banking has developed to a very large extent, the Government of India promulgated an ordinance using the provisions of Section 18 of the Reserve Bank Act to allow the Reserve Bank to come to the aid of the small banks and here their report on Currency and Finance for 1947-48 says that the ordinance lapsed because it was felt that no one took advantage of it. Very possibly, the ordinance was there in the Statute Book and no one knew any thing about it. Nobody was encouraged to take advantage of it. I would rather incomplete that the Government took steps to amend the provisions of Sections 17 and 18 of the Reserve Bank Act and make a thing like that ordinance an ordinary feature of the Reserve Bank Act rather than make it a temporary feature. The present provisions of Section 17 of the Reserve Bank Act make it difficult for the Reserve Bank to go to the aid of particular banks unless the Bill habit develops in this country to an appreciable extent. But it has not, even though it is more than twelve years that the Reserve Bank had come into being. So the provisions of Section 17 are virtually a dead letter. So long as the Bill habit is not developed, the provisions of that section cannot be taken advantage of. It was thought some years back—because I do believe the Governor of the Reserve Bank sent out a draft Bill for approval in regard to public warehousing—that people could deposit their local produce in such warehouse and the receipts granted by the warehouse keeper would be a negotiable security which would help to develop the Bill habit. Nothing has been done in this direction. We have no public warehouses today. The Bill habit has not developed in this country and therefore the provisions of section 17 are a dead-letter. If we lay certain obligations on a particular type of banks, we must lay some obligation on the Reserve Bank to go to their aid in the time of need. The position of the banks in Bengal during the last six or seven months has been highly deplorable. They are in a terrible condition and it may be that if we ask the Reserve Bank of India to interfere and go to their aid now we will probably be asking it to throw away some money. It may be that if the provisions of Section 17 are liberalised the Reserve Bank of India might be able to help. If the bill habit is not there, what has this Government done to foster the habit? They have not even started the warehousing scheme. I feel that as a sequel to the passing of this measure the members of the House will become alive to the necessity on the part of the Government amending the Reserve Bank of India Act and in fact stream-lining it.

We passed a measure the other day tinkering with a few provisions of the Reserve Bank of India Act, so as to make it a nationalised bank. We have not studied the working of the bank, we have not taken into account all the limitations operating in the working of the bank, we have not taken into consideration all the failures of the bank nor sought to amend the Act in the light of experience gained. I feel that an enquiry can now be instituted (and it would be very useful) not only into the working of the bank but also into the working of the general banking system of the country. I do not say that it should be something of the nature of a royal commission that sat about 18 years ago but a smaller enquiry committee at an expert level would perhaps help us not merely to revise the Reserve Bank Act but replace the measure that is now before the House, which within the limitations of my own capacity I have sought to make out as being highly imperfect.

There are many other matters relevant to the motion before the House that I could say. I know I have exhausted the patience of this House by trying to speak on a very very dull subject which would interest very few and having in mind my own limitations in regard to my powers of exposition. But before I sit down I should like to mention only one matter and that is with regard to bank employees. We are here enacting a banking Bill but what about those people who serve in those banks? I am not a labour leader but I have times without number come across cases where employees of banks have protested against the conditions under which they have to serve. Bank strikes are not un-

known. I believe there was a strike sometime back in the bank that is controlled by my honourable friend, Mr. Mody. There was also either a strike or a threatened strike in the Reserve Bank of India. The Reserve Bank was able to lay down certain terms and conditions in regard to the wages to be paid to its employees. These may not have been very liberal but in comparison with the type of wages that exist all over the country I think the Reserve Bank's fixation of wages is fairly reasonable. I feel that that ought to be made the model for all banks. If anyone says that the smaller banks cannot afford to pay the same rates then there is no reason for them to exist. Let them hand over their business to bigger banks and go out.

There is another aspect of the matter which I would like to bring to the notice of the House. Whenever there is a dispute between the bank's employees and employers the provincial governments interfere. I believe there is some such thing now in the offing so far as the U.P. Government is concerned. They try to fix the wages often times in an arbitrary manner. Banking is a central subject. We legislate in regard to the very many provisions of ordinary banking. Should we not tell the banks what they ought to do in the matter of the wages paid to its employees? I think it is only fair that we should also tell the banks what they ought to pay to their servants. I do feel, though we need not put it in this particular measure, that the Central Government should use its enormous influence to bring to bear on banks generally through the medium of the Reserve Bank the necessity of their providing decent living conditions for their employees and also intimate to the provincial government that the Reserve Bank's advice might be sought in any arbitration of this nature. The final say in the matter of fixation of wages should be left to the Central Government or to such agency as the Central Government might employ to advise the provincial government in this matter. Some kind of coordination is necessary, because banking has developed to an enormous measure. What is paid to an employee by the Central Bank in Bombay I do not see why it should be refused to the Central Bank's employee in Madras or in Cawnpore? (*An Honourable Member*: "because of the difference in the cost of living.") The difference in the cost of living in urban areas all over the country is practically next to nothing. The urban cost of living in Bombay, Madras and Calcutta is more or less alike today: thanks to our policy of price control the cost of living is more or less alike. With perhaps a little variation here and there in regard to the dearness allowance, the basic wages in all types of bank employment should be made practically the same to all bank employees all over India. I do hope that the Government would move in this matter.

I have given notice of one or two amendments and if I am permitted to move them I shall make a few comments in addition to what I have already made while speaking to those amendments. As it is I feel that this is undoubtedly a good measure so far as it goes but it does not go very far. Sir, I support the motion before the House.

Prof. K. T. Shah (Bihar: General): Sir, while congratulating the Honourable Minister for the lucid exposition that he has given us of the various changes made in the original Bill by the Select Committee, and also his references to the purpose which the Bill is intended to serve, I regret that I am not able to take the view of the fullness and comprehensiveness of the measure that the Honourable Minister would like us to take.

Difference of opinion with the powers that he has become so characteristic of me, and minutes of dissent have become unfortunately so common, that it has almost become a standing joke with those who happen not to agree with me or who even agreeing are unable to support me openly. As, however, I have not developed any very considerable hump of modesty, I am not discouraged by the open or concealed innuendo sort of ridicule that has been showered upon me or thrown at me from time to time. (*Shri H. V. Kamath*: "Not ridicule.") Thank you very much. I am however inclined to remind the House that it is

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the fate of those (and I may say it in all humility) who are somewhat in advance of their time, or who have the misfortune to differ from a majority of their fellows, to suffer misunderstanding, if not ridicule. But as my back is broad enough to bear all that I have never been deterred by ridicule or misrepresentation.

Sir, it is a word of wisdom, or at least worldly wisdom which says:

यद्यपि सुद्धं लोकविद्वद्धं नाचरण्यं नादरणीयम्

I feel that even if, for the time being the majority is not with me, there is no reason to fear that in course of time perhaps the eyes even of the majority may be opened. I for one feel that though I am unable to carry my colleagues, whether in the Select Committee or in this House, with me on important matters, and though I have no means of judging at this moment the majority sentiment in the country at large, may I assure the House that the majority will be with me ultimately, if it is not so today. I have therefore no hesitation in placing before the House some of the salient points on which I have been compelled to disagree with the majority in the Select Committee, and on which perhaps I may have the misfortune of finding even this House not quite sympathetic on those issues.

Sir, My task has been rendered very much easier and simpler by the very comprehensive review that my honourable friend, Mr. Krishnamachari, has placed before you, of the measure as a whole. And if one may offer a compliment without being presumptuous, I do feel that Mr. Krishnamachari's review touching on the salient features, and even the weak points of the measure was far more searching and comprehensive than was done by the Honourable Dr. Matthai, without meaning any offence to the sponsor of the Bill. I may have to repeat some of his arguments, though I will try to do so from a different point of view so that the House may not be wearied by mere repetition.

I have also to offer an excuse of the kind that Mr. Krishnamachari himself has offered, that is to say, I am not myself concerned directly with banking. I am not a banker—thank God—and I am not accustomed to seek favours of bankers. Sir, it has been very aptly said that if you wish to misunderstand a country entirely go to the man who has been twenty-five years in it. That was with regard to the foreign bureaucracy which ruled in this country, and the remark was made by one who was a life-long critic of it. May I say that those who are directly and daily concerned with the routine of a business like banking are bound to take, unavoidably, without the least *mala fide* a narrow or restrictive view, a routine view, of their operation—may I say, a purely traditional view—which may not be in the wider or long-term interest of the community they intend to serve. I am not at all challenging or impugning the *bona fides* of our banker friends in this House, or those who have had some interest in shaping the Select Committee's Report. Unavoidably they take a view of the purpose of the institution, of the functions of the institution, of the eventual objective that the institution is intended to serve, which is really not always in consonance with the long range interests of the country as a whole. Accordingly, those who have made it a life-time study of the business of banking, or viewed it from a somewhat detached standpoint, considering the root, the theory, as well as examining the practice, may claim to have a broader and wider outlook than those immersed in the daily routine of the business narrowly conducted.

Sir, I claim a certain advantage in this respect, not only because I have been a life-long student of such problems; but also because, in the last ten years or so, I have been connected with the National Planning Committee, whose function had been to plan for the country its economic life in all its items, all its aspects and stages. That has compelled me, even if I did not want, to take a comprehensive and co-ordinated view of the entire economic life of the country which those who specialise and who confine themselves to single objectives,

may not have. It is no very great merit I admit; but it does compel me to place before you the matters from that angle which those who consider our banks and banking by themselves are perhaps unable to do.

With this apology, Sir, I would now proceed to the specific points which I would like to place before the House, from the particular angle from which I think they ought to have been viewed by the sponsors of this measure, and by this House. In the first place, this Bill claims to be a consolidating and amending measure. But I fail to see what it consolidates and what it amends. So far, at any rate, as the various types of banking are concerned, this Bill gives a cold shoulder to most of them, confining itself almost entirely to the commercial type of banking. This, may I say, is not necessarily quite the indigenous, the native or the natural type of banking which we should want to have, which we should develop, and encourage.

As regards the various improvements necessary in the law for making banking serve the deeper purpose that all banks, and, for the matter of that, all Utility services should aim at,—I am afraid the Bill as it has emerged from the Select Committee leaves me entirely cold. In a few moments I will try to place before you the reasons why I consider that the Bill has failed in its own claim in the very title and preamble with which it comes before this House. The Bill neither consolidates nor amends the law as it should have done and as it claims to do in the title and the preamble.

In the first place the remark has already been made by my honourable friend Mr. T. T. Krishnamachari, with regard to private money-lenders, and with regard to those private bankers, who, without calling themselves banks, or who without being organised as joint stock companies, are still carrying on the business of banks, who are not included in this Bill. I for one do not see why part of the banking business of the country, involving such a very considerable amount, should have been left out of the purview of this legislation.

If the proposed legislation is to safeguard as it claims . . . (Shri B. L. Sondhi: Is that not a provincial matter?) If you have a little patience I will give an answer to all those points. The question with regard to the constitutional difficulty appears to me to be over-riden and exaggerated. After all what is the Constitution? We are making it for our country now. If at that time, this kind of objections are thrown at us as so many reasons for not doing something, the proper thing, then we are not discharging our duty in the matter of the Constitution.

If it is a veritable or genuine difficulty, which is found in the basis of our life as a nation, then the Constitution-makers should take note of it, and try to devise ways and means to overcome it. But if your difficulty is only a formal one, a mere obstruction, then I will not take any notice of it. My honourable friend Mr. T. T. Krishnamachari has suggested that it is possible to circularise the Provincial Governments to make an arrangement and by agreement *suo motu* as it were by our own authority as the Central Government in this country for having a comprehensive co-ordinated legislation of the type this Bill pretends to be. The argument, therefore, about its being constitutionally barred does not prevent such an arrangement. Even though they may perhaps be left out simply as mere money-lenders, I do not see why, for instance, the so-called shroffs who do a good deal of banking business proper, banking business as defined in this Bill, banking business as it should be done, and which was natural and indigenous to this country, are left out, and must be left out. What is more, if the provisions of this Bill are hedged in, with so many controlling, supervising, checking by way of amendment or improvement in the measure, then it would be to the interests of those who want to take the cream out of this business without running the risk of being brought under control, of being brought to book by the Reserve Bank or by Government. It would be the simplest thing for them to say that they will not organise as a banking company so that they may escape the which those who specialise and who confine themselves to single objectives

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operation of the law, and yet get all the benefits of the banking business for themselves. I feel very strongly that banking, which is a great public utility and social service, should not be left at the mercy of predatory beasts of prey and private entrepreneurs who think more of their own interests, and not of the interests of the community they serve.

Even the pretence of helping the depositor is only a pretence as I shall show a little while later. Those who think, therefore, of banking as the preserve,—the exclusive preserve,—the close preserve,—of private proprietors, or the shareholders as they are called in companies, do not appear to me to be really serving the interests of the country. They do not seem even to understand the true nature and the real function of a bank, if it is to be a real social utility service and not a predatory trade which many banks are doing. I, therefore, think the shroff and the private banker should be brought under control, if you really have the interests either of the depositor, or what I think is still more sacrosanct, the interest of the community and the unborn generation of the country, at heart. This Bill does not do so.

This Bill is therefore radically defective, and untrue to its very title, preamble and pretension with which it has come before the House seeking support. In the past a good deal of legislation was passed by the Central Legislature which affected not merely Provinces, but States which were outside the competence, theoretically speaking, of the then Government of India. Nevertheless, very often the same object was achieved by agreement. Why should it not be done now? If that was the real objection. Tell me that this is not an objection but an obstruction, and I will accept it. But don't raise obstacles, and make bogies out of things of the very nature of which you are ignorant, and try to prevent the progress of the country, the development of our unknown resources, the realization of our potentialities which a bank is supposed to help in achieving and which this legislation will not allow the bank to achieve. I am, therefore, placing before you some of the items on which this legislation is, to my mind, fundamentally defective, and as such the matter should be referred back to the Select Committee or some other Select Committee.

Incidentally, Sir, may I take one remark of my honourable friend Mr. Krishnamachari, as regards a previous survey by an expert Committee of people familiar with the business and its nature and purpose, to advise us before such a legislation as this could be brought up. While agreeing in principle with him, I am afraid his own remarks in another connection in the same speech will show if not the futility, at least the inadvisability of a suggestion like this. While speaking about the nationalised Reserve Bank, and the Directorates he asked for incorporation of some new blood in it; and gave before the House some very interesting examples of the type of new blood and the type of new objectives a nationalised banking institution should have. It is, of course, not the fault of nationalisation as a principle—which I guess my honourable friend realises and accepts;—it is the fault of those who have power in their hands but who may not have perhaps the appreciation of the nature and the purpose of a nationalised Bank Directorate, that they cannot see the ways and means of choosing the proper personnel if the institution is to have really new blood and a new orientation. If this be true the Committee also may run the same risk. After all, it would not be for Mr. Krishnamachari to suggest either his own name or mine for composing the Committee. Therefore, he will have to be refuted by his own words. "After all", they would tell him, "you asked for a Committee, and we have given you one". And as a friend of mine told me on another occasion while we were having the food debate recently, a committee is the surest means to postpone, to defer and shelve very important issues. If that is the objective of my friend—and I am sure it is not—then I cannot agree with him. But if a genuine committee of people who really can

serve or are competent to do so, is appointed, then I do think a suggestion of this kind for vetting the measure is necessary for preparing the material, and placing it before the House if all the aspects of the proposal and of the objective with which it is brought are to be properly carried out.

Sir, I look upon this proposal not merely as an incident in our daily routine, I look upon this proposal as a great, organic measure of national development, which it would be really a pity if we were to scamp, if we were just to pass through in a hurry, and if we were merely to consider matters of party loyalty and discipline alone not of the greater loyalty to the country and its unborn generation as well. From that point of view, Sir, I offer no further apology for the arguments I am going to advance against the report of the Select Committee, and in support of the view I hold that the matter should be referred back, and the report be rejected.

Our Constitution has provided, and that clause I believe has been passed, that "untouchability" in every form is abolished, and the practice of it in any respect is to be made a crime. Now, Sir, I fear that we are developing a new type of untouchability or even an "unspeakability", and that is against the Socialists and much worse the Communists. If any measure is to be even in the remotest degree thought likely to be socialistic, or if any speech is thought likely to be socialistic, you just say, "That fellow is a Socialist, and no more consideration should be given to whatever he says". That is precisely the type of argument of those who are bankrupt otherwise, and therefore they need not be listened to with any greater respect than they would like to show to those who have the misfortune of differing from them.....(Interruption) Wait worse is coming.

I would now like to pass on to not only the objectives of the Bill, but the object of banking in general. What is banking intended to do? I put it forward—and you can laugh me out if you like as a mere student, as a mere theoretician—that there must be at least four cardinal objectives that a proper banking organisation of the country should try and achieve. I shall place them before you in, so to say, the reverse order or the order of ascending merit. There is in the first place the economy in ordinary currency, I mean metallic currency, the mere barren money material. The more we lock up the capital resources of the country in the barren money materials, the worse it is for us. A bank is an instrument, the bank is an institution which tries to help you to economise money. In fact, in the previous century the greatest possible emphasis was laid upon the bank's function to economise money material, to devise methods, to devise instruments, to devise ways and means, by which excessive use of metallic money could be avoided. Its function as a store of value, the miser's hoards which used to be piled up in days before banking came should be avoided, and the lifeblood of national economy should be available for better use.

Now, I find nothing in this Bill which would justify the pretension, or support the claim that this consolidating measure spoken of in such high sounding terms, is going in any way to assist us to economise money. I realise the fault now lies not with the Bank. I hasten to add, that this function of economising metallic currency, is not now left with the banker, or left in a very small measure. It is the Government who have taken over the function of regulating metallic money in circulation,—and, with what success you know, regulating prices of commodities or the prices of money in terms of commodities. That, however, may have in course of time become a somewhat minor function. But a second function which is no less important is that of organising, mobilising, and utilising credit.

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Credit, Sir, is the undeveloped wealth of the country, which the bank anticipates and provides as ready cash or capital to those who will use it in a more productive, more constructive manner, so that the process of production may not only continue, but that process may intensify, and new wealth may be introduced in the body economic, which, without the assistance of such new blood, so to say, may be lacking.

Now, here again, I find that any kind of new ground being broken is lacking in this Bill. Any kind of an impetus, of a spur to new devices, new ways, new methods of anticipating future wealth, utilising it in advance, so to say, so that before you feel the need this wealth is available. The sinews of war—if I may use a somewhat discordant phrase in this connection—must be made available and the economic machine may be kept functioning most smoothly.

This, Sir, is a tragedy due to the fact that banking is in private hands. Banking being in private hands, either the Banks try to be unduly conservative and go only in those places where they are sure of the cream for themselves and the other substances that arise from banking. But what is more, they are afraid; they are cowards, who will not tread the unbeaten path and therefore new developments, new directions in which the country's future lies, will not be tried by them.

Shri B. Das (Orissa General): Can you give us a concrete example?

Prof. K. T. Shah: I am not confined to tradition or convention; and therefore, if I cannot give any example to satisfy you just now, it isn't that I do not know them, it is that they are not worth quoting.

My stalwart friend, Mr. Das, in his fervent support of the private enterprise is, of course, very willing (*Shri B. Das:* "For the nationalisation of the Reserve Bank I wanted all credit to myself.") Thank you, very much. You are an unexpected ally, and I am very grateful. I hope you will also support the nationalisation of all other industries, all other utilities all other services in the country, so that we shall all be socially happy, no one to prey upon his fellows, none to exploit them. I am glad about the conversion of my honourable friend Mr. Das to a noble purpose, namely, Socialisation, and I hope that all Insurance companies, all shipping companies, all transport companies, and all electric companies will be nationalised.

If we confine ourselves to the proper purposes and real functions of banking, or the service which the banks are intended to render, then the most important thing the Government should not overlook is that function of the Banks which pertains to the development of future resources. We have, Sir, received banking as a heritage from the British regime. That regime was very much more concerned with commerce, export and taking away the life-blood of this country, as it were, rather than the development of its resources. The greatest aim or purpose for which the British in the last sixty or seventy years ruled and dominated this country was to get the utmost advantage for his own strength, and ignore or neglect the economic possibilities of this country, itself.

This could be achieved only through trade. Trade and commerce was made by them the essence of banking, forgetting that a much more important role of Banking lies in a far more constructive direction than a mere exchange of commodities. National economy, unfortunately under influence of British rule and the peculiar exigencies of British economic life, had been made to appear as though it was always operating for exchange. I unfortunately hold heretical views on the subject namely, that national economy should be for use, production should be for use and not for exchange primarily. To take the view that the purpose of Banking is merely commercial, that is to say, taking the money of the public and investing it in short-term securities, not producing therefrom anything by way of new wealth, but just facilitating transfer from

The producer to the consumer, and to think that that is the only type of banking, I say this is a view which I am unable to endorse. That is a view which thus come to us from the British owners of the country; and because of that we have been so obsessed with it that our entire out-look has been dimmed, our vision itself has been clouded; and after fifteen months of national independence we are unable to get out of the mould which they had prescribed for our thought. I know our education has been inspired, dominated, and guided by their own objectives; and our very mentality itself is such that any kind of new thought is regarded as something terrible, something untouchable, something that should be avoided. Therefore, my respectful submission is that, although the Chairman of a great banking corporation of this country may regard it as very much revolutionary, I think sooner or later it will have to be dealt with, and I suggest that it be dealt with sooner rather than later.

The next function, apart from mobilisation and utilisation of credit, is the mobilisation of the available capital resources, and their employment or proper utilisation. Deposits are supposed to be so much savings; in the last analysis, surplus of production over consumption, which those who own them are able to bring forward and try to secure safety with some productivity, productivity not coming by the mere fact of deposit but arising because of accepted or implied utilisation of these deposits in productive channels of new wealth. That is a function, again which this Bill seems to be utterly innocuous of. It does not try to devise and develop the wage and means by which you can utilise, mobilise and intensify savings, the utilisation of which in productive channels would be one of the greatest services to the community. But, as I have said, the whole business is conceived in the spirit of the beast of prey; it is not the philosophy of service, of being useful to the fellows. Naturally, therefore, they do not want to go into these paths, which may quite possibly be dangerous. In fact, they would like to have a totally different corporation. Take the Industrial Finance Corporation, which will do nothing beyond endorsing those securities or helping industrial securities of a particular type or what the court may approve. Neither in agriculture nor in new or developing industry will the ordinary commercial banker dare to go; and, not going there, he naturally leaves those channels barren, unproductive and unused, and we are perpetuating that system by this Bill.

We are also not doing anything to make this unused capital not only available in a very full measure, but make it available so that it is really useful. Whether or not there is a depression on the horizon, whether or not the Finance Minister has that in the background of his mind or on the tip of his lips, I do not know; but I do know this that as long as your business will not utilise the available capital resources of the country in the shape of savings or deposits, as long as your legislation does not enable them to do so, as long as your legislation does not spur, as it were, the process, you will have always the danger, and the risk of falling into periodical depressions. Today you may be carried with the tide in an upward swing, and go into shares or stocks or securities ten times their ordinary value. Tomorrow you may find that, by some trick of the turn of the wheel, or by some mischance of the management, perhaps, also sometimes by some fault of the Finance Minister in proposing tax enhancements, your securities going down five times or four times or one-time, whatever it may be. That ought not to be the case in, may I say, a properly planned and organised society? These ups and downs, these vicissitudes, these risks of ordinary business should not occur if your society is scientifically planned, if your legislation is properly framed and if your entire industrial system is working in a coordinated manner.

And that brings me, Sir, to a little diversion.

Mr. Deputy Speaker: Has there not been sufficient diversion already?

Prof. K. T. Shah: Diversion not on my speech; diversion may be amongst the members. But so far as I am concerned, I am innocent of any diversion. I won't call it diversion; I may call it a lecture, if you like, a professional lecture, and if that entertains you, I shall be most highly rewarded.

Now, the purpose of legislation is using that which is, that is to say to conserve it and also to protect and maintain it on proper lines, upto a proper standard so that, by legislative protection, help is given to that which conserves in the best inanner possible. Then there is another kind of legislation which indicates the line of progress, which is a sort of guide-post for the road we have to travel. Without being dynamic or revolutionary, it may nevertheless be progressive, so that not only does it give a protection or safeguard to that which is, but also indicates that which should be. And the third kind of legislation is frankly reforming if not revolutionary. Now, there is a legislation which I am afraid is not merely protective or safeguarding that which is or even indicating that which should be, the promotion of that which ought to be. I have my doubts if it is also sufficiently conservative of that which is. All that it does is keep to the beaten track. Here and there it makes a patch; work of change, and calls it a consolidating and amending Bill. I regret I am not able to see the utility or justification for that title. Lastly Sir, I come to that function of banking, which is the consequence of all the three that I have mentioned, the active, direct assistance for promoting the economic life of the country, both in production and distribution, as well as in the organisation of the normal life of society. Here again, this Bill is surprisingly—and I advisedly use the word surprisingly—lacking in any kind of hint or note for the progressive utilisation and realisation of our potentialities. Sir, in all these respects the Bill fails. In none of these respects does the Bill do anything by way of consolidating the law, or co-ordinating the various types of banking. And I for one do not see how we can justly regard this as a consolidating and amending measure.

Let me now come to certain individual provisions of this measure, to which also reference must be made in this general discussion. It is intended to confine this measure to a particular type of banking. But in that type will be included, and I think included with a certain degree of immunity, the so-called Exchange Banks which are of foreign origin, and which are taking the best business of the country even to-day, and which have been in the past the source of the utmost possible denial of the possibilities in this country. These Banks had a monopoly of exchange business, and they thrived on our resources, and nevertheless insulted us by not accepting as collateral the insurance policies of Indian insurance companies. These Exchange Banks, I am aware, will have to come under what is called the "Licensing" system. But I for one at the risk of being called very narrow-minded or parochial in my outlook, do not see why banking business of this country which is a great public utility service, should not be confined only to those companies or organisations registered in this country. I do not see why we should continue to have this soft corner, this indulgence—to call it nothing worse—that this Bill shows to foreign enterprise, and which perhaps many of its sponsors feel for the foreign capitalists. I have never concealed my view that the foreign capital as such may not be objectionable. But the foreign capitalist, and the influence he brings with him, are very objectionable.

I object to capitalists of every nationality, including our own but a foreign capitalist is still worse. Your own capitalists you may feel

standers against the public safety, and deal with them prescribing any punishment from a sentence of detention till the court rises, to the ultimate penalty of the law. But the foreign capitalist coming to us is a very dangerous commodity. As such, I feel that the Exchange Banks which are the head and front, as it were, of the foreign capitalist in India should be brought in one form or another within the scope of a consolidating legislation of the type that we are bringing in.

Exchange Banks, Sir, do a lot of business with Indian resources; they do not bring such capital from outside. I do not have here with me exact statistics to tell you what proportion of our trade is done by the foreign Exchange Banks in our midst. But I believe from the statistics that I have got that quite a fair proportion of their resources are collected here; comparatively very little being brought from outside; and they do the greater proportion of their business from those resources. Yet, under the terms of this Act, we are not able to control and supervise their working, except in connection with this licensing? Sir, the conditions under which the Licence may be granted can easily be satisfied, without the business of the foreign Exchange Bank being in any way prejudiced. And the Indian bank cannot get the share of the business that it is by right entitled to have.

Sir, there was a time, and not so very long ago, but in the memory of many of us here in this House, when it was regarded as a cardinal principle of policy that Coastal Shipping at least should be reserved to Indian ship-owners. And if I am not mistaken, Mahatma Gandhi in his celebrated Eleven Points, at the time of the Salt Satyagraha, made this as one of the cardinal demands—I mean the reservation of Coastal Shipping for the ship-owners of this country. Foreign Exchange banks are on a par. In my opinion, Sir, Exchange Banking should be reserved exclusively for the banks owned, and manned, and controlled in this country by its citizens.

That being my view, I find one of the biggest defects in this Bill is in regard to its reserving or confining itself only to commercial banks registered in this country, with only a mild dose of Licensing. It is thought that this particular clause relating to Licensing is likely to help to control business of a certain kind among the Exchange Banks.

But that is not enough. Sir, if exchange banks are genuinely working in the interest of this country—which I do not believe, but many foreigners say that they are here for our good—then why don't they register themselves in this country? There are many other industrial concerns which have done this. There is the Imperial Chemicals (India) Ltd., which, for securing tariff protection, passes off as Indian. What is the reason, what is the Exchange Banks superiority over Indian that they should remain outside the control of the law, that they should refuse to be registered in this country. Why should we be obliged to make an exception from our consolidating and comprehensive legislation in regard to banking in general? Why we should make an exception of them, I fail to understand? When the proper time comes, I will table an amendment that this law should apply to all types of banks in this country, amongst them being included Exchange Banks.

Another omission is—and that also was referred to by Mr. Krishnamachari—in regard to limitation of dividends. One of the least satisfactory arguments if I may say so without offence, is in that paragraph of the Select Committee's Report which relates to this matter. All that it says is that because some other piece of legislation is being thought of let us not touch it just now even though the original Bill had included this principle of limiting dividends.

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I do not want just now to go into what the exact limits should be. I am now on the principle of the thing, that the dividends to be distributed by banking companies should be limited.

This, Sir, stands on a totally different footing from the dividends of other companies. I had occasion to say at an earlier stage that that particular measure, as it stands, is not likely to achieve its professed object of checking inflation. But even granting that it does, special treatment must be given to Banks. Whereas the other companies have some claim to say that they have earned their dividends or profits by their enterprise, bankers, I venture to submit to the House, have the least claim to say so, because they are dealing in other people's money. All shareholders are, Sir, parasites; shareholders of banks are peculiarly parasitical who do nothing and yet claim to have earned a dividend.

On an earlier occasion, a wholly irrelevant argument was advanced that they had contributed so much income-tax. As if it was an obligation they have conferred on us that they get something from other people's money and contribute a part of it to the State. Another argument used was that they have tried to help the commercial community or the banking business in general. I personally do not see that they have, even so, done any service so that any special reward should be given to them; and whether there is not a case for excluding them from the operation of a law such as the one that we are now thinking of.

But the greatest objection to this omission is that, admittedly, that particular measure now under consideration by a Select Committee is intended only for the emergency. It has a restricted objective, whether it is achieved or not, of checking inflation.

I take, however, my stand on the limitation of dividend in banking companies on a totally different proposition. That is to say, banking concerns are making their profits from other people's money. And since banking companies have to play such an important role in the development of the country's economy and in the realization of its potentialities, it is more than necessary, just and proper, that the Bank proprietors, who contribute nothing beyond their capital should not demand unlimited dividend. Accordingly, I don't see why a definite limit should not be fixed upon that claim of sharing the profit that the Bank may earn.

My friend Mr. T. T. Krishnamachari mentioned his amazing modesty in suggesting a certain figure as the limit of distributable dividend. I compliment him on his modesty but I am not following him just now, because I may have a still different figure to suggest. But even assuming that, those of us who are very modest, those of us who are very reasonable, those of us who are willing to compromise at every point merely because we find they have a slightly different principle in view, would be regarded as extremists, revolutionaries, or still worse Communists. That is not the intention. The intention is that according to every principle that one can think of, the banking profits must not be judged by the amount of dividend distributed, or the size of the reserve fund built up out of the profits. The success of banking must be judged by the amount of service to community in the various forms that I have indicated but if it is judged by the dividends earned from the most safest business, with almost loaded dice in its favour, then, however high the dividend, I cannot say that it has discharged its primary function. As such, therefore, Sir, not for the emergency purpose only of checking inflation, not for two or three years only, but permanently, so long as banking remains in private

hands, so long as it is the concern of private proprietors, so long as it is preying upon the community, so long as it demands a disproportionately fat return for whatever service is rendered, we must impose a very rigid limit on the dividends that can be distributed, or the profit can be even carried on into reserve and is made available to the proprietor at a later time, or be made available for redistribution on a more favourable occasion.

I take my stand unhesitatingly on the principle that banking, being a public utility concern, must not be in private hand. So long as you are unavoidably obliged to do so and tolerate them in private hands, so long at least you must take this precaution that they do not run away with all the profits and that they discharge their function in full. They think they are great makers of charity to the country because an income-tax or corporation-tax is charged on their profit. They are nothing of the sort.

In this view of the omission or the defective provision in this Bill I may also add another, that in regard to the Directors. It is interesting to know the views they have about the Directors, and the way the Directors are to be elected. Here and there a slight restriction or amendment is added in the Bill to make one think that the Bill is strict. It is only nicely sugar-coated, but the real sense of the matter is not there.

The main objective of the Bill is said to be to safeguard the interest of the depositors. I question that the depositors are the only persons to be protected. But assuming that is the objective, I am surprised that no Director is provided in the arrangement to safeguard the interests of the depositors. The Directors are all to represent the shareholders. You have the analogy of the Insurance Companies where you have a Director of Policyholders. You have even the analogy of the Ordinary companies in which there are debentures you have debenture Directors or Trustees. Why should you not say that there shall be some Directors whose special function it would be to look after the interest of the Depositors, if your guiding principle is really to safeguard the interests of Depositors? Or is it only a verbal profession a lip loyalty that you want to use for throwing dust in our eyes? Is it your intention that you use high-sounding words and carry on the business in the same unrepentant incorrigible manner of bankers who live upon other people's sweat?

The Bible says: "Thou shalt earn thy bread with the sweat of thy brow." The bank says: "Earn thy bread with other people's sweat of the brow". That being the intention and practice, naturally these people come forward, and profess to render all services to the community; and say to you: "we are guarding the interests of the depositors". But in fact we are enabling bankers to deal in other people's money and we are thinking all the time only of proprietors' interests. Our provisions in this Bill secure the safest investment and we want the Reserve Bank to help the Bankers in hour of need, which is of their own making, and so allow them to distribute all that we have earned. That being the case, I do not think this Bill can be called a really amending Bill, if it omits, and as long as it omits, to safeguard the interest of the depositors, which is its professed objective. This safeguard must be properly secured by the presence of the Directors safeguarding their interests particularly.

There is still another omission, that is with regard to the success of the bank. For the success of the bank it is not the shareholder who is responsible. His is probably the least contribution. It is not even the depositor who is also a merely passive agent or a sleeping partner in the undertaking. The real effective contribution is that of the operative staff that is responsible; and you say nothing with regard to the interest of the overworked staff. We are professing very great desire to seek cooperation from the workers. Time and

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again, on occasion or without occasion, from every platform by the highest authority in the State, we hear demands that there must be cooperation by the workers. Labour must cooperate; labour must come and join hands with the proprietors in increasing production. "Produce or perish" is the slogan. I am afraid "produce and perish" is the more correct expression that ought to be the slogan justly to be adopted by these who commonly use it.

Here is a most glaring example that the worker is not even thought of in the entire system of this Bill. It is not, if I may say so, a mere question of giving a few more crumbs to the employees, if the workers threaten to strike, as a barking dog gets a few crumbs, and then say: 'if you don't do the work, there is the authority of Government who will declare banking to be an essential services, and so stop all strikes'. As you have the power, you can do it; but remember this that by this kind of policy you will not solve the social problem. You are building up a great heritage of distrust and resentment in the country in the masses that are going to rule the country in time to come whether you like it or not. This is a country that is going to be ruled by workers and peasants. This is not going to be a country of mere middle-classes who also have their sympathies with the moneyed interests, because they think if we are beggars to day, we may have money to-morrow. This is going to be a country of workers and peasants. As such, do not, I beg, give them any ground, any solid reason to believe that they don't count for anything in your social system or legislation, in the basic principles of the legislation that we enact in this House. The workers must be regarded as an integral part of the community. The workers must, in my opinion, be regarded as the principal partner or contributory in earning the bankers profits, and adding to the production of this country. It is not useful, it is not proper to think of them only as so many barking dogs. It may be all right for Sir Samuel Hoare to say, "let the dogs bark, the caravan will pass on" you cannot say that. In this House, we who claim to be the representatives of the people, we cannot say that; we must not say that. We must not allow the slightest hint to attach to our legislation, and to our speeches that the workers do not count.

Here is another instance in which I have put forward an amendment which I hope will be properly dealt with at the proper time that the workers' representative sit on terms of equality on the Board of Directors of Banks. And the reason for that demand is not of one sentiment only. Unless and until you associate them, you will not have trained personnel for one thing. I am putting it at the lowest ground. You will not have the experienced manager which you may need when you want to take over the entire banking system. I am not thinking of this Bank or that Bank. I do look forward to the day when the entire productive process of this country, and all the several aspects of its national life, will be fully in the hands of the workers or producers, and not in the hands of drones and parasites, that the bankers are.

The Bankers, Sir, may look perfectly innocent when they come to you and say. If there is a threat of strike in the Central Bank, or in the Imperial Bank, or in any other Bank, we are willing to give what the Government gives. The Government is a national service. The Government may or may not be able to give much; but who are you who are making private profits from other people's money for yourselves, and getting fat dividends absolutely unearned, to come and say: we have given dearness allowance, we have given housing allowance, we have given transport allowance; and therefore we must not be asked to share the profits with them? I am asking that the workers should

to be associated fully as equal partners in your business. I am asking that they should sit on terms of equality on the Committees of management and in the Boards of Directors, so that they shall be trained, they shall be educated, they shall be experienced in the conduct of the business; so that when the day comes, when the banking business in its entirety is taken over by the country, they shall be available for such public service; and we shall not be exposed to the threats that the capitalist holds out today that capital is shy, and that it will run away. Where will it run away? to hell? Where will it go? What country is there in the world today which is going to welcome, entertain and accept the capitalists unless they are also workers. Don't you imagine that there remains a day for you when you can threaten the country that you would pack up and go away with your bags of money and belongings. We shall see to it that you take away nothing; we shall examine what you take with you; we shall see that nothing of value and importance, that can be of service to the country is allowed to be taken away, free of charge. And if you attempt to smuggle, you shall have to pay dearly for it; let me tell you, however much I may sound a prophet of woe today, you will have to remember my words.

Mr. Deputy Speaker: I believe you are not addressing the Chair.

Prof. K. T. Shah: I am addressing the Chair, Sir, I am not addressing you personally, Sir, I know you are not a parasite. You are the most useful and productive member of society. When I am addressing the Chair, Sir, I view it as an impersonal institution, which is to guide the debate, to help up in seeing light, and to give us rulings in case of difficulty. I do not regard you as an individual, with all respect, in the Chair. When I said 'you', I meant it to be impersonal. Please, therefore, if I have offended you, do forgive me. It was farthest from my intention to offend perhaps the most respected person on this House.

I was developing the various defects in this legislation. I have spoken about the depositor, of the operative in a Bank who goes unnoticed. Last but not the least, I came to what I may call the customer. The customer may, of course, be the shareholder also. The biggest customer is often a shareholder also. A great banker told me not many years ago that when a man was organised on his bank, he had the courage to say he knew who had organised the run. He had the courage to say, well, gentlemen, I will keep the bank open for twenty four hours; next time, beware. That is the device that customers who are interested as shareholders may adopt, and it may be dangerous to Banks and to their prosperity.

But, there is a wider world of customers who are particularly innocent, who are not aware of your various manoeuvres, all your various devices by which you carry on your business and make it a moneyed success. This customer that I am speaking of is the country as a whole. It is not individual customer; it is not even perhaps the living customer of today; it is the customer, the country as a whole and its unborn generations. I mean the immense reserve potentialities that you as bankers are expected to, or are in a position to, help and develop, but which you, or your predecessors of the same agency used to neglect, to despise, and to leave undeveloped, so that the country should remain in the depth of poverty in which we are. Therefore, I say these customers should also be attended to. Since no one is so unorganised as the customer in order to be able to make their voices felt, the customers must be represented or nominated so to say by the Government. I think that in the various provisions of this Bill there are other omissions, not the least of which is the absence of a direct control, a living control by the Government except a few provisions that are there enabling the Reserve Bank to step in at a time when it has reason to believe that the affairs of a Bank are

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going wrong. That is my next point. The control provisions are extremely misleading. The Reserve Bank is supposed to intervene; but it intervenes after the mischief is done, not before. That is to say, after a bank manager or director or the whole board has cooked the goose, and after all the mischief has been done, risky business undertaken, losses incurred and the serval interest concerned sabotaged. Then, somehow, you spread the rumour that things are not as best as they can be; the Reserve Bank sends somebody who looks into the affairs and then makes a report. This report may be acted upon or not. I should like the Inspectors whom the Reserve Bank may appoint not to be not some blood brother of the capitalists. They should be really some independent agency; they should be—I am only giving this as an illustration, I am not pinning my faith on it. I am quite prepared to accept a better suggestion—they should be let us say, from the accountants, from the Finance Department of the Government of India, even if the Finance Minister happens to be an industrialist or a businessman.

The point that I wish to make is this. If you are to have proper Inspectors, if you are to have Inspectors and auditors who are to act, not merely as the nominees of the proprietors of the Banks, but to be the real watch dogs on behalf of the public, then I take it that your auditor, Inspector should go not only when an emergency arises. He should be in a position to be constantly on the watch, and go at any time without notice and inspect a bank. Then only you will be able to keep the people in the right line. Then only you may have some guarantee that even the professed objective of your banking legislation, namely the safeguarding of the interests of the depositor, will be achieved to some extent. Otherwise, I for one, do not see how you will be able to achieve any of the objectives that you have set out.

The next point that I would like to place before you, Sir, arises out of some comparison of the previous legislation with this. The previous legislation had made a very considerable distinction between banks registered or licensed in one province, and having branches in another, and banks registered and licensed in a province of India as against those in the States of India. Luckily that distinction is going. The States having ceased to exist as a separate entity, we are having a chance of a uniform, comprehensive legislation in a matter so vital as this.

But some restriction, limitation on branchitication still survives. The conditions and regulations under which a Bank can open branches, provide capital, maintain deposits, and so on are still there in essence though not in the same words. I put it to the House, that if banking is to serve successfully and satisfactorily the various purposes, the various aims and objects of a proper banking system, then, you have to choose between one of two systems:— Either the centralised system that prevails in the United Kingdom, where a few big banks have a large number of branches that serve the interests of the community; or as in the United States, a number of decentralised banks, each serving the peculiar interests or requirements of the given community. This Bill, as another respected friend said a few minutes back, is neither fish, flesh nor good red herring. I do not know how a fish will taste or flesh will taste or a red herring will taste. But, I should like to use the idiom only to say that this Bill does not go either towards what I might call the Centralised banking of the British type or the Decentralised banking of the American type. It tries to sit between two stools, and it is likely that it may come a cropper between them. It may not succeed.

Then there are the provisions relating to the various kinds of registration of Banks in one province operating in another province, or more than one province, or in the two capital cities of Bombay and Calcutta. Why not in any

other city I cannot understand? The special selection of these two cities appears to me to be assuming an obsession against the proper development and wide diffusion of the banking service in the country. Once more I join issue on the fundamentals: Do you or do you not wish the banking service to be available to all the country as much as possible, and in all its various requirements? Do you or do you not wish the banking facility to be available and utilised in the productive and distributive side by the entire community as it is constituted today? If you wish this, then you must take some measure by which either the branches may grow fully, and be spread to the farthest limits of the country; or you must encourage each unit to develop its own banking system, and see that the machinery you have devised is really useful, helpful and encouraging to all of them.

I am personally not in favour of the British system, because it gives undue powers to the Managers or Directors of a few big banks, who will see to it that the sacred circle of the banking cousinhood is justly and properly safeguarded, and therefore, the economic life of the community may be at the mercy of a small, close clique of the capitalist order that I for one am always fighting. I do not wish, I hope it will never be a fact, that the economy of this country, or the conduct of its banking system will be in the hands of a clique or a class, and through a caucus, of the kind that the Boards of Directors generally are.

That being so, I feel that some amendment should be made whereby either a system of branches—even though I may not like it—of some great bank is extended throughout the country, with due association of the depositors and the workers in each branch being included: or, alternatively, a method of decentralised banking, so that every important centre of population has a bank of its own. Let it be either this or that, but do not legislate so that you can develop neither.

Sir, if I may be permitted to mention it, in the report of the Planning Committee we have suggested a standard by which we should judge the success of the spread of the banking habit. I am not going to impose upon you that this should be accepted by you. What I am going to say is that you should have some means some standard or norm by which you could judge the success or otherwise of the spread of the banking habit, so that many of the criticisms against our people and our economic system may be remedied.

Sir, most of the points on which I had intended to address you have been covered. But good specific alternatives will hereafter be put forward in the form of amendments. I have been charged with having nothing but destructive criticism. That was a fate that I used to meet with under the previous Government. I am not surprised to find that even now, the honourable occupants of the Treasury Benches (without a Treasury) always throw that at me. I do not mind that because I am suffering from a hardened back. But I warn you, Sir, that if you do not listen to the voice of moderation, if you will not listen to the voice of reason and goodwill, if you will not listen to that which justice demands: if you will not listen to your own claims being properly justified: all that I can say is that you are not discharging truly the trust placed in you.

Shri B. Das: Sir, I feel rather diffident to make the few observations in support of the Bill that I wanted to make after the two redoubtable speakers that preceded me.

When I was listening to my friend Mr. T. T. Krishnamachari I rather got a cold spell. There is a cold spell outside but the hall here is rather warm. He was condemning the nationalization of the Reserve Bank but he did not say how that nationalized bank had not worked properly and he even appears to condemn the House over the proposed nationalization of the Imperial Bank.

[Shri B. Das.]

When I heard my esteemed friend Prof. Shah I felt my head in the upper air! When I closed my eyes I felt I was really listening to a seer and a savant, whose days are coming ten years hence and not today. I was for nationalization of the Reserve Bank from 1927 when the Blackett Reserve Bank Bill was thrown out. I was for nationalization in 1933 at the time of Sir George Schuster when people like my friend Mr. Mody and others conceded to the form of its set up at the Round Table Conference because its acceptance was a condition precedent before the 1935 Act could come into action. At that time the Congress had boycotted the Legislature of the time and those of us Congressmen who were there, thought it was wise on our part to accept the Reserve Bank as it was conceived then. We had no other alternative. But from 1934, in season and out of season I have demanded the nationalization of the Reserve Bank and it has come at last. It is not the fault of this National Government of ours that it did not improve the Reserve Bank. The Reserve Bank belongs to the Government as much as it belongs to the member of this House. It is high time that my friend Mr. T. T. Krishnamachari and others like him sit down and formulate a Bill to amend the Reserve Bank Act as to how it should function as a proper national bank and not be a slave of the Bank of England as it was so long. Whether it is that still now, I cannot say because I have not yet examined its functions since it became a national bank.

I stated it last year on two occasions, and I repeat it now, that the National Reserve Bank Act should see to it that there is no favourite mistress. The Imperial Bank happens to be the favourite mistress of the former Reserve Bank. A national bank should distribute all its assets to most of the Scheduled Banks, but knowing the history of Banking in India, I can say that the banks in India previously existed for British exploitation. The three Presidency Banks that combined into the Imperial Bank—the very name Imperial Bank showed that it is a hateful thing—exploited India for the former British raj. Unfortunately our national government has had no opportunity to exploit the Imperial Bank. What was the policy of the former government and its slave, the old Reserve Bank? The past had been that its favourite mistress, the Imperial Bank, should be pampered. That must go and should go and I hope the Honourable the Finance Minister will give an opportunity to the House to express their opinion on the nationalisation of the Imperial Bank, so that the Imperial Bank not only gets nationalised but does not enjoy any advantageous position over other scheduled banks like the Central Bank, the United Commercial Bank or the Bank of India and the other scheduled banks registered in India, which are meant for the development of trade and industry in this country, though they may be owned by people of the capitalist school of thought.

So there is this knotty question of the Imperial Bank and our national government seem to be silent and do not want to take an early decision. On the question of the advantageous position of the favourite mistress of the former Reserve Bank a decision must be taken at an early date. That is the reason why I support the Bill.

My honourable friend Prof. Shah is a barrister and he knows law better than I know. The banking laws have been till now here and there,—in the companies Act and elsewhere. It was not codified and it was felt even by those who were opposed to Sir James Taylor and his school of thought that there should be a banking bill. The insurance act was codified and certain provisions were enacted laying the obligation on insurance managers to insure their money in government stocks and securities. At that time it was

the law of the alien government but at present the national government could easily control insurance, banking and shipping. This is a principle which I have expounded on the floor of the Indian legislature for the last 20 years. Insurance has been controlled but whether it will be nationalised in the way Prof. Shah wants it I do not know. I will leave it at that but perhaps ten years hence when he and his school of thought will form the Government they will lay down how they will nationalise the insurance companies. As for shipping we hear that Government is going to have three companies and they are going to own 51 per cent. of the shares. Our difficulties are that we do not possess the experienced personnel in this country to run national shipping.

Prof. Shah just now said that his slogan to the workers was "Produce and perish". I will not go so far. I would say to the workers "Produce and prosper". I would request him to use his great scholastic eminence amongst the working classes and tell them to produce and prosper. These are days of strikes. Every one is alarmed whether he would be able to go back to his home and I am afraid if I can go to Cuttack. One feels afraid whether his letter to his wife or children would ever reach the family. Those socialist leaders here and outside should bear in mind that they cannot succeed the Government that is ruling today, if they only think of strikes and workers' unions and if they plead in season and out of season for a socialist state of the working classes of India. You cannot govern the country by advocating the cause of two million or may be twenty million workers in the country. But what about the rest of the people of India? If the Congress have attained the eminent position of governing the country it is because they advocated every body's cause—the working classes, the poorer classes and the *kisans*, over whom Prof. Ranga Presides. (Prof. N. G. Ranga: "He is a portable platform"). After he takes stock of this Bill as it emerges from this House I hope the Finance Minister will see that he brings in an amending Bill to the Reserve Bank Act: Though the Reserve Bank Bill was approved by the House at the time, (1934) it did not record the consensus of desire of the people. It was meant to bride the British Government for that was the time when the 1935 constitution came. Last year we nationalised the management of the Reserve Bank, but we have yet to nationalise it in its objectives. Last year both Messrs. Chetty and Neogy gave promises that they will bring such an amending bill.

With one passage in the minute of dissent of Prof. Shah I agree, *viz.*, that agricultural credit must be given. Now that the Government is going to control all banks through the instrument of the Reserve Bank I hope this will be done. The Reserve Bank has been sleeping since 1934 without doing anything towards agricultural credit, although at that time we fought for days and days to introduce a particular clause, so that the Reserve Bank may finance agricultural credit.

My honourable friend Mr. T. T. Krishnamachari suggested that the dividends of the banks should not be limited. I understand that it is going to be limited by a Bill which has been referred to a select committee. But banking also includes Co-operative banks. I would like to know if my honourable friend wishes that all banks should be converted into co-operative banks. In fact all banks are co-operative banks, perhaps co-operation between the "Haves" and not the "Have-nots": (Shri L. Krishnaswami Bharathi: "That is not the way of co-operation." It is a form of co-operation. I was surprised that an astute friend like Mr. T. T. Krishnamachari does not want to limit bank dividends. I do hope that the House will sooner come to the decision, in order to meet the criticism of our friends who ten years hence are going to form the Government of the country, that the dividend should be 5 or 6 per cent. in all industrial and banking concerns and anything extra should go towards national industrial development.

[Shri B. Das.]

I hope my honourable friend Professor Dr. Matthai will not give the House a dissertation on the principles of banking for that will be unbearable. Let us digest one speech. When I support the present banking Bill it is because I feel that this is a start we are making in the direction of control of banking and nationalisation of banking in the country. Thereafter we shall have to discuss not the question of the Reserve Bank, not the question of saving a liquidated or going to be liquidated bank but the relation of the Reserve Bank as a national bank with the different banks, how national credit will go to millions and multimillions. I am not interested in the trade of the capitalist cities like Bombay, Delhi, Calcutta and Madras. There are private owned banks and joint stock companies which will look after these industrial concerns. But I am very much concerned as to how sufficient credit will be available to the people, whether through co-operative principles or through some other system of agricultural credit. That should be investigated and explored.

Mr. Deputy Speaker: The honourable member may continue his speech tomorrow.

The Assembly then adjourned till a Quarter to Eleven of the Clock on Wednesday, the 9th February, 1949.