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# LEGISLATIVE ASSEMBLY.

Thursday, 10th February, 1927.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President in the Chair.

## STATEMENT OF BUSINESS.

**The Honourable Sir Alexander Muddiman** (Home Member): With your permission, Sir, I desire to make a statement in regard to the course of Government business next week.

The days allotted for Government business are Monday, the 14th, Wednesday, the 16th and Friday, the 18th. On Monday, the 14th, a motion will be made that the Steel (Protection) Bill as reported by the Select Committee be taken into consideration and, if that motion is passed, a further motion will be made that the Bill be passed. It is proposed to allow the whole of Monday, the 14th, and Wednesday, the 16th, for the discussion of these motions, but if time permits on Wednesday a motion will be made to take into consideration and; if that motion is passed, to pass the Bill further to amend the Presidency-towns Insolvency Act, and the Provincial Insolvency Act, which was introduced on the 7th February. On the same day and subject to the same conditions the discussion of the adjourned motion on the Supplementary Grant for Civil Aviation will be resumed.

On Friday, the 18th, the Railway Budget will be presented to the House and no further business will be undertaken on that date.

Honourable Members are already aware that Tuesday, the 15th, has been allotted for non-official Bills and that the House will not sit on Thursday, the 17th, which is a public holiday, or on Saturday, the 19th.

## RESOLUTION RE TREATMENT OF THE SANTHAL PARGANAS AS A BACKWARD TRACT—*contd.*

**Mr. President:** The House will now proceed to a further discussion of the Resolution moved by Kumar Ganganand Sinha on the 8th February, 1927, and the amendments moved by Mr. Ram Narayan Singh and Mr. B. Das.

**The Honourable Sir Alexander Muddiman** (Home Member): Before I enter on a discussion of the rather diverse and complicated subject-matter which has been raised by this Resolution, I propose to detain the House for a few minutes with a consideration of the law contained in the Government of India Act in so far as it relates to the Resolution. As Honourable Members will recollect, the Resolution desires to remove certain tracts from the operation of sections 52A and 71 of the Government of India Act and to amend the Scheduled Districts Act. I desire to invite the attention of the House to section 52A of the Government of India Act, sub-section (2). That sub-section runs as follows:

"The Governor General in Council may declare any territory in British India to be a 'backward tract', and may, by notification, with such sanction as aforesaid, direct that this Act shall apply to that territory subject to such exceptions and modifications as may be prescribed in the notification."

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The sanction required is the sanction of His Majesty in Council previously signified by the Secretary of State. Well, Sir, in the exercise of the power conferred—a power which I may point out is practically a power to make a local amendment of the Government of India Act—action has been taken in respect of all the tracts which are mentioned in the Resolution and the amendments now under the consideration of the House. By a notification No. 4-G., dated the 3rd January, 1921, the Governor General in Council declared certain territories in the province of Bihar and Orissa specified in the schedule to the notification to be backward tracts and he also directed that certain modifications should be made in the application of the Act to those territories. It is germane to the purposes of the present discussion to consider what those modifications are. I will first deal with the modifications in the case of the Chota Nagpur Division of the province of Bihar and Orissa, the district of Sambalpur and the Santhal Parganas district, as those districts are dealt with in one general clause. I will not weary the House by reading the actual terms of the modification but it amounts to this, that when a law is made solely applicable to any of those territories it is obligatory to insert in that law a provision that such law shall not come into operation till the Governor General in Council or the Governor in Council, as the case may be, by notification so directs. Further that authority may insert in that declaration any modification he likes in the law. That is to say, the general power of the Legislature in respect of those tracts is limited by the fact that the Legislature cannot immediately put into force in those tracts any law, and the Governor General in Council or the Governor General, when he permits the law to operate in those tracts, may require it to contain certain modifications. That, Sir, is the position as regards the Chota Nagpur Division, the district of Sambalpur and the district of the Santhal Parganas.

Now, I turn to the case of the district of Angul which stands on rather a different footing. There are three modifications made by the Schedule in regard to this district. The first is that the power of the Indian Legislature and the power of the local Legislatures to make laws is definitely excluded. The second, which is not particularly germane to the first point that I wish to make, excludes the necessity of submitting expenditure to the vote of either the Imperial or the local Council. The third provision is of importance, and I will read a portion of it. It runs as follows:

"In lieu of the provisions of the said Act (that is to say, the Government of India Act) which enable rules to be made for prohibiting or regulating in either Chamber of the Indian Legislature the asking of questions on, and the discussion of, any subject specified in the rules, there shall be substituted a provision prohibiting the asking of questions on, and the discussion of, any subject relating to this territory."

That, Sir, would evidently exclude a discussion on any matter arising in Angul. Whether you in your judgment would hold that it would prohibit a discussion by this House of the very restriction imposed under section 52A is a matter which I submit for your consideration. I do not propose to argue the point. If you decide that it is open to this House to discuss the question, if you should hold that the fact that the Government has exercised those powers under section 52A is a matter which does not debar this discussion, then I shall discuss the subject on its merits. But if you hold otherwise, it will not be necessary for me to do so beyond the fact,

that I or some other Government speaker will have to deal with one or two statements made in the speech of my Honourable friend, Mr. Das. On that point I would ask you to give me your ruling.

**Mr. President:** Does the Honourable Member (Mr. Das) wish to say anything on this point of order?

**Mr. B. Das** (Orissa Division: Non-Muhammadan): I have just to say this, that some of the tracts were declared backward long, long ago, 30, 40 or 50 years ago. I do not like that the places in which British Indian subjects live should still be declared to be backward tracts and those people denied the benefits of electoral rights and the advantages of education and good Government.

**Mr. President:** I quite recognise that the wording of the notification in question is very wide and excludes all discussion on any subject regarding Angul from the jurisdiction of this Assembly; but the point raised by the amendment of Mr. Das is not that. It recommends that steps should be taken by the Governor General in Council to remove the district of Angul from the operation of section 52A and thus make it possible for this Assembly to discuss all questions relating to Angul in the ordinary way. It is not that any question regarding the administration of Angul is proposed to be discussed, but the amendment seeks to cancel the notification issued under section 52A and thus enable the Assembly to ask questions and move Resolutions regarding the administration of Angul. So long as the notification exists the Chair could not permit the discussion of any subject relating to this territory and the object of the amendment is to remove that bar. I therefore rule that the amendment of Mr. Das is perfectly in order.

**The Honourable Sir Alexander Muddiman:** Very good, Sir. I bow to your ruling. I merely desired information as to what view you took of the point of order as there are multifarious matters in this Resolution which will take a considerable time to discuss and I wanted to shorten my speech as far as possible. I must therefore ask your indulgence in the matter of time if necessary or in the matter of other Government speakers.

I will refer to Angul later but before I proceed to the consideration of the particular circumstances of the individual tracts I should point out that the Resolution also proposes the removal of the power to legislate which is conferred by section 71 of the Government of India Act. That is the power to make Regulations. That is a power which has existed for many years and, although it appears as section 71 of the Government of India Act, it is a power that existed in 1871 and had been exercised freely in regard to these tracts. It has no immediate connection with the declaration that a tract is a backward tract, for section 52A and section 71 are not connected. Section 52A was a new section inserted when the Reforms came into operation, at the same time as the other sections which came in at that period. Section 71 has of course a long previous history and is a separate matter altogether. Before section 71 can be used, the Secretary of State must pass a Resolution in Council applying the section to that part of the territories in which it is to operate.

Now, as I have said, the power to declare a tract "a backward tract" really only enables the Governor General to make local modifications in the Government of India Act. In the case of Angul great restrictions have

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been imposed, but in the case of the other tracts, the mere declaration that they are backward tracts has by itself little practical importance. Although that is perfectly true, I fancy the real object of the Mover of this Resolution is not to do away with the fact that these territories are administered in a different way to other parts and that by classing them as backward we throw some slur on the political capacity of the inhabitants of those tracts and we also enable special legislation to be passed for the inhabitants by the Executive Government. That is what it amounts to. Well, Sir, no less than four tracts have been brought within the scope of this Resolution. One is the Chota Nagpur Division and another is the district of Sambalpur. The third is the Santhal Parganas and the fourth is, under your recent ruling, Angul. If I deal at length in my own speech with those tracts I am afraid I shall detain the House beyond its powers of listening with satisfaction and certainly beyond my powers of speaking with any pleasure. I will therefore confine myself in the first instance to the case of the Santhal Parganas. Now in an Assembly like this, an Imperial Assembly, it is very relevant that I should state some of the broad features both as regards the history and the present conditions of the tracts concerned. There must be many in this House to whom the Santhal Parganas is little more than a name, perhaps hardly even that and there are few in this Assembly who speak Santhali. (Laughter.) The Santhal Parganas is by no means an unimportant tract. It occupies an area of well over 5,500 square miles. It is a thickly populated tract and its population is nearly 2 millions. I have not got the exact figures here but it must be about 1,800,000. It has been a source of considerable anxiety to the administration ever since we came into touch with it. No one, I think, can possibly refer to the Santhal Parganas or their history without recalling the immortal name of Augustus Cleveland, who was the first British official to bring that trust in the British rule which has largely contributed to turn a dangerous border into a district which is a source of prosperity. Augustus Cleveland, Sir, was a very remarkable man. He was one of the favourite officers of Warren Hastings and he found, as subsequent administrators of the Santhal Parganas have continuously found, that the application of the ordinary law of the country to that territory always led to disorder. I do not propose to weary the House with the history of his wonderful achievements, but he died at the age of 29 and his name is still revered in the Santhal Parganas. There is not a Santhal—who has not heard the name of Chili-Mili Sahib, for that is the name by which Augustus Cleveland is known in those parganas. He was fortunate in his life and revered in his death. I will read what was written on his tomb. The Government of those days did recognise the merits of the officers (Laughter) who had served it even after their death. The East India Company erected a memorial which bore this inscription, which I commend to the notice of the House: It said of him that he was a man "who without bloodshed or the terror of authority, employing only the means of conciliation, confidence and benevolence, attempted and accomplished the entire subjection of the lawless and savage inhabitants of the jungleterry of Rajamahall, who had long infested the neighbouring lands by their predatory incursions, inspired them with a taste for the arts of civilised life, and attached them to the British Government by a conquest over their minds—the most permanent, as the most rational mode of all dominion." Could there be higher praise? Well, Sir, after

Augustus Cleveland's death the administration of the Santhal Parganas was conducted much on the lines laid down by him for many years. But as time went by the wise policy he had formulated began to be departed from. Up to 1883 the Santhal Parganas was undisturbed. In that year, again following the principles he had laid down, opportunity was taken to separate from the rest of the Santhal Parganas what is known as the Damin-i-Koh. The Damin-i-Koh means the "skirts of the hills". But it was much more than the skirts of the hills, it was all that hilly country, some 1,300 or 1,400 square miles, which forms the core of the Santhal Parganas. That, Sir, was done in 1883 and it has been the consistent policy of Government thereafter to maintain the Damin-i-Koh as an asylum for the Santhals. There are very special rules as to the transfer of land, rules some of them formulated in those old days which still continue in force and which are greatly valued by the inhabitants. Well, Sir, with the progress of time naturally the Santhal Parganas began to attract the attentions of outsiders. The Santhals have many good qualities, but they certainly have not the good quality of being able to protect themselves against the consequences of their own folly. They are a virile, a prolific and a cheerful race, but they are, I regret to say, addicted to drink, they are addicted to extravagance, and they are very easily made the prey of oppressors. In 1855 many traders, who are generally referred to in those parts as Dakku traders, that is non-Santhals or foreigners, entered the tracts and the Santhals began to get into trouble. They began to hand over their lands. They got into debt and they got generally discontented. Well, thereafter the famous Santhal rebellion broke out. It was a very serious affair. It involved a great loss of life and there must be still people living in Bengal who remember the terror with which the inhabitants of neighbouring Bengali districts used to refer to that rebellion. It was suppressed after a considerable amount of difficulty and naturally inquiries followed. The Government came to the conclusion that the root cause of the rebellion was the oppression of alien landlords and moneylenders. After that rebellion they passed the law, Act XXXVII of that year, which removed the district from the operation of the general laws and regulations. That Act, Sir, is still in force and that Act, it is the object of this Resolution undoubtedly to attack. I will very briefly explain to the House what exactly is the legal position in regard to the Santhal Parganas. They are a de-regulationised tract; that is to say, they were removed by this very Act, which I have cited, which was passed in consequence of the Santhal rebellion, from the operation of the general laws and regulations; and it was placed further directly under the superintendence and jurisdiction of officers to be specially appointed by the Lieutenant-Governor—Bengal was of course then a Lieutenant Governorship. And I may say in passing that there is nothing more striking to any one who examines the past history of the Santhal Parganas than to see how greatly the successful administration in that part of the world has depended upon the particular officers who were stationed there. One sees it again and again. When the officers in charge of the district were sympathetic and trusted by the Santhals all went well. If that was not the case there was trouble. I well remember, Sir, in my earlier service, and there must be some in the Assembly who will remember, the late Mr. W. B. Oldham, who exercised great authority and was greatly trusted by the Santhals. I regret to say, Sir, that he was referred to by his juniors as "Bill of the Hills" (Laughter), but he was a great personality. As I have said a special law applies to

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the Santhal Parganas, and under the Santhal Parganas Settlement Regulation, which is a regulation of 1872, the enactments deemed to be in force in the district are set out in the Schedule, and it is provided in that Schedule that except in so far as concerns the trial and determination of civil suits in value over Rs. 1,000, no other enactment shall, unless the Santhal Parganas be specially mentioned therein, be deemed to apply to the said Parganas. That is important, and the declaration made under section 52-A of the Government of India Act, merely secures in respect of future enactments that protection which is secured to past enactments by the law I have just quoted. Moreover, when we turn to the question of the land—a question of the very greatest importance in the Santhal Parganas, for the Santhal is greatly attached to his land and resents anything he is unaccustomed to, we find special features. The district has its own land system which is governed by Regulation III of 1872 and Regulation III of 1886. It has further a distinct judicial system which is governed by Regulation V of 1898. That will give the House some short picture—it would be impossible for me to develop it at length—of the system of administration which prevails in the Santhal Parganas. I may say that there is a very strong indigenous system there. The headman of the village still retains to this day a great deal of his power, and the village organization is that which is to be expected among a people with a strong tribal organization. Of course the Santhals are not the whole of the inhabitants of the Santhal Parganas. If they were, Sir, I doubt if we would have heard much of this Resolution. It is not the Santhal who wishes to change the system. The remainder of the population includes, besides certain other aborigines such as the Mal Paharis, a race I am not acquainted with, a considerable proportion of Hindu aborigines and low class Hindus, while the middle and the higher Hindu classes form a very small proportion of the population, about 15 per cent.

And now I think we come to what is very largely the reason for this Resolution being brought. The Santhal Parganas, Sir, as you possibly know, possesses a very pleasant climate. It has one of the pleasantest climates readily available to the inhabitants of the province of Bengal, which is on the whole hot and steamy. In the Santhal Parganas the air is much fresher and it is a place very largely resorted to by visitors from Calcutta and many Bengali gentlemen have built themselves houses in those parts, and indeed I think I am correct in saying that a large number of nursery gardeners ply their trade there and the bulk of the flowers for the Calcutta market are grown there. Well, Sir, in that fringe in the east and south of the district where it adjoins Bengal, there is also excellent railway communication and numerous Bengali colonies have sprung up. I think they treat it very much as their hill station. To many I believe the climate is more agreeable than that of the hills, being comparatively warm. Now undoubtedly these immigrants do not like the land laws of the Parganas, which prevent them from acquiring land as easily as they could in the ordinary British district; and that, Sir, I suggest to the House is the main reason for raising this question in regard to the Santhal Parganas. (Laughter.) Of course I do not suggest that applies to the Damin-i-Koh tract. I do not think that there are or are likely to be immigrants who would wish to live in the Damin-i-Koh tract—that is jungly country and mostly hill and forest land which really could only be occupied by people who live much

as the Santhals do. Now if there is one thing clearer than another, it is this that whenever a change is made which brings the Santhal Parganas within the operation of the ordinary law, there is unrest amongst the Santhals. It is not a matter of argument, it is a matter that we can see in history. The Cleveland system broke down in 1855; it occurred again in 1871; it would occur, I am sure, to-morrow if we affected the law there in any serious way to the detriment of the original inhabitants. The experiment has been tried by Government itself. The Government of Bengal at one time were themselves eager to bring the district into the ordinary administrative rules, but they found that the mere suggestion of doing so led to trouble and they had to give it up. I trust this House will take the view that it is not desirable to trouble an area of this kind (An Honourable Member: "Civilized Administration") which has, as my Honourable friend very correctly points out, a civilized administration admirably adapted to its inhabitants.

**Mr. B. Das:** Sir, may I inquire what the Government of Bihar and Orissa thinks about the administration of the Santhal Parganas? He has told us what the Government of Bengal thinks about it.

**The Honourable Sir Alexander Muddiman:** I did not hear the Honourable Member's question.

**Mr. B. Das:** What do Bihar and Orissa think about the administration of the Santhal Parganas?

**The Honourable Sir Alexander Muddiman:** The Government of Bihar and Orissa was still in the womb of time at the period to which I am referring.

**Mr. B. Das:** May I know what is the opinion of the present Government of Bihar and Orissa about the administration of the Santhal Parganas?

**The Honourable Sir Alexander Muddiman:** The opinion of the present Government of Bihar and Orissa is very strongly opposed to any change. (Laughter.) If my Honourable friend will refer to the debate which took place there on December 22nd, he will find more and far better reasons than I have given—given by people who know the people far more intimately than I do.

**Mr. A. Rangaswami Iyengar:** What was the result of the debate?

**The Honourable Sir Alexander Muddiman:** As usual, the defeat of the Government. (Laughter.)

(At this stage Kumar Ganganand Sinha rose.)

**Mr. President:** Order, order. No more questions.

**The Honourable Sir Alexander Muddiman:** Now, Sir, I have dealt with the Santhal Parganas very fully and faithfully. I have also talked a very long time. There remain two more tracts—one of them an extremely important one—on which I should have liked to say a few words, but I will leave them to other speakers to deal with. I will however deal very shortly with the position in Angul. Now you have ruled, Sir, that the only point here is whether the present application of section 52-A should be changed, and I understand that you do not wish me to discuss at length any other point. I shall merely therefore content myself with saying that

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Angul is a forfeited State—it was forfeited as the result of a rebellion. It is situated in the Tributary Mahals of Orissa: those are hill States which fringe the British districts, from which I think my Honourable friend who interrupted me comes. They lie deep in the hills and jungles of that tract—and there is a particularly jungly tract attached to it which is known as the Kond Sub-division of the Kondmals. Both these tracts are inhabited by wild and primitive people.

**Pandit Nilakantha Das:** But they are not contiguous.

**The Honourable Sir Alexander Muddiman:** Both tracts are inhabited by wild and primitive peoples, and the higher Hindu castes represent only about 5 per cent. of the population. The administration of the district has always proceeded on lines entirely distinct from that of the Regulation Districts; and that, Sir, I think is a sufficient justification for the inclusion of that tract within the backward districts notified in section 52-A—which is the only point which I have to meet. Sir, the remainder of the case I will leave to other speakers to develop.

**Rai Bahadur S. N. Singh** (Bihar and Orissa: Nominated Official): Sir, I rise to oppose the Resolution as well as the amendments pertaining to it. Sir, the Santhal Parganas and Chota Nagpur are quite different from the rest of the province of Bihar and Orissa.

(At this stage the Honourable Member was being interrupted.)

**Mr. President:** Order, order. The Honourable Member must understand that the Honourable Member is making his maiden speech. (Hear, hear.)

**Rai Bahadur S. N. Singh:** Sir, the Santhal and the Oraons are quite different from the people of the rest of the province. Sir, they have got a history of their own and are of a primitive type. They would like to be let alone as much as possible from all outside interferences. Sir, some outsiders from the neighbouring provinces of Bengal and Bihar have settled down in these tracts, especially after the opening of these tracts to railway traffic, and all such demands for a change in the present form of administration comes from such settlers. But, Sir, I can assure the House that their number is very small, and I hope, Sir, that the gallant movers of the Resolution and of the amendments who do not really belong to these parts will bear me out in regard to these facts. Sir, I do really think that any change in the present system of administration in these parts will be simply disastrous. It will increase the cost of administration and disturb the simple, homely life of more than 80 per cent. of the population. It would involve them in litigation and add to their poverty. Sir, I am sure the inhabitants of these parts will by no means be thankful to the movers of the Resolution and of the amendments; on the other hand they would raise their hands in prayer and say, "God, save us from such friends!" (Laughter.) Sir, the people in these parts are very poor and they require to be dealt with in a very friendly and familiar way. Sir, the officials have got to deal with these people direct; the people are not yet sophisticated and they come to truth at once. (Laughter.) They detest all forms of protracted litigation or interference from outside. I really believe, Sir, that the adoption of any such measures contemplated by this Resolution or its amendments will be attended by grave consequences,

including armed uproar amongst the people concerned. And, Sir, the worst part of the thing is that the people really concerned cannot be heard by this Assembly. I would seriously request the Assembly to note that there is no demand of this kind from the people concerned. I may also assure the House that no responsible person in the province of Bihar and Orissa would pay any serious attention to such proposals. Of course, Sir, I am aware that there may be a few local lawyers who may be interested in such questions in order to have fresh avenues of litigation opened up to them. If anybody has got any qualms in the matter, I can refer him to pages 46 to 60 of the Gazetteer of the Santhal Parganas.

Sir, the mover of the amendment has harped on official iniquities in regard to local bodies in Chota Nagpur. I must remind him, Sir, that all these local bodies have got non-official Vice-Chairmen and I do not see how the mere substitution of official Chairmen can affect the situation. There may be a natural desire on their part to occupy places now filled up by official Chairmen. But I must also remind him that there are established in Chota Nagpur interests of an all-India importance, such as coal corners and the Jamshedpur business. These concerns are spread over two or three neighbouring provinces, the provinces of Bihar and Orissa, Bengal and the Central Provinces, and they require close and constant co-ordination of efforts in regard to communications and water supply, which can be arranged only by official agency. With these words, Sir, I oppose the Resolution and the amendments.

**Mr. S. Srinivasa Iyengar** (Madras City: Non-Muhammadian Urban): Sir, I am surprised and saddened that after nearly three-quarters of a century of British administration this arcadian simplicity of non-regulation tracts is sought to be retained. It throws a lurid commentary upon the system of administration adopted that these tracts should be held to be backward and the people have not, thanks to the civilising agency of these influences, been brought up to up-to-date conditions. That itself is quite sufficient to condemn the system which has been pursued and it calls for a complete reversal of the system. Is it to be suggested that the ideal of life and the ideal of Government and the ideal of administration and the ideal which has been pictured to us is the ideal which is for the whole of the civilised world or for the rest of India? Is it that we are backward or is it that these tracts, by an authoritative notification issued under a Statute of Parliament, are backward tracts? I take it therefore that it will not be said, that this is not a backward tract; and then if it is a backward tract and if really the rest of India has progressed, has become civilised, it is a monstrous thing to suggest that the system should be preserved. Notwithstanding all this lapse of time and all this benevolent care which has been taken in regard to these tracts by a paternal Government, nothing has been done to make the people come up to the standard. It shows that the schoolmaster is not sufficiently there. It shows that the lawyer, against whom a cheap gibe has been flung, is not there. It shows that the charge that was made that the people at the bottom of this affair, who moved the Resolution, did so for the purpose of acquiring land, for the purpose of the alien Bengalis acquiring land, is absolutely an untrue charge. It is perfectly certain that what is wanted is not that people from outside should go and acquire lands. Every one knows that for the sake of zamindars in one province, for instance in Madras, estates had been made inalienable. Everyone knows that inalienability is the normal rule in Hindu law which has been broken in upon by

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the British system of laws. Nobody would grudge for a moment any system of law which would protect people from selling their lands, which would make inalienability the rule in respect of peasant holdings. This is a gibe which paternal administrators fling at us. Let us pass it by. Of course we have got money-lenders; I suppose some banks have to function there. We were told that these people were, very extravagant. They must find the money from somewhere or other. If not one set of money-lender, another group of people will be there I suppose. I think all this is beside the mark. The real truth is that certain tracts in all the provinces, for instance certain tracts in my own province of Madras, are regarded as non-regulation tracts still after a century of British administration and I think the difficulties are absolutely unfounded. I have heard to-day the same tale which I have heard elsewhere, of the lawyer, the money-lender, the foreign exploiter, rebellions and *fituris* and all the rest of it, though the population is in no way different from the population across the border of these agencies. I presume in these salubrious tracts there are Bengali colonies, I suppose the influence of civilisation has extended, has permeated and no disturbances have arisen and flower gardens and other things are there. I think the less said about disturbances being created by the intrusion of law and order the better. That by bringing any province under the regulations disturbances will arise is a very sad commentary upon the system of administration that has been pursued. I do not wish to go back to antiquities and to antiquarian research, in which the Home Member has indulged. That is not my province, that is not germane or relevant to the topic. (*Honourable Members*: "Yes.") It may be in your estimation, not in mine. History and the people for whom we are responsible will in no uncertain voice pronounce the severest condemnation upon this kind of keeping back certain tracts, richly endowed tracts, deliberately as backward tracts. I wonder sometimes is it for the purpose of showing that India is a land of different levels? Is it for the purpose of saying "You have got Indian States, you have got backward tracts? How then can you have self-government?" Is it for that purpose these things exist, or is it to supply fireside stories to our friends in their days of furloughed or retired ease? Is it for that purpose that these tracts exist? I really am unable to understand. I wonder what the reason is why after a century of British rule these tracts should be meted out this kind of injustice. I was told by the Honourable Member who is as much a maiden as I am (*Laughter*) that the people of these tracts would not shew their gratitude to us if we went into this matter. I think the people of the tracts are poor innocent people. They are not the people whose opinion has got to be taken. We are really the trustees of the people and not my friends on the other side. We on this side of the House are the real trustees of our own kith and kin and we know exactly what they want. (*Laughter*.) We do not wish to be told that our intervention is uncalled for. I suppose my friends on the other side can manufacture opinion. All that is necessary, Sir, is to see whether these tracts which have been as civilised as the rest of India should still be declared to be backward tracts. I think the very fact that a great deal of care and caution have been taken and a benevolent Providence has surrounded these tracts with all those devices which a very careful Government have lavished upon them, I suppose all these may be taken as some proof that these tracts have come up really very forward.

May I say that this conservative insistence on vested interests must be resisted at all costs. It is nothing but a perpetuation of a thing which must now cease. If we were to look at this not in the spirit of laughter but in the spirit of seriousness; I think it will reflect very little credit upon those concerned. If Indians were in charge of any province and had administered it for a century or century and a half and were unable to improve things, I think that people would have the right to claim that we should write ourselves down as egregious failures. That is the only verdicts which impartial history and posterity will write large on the forehead of the existing Government.

I do not propose to enter into other matters, because I have not that local knowledge and cannot add those irrelevant details of colour and picturesqueness, but the human aspect of it, the civilising aspect, and the aspect of fundamental rights of Indian humanity require that these tracts should be treated like the rest of India, and demand that this Resolution and its amendments, which are in a most comprehensive form, should be passed by the unanimous vote of this House.

**Dr. B. S. Moonje** (Nagpur Division: Non-Muhammadian): Sir, I have carefully heard the arguments of the Honourable the Home Member. There is no need in the first instance to amend the Government of India Act, as His Excellency the Viceroy has got full powers, if it pleases him, to make any change he likes in the matter.

**The Honourable Sir Alexander Muddiman**: I never said anything about there being a difficulty in changing it.

**Dr. B. S. Moonje**: If I have misunderstood the Honourable Member I will withdraw from that point.

His second point is that we were inspired to move this Resolution because we feel a kind of slur, that the backwardness is a slur upon the people. If looked at from that point of view, perhaps the whole of India is exposed to that slur. It is this backwardness of India which causes it to live under English domination. If India had not been backward as other countries of this world, India would have been an independent country, under its own rule. So this argument that we have been inspired in moving this Resolution on account of the slur is absolutely incorrect. The question really is one of real grievances felt by the people of the province. With reference to criminal cases the information supplied to me is that except for Sessions cases, only Europeans have the right to appeal to the High Court of Bihar and to be defended by lawyers. I am subject to correction. The decisions of the Settlement Courts cannot be challenged before any civil court, and are final. Both civil and criminal cases are tried by Deputy Magistrates and Collectors. The Legal Practitioners Act is not enforced, and the right to practise in any Santhal court is determined by the District Officers. Are these the laws under which people, under the present circumstances, in these our times, are being governed in those provinces? And do we seriously mean to say that these laws would contribute to the good of the people, and that if our laws are introduced there they will do them harm, and the people will not like those laws? It passes our comprehension when we are told in this Assembly that if we introduce civilised laws the people themselves will rebel against them.

We are told that the Parganas are being very rightly governed, and from the point of view of the interests of the people are being governed by very good officers. I have myself come across individual officers who were,

[Dr. B. S. Moonje.]

very good people. There is no question about that. For the matter of that the whole of India may be governed by very good officers, so that there was no need to establish the Legislative Assembly. My Honourable friend over there is a very good man and a very good administrator, and would he like the whole of India to be governed by one good and honest man such as he?

We are further told that the Santhalis are addicted to drink and are a very excitable people. I am only sorry that the people of India are docile and timid and weak. They are not really as excitable as our friends over there. Fortunately we are not addicted to drink as many people in the world are, and I hope that India will never be addicted to drink, and if addiction to drink and excitability are the two things which are causing the province to be declared backward, I do not know how many parts of the world will have to be declared as backward tracts.

The Santhalis are said to be a source of terror to the surrounding country and were a terror to the Bengalis.

**The Honourable Sir Alexander Muddiman:** Pardon me, I never used that argument at all. What I did say was that during the Santhal rebellion, outrages of a serious character were committed, which did alarm the inhabitants of the neighbouring districts.

**Dr. B. S. Moonje:** I am only sorry that the surrounding districts of Bengal should have been terrorised by a little rebellion in the Santhal Parganas. Bengal at the present moment is so accustomed to be terrorised in that sense that to believe that such a little disturbance is going to terrorise them is nothing short of cant. I should think that Bengal should not be tired of these disturbances, because these occasions should be sources of strength to Bengal, and I do not think the Bengalis would object to the Resolution.

The last point, and it was very beautifully put, was that the Santhal Parganas has a beautiful climate and the peace-loving and rich people from the surrounding districts, mostly Bengalis and Biharis, would like to have some portion of the Santhal Country. Where is the man in this world who could be said to be exempt from that temptation? When Simla was acquired, was there any other motive? When Mahableshwar was acquired was there any other motive? We people want to live in our own country under the best of circumstances, and I do not think anybody should grudge us. Therefore to say that this demand comes from a sordid motive is absolutely a wrong argument, and I hope that this argument will not be used by our administrators. I therefore support the Resolution.

**Sir Purshotamdas Thakurdas** (Indian Merchants' Chamber: Indian Commerce): The Honourable the Home Member commenced his remarks with a sigh that the Government of to-day do not follow in the wake of the Government of 1829 . . . . .

**The Honourable Sir Alexander Muddiman:** 1776.

**Sir Purshotamdas Thakurdas:** 1776? Thank you. 1776, which put an inscription on the grave of one of its prominent officers eulogizing the methods employed by that officer for peaceful and permanent domination of a primitive race. It is only right to congratulate the Government of

India to-day that it refuses to recognise the services of any of its officers who seeks to enforce domination over the people of India by any method at all. Since 1776, Sir, in the year of grace 1833 the British Parliament passed the first Government of India Act, and the words of Lord Macaulay on the second reading of that Bill are the words which ought to be the ideal of every British officer, whether Indian or European, in this country.

Lord Macaulay, Sir, then said that the Bill he was asking the House of Commons in 1833 to pass was meant not only to keep India under peace and under the domination of Britain, but to lead India to be a self-respecting and self-reliant part of the British Empire. He said if his Bill led India that way he would not rue that day. If the Government of India to-day will not recognise the services of any officer who follows the ideal of Lord Macaulay, the grateful people of India, Sir, will not fail to do so.

That, Sir, hardly applies to the case of the Santhal Parganas or to the question before us. The day has gone by when an officer who merely keeps the people peaceful and quiet will be appreciated. That, Sir, hardly appeals to the Indian in Bihar and Orissa or in any other province to-day. What we want to-day is progress towards a self-respecting and a contented citizenship. After this long rule even by the most capable of officers, the Honourable the Home Member is not able to say that that ideal has been achieved in the slightest degree in these backward tracts. That he should to-day still have to rely on the plea that the people in these tracts are backward is to my mind a confession that the British Government have not been able to do for those people under that particular method of rule what has been achieved by the people in other presidencies. This, therefore, is my reason for supporting the question before the House.

But I should like to examine for a minute or two one or two reasons which have been advanced by my Honourable friend the Home Member why in these Parganas the same sort of rule should be continued as heretofore. He said that the climate of the place is good and that some of the laws which still exist there under this semi-primitive form of Government prevent non-Santhali persons from acquiring land. Our friend over there, Sir, who made his maiden speech to-day, supplemented what the Honourable the Home Member said, and if I may draw an inference which I think is justified, the main reasons for continuing this state of affairs or for opposing the Resolution is that Government are anxious to protect the rights of the Santhals as against the Bengali and other Indians. May I ask, Sir, whether they are anxious to protect the rights of the local natives in that province as against the Bengali and against the other Indians only, or is the same policy being adopted as against the European?

**The Honourable Sir Alexander Muddiman:** Certainly.

**Sir Purshotamdas Thakurdas:** My Honourable friend over there who represents the Government of Orissa. . . . .

**Mr. Jamnadas M. Mehta:** He misrepresents them!

**Sir Purshotamdas Thakurdas:** At any rate he represents them as far as this House is concerned, and he stated there are coal mines,—he also mentioned steel works.

**The Honourable Sir Alexander Muddiman:** I do not want my Honourable friend to be misled. I think he was referring to Chota Nagpur, not to the Santhal Parganas.

**Sir Purshotamdas Thakurdas:** We are discussing that on the amendment, Sir.

**The Honourable Sir Alexander Muddiman:** I thought you were referring to the Santhal Parganas.

**Sir Purshotamdas Thakurdas:** I am referring to the whole of the tract, if I may say so. I must confess I am not as intimate with the geography of the place as my Honourable friend is, but I refer to any one of these places. I am not irrelevant. The Rai Bahadur who represents the Bihar Government here told us there are coal mines and steel works there and that in order that these coal mines and steel works may work in co-ordination—I think that is what he said—this admittedly backward form of Government was desirable. Now I ask the Honourable Member over there whether, when he has retired on pension, he will, as an Indian, not prefer—if he is a native from one of these backward tracts—that the coal mines may be developed later if their present development is a reason for being in the way of ruling the people there in the same manner as other parts of India are ruled? I therefore, Sir, feel that, particularly in view of the fact that the Bihar Council defeated the Government in the attitude they took there towards this question and the Bihar Council may be taken by this House as knowing best the requirements of the Santhalis and the others concerned, this House will be failing in its duty if it did not pass the amendment of my Honourable friend Mr. B. Das. I have great pleasure in supporting this, Sir.

**Mr. J. T. Donovan** (Bengal: Nominated Official): Sir, I am privileged, and I am amongst the few in this Assembly privileged, to have spent part of my life and to have served in Orissa and Chota Nagpur and to have known something from personal experience about the geography of those strange lands, even to the confines of Angul. In that, Sir, I think I am unique here, for not even Mr. Das has penetrated as far as Angul.

**Mr. B. Das:** It is part of my constituency.

**Mr. J. T. Donovan:** My friend, Sir George Paddison, says he has been as far as the Khondmals. I, therefore, can not claim to be unique, but the personal experience of those parts is at any rate on these Benches. The picture which the Honourable the Home Member drew of Angul was mild. I shall not attempt to supplement it. It was quite sufficient for the purpose which he had in view. Nor do I intend to speak of Chota Nagpur or Orissa. I would rather speak of the district the confines of which I have never passed; and in that, Sir, in speaking of a place where I have never been, I think I shall find myself in good company. Of course, the cynic may say that I have an object in resorting to this method of many eminent and successful debaters and talking about something of which I know nothing. There is a great advantage sometimes in speaking on a subject of which one knows nothing. There is never the danger that the hard realities of knowledge and experience will hold one up. There is never the fear that the persisting picture of the real will be there before him to make the orator, who has a conscience,—for even orators sometimes have a conscience,—pause when the pinions of his fancy or the torrents of his eloquence are sweeping him swiftly on to the realms of the unreal. But, Sir, it is not for the sake of that advantage that I am choosing to speak of the Santhal Parganas. My Honourable friend who moved this

Resolution will admit that there are many Santhals outside their beautiful home as well as inside. The western districts of Bengal—Dinajpur, Rajshahi, Murshidabad, Hugli, Midnapur, Birbhum, Bankura, Burdwan and Malda—all those districts are teeming with Santhals. For those of my friends opposite, who argue that under the ordinary laws of Bengal the Santhals would be a prosperous people, it is indeed an unfortunate fact that so many Santhals are to be found in these districts. I have some experience of the Santhals in these districts, Sir, and quite possibly in this too I am unique in this Assembly. I have known them in these districts for about ten years. One of the last sights I saw before I came here, to take up my important duties in this Assembly, was party after party of Santhals marching through the district to reap the harvest for the Bengali. These Santhals have come year after year in their thousands to reap the harvest in Bengal. They are a populous and sturdy race. Many of them have settled in Bengal with all the advantages of High Courts and Reforms constitutions which Bengal enjoys and free from the oppressive restrictions denounced by my friends opposite. What is the result?

It was my fate to be for two years in charge of the settlement operations in the Borind area of Rajshahi District, a large tract of which had gone out of cultivation and had in recent times been brought back to cultivation. By whom? By the Santhals. I did the settlement of the Borind area, and how few were the Santhals I found there who had acquired the occupancy right, in spite of the fact that it was they who had brought the land back to cultivation! I ask anybody who knows Bengal, what is the position of the Santhal cultivator in Bengal? Has the Santhal got anything like his share of the rewards of his labour on the land? Or do you not find, wherever you find colonies of Santhals—do you not find them as *adhiars*, *bhag* tenants and payers of produce rent, often even to the extent of more than 50 per cent. of the produce of their land? That is the very reason why these special laws in the Santhal Parganas are necessary, because the Santhal has never been able to hold his land. Santhals have come to Bengal, as I have said, where the laws are in their favour, where there is nothing in law to prevent transfer of land. They have cleared land; they have settled on it and they have been ousted again. I have seen that too often to have any doubt about it. My friend who moved this Resolution suggested some remedies. As far as I understood him his remedy for the present state of affairs in the Santhal Parganas was to open the full flood-gates of the High Court jurisdiction and the Reforms constitution and let them loose upon these benighted people. I may not have heard him properly—I am referring to my friend from Purnea—I may not have heard him properly; and his speech has not been reported verbatim in the *Hindustan Times*; but I do not think I heard him say that his sole motive in moving this Resolution was the benefit of the Santhals. I do not think he can say that. . . . .

**Kumar Ganganand Sinha:** I will.

**Mr. J. T. Donovan:** Does he say it now?

**Kumar Ganganand Sinha:** Yes.

**Mr. J. T. Donovan:** From the anguish in his voice when he deplored the paucity of leaders in the Santhal Parganas (*An Honourable Member*: "That is what troubles you.") it seemed to me that he was thinking more of another race.

[Mr. J. T. Donovan.]

Sir, what I did hear him say was this: that even in their homes the Santhals were diminishing in numbers, that in spite of their diminishing numbers, which ordinarily should tend to an increase in the area of holdings . . . . .

**Kumar Ganganand Sinha:** On a point of personal explanation, Sir; I meant to say that it was on account of these laws that the Santhals were in such a bad plight as they are.

**Mr. J. T. Donovan:** What I did hear him say was that the Santhals are diminishing in numbers, and in spite of the fact of their diminishing numbers the average holding of the Santhal is something about 15 cottahs of land. For those who do not know what that means, it is about  $8\frac{1}{4}$ ths of a bigha, and a bigha is  $\frac{1}{8}$  of an acre I think, unless the Santhal bigha is something different. The average holding of a Santhal in the Santhal Parganas, in his own beautiful home, is  $\frac{3}{4}$  of a bigha, and the average annual produce is 8 or 9 maunds. Now, Sir, my friend's panacea for the Santhal is to give him pleaders. Is not this giving caviare to the general? What is the good of a pleader to a man who has got  $\frac{3}{4}$  of a bigha and gets 8 maunds of paddy a year?

**Mr. A. Rangaswami Iyengar:** What is the good of an Anglo-Indian Nabob?

**Mr. J. T. Donovan:** My friend can answer that question for himself if he wishes; but what good is the pleader to a man who owns  $\frac{3}{4}$  of a bigha of land?

**Mr. Amar Nath Dutt:** Save him from his spleen being ruptured.

**Mr. J. T. Donovan:** I am sorry I did not hear my Honourable friend's interruption. The disputes which these people are likely to have are disputes of people who are in possession of  $\frac{3}{4}$  of a bigha of land and get 8 or 9 maunds of paddy a year out of it; they are not disputes on which they could afford to engage a pleader. Sir, I am making no reflection upon the profession of lawyers. I have the privilege of being a barrister myself and one great regret of my life is that I was deterred by the innumerable luminaries in that firmament from following the profession, in which perhaps I might have found more satisfaction than I find in the profession which I have chosen, and, as has now been suggested by an Honourable Member, perhaps more profit. Sir, the suggestion of providing pleaders for these people for their petty disputes appears to be no solution of the problem.

My Honourable friend took up another point and he objected to the non-transferability of land in that district. I have to some extent already dealt with that point. What I ask is this: If you do not have the law of non-transferability of land in the Santhal Parganas and if you have pleaders pleading, whom the Santhal cannot afford to pay, what would be the result? The man who could afford to pay a pleader would be the man to win the case and get the land every time.

**Mr. A. Rangaswami Iyengar:** Hardly a compliment to you gentlemen.

**Mr. J. T. Donovan:** Whatever it may be, we do not claim to be infallible. But it is a fact and it does stand to reason—and I am perfectly

serious in asking this House to believe and accept this statement—that the man who has a pleader behind him has a better chance of winning his case than the poor unfortunate Santhal who cannot afford to hire a pleader.

The deductions which my friend, Sir Purshotamdas, and some other speakers have drawn from the arguments which have been put forward and from the picture which the Honourable the Home Member drew, are not exactly the deductions which I should make. If I were to be told that these people had been protected by every possible means within the power of this poor Government, who were doing their best, if I had been told that for a century this poor Government had been doing its best and had by special laws to the best of its enlightenment, passed for these people, tried to protect them and that it had failed, well, Sir, one deduction that I should make from that would be that it had not done enough, that there should be more special laws and that they should be administered more stringently . . . . .

**Mr. A. Rangaswami Iyengar:** Martial law and no damned nonsense.

**Mr. J. T. Donovan:** Instead of that, Sir, a suggestion comes from the other side, from Sir Purshotamdas Thakurdas, that we should go in for a system of which we do know the working elsewhere. We have tried that system for Santhals; I say that system has been tried by the innumerable Santhals who have strayed into Bengal and the fate of those Santhals is worse than the fate of those who stayed behind. This is perhaps prophetic of the fate of those who will accept his advice on a matter nearer Sir Purshotamdas' heart.

My friend on the other side also complained about one other thing. He put it as a grievance and said that one of the evil things in this delightful Santhal Parganas was that there were less than 1,200 moneylenders there—there were only 1,115. Well, Sir, when I read the Gazetteer I really admire the courage of the 1,115. On page 56 there is a tale that might deter any moneylender from going to the Santhal Parganas. Sir, the Santhal rising in 1855 was precipitated by moneylenders; and although there are so few moneylenders at present there are very, very many potential moneylenders and they are only waiting for the opportunity the moment the restrictions on transferability of land are removed. My friend need not worry; there will be many more moneylenders.

But if his point were to suggest to Government that something might be done to finance these people in their agricultural operations, then he would be much more sane in his proposals; then I should have given him very much more credit for having the interests of the Santhals at heart. Unfortunately, before he made that suggestion, he was not ashamed to suggest that the system of *Krishani*, a system of slavery, should be retained. He suggested it, I am not surprised that my Honourable friend . . . . .

**Kumar Ganganand Sinha:** On a point of personal explanation, Sir. I did not suggest that *Krishani* as a system of slavery should be retained. I said that *Krishani* was not a system of slavery as alleged by my friend opposite.

**Mr. J. T. Donovan:** He said, Sir, that the system of *Krishani* should be retained. That system, he admits, has been characterised by this wicked Government as slavery. I am not going to explain what the system of *Krishani* means. If my Honourable friend wishes to do so, he can do so in his reply, and if he can convince his friends, and especially his labour friends, that *Krishani* is anything but slavery, he is welcome to their support. But, Sir, before he made the suggestion about financing the Santhals in their agricultural operations, he was not ashamed to suggest that this system, which some people at any rate think to be slavery, should be retained. (*An Honourable Member*: "Abolish it".) You cannot abolish it by making land freely transferable. If you remove the restrictions on the transferability of the land in the Santhal Parganas, the Santhals will be driven to much greater misery. We do know that in Bihar and in Bengal people have sold their little bits of land for a few rupees and then, sold themselves, their living children and their unborn children into slavery. In Bihar and Bengal that has been known to happen. My Honourable friend may deny it if he can, but that, Sir, is an indication of what would happen to the Santhals, if these people, these guileless people, who love the jungles and forests, were left to the tender mercies of the *mahajans*, who could afford to hire a pleader on a point of law.

Sir, if the Honourable Mover had suggested that something should be done to finance agricultural operations in the Santhal Parganas, I would have been with him every time, for, as an officer who had charge of the Bengal Co-operative Department for five years, I am deeply interested in the financing of agricultural operations. We did try to do something for the Santhals. Unfortunately, the utter fecklessness of the Santhals has proved an almost insuperable barrier. We have tried to do something for them, and something possibly could be achieved, but I do feel that the only lines upon which we can safely finance the Santhal cultivator is on the lines of co-operative credit. If my Honourable friend thinks that I am mistaken in this I should like to hear him say so, and I should like him to make alternative suggestions. Is he going to suggest only the alternative of the *mahajans* with all the machinery of the law behind them and, all the prospect, the tempting prospect of the land in the Santhal Parganas before their eyes?

Sir, I had thought of telling some tales about the Santhals, but they do not seem to be agreeable to the other side (*An Honourable Member*: "Go on"), and I shall not trouble the House with those tales. But I would like to say that the Santhals are a hard working people, they are a loveable people, but they have their faults. (*An Honourable Member*: "Which of us have not?") We all have our faults. The Santhal apparently can lose his temper. He lost it in 55 and 71. I have seen him lose it more recently. I know of a disturbance in the north-west of Bengal in which a European officer received the arrow of a Santhal, in a rather awkward place. I know of a disturbance in the south-west of Bengal where two European officers owed their escape from Santhals to a very nimble retirement. But, Sir, the ordinary Santhal . . .

**Mr. President:** Order, order. The Honourable Member has already exceeded his time limit.

**Mr. J. T. Donovan:** I will stress in conclusion, Sir, that the Santhals are a hard working race, and many of them are landless labourers, and most of them work for daily wages, and if my Honourable friend really wishes to help towards their welfare, he will have an opportunity, which I hope he will not neglect, on the 7th of March.

**Mr. Ohaman Lall** (West Punjab: Non-Muhammadan): Sir, my Honourable friend who has just spoken is always interesting, and when he was speaking of the woeful condition of the Santhals, I felt like making a collection of all the handkerchiefs on the Swarajist Benches and wiping away the tears on his cheeks. (Laughter.) But, Sir, what had the Honourable Member to say in defence of the present position which the Government have adopted? All that he had to say was this, that the reason why the Government will not permit a civilized form of Government to prevail in the Santhal Parganas is (amazingly enough) because the Government does not want any lawyers or pleaders to go and practise there (Laughter). Even on that point, Sir, although my Honourable friend waxed eloquent, he was entirely wrong or else he misled the House, for, does he not know, Sir, that, in spite of the fact that the Legal Practitioners' Act has not been extended to the Santhal Parganas, yet already pleaders can be called in as a matter of right to argue in cases of the value of Rs. 1,000 and over? Is it not true, Sir, that in spite of the fact that the Legal Practitioners' Act has not been extended to these Parganas, pleaders have still a right of going there to argue in cases of the value of Rs. 1,000 and over? . . . .

**Mr. J. T. Donovan:** How many Santhals possess one thousand rupees?

**Mr. Ohaman Lall:** I did not catch what the Honourable Member said.

**Mr. J. T. Donovan:** How many Santhals have one thousand rupees?

**Mr. Ohaman Lall:** Sir, the reason why many Santhals have not got even a thousand rupees each is because the system of Government you have in the Santhal Parganas puts a premium on their backwardness and poverty. (Cheers).

The Honourable Member talked about slavery, and he talked about the system of *Krishani*. Now, Sir, when you have been governing that tract for the last seventy years, why have you not abolished that system? Does it lie in your mouth, does it lie in the mouth of the Honourable Member over there, to complain about the system of slavery prevailing in that particular tract? It does not lie in his mouth, and I say that the reason why that particular tract is poor is because the system of Government that prevails there is such that . . . .

**The Honourable Sir Alexander Muddiman:** Would the Honourable Member . . . .

**Mr. President:** Does the Honourable Member (to Mr. Chaman Lall) wish to give way?

**Mr. Ohaman Lall:** Most certainly.

**The Honourable Sir Alexander Muddiman:** I only want to ask the Honourable Member if he would care to describe the system to the House?

**Mr. Chaman Lall:** The system, as I understand from my Honourable friend behind me, is this, that you are enabled to take the labour of a man and give him something in kind. It is a sort of labour which is akin to *begar* labour. That system, whatever it may be, is condemned on both sides of the House. I say that that system prevails there, and it

[Mr. Chaman Lal.]

was up to you who were governing that tract like a paternal Government to abolish it. Why did you not abolish it? I understand, Sir, that something like 84,000 people have left the Santhal Parganas, and my Honourable friend over there waxed eloquent about the condition of these emigrés who have gone to Bengal and had their lands taken away from them even in Bengal. Did my friend ever give me a single example of the condition of these 84,000 people who, in his imagination, were so badly treated in Bengal that they had to leave their holdings to work in adjoining districts? Not one single example has he given us, not one quotation or any authority has he given us; on the contrary, he merely makes a statement on the floor of this House which he does not and cannot substantiate. I say, Sir, that their condition, though it may be worse economically, is better in this one respect that they live under a civilized Government, at least an alleged form of civilized Government in Bengal. In their own particular tracts in the Parganas what is the system of government? There is a Commissioner, and a Deputy Commissioner who are the Nabobs. The chief principles of this system are that (1) no advocates, no pleaders or mukhtars and no middlemen between Government officers and the people were permitted—I suppose by middlemen it is meant people like my friend over there (Mr. Donovan); (2) the contact with the people was direct. I do not know, Sir, what that means; (3) there was no regular police; that is a system which my friend loves; and finally, the spirit of the laws not in force was regarded, but no technical forms were allowed. (Laughter.)

Now, Sir, I want to draw the attention of the House to the results of this system of Government. I would like to draw the attention of my Honourable friend over there to the results of this system, and to what actually happens to the liberties of the people. It was stated in the Orissa Council that people were asked to leave bag and baggage, because they "*fanned non-co-operators, because they harboured a non-co-operator like Babu Rajendra Prasad, who was asked by a police constable to leave the place immediately if he cared for his safety.*" Babu Rajendra Prasad, the leader of Bihar, was asked by the police constable to leave the Parganas immediately if he cared for his safety. This is the state of affairs existing in the Santhal Parganas. (Mr. J. T. Donovan: "What is the date?") The date is 1922—that is the date, Sir. Not 1855. Perhaps my Honourable friend hoped it might be 1855. Now, Sir, there is another case; I will give an earlier case for the benefit of my Honourable friend who wants it:

"I have read of a case where the Magistrate at a trial in the Santhal Parganas came to a legal conclusion. A person against whom a case was proceeding died and his son, who inherited his property, was summoned for his father's offence. The Magistrate held that if the son inherited his father's property, why should he not also be punished for the offence committed by his father?"

(Loud Laughter.) I make a present of that, Sir, to my Honourable friend over there. Is that a civilised form of government? It is indeed a capital joke and my Honourable friends have raised a loud laugh about this matter, but this is really a most disgraceful state of things and it should not be dismissed with a laugh. Here are nearly two million people under what I can describe only as a damnable system of government, and are we merely going to laugh at it and deny them their liberty and ignore the fact that the Santhals are as much entitled to civilised government as you or I are? (Cheers.) I say, it is a mockery of civilisation to allow a

tract like that to exist under a paternal form of government to-day without any vestige of real self-government or any form of civilised government whatever. It is up to you to take your courage in both hands and bring civilisation and peace to the Santhal Parganas.

**Lala Lajpat Rai** (Jullundur Division: Non-Muhammadan): Sir, I had no intention of intervening in this debate but the interesting and entertaining speeches made from the Benches on the other side have tempted me to make a few observations. I would not have minded the speech of my Honourable friend from Bengal because he is accustomed to make speeches of that kind, but I was really surprised that a seasoned statesman like the Honourable the Home Member should have employed arguments like that he used against introducing what they considered to be a civilised form of Government in the Santhal Parganas and the other tracts under discussion. All the time I was listening to his arguments, the impression left on my mind was that in his opinion all the amenities of civilisation which the British Government have conferred on India are bad for the Santhals and the people of those tracts except drink. If that is so, and if all the forms of civilised Government which have been introduced into India are bad for these people, then the best way of securing them full justice and full liberty according to their own ideas is to clear away from these tracts and leave the people to their own forms of government. But you deny them their liberty, you deny them their indigenous system, their own forms of government, and want them to remain under your despotic sway. That is not an argument. (*Nawab Sir Sahibzada Abdul Qaiyum*: "What about the North-West Frontier Province?") If you will just wait a moment, I will come to the Frontier Province. Now with regard to these Santhals, the arguments that have been used on the other side would not hold water anywhere. My Honourable friend Mr. Chaman Lal said, civilised forms of Government are being denied to them. He forgets that civilisation has different meanings in the mouths of different people and for different purposes. The English civilisation is good for England, but in India another form of civilisation must be manufactured. This form should not be all English but only as much English as suits the British rulers of India and furthers the interests of British trade. In the eyes of our rulers it is perfectly right to all the European capitalists to exploit the people, to allow them to buy and hold as much land as they need by dispossessing the owners thereof for hundreds of miles for the benefit of tea plantations, but it is bad to give the people of India hailing from another province an opportunity of taking land for the purpose of improving it. There are two different standards of civilisation; one for the European countries, another for Asiatic countries. I do not mind that argument, if it is carried to its logical conclusion, and that is, that the British Government ought to recognise that the benefits they claim to have conferred on India are not good. Why then extend them to the North-West Frontier Province of India from which Sir Abdul Qaiyum comes? The people of the North-West Frontier Province are as inflammable, if not more, as the Santhals. They are as "uncivilised", as brave, as simple and as apprehensive of the moneylenders as the Santhals. Why is Council Government better for the North-West Frontier Province, as was decreed by the Members of the last Assembly, and not for the Santhal Parganas? Is it because the one suits your Imperial purposes better than the other. The Santhals have not earned the gratitude of the military authorities of the Government of India.

[Lala Lajpat Rai.]

I submit it is a pity that this debate should have been lengthened to this extent but the responsibility for it lies with those Benches, who have been guilty (if I may be pardoned for saying so) of advancing some of the most nonsensical arguments.

My friend from Bengal was complaining that the Santhals go to Bengal for cultivating land but the Bengali landlords have not given them rights of occupancy. But that is not any fault of the Santhals; that may be the defect of the laws as they are in Bengal; it is no argument for keeping the Santhals under an irregular and primitive form of Government. The main argument on the other side is that they do not want pleaders nor the interference of a High Court in the Santhal Parganas so that the British bureaucrat may be free to do as he pleases without any check or control from the ordinary laws of the land. Sir, I submit that this argument does not come with good grace from those Benches who have established the present judicial and legal system in this country. They should not indulge in cheap jibes at High Courts and lawyers. It is they who have introduced this 'cursed' legal system in this country and if it is bad the responsibility is theirs. But if it is good it is good for the whole country and not for those portions only which they select for the purposes of their interest. One of the arguments that I would advance in favour of this Resolution is, that we should have a uniform system of government all over India including all those parts which are in the heart of the country and not on the frontiers. I am saying nothing against its being extended to the Frontier Province; if it is needed it may be adopted there also. But do not let it be denied to those parts which are in the heart of the country. Let a uniform system of Government be established throughout this country so that no one should have any reason to be considered and called backward. One of the arguments used by the Honourable the Home Member referred to the small percentage of high caste Hindus in the Santhal Parganas. Their number was stated to be 15 per cent. of the total population. But there were lots of others whom the Honourable Member described as low caste Hindus. It was insinuated that the agitation for the regularisation of the administration in these tracts was engineered either by these Hindus or by the Bengalis who were using the district as a health resort and wanted freedom to buy lands or by pleaders who desired to fatten on litigation. I submit, Sir, these arguments do not carry conviction. They are the stock in trade of all despots and of all bureaucrats who want full powers which they can exercise without any legal check either from lawyers or law courts. The people who use these arguments do not consider for a moment that they are not furthering the cause of harmony and peace by advancing these kinds of arguments from those Benches. Then they should not be at all angry at the retorts that must follow in the nature of things from these Benches. No one on these Benches is prepared to take these insults lying down. The responsibility for any unpleasantness will be yours who are in possession and power. The Honourable Members would be well advised to weigh their words and not to provoke retorts..

**Mr. Harchandrai Vishindas:** I move, Sir, that the question be now put.

**Mr. N. M. Joshi** (Nominated: Labour Interests): Sir, you know that I am neither a lawyer nor a moneylender, and I can assure you also, Sir, that I have not got much love for either lawyers or moneylenders. I am

taking part in this debate not because I have got much knowledge on this subject—I must admit, Sir, that my knowledge is derived only from the interesting speeches that I have heard in this debate—but because I desire to get information on some points connected with this subject. I want to get from the Government of India some information as to the steps they have taken to civilise the population of these backward territories. It was said that these tracts are placed under special legislation in order to protect the people. It is also said that they are not educated. I should like, therefore, to know, Sir, what special efforts have been made by the Government of India to educate these people. (*An Honourable Member*: “Nothing, Sir.”) I know what Government have done or may do for the rest of the country, but I should like to know what special efforts the Government of India have made to educate the people of these tracts, and if they have not made any special efforts, I should like to know what is the justification for keeping these tracts under the special Regulations. If the Government of India can show that while they spend in other territories, say, Rs. 10 per head on education, they spend Rs. 100 per head on the education of the Santhals, I can then understand that there is some justification for keeping these tracts under special Regulations. But if Government do not make any special effort to educate these backward classes, then in my humble judgment there is hardly any justification for these special Regulations.

Then, Sir, it was said that Government want to protect the original inhabitants of these territories from the moneylenders, and that Government want to see that the lands of the Santhals are not transferred to the moneylenders or to the people of other provinces. Sir, I am at one with Government in their object. I should not like one acre of the land of the Santhals transferred to non-Santhals. But I should like to know what steps have been taken to prevent this being done. It is quite possible for the Government of India to introduce a civilized Government in these territories and pass a law that no land belonging to a Santhal shall be transferred to any other person. Let there be a law that no man who does not himself cultivate will get a piece of land in that territory. I am not prepared to give a single acre to any man who is not himself prepared to cultivate land. Let the Government of India pass such a law before they transfer this territory to a civilized form of Government and I shall not be against such a law.

Then, Sir, I should like to know from the Government of India whether the areas for the coal mines were transferred to the companies by the Government of India or by the Santhals.

**Mr. H. Tonkinson** (Burma: Nominated Official): I understand that the coal mines which my Honourable friend refers to are not in the Santhal Parganas at all. They are in Chota Nagpur Division.

**Mr. A. Rangaswami Iyengar**: A similar tract.

**The Honourable Sir Alexander Muddiman**: There is no power of legislation by regulation in the Chota Nagpur Division at all.

**Mr. N. M. Joshi**: Some mines exist in Chota Nagpur. I thought you were in favour of having a law by which land could not be transferred to non-Santhals. I should therefore like this Government to explain why the land belonging to the backward communities in Chota Nagpur has been transferred to the companies which are at present running coal mines.

[Mr. N. M. Joshi.]

in Chota Nagpur, and if these lands have been given to these companies I should like to know what benefit the backward communities of Chota Nagpur are deriving except that they are being sweated in these mines as ordinary labourers.

Then, Sir, it was said that in the Santhal Parganas there is the system of *Krishani* or slavery. Again I ask, what efforts Government have made to abolish this system? Did they at any time find that this Legislative Assembly was against the abolition of a system like *Krishani*? If the Legislative Assembly was not against it, I want the Government of India to say why the system was not abolished. I know there may be some people who may defend it even in this Assembly, but I am quite sure their number will be very small. If the Government think that the Legislative Assembly will not give them the opportunity of passing such a legislation let the Assembly be put to test. It is up to the Government to test the Members of this Assembly on a matter like this. (*Lala Lajpat Rai*: "Abolish *begar* also.")

It was said that these people are in the habit of drinking. I should like to know what efforts were made to introduce legislation for prohibition in these tracts. Did the Government of India pass any legislation prohibiting the production, distribution and sale of liquors in these tracts? If they have not passed any such legislation, why should they bring forward this excuse of these people being addicted to drink as a justification for keeping these people under special Regulations? If Government do not want to introduce legislation for prohibition, then, Sir, certainly these poor people, who are being tempted to drink, will drink. But if Government consider it their duty to protect these people by special legislation let them introduce legislation for prohibition in these tracts before it is introduced in other tracts. I shall be very willing to allow these people to be under the special regulation of prohibition before the other parts of the country are brought under the regulation of prohibition.

Then, Sir, it was said that the moneylender plays havoc with these people. I should like to know what is the law of usury in these tracts. Is moneylending illegal in these tracts? I want the Government of India to explain to me why moneylending is not made illegal in these backward tracts. If they have not made it illegal the presumption is that Government are not against usury. They may be against the usury of some persons but they have no objection to the usury of some other persons. If they are against usury as such I should like to know why they have not yet passed any law against moneylending.

**The Honourable Sir Alexander Muddiman**: Unfortunately for the Honourable Member we have passed a law. If he has read Regulation III of 1872 he would be aware of what we have done though there are very great difficulties in our way. I do not wish to go into it now. I shall deal with it in my reply.

**Mr. N. M. Joshi**: Then, Sir, what I would like Government to explain is this. If Government are afraid that by introducing a civilized form of Government the original inhabitants of these tracts would be swamped and would be placed under the domination of the population of other parts, then I should like the Government to explain why they cannot introduce some legislation by which the other people will be kept out and will not

have much power in these territories. It is quite possible for Government to give a civilized form of government to the Santhals alone.

Sir, for these reasons I would like the Government of India to explain what special efforts they have made to protect the population of these backward tracts and if they cannot give sufficient proof of their having acted as the proper trustees of these people it is better that they should give these Santhals a chance of being under the ordinary form of government.

**Mr. H. O. Greenfield** (Central Provinces: Nominated Official): Sir, I find it somewhat difficult at this stage of the debate to find any new argument. I had quite a nice collection of arguments when I came here this morning but somehow they have all been discovered by other people as well (Laughter) and there is hardly any left for me now. I am however indebted to my Honourable friend Diwan Chaman Lall for reviving this morning an argument that was originally brought forward by the Mover of the original Resolution which we are discussing, and I think, Sir, that that argument, important though it might not be, will perhaps bear a little criticism. It will perhaps serve to show that we have not a monopoly of what one Honourable Member described as nonsensical arguments. The Honourable Member who moved the original Resolution, I forget his name, started off—in fact he based the whole edifice of his arguments on some statistics which he presented at the commencement of his speech and which he claimed to be illuminating though dull. I can assure the Honourable Member who produced those statistics and the Honourable Member who repeated one of them just now that I find them anything but dull. He described them as dull but illuminating, but I find them neither dull nor illuminating. They were in fact rather startling. Possibly some Members have forgotten them and remember only the deductions, the fallacious deductions which he based upon them.

The first figures which the Honourable Member cited were those of population. He said, and I shall not disagree with him, that the population of the Santhal Parganas in the year 1911 was 1,882,781, whilst a decade later in 1921 it had fallen to 1,798,639, a decrease of roughly 84,000, which was the figure again mentioned by my Honourable friend, Diwan Chaman Lall, this morning. And to what does he attribute this decrease? I will give you his own words.

“What wonder is there in such circumstances that 84,000 coolies have had to leave their homes and their children and go and serve in coalfields or in tea gardens? They have no option but to go and earn their livelihood elsewhere because their lands have been rendered unproductive by the existing laws and regulations.”

What is the chain of argument there? Between 1911 and 1921 the population has decreased by 84,000. Therefore we are given to understand that 84,000 have gone elsewhere, and they have gone elsewhere because their lands have been rendered unproductive by the administration, and therefore the administration must be changed—that is the line of argument. It has not occurred to the Honourable Mover that changes of population occur from natural causes. Nature apparently in the Santhal Parganas has achieved such perfect equilibrium that for every person born another dies, possibly instantaneously, and after ten years there is not the slightest change in the population except that 84,000 persons have gone off to work elsewhere. I suggest that the ordinary laws of nature still operate in the Santhal Parganas in spite of the machinations of wicked Deputy Commissioners, that there are natural changes in the population such as occur.

[Mr. H. O. Greenfield.]

elsewhere. I may say that I have at various times had not only to collect but, what is perhaps more important, to examine the statistics of population for the purposes of settlement, and in the decade 1911-21 there is one outstanding cause of variation and that is the influenza epidemic of 1918. The enquiries that I have made from hundreds of villages have revealed a mortality ranging from 3 to as much as 20 per cent. and it is rare to find a tract where there has not been a natural decrease in the population over that decade from this cause. I have accordingly consulted the Bengal Census Report to see how a neighbouring province which has all the advantages of the reform fared during that decade, and I find that the district of Birbhum which adjoins the Santhal Parganas shows a drop of no less than 10 per cent. in the population during that decade or more than double the drop in the Santhal Parganas which is rather less than 5 per cent. If there is anything to be proved by those statistics of population, if they were not merely nonsensical arguments, I suggest, Sir, that the only conclusion which we can arrive at is that the Reforms have doubled mortality in or emigration from the district in which they operate.

I have only one other point to make. I think it was the Honourable Mr. Srinivasa Iyengar who started the characterisation of the administration and complained that no progress had been effected after three-quarters of a century of British rule in the Santhal Parganas. He spoke of this as lurid comment on the character of the British administration. He asked, "Is it that we are backward?" I take it that he did not mean by "we" he himself and his friends were backward. I suppose he meant that the Santhal Parganas are backward. Now, we were assured by my Honourable friend, Mr. Jamnadas Mehta, the other day that Mr. Srinivasa Iyengar is the President of the Indian National Congress and as such he represents the whole opinion of India. That is correct, I think. We may then take him as the ideal embodiment of democratic sentiment. In that case I am sure therefore that he would be prepared to endorse any action taken by what is generally recognised as the most democratic country in the world, the United States of America. Has he ever heard of the North American Indian?

**Mr. Jamnadas M. Mehta:** A very funny argument.

**Mr. H. O. Greenfield:** Has he ever heard in what ways the North American Indian reacted to the advance of civilisation? Has he ever heard of the Revolt of Sitting Bull, a revolt which is an exact parallel to the revolt of the Santhals in 1855?

**Mr. Jamnadas M. Mehta:** How is it parallel?

**Mr. H. O. Greenfield:** It is parallel in this way, that all primitive and aboriginal tribes are incapable of assimilating what we consider civilisation.

**Lala Lajpat Rai:** Leave them alone.

**Mr. H. O. Greenfield:** The progress of civilisation in America has resulted in the extinction of whole tribes of North American Indians.

**Mr. N. M. Joshi:** Was it voluntary extinction?

**Mr. President:** Order, order. The Honourable Member does not give way.

**Mr. H. O. Greenfield:** It was due chiefly to deterioration. I admit that it was partly due to actual warfare but a great deal was due to deterioration.

**Mr. R. K. Shanmukham Ohetty:** Contact with whites.

**Mr. H. O. Greenfield:** And in the Santhal Parganas I am told it is due to contact with Bengalis. The point I want to make is that the United States have realised that even the ideal democratic civilisation of the United States cannot be applied to a primitive and backward race and, Sir, they have acted very similar to the manner in which the British administration has acted in the Santhal Parganas. They have formed an Indian Reserve in which ordinary settlers are not allowed to enter and obtain land; and that, Sir, is the only step that could have been taken to save the North American Indian from extinction. It is a fact that one observes in relation to any primitive tribe, whether in India or America, in regard to the Bushmen of Australia and in fact in every country of the world. It is not a peculiarity of the British administration, and I submit that my Honourable friends on the other side, if they are so imbued with democratic sentiment as they state, will recognize that it is necessary to protect backward and primitive races from the ordinary operations of civilized administration.

**Mr. M. S. Aney** (Berar Representative): Sir, it was asserted by one of the speakers that the motive which underlies the motion and actuates those who have moved the Resolution and supported it is somewhat of a sordid nature. I want to refute that argument by telling them that there is a better motive, and a motive which can be appreciated by the Members on the opposite Benches if they agree to follow my arguments a bit more seriously. These scheduled tracts and similar other tracts, where a civilized form of administration does not exist, are in my opinion so many breeding grounds for the germs of despotism to grow, and it is with a view to kill those germs of despotism and the consequent fell disease which has been eating into the vitals of the entire body politic of this country that we are actually driven to move these Resolutions and call upon the Government to introduce a civilized form of administration in these tracts. If you really want to have this country properly governed in a civilized way one of the essential conditions in my opinion is to see that there is no tract in this country where the officers can catch the contagion of or get the opportunity of training themselves in despotism. So long as tracts of this kind are in existence where they can learn to become tyrants and despots it will be impossible for the Government to supply this country with a type of administrator under whom a responsible form of government can grow. That is one of the reasons why we insist that the Government should annihilate all those forms of administration which do not recognize any civilized forms or methods. That is the main reason for moving this Resolution. It has been said again and again that Government are very desirous of giving a fair opportunity to this country to develop self-governing institutions on the lines of self-governing nations. What I want to say is this. If that is possible only by having a suitable type of administrator trained in the habit of responsible systems of government, then the first condition necessary is that he should not have any opportunity of forming an attachment for the system of administration which prevails in these scheduled tracts. That is one reason why we move these Resolutions.

There is a second reason besides this for me to get up and support it. There is an amendment to include the tract of Sambalpur also in this

[Mr. M. S. Aney.]

Resolution. Now, it may be known to this House that Sambalpur was once a district of the Central Provinces, and when that district was transferred to Bengal, it was practically on the same level as the district of Mandla in the Central Provinces. Sir, when the Government of India Act came into force, the district of Mandla was for some time exempted from the operation of that Act, but within five years the Central Provinces Government thought that the district was sufficiently advanced and competent to enjoy the privileges under the Government of India Act, and now the district of Mandla is given the same privileges which every other district of the Central Provinces enjoys under the Government of India Act. It is strange to find that with regard to the district of Sambalpur, which has been taken away from us and joined on to Bengal first and to Bihar later, the Government of India do not think that it is yet capable of enjoying the same rights which the district of Mandla, which was sometime before on the same level as the district of Sambalpur, is now thought competent by the Government of the Central Provinces to enjoy. I really want to know whether its connection with Bengal or Bihar has made it more incompetent, or whether that district has become unfit for any other reason to progress sufficiently on the same lines on which the district of Mandla has found it possible to progress and to become fit; I fail to see absolutely any reason whatsoever to exclude that district from the operation of the Government of India Act, when other similar districts in the Central Provinces have been found fit to enjoy those privileges. This is another reason why I support the amendment moved by my friend, Mr. B. Das.

Sir, in the end I want to bring to the notice of this House the very false, fantastic and misleading nature of the analogy which has been drawn by my Honourable friend, Mr. Greenfield, who hails from the same province as I do, between the residents of the Santhal Parganas and the North American Indians. I do not think that there is any justification whatsoever even for those who are responsible for the Government of the United States to treat the North American Indians in the manner they have done in the past or in the manner they are doing to-day, and it does not behove anybody to look up to those things as fit and desirable precedents; it does not behove the Government of India to look up to those precedents for perpetuating the tyranny in this country. If the Government of India want to set a better example, they should rather think that there is absolutely no harm whatsoever in extending civilized forms of government to these people and thus they should teach a lesson to the other countries to extend better rights to the people on whom they have in sheer ignorance and arrogance been looking down for so many years as barbarous people, unassimilable, as they call it, to the cultured races of the world. I earnestly appeal to Honourable Members opposite and affirm that if you are inclined to treat them as fit to enjoy an equal status and confer the same, you will find them to be your equals and compeers in no time; if you are determined to treat them as primitive, they will be annihilated. The processes by which they are being gradually annihilated elsewhere ought not to be made an argument or looked upon as precedents for justifying and perpetuating a similar sort of tyranny in this land. We want to do away with tyranny, and we shall work for it whether you wish it or not.

(Several Honourable Members moved that the question be put.)

**Mr. President:** The question is that the question be now put.

The motion was adopted.

**Kumar Ganganand Sinha:** Sir, the arguments that have been put forward by my Honourable friends on the official Benches are all stale arguments repeated times without number by many other Government officials. Some of these arguments have already been replied to on the floor of the House by the various Honourable Members who have preceded me, and I will only reply to such of them as have not been touched upon by other speakers.

The Honourable the Home Member has said that by notifications that have been issued and enactments that have been enacted long ago they are justified—if that be the only justification—in including the sections that we find now in the Government of India Act and from the operation of which I seek to have the Santhal Parganas and other tracts removed by this Resolution. Well, Sir, I really could not understand what the Honourable the Home Member implied by it. Does he want to perpetuate a thing which, bad in its inception, has had its bad effects ever since it came into being? If he does so, I do not know what to say. But after hearing Honourable Members here, can he, I ask, get up and say that these laws which he enacted are for the good of the people of the tracts? If they are not, I say at least remove such portions from the operation of those sections as are meant to be removed by the Resolution and the amendments that have been moved here.

The other point that was urged by the Honourable the Home Member was that the agitation for such removal was carried on not by Santhals but by outsiders with a view to acquire land or with a view to profit in the legal profession or for similar other reasons. I would in this connection do nothing more than remind the Honourable the Home Member of what the Honourable Mr. Ganesh Datta Singh, one of the Ministers of Bihar, said in the Bihar and Orissa Legislative Council on this subject. On the 7th of December, 1922, he said:

"Now, Sir, it is a fact that in the Santhal Parganas there are not only Santhals, but it is the home of the most civilised people of India, the Bengalis. Among the Santhals may be counted Lord Sinha and Sir Surendra Nath Banerji who have got their houses there."

Further on, he says:

"Here, I may say the peculiarity of the law is this that it is not applicable to men but applicable to land. It is not with regard to a certain class of men whatever their qualifications may be that they are governed by special law but because they live in that land and within that boundary they will have to be under that law. So it is only the question of land. If you live in the Santhal Parganas, you will have to be subject to that procedure."

And then he goes on to describe the various civilising elements that exist in the Santhal Parganas. Now, Sir, this is the opinion of one who has a voice in the Government of Bihar and Orissa. Even when he spoke it he had a voice in the Government of Bihar and Orissa. The division which was taken on this Resolution will further enlighten Honourable Members. Those gentlemen who voted for the Resolution on the subject, which ran in the same strain in which my Resolution runs, were 38; 20 voted against it, and those 20 gentlemen who were

[Kumar Ganganand Sinha.]

against it were all officials of the Government. All the non-officials including the Ministers voted for the Resolution. That will at once satisfy the Honourable Member that the feeling in Bihar is very acute so far as this question is concerned.

When he spoke of Santhals not being concerned with the agitation, I thought of reminding the Honourable the Home Member of the memorial that was submitted to His Excellency the Governor of Bihar and Orissa, in 1925, containing 18,000 signatures, of Santhals as well as non-Santhals. I have got the draft of the memorial with me, here.

Sir, I am not a lawyer, and my Honourable friend, Mr. B. Das, the Mover of the amendment, is not a lawyer either, and my friend, Mr. Ram Narayan Singh, though at one time a lawyer, is no longer practising; so, we cannot be accused of self-interest when we plead the cause of the Santhal Parganas in this House. If the Honourable the Home Member insinuated motives, I would say in return that the Government are in love with the despotic form of administration they have there. I would say that they do not like that the district should be free from the administration which makes the people slaves; I would say that they take revenge on them for rebellions.

Much was said, Sir, of Mr. Cleveland's services to the Santhal Parganas. They were splendid services at one time, I admit; but I ask the Honourable Home Member, has the Government retained the arrangements of Mr. Cleveland? Are the present arrangements the same as Mr. Cleveland wanted them to be or established in his own time? They have been considerably changed, Sir, by the Regulations of 1796, and the authority and the power that was once vested in the Panchayats has been taken away by those Regulations, and they are governed practically not by the Panchayats but by the agents of the Government in one form or other, call it by whatever name you may like. The substance has been taken away and they have retained the shadow.

Now, Sir, with regard to representation, I fail to understand when they are capable of sending representatives to the Assembly and to the local Council, why should they be incapable of sending representatives to the District Boards.

With regard to the statistics that have been quoted by my Honourable friend opposite, I want to make it clear that I am concerned with the laws. Here in the Bihar and Orissa Census of India, 1921, page 28, I find it stated that the number of births over deaths for these 10 years was 1,91,000 and the rate of growth of the population was again only prevented from being much higher than it actually was by emigration. Now, Sir, even if my figures be incorrect, and the figures quoted by my Honourable friend opposite be correct, I do not see how the force of my argument can be taken away by that fact?

Before I sit down I must refer to the amendments that have been moved by my Honourable friends. The amendment of Mr. Ram Narayan Singh includes Chota Nagpur, the district of Sambalpur and the Santhal Parganas. The amendment of Mr. B. Das includes the

Chota Nagpur Division, the district of Angul, Sambalpur and the Santhal Parganas. I would accept the more comprehensive Resolution of Mr. B. Das and vote for it although it is not very happily worded. In the last part of the amendment it reads: "to amend the Schedules of the Act accordingly". 'The Act,' I suppose, means the Scheduled Districts Act for with reference to the context it cannot mean the Government of India Act.

**The Honourable Sir Alexander Muddiman:** Sir, before this House commits itself to what I am afraid would be an unwise step, for it is always unwise to pass a Resolution where it is unnecessary, I should like to draw their attention to the fact that one of the motions on the paper, and of course I am not quite sure which will be put, refers to the withdrawal of section 71 from certain districts. The difficulty of dealing with all these very widely different tracts in a simple debate has made it hard to keep the debate as clear as I should have liked. I may point out that section 71 does not apply to Chota Nagpur. It does not apply to Sambalpur. Therefore, that part of the Resolution has already been met, and I would suggest that the House should be cautious before it adopts a Resolution recommending a course which is not necessary. I may also point out, to clear the issue there, that in Chota Nagpur the laws are the laws passed by the Legislative Council. There are no special laws in force in Chota Nagpur other than laws which have been passed by the ordinary Legislative Council outside certain special tracts; and I believe that is the same in Sambalpur, with the exception of three zamindaris which are a third of the district. In the rest of the district—I dare say Mr. Aney will be able to bear me out—the law is the same as in the neighbouring district of the Central Provinces. So as regards the Chota Nagpur Division and Sambalpur I really have a very small case to meet.

As regards the Santhal Parganas, the matter has been argued at considerable length and much interest has been displayed by Honourable Members. I should at once like to say that I trust they do not think that the debate has been conducted in any other way than debates are normally conducted in this House. If anybody has felt hurt on the other side by references to pleaders I beg they will accept my assurances that no one has any desire to deride or laugh at that profession, a profession of the highest distinction. I beg that if any have felt hurt they will treat it I am sure as used in debate much as the expression "sundried bureaucrats". I should beg of the House to regard these interchanges as "Pickwickian".

I was a little surprised when I heard my Honourable friend Mr. Srinivasa Iyengar taking his line on this Resolution. It really was a very remarkable thing that Government should be attacked because the Government of India Act contains a section regarding backward tracts. It was suggested that by the mere fact that we had recognised there were backward tracts in India we were trying to get up evidence to show that India was not fit for self-government. Now, Sir, that really is rather a poor argument. It is the very existence of the power to declare tracts backward that enables us to move forward at all. Surely there is no one in this House who seriously contends that there are no backward

[Sir Alexander Muddiman.]

tracts in India and that the state of civilisation is the same all over India. Do Honourable Members really believe that it would be possible in certain parts of the country, on our Frontiers and in many other parts, to extend the same political advance as is possible in other parts of the country? (Mr. A. Rangaswami Iyengar: "Ask Sir Abdul Qaiyum.") If Honourable Members really are prepared to argue seriously that the state of civilisation in all parts of the country is the same, well, all I can say is that I am somewhat surprised.

I was interested to hear my friend Mr. Srinivasa Iyengar observe that he had no use for historical research. I quite agree with him—I gather that he has none. Sir, I will leave him to his virginal isolation in that matter. I have a great respect for historical research, and historical research demonstrates to the full the necessity of the policy that has been adopted in the Santhal Parganas. I would ask the House however to observe that I have no desire whatever to defend or attempt to defend the extent of the restriction. What I am here to defend to-day is the power to restrict, and I do contend that there is a case for special laws in the Santhal Parganas. What the measure of those laws may be is a matter that ought to be agitated not here but with the Local Government. The only point I have to make here and to defend really is that.

Mr. Joshi demanded from me to do two or three things, and if I may have just two or three minutes more, Sir, I shall attempt to deal briefly with them. Mr. Joshi always appears in this House as the champion of the oppressed on all occasions. He says "What have you done with regard to moneylenders?" But when we ask him for his support on these matters we do not get it. Now, Sir, he said "What has the Government done? You say the *Mahajan* is rife in the Santhal Parganas; why did you not do something?" Well, Sir, we have done something and we did it fifty years ago. By section 6 of Regulation III of 1872 it is laid down that interest on any debt or liability for a period exceeding one year shall not be decreed at a higher rate than two per cent. per mensem and no compound interest arising from any intermediate adjustments of account shall be decreed. It is laid down that the total interest decreed on it shall never exceed one-fourth of the principal sum if the period be not more than one year. I think those who have listened to me fairly will admit that those are Regulations which are a considerable restriction on the ordinary law of debts in this country. I beg the House will listen to me on that point with attention.

Then it was said, what we had done to stop transfers? Raiyati rights are transferable only in a small portion of the district—about 250 square miles—along the borders of Birbhum, Midnapore and Murshidabad. In this area, which is inhabited mostly by Bengalis, transfers had been so frequent as to constitute a custom which had been recognised by the Government and the settlement officer. But later on the matter became so serious that first the local courts and then the Government found it necessary to declare all transfers not clearly covered by the settlement record to be illegal. Therefore, in the greater part of the district transfers are forbidden, and in a particular tract they are only allowed if they are supported by old records. I do beg this House to approach this

Resolution, when it comes to voting, very seriously. 'It was not necessary for me and I am not contending that all these restrictions are necessary. But I do contend that this House will be very wrong indeed and would fail in its duty if it did not admit that powers of restriction and modification are essential in these tracts.

**Mr. President:** Order, order. The original question was :

"That the following Resolution be adopted :

'This Assembly recommends to the Governor General in Council that he may be pleased to take steps to bring about the withdrawal of the Santhal Parganas District in the Province of Bihar and Orissa from the operation of sections 52-A and 71 of the Government of India Act, 1919, and so to amend the Scheduled Districts Act, 1874, as to omit from it 'III—The Santhal Parganas' occurring in Part III under the head 'Scheduled Districts, Bengal' of the First Schedule of the Act.'"

Since which the following amendment has been moved :

"That for the original Resolution the following be substituted :

'This Assembly recommends to the Governor General in Council that he may be pleased to take immediate steps to bring about the withdrawal of the Chota Nagpur Division, the districts of Angul, Sambalpur and the Santhal Parganas in the Province of Bihar and Orissa from the operation of section 52-A, sub-section (2) of the Government of India Act, 1919, and to amend the Schedules of the Act accordingly.'"

The question I have to put is that that amendment be made.

The Assembly divided :

#### AYES—50.

Abdul Latif Saheb Farookhi, Mr.  
Abdul Matin Chaudhury, Maulvi.  
Abdullah Haji Kasim, Khan Bahadur  
Haji.  
Acharya, Mr. M. K.  
Aiyangar, Mr. C. Duraiswamy.  
Aney, Mr. M. S.  
Ayyangar, Mr. M. S. Sessa.  
Belvi, Mr. D. V.  
Chaman Lall, Mr.  
Chetty, Mr. R. K. Shanmukham.  
Das, Mr. B.  
Das, Pandit Nilakantha.  
Dutt, Mr. Amar Nath.  
Dutta, Mr. Srish Chandra.  
Ghazanfar Ali Khan, Raja.  
Haji, Mr. Sarabhai Nemchand.  
Hyder, Dr. L. K.  
Ismail Khan, Mr.  
Iyengar, Mr. A. Rangaswami.  
Iyengar, Mr. S. Srinivasa.  
Jogiah, Mr. Varahagiri Venkata.  
Joshi, Mr. N. M.  
Kartar Singh, Sardar.  
Kidwai, Mr. Rafi Ahmad.  
Kunzru, Pandit Hirday Nath.

Lahiri Chaudhury, Mr. Dhirendra  
Kanta.  
Lejjat Rai, Lala.  
Malaviya, Pandit Madan Mohan.  
Mehta, Mr. Jamnadas M.  
Misra, Mr. Dwarka Prasad.  
Moonje, Dr. B. S.  
Mukhtar Singh, Mr.  
Murtuza Saheb Bahadur, Maulvi  
Sayyid.  
Nayudu, Mr. B. P.  
Nehru, Pandit Motilal.  
Pandya, Mr. Vidya Sagar.  
Phookun, Sriji Tarun Ram.  
Prakasam, Mr. T.  
Purshotamdas Thakurdas, Sir.  
Rahimtulla, Mr. Fazal Ibrahim.  
Rananjaya Singh, Kumar.  
Rang Behari Lal, Lala.  
Ranga Iyer, Mr. C. S.  
Rao, Mr. G. Sarvatham.  
Roy, Mr. Bhabendra Chandra.  
Singh, Mr. Gaya Prasad.  
Singh, Mr. Ram Narayan.  
Sinha, Kumar Gangnanand.  
Sinha, Mr. Ambika Prasad.  
Yusuf Imam, Mr.

## NOES—40.

Abdul Aziz, Khan Bahadur Mian.  
 Abdul Qaiyum, Nawab Sir Sahibzada.  
 Akram Hussain Bahadur, Prince  
 A. M. M.  
 Allison, Mr. F. W.  
 Anwar-ul-Azim, Mr.  
 Ashrafuddin Ahmad, Khan Bahadur  
 Nawabzada Sayid.  
 Ayyangar, Rao Bahadur N. A.  
 Gopalaswami.  
 Ayyangar, Mr. V. K. A. Aravamudha.  
 Bhoze, J. W.  
 Blackett, The Honourable Sir Basil.  
 Clow, Mr. A. G.  
 Coatman, Mr. J.  
 Cocke, Mr. H. G.  
 Donovan, Mr. J. T.  
 Dunnett, Mr. J. M.  
 Ghulam Kadir Khan Dakhan, Mr.  
 W. M. P.  
 Gidney, Lieut.-Colonel H. A. J.  
 Graham, Mr. L.  
 Haigh, Mr. P. B.  
 Hezlett, Mr. J.  
 Howell, Mr. E. B.

Innes, The Honourable Sir Charles.  
 Jowahir Singh, Sardar Bahadur  
 Sardar.  
 Kabul Singh Bahadur, Risaldar-Major  
 and Honorary Captain.  
 Keane, Mr. M.  
 Lamb, Mr. W. S.  
 Lindsay, Sir Darcy.  
 Macphail, The Rev. Dr. E. M.  
 Mitra, The Honourable Sir Bhupendra  
 Nath.  
 Muddiman, The Honourable Sir  
 Alexander.  
 Nasir-ud-din Ahmad, Khan Bahadur.  
 Paddison, Sir George.  
 Parsons, Mr. A. A. L.  
 Rajah, Rao Bahadur M. C.  
 Rajan Bakhsh Shah, Khan Bahadur  
 Makhdum Syed.  
 Roy, Sir Ganen.  
 Ruthnaswamy, Mr. M.  
 Singh, Rai Bahadur S. N.  
 Tonkinson, Mr. H.  
 Young, Mr. G. M.

The motion was adopted.

The Assembly then adjourned for Lunch till Twenty Minutes to Three of the Clock.

The Assembly re-assembled after Lunch at Twenty Minutes to Three of the Clock, Mr. President in the Chair.

(Haji Abdoola Haroon was called on to move his Resolution *re* reduction of postal rates, but was absent.)

## RESOLUTION *RE* IMPROVEMENT AND EXPANSION OF BANKING FACILITIES.

**Mr. Sarabhai Nemchand Haji** (Bombay Central Division: Non-Muhamadan Rural): Sir, I beg to move the Resolution which runs as follows:

"This Assembly recommends to the Governor General in Council that a Commission consisting of a majority of Indian members with an Indian Chairman be appointed to investigate the present position of the banking institutions, facilities and conditions in India and to make recommendations for their improvement and expansion, with particular reference to the provision in adequate quantity and appropriate form of the capital or finance necessary for the development of the industries and agriculture of India."

Sir, in moving this Resolution I would particularly draw the attention of this Honourable House to the fact that in a sense this Resolution falls into two parts. Primarily what is wanted is that an enquiry be instituted

to study the banking position as it is to-day in order that we might make an all-round progress not merely in banking, but as a result of development in banking, in our industrial and agricultural life as well and in so far as stress is laid here, in the Resolution, on the particular reference to the provision of necessary capital for industries and agriculture I should like it to be understood that it is not my intention to limit the scope of the enquiry merely to the industrial and agricultural requirements of India, but I would be quite willing to have it wide enough to include co-operative banking as well, though, of course, in this connection it will have to be remembered that the subject of co-operation was gone into by a Committee about 10 years ago, and if it is thought desirable to have a further enquiry into this aspect of the subject as well, I shall have no particular objection.

Coming now to the subject-matter of the Resolution, I would state that the paucity of necessary capital in this country has been a well marked feature of its economic life for many years; as a matter of fact, that question dates back to the days when educated Indians began to take an interest in the economic life of the country. As early as 1890 the late Mahadev Govind Ranade, who, as you are all aware, was the first Indian to study in a proper manner the various economic problems relating to India, in his address before the first Industrial Conference of 1890 stated:

"No fact in the economic condition of this country arrests more forcibly our attention than the contrast presented by the hoards of unused capital stored up in the vaults of the Presidency and other exchange banks and the high premium Government securities command on the one side and on the other the utter paralysis of industry in rural India due to the poverty of the resources of the classes engaged in the production of wealth. It would appear as if some impenetrable barrier intercepted the overflow of wealth and barred the channels of communication between the reservoirs of capital and the parched fields of industry dried up for want of the wealth-bearing and fertilising moisture."

This want of communication between the capital of this country and its industries has been so remarkable a feature that it has been touched upon at practically every Indian Industrial Conference that has been held since the first one of 1890, and pointed attention was drawn to the subject as late as last Christmas in Calcutta when the Indian Industrial and Commercial Congress held its sittings. As a matter of fact I should say here that my Resolution is mainly based upon the recommendation made by this Congress in a resolution passed by it during its sittings. That, Sir, is the feeling of the non-official industrial and commercial community on the subject of Indian banks. That an inquiry was necessary has been admitted by a number of Commissions upon which eminent Indians sat with their non-Indian colleagues. The Chamberlain Commission on Currency recommended in 1914 that an inquiry should be instituted. This subject was taken up in greater detail by the Industrial Commission who recommend the following procedure. They state:

"We ask therefore for the appointment at the earliest possible date of an expert committee to consider what additional banking facilities are necessary for the initial and for the current financing of industries, what form of Government assistance or control will be required to ensure their extension on sound lines as widely as possible throughout the country and whether they should be of provincial or of imperial scope or whether both these forms might not be combined in a group of institutions working together."

[Mr. Sarabhai Nemchand Haji.]

Those were the recommendations of the Report of the Industrial Commission. In this connection I should like to draw the attention of the House to the paragraphs added to the Report on this subject by the Honourable Pandit Madan Mohan Malaviya. It is necessary in order that we might fully appreciate the importance of what I am going to read out now that we should take into account the atmosphere in the business world of India immediately preceding the recommendations of this Report. As you are aware, in the period immediately preceding the one in which the Report was written came the bank failures in India. I do not propose in the course of my speech this afternoon to raise the question as to why the banks failed. I think I owe it to the House to make it clear now that we are asking for an enquiry into the banking problems of India, and if there has been failure that failure has not been due to the inherent inefficiency of Indian banking organizations or of Indians in the management thereof, but it has been due to various circumstances which have been summed up shortly by the Government Committee appointed in the Punjab in order to study the causes of these failures. The Committee, as a result of their inquiry, found:

"All the evidence produced before us insisted on the want of business knowledge and experience in company promoters, managers and staff as a primary cause of failure. There are few competent managers either of banks or of industrial concerns; consequently egregious blunders were made and some of the so-called dishonesty seems to us very like ignorance, much of it was due to anxiety to cloak losses."

This ignorance was no doubt inevitable in the early period of bank flotations in this country. But let us no more hear either in this House or outside of the motives which are behind the activities of Indians in the development of their banking organizations. Before I finish this subject there is one thing I would like to draw attention to, and that is the summing up of the Committee in connection with the assistance that should have been afforded to some at least of the Indian banks in those days by other banks in this country. The finding of this Committee on this subject is rather interesting and with your permission, Sir, I will quote it:

"Speaking generally, our feeling is that the collapse can be referred to two fundamental causes, the inexperience and the defects of the machinery inevitable to the starting of every new venture, and secondly a lack of palliation or remedial action such as a Government or quasi-Government agency that is State-supported provincial bank, might supply."

I hope after these findings of such an authoritative committee as the Punjab Inquiry Committee it will no longer be necessary in future for Indians to complain that at critical moments in the lives of their commercial ventures Government or Government agencies failed to come to their rescue. That much, Sir, with regard to the Industrial Commission and its strong recommendation that a banking inquiry should be instituted. Following this we find in the proceedings of the last Imperial Legislative Council a Resolution by the Honourable Rao Bahadur B. N. Sarma, now Sir Narasimha Sarma, regarding the organization and development of the banking system of the country. In this Resolution, Sir Narasimha Sarma asked for a committee to study the subject and to recommend measures needed for organizing and developing the banking system of the country. The importance of this Resolution lies in this fact, Sir,

that on behalf of Government it was stated by the Honourable Mr. Howard—I am quoting his exact words:

"The Government are ready to agree. As far as industrial banking goes, that a Committee should be appointed. Its composition has not been considered, and that will have to be carefully thought out. It was proposed that it should be an expert Committee. The Government are quite ready to make such grant as may be necessary for that purpose."

This was, Sir, in 1919, and yet that Committee for which practically everything seemed to be ready has not yet met. Not baffled by the indifference of the Government on this subject, in 1928 the Honourable Mr. V. G. Kale moved in the Council of State a Resolution as follows:

"This Council recommends to the Governor General in Council that he should be pleased to give effect at as early a date as practicable to the recommendation of the Indian Industrial Commission relating to an inquiry at the hands of an expert Committee of the question of industrial finance and industrial banks."

This motion, Sir, was adopted by the Council of State, and yet no action seems to have been taken. It appears, Sir, that it has been—owing to what reasons I do not know—always the intention of the Government to postpone an investigation into this subject. Whenever they are very hard pressed for a reply, I know they give a guarantee, as they did in 1919, that an inquiry will be instituted immediately, and depending upon the fact that public memories are short, they relapse into inactivity (Hear, hear) until after three or four years some Member of the House moves a Resolution. Then the promise is repeated and again nothing is done. But this subject has recently come to a head, and I hope it will not be possible for the Government Benches, and I hope the Honourable House will make it difficult for the Government Benches, to postpone any longer the consideration of this most important economic subject. When the External Capital Committee was appointed, as I have said before, the subject came once more to the forefront, and all that I seek now is to suggest to the Government that the course recommended by the External Capital Committee, of which the Honourable the Finance Member was himself a Member, should be adopted. The External Capital Committee, in going through the various aspects of the question of foreign capital in India, found that India already possesses a large store of potential capital, but much of it is unproductively locked up in bullion and jewellery. As a general principle we should like to emphasize that the real solution of the problem—that is the problem of liquid money—lies in the encouragement of Indian investment and the development of India's internal capital resources, and in order that the internal resources of India may be developed, the suggestions put forward before this Committee were considered by them and they made recommendations in connection with these suggestions. They say:

"Many suggestions have been received by us for the development of the internal capital of the country, but they are generally of a technical character and would require detailed expert examination before any opinion could be offered as to their practicability. Co-ordination is required and a general survey should be undertaken to show what the position actually is and in what fields further progress can be effected."

This is exactly what my Resolution seeks to do. In the course of their recommendation the External Capital Committee suggested that before an all-India enquiry was instituted, the Government should gather the opinions of the different Governments in the country as also the opinion of the public in general. Now, fortunately for me, all these opinions have been received by the Government and they were laid before this House about 8 or 10

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days ago. Now, I maintain, is the time when a Committee should be appointed because now you have got what the External Capital Committee suggested you should obtain before you set forth upon an enquiry. You have the opinions of the different Governments; you have the opinions of the Imperial Bank of India and of various publicists who are interested in this subject. It should no longer be possible to say now that postponement would further the economic interests of India. As a matter of fact, Sir, from quite an unexpected quarter I have found support for the recommendation which I propose to make. I find in the published volumes of the Royal Commission on Indian Currency and Finance, Mr. Strong, the American expert, Governor of the Federal Bank, who gave evidence before the Commission, states—and I would particularly draw the attention of this House to the fact that he was speaking in connection with the question of a Reserve Bank in this country:

“In considering the subject of banking in India, I would like to describe first my feeling about the general principles which apply to the reorganisation of banking as distinct from purely monetary problems. I would liken it, if you please, first to the construction of a foundation for a superstructure, and the foundation for a central banking system in India to my mind must be carefully introduced among and interwoven with the existing banking practices, the existing customs of business, the existing methods of Government in managing its fiscal affairs and the existing business that India conducts, but that it should not be applied, as was done to a considerable extent in America, as a sort of forced readjustment of methods. If this foundation upon which the superstructure of a great bank of issue is to be erected in India is not a secure one, if the concrete, in other words, has not had time to set and the completed superstructure is built upon that foundation, the superstructure is liable to weaken, settle and possibly crack or fall.”

It is therefore necessary now that we are going to consider shortly the question of the establishment of a Reserve Bank, to my mind before we commit ourselves to any policy with regard to the Reserve Bank that we should have at least, if not a thorough establishment of the banking industry in India, at least an investigation into the possibility of a thorough establishment so that we might not have in banking what we have got unfortunately on the administrative side, namely, a top-heavy machinery, a Reserve Bank for six Indian banks! This subject was largely discussed at the time when the Reserve Bank Bill was circulated for opinion. So I do not propose to take any more of the time of the House in connection with that subject. But I would strongly urge upon you the necessity of having the proper foundations laid by the development of Indian banking for the construction of a superstructure of the Reserve Bank in order that the building may not in future crack or fall.

That much, Sir, with regard to the suggestions made from various quarters to the Government of India as regards the appointment of a Banking Enquiry Committee. Now the question that next arises is, what exactly is it that this Committee is going to do? It has, I beg to submit, a vast area to examine and most far-reaching conclusions to recommend. As my Resolution suggests, the enquiry should examine the banking institutions, the banking facilities and the banking conditions in this country, and recommend measures to develop them. Now the banking institutions of this country may be divided into six main divisions. First of all I would put the Indian joint stock banks, secondly, the exchange banks, thirdly, the industrial banks, fourthly the co-operative banks, fifthly the agricultural banks, and finally the indigenous banks, or rather the indigenous bankers.

These six form to my mind a complete whole, in so far as the existing Indian banking institutions are concerned, and a little glance at each one of them will, I am sure, convince this Honourable House that an enquiry is required if we are at all to develop along sound economic lines. Let us first of all examine the question of Indian Joint Stock Banks. I have just got a few figures to show how very backward we are in connection with banking in this country as compared with other countries. We find that this large country with its huge population has only 850 banks including their branches as against Australia which has 2,500, Canada 4,000, Japan 6,000, the United Kingdom, approximately, 9,000, and the United States of America 35,000. The mere number, the smallness of the Indian figure, is sufficient to indicate very strongly that there must be something really the matter with the Indian banking organisation, and that some activity was necessary if any development was to take place. The picture, Sir, is equally disappointing if we look at the figures of the deposits of these banks or of their cash balances. I do not wish to weary the House with a long array of figures, but the figures to those who are interested are available in the Statistical Abstracts and other blue-books published by the Government and would make some very wholesome reading, wholesome in the sense that it removes all pre-judgment that some of us might have with regard to all being well with the banks in this country. I find from a study of the figures that we are really nowhere and it is only in order that we might get some place in the banking world that I recommend an enquiry which will investigate the problem and suggest methods for such development.

That much, Sir, with regard to the Indian banks. Now as against that we find that the exchange banks in this country are doing a very good business as is shown by the fact that in 10 years their number has grown from 11 in 1915 to 18 in 1924. And these banks have increased their deposits in India from 34 crores in 1915 to 71 crores in 1924. At the same time I would mention that so far as their cash balances in India are concerned they showed in 1915, Rs. 8 crores as against 16 crores in 1924. This, Sir, is the progress made by these exchange banks within a space of 10 years. As against that what do we find with regard to the joint stock banks about which I spoke a little while ago? Now, here I particularly keep the Imperial Bank out because I want to put the position of the Indian joint stock banks as against the exchange banks operating in this country. In 1915 the deposits with the Indian joint stock banks were 18 crores and in 1924 they rose to 52 crores; but even that figure of 52 crores is nothing as compared with that of 71 crores in 1924 in the case of the exchange banks. As regards the cash balances of these Indian banks we find that they had cash balances of 4 crores in 1914 and of 11 crores in 1924. There has no doubt been some progress but a progress at such a snail-like speed that it would take us generations before our banking ever becomes in its size anything like the banking of the countries whose figures of banks and their branches I have quoted.

That much with regard to the exchange banks. Coming now, Sir, to the industrial banks. I find that there is hardly an industrial bank in this country worth naming. So that it is a very sorry picture indeed. The case of the other long-term credit banks, as I may call them, is not quite so bad. There are a few agricultural banks, and, as a result of the activities of the Committee I mentioned before, there is a fair number of co-operative.

[Mr. Sarabhai Nemchand Haji.]

banks in this country, but their number and their deposits in view of the area they cater for are so meagre that I am sure no one in this country will be satisfied until something has been done to change the present state of affairs.

Lastly, Sir, I come to the indigenous banker who looks after the trade and commerce requirements of a large part of the country but who is so utterly ignored by the Government that it is not even possible to get from the statistics published the figure with regard to the number of these bankers in existence. No doubt once in ten years the census gives us the figure of the number of men who are engaged in the business of banking, establishment of credit, exchange and insurance. Here, Sir, is a subject that should draw the particular attention of the Committee I suggest, and I think it is high time that something should be done in order that these bankers might be regarded in a capacity which will make them more useful in the economic system of the country. As a matter of fact, Sir, from the figures that I looked up from the last Census Report, I find that the number of these bankers is dwindling and that too at a rapid rate; the fall from 1911 to 1921 has been one of almost 18 per cent. Now, it is to my mind rather serious that these men who conduct or help to conduct the internal trade of the country should have their numbers diminished. The External Capital Committee in considering the question of the indigenous banker seems to my mind to imagine that this indigenous banker is not likely to have any important place in the future economic scheme of the country. As a matter of fact to my mind he is the one banking asset we have got in this country and that not merely should nothing be done to wipe him out, but that measures should be taken—of course it will be for this Committee to suggest what these measures should be—but I do feel very strongly that measures should be taken in order that the indigenous banker may come into his own. Some sort of a scheme of co-ordination with the other banks should be adopted by which the present day *mahajan* or *sowcar* should be enabled to cast off all the ethical or rather non-ethical associations that go with his name and to take his proper share in the banking scheme of this country.

So much, Sir, with regard to the existing banking institutions in this country; and now I will come . . .

**Mr. President:** The Honourable Member will agree that, considering the importance of the subject and considering also the fact that he is making his maiden speech, I have allowed him sufficient indulgence. He will now bring his remarks to a close.

**Mr. Sarabhai Nemchand Haji:** I shall presently do so, Sir. With regard to the banking facilities and the banking conditions which the Resolution recommends, should be examined by this Committee, I am afraid as the subject is rather technical and as my time is up, I do not propose to go into various technical matters connected with the clearing-house facilities, deposit facilities, investment facilities and so on. But before I sit down with your permission, Sir, I would like to draw particular attention of the House to the fact that the Resolution wants the personnel of the Commission to consist of an Indian majority with an Indian Chairman. It should not be necessary for me to put much stress on this subject.

because the feeling of this House on this matter is well known. It is not that we want to be parochial in the treatment, or rather in the study of a subject of such a technical nature as the present one. It is no doubt necessary that we should have foreign help, and we will gladly welcome it. So far as we are concerned, we do not mind whether the help comes from English experts, American experts or even Continental experts. Whatever and whoever the experts are, let them come and work in this country as colleagues of their Indian confrères but under an Indian Chairman in order that we might keep the spirit of the Commission national in outlook, and, I am sure, Sir, that it is not for the Benches that have insisted upon the British spirit in the services—and that is the only justification for the steel frame,—it is not for those Benches to say that a Resolution asking for an Indian majority and an Indian Chairman asks for too much. I am quite sure, Sir, that constituted as I suggest, the Commission should be, the problem of Indian banking will be solved in a manner which is likely to result in the best interests of India. With these words, Sir, I beg to move the Resolution standing in my name.

**Dr. L. K. Hyder** (Agra Division: Muhammadan Rural): Mr. President, I may say at the very outset that I have every sympathy with the Resolution which has been so eloquently moved by my Honourable friend Mr. Sarabhai. He has surveyed the whole banking position in a very masterly manner. But while I do say these things, Sir, I must point out that the inquiry which my Honourable friend demands would not be, so far as we are concerned, of very great use, unless we know first of all what another inquiry has got to say about this matter. I refer to the case of agriculture, which is the premier industry of India, whether you judge it by the size and wealth of the industry or whether you judge it by the total number of people engaged in it or whether you apply to it any other criterion which could be applied to any industry in India.

Now, Sir, as I said, I have very great sympathy with the Resolution which has been moved by my Honourable friend, but I have to point out here that so long as that inquiry which deals with agricultural finance is not concluded and has not reported on this particular matter which will figure very largely in such an inquiry as the one suggested by my Honourable friend, I think it would not be wise to proceed in the direction indicated by my friend. Well, Sir, I have been interested very much in the speech delivered by my friend in regard to the indigenous banker, and I must say that I am very much obliged to him because he has cleared up the ground for me as I really wondered what the equivalent of the indigenous banker would be whether the Indian moneylender or the Indian *Sowcar*. And side by side he referred to another aspect of the matter which I think will receive the sympathy of every man who feels for the agricultural masses of India, and that was the co-operative side of banking. Well, Sir, if there is a diminution, as I hope the words of my friend will turn out to be true, and if the statistics are correct that there is a steady diminution in the number of indigenous bankers, I say it is a matter for congratulation that there is such a diminution in number. If, on the other hand, there is an increase in the co-operative facilities which are within the reach of the agricultural classes of India, I say that that is a matter for congratulation again. I do not think my friend was quite right when he was comparing the development of banking in this country

[Dr. L. K. Hyder.]

as measured by the total number of branches established because there is another side of the matter also, that the banking facilities exist for trade and industry and agriculture, and if these three, trade and industry and agriculture, are undeveloped, it is no use having any number of banking facilities because you will only be increasing the risk and retarding the movement which my Honourable friend has so much at heart. There are different provinces in India, Sir, and I may say, Sir, that some of the provinces are far ahead in this matter. I look at the face of my Honourable friend, Mr. Rangaswami Iyengar. Now, Sir, Madras might congratulate itself on its co-operative credit system. My friends from the Punjab, Sir, also are to be congratulated on trying their best to eliminate or rather to make the Indian banker give adequate service in an approved manner. They have done that, Sir, in these two provinces. But I was saying that you cannot judge it merely by the test of numbers, because, even though my friend has pointed out that there has been a diminution in the number of indigenous bankers, still the bulk of the finance is supplied by the indigenous banker to the Indian agriculturist. My friend, Mr. Aney, who knows quite a lot about his part of the world, must know that in that part of Berar from which he comes sometimes this finance is supplied by the Indian landlord or the Indian banker by advancing 4 candies of cotton seed and getting 2 candies of cotton; and that measured in money works out to a rate of 200 per cent. Well, Sir, in so far as the development of co-operative credit facilities in agriculture is driving out the indigenous banker, I was saying it is a matter on which we can feel pride. And with regard to the question raised as to the desirability of instituting an inquiry into the matter, I say that where we have waited so long we can wait still a few months more in order to take adequate stock of the facilities so far available and the remedies that will be suggested.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): Sir, two economists of this House have already taken part in this debate; we had two different points of view placed before us. It is high time that a layman intervened in this debate and brought forward the layman's point of view in connection with the banking problem and the banking question in India. My friend, Dr. Hyder, who is a member of the Agricultural Commission, asked us to wait a few days more, a few months more, till the Report of the Royal Commission on Agriculture is published, and then we can go into the banking question. As far as I remember, the Royal Commission on Agriculture has nothing to do with the real agriculturists of the country. It is meant for the exporters and for the very large farmers that may spring up in future in India. It is not meant to do anything for the agriculturist class,—the masses—and I do not know how far our waiting to read that Report will help agricultural banking. We have waited too long and to let you know how long we have waited for this inquiry committee on banking in India I will just read an extract from my Honourable friend Pandit Madan Mohan Malaviya's note which he attached to the Report of the External Capital Committee. My friend Mr. Haji just now told us that the Industrial Commission recommended in 1918 that such a banking inquiry committee should be appointed. Thereafter Sir Narasimha Sarma moved a Resolution in the Legislative Council in 1919. In the note which my Honourable friend Pandit Madan

Mohan Malaviya attached to the External Capital Committee's Report he says:—

"It is a matter for real regret that notwithstanding the weighty recommendations referred to above, this question has not yet received from Government the attention which it so obviously deserves. Nothing more vitally affects the welfare of the people of India than the question of the healthy growth and expansion of national commerce and industries, and nothing is more urgently needed to make that growth possible and to sustain it than a sound system of national banking and finance, which should take note of and provide for the financial needs of the people in all important branches of their commercial and industrial existence."

I think it is most opportune that we should discuss this matter to-day because the Currency Commission has recommended the establishment of a Reserve Bank with a subsidiary bank known as the Imperial Bank for the country. If those two banks exist I do not know if the Government will ever set their machinery going to form a State Bank to finance the industry and agriculture of this country. So it is opportune that we should give our mandate to the Government that they should have such a banking committee, and that this committee's decision should be taken into account before this House comes to any decision on the formation of a Reserve Bank or a Central Bank for India. Sir, as everybody knows I am not in love with the Imperial Bank of India.

**Mr. Jamnadas M. Mehta:** Is it in love with you or not?

**Mr. B. Das:** I do not care if it is not in love with me. I am not in love with it. My Honourable friend, Sir Purshotamdas Thakurdas, in his able minute of dissent to the Report of the Royal Commission on Indian Currency and Exchange, while discussing the suitability of the Imperial Bank of India, says:

"It is said that if the Imperial Bank is developed into a Central Bank 'the country would lose the benefit of the elaborate and wide-spread organisation which has been set up through the length and breadth of India to make available to the community the increased commercial banking facilities which are so urgently needed and to assist in fostering among the people as a whole the habit of banking and investment'. I do not think that this necessarily follows; it is only necessary to mention the model of the Bank of France, which successfully discharges both the functions of a Central Bank and those of 'the initiator of banking facilities' through more than six hundred branches. It is admitted that in India none but a *State-aided bank* has either found it possible systematically to develop branches, or is likely to be able to do so in future."

As I said, I am not in love with the Imperial Bank of India, yet I entirely agree with the observations of my Honourable friend Sir Purshotamdas. The Imperial Bank to-day has a network of branches all over the country and if it likes it can afford facilities to the agricultural and co-operative banks and other limited banks in the country. In the meantime the Government propose to have another bank, the Reserve Bank, in which will be locked up Rs. 400 to 500 crores to be spent as they like, and where does then the development of industry and agriculture come in?

My Honourable friend, Dr. Hyder, said that there has been something going on in co-operative agricultural banking. I have got the statistics of 1923-24. It shows that something has been done, but the Madras Government say that only 1.48 per cent. of the people—I will just quote what they say:

"Only 1.46 per cent. of the population are members of the co-operative societies— if we consider the rural population only 1.2 per cent."

**Dr. L. K. Hyder:** Multiply it by 5.

**Mr. B. Das:** Let it be 8 per cent. Is that enough? What is the capital invested in these banks? Rs. 46 crores including investments and everything else. Does that satisfy the 800 millions of the people of India, leaving aside the big capitalists like our Honourable friends, Mr. Cocke, Sir Purshotamdas Thakurdas and Mr. Haji? The agriculturists are 270 millions in India, and how much money is needed to develop their agricultural resources?

I was reading that very interesting book by my Honourable friend, Mr. Calvert. He is not here, but he is a member of the Agricultural Commission. I hope he will bear in mind what he wrote in that book. He said that co-operation is the watchword of development of agriculture in any country. If that is so, the State ought to come forward and found sufficient co-operative and agricultural banks so that people may not be at the mercy of the moneylender and the *sowcar*. We know what these poor people pay? Every villager pays 24 to 36 per cent. interest while our money is locked up in the Imperial Bank of India and the Imperial Bank does not pay any interest to the Government or to the tax-payer and it handles money annually to the tune of Rs. 400 crores and enjoys the credit thereof. I will just quote an interesting passage from the Report of the Royal Commission on Indian Currency and Exchange on this.

"The fact that Government balances held with the Imperial Bank in India bore no interest, while funds held in London could be employed remuneratively in the money market, appears in the past to have led at times to unduly large accumulations of funds in London."

What happens? The Finance Member and the Government of India are only interested in maintaining the machinery of Government. They want to collect certain taxes and to spend them on the administrative machinery of the country. They have no interest in developing the resources of the country. So, there is that Imperial Bank, my old friend, where all the money is deposited and if anything cannot be deposited, it goes to London so that my Honourable friend Sir Basil Blackett may manipulate it and get a little interest from the London money market to maintain his surplus Budget. But who thinks of the poor agriculturist, the poor tax-payer? You have all their money and the State up to now has not devised any means to give State aid to the industrial and agricultural development of the country. On the other hand, what do we find? When the Indian banks failed the State never extended any helping hand to them. Recently no doubt we have an instance where the Imperial Bank wound up a certain concern, namely, the Alliance Bank. But when the Peoples' Bank and a Bank in Bombay—I forget its name—(An Honourable Member: "The Specie Bank") the Specie Bank failed, the Government gave no help and allowed those Indian-managed banks to be wiped out. The State felt no concern in Indian banking then. That is not the right function of the State. The State must function so that the State helps the banking institutions already existing and also helps the agriculturist population and the rural population by building up co-operative banks. I have seen the report to which my friend Mr. Haji referred regarding co-operation but the co-operative societies are doing very little work. The finances at their disposal are very little. They borrow money from the Government at 6 per cent. and loan out at 9 per cent and 12 per cent. while the Imperial Bank gets all our money for nothing. If the

State works in the interest of the people it ought to finance these co-operative banks and agricultural banks, so that the agriculturist may get his money at a low rate of interest to cultivate his land and money may be available for the development of the cottage industries. It is highly essential that we should have a committee to inquire into the banking system in India and before the Reserve Bank comes into existence we must have a proper banking system in India.

My friend Mr. Haji said that we might have Continental experts but Continental experts, like Continental steel, might depreciate, so I would advise only British steel and British experts!

**Mr. H. G. Cocke** (Bombay: European): The Honourable Member who has just sat down has given us a very interesting discourse on banking. I gather that he is neither a director nor a shareholder of the Imperial Bank. He seems to think that there is a great field for development for the Imperial Bank and possibly if he is asked to join the Board on some occasion he may be able to carry into practice what he has said but I am afraid he will find most of his ideas when he comes to carry them out are not practical. Of course if the Reserve Bank comes into existence, the Imperial Bank will become more of a commercial institution and it will have possibly more inducement and more inclination to develop in commercial directions. Neither the Imperial Bank nor any other Bank is a philanthropic institution and it is no good opening branches in all directions, if they are going to be a heavy burden on the working of the Bank. It is well known that the Imperial Bank has opened over a hundred branches in the last five years and it is equally well known that those branches are not likely to pay to any extent for some considerable time. If the Imperial Bank were to launch out still further with village banks, and so on, it would have to be heavily subsidised to do so. Possibly that is the idea of the Honourable Member. He wishes the Imperial Bank to be subsidised by Government more than it is already, that is to say, it is subsidised at present in that it gets Government money free of interest. One has really got to distinguish in a discussion of this sort between the agricultural bank and the commercial bank. The commercial bank is really needed in a town of some size and commercial development.

Well, the Mover of this Resolution referred to the serious happenings to banks in 1913. I saw something of the banks that failed at that time and my investigations into the affairs of several of those banks revealed the fact that up to that date very little was known about banking management so far as those institutions were concerned, and they failed because they were unsound, they were badly managed and they were far too much family concerns. One particular bank I remember had about half a dozen large advances all made to concerns which were very nearly related to the bank itself; that is to say, the directors of the bank were directors of the various borrowing companies, and so on. Well, development of banking in that direction puts back the clock of banking a good many years and we do not want banking to go forward unless it is actually on sound lines.

Whether the Commission which the Resolution recommends is necessary or desirable at the present time is a very open question. Personally I am inclined to agree with Dr. Hyder that the day of appointment certainly might be put off until the Agricultural Commission have reported. The matter is very much bound up with the premier industry of the country,

[Mr. H. G. Cocke,]

namely, agriculture, and that Commission is bound I take it to make certain recommendations with reference to agricultural banking.

As regards commercial banking in cities I personally do not think that we have very much to complain of at the present time. I do not profess to be an expert in agricultural banking and village banks, etc., but so far as banking in towns is concerned, particularly since the Imperial Bank launched out, I do not think that the people of this country have very much to complain about in that direction.

It was said that the indigenous banker had been ignored by Government. But it is a very moot point whether that is not a very good thing. After all the indigenous banker I take it is a man that lends out money at very high rates of interest with very little security. That is not banking but moneylending and I doubt if Government could help the indigenous banker to the benefit of the community. It seems to me that co-operative banks are a sound development of modern times and the more they increase the better for the country. But as regards the ordinary moneylender I was very glad to hear that there had been a fall of 18 per cent. in the numbers of that class of banker between 1911 and 1921.

I congratulate the Mover on his speech which was of particular interest, but I suggest to him that it might be desirable if he withdraws his Resolution and brings it up at a somewhat later date.

**Mr. V. K. A. Aravamudha Ayangar** (Finance Department: Nominated Official): Sir, some of my Honourable friends who voted on the adjournment motion last Tuesday were doubtless actuated by the fact that Government had no interesting business to put before them this week. I wish, Sir, you had told them that this week was intended for maiden speeches, then I think that would have altered the vote a little. So far as I am concerned I wish to take advantage of your offer this morning during the maiden speech of Mr. Shyam Narayan Singh to ask my friends on the other side just to listen and not to heckle. Sir, the first point I want to make in connection with this Resolution is that the subject matter of the Resolution is covered to a considerable extent by the Currency and Reserve Bank Bill now before the Legislative Assembly. Let me explain, Sir, some aspects of the Reserve Bank Bill that the House has been asked to consider. The first step the Reserve Bank will have to take is to get into touch with all the banking systems in India and introduce a co-ordinated policy in regard to credit control. In order to assist the Reserve Bank when it comes into being, we are trying to get statistics of the various indigenous banks in India who are doing banking business or affording banking facilities to the public. There is then the question of the extension of branch banking. Some witnesses who came before the Currency Commission said, "It is all right that the Imperial Bank has opened 100 branches, but we think that it should not continue to open further branches. It must first consolidate its position." There were others who said, "What about 100 branches: thousands and tens of thousands are not sufficient for India." Whichever may be the correct course, the Imperial Bank wants first of all to know in what relation it stands to the Reserve Bank and the tax-payer. In the Reserve Bank Bill Government have put forward certain proposals to compensate the Imperial Bank for some of the losses which it incurs on the non-paying branches and also to give the Bank some inducement to continue the extension of the banking facilities

which they have initiated. There is again, Sir, the question of the promotion of the Bill habit and the grant of rediscount facilities. What the Reserve Bank will do in these matters will go a long way to achieve the laudable object which the Honourable the Mover of the Resolution has in mind. It has been said, Sir, that the development of branch banking in India must come first and that the Reserve Bank must come afterwards. In fact the Honourable the Mover quoted something from the American evidence to show that the question of branch banking should first be considered before the Reserve Bank comes up. That evidence was quoted from that part of the evidence where Mr. Strong first began to develop the subject. Let me quote from a later portion of the evidence. The Chairman put the question to him :

"Speaking about the constitution of a Central Bank yesterday, you said a Central Bank is only possible where a highly organized money market exists. In regard to the organized money market, I understand you refer to the system of a network of banks, or have you got something else in contemplation?"

The reply was :

"I say that the proper functioning of a Central Bank will require a money market in which it can function. It may not be necessary to create that in advance; we had no bankers' bills in New York when the Federal Reserve-banks were established. As a necessary and collateral development of the operation of a Central Bank it would be well to promote the development of a type of money market in which that bank would easily function."

Later on, Sir, he was asked another question, namely :

"You referred yesterday to the necessity that to have a properly functioning central bank there must be a money market. Would you agree that the establishment of a central bank is the best means of establishing such a money market, and that without a central bank a money market cannot be properly developed."

The reply, Sir, was :

"Yes; and it results in developments that are distortions of the money markets."

There is another point in connection with this branch banking business. Those who are acquainted with the American crisis in 1907 will find how the absence of a central banking system involved a deplorable curtailment of production during that crisis. In fact in regard to one of the industries I was told that there was a curtailment of 40 per cent. in that year. The Currency Commission therefore was not unaware of the importance of the extension of banking facilities in India. When I was travelling to London with the Commission on the first day of my trip across the Continent in the beautiful P. and O. mail train, I was looking at the smiling fields and wonderful roads on the French country side. The Chairman quietly came along and asked me, "Ayangar, what are you looking at?" I said I was wondering whether God made the country and man made the town. He said, "Do you know what impression I bear after seeing your country and your people? It is this. If my labours on the Commission will go even a little way towards making India produce her capital for productive purposes, in order to make roads, canals and bridges and making India a bit more happy to live in, then my labours on the Commission would not have been in vain." I claim, Sir, that the Reserve Bank Bill now before the public gives India the fullest opportunity to develop the Indian banking habit and the Indian banking facilities, and a consideration of the Resolution of the Honourable the Mover in advance of that Bill is, to use an

[Mr. V. K. A. Aravamudha Ayangar.]

adjective which has been inaptly used by my Honourable friend Sir Purshotamdas Thakurdas in regard to the 18 penny ratio, "most unnatural". (Applause.)

**Mr. Vidya Sagar Pandya** (Madras: Indian Commerce): Sir, the Resolution recommends the appointment of a Commission—probably the Honourable the Mover has in mind a Royal Commission—for nothing less than that would inspire the confidence of, or impress the imagination of, the public and draw sufficient attention to the subject in these days when Commissions and Committees have become a new industry by themselves. What we want at present is not any Royal Commissions or Committees to investigate the necessity of banking and industrial development, but one "honest" Commission which will change the heart of the Government, rather which would remove the present unsympathetic, irresponsible and irresponsible Government of the country, for unless the Government make up their mind to take action and put the recommendations of the Commission into practice, it will be sheer waste of public funds to appoint a Commission. A Royal Commission may tour round the country in special trains and eat dinners, record evidence, publish voluminous reports and might give opportunities to some of us here and outside to air our views and gain some advertisement. If the Government are really anxious to encourage indigenous banking or to introduce the best system of foreign banking they have got enough and ready-made information and materials in their official archives to take steps for the purpose. To keep the country merely talking and to delay and not to do any real work the appointment of a Commission, is a very good method. There is no use appointing a Commission unless it enjoys the confidence of the public. There is no use if it is a packed Commission with a personnel of the kind of the last Commission on Indian Currency and Finance which was boycotted and which was more concerned with how Europe would be affected if a gold standard with gold currency is introduced in India or in China. We do not want a Commission to find out how the Exchange Banks and the Imperial Bank of India with foreign shareholders, can find ways of exploiting India and to earn fat dividends. Nor should the enquiry be to find means for earning large dividends by the local banks either. What we want is to find out how banking facilities can be extended, to reduce high rates of interest in India and how Indians themselves can finance their commerce, industries and agriculture.

I have perused the short summary of the correspondence which has passed recently between the Government of India and the Managing Governors of the Imperial Bank of India on the proposals for Indian banking and monetary progress. It is rather curious that the Imperial Bank of India which competes freely with other banks should be called upon to express their opinion in such matters. It will be seen from that that their idea of Indian banking is how the Imperial Bank of India can do more business, for the Government say that they would "welcome the views of the Governors as to the desirability and possibility of a further extension of the branches" of the bank. Government are pleased to notice "undue competition with existing joint stock banks" and "the possibility of co-ordination with the indigenous banking system of the country". The question of the "system of remittance" is also touched upon; so also is the idea of "extending the privileges of the Clearing Houses to private banks

of suitable status". The Government really seems anxious to push their loans and securities and talk of development of "Stock Exchanges dealing with industrial securities and development of investment through Savings Bank and Post Office Cash Certificates." The so-called advantages of the banks being free from restrictions placed on the business of the Imperial Bank are a myth. The Imperial Bank competes and while observing the letter breaks the spirit of these restrictions and thus competes with the joint stock banks with the additional help of Government funds and the advantages of the prestige of its connection with the Government. On the other hand the Imperial Bank in reply are only too anxious to open fresh Public Debt Offices to popularise Government loans and investment! How much does it help or popularise indigenous banking? The Commission must find means not only to organise banking institutions, not only of educating the people on the advantages of banking and of safe investments of their funds but to educate also the officials of the Government how to do their duty in helping the banking institutions

so that they may be of service to the country. The ignorance of  
 4 P.M. some of the officials in the Local Governments is sometimes colossal. Here I shall, with your permission, Sir, digress a little to show how it is. The Indian Bank, Limited, Madras, applied to the Government of Madras to have the institution included among the approved banks for the investment of funds of the local bodies, such as the District Municipalities and Local Boards. I may add here for the information of the House that this is one of the banks included in the Schedule of 26 banks in India whose bills will be discounted by the new Reserve Bank of India when and if it is constituted. The Indian Bank, Limited, applied for this recognition in October 1924, but the Government of Madras have not yet made up their mind in the matter, even after 28 months! The law's delays are proverbial, but the Government of Madras have thrown the law courts into the shade.

Now coming to the point the several departments of the Government who are to be consulted in the matter before permission can be granted are so blissfully ignorant of banking that they cannot find out if the Bank is sound enough to be entrusted with funds. The most important department—I shall not name it; you may easily guess—who are supposed to find out the solvency of the Bank have, it appears, evolved a noble method of testing solvency. According to their test even the Bank of England, or any of the Five Big Banks of England are not safe enough. But fortunately the Indian Bank, Limited, turns out, in some respects, a better Bank according to their theory than the leading Banks in England, and yet it takes them 28 months to consider over the matter! Lord Goschen, son of a Chancellor of the Exchequer, and himself an ex-Chairman of the London County and Westminster Bank presides over the departments which evolve such banking conundrums. I am sure if His Excellency the Governor were consulted, the matter would have been decided long ago.

Never mind that. A leading Banking institution of Bombay, which is recognised by the Bombay and Punjab Governments as quite safe for the investment of large funds of local bodies with it, is not yet found fit for investment of the funds in Madras. The Government of Madras is most impartially delaying also its recognition as an approved Bank. Now the question is who needs education in these matters? Surely some of the Government officers. If these banks were recognised the funds lying idle with the local bodies earning no interest would have been mobilised for

[Mr. Vidya Sagar Pandya.]

financing trade and commerce in the Presidency. Here we have the Government of India Finance Department presided over by the Honourable Sir Basil Blackett who knows all about banking, and what he does not know is not worth knowing. He has kept the subject of banking alive before the public. Now is the time for him to put it into practice.

The several Local Governments have made suggestions on the question of a co-ordinated survey of banking. I am glad the Bengal Government have sounded a note of warning not to degenerate the enquiry into any inquisitorial enquiries which would be unwelcome. We know how exhibitions and industrial fairs have been organised in the past with the ostensible object of popularising indigenous manufactures. They were really meant to secure samples and to find out tastes, to see how foreign manufacturers can meet local wants. After the exhibitions we find goods sent into the market by foreigners after their study of local conditions and as per samples seen at those exhibitions.

The Government of Madras have rightly emphasised the need for a strong practical committee composed of banking and business experts who can deal with the special conditions of particular provinces. It will be necessary to study the latest developments of banking in foreign countries, as the American Monetary Commission did. It is no use encouraging merely old indigenous banking. The best methods and systems in other countries must be studied by those who know local needs and conditions and who have India's best interests at heart. The object should be that banking institutions should be organised to promote Indian enterprises with Indian capital and under Indian control and management. They must be run in the best interests of Indians. The enquiry is meant not to help the foreign banker who now competes with us from a distance to transfer his activities here in order to compete with us within our own boundaries. In the matter of Indian banking we are bound to consider Indian interests firstly, secondly and thirdly. I mean by 'firstly' that local talents must be employed; by 'secondly' that local enterprises must be financed in all the branches of commerce, agriculture and industry; and by 'thirdly', I mean that the profits should remain in the country. The Commission should command the confidence of the country and be competent to deal with these important questions.

**The Honourable Sir Basil Blackett** (Finance Member): Sir, this is a subject in which from the time of my arrival in India and even earlier I have taken a very special interest, namely, the development of banking and monetary facilities for India. The discussion to-day cannot be wasted if it brings once again to the attention of a new House and, through that House, to the attention of the public the immense loss which is being incurred by India year after year and day after day owing to the fact that almost all her indigenous capital is being used in such ways as to be entirely unproductive. Idle money means idle manhood. If the Government of this country, or any Member of this House, knew a means by which we could induce the people of this country to make their savings available for the development of their country we should be contributing to the future of this country a boon far exceeding any that any existing or previous Government has given or that even a Swaraj Government will be able to bring.

I was rather pained to hear in the otherwise very admirable speech of the opener the accusation that the Government had been indifferent and inactive in this matter. It is perfectly true that suggestions have been made from time to time for the appointment of Committees and Commissions to enquire into the subject of banking in India and that the Government have not hitherto appointed such a Commission or Committee. In spite of the emergence of that new industry which we recently heard of—Royal Commissions and Committees—there has been of recent times no Committee on Banking. Royal Commissions and Committees are not very cheap things. They are apt to be rather costly and before you appoint one you want to be quite sure that you are giving it a subject-matter which it can reasonably cover in a reasonable time and in respect of which it can make concrete suggestions. It is no good giving a roving commission to the body which is to be set to work to enquire into the subject. Now the trouble about all the proposals that I have seen for this Banking Commission or Committee is that the terms of reference are always very vague and very wide. It is to enquire into Indian banking and to make proposals for increasing the capital available to India. It sometimes includes, I know, references to agriculture and industry, but that, broadly speaking, is the sort of general suggestion that is made. Well, that means that the Commission if it is really going to do its work has to enquire into everything under the sun in India except perhaps that it might not undertake the work of the Statutory Commission.

Now we have at present in existence, as has already been pointed out, one Commission, the Agricultural Commission, which is covering a portion of this ground. It is covering it from the point of view of the interests of agriculture, not from the point of view of the development of banking. It is impossible for a Government to create the banking habit in a people. If the habit will grow, the Government can help to some extent in the development of banking facilities; but it is the demand that will create the supply. The last speaker seemed to me to have a curious idea of the purpose of banking—although I am sure that in his interest in the Indian Bank which he took the opportunity of advertising, to use his own words, he does not conduct his business on the assumption that a bank should not earn dividends. He said that he did not want this Commission to consider how banks whether indigenous or external should earn dividends. A bank will not come into existence unless it is going to earn some kind of profits. The Imperial Bank which has done more in the last seven years to extend banking facilities in the country than has ever been done in any similar period before, has opened over 100 branches in the last seven years and a very large number of those are not paying and they would not have been opened and would not be kept open if it had not been for the action taken by the Government of India in 1920 in amalgamating the three Presidency Banks into the Imperial Bank and making arrangements by which in return for the contract which they had with the Government to manage the Government's balances and other things, they undertook to open 100 new branches in five years. Some of those branches at any rate are not paying at present and many of them are not likely to pay for some little time, though there is reason to believe that as time goes on more and more of them will become paying branches and will increase the banking facilities available to the people up-country. I began by saying that I was sorry to hear the Mover of this motion charge the Government with indifference and inactivity in this matter. During the last seven years since the creation of the Imperial Bank, as a result of

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Government action, a great spread of banking facilities has taken place throughout the country. In addition, during and after the War an immense fillip was given to the habit of investment in this country by, first of all, the War Loans, and then by the loans raised by the Government since. Now, those loans since 1922 have been raised entirely for productive purposes, and the productive expenditure of the Government, both central and provincial, on railways, irrigation and so on has been carried out with the help of the savings of the people of India, with great benefit to the people of India in the development of their own country, with benefit to the investors who have lent their money to the Government and found it productive, and with benefit to the Government who have been able with the growth of the investment habit in India to bring down the rate of interest which is chargeable to the tax-payer and in addition to reduce some of their external obligations. The Government have spent considerable time and energy in trying to increase the popularity of the Post Office Savings Bank and of the Postal Cash Certificates. In every way that is possible the Government have been trying quietly,—not by any kind of forcible measures, but quietly—to take every opportunity of increasing the habit of banking and investment throughout the country. In this connection, I may refer to the action that the Government have taken on the External Capital Committee's Report. The External Capital Committee recommended that:

"India possesses a vast store of dormant capital awaiting development, and in order to make this available for investment, banking facilities must be increased and extended. An examination of the various practical measures suggested in the replies is outside the scope of the Committee, but would emphasise the importance of a co-ordinated survey being undertaken at the earliest possible opportunity of the whole field of banking in India. This should be followed by a detailed examination by an expert Committee or Committees of the lines along which progress should be effected."

A month or two after that Committee's Report was issued, I had the privilege of addressing the University of Delhi on the subject of Indian banking generally, and I tried on that occasion to give an outline of the directions which should be followed by the survey. I examined the subject under various heads. The first head was facilities for deposits such as current accounts with banks, Post Office Savings Bank deposits, Imperial Bank Savings Bank deposits, short term deposits with banks and Postal Cash Certificates. The conclusion that a preliminary survey of that subject brought to my mind was that by far the greater part of the banking facilities provided in India were provided not by western banking methods, but by what are called the indigenous banks, and that an early study of the methods of the indigenous banks was most desirable. By the indigenous banks I do not mean only or mainly the *Mahajans* or *Sowcars*, the village moneylender and the agent of the landlord who do in a certain sense something in the nature of what is done by bankers; but I should hardly describe their work as properly banking. It is the *Marwaris* and firms not working on European lines which nevertheless do afford facilities such as the issue of cheque books, the acceptance of deposits and pass books and overdrafts. There is a great deal of work done by these bankers which is purely banking work, but they are not at present brought into any very close connection or any obviously close connection with banking on western lines, and I am sure that one of the first duties and services which will be rendered by the Reserve Bank when it comes into existence will be to try and complete the chain of

connection between the Reserve Bank at the apex of the pyramid and the local bankers, who are not at present included in any statistics, who are doing this work down below. If anything can be done in the way of adding additional liquidity to the resources of these bankers and increasing through them the habit of deposit, I think a very considerable advance may be made.

The next subject that I dealt with is banking education. This is a very important part of the whole subject; it has not been much spoken of to-day, but banking education is probably the key to the future in this matter in a way that nothing else is. In regard to this, the House will, I know, be glad to learn that the proposed Indian Institute of Bankers which has been under consideration for the last year and a half or two years is, I understand, now very nearly an accomplished fact. I have taken a very considerable interest in securing that the subject should not be allowed to sleep and I shall feel very great satisfaction when I hear that an Indian Institute of Bankers has been actually brought into existence. The British Institute of Bankers has been giving very considerable assistance in this matter and has been encouraging the Imperial Bank who have been acting in this matter at the instigation of the Government to press forward for the establishment of an Indian Institute to whom the British Institute and British bankers generally will be very glad to give such assistance as lies in their power but which will be an Indian Institute, conducting examinations and promoting banking education with special reference to Indian conditions. I dealt with various other subjects, such as facilities for remittances within the country. The facilities granted by the Imperial Bank have recently been further improved. Next came clearing house facilities, facilities for investment in Government securities in particular, which of course is all that comes directly within the Government's scope, but with the hope that, if you get the growth of the habit of investment in Government securities, facilities for buying and selling Government securities, something in the nature of stock exchanges will follow and people, having once learned the habit of putting their money into securities of the Government at interest, will, particularly when, as we hope, the interest on Government securities falls still lower, be inclined to take the securities of industrial and other concerns. The growth of anything like a market for industrial debentures would be an immense asset to Indian industry.

I dealt then with credit facilities and in that connection, of course, a good deal of the work of the Agricultural Commission should be very interesting. Credit facilities for agriculturists, the financing of produce, the growth of the bill habit in that connection, and the rediscounting which the Reserve Bank will have to do, will all come in for consideration under that head.

As regards negotiable instruments, I was speaking at a time not very long after the judgment of the Bombay High Court had rather disturbed the even course of the bill in its travels from hand to hand—a matter which we have been trying to remedy by the introduction a few days ago of the Negotiable Instruments Bill now under consideration by a Select Committee. The effect of that judgment seemed to us to show the great desirability that there should be at any rate one particular kind of instrument which was in all circumstances negotiable by delivery. Once a

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bearer always a bearer. We were warned that there was considerable danger that if the position was not altered the popularity of the *hundi* might be seriously diminished, a development which I regard as precisely the contrary to the way in which things should develop, because what we want to see is the bill of exchange taking a real place in the Indian money market and forming an important part of the facilities which the Reserve Bank will eventually provide through the method of rediscounting. There was a statement in one of the replies which have been received from the Local Governments, I think, on this subject which is of considerable interest. It is under the recommendation made by Mr. B. F. Madan through the Government of Bombay in connection with questions with regard to the expansion of banking facilities. It has been suggested that there should be one standardized form of bill of exchange. On this Mr. Madan says:

"The seller of all commodities should draw bills on the buyer at every stage as on the Continent and Japan and the United States and the Imperial Bank should give preference to such bills over the present bills which are more in the nature of accommodation bills. If such bills are to be encouraged, the stamp duty on internal bills of exchange should be reduced. The Indian commercial community is not yet prepared for such a revolutionary change as standardized bills of exchange payable to bearer in spite of anything which may be written on it as suggested by Sir Basil Blackett. What Government can do by legislation is to provide that where any bill is on the face of it made payable to bearer, it shall remain payable to bearer in spite of anything which may be written on the back and that any such change should be indicated on the face of such bill."

We are, as I have said, at present discussing that particular subject and I only mention it as a case in which the Government are following up the recommendations of the External Capital Committee. Immediately after that speech was made, the Government of India circularised the Local Governments and other bodies with a view to the preparation of that survey of Indian banking which according to the External Capital Committee was to precede detailed examination by an expert committee or committees. The replies have not all been received to that circular, but the great majority of them have been received and were laid on the table of the House and were used by the Mover this evening in making his speech. In addition, as a result of that address of mine to the Delhi University, I am very glad to say that quite a number of people have taken an interest in research in regard to banking. I am myself in correspondence with 4 or 5 different people who are engaged on a research into the methods and extent of indigenous banking in various parts of the country. I am sure that research of that sort by graduates of universities will be not only very valuable to themselves but extremely valuable to the country in opening up a region, our knowledge of which is curiously insufficient at present.

Now, as regards the Resolution which has been moved to-day, the position of the Government in the matter will, I think, have been clear from what I have already said. The Resolution recommends that a Commission be appointed. I am not sure that I should like to commit myself to the view that it should be a Royal Commission, which I suppose is what "Commission" means. I am entirely at one with the Mover in thinking that an inquiry should be held into this question of the development of banking facilities in India. The nature of that inquiry is, I think, a question on which we do not want to arrive at premature conclusions. It might be

desirable simply to appoint one or two experts separately or in conjunction to examine particular portions of the subject, or it might be desirable to appoint something in the nature of a committee which is itself expert, or it might even be desirable to appoint a committee which is not itself expert. I think it is too soon to say exactly what form the inquiry should take or how its members should be chosen. The Government are further of opinion that it is early at the moment to begin such an inquiry. No doubt, the Mover himself has already anticipated this view of Government by complaining that the Government's attitude is always that they are going to appoint a committee but never that they are appointing one, but we have had reference made to several reasons why the present moment is not entirely suitable for the appointment of a committee. It would certainly be most undesirable to appoint a committee or commission to enquire into the question of the finances of agriculture or the facilities for agricultural banking as at the present time the Agricultural Commission is still engaged in making its inquiries. There is also a very considerable difficulty in the matter of what the duties of a banking committee should be owing to the fact that co-operative banking on which I have hardly touched is one of the most important features of the growth of banking in India in the last 20 years and one of the most hopeful. The subject of co-operation is a Provincial Government and not a Central Government subject and it is very doubtful whether a committee covering the whole of India and Burma and dealing with co-operative banking would be a desirable body. Co-operation is a matter the purpose of which is to bring the individual into contact with other individuals and create a chain of contract gradually leading from the individual cultivator up towards the central co-operative body, which in my opinion has at least a large enough field to cover when it is provincial, when it has to cover the whole of one large province or Presidency in India. A central co-operative bank or body for India as a whole might, I think, have results not at all what is desired by those who are the keenest on the promotion of the spirit of co-operation. We do not want to centralise co-operation out of existence. Then another reason . . . . .

**Mr. T. Prakasam** (East Godavari and West Godavari cum Kistna: Non-Muhammadan Rural): The other day in the discussion on the Reserve Bank Bill the Honourable Member told us that a co-operative society might not come under the Reserve Bank scheme: I believe it was in answer to a question by Mr. Joshi when he wanted the co-operative banks to be included in the Schedule. Now, how will this fit in? I gather from the Honourable Member now that the Reserve Bank Bill would deal with this question as well so far as the agricultural banks are concerned. Will the Honourable Member kindly explain to us something more about it?

**The Honourable Sir Basil Blackett:** It is a little too much to ask me to launch forth into the question of the relation of co-operative banks with the Reserve Bank. The Reserve Bank I think ought certainly to be an extremely useful institution for the purposes of the provincial co-operative banks, but I think it would be a more useful institution than a single central co-operative bank for the whole of India. I do not know whether that answers to some extent the implications of my Honourable friend's question. I do not think that the co-operative banks should come under the same category as joint stock banks and be asked to place with the

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Reserve Bank as a matter of legal obligation a proportion of their time and demand liabilities. But that the Reserve Bank should through the co-operative banks use its influence for the advancement of the financial interests of agriculture and the agriculturists is, I think, most desirable, and I hope when it comes into existence it will do a great deal to advance the interests, through the co-operative banks, of agriculture, of the marketing of produce and the facilities for agricultural loans generally. The fact that the Reserve Bank is not yet in existence was one of the facts I was going to allude to as a reason why it is not yet the right moment to appoint this Commission. We shall be discussing this subject in connection with the Reserve Bank and I hope we shall ourselves be taking rather a wide survey of banking and financial facilities in India. After the discussions have taken place in this House and in the country in connection with the creation of the Reserve Bank, when that Bank has been brought into existence or is about to be brought into existence and when the Agricultural Commission's Report has been received, that will be the time for further action. Speaking for Government, I am prepared to say that the Government are most desirous that immediate steps should then be taken by some means or other to start a searching inquiry into banking facilities in India and the best means for improving them. In these circumstances I hope that the Honourable the Mover will not think it necessary to press his motion. I rather doubt if the House would care to commit itself to that Resolution as it actually stands with the demand for a Royal Commission at this particular moment.

**Sir Purshotamdas Thakurdas** (Indian Merchants' Chamber: Indian Commerce): I would like to start by congratulating the Honourable Member Mr. Ayangar of the Finance Department on his maiden speech here. It was a pleasure to hear him and the confidence with which he spoke assures us a good deal of useful information as this Session proceeds. It is in the fitness of things that Mr. Ayangar should have taken advantage of this debate to-day to put forward one of those measures for which I think he perhaps justifiably feels proud as a member of the Finance Department. As the Honourable the Finance Member reminded Mr. Vidya Sagar Pandya that he was advertising his bank, may I remind Mr. Ayangar that he was utilising this debate for a little publicity for what has lately been very near the heart of the Finance Member. But I wonder, Sir, if Mr. Ayangar was not mixing up the issues when he quoted Governor Strong with reference to the two quotations that my friend Mr. Sarabhai Haji gave from the same eminent financier in connection with the necessity of having more banking facilities in India. I have not Governor Strong's evidence with me, here, but I put it to Mr. Ayangar whether what he quoted from Governor Strong did not refer to banking facilities but to creating money markets, which latter has a bearing on having bill markets for the Reserve Bank. The two points are widely different, if I may point out to Mr. Ayangar, and whilst I am quite prepared to concede that Mr. Ayangar quoted his part of Governor Strong's evidence innocently, I put it to him that if he reads it over again he will see that it does not bear quotation at all with the point of view which my Honourable friend Mr. Haji has been pressing before this House.

Now, I feel, Sir, that the question whether in India we have adequate facilities for purposes of banking or not brooks of no difference of opinion.

This morning in the very interesting debate that we had the Honourable the Home Member, Sir, quoted what the Government have done in the backward Santhal Parganas in connection with keeping down the usurer and the *sowcar* there, and if I remember it correctly the Honourable Member congratulated himself that about 50 years back in those backward tracts the Government had passed a Regulation saying that nobody would be entitled to recover a higher rate of interest from the Santhals, for whom the Government are so very solicitous, than 2 per cent. per month. And Sir Alexander Muddiman said that is much better than what happens to be in vogue in any other part of the country. 24 per cent. per annum interest is thought by the Honourable the Home Member to be a reasonable rate of interest which even the Government willingly allow on debts of agriculturists. That is, Sir, the best protection which a benign Government can extend to our friends in the backward tracts. What then, Sir, can be the average rate of interest which our agriculturists must be paying in the forward provinces where no such Regulations are permissible? Comment I submit is unnecessary and I am sure that what has been at the back of my Honourable friend Mr. Sarabhai Nemchand Haji's mind is that in the urban and rural districts, the rate of interest at which people can borrow money is so high that it is time the Government did something to have that levelled down to something approximately the rate at which people borrow, shall I say, in Calcutta, Madras and Bombay. That is the question I agree with the Finance Member that if anything could be devised to induce people to greater investment of their surplus money and to less hoarding—I use the word “hoarding” in its broadest and most general sense: I do not want it to be quoted that I think people in India are hoarding—I agree with him that if anything can be done in that direction it will be a service to India. But there, Sir, I do not wish to anticipate the important debates which are to follow later this and next session. I am one of those who feel that the Government of India do not encourage people to give up their hoarding habits. But this is not the occasion to say more or in detail about that. What in the meantime is required is not to lose sight of the facts, which are that even in a non-regulated tract Government tolerate and almost approve of rates of interest up to 24 per cent. per annum.\* In other parts, many of my friends on this side of the House know, and many of the Government officials on the other side of the House I am sure also know, the average rate which the agriculturist pays is 30 per cent. per annum. During the last six months I have seen documentary evidence of how agriculturists have borrowed for four and five months at rates of interest which varied from 35 to 40 per cent. per annum. I do not wish to minimise the assistance which co-operative banking has given, but there is a limit up to which these institutions can usefully give assistance. I do not think it will help to overlook this. Facts are there staring us in the face. What I think worries the mind of young India, and those who are not merchants, is the progress of banking in Germany, in Canada, in Australia or even in the East in Japan. While in all these countries banking institutions run into figures of 5,000, 10,000 and even higher, how is it that after 125 years of banking experience in India—the first Bank of Bengal was started in 1805—how is it that in India to-day all that we can boast of is the Imperial Bank of India with 164 branches, the last hundred having been started under pressure from the Central Legislature of the day? That is the question which worries many. It is true that this good, old country continues to roll on in spite

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of inadequate banking facilities. But can the Government, and should the Government, not do something to bring India into line with those other countries?

In the meantime, Sir, how does this country get on? Thanks to our great indigenous genius for banking purposes, we still have the enterprising Shikarpuri Multani from Sind, the indispensable but much abused Marwari from Rajputana and the successful Chetty from the south, who are the bankers of the masses of India. (Applause.) It is no use saying that either the Imperial Bank or any of the exchange banks or any of the indigenous banks, including my Honourable friend's Indian bank cater for or touch even a fringe of the masses of India. It is these three classes of people, and the Marwari, the most abused of them all, who really fill the want of the masses of India. I heard some Honourable Member saying in the course of this debate, "Eliminate the indigenous banker." I know my Honourable friend Dr. Hyder then modified it. He congratulated us that there were fewer of these men. I would like him to watch, look into it, and find out what replaced these indigenous bankers. What you want there is not elimination of these indigenous bankers, because any other system of banking would be much too costly for our poor masses. What you want is a healthy check over these indigenous bankers, more facilities for them so that they may be able to lend, not at 24 per cent. but, shall I say, at 7 per cent. (Hear, hear.) That is the question which I am sure my Honourable friend has in mind, and that is the question which I submit the Finance Member need not put off either for the report of the Agricultural Commission or for his Reserve Bank scheme, because whatever Reserve Bank may be established, Sir, it will not make this sort of finance available to the masses at their doors. We want to recognize that India cannot afford bank branches on the lines of the West: they are much too costly. With a manager, an assistant manager, a shroff, a Superintendent and a few chaprassis in your office, you can have no margin left for banking profit in the rural areas. You must leave the indigenous banker to play the useful part of his work, but you can put him under some sort of inducement so that he may lend money on more reasonable terms. If you fail in that, then support some substitute which will bring nearer to the peasant in the countryside the facilities for borrowing. But the first alternative must be tried whole-heartedly and sufficiently well. I do not wish, Sir, to take up more time of this House. I know that to say to my Honourable friend, "Put this off until after the Royal Commission on Agriculture has reported or put it off until after the Reserve Bank Bill has been put through" will only make the next Honourable Member within six months or a year who may be lucky with the ballot box to quote still one more reason, one more example how the Government sympathise with such a Resolution but put off action. I would put it to the Finance Member whether he cannot now see his way to make a start in the direction indicated by me, and I am sure that, if he agrees with the views which I have put forward—I see he does not because he shakes his head—and I put them forward after serious thought, for example, I have had some personal experience in this direction—I can assure him that this is what is at the back of the minds of Indians when they say, "We are not satisfied with banking facilities here".

One more word, Sir, and I have done. My Honourable friends wonder why there are fewer Indian-run banks. I do not wish to criticise only

one side. I wish to suggest to those who are keen to see Indian banks flourish whether from the history of the last 10—12 years they may not find that for the failure or the small number of Indian banks that we have, we, the investing part of the Indian public, in these concerns, are ourselves fairly responsible. The Indian investor, Sir, in banking institutions has proved to be childlike, over-suspicious, easily misled, and not treating these banking institutions with that seriousness and confidence which alone can give India successful banking institutions.

**Mr. President:** Honourable Members still desire to talk on this Resolution and I must adjourn at this stage.

The Assembly then adjourned till Eleven of the Clock on Monday, the 14th February, 1927.

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