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# LEGISLATIVE ASSEMBLY DEBATES

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## FIRST SESSION

OF THE

## THIRD LEGISLATIVE ASSEMBLY,

### 1927



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# LEGISLATIVE ASSEMBLY.

*Wednesday, 31st August, 1927.*

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

## QUESTIONS AND ANSWERS.

### BENGAL DETENUS.

651. **\*Mr. Gaya Prasad Singh** : Will Government kindly give the names of the Bengal detenus, and the provinces in which they are confined at present, together with a statement giving their weights when arrested, and their present weights ?

**The Honourable Mr. J. Crerar** : I will communicate to the Honourable Member the names of those persons at present detained in jail under the Bengal Criminal Law Amendment Act. I am afraid I cannot undertake to give the information asked for in the remaining part of the question.

**Diwan Chaman Lall** : May I ask the Honourable Member as to why he is not in a position to give the other information ?

**The Honourable Mr. J. Crerar** : Because I do not consider it would be to anyone's advantage to do so.

**Diwan Chaman Lall** : Does not the Honourable Member consider that it is to the advantage of this country that it should know how these detenus are being treated ?

**The Honourable Mr. J. Crerar** : I regret very much I cannot add to the answer I have already given.

**Diwan Chaman Lall** : May I ask the Honourable Member whether the real reason why he is not prepared to give the information is that these detenus are being very badly treated ?

**The Honourable Mr. J. Crerar** : No, Sir.

**Diwan Chaman Lall** : Has the Honourable Member any objection to telling us whether they have lost weight or not ?

**The Honourable Mr. J. Crerar** : I have already said that I regret I cannot add to the answer I have already given.

**Diwan Chaman Lall** : May I ask the Honourable Member whether he will give us any reasons why he cannot add to his answer.

**The Honourable Mr. J. Crerar** : I think I have already done so.

### RENTING OF PRIVATE BUNGALOWS AT DINAPORE BY THE EAST INDIAN RAILWAY FOR THEIR NON-INDIAN EMPLOYEES.

652. **\*Mr. Gaya Prasad Singh** : Is it a fact that the East Indian Railway authorities have rented private bungalows at Dinapore for the

accommodation of their non-Indian employees ? If so, what is the total amount of rent which is paid on this account per month ? Why is a similar privilege not extended to Indian employees ? If bungalows have been rented for the Indian employees, what is the total amount of rent per month ?

**Mr. A. A. L. Parsons :** The required information is being obtained and will be supplied to the Honourable Member on receipt.

**Diwan Chaman Lall :** May I ask when the Honourable Member received notice of this question and how long he has been taking to obtain this information ?

**Mr. A. A. L. Parsons :** I cannot say off hand when notice was received, but it would take a considerable time to collect the information asked for.

**Diwan Chaman Lall :** May I ask the Honourable Member whether he will be pleased to indicate when he instituted these inquiries ?

**Mr. A. A. L. Parsons :** As soon as the question came to me.

**Mr. Gaya Prasad Singh :** Will this information be laid on the table ?

**Mr. A. A. L. Parsons :** I expect the statement will be much too long. But if there is any desire in the House as a whole to have the information, I am quite prepared to put a copy of it in the Library.

#### REMEDYING OF DEFECTS AT BAIDYANATH DHAM ON THE EAST INDIAN RAILWAY.

653. **\*Mr. Gaya Prasad Singh :** (a) Are Government aware that Baidyanath Dham (East Indian Railway) is an important place of pilgrimage and also a health resort, and is visited by a large number of pilgrims and visitors ?

(b) Is it a fact that there is no raised platform at the station, and that this is a source of considerable inconvenience and danger to the passengers, specially women and children ; and that there is no waiting room either for male or female passengers ?

(c) Is it also a fact that there are no arrangements for drinking water, and the lights during the night are insufficient both in the trains and at the station, which causes accidents, and risks of accidents and thefts ?

(d) Do Government propose to take the necessary action to remedy the defects complained of ?

**Mr. A. A. L. Parsons :** I am bringing the suggestions in the Honourable Member's question to the notice of the Agent, East Indian Railway.

#### MOHMAND DISTURBANCE ON THE FRONTIER.

654. **\*Mr. Gaya Prasad Singh :** (a) Will Government kindly give the causes and an account of the Mohmand disturbances on the Frontier in June last, and the part played by the land force and the Royal Air Force in suppressing them ?

(b) What was the number of casualties on both sides ?



**Sir Denys Bray :** The origins of the Mohmand disturbance are obscure. But they appear to be traceable to a concerted aggressive movement against the Maliks of certain loyal sections under the sustained agitation of a well-known Mullah. Their unexpected resistance brought a rival Mullah upon the scene, whose fanatical preaching succeeded in assembling a tribal lashkar, twelve to fifteen hundred strong. It crossed the administrative border on the night of June 5th and attacked the blockhouse line, despite clear warnings from us that any attack on the district would be at once met by bombing from the air. Orders were accordingly given to the Royal Air Force to disperse the lashkar; and within 36 hours they did so. This striking success was achieved with surprisingly few casualties. The lashkar lost, it is believed, 15 killed and 16 severely wounded. The Royal Air Force had no casualties at all. Ground troops were held in readiness at Shabkadar and Shankargarh, but owing to the rapid dispersal of the enemy it was not found necessary to bring them into action.

**Diwan Chaman Lall :** Is it the policy of the Government of India that they should use aeroplanes to bomb men who are not in a position to resist with equal force the forces of the British Government?

**Sir Denys Bray :** Certainly, Sir, if they attack the British Government.

**Diwan Chaman Lall :** May I ask whether it is a civilized method to employ against these unarmed people?

**Sir Denys Bray :** My Honourable friend is under a complete misapprehension if he thinks a tribal lashkar is unarmed. And I would point out at any rate in this particular case that the operations were amazingly humane. The casualties, as I said, were amazingly few. I have never known myself a tribal lashkar of this size attacking British India and being dispersed with so few casualties on their part.

**Mr. Gaya Prasad Singh :** I do not wish to ask question No. 655.  
†655.\*

**NUMBER OF TIMES THE POWERS OF VETO AND CERTIFICATION HAVE BEEN USED SINCE THE INTRODUCTION OF THE REFORMS.**

656. **\*Mr. Gaya Prasad Singh :** Will Government kindly state how many times the powers of veto and certification have been used since the introduction of the Reforms, with respect to the actions of the Legislative Assembly and the Council of State separately, and the occasions on which the powers were used?

**Mr. W. T. M. Wright :** Under the head "Powers of Veto" I understand the Honourable Member to refer, first, to the power conferred on the Governor General by sub-section (2-a) of section 67 of the Government of India Act to direct that no proceeding shall be taken by a Chamber of the Indian Legislature in relation to a Bill, clause or amendment which affects the safety or tranquillity of British India or any part thereof, and, secondly, to the power of the Governor General to withhold assent from a Bill passed by both Chambers of the Indian Legislature. No use has been made of either of these powers. The power of certification conferred by section 67B of the Act has been used on four occasions, particulars of which will be found in the statement which I lay on the table.

*Statement of cases in which the power of certification under section 67 B has been used.*

Serial No.	Name of Bill.	Occasion for use of Power.
1	The Indian States (Protection against Disaffection) Bill, 1922.	Refusal by Legislative Assembly of leave to introduce.
2	The Indian Finance Bill, 1923 ..	Failure by Legislative Assembly to pass Bill in form recommended by Governor General.
3	The Indian Finance Bill, 1924 ..	Ditto.
4	The Bengal Criminal Law Amendment (Supplementary) Bill, 1925.	Ditto.

#### PUBLICATION OF THE REPORT OF THE SUB-COMMITTEE OF THE SKEEN COMMITTEE.

657. **\*Mr. Gaya Prasad Singh :** Will Government kindly state why the report of the Sub-Committee of the Skeen Committee, which visited Europe, etc., has not yet been published, and when will it be available ?

**Mr. G. M. Young :** The Honourable Member is referred to the answer which I gave to Pandit Hirday Nath Kunzru's starred question No. 512.

**Diwan Chaman Lall :** May I ask the Honourable Member whether any one of those witnesses who came before the Sub-Committee said that the evidence they were giving was confidential ?

**Mr. G. M. Young :** That has been answered by me already. No witness said so to the Sub-Committee.

**Diwan Chaman Lall :** May I ask the Honourable Member what objection the Government of India could have to the publication of the evidence ?

**Mr. G. M. Young :** It is not a question of the Government of India's objection but of the authorities under whom those official representatives served, that is, His Majesty's Government.

**Diwan Chaman Lall :** May I ask the Honourable Member whether it is not a fact that this is a report of a Sub-Committee appointed by the Government of India, and that the Government of India are perfectly competent to issue this report if they so desire ?

**Mr. G. M. Young :** It is not a fact that the Sub-Committee was appointed by the Government of India.

**Diwan Chaman Lall :** May I ask whether it is not a fact that the Sub-Committee is a Sub-Committee of a Committee appointed by the Government of India, and that therefore the Government of India are perfectly within their rights in publishing the evidence if they so desire ?

**Mr. G. M. Young :** That, Sir, is perfectly true.

**Mr. A. Rangaswami Iyengar :** May I know, Sir, who was the authority that intimated to the Government of India or to the Skeen Committee the procedure that they should not disclose the information that was submitted to them and who acquiesced in it ?

**Mr. G. M. Young :** The fact intimated to the Government of India was that certain material laid before the Sub-Committee was confidential.

**Mr. A. Rangaswami Iyengar :** I want to know who is the authority that said that it should be treated as confidential.

**Mr. G. M. Young :** The authority was His Majesty's Government.

**Diwan Chaman Lall :** May I ask the Honourable Member whether, if it were a fact that the material was confidential, the witnesses themselves would have said so ? Have they said so ?

**Mr. G. M. Young :** I have already twice informed the House that the witnesses did not say so to the Sub-Committee, as far as I am aware.

**Diwan Chaman Lall :** Is it a fact that the Sub-Committee itself recommended publication and that they are the best judges in this matter ?

**Mr. G. M. Young :** The first part of the question, Sir, I have already answered. The second is a matter of opinion.

**Mr. A. Rangaswami Iyengar :** May I know if the Sub-Committee was informed that His Majesty's Government had decided that this material should be treated as confidential, and that therefore they should not do anything to get it published ?

**Mr. G. M. Young :** They were not so informed.

**Pandit Hirday Nath Kunru :** May I ask whether it is not a fact that this question relates to the report of the Sub-Committee, and that the Home Government objected only to the publication of the proceedings without their consent ?

**Mr. G. M. Young :** No, Sir. I have already given very full information, on all these questions. The Home Government, referring to the material laid before the Sub-Committee, said that it was confidential, and, as regards the publication of the report, the Government of India, in consultation with the Home Government, decided not to publish the report.

**Pandit Hirday Nath Kunru :** Do I understand that the Government of India then also objected to the publication of the report and not merely the Secretary of State for India ?

**Mr. G. M. Young :** Sir, I cannot disclose the details of the discussion. The fact is that, as the result of a consultation with the Secretary of State for India, the Government of India decided not to publish the report.

**Pandit Hirday Nath Kunru :** May I ask whether it is not a fact that the entire responsibility for the non-publication of the report does not rest with the Home Government ?

**Mr. Gaya Prasad Singh :** Is it a fact that the publication of the Sub-Committee's report will be damaging to the Government case ?

INSPECTIONS OF COMBINED OFFICES IN THE GAYA DIVISION BY THE SUPERINTENDENT OF POST OFFICES AND THE TELEGRAPH TRAFFIC OFFICER.

658. \***Mr. Gaya Prasad Singh :** (a) With reference to question No. 97 of the 9th February 1925, will Government be pleased to state the number of inspections of combined offices, made by the Superintendent of

**Post Offices, and the number of inspections made by the Telegraph Traffic Officer in the Gaya Division (Bihar and Orissa) in 1926-27 ?**

(b) Will Government be pleased to give the names of those combined offices in Bihar and Orissa which are not required to be inspected at all by a Superintendent of Post Offices ? And is it not a fact that even important combined offices like Gaya, Ranchi, Jamshedpur, etc., are also required to be inspected at least once in a year by the Superintendent of Post Offices ?

**Mr. H. A. Sams :** (a) 15 by Superintendents of Post Offices. 3 by the Deputy Postmaster-General, Traffic.

(b) A list will be given to the Honourable Member. This is a list of single-handed combined offices which are ordinarily inspected by Postal Inspectors and, if the necessity arises, by a Postal Superintendent.

The reply to the latter part of the question is in the affirmative.

#### **DISTRIBUTION OF TELEGRAPH TRAFFIC WORK AMONG THE SUPERINTENDENTS OF POST OFFICES.**

659. **\*Mr. Gaya Prasad Singh :** (a) Is it not a fact that all Telegraph Traffic work originating in a circle office is distributed from there among the Superintendents of Post Offices for action and report ? If so, what arrangements are there in the Divisional offices for dealing with such cases ? Does not a separate section for Telegraph Traffic work exist in each circle office for the disposal of the very work, which is actually distributed among the Superintendents of Post Offices ?

(b) Do Government propose to take any steps either to check the distribution of Telegraph Traffic cases among the Superintendents of Post Offices, or to provide at least one clerk with Telegraphic Traffic qualifications in each Divisional office for dealing with such Traffic cases ?

**The Honourable Sir Bhupendra Nath Mitra :** (a) The fact is not as stated. Only cases calling for local enquiry are so distributed.

The staff of the Divisional Offices is calculated with reference to all the work, both postal and telegraph, which has to be dealt with.

The system of maintaining a separate section for telegraph traffic work in each Circle office is being abolished.

(b) Government do not admit the tendency referred to nor do they propose to make the provision suggested.

#### **RATES OF ANNUAL INCREMENTS OF SUPERINTENDENTS OF POST OFFICES AND FIRST CLASS POSTMASTERS.**

660. **\*Mr. Gaya Prasad Singh :** (a) With reference to question No. 315 of the 7th February 1927, will Government kindly state if the rates of annual increment in the pay of Superintendent of Post Offices, and first class Postmasters were not the same from 1910 to 1925 ?

(b) Is it not a fact that when the time-scale of pay was introduced, the same rates of annual increments were fixed in the pay of both classes of officers ?

(c) On what grounds have increments of Rs. 30 for first class Postmasters and Rs. 20 for Superintendent of Post Offices now been sanctioned ?

(d) Has there been any increase or decrease in the responsibilities and work of the two classes of officers owing to which the present differential rates of increment have been introduced ?

(e) Is it not a fact that a Superintendent of Post Offices has to inspect a much larger number of offices, and to control a much larger number of subordinates than first class Postmaster, but still the former gets the lower rate of increment, and the latter gets the higher rate of increment in the pay ?

(f) Is it not a fact that all first class Postmasters get free quarters, whereas Superintendents of Post Offices have to pay rents for their quarters ?

(g) Do Government propose to consider the question of equalizing the rates of increment in the pay of the two classes of officers ? If not, why not ?

**The Honourable Sir Bhupendra Nath Mitra :** (a) They were not the same.

(b) No.

(c) The increment in the scale for the first class Postmasters was raised from Rs. 20 to Rs. 30 in consideration of the fact that Postmasters do not usually attain gazetted rank until late in their service and in consequence very few of them could expect to rise to the maximum of the old scale.

The posts of Superintendents are filled partly by direct recruitment from outside the Department and partly by selection from the subordinate ranks, and generally speaking the incumbents of these posts pass the whole or greater part of their service therein. In these circumstances it is obvious that the scale of pay appropriate to Superintendents can have no relation to that sanctioned for gazetted Postmasters. It may be pointed out that the increment in the Superintendents' scale is Rs. 20 in the earlier and Rs. 25 in the later years of service.

(d) No.

(e) Generally speaking yes, but there are exceptions.

(f) Yes, because first class Postmasters are required to live on the post office premises in the interests of the service.

(g) No. The existing scales of pay were fixed by Government after a careful review of all the circumstances of the two classes of officers.

#### HAJ PILGRIMS.

**661. \*Khan Bahadur Makhdum Syed Rejan Bakhsh Shah :** (a) Will the Government please state the number of the Hadjis who are British subjects and went to the pilgrimage this year, and how many of them came back to the Indian shores ?

(b) Will the Government please state the number of the Hadjis who are British subjects and perished on account of scarcity of water and other hardships of the journey ?

(c) What steps do Government propose to take to draw the attention of the Government of the Hedjaz to remove these inconveniences in future ?

**Sir Denys Bray :** (a) 27,568 Indian pilgrims sailed from Indian ports. The return sailings are still incomplete, but so far some 20,000, of whom the bulk are Indians, have returned to India.

(b) The mortality among Indian pilgrims is reported to have been 1,800 or a little over 6 per cent. About 200 of these are believed to have perished at Mina, where shortage of water was reported ; death was due in almost all cases to senile debility or heat prostration, the shade temperature during the actual Haj being 124°. High though the death rate on this year's pilgrimage, it is understood to be among the lowest on record.

(c) His Majesty's Consul is continuously on the watch for opportunities to further the interests of Indian pilgrims.

**Mr. K. Ahmed :** What more facilities do Government propose to offer to British subjects going on pilgrimage ?

**Sir Denys Bray :** I am not sure that I have followed the gist of the Honourable Member's question ; but so far as facilities on the journey to and from the Hedjaz are concerned, perhaps he will address his remarks to my Honourable friend Mr. Dalal.

†662.\*

**GRANT OF SPECIAL ALLOWANCES, CORRESPONDING IN AMOUNT TO THE OVERSEAS ALLOWANCES DRAWN BY OFFICERS OF NON-INDIAN DOMICILE, TO INDIAN OFFICERS OF THE SOUTH INDIAN RAILWAY.**

663. \***Mr. M. S. Sesha Ayyangar :** With reference to the Overseas allowances first introduced in the scales of superior officers sanctioned in 1919-20 :

Will the Government be pleased to state :

- (a) On what principle the Government allowed to Indian officers already in service at the time on State Railways the same rates of rupee overseas pay as were sanctioned to officers of European domicile on the same scales and with the same service ;
- (b) Whether, if the Government are satisfied that the principle followed by them is fair and equitable, they issued clear and definite instructions to the Company-worked Railways, when they sanctioned revised scales of pay with overseas allowances for those Railways, that the same principle should be followed in respect of rupee overseas pay to Indian officers, at least in those cases where the conditions of service for Indian and European officers were similar to those on State Railways ;
- (c) Whether on the South Indian Railway in fixing the initial rate of pay of the various officers under the revised scales of 1920 with overseas allowance, the rate of pay was shown in the figure without showing basic pay and overseas pay separately ;

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† Not put at the meeting, but the question and answer to it will be found at page 3732 of these proceedings.

- (d) In the absence of a clear indication as stated above, whether or not initial pay included overseas pay in individual cases, what principle was followed by the South Indian Railway in fixing the initial pay of Indian and European officers respectively with reference to overseas allowance ;
- (e) Whether in connection with the acting pay drawn by certain Indian officers acting in the District grade, the Government Examiner, the Agent, and the Home Board decided after a full discussion of the subject that the pay drawn under the revised scale by Indian officers in service prior to 1920 did *not* include any element of overseas allowance ;
- (f) Whether it is a fact that on a subsequent representation from the Agent in 1922, the Home Board sanctioned in the case of Indian officers already in the service of the South Indian Railway Company, at the time of the introduction of the new scales, the grant of special allowances with effect from 1st January 1920 corresponding in amount to the overseas allowances drawn by officers of non-Indian domicile ;
- (g) Whether when the allowances had been drawn by the Indian officers, the Home Board ordered a retrenchment of a portion of the amount drawn, on the ground that the initial pay already fixed for the Indian officers under the revised scales included an element of the overseas allowance, though this ruling was in direct contravention of the ruling of the Board on the same subject referred to in question (e) above ;
- (h) What were the amounts retrenched in each case and the method of recovery adopted ;
- (i) Whether it is a fact that during the previous revision of the scales of superior officers in 1908-09 certain European officers of the Medical Department whose initial pay had been admittedly by an error notified in excess were allowed to draw the increased rate of pay though the error had been detected before (and not after as in the present case) it had been actually drawn ?

**Mr. A. A. L. Parsons :** (a) As prior to the introduction of the overseas pay the European and Indian officers in the Railway Services were drawing the same scales of pay, it was considered that Indian officers in service, at the time overseas pay was introduced, should be granted overseas pay or its equivalent.

(b) The Government Resolutions on the subject were communicated to the Company-worked Railways.

(c) The scales of pay sanctioned for the different classes of officers of the South Indian Railway showed basic and overseas pay separately.

(d) Officers of non-Asiatic domicile were granted pay on the scale applicable to such officers. Indian officers, in service at the time these rates of pay were introduced, were granted the rates of pay of their substantive grades on the scale applicable to officers of non-Asiatic domicile.

(e) to (i). Government have no information.

**ARREST OF SARDAR DIWAN SINGH, EDITOR OF THE *Riyasat* OF DELHI.**

664. \*Mr. B. Das : (a) Has the attention of the Government been drawn to the recent raid made on the office of the *Riyasat*, an Urdu newspaper at Delhi, and the arrest of Sardar Diwan Singh, the editor of the paper at the instance of the Patiala State and his subsequent release by the Special Magistrate at Delhi, the details of which are published in the *Hindustan Times* of July 29, 1927 ?

(b) Is it a fact that the alleged offence for which Sardar Diwan Singh was arrested had taken place thirteen years ago when he borrowed Rs. 300 from a private individual ?

(c) Is it a fact that such proceedings were taken before a formal complaint was lodged in a judicial court either in Patiala or in British India ?

(d) Will Government be pleased to state if the Magistrate of Delhi permitting this police search and arrest satisfied himself that a court of law in the Patiala State had taken cognisance of the offence ?

The Honourable Mr. J. Orerar : With your permission, Sir, I propose to answer this and the next question together.

(a) Government have seen the report referred to.

(b) The alleged offence took place in January 1916.

(c) No complaint was lodged in the Delhi Province, the offence alleged being in the Patiala State. Government have no information as to the proceedings in the Patiala State.

(d) The permission of the Magistrate was not required, the procedure followed being that laid down in Rule 26-7 of the Punjab Police Rules, 1915.

**EXTRADITION PROCEEDINGS AGAINST SARDAR DIWAN SINGH, EDITOR OF THE *Riyasat* OF DELHI.**

665. \*Mr. B. Das : Have extradition proceedings been started before any Magistrate at Delhi against Sardar Diwan Singh ?

The Honourable Mr. J. Orerar : The answer is in the negative.

Mr. M. S. Sesha Ayyangar : With regard to No. 664 (c), is it a fact that the complaint was lodged three years ago ?

The Honourable Mr. J. Orerar : I have no information to that effect.

Mr. M. S. Sesha Ayyangar : As regards 665, is it a fact that Colonel Vincent refused extradition proceedings three years ago for the same criminal complaint ?

The Honourable Mr. J. Orerar : With regard to that also, I have no information.

Pandit Hirday Nath Kunru : May I ask whether the Honourable Member saw a statement to the effect in the papers ?

The Honourable Mr. J. Orerar : No, Sir.

Mr. Gaya Prasad Singh : Is it not a fact that Sardar Diwan Singh wrote a series of articles against the Patiala State in the newspapers ?

The Honourable Mr. J. Orerar : I have heard the allegation.



**U. Tok Kyi :** What is the nature of the offence committed by Sardar Diwan Singh ?

**The Honourable Mr. J. Orerar :** I am not prepared to say that any offence was committed by him.

**U. Tok Kyi :** May I ask, Sir, if he is not a British subject ?

**The Honourable Mr. J. Orerar :** I am not aware of that.

**Mr. A. Rangaswami Iyengar :** May I know, Sir, if, having obtained the information that a search warrant had been issued, the Government will now enquire whether there is any attempt to start extradition proceedings against this person ?

**The Honourable Mr. J. Orerar :** I do not think it necessary to make any enquiry as to whether there is any intention to take extradition proceedings. If the authorities of the Patiala State propose to take extradition proceedings, they will doubtless do so according to law.

**Diwan Chaman Lall :** May I ask if it is a fact that three years ago similar proceedings were taken and extradition was refused ? Would the Honourable Member not interfere in this matter now and protect the rights and liberties of a British subject ?

**The Honourable Mr. J. Orerar :** I must point out to the Honourable Member that extradition proceedings may involve proceedings of a judicial character. The Honourable Member seems to invite executive interference in proceedings of a judicial character.

**Diwan Chaman Lall :** May I ask the Honourable Member whether it is not a fact that no judicial proceedings were taken against Sardar Diwan Singh and that the search took place without any materials being placed before the Magistrate ? Therefore it lends colour to the allegation that it is executive action and not judicial action that has taken place in this case.

**The Honourable Mr. J. Orerar :** The Honourable Member seems to be confusing search proceedings and extradition proceedings.

**Diwan Chaman Lall :** All that I am driving at is this. May I ask whether it is not clear to the Honourable Member, as it is clear to me, that since no actual judicial proceedings were taken or alleged to have been taken that action was taken against Diwan Singh ? Therefore it lends colour to the allegation that it was executive action and not judicial action that was taken.

**The Honourable Mr. J. Orerar :** I think that is more an argument than a question.

†666\*—671.\*

#### ISSUE OF PASSES OVER THE EAST INDIAN RAILWAY DURING CHRISTMAS.

672. \***Pandit Hirday Nath Kunaru :** (a) With reference to the reply given to question 1192 (b) on the 25th March 1927 that there is no religious differentiation with regard to the issue of passes during Christmas on the East Indian Railway are Government aware that the Agent of

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† Not put at the meeting, but the questions and answers to them will be found at pages 3732—34 of these proceedings.

the East Indian Railway issued a circular in October, 1926, to the Agents of other railways that " the issue of second, intermediate and third class free passes to Indian employees—other than Indian Christians—for journeys over this railway between the 14th of December, 1926 and 14th of January, 1927, inclusively, should be withheld " ?

(b) Did the Agent of the East Indian Railway state in the above mentioned circular that " any applications for passes to non-Christian Indians in urgent or exceptional cases should be referred to this office with a statement of the special circumstances of the case " ?

(c) Was it further stated in the circular that " a special restriction will be imposed on applications from the Indian staff of this Railway for passes over your railway for the period under reference " ?

(d) Is it a fact that this circular is renewed every year ?

(e) Is it a fact that there is another circular which prohibits the issue of passes during Christmas for pilgrimages ?

(f) Were these circulars issued with the knowledge or consent of Government ?

(g) What were the reasons which made the East Indian Railway, which is a Government line, take the lead in suggesting religious discrimination in the issue of passes during Christmas ?

(h) Do Government propose to take any steps and, if so, what steps to convey its displeasure to the Agent of the East Indian Railway and to stop the practice of giving preference to Christian over Hindu and Muhammadan employees ?

**Mr. A. A. L. Parsons :** (a), (b), (c) and (e). Government have ascertained that the East Indian Railway Administration issued the circular letter mentioned to all railways, with which they interchange passes, regarding the issue by those railways of passes at Christmas to their employees over the East Indian Railway, and since the East Indian Railway had applied this restriction to other railways they imposed a similar restriction on their own employees wishing to travel on other lines. The reply given to the Honourable Member's previous question related to the issue of passes at Christmas time to East Indian Railway employees only for journeys over the East Indian Railway only and not over foreign lines, and I regret that this was not explained at the time, as it was not then known to Government. The exact position is that in view of the heavy public traffic over the East Indian Railway at Christmas time, East Indian Railway employees, whatever their religion, cannot get passes over the East Indian Railway unless the issuing officers are fully satisfied that the withholding of a pass to any individual during this period would cause real hardship ; and it is in this connection that the reference to pilgrimages in the Agent's notification, mentioned in part (e) of the Honourable Member's question, which is applicable only to the East Indian Railway, occurs. That is to say, a mere assertion that an employee wishes to go on a pilgrimage will not justify the issue of a pass unless the individual can show that refusal of a pass would be causing him real hardship. Further, the employees of other railways can, under the first circular mentioned in the Honourable Member's question, only get passes at Christmas time over the East Indian Railway if they are Indian Christians or if the Agent of the East Indian Railway in urgent or exceptional cases agrees to their

grant ; and employees of the East Indian Railway can only get passes over other railways on the same condition.

(d) Yes.

(f) No.

(g) and (h). I do not think this restriction on passes in the interests of the public travelling over the East Indian Railway can be described as religious discrimination. It is no doubt unfortunate that it should not be possible to give to Indian Christians the same facilities for visiting their relations or families at the time of their great religious festival as it is ordinarily possible to grant to the members of other religions on similar occasions ; but the grant of passes must be subordinated to the needs of the travelling public.

**Pandit Hirday Nath Kunru :** May I ask, Sir, whether the Agent of the East Indian Railway informed Government that there was such a circular in existence when he told them with reference to the question I asked in March last that no religious discrimination was made in the issue of passes.

**Mr. A. A. L. Parsons :** No, Sir, because he was not asked for that information. The Honourable Member's previous question referred to the issue of passes by the East Indian Railway. This particular mention of Indian Christians occurs merely in a circular letter regarding the issue of passes not by the East Indian Railway but by other railways to the employees of those other railways. The answer given before by the East Indian Railway, and the answer given in the House either by me or by Sir Charles Innes was quite correct ; though had we had the information at that time that it only referred to local passes, we should of course have given that information to the House.

**Pandit Hirday Nath Kunru :** Does the Honourable Member mean to say that, while the East Indian Railway itself makes no religious discrimination, it asks other railways to discriminate between Christian and non-Christian employees ?

**Mr. A. A. L. Parsons :** Yes, Sir. It withdraws during Christmas time, for traffic reasons, particular concessions to the non-Christian employees of other railways which are in force during other periods of the year.

**Pandit Hirday Nath Kunru :** Is the Honourable Member aware that the previous question of mine to which he has referred asked only whether religious discrimination was made in the issue of passes to non-Christian employees during Christmas and not at other times ?

**Mr. A. A. L. Parsons :** The previous question to which the Honourable Member refers was as follows :

" Is it a fact that the *East Indian Railway* does not issue passes to non-Christian employees during Christmas ? "

**Pandit Hirday Nath Kunru :** Does the East Indian Railway, then, generally refrain from giving passes to its non-Christian employees during Christmas or not ?

**Mr. A. A. L. Parsons :** The East Indian Railway, as I have explained, generally refrains from giving passes either to its non-Christian or to its Christian employees during Christmas time.

**Pandit Hirday Nath Kunru :** Does the circular state that or does it only single out non-Christian employees for that treatment ?

**Mr. A. A. L. Parsons :** The circular does not mention any distinction between the Christian and non-Christian employees. It runs as follows :

" In view of the heavy demand for passenger accommodation in the Railway's mail, express and passenger trains during the Christmas holidays, the issue of free passes to Railway servants, their families or dependants between now and the 5th of January should only be made when issuing Officers are fully satisfied that the withholding of passes during this period would cause real hardship. Passes required merely for the purpose of sight-seeing or pilgrimages during this period should not be given."

The Honourable Member will observe that no distinction is drawn in this circular between Christian and non-Christian employees of the East Indian Railway in the issue of passes by the East Indian Railway.

**Pandit Hirday Nath Kunru :** May I ask the Honourable Member, Sir, whether in reply to my question he did not accept the accuracy of the quotation that I gave in part (a) of my question, and may I ask him the date of the circular from which he has read out just now ?

**Mr. A. A. L. Parsons :** In reply to part (a) of the Honourable Member's question to-day, I admitted the accuracy of the quotation given in his question and explained that it occurred in a circular relating to the issue of passes not by the East Indian Railway but by other railways to the employees of those railways. The date of the circular I have just read out to the House is the 18th December 1926.

**Pandit Hirday Nath Kunru :** How is it, then, that during Christmas, while the East Indian Railway asked other railways to discriminate between Christians and non-Christians, it subsequently issued a circular which does not mention non-Christians specifically ? Is it not to be inferred from it that the policy to be acted upon is the one mentioned in the circular issued in October 1926 from which I have quoted in my question ?

**Mr. A. A. L. Parsons :** I think, Sir, it will really be better if the Honourable Member will wait and see my reply in print. The position is exactly as I have explained it. Passes are withdrawn, except when real hardship is caused, from all employees of the East Indian Railway during Christmas time over their own railway. The withdrawal is not extended—I expect partly from motives of courtesy—to the Indian Christian employees of the other railways who can ordinarily grant passes over the East Indian Railway. I can only say that the Railway Board regret the necessity for this discrimination, if it can be called discrimination, against Indian Christians who, on their own railway, are not able to get those facilities at the time of their big religious festival which members of other religions can ordinarily get, because their religious festivals do not fall during a period of heavy traffic.

**Pandit Hirday Nath Kunru :** Do the Railway Board, then, approve of this circular ?

**Mr. A. A. L. Parsons :** Yes, Sir.

**Pandit Hirday Nath Kunru :** May I ask whether any restrictions are imposed on Christian employees at any time of the year ?

**Mr. A. A. L. Parsons :** I hope no restrictions are imposed on Christian or other employees of the railways except when the exigencies of traffic need them. I am perfectly sure that if the East Indian Railway found that the requirements of traffic at, say, the time of the Puja holidays

made it impossible for them to issue passes in the ordinary way to all the servants of the railway, the restriction would be applied last to their Hindu employees.

**Pandit Hirday Nath Kunru :** May I know, Sir, whether Government have agreed to the policy of restricting the grant of passes only to non-Christian employees during Christmas and whether they think that there is no time of the year when restrictions should be imposed on other than non-Christian employees ?

**Mr. A. A. L. Parsons :** There is no policy of restricting the grant of passes to non-Christians during the Christmas holidays. I am afraid I have not been able to understand the Honourable Member's question.

OAKGROVE SCHOOL, MUSSOORIE.

**678. \*Pandit Hirday Nath Kunru :** (a) Do Government maintain the Oakgrove European School (Mussoorie) ?

(b) Is it meant exclusively for the children of the Christian employees of the East Indian and North Western Railways, or can children of non-Christian Indian employees of any class be admitted into it ?

(c) What is the total expenditure incurred on the school ?

(d) What is the scale of fees charged to its pupils ?

(e) Does the school submit any report periodically to Government ?

If so, will Government be pleased to lay the latest report received by it on the table ?

**Mr. A. A. L. Parsons :** (a) Yes.

(b) It is meant mainly for the children of European and Anglo-Indian employees of the East Indian and North Western Railways.

(c) The gross recurring expenditure in 1925-26 was Rs. 2,85,860. The Local Government contributed Rs. 29,000 towards this expenditure and the receipt from fees and other sources amounted to Rs. 1,51,452. The net expenditure was Rs. 1,34,408.

(d) A statement showing the scale of fees is placed on the table.

(e) No report is now submitted to Government.

*Statement showing the scale of fees at Oakgrove School.*

The children of employees of the East Indian Railway are charged according to the following scale :

Children of parents.	One child Rs.	Two children Rs.	Three children Rs.	Four children Rs.	Each additional child Rs.
On pay of Rs. 210 and under	14	26	36	45	9
On pay of Rs. 211 to Rs. 324	19	34	48	60	12
On pay of Rs. 325 and over..	21	37	52	66	14

The boarding and tuition fee of children of employees of other Railways is Rs. 49 and for non-railway children Rs. 50.

**Kumar Ganganand Sinha :** May I know, Sir, why are Indian students not admitted in this school ?

**Mr. A. A. L. Parsons :** It was not the purpose for which the school was originally started. I may add that proposals with regard to the future utilization of this school are, I believe, contained in the report of the Educational Officer on special duty in the Railway Board, which I have just received but have not yet had time to read.

**Pandit Hirday Nath Kunru :** May I ask whether the Government would now call for a report in view of the large expenditure which is incurred from Government funds on this school ?

**Mr. A. A. L. Parsons :** I do not think it is necessary to call for a report from the school. We can wait till it is decided how the school should be utilised in future.

**Pandit Hirday Nath Kunru :** Is the objection of the Government based on the fact that full information is given in the annual railway report ?

**Mr. A. A. L. Parsons :** There is, I think, no objection on that ground. The reason is that there is no particular ground why the Railway Board should ask for a specific report from this school.

**Pandit Hirday Nath Kunru :** May I ask whether there is any proposal under consideration for opening this school to the sons of Indian employees who are willing to pay the necessary fees ?

**Mr. A. A. L. Parsons :** I have explained that certain proposals have been made, I understand, in the report of the Educational Officer who is on special duty under the Railway Board. I have only just received the report and have had no time to read it.

#### EDUCATION OF THE CHILDREN OF RAILWAY EMPLOYEES.

674. **\*Pandit Hirday Nath Kunru :** (a) When is the report of the officer appointed to inquire into the facilities for the education of children of railway employees expected ?

(b) Is it a fact that the authorities of the railway schools have been given no opportunity of expressing their views in regard to the future of those schools ?

(c) Are Government aware that there is an apprehension in the minds of the Indian staffs of these schools that their position may deteriorate considerably as a result of the enquiry referred to above and the procedure adopted by the investigating officer ?

**Mr. A. A. L. Parsons :** (a) The Railway Board have just received it.

(b) They have not so far been consulted.

(c) The Railway Board have no reason to believe that this is so.

**Pandit Hirday Nath Kunru :** Will the Government before taking action on the report consult the teachers in Indian schools who will be affected by it ?

**Mr. A. A. L. Parsons :** Probably not, Sir ; but I really cannot say.

**Pandit Hirday Nath Kunzru :** Would the Honourable Member kindly repeat the answer that he has given just now ?

**Mr. A. A. L. Parsons :** Probably not ; but I cannot say.

**Pandit Hirday Nath Kunzru :** May I ask whether there is any particular ground for not consulting them or for not giving an opportunity to them to make representations to Government ?

**Mr. A. A. L. Parsons :** It is not usual to consult, on a matter of policy, officers who on the whole are in a subordinate position.

**Pandit Hirday Nath Kunzru :** Is it not a fact that in other Departments of Government when any service is affected, that service is given an opportunity of making its point of view known ?

**Mr. A. A. L. Parsons :** I cannot speak for the Departments of Government except my own.

**Pandit Hirday Nath Kunzru :** Is that policy foreign to the Railway Department ?

†675\*—678\*.

#### ALLOWING OF DOOLIES ON THE VARIOUS PLATFORMS AT DELHI JUNCTION.

679. \***Mr. Ismail Khan :** Why are not 'Doolies' allowed on the various platforms of Delhi Junction ? Are the Government aware that it is a source of great inconvenience to *purdahnashin* ladies ? Do the Government intend to remove this grievance ?

**Mr. A. A. L. Parsons :** The Honourable Member is referred to the answer given in this Assembly on the 27th January 1927 to question No. 51, asked by Maulvi Muhammad Yakub on the same subject.

#### PROVISION OF A REFRESHMENT ROOM AT MEERUT CANTONMENT STATION.

680. \***Mr. Ismail Khan :** Why is there not a proper refreshment room at Meerut Cantonment station, although mail and express trains pass through it.

**Mr. A. A. L. Parsons :** The question of providing refreshment rooms is a matter for the Agent of the Railway to whom a copy of the Honourable Member's question and this reply is being sent.

#### PROVISION OF BENCHES MARKED FOR EUROPEANS ONLY IN MEERUT CANTONMENT STATION.

681. \***Mr. Ismail Khan :** (a) What is the reason for keeping benches marked " for Europeans only " in Meerut Cantonment station ?

(b) Do Government intend to remove such distinction ?

† Not put at the meeting, but the questions and answers to them will be found at pages 3734—36 of these proceedings.

**Mr. A. A. L. Parsons :** The matter is being brought to the attention of the Agent of the Railway with a view to the removal of any such discrimination, if it exists.

†682°—684°.

**ADMISSION OF STUDENTS WHO HAVE PASSED THE HIGH SCHOOL EXAMINATION  
IN DELHI TO THE GOVERNMENT COLLEGE, AJMER.**

**685. \*Rai Sahib Harbilas Sarda :** (a) Are Government aware that the prospectus of the Delhi University states that the University will examine candidates from Ajmer-Merwara, Ambala and Rajputana for the Matriculation Examination, and that the students from Ajmer-Merwara acting on the provisions of the prospectus sat for and passed the Matriculation Examination of the Delhi University this year ?

(b) Are Government aware that Ajmer-Merwara and Rajputana are under the United Provinces Intermediate Education Board for the Intermediate Examination ?

(c) Are Government also aware that the United Provinces Intermediate Board have refused to allow these students to join the First Year College Class in the Government College, Ajmer, though the Board rules say (Chapter XIV—paragraph 4, Allahabad University Calendar) that students who have passed the Matriculation Examination of the Delhi University, may, after reading one year in a Delhi College, be admitted to the Second Year College Class in the Government College, Ajmer ?

(d) Are Government prepared to remove this disqualification and move the United Provinces Intermediate Education Board to permit the Government College, Ajmer, to admit now into its First Year Class, students who have passed the Delhi Matriculation Examination and not compel them to read for one year in a Delhi College before they are admitted into the Second Year College Class of the Ajmer Government College ?

**Mr. A. R. Dalal :** (a) No. The Delhi University does not hold a Matriculation Examination. But students from the territories named by the Honourable Member who have attended no school whatsoever since 1st June in the year preceding the Examination may under certain conditions appear at the High School Examination conducted by the Board of Secondary Education, Delhi.

(b) Yes.

(c) The Principal of the Government College, Ajmer, has refused admission to students who have taken the High School Examination conducted by the Board of Secondary Education, Delhi, because the United Provinces Board of High School and Intermediate Examination has not recognised that examination.

(d) Government understand that the Board of Secondary Education, Delhi, are already in correspondence with the Board of the High School and Intermediate Education, United Provinces, on the subject.

† Not put at the meeting, but the questions and answers to them will be found at page 3726 of these proceedings.



**TEACHING OF HINDI AT THE ROYAL MILITARY COLLEGE, DEHRA DUN.**

686. \*Rai Sahib Harbilas Sarda : (a) Are Government aware that there are in the Dehra Dun, Prince of Wales' Military College about 30 Hindu students whose mother tongue is Hindi ?

(b) Are Government aware that while there are three teachers to teach Persian and Urdu, there is not a single teacher to teach Hindi to the students ?

(c) Is it a fact that there was some time ago on the staff of the College a qualified Hindi teacher, but that the post of that teacher has since been abolished ?

(d) Are Government aware that for want of Hindi teaching, the Hindu students of the College lose positions in the Sandhurst competitive as well as the diploma examination and that this has given rise to discontent ?

(e) Are Government prepared to remove this hardship, from which Hindu students suffer in the Dehra Dun Military College ?

Mr. G. M. Young : (a) There are 23 Hindus at the College. The mother tongue of 10 of them is Hindi.

(b) There are two regular teachers of Persian and Urdu, and one religious teacher (Maulvi) who can also teach Urdu. One of the religious teachers also teaches Hindi.

(c) One of the vernacular teachers originally appointed was qualified to teach Gurmukhi and Hindi. His successor is only qualified to teach Gurmukhi, and the teaching of Hindi has been assigned to one of the religious teachers.

(d) No, Sir. Government are informed that the arrangements for Hindi teaching are adequate. Hindi moreover is not one of the subjects in the Sandhurst Entrance Examination. There is therefore no question of cadets losing places for want of Hindi teaching in this examination.

(e) Government will consider whether any change is necessary in the interests of Hindi speaking students who take the diploma examination ; and I will inform the Honourable Member of the decision reached.

**DISCONTENT AMONG THE RAILWAY STATION STAFF AT KHANDWA.**

687. \*Rai Sahib Harbilas Sarda : (a) Are Government aware that there is great discontent among the Khandwa railway station staff owing to assistant station masters and others having to do 12 hours continuous duty ?

(b) Will Government state the strength of the number taking staff at that station and if there has been any reduction in it since May last ?

(c) Will Government be pleased to state the number of porters employed at that junction station, who have to do the risky work of uncoupling vehicles in addition to all station work ? Are the Railway

Administration prepared to give them some relief by increasing their number ?

**Mr. A. A. L. Parsons :** Government have had no intimation of any discontent among the Khandwa Railway station staff, and are not aware of the numbers of staff maintained at individual stations ; but they have sent a copy of the Honourable Member's question to the Agent of the Great Indian Peninsula Railway, who will no doubt take any action that may be necessary.

#### LOCATION OF AN OFFICE OF CONTROLLER OF MILITARY ACCOUNTS AT SECUNDERABAD.

688. **\*Mr. N. C. Kelkar :** Will Government state whether along with the move of the Poona District Headquarters to Secunderabad, it is contemplated to locate a Controller's Office there for the accounting and audit of military expenditure of that District ?

**The Honourable Sir Basil Blackett :** The answer is in the negative.

#### ABOLITION, AS SEPARATE UNITS, OF THE OFFICES OF THE DISTRICT CONTROLLERS OF MILITARY ACCOUNTS AT MHOW, PESHAWAR, BANGALORE AND CALCUTTA.

689. **\*Mr. N. C. Kelkar :** Will Government state whether under the centralization scheme of Military Accounts Offices, it is proposed to abolish, as separate units, the offices of the District Controllers of Military Accounts at Mhow, Peshawar, Bangalore and Calcutta ? If so, when are the proposed changes likely to take place ?

**The Honourable Sir Basil Blackett :** The answer in the case of the first two places mentioned is in the affirmative, and in the case of the latter two places the answer, so far as can be foreseen at present, is in the negative. The dates of proposed changes in the case of Mhow and Peshawar have not yet been fixed, but it is possible that they will take place in the late autumn of this year, and in the spring of next year, respectively.

#### GRANT OF A HOUSE RENT ALLOWANCE TO THE CLERKS OF THE MILITARY ACCOUNTS DEPARTMENT IN POONA.

690. **\*Mr. N. C. Kelkar :** Is it a fact that the Government of Bombay have from 1st March 1926 sanctioned a house rent allowance in Poona to their subordinates ? If so, do the Government of India intend to give the same allowance to their subordinates whose revision of salaries took place before 1st March 1926 ?

**The Honourable Sir Basil Blackett :** I assume that the Honourable Member refers in his question to the subordinate establishments of the Military Accounts Department. The Government of Bombay have, I

understand, sanctioned a house rent allowance for their permanent employees in Poona drawing pay up to Rs. 100 a month. The question of granting a similar concession to the clerks of the Military Accounts Department was considered by the Government of India and it was decided that there was no justification for granting the concession to them, as their rates of pay and allowances, conditions of service, etc., are not similar to those of the corresponding classes serving under the Local Government.

**RETIREMENT AFTER 25 YEARS' SERVICE OF DEPUTY ASSISTANT CONTROLLERS OF MILITARY ACCOUNTS, ACCOUNTANTS AND CLERKS.**

691. \*Mr. N. C. Kelkar : Will Government state the total number of Deputy Assistant Controllers of Military Accounts, accountants and clerks who took advantage of the concession of retiring voluntarily after completion of 25 years' service on or before 31st May 1927 ? Simultaneously with the grant of this concession, were any extensions granted to the time expired servants in that Department ? If so, in how many cases and why ?

**The Honourable Sir Basil Blackett :** 4 Deputy Assistant Controllers of Military Accounts, 23 accountants, and 17 clerks, took advantage of the concession mentioned. Extensions of service were granted in the case of 2 Deputy Assistant Controllers and 1 clerk, on the ground that it is in the interests of the State to retain those individuals.

**WITHDRAWAL AND SUSPENSION OF INCREMENTS OF PAY OF CLERKS AND ACCOUNTANTS OF THE MILITARY ACCOUNTS DEPARTMENT.**

692. \*Mr. N. C. Kelkar : With reference to my unstarred question No. 137 of 1st March 1927, will Government please furnish now the information called for if it has since been obtained ?

**GRANT OF PRIVILEGE LEAVE TO THE ESTABLISHMENT OF THE MILITARY ACCOUNTS DEPARTMENT.**

693. \*Mr. N. C. Kelkar : Will Government please furnish the information called for in my unstarred question No. 139 of 1st March 1927 ?

**GRANT OF PRIVILEGE LEAVE TO THE ESTABLISHMENT OF THE MILITARY ACCOUNTS DEPARTMENT.**

694. \*Mr. N. C. Kelkar : Will Government please furnish the information called for in my unstarred question No. 140 of 1st March 1927 ?

**The Honourable Sir Basil Blackett :** With your permission, I propose to answer questions Nos. 692—694 together.

The information was received and duly communicated to the Honourable Member. A copy of each of the letters with enclosures is laid on the table.

Copy of a letter No. 1271-E., dated the 15th March 1927, from the Financial Adviser, Military Finance, Delhi, to N. C. Kelkar, Esqr., M.L.A., 2, Ferrossah Road, New Delhi.

With reference to the *adinterim* reply given by the Honourable Sir Basil Blackett, on the 1st March 1927, to your unstarred question No. 137, regarding the withdrawal and suspension of increments of pay of clerks and accountants of the Military Accounts Department, I now enclose a statement containing the information asked for therein.

*Statement containing the information asked for in Unstarred Question No. 137.*

Name of office.	No. of cases in each Military Accounts office in which increments of pay already sanctioned and which the clerks and accountants were actually in receipt of were withdrawn or suspended between 1st January and 31st December 1926.	Number of cases in each Military Accounts Office in which increments due to Accountants and clerks were stopped or not granted during the year ending 31st December 1926.
<b>Controller of Military Accounts—</b>		
Peshawar District .. ..	4	7
Northern Command and Rawalpindi and Kohat Districts	4	3
Lahore District .. ..	Nil.	3
Waziristan District .. ..	4	5
Eastern Command and United Provinces District .. ..	7	6
Allahabad Brigade Area .. ..	Nil.	2
Presidency and Azam District	1	1
Burma District .. ..	4	2
Southern Command and Poona and Bombay Districts .. ..	9	4
Madras District .. ..	Nil.	Nil.
Central Provinces District .. ..	Nil.	4
Western Command and Baluchistan District .. ..	12	Nil.
Sind Rajputana District .. ..	Nil.	1
Field Controller of Military Accounts, Poona .. ..	Nil.	Nil.
Controller of Army Factory Accounts .. ..	Nil.	5
Controller of Royal Air Force Accounts .. ..	2	4
Controller of Marine Accounts .. ..	Nil.	1
Military Accountant General's Office .. ..	Nil.	Nil.
<b>Total ..</b>	<b>47</b>	<b>48</b>

Copy of a letter No. 1298-E., dated the 17th March 1927, from the Financial Adviser, Military Finance, Delhi, to N. C. Kelkar, Esq., M.L.A., 2, Ferozshah Road, New Delhi.

With reference to the *adinterim* reply given by the Honourable Sir Basil Blackett, on the 1st March 1927, to your unstarred questions Nos. 139 and 140, regarding the grant of privilege leave to the Military Accounts Department establishments, I am directed to state that, so far as question No. 139 is concerned, there were no cases of refusal of privilege leave on medical grounds by Controllers of Military Accounts. In a few cases, however, medical certificates granted by Registered Medical Practitioners, were required to be countersigned by staff or Civil Surgeons.

2. As regards question No. 140, I am to enclose herewith a statement furnishing the information asked for.

*Statement furnishing the information asked for in Unstarred Question No. 140.*

Name of Office.	Number of applications submitted by Deputy Assistant Controllers, Accountants and Clerks for the grant of privilege leave on private grounds during the calendar year 1926.	Number of cases in which leave referred to in column 2 was refused.	Number of applications for leave referred to in column 2 favourably considered.	Remarks.
1	2	3	4	5
Controllers of Military Accounts—				
Peshawar District .. ..	35	4	31	
Northern Command, and Rawalpindi and Kohat Districts ..	68	Nil.	68	
Lahore District .. ..	60	Nil.	60	
Waziristan District .. ..	71	6	65	
Eastern Command and United Provinces District .. ..	62	2	60	
Allahabad Brigade Area ..	17	Nil.	17	
Presidency and Assam District	21	Nil.	21	
Burma District .. ..	13	3	10	
Southern Command and Poona and Bombay Districts ..	74	1	73	
Madras District .. ..	51	Nil.	51	
Central Provinces District ..	32	3	29	
Western Command and Baluchistan District .. ..	52	11	41	
Sind Rajputana Districts ..	45	4	41	
Field Controller of Military Accounts, Poona .. ..	10	Nil.	10	
Controller of Army Factory Accounts .. ..	180	3	177	
Controller of Accounts, Royal Air Force .. ..	26	Nil.	26	
Controller of Marine Accounts ..	21	Nil.	21	
Military Accountant General's office. .. ..	42	Nil.	42	
Total .. ..	880	37	843	

### CONSTRUCTION OF A RAILWAY FROM TALEGAON TO MUNCHER IN THE POONA DISTRICT.

695. \*Mr. N. C. Kelkar : Will Government be pleased to state :

- (i) whether the Railway Board has received any proposal from the Government of Bombay regarding the building of a railway line from Talegaon to Muncher in the Poona District ? If so, in what year ?
- (ii) what action has the Railway Board taken on these proposals ?
- (iii) if no action has been so far taken, when are final orders likely to be issued ?

Mr. A. A. L. Parsons : (i) Yes. In 1927-28.

(ii) A survey was made by the Great Indian Peninsula Railway Administration and they submitted a report which showed the line to be unremunerative. The Railway Board have asked the Railway Administration to re-examine the project and see whether a lighter and cheaper form of construction would not serve the purpose. The re-examination is now in progress.

(iii) Does not arise.

### RECRUITMENT IN ENGLAND OF CHARGEMEN FOR STATE RAILWAYS.

696. \*Mr. H. G. Cooke : Will Government be pleased to state :

- (a) whether it is a fact that chargemen for State Railways have in the past been recruited in England and brought out to India on agreements for five years on an initial salary of Rs. 360 rising to Rs. 425 ;
- (b) whether a chargeman so engaged is permitted to bring out his wife and children ;
- (c) whether a passage out and home is allowed for the chargeman and his wife under the agreement ;
- (d) whether, in the event of a subsequent agreement being entered into, no further passages are allowed, and, in fact, only one return passage for a chargeman and his wife is allowed during the whole period of service in India ;
- (e) whether Government take any steps before engaging married chargemen to explain the cost of living in India for a married couple ;
- (f) whether Government will consider the desirability of refusing to recruit married men in future for these posts ;
- (g) whether any of the Lee Commission recommendations have been applied to chargemen, and, if not, whether any steps are being taken in this direction.

Mr. A. A. L. Parsons : (a) When qualified mechanics are not available in India they are recruited from England on a five years' agreement. On some railways they are called chargemen ; on others they have different designations. The rate of pay differs on different railways, but is Rs. 360 rising to Rs. 425 on the Great Indian Peninsula Railway.

(b) Yes, under Rule 3 of the Passage (Subordinate) Rules, 1925, published with the Finance Department Notification No. F-57-C.S.R.25, of the 30th December 1925.

(c) Yes.

(d) In addition to the passage out and home such employees are granted free passage to England and back to India, if granted leave on medical certificate. During the employee's service Government also pays half the cost of passages from and to India for the employee's family if they accompany him on leave, but not more than twice in all.

(e) The men are recruited by the High Commissioner, and I have no doubt that he is prepared to give them any information for which they may ask.

(f) I am doubtful if it is desirable, but the matter will be considered.

(g) The Lee Commission's recommendations have not been applied to chargemen. In the opinion of the Railway Board the passage concessions, if any, to be granted to railway subordinates should be settled in each individual case and entered in the terms of each individual contract.

**Mr. H. G. Cocks :** With reference to the Honourable Member's reply to (e) he stated that the High Commissioner is no doubt prepared to give any information for which the men may ask. But considering that these men are being brought out to India in cases where they are married on a pay upon which they cannot live, will the Honourable Member suggest to the High Commissioner that information be given even if it is not sought ?

**Mr. A. A. L. Parsons :** I am not prepared to ask the High Commissioner to put the position before these men exactly in the terms mentioned by my Honourable friend ; but I will write to the High Commissioner and ask him to see that before the men are recruited they are given information, whether they ask for it or not, as to conditions in the places in which they are likely to serve.

**Pandit Hirday Nath Kunzru :** Are Government considering the extension of the Lee concessions to the subordinate officers as a class on the Railways or to individual subordinate officers ?

**Mr. A. A. L. Parsons :** I must ask for notice. I am not sure that the question is one which should be put to my Department.

**Pandit Hirday Nath Kunzru :** The question arises out of the answer just given that the matter is to be considered in each individual case.

**Mr. A. A. L. Parsons :** That is the reason I ask for notice.

**Pandit Hirday Nath Kunzru :** Is it the policy of Government to extend these concessions to individual subordinate officers on the railways as they apply ?

**Mr. A. A. L. Parsons :** I must still ask for notice.

**Lala Lajpat Rai :** Is the Government contemplating to make provision so that there will be no need to import men from England and so that sufficiently qualified men may be forthcoming to fill these posts in India ?

**Mr. A. A. L. Parsons :** I am not quite sure that I have caught the full purport of my Honourable friend's question, but I can assure him that we only obtain these mechanics from England when qualified men are not available in India.

**Lala Lajpat Rai :** I want to know whether the Government is contemplating to make any provision for turning out such qualified men here so that there will be no necessity of importing them from England ?

**Mr. A. A. L. Parsons :** We should certainly like to do so, and I am not sure we have not already issued instructions with that object. Will the Honourable Member put down a question ?

**Lala Lajpat Rai :** I will.

**Pandit Hirday Nath Kunru :** May I ask then on whose authority the Honourable Member made the statement just now that the extension of the Lee concessions to any individual case would depend on the consideration of that case ?

**Mr. President :** Order, order. The Honourable Member made the statement on behalf of Government.

**Pandit Hirday Nath Kunru :** I am not sure whether the Honourable Member is himself sure of that.

**Mr. President :** Order, order.

#### DECLARATION OF CHITTAGONG AS A MAJOR PORT.

697. \***Mr. K. C. Neogy :** (a) Is it a fact that Government have decided to declare Chittagong a major port ?

(b) If so, when is the necessary statutory enactment likely to be undertaken ?

(c) Have Government settled, in consultation with the Local Government, the constitution of a Port Trust at Chittagong ?

**The Honourable Sir George Rainy :** (a) The Honourable Member's attention is invited to the reply given by me on the 22nd August to a similar question asked by Mr. Anwar-ul-Azim in this House.

(b) The necessary legislation to transfer the statutory authority vested in the Local Government by the Chittagong Port Act to the Governor General in Council will be undertaken as soon as the legislative programme of the Government of India permits. It is not possible to give any definite date at present.

(c) There is already a Port Trust at Chittagong. The question of changing its constitution has not yet been discussed with the Local Government.

#### AMENDMENT OF THE POISONS ACT.

698. \***Mr. K. C. Neogy :** (a) Is it a fact that Act XII of 1919 (Poisons Act) is under revision ?

(b) If so, is it intended to bring the provisions of the said Act into line with the English law in any particular ?

(c) Is there any intention on the part of Government to undertake legislation on the lines of the Pharmacy Act, and the Food and Drugs Act of the United Kingdom ?



**The Honourable Mr. J. Crerar :** (a), (b) and (c). There is no proposal to revise the Poisons Act, but Local Governments have been asked whether they consider it necessary to undertake legislation for standardizing the preparation and sale of medicinal drugs. On receipt of their replies the matter will be considered.

**GRANT OF A PASSPORT TO PROFESSOR KHANKHOJE TO RETURN TO INDIA.**

699. **\*Dr. B. S. Moonje :** (a) Have Government seen the article published in the *Bombay Chronicle*, Sunday the 26th June 1927, under the heading, "An eminent Indian Exile Prof. Khankhoje and his deportation" ?

(b) If so, will the Government be pleased to state if the Professor has ever applied for passports to come to India and, if so, why were the passports refused to him ?

(c) Will the Government be pleased to state the nature of the offence committed, if any, by the Professor which has weighed with the Government in refusing passports to him ?

(d) Do the Government still intend that passports should not be granted to Prof. Khankhoje ?

**The Honourable Mr. J. Crerar :** (a) No.

(b) He has not, so far as I am aware, applied for passport facilities to come to India, nor have such facilities been refused.

(c) and (d) therefore do not arise.

**REPORT OF THE INDIAN AUXILIARY AND TERRITORIAL FORCES COMMITTEE.**

700. **\*Dr. B. S. Moonje :** (a) Is it a fact, as published in Indian Papers of 31st July 1927 by Reuter in its news service dated London 28th July 1927, that Earl Winterton has said in the House of Commons that the views of the Government on the findings of the Auxiliary and Territorial Forces Committee have been communicated to the Government of India and, if so, when were they communicated ?

(b) Will the Government be pleased to lay the report of the views on the table for the information of the Assembly ?

(c) Have the Government of India finished their examination of the findings of the Committee and dealt with the views of the Secretary of State thereon ?

(d) If so, what conclusions have they arrived at and if not, when is it likely that the Government will finish their examination ?

(e) Are Government aware of the discontent that is spreading over the dilatoriness of the Government in the matter ?

**Mr. G. M. Young :** (a) to (e). The Honourable Member is referred to the answer which I gave on the 29th August to Pandit Hirday Nath Kunzru's starred question No. 513.

**GRANT OF A PENSION TO THE WIDOW OF BABU DINESH CHANDRA BANNERJEE.**

701. **\*Dr. B. S. Moonje :** (a) Has the attention of the Government been drawn to Resolutions Nos. 83 and 84 adopted by the 7th Session of the All-India Postal and R. M. S. Conference held at Nagpur in the month

of June last, as published in their magazine Vol. VI No. 3 called the All-India Postal and R. M. S. Union Madras Circle of June 1927 ?

(b) If so, do Government propose to take into sympathetic consideration the request made in Resolution No. 83 of providing an adequate pension to the widow of the late Babu Dinesh Chandra Bannerjee, sub-postmaster of Barguly for the maintenance of his helpless and destitute family ?

(c) Will the Government be pleased to state the circumstances under which the sub-postmaster died, particularly mentioning if it is a fact that the sub-postmaster applied several times for leave for taking treatment without success and eventually the leave was granted and the reliever came to assume charge he found the sub-postmaster dead at his post ?

(d) Concerning the Resolution No. 84, will the Government be pleased to state if the Government propose to grant the request made therein ?

**The Honourable Sir Bhupendra Nath Mitra :** (a) Yes.

(b) and (c). The Honourable Member's attention is invited to the reply given on the 25th August to Mr. Abdul Latif Saheb Farookhi's question No. 452.

(d) The answer is in the negative.

**Dr. B. S. Moonje :** Sir, I do not want to ask question No. 702.

†702.\*

#### TRAINING OF INDIANS IN AVIATION.

703. \***Dr. B. S. Moonje :** (a) Now that the Director of Civil Aviation has been appointed, will Government be pleased to state if any scheme has been prepared for imparting education in the science and art of aviation to Indian boys, in India or abroad ?

(b) If so, will the Government be pleased to lay it on the table ?

(c) Will the Government be pleased to state if scholarships are to be established for teaching Indian students higher aviation abroad ?

**The Honourable Sir Bhupendra Nath Mitra :** (a), (b) and (c). As I have already indicated in reply to question No. 397, the Director of Civil Aviation has been engaged in the consideration of a number of questions in connection with the development of Civil Aviation in India, including that of the training of Indians for Civil Aviation. The question of the more advanced training of Indians in Aviation subjects out of India is also under consideration, but matters have not yet reached a stage at which a definite announcement can be made.

**Diwan Chaman Lall :** May I ask the Honourable Member how long the Director of Civil Aviation has been at his post ?

**The Honourable Sir Bhupendra Nath Mitra :** Five months, Sir.

**Diwan Chaman Lall :** May I ask what steps have so far been taken to train Indians for the purposes of civil aviation ?

**The Honourable Sir Bhupendra Nath Mitra :** No steps have been taken yet.

**Diwan Chaman Lall :** How long does the Honourable Member intend to take before such steps are definitely taken ?

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† Not asked by the Honourable Member.

**The Honourable Sir Bhupendra Nath Mitra :** I cannot give any definite answer to my Honourable friend's question yet.

**Diwan Chaman Lall :** When may we expect a definite answer ?

**The Honourable Sir Bhupendra Nath Mitra :** As soon as some definite conclusion is arrived at in the matter.

**Diwan Chaman Lall :** Will the Honourable Member kindly indicate what sort of conclusions are being arrived at at the present moment ?

**The Honourable Sir Bhupendra Nath Mitra :** It is impossible for me to say. As I have said, certain investigations have been started,—the consideration of a number of questions has been started. The Honourable Member is a member of the Standing Finance Committee and he knows very well that no action will be possible which involves expenditure on a large scale before the scheme comes before the Standing Finance Committee.

**Diwan Chaman Lall :** May I ask what necessity there was to appoint the Director of Civil Aviation until the Government had completed their proposals ?

**The Honourable Sir Bhupendra Nath Mitra :** The Director of Civil Aviation was appointed to help the Government in working out their proposals.

**Diwan Chaman Lall :** Was it to secure a very *kushi* job for a gentleman.....

**Mr. President :** Order, order.

**The Honourable Sir Bhupendra Nath Mitra :** The answer to that is decidedly in the negative.

#### IMPROVEMENT OF THE POSTAL AND TELEGRAPHIC FACILITIES IN THE CHOTA NAGPUR DIVISION.

704. **\*Mr. Ram Narayan Singh :** (a) Will the Government be pleased to state whether they are taking any practical and real steps to improve the postal and telegraphic facilities of the people of the Chota Nagpur Division and, if so, what ?

(b) Are the Government aware that it is not only the public but also the Governmental institutions in the said division that are badly in need of postal and telegraphic facilities ? If not, will Government make inquiries ?

(c) Are the Government aware that the District Board of Hazaribagh and also the police department thereof have been repeatedly applying to the local postal authorities there for opening post offices in certain places where there are already police stations and D. B. Hospitals ? Will the Government be pleased to state whether they are going to open this year post offices in those places, if so, how many and where ?

(d) What is the number of post and telegraphic offices in each of the five districts of the Chota Nagpur Division and how many such offices will be opened in each of them this year ?

**The Honourable Sir Bhupendra Nath Mitra :** (a) Yes. During the last financial year 6 new offices were opened in the Chota Nagpur Division and in the current year 8 new offices have already been opened so far.

(b) Government are fully alive to the necessity ; no committee of enquiry is therefore needed.

(c) No such application has been received by the Postmaster-General, Bihar and Orissa Circle.

(d)

District	Post offices.	Combined Postal and Telegraph offices.
Hazaribagh .. ..	35	14
Palamau .. ..	27	3
Ranchi .. ..	41	9
Singhbhum .. ..	41	12
Manbhum .. ..	48	25
Total .. ..	192	63

The number of new offices in addition to those mentioned in part (a) that will be opened this year cannot be stated. It depends on the number of proposals maturing after the collection of statistics, on the importance of the localities and other factors.

**(1) PROPOSED RAILWAY COMMUNICATION BETWEEN HAZARIBAGH TOWN AND HAZARIBAGH ROAD RAILWAY STATION.**

**(2) CONSTRUCTION OF THE NEW RAILWAY LINE BETWEEN BARKAKHANA AND BARWADIH IN THE CENTRAL INDIA COALFIELDS.**

**705. \*Mr. Ram Narayan Singh :** (a) What is being done with regard to the proposed railway communication between Hazaribagh town and Hazaribagh Road railway station ? Is it also intended to extend it any further and if so, to what length and extent ?

(b) What is the progress made in the construction of the new railway line between Barkakhana and Barwadih in the Central India coalfields ? When is the completion expected ?

**Mr. A. A. L. Parsons :** (a) It is proposed to undertake the survey of this line in 1928-29. There is no proposal at present for an extension beyond Hazaribagh.

(b) Good progress has been made and it is hoped to open the line to traffic early in 1928.

**VISIT TO INDIA OF SIR LAMING WORTHINGTON EVANS, SECRETARY OF STATE FOR WAR.**

**706. \*Muvi Muhammad Shafee :** Will the Government be pleased to make a statement on the following point :—

(a) Is it a fact that Sir Laming Worthington Evans, His Majesty's Principal Secretary of State for War, is coming to visit India in the next cold weather ?

(b) Is the visit connected with the problem of the North-West Frontier and the defence of India ?

(c) What are the aspects of the problem that are going to be considered by him ?

(d) Is there any modification in the policy of the North-West Frontier and the defence of India contemplated by the Government ?

(e) If so, what is the modification in contemplation ?

(f) Will this House be in a position to know the result of his study and consideration of the problems ?

**Mr. G. M. Young :** (a) to (f). The tour of the Secretary of State for War in India will be a private one. There has been no official correspondence on the subject. Sir Laming Worthington Evans is coming to inform himself, at first hand and on the spot, about military conditions in India. The Government of India are unable to say to which aspects of the matter he will devote the most attention, or what the results of his visit will be.

**Diwan Chaman Lall :** May I ask whether the attention of the Honourable Member has been drawn to the controversies in the English Press regarding questions of Indian defence ?

**Mr. G. M. Young :** I have seen an article in the *Daily Telegraph* on the subject.

**Diwan Chaman Lall :** Has the Honourable Member any statement to make with regard to that controversy ?

**Mr. G. M. Young :** None whatever.

**Diwan Chaman Lall :** Is the visit of the War Minister due to that controversy ?

**Mr. G. M. Young :** I have already given the House all the information at my disposal in regard to the visit of the Secretary of State for War to India.

#### WITHHOLDING OF ORDERS FROM BRITISH FIRMS WHICH REFUSE ADMISSION TO INDIAN APPRENTICES IN SUCH FIRMS.

707. **\*Mr. Gaya Prasad Singh :** (a) Is it a fact that British firms with whom orders are usually placed by the High Commissioner for India in the matter of electrical engineering, ship-building, steel manufacturing, etc., refuse to have Indian apprentices in their firms on the plea that it is not customary for them to take "coloured apprentices" ?

(b) Do Government propose to ascertain from the High Commissioner for India, as to whether he has received reports from Indians, who have been refused admittance as apprentices in such firms ? And if so, will Government be pleased to lay on the table the names of such firms which refuse to take Indian apprentices ?

(c) Will Government kindly state what action has been taken, or is proposed to be taken against such firms ; and what objection they have in instructing the High Commissioner for India to withhold placing any sort of orders with those British firms, which refuse to admit Indians as apprentices ?

**The Honourable Sir Bhupendra Nath Mitra :** The High Commissioner for India has been addressed on the subject and on receipt of his reply further information will be supplied to the Honourable Member. In this connection, however, I invite his attention to paragraph 11 of the Government of India's letter to the High Commissioner No. S-360, dated the 26th December, 1921, and paragraph 6 of the High Commissioner's letter No. 521-H. C., dated the 25th January 1922, copies of which were laid on the table of this House on the 18th March 1922, and which describe the policy followed in this matter.

**REMOVAL OF THE OFFICE OF THE COMMISSIONER OF INCOME-TAX, BIHAR AND ORISSA, FROM RANCHI TO PATNA.**

708. \***Mr. Gaya Prasad Singh :** (a) Why is the office of the Commissioner of Income-tax, Bihar and Orissa, located at Ranchi, and not at Patna, which is the capital of the Province, and centrally situated ; and are Government aware that this causes much inconvenience, expense, and delay to the assessee, who have to prefer appeals or reviews ?

(b) Are Government aware that the majority of cases which come up before the Commissioner of Income-tax, are from Bihar proper, and from places that are nearer to Patna than to Ranchi ? And are Government aware that the best legal help is available at Patna at minimum cost ?

(c) Will Government kindly state what objection there is to the removal of the office of the Commissioner of Income-tax from Ranchi to Patna ?

**The Honourable Sir Basil Blackett :** (a), (b) and (c). The Commissioner's headquarters were located at Ranchi because, if they had been located at Patna, it would have been necessary to build an office and a residence for the Commissioner. The Government see no reason why the present arrangement should cause any appreciable inconvenience to the public and are not aware that it does so. No representation on the subject was made to the Member of the Central Board of Revenue when he visited Patna recently. Persons who have presented review petitions to the Commissioner have as a matter of fact no legal right to be heard in person or by pleader. Appeals to the Commissioner can hardly be numerous. In any case the Commissioner would no doubt arrange to dispose of any matter at Patna should the person concerned ask him to do so.

His attention will be drawn to the desirability of meeting the convenience of assessee in this respect so far as possible.

**QUESTIONNAIRE OF THE INTERNATIONAL LABOUR CONFERENCE RELATING TO MINIMUM WAGES, ETC.**

709. \***Mr. V. V. Jogiah :** (a) It is a fact that the delegates on behalf of the Government of India at the last International Labour Conference of the League of Nations accepted the principles underlying the final questionnaire as drafted ? If so, have the Government of India taken steps to consult Provincial Governments and labour organisations and public opinion in general ?

(b) Is it a fact that the International Labour Conference recently held has passed conventions and recommendations regarding "Sickness Insurance", and if so, will the Government of India as a signatory to the League of Nations ratify the said conventions and recommendations?

(c) Was the complaint made by the Workers' Delegate from India at the last International Labour Conference that even though the Government of India has repealed the law relating to penal sanctions for breach of contract of service, some Local Governments have still these Acts in force, and if so, do the Government of India intend to direct the Local Governments to repeal them?

**The Honourable Sir Bhupendra Nath Mitra :** (a) I presume that the Honourable Member is referring to the questionnaire relating to Minimum Wages. The representatives of the Government of India indicated that they were in favour of the questionnaire being sent out, but the Government of India did not accept any principles in this connection nor am I clear that any principles can be regarded as underlying a series of questions. The Government of India have only recently received the questionnaire and I am not yet able to say if it will be possible for them to consult Local Governments. There is no intention of consulting labour organisations or public opinion at this stage. The time allowed is extremely short and employers and labour organisations are separately represented at Geneva.

(b) Two Conventions and a Recommendation relating to Sickness Insurance were adopted. The Government of India have not yet had the opportunity of examining these and I am unable to say whether they will propose ratification of the Conventions or not. Recommendations are not capable of ratification.

(c) The answer to the first part of the question is in the affirmative and to the second part in the negative. So far as the Government of India are aware, the only Acts of the type to which reference was made are the Madras Planters Act, the repeal of which is under consideration in the Madras Legislative Council, and the Coorg Labour Act which will automatically cease to be operative on the 1st April, 1931.

#### SAFETY OF THE RAILWAY BRIDGE AT RAJAHMUNDRY.

710. **Mr. V. V. Joglah :** Is the railway bridge at Rajahmundry on the river Godavari in a sound condition for trains to run thereon with safety? Is there any portion of the same which is weak? If so, what steps are being taken to repair the same?

**Mr. A. A. L. Parsons :** The bridge is safe for the passage of trains at a restricted speed. The girders are below the standard of strength required for modern train loads at full speed, and will be strengthened in 1931-32.

**Mr. N. C. Kelkar :** I do not wish to put question No. 711 as the information was supplied on the first day of the Assembly in reply to a short notice question.

† 711.\*

† Not asked by the Honourable Member.

ARTICLE IN THE MONTHLY JOURNAL *Labour* OF MAY 1927.

712. **Kumar Ganganand Sinha :** (a) Has the attention of the Government been drawn to the article under head 'Notes by Blue Bird' published on pages 142-143 of the monthly journal *Labour* (of May, 1927) ?

(b) If so, will the Government be pleased to state whether or not the enquiry was originated on an anonymous letter ?

(c) If the answer to part (b) is in the affirmative, will the Government be pleased to state what are the special procedures prescribed for the disposal of anonymous or pseudonymous letters sent by the subordinates, in Bihar and Orissa Circle ?

(d) How many anonymous or pseudonymous letters have been dealt with in that manner during the last 5 years in the Bihar and Orissa Circle ?

(e) Is it a fact that proceedings against Mr. Harihar Prasad Shaw were started on the basis of anonymous letters by the then Superintendent of Posts and Telegraphs ? Was Mr. Harihar Prasad Shaw, before being suspended, allowed to explain his conduct as alleged in the anonymous letters and the Superintendent's reports based on those letters ? If the answer be in the negative, why ?

(f) Is it a fact that during the departmental inquiry Mr. S. A. Khan, Superintendent, who was cited as a defence witness, was refused the opportunity of giving evidence in due form ? If so, why ?

(g) Will the Government be pleased to lay on table letter No. P.J.-645 of the Postmaster General to Mr. Harihar Prasad Shaw issued on 26th June 1923 ?

**The Honourable Sir Bhupendra Nath Mitra :** I propose with your permission, Sir, to answer this and questions Nos. 715 to 721 together as they relate to the same case. The officer concerned has taken advantage of the appeal rules to submit recently an appeal to the Government of India about his case. The various allegations contained in the Honourable Member's questions will receive careful examination in connection with that appeal and I am unable therefore at present to give any reply to his questions.

## CASE OF MAHENDRA SINGH, EXTRA-DEPARTMENTAL AGENT, CHAIRAIYA.

713. **Kumar Ganganand Sinha :** (a) Was not Mahendra Singh, Extra-Departmental Agent Chairaiya, once removed from the charge of the office for unsatisfactory conduct and work on the report of the Officiating Inspector, Shiva Kishore Narayan, 2nd clerk in the office of the Superintendent of Post Offices, Gandak Division ?

(b) Was he again re-appointed as Extra-Departmental Agent ?

(c) If so, (i) why (ii) by whom (iii) how many applicants were there for the post and (iv) was none else possessed of requisite qualification ?

**Mr. H. A. Sams :** (a) and (b). Yes.

(c) (i) Because the Extra-Departmental Agent appointed in his place was very much more unsatisfactory and neglected the work.

(ii) Officiating Superintendent, Mr. Sadat Ali Khan.

(iii) and (iv) One other, who was not selected.



**TRANSFER OF SUKHARI RAM, MAIL PEON, BETTIAH.**

714. **Kumar Ganganand Sinha :** (a) Is it not a fact that the appointments, leave and transfer of mail peons, boy messengers and other menials are regulated and controlled by the Inspectors, Head Postmasters and certain sub-postmasters of the selection grade appointment ?

(b) By whom was the transfer of Sukhari Ram, mail peon, Bettiah, controlled ?

**Mr. H. A. Sams :** (a) Yes.

(b) There is no mail peon named Sukhari Ram at Bettiah.

**DISMISSAL OF MR. HARIHAR PRASAD SHAW, A POSTAL OFFICIAL.**

†715. **\*Kumar Ganganand Sinha :** (a) Will the Government be pleased to state whether the remarks in the character sheet of Harihar Prasad Shaw were in conformity with the Departmental Rule 160 as amended by the correction slip No. 192 of the Post Office Manual, Vol. II, and the orders of the Postmaster General in letter No. 49/P.P.-160, dated 1st March 1917, of the Postmaster General, Bihar and Orissa Circle ?

(b) If not, who is responsible for ignoring the Departmental Rules and the orders of the Postmaster General and what action, if any, has been taken for the infringement of rules ?

(c) Whether the remarks referred to were in existence in the official's character sheet on the 11th January 1923 on which date the Postmaster General's orders confirming Harihar Prasad Shaw in the combined cadre of the Superintendent's Head Clerk and Inspectors were issued ?

(d) If so, why were they ignored and by whom ?

(e) Were copies of the said character remarks or purport thereof communicated to Mr. Harihar Prasad Shaw from time to time to enable him to make his position clear at the time ?

(f) If not, who is responsible for not communicating the same and thus ignoring the standing Departmental Rules and orders of the Postmaster General, and what action, if any, has been taken for the infringement of the rules ?

**DISMISSAL OF MR. HARIHAR PRASAD SHAW, A POSTAL OFFICIAL.**

†716. **\*Kumar Ganganand Sinha :** (a) Will the Government be pleased to state whether it was conclusively proved that a frame of a bicycle belonging to Government was misappropriated by Mr. Harihar Prasad Shaw ?

(b) If so, was the frame confiscated ?

(c) If it was not confiscated, was it due to the fact that the Postmaster General was in doubt about the matter ?

(d) If the answer to (c) is in the negative, will the Government be pleased to state why it was not confiscated ?

† For answer to this question, see answer to question No. 712.

**DISMISSAL OF MR. HARIHAR PRASAD SHAW, A POSTAL OFFICIAL.**

†717. **Kumar Ganganand Sinha :** (a) Is it a fact that Mr. Harihar Prasad Shaw entered the Postal Department on 10th September 1901 ?

(b) Is it a fact that only five months before dismissal, he was selected and nominated for a special grade appointment and confirmed in the combined cadre of Superintendent's Head Clerk and Inspector ? If so, what were the considerations that weighed with the authorities in granting him this promotion ? Were his good services in the past one of them ?

**DISMISSAL OF MR. HARIHAR PRASAD SHAW, A POSTAL OFFICIAL.**

†718. **Kumar Ganganand Sinha :** Was Mr. Harihar Prasad Shaw ever before the inquiry that culminated in his dismissal found inefficient or guilty of misconduct ?

**DISMISSAL OF MR. HARIHAR PRASAD SHAW, A POSTAL OFFICIAL.**

†719. **Kumar Ganganand Sinha :** (a) Is it a fact that most of the charges against Mr. Harihar Prasad Shaw in the departmental inquiry dealt with bribery and corruption alleged to have been committed on different occasions in connection with the transfer or posting of different subordinate employees ?

(b) Is it not a fact that a Head Clerk in the Superintendent's Office has no power whatsoever in the matter of transfer, etc. ?

(c) If so, was it found out what influence, if any, Mr. Harihar Prasad Shaw had on the Superintendent during whose tenure of office these acts are said to have been committed and how ?

(d) If the Head Clerk wielded any influence on the Superintendent, what action, if any, did the Department take for preventing its Superintendents from becoming tools in the hands of their subordinates ?

**DISMISSAL OF MR. HARIHAR PRASAD SHAW, A POSTAL OFFICIAL.**

†720. **Kumar Ganganand Sinha :** (a) Will the Government be pleased to state whether Mr. Harihar Prasad Shaw was dismissed on doubt or strong suspicion regarding his resorting to corrupt practices or were the charges against him found to be conclusively proved ?

(b) If the latter, why were not criminal proceedings instituted against him ?

(c) Were the persons who deposed against Mr. Harihar Prasad Shaw in the departmental inquiry on account of their status, length of service or other considerations deemed more trustworthy than Mr. Shaw by the authorities ? If so, will the Government be pleased to state on what account ?

(d) Will the Government be pleased to lay on table a copy of the findings of the departmental inquiry in Mr. Shaw's case ? If not, why ?

(e) Is it the practice in departmental inquiries to dismiss servants even on strong suspicions (i.e., even when conclusive proof as defined in the Evidence Act is not available) ?

(f) To whom can the final appeal of subordinates against misuse of authority by the higher officials be made ?

† For answer to this question, see answer to question No. 712.

**MEMORIAL OF MR. HARIHAR PRASAD SHAW, A POSTAL OFFICIAL, IN REGARD  
TO HIS DISMISSAL.**

721. †**Kumar Ganganand Sinha** : Has the Member in charge of the Department or the Director General of Posts and Telegraphs received any memorial from Mr. Harihar Prasad Shaw in regard to his dismissal ? If so, will the Government be pleased to lay a copy of the same on the table ? What action, if any, has been taken on that memorial ? If no action has been taken, why ?

**IMPROVEMENT OF THE PAY AND ALLOWANCES OF POSTMEN AND INFERIOR  
SERVANTS.**

722. \***Kumar Ganganand Sinha** : Will the Government be pleased to state whether it has been found possible to improve the pay and allowances of postmen and inferior servants ? If so, to what extent ? If not, why ?

**The Honourable Sir Bhupendra Nath Mitra** : The rates of house rent allowance for postmen and inferior servants in post offices at certain places where these were already granted have been enhanced and house rent allowances sanctioned for the same classes of officials at other places where such allowances were found to be necessary with effect from the 1st October 1926. The scales of pay of these officials serving at a number of places were improved with effect from the 1st May 1927, and the cases of similar officials serving at other places are now under examination.

**MAXIMUM OF THE CLERICAL TIME-SCALE OF PAY OF POSTAL CLERKS.**

723. \***Kumar Ganganand Sinha** : Are Government aware of the fact that under the existing system an employee rising from postman's rank cannot reach the maximum ? If so, how do the Government propose to remedy the defect ?

**The Honourable Sir Bhupendra Nath Mitra** : If by the term " maximum " the Honourable Member refers to the maximum of the clerical time-scale of pay, the position is not as stated by him and there is no defect to be remedied.

**INTRODUCTION OF A NEW GRADE OF CLERKS IN THE POST OFFICES AND THE  
RAILWAY MAIL SERVICE.**

724. \***Kumar Ganganand Sinha** : (a) Have Government finished consideration of the question of introducing a new grade of clerks for a certain class of work in the Post Offices and the Railway Mail Service ?

(b) If not, how long will it take to be finished ?

**The Honourable Sir Bhupendra Nath Mitra** : (a) No.

(b) I am not in a position yet to state definitely how long it will take.

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† For answer to this question, see answer to question No. 712.

### LEAVE RESERVE OF THE LOWER GRADE STAFF OF THE POSTAL DEPARTMENT.

725. \*Kumar Ganganand Sinha : Is it a fact that the lower grade staff of the Postal Department practically do not get any leave on account of the paucity of reserve staff ? Do Government contemplate enlarging the reserve in order to enable them to get leave ? If so, how ?

The Honourable Sir Bhupendra Nath Mitra : It is not quite clear to what staff the Honourable Member refers. Lower grade staff consists of packers, mail peons, letter-box peons, etc., but no reserve for such staff is maintained. On the other hand, there is a reserve staff of postmen in the larger offices. In either case it is not a fact that the staff do not get any leave. It is not intended to enlarge the reserve at present. The Honourable Member's attention is invited to the reply given to Mr. Nirmal Chunder Chunder's starred question No. 771 on the 8th March, 1927.

### PROMOTION OF POSTMEN TO THE CLERICAL GRADE.

726. \*Kumar Ganganand Sinha : Is it a fact that even a postman who has done clerical work for more than a year in the sorting or delivery department has to pass an examination for promotion to the clerical grade ? If so, what is the reason for requiring an examination in such cases ?

The Honourable Sir Bhupendra Nath Mitra : Postmen do little or no clerical work in the sorting or delivery departments. A postman who has worked in these departments has to pass an examination for promotion to the clerical grade. The reason for requiring an examination in such cases is to prevent the admission into the clerical grade of men whose lack of education renders them subsequently unfit to perform the work of a clerk.

Kumar Ganganand Sinha : May I know, Sir, what is the nature of the departmental examination that is being held and the qualification which a man gets by passing that examination ?

The Honourable Sir Bhupendra Nath Mitra : I think there is a certain amount of confusion on the part of my Honourable friend in regard to this matter. The position has now been changed by the introduction of a new clerical grade on a lower scale of pay from 1st March. The clerical grade which the Honourable Member here refers to is the old clerical grade and the examination at which a postman has to sit before he is eligible for employment in that clerical grade is the same as that at which outsiders have also to appear.

### PAY OF POSTAL EMPLOYEES.

727. \*Kumar Ganganand Sinha : Are Government aware of the fact that in schemes for the revision of pay the senior men in the Postal service get a much smaller benefit than their juniors ? Do not the Government contemplate remedying the defect in future ? If the answer is in the negative, why ?

The Honourable Sir Basil Blackett :

Part I.—Yes.

Part II.—No.

Part III.—In the opinion of Government no remedy is required, for an officer who has a certain number of years to serve must obviously de-

give a greater benefit from any scheme of improvement of pay than one of his seniors who has a smaller number of years to serve.

### SECURITY BONDS OF POSTMEN.

728. **\*Kumar Ganganand Sinha :** Is it a fact that a postman has to renew his security bond annually with a view to guarantee honest work on the part of the postman, when he is a new man ? If so, what is the policy underlying the taking of a guarantee ?

**The Honourable Sir Bhopendra Nath Mitra :** A postman has to renew his security bond annually, only if he furnishes security in the form of a fidelity bond from an Insurance or other Company, because in such cases the company undertakes the risk for a period of one year at a time.

The policy underlying the taking of guarantee is to safeguard the department against loss.

### WATCH AND WARD DEPARTMENT ON COMPANY-MANAGED RAILWAYS.

729. **\*Kumar Ganganand Sinha :** (a) Will the Government be pleased to state the names of the Company-managed Railways that have not organised a Watch and Ward Department ?

(b) How many superior officers are there in the Watch and Ward Department, under the Railway Board ? How many of them are Indians, Anglo-Indians and Europeans ?

(c) If there are no Indians, do the Government contemplate making a few appointments of suitable Indians ?

(d) If the answer to (a) is in the negative, will the Government be pleased to state how they would propose to Indianise 75 per cent. of the services as recommended by the Lee Commission ?

**Mr. A. A. L. Parsons :** (a) All the Company-managed Railways have organised watch and ward establishments ; but on the Madras and Southern Mahratta, Burma, South Indian, Assam Bengal, Bengal and North-Western and Rohilkund and Kumaon Railways, these establishments are under the Traffic Department and are not organised as a separate department.

(b) There are no superior officers in the Watch and Ward Departments of State-managed Railways directly under the Railway Board. On the State-managed Railways there are 7 superior officers—3 Superintendents and 4 Assistant Superintendents. Of these, 5 are Europeans and 2 Anglo-Indians.

(c) At present there are no vacancies. There is no reason at all why Indians should not be appointed when vacancies occur, but I should mention that the Department is almost invariably manned by police officers obtained on loan from Provincial Governments. It is, therefore, generally a matter of taking an officer whom a Provincial Government recommends and is prepared to spare.

(d) In view of the answer to (c), (d) does not arise.

# APPOINTMENT OF INDIANS TO THE WATCH AND WARD DEPARTMENT OF STATE RAILWAYS.

730. \*Kumar Ganganand Sinha : Is it a fact that most of the appointments to the superior posts in the Watch and Ward Department have been made after the Lee recommendations regarding 75 per cent. recruitment of Indians in railways have been adopted, and that not one Indian has been appointed ? If so, why ?

Mr. A. A. L. Parsons : Four officers have been appointed to superior posts in the Watch and Ward Department of State-managed Railways since the 1st April 1924, of whom 2 are statutory Indians and the remainder Europeans. All the 4 officers were obtained from Provincial Governments on their recommendation.

# QUESTIONS NOT PUT AT THE MEETING, OWING TO THE ABSENCE OF THE QUESTIONS, WITH ANSWERS TO THE SAME.

## PAY, PENSIONS AND PROMOTIONS OF THE MEMBERS OF THE INDIA UNATTACHED LIST.

662. \*Khan Bahadur Sarfaraz Hussain Khan : (a) Are Government aware of the grievances of the members of the India Unattached List regarding the condition of their service, that is to say their pay, pension and promotion ?

(b) Is the subject under their consideration, and if so, will they please state how matters stand with regard to the matter (*vide* starred question No. 685 (a) and (b) asked in the meeting of the Assembly held on the 1st March 1927 and Government reply) ?

Mr. G. M. Young : (a) and (b). The Honourable Member is referred to the reply which I gave on the 14th March last to his starred question No. 918. The matter is still under the consideration of the Secretary of State.

## BOOKING OF PICTURE FRAMES, MOTOR TYRES, ETC., AT PARCEL RATES ON STATE RAILWAYS.

666. \*Khan Bahadur Sarfaraz Hussain Khan : With reference to Government reply to unstarred question No. 2 (b) in the Council of State on 8th February 1927, regarding booking of picture frames, motor tyres, etc., at parcel rates on State Railways, will Government be pleased to get the information and communicate it to the House ?

Mr. A. A. L. Parsons : The collection of the information from all Railways would involve more trouble than Government think worth while.

## MEETINGS OF THE LEGISLATIVE ASSEMBLY AND COUNCIL OF STATE WITH THE NUMBER OF RESOLUTIONS AND BILLS PASSED DURING THE LAST THREE SESSIONS.

667. \*Khan Bahadur Sarfaraz Hussain Khan : Will Government be pleased to state the number of meetings held, the number of Resolutions moved, and the number of Bills passed in the Legislative Assembly and Council of State, respectively during the last three Sessions ?

Mr. W. T. M. Wright : A statement showing the information asked for is laid on the table.

LEGISLATIVE ASSEMBLY.

*Autumn Session, 1926.*

Number of meetings	.. ..	18	
Number of Resolutions moved	.. ..	12	(7 official and 5 non-official)
Number of Bills passed	.. ..	22	

*Winter Session, 1926.*

Number of meetings	.. ..	39	
Number of Resolutions moved	.. ..	14	(8 non-official and 6 official)
Number of Bills passed	.. ..	27	

*Autumn Session, 1926.*

Number of meetings	.. ..	12	
Number of Resolutions moved	.. ..	5	(One official and 4 non-official)
Number of Bills passed	.. ..	13	

COUNCIL OF STATE.

*Autumn Session, 1926.*

Number of meetings	.. ..	16	
Number of Resolutions moved	.. ..	11	
Number of Bills passed	.. ..	21	

*Winter Session, 1926.*

Number of meetings	.. ..	23	
Number of Resolutions moved	.. ..	16	
Number of Bills passed	.. ..	28	

*Autumn Session, 1926.*

Number of meetings	.. ..	8	
Number of Resolutions moved	.. ..	4	
Number of Bills passed	.. ..	14	

CONTINUANCE OF THE PRESENT PRACTICE OF TAKING *Taboots* OVER THE SANGAM BRIDGE ON WELLESLEY ROAD, POONA.

668. \*Khan Bahadur Sarfaraz Hussain Khan : With reference to Government reply to question No. 140 in the Council of State on the 7th March 1927, regarding continuance of the present practice of taking *taboots* over the Sangam Bridge on Wellesley Road, Poona, will Government please state if they have now received any reference from the Government of Bombay on the subject ? If not, will they please ascertain from the Government of Bombay as to their decision and communicate the result to the House ?

Mr. A. A. L. Parsons : Government have received no reference from the Government of Bombay, but they understand from the Agent, Great Indian Peninsula Railway, that that Government has the subject under consideration.

DATE OF EXPIRATION OF THE AGREEMENT WITH THE BURMA RAILWAYS.

669. \*Khan Bahadur Sarfaraz Hussain Khan : (a) When will the term of agreement of the Burma Railways expire ?

(b) Has the question of handing over of the Burma Railways to State management on the expiration of its term of agreement which was under

the consideration of Government, been considered (*vide* Government reply to unstarred question No. 201, on 21st March 1927) ?

(c) If so, will Government please communicate their decision to the House ?

**Mr. A. A. L. Parsons :** (a) The existing contract between the Secretary of State and the Burma Railways Company can be terminated by the Secretary of State on the 31st December, 1928, on twelve months prior notice.

(b) and (c). The question is still under consideration.

#### BENGAL DETENUS.

670. \***Khan Bahadur Sarfaraz Hussain Khan :** Will the Government be pleased to state the number, if any, of the Bengal detenues :

(a) who have been released on medical grounds ?

(b) who have been transferred from jail to village or home domicile, since the statement made by the Honourable the Home Member on the 21st March 1927 ?

**The Honourable Mr. J. Orerar :** (a) 1.

(b) 26.

#### PUBLICATION OF THE PROSPECTUS FOR THE TRAINING SHIP " DUFFERIN ".

671. \***Khan Bahadur Sarfaraz Hussain Khan :** (a) Will Government please state whether they have issued the prospectus for the training ship as indicated in their reply to starred question No. 1141 on 23rd March 1927 *re* training of cadets on the training ship " Dufferin " ?

(b) If not, by what time are they expected to issue the prospectus ?

**The Honourable Sir George Rainy :** A short notice containing particulars regarding the duration of the course, age, fees, etc., and calling for applications for admission to the training ship " Dufferin " has recently been published in the newspapers of India and Burma. A fuller notice giving detailed information, which is at present under the consideration of the governing body of the training ship, will issue shortly.

#### PROMOTION OF DEPUTY SUPERINTENDENTS OF POLICE.

675. \***Mr. Harchandrai Vishindas :** Will Government be pleased to state if it is a fact that Assistant Superintendents of Police of short service are given preference over Deputy Superintendents of Police of much longer service ? If so, why ?

**The Honourable Mr. J. Orerar :** I am not very sure what the Honourable Member has in mind. If, however, he is thinking of promotion to superior posts in the Indian Police Service, the answer is in the negative. The vacancies for which the two classes are eligible are distinct.

#### PROMOTION OF DEPUTY SUPERINTENDENTS OF POLICE.

676. \***Mr. Harchandrai Vishindas :** (a) Is it not a fact that the Royal Commission on Superior Services in India have at page 19, paragraph 37



recommended that 20 per cent. of the Deputy Superintendents of Police should be promoted to the cadre of Superintendents of Police ?

(b) Has that recommendation been given effect to or not ? If not, why not ?

**The Honourable Mr. J. Orerar :** (a) No. What the Lee Commission have recommended in paragraph 37, read with paragraph 38 of their Report, is that instead of 11 per cent. of superior posts in the Indian Police Service being reserved for members of the provincial service 20 per cent. should ultimately be so reserved.

(b) I would refer the Honourable Member to the reply given by my predecessor to Kumar Ganganand Sinha's question on the 1st February 1927.

#### CIVILIAN HOSPITAL WRITERS OF THE INDIAN HOSPITAL CORPS.

677. \***Mr. Harchandrai Vishindas :** Will Government be pleased to state :

(a) If it is a fact that permanent civilian hospital writers who are not enrolled are still employed in military hospitals in India and are counted amongst Havildars and Naiks of the clerical section of each company according as they belong to the upper or lower division ? If so, will promotions to the upper division only occur in the event of a vacancy in the company of the Indian Hospital Corps ? Is it not a fact that this will be in violation of the stipulation at the time of revision of their pay under the A. I. (I.) 603 of 1923 that one-third of them will be at all times in the upper division ?

(b) The total number of such clerks employed in India in both the upper and lower divisions and the reason for any deviation from the original rules on the subject ?

**Mr. G. M. Young :** (a) On the formation of the Indian Hospital Corps, permanent civilian hospital writers then employed were permitted to remain in the service, and were counted against the establishment of the Indian Hospital Corps in the manner stated by the Honourable Member. There are only 29 of these civilian writers left. They are promoted on a general cadre and not by vacancies in a company.

(b) Of the 29 clerks, 10 are in the upper division and 19 in the lower. Actually, therefore, one-third of them are in the upper division and there has been no deviation from the rules.

#### GRANT OF THE KARACHI LOCAL ALLOWANCE TO CIVILIAN CLERKS EMPLOYED IN VARIOUS MILITARY DEPARTMENTS IN KARACHI.

678. \***Mr. Harchandrai Vishindas :** (a) Is it a fact that Karachi local allowance is being paid to all permanent civilian clerks employed in all civil departments as well as to clerks employed in Military Accounts Department, stationed at Karachi, from 1st November 1925 but that no allowance is paid to civilian clerks employed in other Military Departments in Karachi ?

(b) Will the Government be pleased to state what is the position of civilian clerks employed in various Military Departments in Karachi in this respect since all these clerks are also paid at the universal rate of pay ?

is there any apparent reason why this allowance should not be paid to them from 1st November 1925 in the same way as it is paid to the clerks of the Military Accounts Department employed in Karachi ?

**Mr. G. M. Young :** (a) Certain clerks serving under Central Civil Departments at Karachi do, I believe, receive local allowances, but not all of them. Clerks in the Military Accounts Department do. Civilian clerks in the Military Department do not.

(b) The emoluments of civilian clerks in the Military Department at Karachi were fixed at rates which were considered adequate and I understand that there is no difficulty in obtaining suitable clerks at these rates. The pay and allowances of clerks in the Military Accounts Department have been fixed according to the needs of that Department. The special qualifications required make it impossible to depend upon local recruitment, with the result that clerks of the Military Accounts Department—unlike other civil departments—are liable for general service all over India or overseas, and more often than not are called upon to serve at long distances from their homes.

#### OPENING OF THE NEW STATION NEAR AJMER GATE, DELHI.

654 **\*Khan Bahadur Sarfaraz Hussain Khan :** Will the Government be pleased to state if the new station near Ajmere Gate, Delhi, has been opened ? (*Vide* Government reply to unstarred question No. 173 on the 16th March 1927 in the Council of State.)

**Mr. A. A. L. Parsons :** Yes.

#### RESULT OF THE OFFICIAL TESTS IN THE MATTER OF THE BEAM WIRELESS STATION NEAR POONA.

683. **\*Khan Bahadur Sarfaraz Hussain Khan :** Will the Government be pleased to state the result of official tests in the matter of the Beam Wireless Station near Poona that were to take place in May last ? [*Vide* Government reply to unstarred question No. 181 (a) in the Council of State on 21st March 1927.]

**The Honourable Sir Bhupendra Nath Mitra :** Owing to unforeseen delays the official tests were only completed last week. It is understood that the tests have been satisfactory.

#### PROVISION OF A TELEGRAPH CONNECTION TO THE POST OFFICE AT MANJHAUL.

684. **\*Khan Bahadur Sarfaraz Hussain Khan :** (a) Will the Government be pleased to state if they have considered the question of providing a telegraph connection to the Post Office at Manjhaul in the sub-division of Begusarai in the District of Monghyr (Bihar and Orissa) ?

(b) If so, will they please communicate their decision to the House ? [*Vide* Government reply to unstarred question No. 198 (b) in the Council of State on the 21st March 1927.]

**Mr. H. A. Sams :** (a) Yes.

(b) Steps have been taken by the Postmaster-General, Bihar and Orissa Circle, to provide a Telegraph connection to the Post Office at Manjhaul during the current official year.

**Secretary of the Assembly :** Sir, the following Message has been received from the Secretary of the Council of State :

" I am directed to inform you that the Council of State have, at their meeting held on the 30th August, 1927, agreed without any amendments to the Bill further to amend the Presidency-towns Insolvency Act, 1909, and the Provincial Insolvency Act, 1920, for certain purposes, which was passed by the Legislative Assembly on the 28th March, 1927."

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## THE INDIAN LIGHTHOUSE BILL.

### REPORT OF THE JOINT COMMITTEE LAID ON THE TABLE.

**Secretary of the Assembly :** Sir, I lay on the table the Report of the Joint Committee on the Bill to consolidate and amend the law relating to the provisions, maintenance and control of lighthouses by the Government in British India.

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## THE INDIAN TARIFF (AMENDMENT) BILL.

### PRESENTATION OF THE REPORT OF THE SELECT COMMITTEE.

**The Honourable Sir George Rainy** (Member for Commerce and Railways) : Sir, I present the Report of the Select Committee on the Bill further to amend the Indian Tariff Act, 1894.

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## THE INDIAN TARIFF (COTTON YARN AMENDMENT) BILL.

### PRESENTATION OF THE REPORT OF THE SELECT COMMITTEE.

**The Honourable Sir George Rainy** (Member for Commerce and Railways) : Sir, I present the Report of the Select Committee on the Bill further to amend the Indian Tariff Act, 1894, in order to safeguard the manufacture of cotton yarn in British India.

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## THE BAMBOO PAPER INDUSTRY (PROTECTION) BILL.

### PRESENTATION OF THE REPORT OF THE SELECT COMMITTEE.

**The Honourable Sir George Rainy** (Member for Commerce and Railways) : Sir, I present the Report of the Select Committee on the Bill to amend the law relating to the fostering and development of the Bamboo Paper Industry in British India.

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## THE INDIAN SECURITIES (AMENDMENT) BILL.

### PRESENTATION OF THE REPORT OF THE SELECT COMMITTEE.

**The Honourable Sir Basil Blackett** (Finance Member) : Sir I present the Report of the Select Committee on the Bill to amend the Indian Securities Act, 1920, for certain purposes.

THE GOLD STANDARD AND RESERVE BANK OF INDIA BILL—  
*contd.*

**Mr. President :** The House will now resume further discussion of the motion that the Report of the Joint Committee on the Bill to establish a gold standard currency for India and to constitute a Reserve Bank be taken into consideration.

**Sir Purahotamdas Thakurdas** (Indian Merchants' Chamber : Indian Commerce) : Sir, we are at the second stage of what is called the reform of the Indian currency system. In reality it is to my mind a forced adjustment of India's currency system, at least in one direction, to what the India Office and the Government of India have been after since 1919. That of course refers to what the Assembly considered and passed last March, and I am afraid, Sir, that regarding this second stage also, unless this measure is carried through this House with the general good will of all concerned—and when I say that I mean the principal popular parties in the House—this measure also will be a forced adjustment of the Indian currency system to what the Government of India require.

Before I proceed further, I, Sir, with your permission, would like to say a word about the very kind remarks that my ex-colleague Sir Alexander Murray made about me on the floor of the House yesterday. For fear that you, Sir, may remind me that, that is not the question before the House, I refrain from saying anything about Sir Alexander Murray's work on the Royal Commission. If I did not know the honesty of purpose and the sincerity and genuineness of Sir Alexander Murray, I would say that his remarks regarding me were almost flattering ; but I cannot help expressing my sincere gratitude to him for the very kind words in which he has referred to my little work on the Royal Commission. And this is specially necessary in view of the certificate which I earned in the other House from an Indian colleague of mine, who thought it his duty to say that I was the wrong man in the wrong place, when the Government of India nominated me to the Royal Commission. (*Several Honourable Members :* "Shame.") I, Sir, have not a word to say in defence. All that I say is that human as I am, I cannot but feel touched by the kind terms in which Sir Alexander Murray referred to me, bearing in mind that he and I differed very widely on some of the most vital issues on the Royal Commission and we fought it out without any fear of each other and without expecting favour from either side.

Sir Alexander Murray, Sir, referred to paragraph 62 of my minute of dissent. He said that I devoted only four paragraphs in that minute of dissent to the question of the Reserve Bank. Sir Alexander Murray will remember how anxious all my colleagues, including himself, were that I must not put on a longer tail to the report than the report itself. As it is, my minute of dissent went into 153 paragraphs, and my only excuse for referring to the Central Reserve Bank in a few paragraphs was that I did not then have as strong views about the Reserve Bank as I had about the question of the ratio. But since I signed my minute of dissent much water has flowed under the bridge. I have no hesitation in repeating what I said in my minute of dissent on the Royal Commission. I stand for every word of what I said in those four paragraphs in my minute of dissent, and I am prepared to justify it to-day. As I said in paragraph 61, the idea of a Reserve Bank of India is an ideal. I still think that India ought to aim at a Reserve Bank, a pure and unalloyed Reserve Bank in the strictest sense of the word ; a Reserve Bank which

will compare with the Reserve Bank of any other country. The only difference between me and the views held by my esteemed friend, Sir Alexander Murray, was, and I am sorry to say, still is, that while he wants a Reserve Bank of the most unalloyed and strict type at once and immediately, I want it to be attained by stages after taking cognisance of the various handicaps and drawbacks, and the various conditions, economic, political and general, of India as a whole. I therefore feel that there is nothing inconsistent between what I said in my minute of dissent and the position which I took up either in the Joint Committee or which I now take in this House. Sir Alexander Murray reminded me of a sentence in paragraph 62 of my minute of dissent. I there stated :

“ It is imperative, that the Government of India should for years to come regard the rapid extension of banking facilities as an essential and urgent part of its financial policy.”

If I mistake not, my colleague said yesterday that he agreed with me fully there. May I ask him, Sir, how he has ensured it in the Bill which he is out to support ? Does he not feel that, this most essential requirement of India is not at all provided for in the Bill ? As I will presently show, I am afraid that in starting the Reserve Bank indicated in the Bill at this stage you are really going to starve India of the much-needed extension of banking facilities—the one question about which every Commission from the Herschell Committee of 1893 downwards, barring, if I may say so with all deference the Royal Commission, on which we both sat, has laid so much emphasis.

I have, Sir, here a cutting from the *Bengalee* which contains a letter from Sir Daniel Hamilton who refers to me in his letter and asks whether, I would help to build up the condition of the Indian agriculturist, and to that end support the Reserve Bank. Sir Daniel Hamilton who, I am told, was a great man in his days when he was in India and took a very great interest in the welfare of the Indian agriculturist, Sir, refers to the rupees 600 crores of debt of the Indian agriculturist, he refers to the necessity for irrigation, both major irrigation and well irrigation, and winds up with this : “ Will Sir Purshotamdas help to set the people free ? ” I maintain, Sir, that the Reserve Bank Bill which is now before the House does not help the agriculturist in this direction at all, because I venture to ask, Sir, my esteemed friend on my left, whether the one bank which has provided banking institutions and facilities in the country all these years from 1805 up to the present day has not been the Imperial Bank ? And the Imperial Bank has been able to do this only because it had the free use of Government balances. You are now taking it away from the Imperial Bank. You are now giving it to the Reserve Bank. The one condition in Schedule II of the original Bill, namely, that if the Imperial Bank opened a new branch, it may have a certain amount of free balance for a few years, has been taken away by the Joint Committee. and I venture to ask Sir Alexander Murray, who, I know is a very prominent member of the directorate of the Imperial Bank, whether he thinks that the Imperial Bank will open even ten new branches after the passing of the Reserve Bank Bill within, say, the next five years. If the reply, Sir,—and I will supply the reply myself because I am sure my Honourable colleague cannot differ from me—if the reply is to be :—All in due course of time and by slow degrees—then I venture to ask, Sir, where are you going to provide for this great necessity for which the Herschell Committee,

[Sir Purshotamdas Thakurdas.]—[SPEAKING.]

the Fowler Committee and the other Commissions in this century, all have made such substantial recommendations. I submit, Sir, that you are going to starve that great necessity and the only reason why I cannot identify myself very much with this idea of starting a new Reserve Bank *de novo* of the most unalloyed type, of the most strict type at once and now, is that I fear that in trying to show to the world that you are putting up institutions similar to what America and the most advanced countries have, you are really doing injustice to the masses and you are really causing a vacuum at the bottom, the effects of which will be perceived within the next 10 or 15 years.

My friend Sir Alexander Murray rather took Mr. Jamnadas Mehta mildly to task for having compared India to Ireland. Sir Alexander Murray said : " Oh, Ireland is such a small place and India is such a vast continent : why compare the two countries ? " May I ask my esteemed friend whether he would compare India to Siam ? I am sure he will say " No ". Siam is such a small place, India is such a big continent. And I will then leave it, Sir, to him and the Honourable the Finance Member to decide whether on the question of the appreciation of India's currency the Finance Member was justified in saying that Siam was an instance which he could quote with any relevancy or justification. The fact, Sir, is that both the Government side and the other side quote instances when it suits them. But I have this much at least to say that, as far as India is concerned, there are many things which we would like to have from Ireland, but there are very few things which Ireland would aim at having from India at present.

Sir Alexander Murray, Sir, quoted Sir John Bell's minute, a minute on which I feel that I must congratulate the Honourable Sir John Bell. For, if anything, Sir John Bell has at least shown that he can put his views on paper candidly and without any fear of having a difference of opinion with that very important and powerful body, the Bengal Chamber of Commerce. But I am afraid, Sir Alexander Murray, quite without meaning it, did Sir John Bell a little injustice. He only read a part, Sir, of his outspoken and useful minute. Sir Alexander Murray referred to the first paragraph of Sir John Bell's minute of dissent, which said that Sir John Bell was not convinced that the present is an appropriate time for starting a Bank on the lines in the Bill. But he gives three reasons for it and I think the first reason could be considered a very important one. I will read, Sir, that short paragraph :

" In the first place, the Government of India have just carried through an important change in the currency system of the country, of stabilising the rupee at 1s. 6d. sterling. I consider that for some time to come Government and no other authority should be responsible for maintaining the ratio which has been adopted."

Sir John Bell, I see, did not speak in favour of the 1s. 6d. ratio in the Council of State. I am not sure whether he voted for it or not. But the apprehension which he expressed in his minute of dissent regarding that ratio is an apprehension which has its own lesson and it should not be overlooked when the House is considering this Bill. Regarding, Sir, the question of the measure before the House, namely, starting a Reserve Bank, Sir John Bell says :

" In the majority report of the Currency Commission this method is not supported. (that is, converting the Imperial Bank into a Reserve Bank)—but the chapter in which

expression is given to the opinion of the Commission on the subject is, to my mind, one of the most unconvincing chapters of the Report."

I must anticipate the Finance Member who may ask me to point out again to the House that Sir John Bell definitely makes it clear in the minute of dissent that he speaks for himself and in his personal capacity, and that these views of his need not be mixed up as being the views of the Bengal Chamber of Commerce.

I am sure the House will agree that the Honourable Member, Sir Alexander Murray, made a very conciliatory and persuasive maiden speech yesterday. I have no doubt that speeches like this bring the differing sections of this House closer together and no abler or more capable person for that purpose could have been nominated by the Government to this House than Sir Alexander Murray. He, Sir, in conclusion showed his impatience for a Reserve Bank of some sort for India. The House, Sir, realises, everyone in the House, if I may venture to say so, Sir, realises that we ought to have a Reserve Bank, that we ought to have a Bank which is free from the control of Government and also from any influence of the Legislature, but the House wants to ensure, that it should have, not, a Reserve Bank of some sort, but a Reserve Bank of the right sort. And what is that right sort, Sir? The main attraction of this Reserve Bank, as far as this side of the House is concerned, is that it will take away the power of control of currency and dictation of it from Whitehall. I do not think any of my Honourable colleagues on my right will differ from me when I say that everyone of us supports this Bill because we feel that if it passes through the House with our consent and our good will, it will ensure to us freedom from the one thing which we have all along tried to escape—control from six thousand miles away. Sir, freedom from control from Whitehall is a very welcome thing. But then the question is, to whom is this body going to be responsible? Is it going to be responsible only to itself? The Finance Member says "No". The Directors of this Bank will be responsible to their conscience, to use the Finance Member's own words. Will they be responsible to the shareholders? Now, Sir, the responsibility of directorate of any company, at least in India, and I venture to say in any part of the world, is more or less of an eye-wash. What the House wishes to ensure is that there will be such arrangements about the directorate that in escaping from the India Office they do not place themselves in the hands of some set of persons completely irresponsible, completely ungettable at, resulting in a state of things worse than the Whitehall influence. What are these shareholders, Sir, and what will their stake in this Bank be? A paltry 5 crores invested by them, and that too, Sir, not invested on fair and equitable terms, but invested, Sir, with a dividend ensured and secured to them cumulatively. I venture to draw the attention of the House to page 17, Appendix IV, to the Joint Committee's Report. That Appendix gives the result to the State of the Reserve Bank for the first six years. If Honourable Members will turn to that page, they will see that in the first year the loss to the State is to be Rs. 1 crore 76 lakhs, in the second year Rs. 27 lakhs and in the third, fourth, fifth and sixth years Rs. 8 lakhs each. Even taking these figures to be accurate and correct—and, I assume for the purpose of argument that within the first six years the Indian taxpayer is to lose Rs. 2½ crores—that is to be the loss to the Indian Budget; and as against that, these happy shareholders will be getting a 6 per cent. dividend on their 5 crores from the very first day. 6 per cent. on 5 crores works out to Rs. 30 lakhs a



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year. Within six years the country will lose Rs. 2½ crores, while these shareholders, who are supposed to have a stake in the institution, will get their one crore and 80 lakhs without the slightest doubt. Are these terms equitable? Can it be called a Company in any sense of the word? The only sense in which you can call this a Company is the sense in which the Indian Railways are Companies. Sir, to give an idea of what sort of a Company this Bank is likely to be, I have brought with me the Report of the Acworth Committee, and on page 99 of that Report is Appendix No. III giving a statement showing the amount paid to Railway Companies as guaranteed interest, the amount recovered from net receipts and the gain or loss to the State during the years 1858-59 to 1918-19. The amount paid as guaranteed interest during that period was £208 million. The amount recovered from net receipts was £158 million. The net loss to the State is £6,785,000. That, Sir, is the parallel, and all this to what purpose? The only purpose is to satisfy the consciences of the Finance Member and of this Assembly that there is an independent electorate for the directorate. Sir, I am not at all surprised at the great earnestness and anxiety of Leaders in the House like Pandit Madan Mohan Malaviya and others that this measure shall not pass on any such consideration as this. Sir, the idea of a private capital Company for this purpose is an idea which has only to be mentioned in order to be rejected. (Hear, hear.) I will not use any stronger word—I am reminded of the word "monstrosity", but I do not think it is necessary. But, Sir, that is not an idea which can be seriously followed up. I think we ought to benefit, this Legislature and India ought to benefit, by the experience of company management of Railways, a management of which we are now happily getting free year by year, and I do not think that we can possibly think of reconciling ourselves to the idea of asking a few people, or if you like five crores of shareholders if you have one rupee shares (what does this matter?) to put in a paltry 5 crores when the State will put in all the currency resources and reserve at the command of the State, which, depleted as they have been by the policy adopted by the Government, are to-day £40 million in the Gold Standard Reserve, the silver in it Rs. 110 crores, and some Government of India paper. For the management of all this, Sir, you are sure to ask shareholders to put in 5 crores and tell them, "Elect 9 directors and carry on. We trust you." The idea, Sir, is an impossible one, if I may say so, and the sooner the Finance Member drops the idea, the sooner shall we go on to something which will bring us nearer to a solution of the question.

Before, Sir, I proceed any further, I wish to refer to what Mr. Jamnadas Mehta said yesterday about what he called "the conference" which His Excellency the Viceroy had a few days ago at Viceregal Lodge. Mr. Jamnadas Mehta had the frankness to admit that it was only by an accident that he did not himself go to that conference. I admire, Sir, Mr. Jamnadas Mehta for having mentioned that. However, he realizes, and I am sure he will not challenge me, both he and another esteemed friend of his had agreed to go to the conference.

**Mr. Jamnadas M. Mehta (Bombay City : Non-Muhammadan Urban) :** Agreed, and that too on conditions.

**Sir Purshotamdas Thakurdas :** On no conditions at all, Mr. Jamnadas, if I may say so.



**Mr. Jamnadas M. Mehta :** You know more than I know about myself.

**Sir Purshotamdas Thakurdas :** I only hope, Sir, that I may be allowed to refer to this and I do it in full cognizance of the facts which I have had from various quarters. As Mr. Jamnadas Mehta knows, I did go to that conference. I went to it because I felt that it was very good of His Excellency the Viceroy, who also is Governor General, to hear all parties on this important question and without in the slightest degree trying to influence or persuade anybody. I am sure that had Mr. Jamnadas Mehta been present at the Viceregal Lodge, he would have found that there were many points which were cleared up, and many differences brought prominently to light at that informal meeting. (Cheers.) Mr. Jamnadas Mehta thinks this a gross constitutional impropriety. I am very sorry, Sir, he used those words. Knowing, Sir, as this House does, His Excellency Lord Irwin, to hear that he could be guilty of anything which can be called "impropriety" is very sad. All that I would say is that whilst I fully recognize that the power which has the power of veto and the power which has the power of certification should be above any consultations, if that power, Sir, invites to an informal conference all the parties concerned that can hardly be called an impropriety. (Applause.) I therefore feel that I owe it to this House—it does not matter, His Excellency the Viceroy would have others abler than me to defend him if there is to be any defence—I owe it to this House to say that there was no persuasion and the only thing that we did, and I think was meant to be done at the informal meeting, was to clear up various views and find out how broad or how narrow were the differences. I have Mr. Jinnah's authority for saying that this informal meeting was not arranged on any inspiration from Viceregal Lodge but was suggested by non-official leaders. (Applause.)

Now, Sir, Sir Basil Blackett has frankly confessed to this House that he has genuine earnestness to have this Bill put on the Statute-book. He has frankly confessed that he looks upon it as one of the crowning stones to his career in India. He aims at the pure unalloyed Central Bank of the best type. I personally feel that if Sir Basil Blackett will reconcile his ideal of this Reserve Bank to the conditions prevalent in India—and there I mean conditions of every nature, economic, financial, political and others—if Sir Basil Blackett will reconcile himself and his ideal to this and will agree to mould this measure in a manner that will least disturb all these rudely, that will protect us against our various handicaps, drawbacks and, if I may say so, weaknesses, I, at any rate, can guarantee to him my support in carrying this measure. But the question is that Sir Basil Blackett aims at having an institution which will be understood by the rest of the world. What does it matter whether that is applauded by the rest of the world forthwith or not? The question is whether the institution is suitable to India or not. Is the institution going to be an institution which is to be devised and carried on, in the interests of India, which is to serve the needs of India? And if the rest of the world owing to their ignorance of the problem of India do not understand the *raison d'être* of the institution which is to serve Indian purposes and Indian needs, is Sir Basil Blackett going to sacrifice that part of our necessity to the attraction that the rest of the world will at least applaud his ideal? We, at any rate, Sir, cannot be a party to what may be approved of in England, America, Germany, France or Russia. What we want is what will suit us, what we can approve of and what we can see clearly, will

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serve our best interests and the best of our needs. We have been told, Sir, that this measure will bring us financial Swaraj. There are few in this House who believe that we can have financial Swaraj before we have political Swaraj, because both finances and military power are most important to political supremacy. I, therefore, Sir, am not prepared to expect financial Swaraj in this measure; but I take the Finance Member at his word and I am prepared to look at this measure with the utmost good will, and, as I said in my minute of dissent, I will give the best in me to mould it in the manner which I think will suit the country. And to that end, Sir, what is it that is now the difference between the Finance Member and Members on this side of the House? All that we say is that there should be no private capital brought in in order to have, what I may call, a nominal electorate—I will not call it a sham electorate—nominal electorate, to see that we have independent directors; we will not have private capital in this bank under any consideration. The next point is directors and an electorate or electorates which will ensure to us that the bank will be carried on from the point of view of serving India first and serving anybody else afterwards; when I say serving India first, I mean, serving the needs of India, serving the requirements of India first and foremost and the requirements of anybody else, including, if I may say so, with all respect but with the fullest emphasis at my command, even the requirements of England, after India's best needs are served. (Applause.) Let the Finance Member put before us a scheme of directorate which will ensure us this and every Member on this side of the House will acclaim it and will support it. He says, Sir, that we should not have an electorate where, as he says, there may be political influence. Now, Sir, nobody, not even my esteemed friend Pandit Madan Mohan Malaviya, is anxious to have a political electorate if anybody in this House is frightened of it. Pandit Malaviya has explained at full length his reasons for insisting on the Legislature as electors. What is it that is urged from the other side? "No, we will not have anything which will tend to political influence." May I, Sir, venture to submit this? It is admitted that political influence is one which should be avoided in every country which has full democratic institutions. There the party in power has all the patronage at its command, and therefore anything which may leave open political influence means the influence of the party which has the patronage at its command. Sir, in this country if there is any person or institution which has that patronage, it certainly is not this side of the House. It is the Government that have the patronage, it is the Government that can exercise political influence. The only difference is that my friends on this side of the House will not call that "political". Sir, the way in which I personally saw canvassing done by the Government in Delhi last March, bearing in mind that even Members of the Executive Council forgot their position and condescended to canvassing to a point not known before, shows that the influence that is to be guarded against is not the influence of this side of the House but the influence of that side of the House (pointing to the Treasury Benches), the influence of the executive side, not the influence on the non-official Benches. Sir, I submit to those who talk of political influence from those Benches that the boot is on the other leg.

Whilst I am on this question of directorate, I wish, Sir, to refer to the remarks made by my friend Mr. Vidya Sagar Pandya who represents the

banking interests of Madras. He asked why the Joint Committee did not recommend as directors bankers. There is a very good summary in a local paper, and I wish just to read one short paragraph from it which gives the reply to Mr. Vidya Sagar Pandya in very concise and, I think, convincing terms. It says :

“ Joint stock banks not represented on the Reserve Bank Board would be naturally suspicious that the Reserve Bank in the matter of credit facilities would be likely to favour the banks whose representatives are on the Reserve Bank Board to the detriment of those not represented.”

And Mr. Vidya Sagar Pandya will admit that you cannot put on the directorate directors of all the joint stock banks in India.

“ The presence of representatives of joint stock banks would, moreover, be likely to impair that unfettered judgment by the Reserve Bank Board which it must necessarily exercise in its credit policy, if it is to fulfil its functions properly. The joint stock banker is directly involved in the credit situation which the Reserve Bank is there to control. He is an interested party and cannot therefore be regarded as an unbiassed counsellor.”

The experience of South Africa is very instructive in this connection. It was thought when the Bank there was first started that joint stock banks should have representation on the Reserve Bank management, but hardly two years had elapsed before it became evident that for the reasons stated above their presence on the Board was inadvisable and an amending Act was therefore passed excluding them from the Bank Board.”

**Mr. Vidya Sagar Pandya** (Madras : Indian Commerce) : What about England and America ?

**Sir Purshotamdas Thakurdas** : I have heard reference being made to the Bank of England on the floor of this House. Pandit Vidya Sagar Pandya, who is a great student of financial literature, should only bear this in mind that the Bank of England is an institution of its own kind in the world. It was founded 200 years ago by private enterprise and to-day that institution is looked upon, although it is owned by the proprietors of 200 years back, as a national institution. It is convention that has made the Bank of England what it is and not legislation or any rules or regulations. It will be a long day before we can aspire to anything like the Bank of England as our Reserve Bank. It is certainly a good ideal to aim at, but if Mr. Vidya Sagar Pandya thinks that what is good enough for the Bank of England can even be feasible in India, all I can say is that he must read over again the history of the Bank of England.

Sir, the Finance Member said that he is quite prepared that the directorate of the Bank should be predominantly Indian. Whilst he has said that, I notice that there is no amendment on the paper from him to that effect. I do not know what he said when my Honourable friend Mr. Shanmukham Chetty was speaking—I could not hear him very clearly at this end of the Hall—but I believe Mr. Chetty referred to the same thing. While the Finance Member says that he is agreeable—I have taken down his actual words—that the Board should be predominantly Indian, may I ask him why he has left over to provide for that in his amendment ? How does he provide for a predominantly Indian Board ? Perhaps this part of the House wants that it should be so by election and not by nomination. But there is no difference of opinion between him and us on the main ground. He also said that he is in accord with the Assembly that the Board should be Indian in character and outlook. But why does not the Finance Member provide for it in his amendment ? Let

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him bring up the necessary amendment. In the amendments that he has so far put forward—and I see he has put forward a very large number of them—there is no provision for any of these. Therefore, I wish to ask whether these are mere hopes which he has expressed or whether he will put these very good and high sentiments of his into actual practice by putting before us relevant amendments.

Now, Sir, I wish to point out that in trying to institute a Reserve Bank for India by this Statute, it may well be said that we are building the structure of the Indian finance and currency policy from the top instead of from the bottom. How many indigenous banks are there to-day in India that you really want a Reserve Bank on the top of them all? The House may have heard the figures last time when there was a discussion in Delhi that in America they thought of having a Federal Reserve Bank only on the top of 36,000 banking branches all over the country. In Canada there are 4,000 of these and, at any rate, last year when we were on the Royal Commission we were told that Canada was still considering the idea of having a Reserve Bank. In India, Sir, the Schedule to the Bill will show that there are in all barely 60 banks which have a capital of 3 lakhs and over. Of these 60, there are a number which are known to Government and to some of us as being in a moribund condition and almost awaiting liquidation. If you deduct these and also deduct the powerful British or foreign banks, how many banks are there left? Hardly a dozen, Sir, with a capital of something like Rs. 25 lakhs and over. And, Sir, for the sake of these few banks you want a Reserve Bank, a Reserve Bank which will compel these banks to put in  $7\frac{1}{2}$  per cent. of their current account deposit with the Reserve Bank without interest, and 3 per cent. of their period deposits without interest. The opinions that have been circulated to the Members of this House contain the opinions of at least four or five leading indigenous banks who point out that if these provisions of  $7\frac{1}{2}$  per cent. and 3 per cent. compulsory deposits are approved of by the Assembly, the only result which could follow would be that the indigenous banks will either have to lend at dearer rates than they do at present or they will have to close down. To-day these banks are just able to carry on; anyway, they are not multiplying very fast when there is no compulsory deposit out of their current accounts or period deposits. You now propose to handicap these indigenous banks by compelling them to deposit  $7\frac{1}{2}$  per cent. of every hundred rupees with the Reserve Bank. Sir, this may be an ideal which may be achieved after 10, 15 or 20 years, but to-day I am sure it will work as a millstone round the necks of the indigenous banks of which we have very few indeed. My point, therefore, is that you are really building the Reserve Bank from the top. Whilst I know that many things have been done in India from the top, coming down, instead of going up from the bottom in the natural process of things, in financial and monetary matters this procedure is most dangerous and I submit that it involves such risks that it is only right for a person like myself who sees the risk that he should at least sound a note of warning to this House.

Sir, the Honourable the Finance Member said that this measure will revolutionise the Indian currency system. I have no doubt that, if this measure is carried through by stages with the greatest caution and with an eye only to the requirements of India and not to the approval

of countries outside India, at least for the first few years, such a measure will bring us a good deal of relief and will in course of time revolutionise the Indian currency system. But at the moment we happen to be under a revolution—I can say without fear of any contradiction that the economic fabric, though it may not be aggressively perceived, is certainly upset. I wish to put before the House the conditions that have been developed since the first of these measures revolutionising the Indian currency system was passed last March. What has happened, Sir, since the 1st April 1927? All the gold reserves that were left in the currency reserve of India have gone. Since the 1st April 1926, 29½ millions pounds of our gold reserve have disappeared. There were about 5 to 6 millions left on 1st April 1927 and that has gone. Silver belonging to India is melting away slowly but surely. I wish to ask the Honourable the Finance Member whether it is his intention to sell only the English bar silver which is with the Government of India or to sell all bar silver, whether English or country bar silver, because I know that he definitely gave us an undertaking in the Joint Committee....

**Mr. Jamnadas M. Mehta :** Hear, hear. "

**Sir Purshotamdas Thakurdas :** I am afraid I cannot confirm what my Honourable friend Mr. Mehta said. I hope the Honourable Sir Basil Blackett will confirm what I say. I was saying, Sir, that the Honourable Sir Basil Blackett definitely gave an undertaking in the Joint Committee that he will not sell the rupee coin. I make that assertion, Sir, and if the Honourable the Finance Member wants to contradict it, let him do so here and now.

**The Honourable Sir Basil Blackett (Finance Member) :** I am afraid I must contradict it at once.

**Mr. Jamnadas M. Mehta :** Hear, hear.

**Sir Purshotamdas Thakurdas :** Then, I venture to say that there was the grossest misunderstanding in the Joint Committee. The Honourable the Finance Member definitely and unequivocally, Sir, gave an undertaking....

**Mr. President :** Order, order. The Honourable Member is not entitled to refer to any undertaking given by the Government except in so far as such undertaking is embodied in the Report of the Joint Committee.

**Sir Purshotamdas Thakurdas :** It is referred to in the Report of the Joint Committee. With due deference to you, Sir, I submit that the policy of selling silver is a subject which is very pertinent to the motion now before the House.

**Mr. President :** The Chair does not suggest that this is not a matter pertinent to the discussion before the House. What the Chair suggests is that if the undertaking is not embodied in the Report of the Joint Committee, the Honourable Member is not entitled to refer to it.

**Mr. Jamnadas M. Mehta :** Hear, hear.

**Sir Purshotamdas Thakurdas :** I will put it in another way. I wish to ask the Honourable the Finance Member to state in his reply to this discussion whether it is the intention of the Government of India to melt India's rupees in the currency reserve and sell them in the Indian market or not. I wish to say only this, that we can quite understand the Government of India selling the surplus English bar silver there. One

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can understand it. But here I must not be misinterpreted or misunderstood as approving that. I would not even think of the Government of India selling the locally made bar silver. But when the Honourable the Finance Member says that there was no talk in the Joint Committee of his not selling rupees by melting them, all that I can say is that some of us at any rate must have been entirely dreaming there. (Laughter.) Sir, your silver is slowly melting. The loan of the Government of India, a thing on which the Honourable the Finance Member was, year after year, congratulated as being successively successful, has this year been a failure. He has had to resort to borrowing in London. He has already borrowed to the extent of £5 millions. He has had to resort to short period borrowing in India. He has already borrowed four crores of rupees by selling Treasury Bills here. (An Honourable Member : "The ratio.") The ratio also is a question under this Bill. Now, I wish to ask whether all this is in the best interest of India and of the masses of India ? I wish to ask whether all these can be said to be what the Assembly was prepared to reconcile itself to. Whilst on this topic, I will not quote any paper from Bombay because that has a certain prejudice on the minds of Honourable Members on the other side. I am now quoting from a Calcutta paper, a paper by which the Honourable the Finance Member at times swears here. What does that paper say ? It says :

"Apparently the Mussolinis of finance, entrenched behind their official wall, can ignore these, but not so the banks and merchants who have to pay their way."

The paper says this in referring to the recent attack in the Press on the Exchange Bank for their alleged demand to force the Government of India to buy sterling at a rate less than 1s. 5½d. net. This is from the *Englishman*, dated 29th July 1927. This Mussolini, Sir, that is the Honourable the Finance Member, entrenched behind his official walls—if the Honourable the Finance Member feels proud at this comparison I wish him joy of it—can ignore this, but not so the banks and merchants. India shudders at the result of the policy followed by the Honourable Member. He would not listen to the warnings given to him. He deliberately misunderstood us. He misconstrued us. He got the Assembly to approve of an avoidable disturbance to India's financial equilibrium. But this is not all. Here is an extract from a paper in which my friend Mr. Moore has a hand. The *Statesman* of the 25th August 1927 refers to how the second lot of two crores of Treasury Bills had to be sold at a higher rate than the first one, that is by about six annas. The paper goes on to say :

"Inter-bank call money is still quoted at the same rate."

That is the same rate as when the previous Treasury Bills were put up.

"The higher rate, which the Government have had to pay for this week's Treasury Bills, is to be rather accounted for by apprehensions of prospective stringency."

Last year, the Finance Member congratulated himself that owing to his policy money was not in demand at all in India in August. Within 12 months, by his policy which was conceived in the best interests of India, he has changed the whole thing to such an extent that not only are private banks fair borrowers, but the Government of India happen to be the best borrowers to-day with their short period borrowings, six-month Treasury Bills. The paper also indicates that in order to relieve the stringency in the money market in India during the next busy season, the Honourable



the Finance Member may have to borrow in London and issue currency against those sterling borrowings in India. This is indicated in this cutting. I wish to ask the Honourable the Finance Member if the Government of India are thinking of any such device for relieving the financial stringency brought about by the policy which the Honourable the Finance Member himself strongly recommended this Assembly to pass last March.

In conclusion, I have only to refer to a very pertinent article in the *Statist* of 6th August 1927, page 217. With your permission, Sir, I wish to read a paragraph from this article which I think is quite useful at this juncture when this Bill is being considered. The article says :

"The age of secret diplomacy may have passed away in the sphere of international politics, but it would seem to live on in that of international finance, if we are to judge from the extreme reticence of the authorities attending the recent Bankers' conference at New York. There seems no reason why discussions of this sort should be surrounded by an air of mystery. It is not suggested that the public should always be kept fully informed as to the progress of delicate negotiations relating to high finance. The disadvantages of such a course are obvious. The authorities and experts concerned would have to consider not only what was best for the digestion of the financial world, but also what was more pleasing to an indiscriminating popular palate. At the same time, complete secrecy on the part of the international central bankers would appear to be unjustified. The problems under discussion at New York, for instance, touch profoundly the interests of production, trade, and social life the world over. It is difficult to see how the bankers could have injured themselves by greater frankness, taking the public partly into their confidence. They might indeed derive help in the conduct of their very responsible and delicate tasks from a statement as to the general course of the discussions setting forth any decisions reached in matters of principle."

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Then, Sir, the article goes on and says :

"The position of London itself is a particularly difficult one. Though sterling is at a high record in the gold Exchange as a whole yet London has little prospect of receiving gold. Those centres where our currency is at a premium are not free gold markets ; they take all the gold they can get, but give out none when the Exchanges move against them, whereas London is liable to lose gold to any country whose currency happens to be at a premium.

This position constitutes one of the major problems of the post-war gold standard. Its only immediate solution is the difficult and delicate one of persuading the lesser gold standard countries to renounce definitely all attempts to accumulate gold reserves of their own and to be content with the more humble, but less expensive and equally secure, system of the gold Exchange standard. The situation could be greatly relieved, too, by the establishment of more or less free gold markets in Paris and Madrid. France holds the largest gold reserve in Europe, and Spain the third largest, but their huge stocks of the metal are at present effectively outside the world's monetary system."

To this, Sir, I wish to add only one sentence from a letter again by Sir Daniel Hamilton to the Editor of the *Statesman*. It appeared in the *Statesman* of 4th January last. Sir Daniel Hamilton says :

"Is it not humiliating that the great Bank of England should have to go down on its knees to the Federal Bank of America when it runs short of gold while India's agricultural industry only waits to be organised to provide India's Reserve Bank with all the gold the Empire needs ?"

Now, Sir, this statement of fact from a paper of the standing of the *Statist* and this appeal from a person of the standing of Sir Daniel Hamilton have very great significance. If England needs gold in order to preserve her position in the world, and if the Government of India will, instead of beating about the bush, only take this country and this Assembly into their confidence, I have not the least doubt that India approached in this straight direct manner will agree to stand by England

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even at this juncture. In my minute of dissent, under the head of "The importance of the free inflow of Gold" I said—and I wish to repeat those few sentences here :

"It has however been claimed that for the speedy reconstruction of the currency systems of other important countries disturbed by the War the greatest possible economy should be exercised in drawing on the world's stock of gold. The co-operation of these other countries in this connection, either with each other, or with India, is, however, neither assured, nor within sight, so far as I am aware ; each is pursuing its individualistic national policy. If at any stage an international agreement should be framed for the economical distribution of the world's gold supplies, I am confident that India would be prepared to exercise self-denial in her gold requirements in proportion to that of other countries whose currency reserves were parallel to her own. But it is of paramount importance that any regulation of the inflow of gold should never be attempted by executive action, or by the currency authority. The main principles of the gold standard should be embodied in statutes, and varied, if necessary, only by amendment to such statutes, i.e., with the fullest publicity and the concurrence of the Legislature."

Sir, a financially and economically strong India would be as much of an asset to England as India was as far as physical power is concerned during the last War. I appeal, Sir, to the Government of India and also to the British Cabinet not to disturb deliberately the normality of India's financial and economic conditions. If my appeal be not heeded, I have not the slightest doubt that England will live to regret the day when the normality of India's financial and economic conditions, poor as she is, were so deliberately disturbed. I wish therefore to appeal for frankness and mutual trust. Take this country and the Assembly into your confidence. Do nothing with the nominal assent of this Assembly by a snatch vote either here or there. If England has only the statesmanship and the imagination to realise that, constituted as this Assembly is, she could still appeal to this Assembly under the circumstances which have been described in the quotation from the *Statist*, I, Sir, at any rate feel that this Assembly will rise to the occasion if properly approached. Any short cuts, any other methods, must, I am afraid, engender distrust and want of mutual confidence, and that would be most suicidal in any measure regarding finance and currency. With this appeal, I support the motion.

**Mr. A. Rangaswami Iyengar** (Tanjore cum Trichinopoly : Non-Muhammadan Rural) : Sir, I do not propose to take up the time of the House by indulging in metaphorical descriptions, often very mixed, of the Reserve Bank Bill as it started, as it developed and as it may develop hereafter. I am neither a banker nor have a banking clientele ; nor am I a currency expert. But I am a student of public finance and public affairs and from the point of view of such a student I desire to state why I came to the conclusion that in all the circumstances we are in, the institution of a national Central Reserve Bank is a measure of distinct benefit to the country. As I conceive it, a Central Bank sub-serves three distinct public purposes. They therefore involve the discharge of public functions, and, as I shall presently show, they can only be discharged by a public authority—not controlled by the Government on the one hand and certainly responsible to the public on the other. It cannot be carried out by any private agency, however eminent, and as the question of a shareholders' bank has been discussed threadbare, I do not want again to say how a shareholders' bank is wholly unsuitable for this purpose.



Sir, in the first place a Central Reserve Bank is what is known as a Bank of Issue. It seeks to control and to regulate the issue of paper currency in this country and, so far as we are concerned, in this unfortunate country a Central Bank will have the duty of maintaining the stability of the token currency in this country, namely, the rupee, the note printed on silver. These two duties, as we all know, have been till now discharged by the Government. That they have been discharged with disastrous consequences to India's economic interests in the past has been admitted on all hands; and I therefore think on that simple ground it is necessary that this duty should be taken away from the hands of the Government which is acting under the leading strings of the India Office and the London money market all along and that it should be entrusted to the hands of an authority in India responsible to and representative of public opinion. That, I think, Sir, is the first important ground upon which we as laymen think that a Central Bank in India ought to be established to take charge of the issue and the regulation of currency notes and to maintain the stability of the rupee. My Honourable friend Sir Purshotamdas Thakurdas was pleading eloquently for some more light, some more publicity, in regard to the transactions by which the Government have been manipulating the currency since the day in March last when this House, in spite of the unanimous protest of public opinion, fixed the ratio at 1s. 6d. If these disastrous consequences have fallen from the fact that the Government has been in charge of these operations, I submit that that furnishes the one solid reason why this thing should be taken out of the hands of Government and lodged in the hands of a body who will be responsible to the public. And that is the reason, Sir, why I again say that we should support this Bank. We feel, Sir, that in the next place this Central Bank, in regard to its second function—a function which has been till now entrusted to the Imperial Bank of India—will act as the Government's bankers. The attempt to make the Imperial Bank act as the Government's bankers has been made for ten years now. But the fact remains that the Imperial bank has no control over the currency and could only control the expansion of credit in an extremely limited way by having what Sir Purshotamdas Thakurdas rightly condemned as a kind of secret alliance with the Government of India and Whitehall. This difficulty, it seems to me, furnishes the second reason why an independent banking corporation should be established to act as the Government's bankers. Sir, so far as this country is concerned, the Government's bankers ought to be put in a perfectly independent position. I certainly object to a private shareholders' bank like the Imperial Bank, however eminently it may be officered at the present time, taking charge of the duty of acting as the Government's bankers. The system which prevailed in this country prior to the time when the functions of the Imperial Bank were expanded to enable it to act as the Government's bankers, is one which may be compared to what is called in the United States of America as the independent treasury system. And even to-day, except for the few branches which the Imperial Bank of India has established in many parts of the country, so far as the manipulation and movement of Government's resources are concerned, the treasury system continues to be the main channel by which the Government moves its finances. That I say, Sir, is in the first place economically not beneficial to the country, and in the second place it is also injurious to the financial interests of the country.

[Mr. A. Rangaswami Iyengar.]

At a season when it is most important for the agriculturists of this country to have fluid currency in large quantities, the Government rigorously collect their taxes from the tax-payers of this country. When the agriculturist wants to move his crop, the Government collects taxes in cash and puts it into their treasury vaults. By doing that they are withdrawing a huge quantity of currency from circulation at the very time when the agriculturist badly wants that currency in circulation. That is an evil for which we ought to find a remedy. The best way would be, I think, for all the Government's money to be deposited with a Central Bank of acknowledged eminence, which would put this money again into circulation in the course of its operations with its creditors, other banks and producers. Therefore, Sir, I consider that from the point of view of the peculiar conditions of this country, namely, the fact that the agriculturists have got to pay their taxes in the busy season, that currency ought not to be tied up but an agency should exist which can use and expand the currency during the busy season. And that agency should not be merely a Government agency. Government, we know, has been managing this thing not in the interest of the agriculturists who want this currency, but in the interests of British financiers, of the India Office and others. Therefore we say that this duty of regulating the currency to the requirements of trade at the time when trade requires it, should be entrusted to an independent central authority. We know, Sir, that so far as the Government is concerned, they have often merely abstracted all this money and put it into their vaults. The next thing that happens is that huge quantities of this money find their way by transfer to the Secretary of State's treasury in London. If this money were at least to remain in this country we know that some people here would get the benefit of it. But these large quantities which are sent to the Secretary of State's treasury are ultimately lent out to the London money market on very easy terms. That is the system which now exists, and the establishment of a Central Bank will get rid of that system. So in the point of view that a Central Bank established in this country and acting as the Government's banker would use the monies which Government gets into its hands for the purpose of benefiting Indian trade only and not European trade and London financiers, lies the second reason which has influenced me in agreeing to the establishment of a Central Bank. The third reason is that this Central Bank is expected to discharge the duties of a banker's bank. The Imperial Bank at the present time accommodates bankers from time to time; but it is solely at its sweet will and pleasure, and my friend Mr. Vidya Sagar Pandya has exposed the manner in which the Imperial Bank has been discharging the duties to the public whose monies it has in such profusion locked up in its various operations. Sir, we think that so far as any bank can function as a bankers' bank, it ought not to be a shareholders' bank. It ought to be a bank which is subject to the legislative control of this Assembly. It should be a bank wholly Indian, acting wholly in the interests of India, and it should be able to help bankers in the difficult times ahead of us. My friend, Sir Purshotamdas, very properly said that in this country banking is in its infancy and he expressed the fear that the establishment of a Central Bank with the Imperial Bank may have the effect of crippling the activities of these banks. But, Sir, between the alternative of having the

Government's monies abstracted to London, between the alternative of having those monies put into the hands of a private corporation like the Imperial Bank of India and the alternative of having it put into the hands of a Central Bank whose Directors will consist of a majority of Indian elected representatives, I consider the House can have no difficulty whatever in coming to a proper conclusion. Sir, so far as the Central Bank is concerned the necessity for having directors outside of the run of commercial corporations, whether they are Chambers of Commerce or Federations of Chambers of Commerce or the Imperial Bank and others, seems to me to be self-evident. Because even in London, the Bank of England has long since ceased to be a kind of private corporation. The Governors and Directors there do not deem themselves to be persons who are there to earn dividends. They deem themselves to be public servants owing a duty to the public as trustees. It was not so in earlier times. Walter Bagehot long ago said that the duty of a Central Bank like the Bank of England should be to conserve the resources which come into their hands for the banking and commercial operations of the country and that the Directors are trustees for the public, to keep a banking reserve on their behalf. In so far as a Central Bank has to perform those public functions, such a Bank cannot be a mere shareholders' bank, but a group of persons acting as trustees for the public. That is why we in this country say that such a bank ought not to be put into the hands of a group of financiers and shareholders who may elect the directors. We look upon the Directors of the Central Bank as trustees and custodians of Government monies who have a public duty to perform in the use of that money. For this reason, I feel it my duty to support the principle of a Central Bank. As for the question of the Directorate, I am not at all enamoured of indulging in figurative descriptions. I do hope, Sir, that as practical business men here, we shall be able to find a solution for this, so that this Bank shall have at its head a group of Directors who will represent the Indian public, who will be predominantly Indian, who will be elected by Indian constituencies and who will mould this Bank to be an instrument for the economic uplift of this country.

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

The assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President in the Chair.

**Mr. N. C. Kelkar** (Bombay Central Division : Non-Muhammadan Rural) : Sir, so this is the Reserve Bank after all. It is the *enfant terrible* that made so much noise throughout the Indian world. A child naturally cries immediately it is born. But its cries are drowned in this case by a chorus of congratulations from far and near. Conceived by the Finance Member, it was licked into shape by the Royal Commission on Currency. It has the features of cross-bred parentage. Its lineaments are partly American and partly African. It has Indian blood in its veins. But it shows the sparkle of Indo-British interest in its eyes. It gives evident signs of precociousness. So a playmate and a companion has been provided for it in the Imperial Bank, and among its playthings will be Currency, note issue and financial credit. Its swaddling-clothes will be of gold. The indispensable Indian ayah will be provided among its caretakers in the form of some Indian Directors. But while its nominal guardianship will be entrusted to the Governor

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General in Council, its apron strings will be in the hands of the Indian Finance Member, to be pulled through a complicated mechanism, whose working will be mysteriously concealed. The Indian Legislature is now called upon to witness its baptism, and to give it a charter along with other blessings.

I shall not, however, pursue the simile any further and come to close quarters with the merits of the Bank. The first claim on its behalf is that it is a measure of liberalism in Indian finance. I must frankly admit that there is some truth in that claim; for the immediate apparent effect of the Reserve Bank will be to liberate India from the tight control of the State Secretary upon Indian finances—a control which that authority never exercised with uniform wisdom and very often exercised in the interest of the London financiers and London money market in general. It was not only a suspicion but a mere hard fact. As between the State Secretary and the Indian Finance Member, however, there is a definite choice, and I prefer the Indian Finance Member, notwithstanding the fact that his training, his connections and his outlook are deeply coloured with a British bias. I prefer the Indian Finance Member to the State Secretary, because the former after all has his actual work and his official responsibilities cut out in direct Indian affairs, and he must be in the nature of things more amenable to Indian public opinion as expressed through the legislature or outside. Every Finance Member has a certain sense of Indian responsibility, and the past record shows that many a Finance Member has struggled and fought with the State Secretary in the Indian interests, though the domestic quarrel had to be carefully concealed behind the *purdah* of official discipline. I say, therefore, with conviction and deliberate purpose, that the Reserve Bank is in theory at least a measure of financial liberalism to this extent, that much of the real control of finance, currency and credit will be transferred from the State Secretary to the Government of India. This is a part of our large scheme of Indianization in a broad sense, though there may be years before an Indian is actually appointed to the office of the Finance Member. But now the Secretary of State being eliminated from the scheme, the Government of India should be prepared to share that transferred control on the Reserve Bank with us, the Legislature. Then again, the Reserve Bank is certainly a progressive step in the direction of the financial organization of this country. For, though every Indian problem has a special lining of circumstances to it, India cannot keep itself completely detached from the developments of financial theory and practice that is going on in the entire civilized world.

But having said this much for the idea of the Reserve Bank, I must also point out that the Reserve Bank, such as is envisaged in the present Bill, is not going either to give us all the benefits that accrue from such an institution in the advanced countries, or free us entirely from some of the evils which are inherent in the currency system and financial organization in India. There is nothing in the Reserve Bank which will temper, much less eliminate, the defects of a system of managed currency and credit. There is an attempt in the scheme of the Reserve Bank to bring us in line with the up-to-date theory and practice accepted by these advanced countries. But count is not being taken of the fact that in none of those countries, there is such a system of debased silver currency as has been obtaining in India. And secondly,

that the Indian public has not had the benefit of the training, through which those countries passed, in making their way up to an ideal scheme of currency in which metallic currency is eliminated. It is amusing enough to see that whereas in political matters, India is not regarded as fit to touch even the fringe of the system of self-government, owing to her social and educational backwardness, she is regarded in this banking sphere alone to be ready to adopt a financial regimen, whose merits are still contested in the advanced countries themselves. The return to the Gold Standard in England was itself contested, though I know it has ultimately been adopted. But there is still uncertainty as to whether the countries will or will not return to the system which prevailed before the War, and resort to the use of gold coin, and the free convertibility of currency.

As regards the ban put upon the circulation of gold coin by the Parliament Act of 1925, there are people who hold that this bar is not a wise one, and cannot be maintained for ever. On the other hand, Prof. Flux of America thinks that "the time will come soon again when perfect convertibility will be established and specie payments will again be resumed in some European countries; and that many of the European countries will rather choose, instead of facing a further considerable change in domestic price levels, to re-establish gold convertibility at some new parity. In America, some kind of bank notes even to-day do bear on their face a promise to pay in gold coin, and the promise is also redeemed". My point is that opinion about the present system of gold standard and the elimination of convertibility is not unanimous. But unfortunately that system is being foisted upon India through the present Act and the Reserve Bank. The root evil of the system of a debased currency in India is not eradicated, and we shall be left at the mercy of the financiers who try to maintain prices and credit by endless manipulation. The silver rupee in India is admittedly a note on silver, and it cannot be converted into gold, though its relation to gold is theoretically fixed by Statute. But as Mr. Benjamin Anderson of America says :

"Irredeemable paper money is diseased money. It is cured only by gold redemption accompanied by balanced budgets and sound public finance."

He says further :

"You cannot stabilize irredeemable paper money by money market policy. Gold payments alone will stabilize paper money."

The proposed Reserve Bank is intended not to cure the unsound currency system in India, but somehow to bring it in a line, for other purposes, with foreign nations, who propose simply to manipulate the quantity of money and the bank credit, by various devices, namely, variations in the discount rates, open market operations on the part of Central Banks and the co-ordinated policy on the part of public treasury—in borrowing and repaying. Some simple-minded people seemed to think that in itself, the Reserve Bank is an *Avatar* of salvation for India. But they will soon be disillusioned when the Bank will begin to operate. No doubt, a high authority has said that in a well-governed community, all political power should be wielded by bankers. But this situation will be arrived at only when civilization reaches the apex of its achievement. The banking system of England was for a century an object of legitimate pride for that nation. But it was discovered in the time of the war that the banks succumbed to the wills and the pressure of the British Cabinet. If that can happen to English banks with their tradition of strength and independence, one can easily imagine what can happen to the Reserve Bank,

[Mr. N. C. Kelkar.]

at the hands of the Government, though the Finance Member over and over again assures us that his object in treating a Reserve Bank is to create an institution which will be free from Government control. If the English money market could be made by Government an instrument of war, the Indian money market can conceivably be made by the Government of India an instrument of controlling currency, credit and prices to the disadvantage of the Indian people, and in the interests of foreign nations and foreign money markets. From this point of view, we cannot but closely scrutinise the provisions in this Bill on the subject of the gold reserves of the Bank and its uses. But though, apparently, there is an attempt to free the Reserve Bank from the Government control, it can easily be seen that that control actually comes in in a number of ways. The pretence is really funny that while the least touch of the Legislature with the proposed Bank spoils it by political influence and pressure, the combined nominees of the Government and the British commercial community in India will save the Bank from that influence and pressure. The Bank is a hybrid both in respect of its constitution and the agency of its control. And I have no hesitation in endorsing the suspicion which some people have expressed, that the Reserve Bank is a device to transfer the financial power from England to India, simply for the purpose of saving the State Secretary from odium and screening the operations of selfish British interests. Then, again, it is not clearly seen why the co-existence of two banks like the Reserve Bank and the Imperial Bank is necessary in India, when the Imperial Bank is not being invested with powers of note-issue, and the Reserve Bank is being allowed to do commercial operations. Even for the purpose of a central financial and banking authority, the two might have been amalgamated into one, and the existing machinery of the Imperial Bank might have been adapted to the needs of the case. There is nothing in the scheme of the Reserve Bank to guarantee the hope that adequate banking facilities will be created in this great country where they do not already exist, or that banking habits will be taught to the people whose financial interests are going to be controlled, in the light of the latest theory and practice of the money market. There is no guarantee that gold would be sedulously conserved in India and not frittered away abroad. There is no guarantee that the gold reserve will be used only in improving the internal material condition of the people of this country. There is no guarantee that the gold standard will be brought home to the people by the introduction of gold coinage and the establishment of convertibility. There is no guarantee that the gold resources of India will not be wasted for the maintenance of exchange ratios in the interests of Government. More convincing proof will, therefore, be required before the Indian people can be persuaded to welcome the Reserve Bank as a saviour, and I for one shall not regard it as a calamity if it happens for any reason that Government withdraw the Bill or the Bank does not come into existence till the present agreement with the Imperial Bank terminates, so that we may get more time to consider the position with a larger experience.

I would conclude by just referring to one quotation from an expert, because that will show that these suspicions are not entertained merely by laymen like myself, but they have been held by people who know more of these things. He puts the questions and answers thus :

“ Why does England want India to establish such a Bank ? The answer is :— To get hold of India's Gold Reserves to manipulate them as it thought best. The



My reader will say this is mere prejudice on my part, but fortunately for us Sir Earnest Harvey let the cat out of the bag in Australia. When he failed to get them to agree to the kind of Bank that he wanted, he advised the private Banks to hand over their Gold to the Commonwealth Bank (to be sent by it to London to be invested) or to themselves to send it to London, and we learn from Sir Hilton Young's paper of 28th May 1927, that the suggestion was not viewed with favour by the Australian Banks. His recommendation to Australia may be summed up—Establish a Central Bank. If you don't like to do so, don't; but give us your Gold in any case."

One is naturally afraid that that may happen in the case of India also.

**Mr. Fazal Ibrahim Rahimtulla** (Bombay Central Division : Muhammadan Rural) : Sir, so much has been said against Bombay since the ratio question came into being that it was refreshing to hear from the lips of Sir Alexander Murray the praise of a Bombay man. That a Bombay man should have been the outstanding feature and the outstanding member in the Royal Commission is a great satisfaction to those who represent the Presidency here, and let us hope that by having a Bombay man in the Executive Council in the Honourable Mr. Crerar that Bombay will receive the attention which is due to it. (Applause.) Sir, when the ratio question came up for discussion I criticised the Honourable the Finance Member for bringing forward a policy which suited England; but on this occasion, Sir, I must admit that the Honourable the Finance Member is very sincere in giving the best in the Reserve Bank for the benefit of this country. I may quote the speech of the Honourable the Finance Member which he delivered before the Delhi University on 23rd November, 1926, in which he says :

"At one stroke control of Indian currency and finance will be transferred from a centre situated at some point between Whitehall and Delhi into the sole control of India."

I may be permitted to mention here, Sir, that the Honourable the Finance Member's experience in the question of ratio must have been very bitter in order to arrive at the conclusion that the whole policy of credit and finance must be governed in India. But, Sir, while giving him this praise, I must sound a note of warning. He must be aware that he is anxious to give what is best for India. But in his anxiety to do the best, he must not be in a hurry or show impatience. I may, Sir, quote the instance of the Governor of Bombay. We had in Sir George Lloyd one of the cleverest Governors of Bombay and in his anxiety to do the best for Bombay, to relieve the congestion, he introduced the Development Department. He did not take heed of the representatives of the people that he should go slow, that he should see for himself whether the Development Department would be a success and should be undertaken by Government; and in his hurry, Sir, as soon as he left the shores of India....

**Mr. President** : Order, order. These remarks are not at all relevant to the question before the House.

**Mr. Fazal Ibrahim Rahimtulla** : With due respect to you, Sir, I am only comparing with the position of the Development....

**Mr. President** : Order order.

**Mr. Fazal Ibrahim Rahimtulla** : I am only showing the parallel in order to avoid its repetition.

**Mr. President :** The Honourable Member is not in order in referring to this matter.

**Mr. Fasal Ibrahim Rahimtulla :** I was only going to compare the position with the Development Department and sound a note of warning. Sir, I would tell the Honourable the Finance Member that if he feels that what this side of the House is prepared to accept is not what is best for India, then the better course for him would be to withdraw the Bill rather than to have a compromise of a character which would make his name not spoken of in a manner which it deserves not only in this House but throughout the country regarding the Reserve Bank.

I wish to take one exception, Sir, to the remark of my friend Mr. Jamnadas Mehta. Sir Purshotamdas Thakurdas has already dealt with it, and I think it was very unwise of him to have mentioned the informal discussion.

**Mr. President :** Order, order. The Honourable Member need not take the trouble to defend His Excellency the Viceroy. The Treasury Benches are there to undertake that task.

**Mr. Fasal Ibrahim Rahimtulla :** Sir, I was not going to defend His Excellency but I was pointing it out to Mr. Jamnadas Mehta that the argument advanced by him was out of order and unjustifiable ; that if the Bill was to be carried through, and if the Bill was not suited to the popular view of the House, then he would ask the Viceroy not to give his consent. If that is so, is it not the duty of the Governor General to be acquainted with all the views before he comes to a conclusion on a momentous Bill of this character ? I would advise my friend Mr. Vidya Sagar Pandya not to press his amendment for eliciting further opinion on the Bill as amended by the Joint Select Committee. I would tell him that as the banking people all over the country are put to very great inconvenience due to uncertainty, he will realise that it is not in the interests of India to prolong this discussion. We should either accept it as amended by the Joint Committee or reject it. The only question on which the existence of the Reserve Bank depends is the question of the constitution. The Joint Committee has mentioned the question of the Legislature having the right to elect three Directors. I for my part do not think that it should be supported if we can devise a convenient scheme by which, as the Honourable the Finance Member pointed out, a predominantly Indian Directorate could be secured. But by securing this as a compromise, we must see that it is a compromise which would stand pre-eminently supported by the unanimity of this House. We should not carry the passage of the Bill clause by clause in a heated mood as we did in the case of the Ratio Bill in Delhi.

In conclusion, I would like to remind the Honourable the Finance Member of his speech which he delivered before the Delhi University in which he said that he was anxious to give his best for India, and I hope he will carry out his resolution irrespective of any other considerations :

" Its merits will, I know, be recognised ever more and more as knowledge and understanding of it increase. Do not be content merely to listen to or repeat what I or others say about it. Read it and read it again, so that when finally the recommendations it contains are incorporated into legislative form and presented to the Legislature, the discussion may proceed in the light of intelligent appreciation, free from hearsay criticism or biased controversy, and India may drain from it every drop of virtue in it, and thereby be enabled to rebuild her currency system and practice on sound and durable foundations."



**Mr. H. G. Cocke** (Bombay : European) : Sir, this discussion has now gone on for a considerable time. We have listened to some very long and very interesting speeches, and I presume we are going to take this Bill into consideration and that the motion will be accepted. But, Sir, that in itself will not help us very much unless we can get over some difficulties we are up against. I believe it is generally appreciated that the Reserve Bank will be a good thing for India. As Sir Alexander Murray told us yesterday, the idea has been put off in the past and it appears to me that if we do not get it through on this occasion, it may be very many years before India has the opportunity of having another Bill by which a Reserve Bank can be established. Therefore, I suggest to this House that it should consider very seriously the particular points of difference before it runs the risk of losing this Bill. The Honourable the Finance Member has given to this subject his considerable knowledge and we have had the benefit of his advice throughout. Although the Government is unable to accept the Bill as it has emerged from the Joint Committee, I trust that with the help of the Finance Member and the scholarship and learning of this House, it may be possible to get the Bill into some shape which will be acceptable to the House. But, Sir, that is admittedly very difficult. Many Members have spoken in favour of the non-shareholders' bank as compared to the shareholders' bank. While many of the arguments which have been adduced are very pertinent, it is well to remind the House that all big corporations, banking, insurance or otherwise, are run by Boards of Directors in which it may be said the shareholders have very little voice. In my opinion, in the case of the Reserve Bank, there would not be the same aloofness of the Board from the shareholders because, I take it, there will be no objection to including a provision in this Bill by which the amount of shares which any member can hold is limited, provided the limit is reasonable. Suppose, for instance, a limit of Rs. 15,000 or Rs. 20,000 were accepted by this House as the limit of an individual shareholding, the capital of the Bank would be very widely spread. And in the event of your Board, which is originally nominated, not being satisfactory to the majority of the members, it would not be a very difficult thing to get a number of shareholders together with a considerable amount of capital and agitate for a different Board. I merely point that out to the many Members who have inferred that, once you get your Board in the first instance as nominated for the shareholders' bank, you have got to put up with it for ever, and the shareholders are not in a position to alter it. I do not think that would necessarily be the case in practice. If you take a mill with Managing Agents, it is very likely that the Directors and the Managing agents together may hold something like 70 or 80 per cent. of the shares. In that case admittedly the shareholders are in a very difficult position if they want to upset the policy of the Board. But this does not necessarily follow in this case. I suggest to the Members of this House, in view of the deadlock which is being reached in connection with the formation of the Board for a so-called State Bank, that they might take seriously into consideration again the question of the shareholders' bank. It is perfectly true that Mr. Jamnadas Mehta's tailor or somebody else's chauffeur might hold shares. But in practice there is bound to be a very large number of influential business men and financiers who will hold shares up to the maximum limit of Rs. 10,000 or Rs. 20,000, whatever it may be. In practice, surely it will be possible to get a Board which is practically entirely Indian because admittedly of this 5 crores a very

[Mr. H. G. Cocke.]

large amount must be subscribed by Indians. I submit that it will be possible to get a Board which, however difficult it may seem in theory, will, in practice, be possible for India to accept as an Indian Board. Mr. Shanmukham Chetty yesterday made remarks which were taken exception to on these Benches, and he explained in defence that he merely wished that there should be Indian control. He did not object to European assistance on the Board or in the direction of the Bank. With that explanation, the matter dropped. There can be no doubt that in a bank of this sort a certain amount of European support and assistance is required and expected, but no one suggests for a moment that there is going to be anything but Indian control. I suggest that the best way to get Indian control effectively is to revert to the shareholders' bank.

If we are not going to have a shareholders' bank, if that is quite impossible, the question then arises, how you are going to get a Board which will meet the case of the so-called State Bank? In all the speeches that have been made, I do not think I have heard one constructive proposition. My Honourable friend Sir Purshotamdas Thakurdas this morning found fault with the Honourable the Finance Member because he did not put constructive amendments down on the paper. Well, everybody knows that a considerable body of Members of this House have been for the last few days racking their brains to find a suitable alternative. As far as I can ascertain, up to this moment, no very acceptable alternative has been found (*An Honourable Member* "Question?") Well, if one can be found or if one has been found, let us have it out. No one has produced anything which is really acceptable. The amendment I see on the paper for electoral colleges is one which, in the opinion of many Honourable Members of this House, will be extremely difficult to work. If the proposers of this amendment will in due course satisfy the House that it will be possible to work it out in a satisfactory way, then so far as these Benches are concerned, I do not expect that they would stand in their way. But we must be satisfied, and naturally everybody must be satisfied, that their suggestion of adopting these electoral colleges would produce the best results and would be workable in a satisfactory way.

There are various other provisions in the Bill which we shall be discussing in due course. They have been touched upon to-day. But I want to confine myself to the big issue, or rather I should say, the big issues which are also difficult issues. The more important questions in the Report will come up for discussion and in my opinion one appendix is a very important one. I hope everybody has read the appendix to the Report which deals with questions of gold coinage and currency. Here, I should like to read to the House, if I may, a short extract from a financial paper called *The Investors' Chronicle*, dated the 2nd July, 1927, which deals with the world gold situation. It says :

"Professor Gustav Cassel, in the quarterly report of the '*Skandinaviska Kredit-taktiebolaget*', seeks an answer to the question 'Are we faced with the continuous fall of prices?' His views deserve careful consideration, as he can claim for them partial confirmation in the actual price history of the last two years. His main point is that the world's production of gold is too scanty to cover normal requirements and that unless large economies are effected in the use of gold, a further and perhaps a continuous fall in commodity prices must occur. He claims to have information which places it beyond doubt that in fifteen years the South African gold mines will be so

far exhausted as to cease to be the world's principal source of gold supplies. He estimates that the annual requirements of new gold about 1920 will be close on £150 millions and that in all probability it will not be possible to supply half that amount. He therefore emphasises the need for the systematic limitation of the monetary demand for gold. He notes the apparent tendency in the United States is to recede from the position of willingness to part with her superfluous gold, and rather to accumulate more gold, and that there is a tendency in other countries to endeavour to secure gold in the belief that this is necessary to enable them to secure a more solid basis for their monetary system. Professor Cassel fears that if matters develop upon these lines a general scramble for gold may result, and consequently a continuous fall in gold commodity prices. He urges, therefore, that all central banks should manage with a lower percentage of gold covering than has hitherto been usual, and that they should adopt the practice of holding reserves in London and New York, instead of accumulating gold stocks of their own.

There is a very natural sentimental desire on the part of Members of this House and in the country for a gold coin. I trust that so far as this Assembly is concerned it will not cherish that wish, for it is bound to be disappointed. I realise, as I think most people do, that the time is not ripe for that to be practical politics.

I should just like to say one word on the question of the Imperial Bank and the indigenous bank. My Honourable friend Sir Alexander Murray referred yesterday to the question of the Imperial Bank, if it ceased to do commercial business, being in the skies and the exchange and the indigenous banks right below with nothing in between. Well, I do feel in connection with this Bill that we have got to consider the question of indigenous and exchange banks very carefully, particularly when we come to the clause dealing with deposits, because the effect in years to come will be that the Imperial Bank, which is being benefited by holding the Government cash balances, would be more or less in competition with the indigenous and the exchange banks. I do not think we have more than one or two bankers in this House. I think they would be prepared—I think bankers generally would be prepared—to agree with Sir Alexander Murray's remarks to the extent that they wish the Imperial Bank *would* go up the sky so that they would have the whole earth to themselves. (Laughter.) Personally, I am rather inclined to agree with them and disagree with my Honourable friend Sir Alexander Murray that the country would accustom itself to the indigenous banks and the exchange banks without the help of the Imperial Bank. That, however, I realise is not practical politics for the moment. We have got this Bill before us and we have got to do our best, and I do appeal to the Honourable Members of this House that if this difficulty about fixing a suitable directorate for the State Bank is not possible of solution—I have very great doubt about it myself—they should again go over to the question of a shareholders' bank and consider the few remarks I have made on that subject. I do not believe that all the objections which have been raised to the shareholders' bank in theory would actually weigh in practice. I believe you will have the best brains in this country amongst the shareholders of that bank. You will have your capital very widely spread and there will be no difficulty whatever in getting your Board. I do not think that once you have a proper Board constituted, there will be great difficulty in removing a Director and getting another in his place. (Cheers.)

**Lala Lajpat Rai** (Jullundur Division : Non-Muhammadan) : I want to make a few observations on the principal contents of this measure. The points that interest me very much at this stage are two, the nature of this bank and the character of the directorate that is going to manage

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the affairs of the bank. I understood till now (before Mr. Cocks's speech) that non-official opinion, both European and Indian, was inclined to agree that this bank should be a State Bank and not a shareholders' bank. I know that Sir Alexander Murray and Sir Victor Sassoon both said that they were originally inclined in favour of the idea of a shareholders' bank, but in deference to the opinion of this side of the House they were prepared to accept a State Bank in place of a shareholders' bank. To-day again, the plea has been raised by Mr. Cocks that they are in favour of a shareholders' bank. Sir, I may take the opportunity of stating on behalf of this side of the House that under no circumstances are we prepared to accept a shareholders' bank. (Hear, hear.) This Bill might be passed over our heads. The scheme might be put into operation against our will, but under no circumstances shall we agree to a shareholders' bank. The arguments against the shareholders' bank have been advanced pretty fully by Honourable gentlemen who have discussed the matter yesterday and to-day. But I will just refer to one or two more points. It is claimed on behalf of the shareholders' bank that a shareholders' bank will completely divest the Secretary of State and the Government of India at least of a great measure of the control of this Bank. I, Sir, do not accept that point of view. This Bank is not an ordinary corporation or company. The facts that in future it is going to control and manage the currency of the country, and that on many occasions it requires the sanction of Government and has to submit to Government control, show conclusively that to compare it with an ordinary corporation or company, whether it be a railway company or any other company, is entirely absurd. On every page of this Bill, Government control and Government sanction is practically written. This Bank when established is going to control the currency policy of the Government of India which will affect practically the interests of every inhabitant of India, whether he is represented on this Bank or not. Therefore, I submit, Sir, that to compare this Bank with such ordinary corporations or companies that are exclusively owned by shareholders and managed by directorates elected by the shareholders without any interference from or reference to the Government does not hold good at all. Then, Sir, it has also been pointed out by several speakers that the shareholders' control over this Bank, as we know from past experience of banks and corporations of this kind, will be practically imaginary, that it will not be real. Mr. Vidya Sagar Pandya yesterday showed to you from figures gathered from the proceedings of the general meetings of the Imperial Bank what interest the shareholders of the Imperial Bank have been taking in the affairs of the Imperial Bank for the last 5 years. This morning I received a letter from an Indian shareholder of the Imperial Bank at Calcutta, showing that at the last general meeting of the shareholders of the Bank only 3 per cent. out of the total voting strength of the Bank took part in the proceedings, in spite of the extensive canvassing that was done by the directors and officials of the Bank, and that the point of view of the Indian section was entirely neglected. This fact, although the majority of the shares are held by Indians shows the dangers of a shareholders' bank. That conclusively establishes that under no circumstances can we accept the plea that a shareholders' bank will give a real representation to the shareholders. I may say at once

that there is no desire on the part of the House to exclude the European mercantile community, who have mercantile, commercial or other interests in this country, from the management of this Bank ; but one point is absolutely clear and I want to make it more clear, if possible—that we shall not be a party to any measure for the establishment of a Reserve Bank which does not secure to the Indian population a majority of the elected representatives on the directorate of the Bank. If that is assured to us by any scheme whatsoever we shall agree to it ; otherwise we shall not agree to it whatever the Government might pass over our heads. That is the test by which we are going to look at this measure. I share in full, Sir, the apprehensions that have been expressed so eloquently by my friend Pandit Malaviya and by Sir Purshotamdas Thakurdas about this Bank and the Imperial Bank practically starving and strangling the indigenous banks of this country. I have been connected with indigenous banking in this country for the last 30 years of my life and I know what they have suffered at the hands of the Imperial Bank with all the credit balances it gets from Government. Therefore, with two such Banks running in competition with indigenous banks, really the desire of the Government to develop indigenous banks and to provide more banking facilities for the country people becomes almost nominal, a farce. The Imperial Bank will still be financed with Government balances. I do not agree with Sir Purshotamdas Thakurdas that the Imperial Bank is no longer going to have any help from the Indian Treasury. The Bill as passed by the Joint Committee still provides for large sums of money being given to the Imperial Bank for the next 20 years to come, free of all interest. Well, that gives them a substantial advantage over the indigenous banks. That advantage when coupled with the provision that all indigenous banks shall have to place a certain amount of their deposits in this Reserve Bank, will show how completely the indigenous banks will be hard hit in competition with these two Banks. The Imperial Bank is still going to be the favourite child of the Government for 20 years to come in the matter of having a large amount of Government money at its disposal without any interest and also large amounts on very very small interest. I therefore share the apprehensions of my Honourable friends Pandit Malaviya and Sir Purshotamdas Thakurdas that indigenous banks will suffer a great deal in competition with these two Banks. I also share with them the view that perhaps it would have been better if, to start with, the new Central Bank had not been proposed. I share to a certain extent the view of Sir Purshotamdas Thakurdas and Sir John Bell that perhaps it might have been a better scheme if the Reserve Bank had come in the course of natural evolution. This opinion was also expressed by such an expert journal as the *Statist* of England quoted by Sir Purshotamdas Thakurdas and also in another article which appeared in one of the November issues of the *Statist*. But, Sir, perhaps we have passed beyond that stage. The Government is committed and we do not want to stand in the way of Government establishing this Bank as a Reserve Bank. We will take all these risks which have been pointed out but only subject to one condition, that the management of this Bank is going to be in the hands of a Directorate upon which there is not only a majority of Indians but a majority of elected Indians and a substantial one too, so that the Directorate may represent the people of this country in a real sense. This Bank is going

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to deal with Government balances. This Bank is going to deal with the currency policy of Government. This Bank is going practically to affect everyone in this country. I want to ask, Sir, if the management and control of this Bank is going to be put in the hands of the capitalists only, either Indian or foreign? I think, Sir, it would be entirely wrong to do so. The general tax-payer, the general people of the country, must get some real representation on this Bank and a substantial representation in order to make this Bank acceptable to the people of this country.

Sir, I do not see any reason why the proposal of the Joint Committee should not be acceptable to the Government or to the other side. Some facts were stated by Pandit Malaviya relating to the banks of other countries in Europe, and the reply given by my Honourable friend Sir Alexander Murray was that there was no comparison between these countries and this country. I admit that, but the fact that those countries have responsible self-government and this country has not, makes it all the more incumbent that the popular representatives of the people in the Legislatures of this country ought to have a voice in making the Directorate of this Bank. It makes it still more necessary in the case of a perfectly irresponsible Government, and, considering that that Government at least in our judgment does not always represent the best interests of the country though they may think they do perfectly honestly, I submit that the wish on this side of the House to have a voice in the management of this Bank is perfectly reasonable and legitimate; I think the best way of satisfying the aspirations of the people in this respect is that provided by the Joint Committee. At the same time, I may at once say that if the only alternative is either to have that scheme or the Bank at all, and if the Honourable the Finance Member is going to carry out his threat that if that "monstrosity" (in inverted commas) is perpetrated he would rather withdraw the Bill, we do not want to go to that extreme. We shall be prepared to accept any scheme which will give a substantial voice to a decent number of the people of this country who are interested in commerce or otherwise in the affairs of this Bank in selecting representatives for the Directorate of this Bank. We shall be perfectly willing to agree to any such scheme. My Honourable friend Mr. Cocke said that no constructive scheme had been proposed. A constructive scheme has been put on the amendment paper but it may not be acceptable to him. I may tell him that if he or anybody else proposes any scheme which satisfies the fundamental principle I have laid down, namely, that it should give substantial representation to the people of this country, it will be acceptable to us as a compromise. We still think that the scheme adumbrated by the Joint Committee is the best. We stick to it for the present. But if any alternative scheme is suggested and agreed to we are prepared to accept it. I can say on behalf of the Members on this side that we are not going to wreck this Bill simply because the Government are not prepared to accept the scheme agreed to by the Joint Committee. I may say one thing quite boldly. If our views are going to be set aside and our point of view is not going to be considered in regard to the Directorate of this Bank, no one on this side will be a party to the passing of the Bill. You can pass it over our heads but we shall not agree to it and we shall



make a point of carrying on this agitation as long as our views are not accepted. Therefore it is best to accept the scheme which has already been accepted by the Joint Committee. It does not make any national or racial distinctions which are not acceptable to everybody. It places all on an equal footing by providing a general electorate on general principles. There seems therefore to be absolutely no reason why that scheme should not be acceptable. If on the other hand it is insisted that the places of these people who were to be elected by the Legislatures according to the Joint Committee's Report are going to be filled up by nomination or by some other device which is not acceptable to this part of the House, then I assert that this will not be acceptable to us. This is the fundamental principle to which we on this side of the House adhere. The rest is not so important. You can change it as you wish by agreement with us ; but on this point we shall not accept any compromise short of what I have stated. That is what I wanted to make quite clear.

I just want to add one thing more. I understood from Sir Alexander Murray's speech yesterday that in Australia there was no Government Bank. I do not know whether that was a slip in his argument. I have before me a complete statement of the history of the Commonwealth Bank of Australia given in the *Statist* of November. This history shows that from its very inception it has been a Government Bank.

**The Honourable Sir Basil Blackett :** As Sir Alexander Murray is not present may I interrupt on his behalf and say that he did not say that it was not a Government Bank ; he said that the Commonwealth Bank has not been a Central Bank.

**Lala Lajpat Rai :** Well, Sir, I may say that the crucial test for a comparison of these Banks with that in the measure before us is their power of issuing bank notes and the conduct of Government business. Both those tests are complied with in the case of the Commonwealth Bank of Australia, which has been in existence for a number of years. All its profits go to the Government. There are no shareholders and in fact it is stated that it was the first Government Bank to be established in the British Empire. So, as against the arguments based on the Bank of England, we have here a bank in existence in an important part of the British Empire conducted by Government with Government money the profits of which go entirely to the national exchequer. So it is not correct to say that it is not a Government Bank. Under these circumstances I hope the Honourable the Finance Member will not force us to the extremity of voting against him. We are perfectly willing to meet him as much as we can, and I appeal to him not to raise on a measure like this the great deal of excitement and discontent that was created by the heated controversy over the ratio. In regard to this measure we must come to some agreement by which these points of difference may be satisfactorily settled, so that the most important and fundamental points may be carried out by mutual agreement. Otherwise, Sir, he is perfectly at liberty with his majority to carry any measure he likes ; but if it is not acceptable to us it shall be our bounden duty to carry on an agitation against the measure as long as our requirements in that direction are not satisfied. This is not a small measure. It has been said by several Members that it is a very important measure affecting the economic prosperity of this country very materially. We have so far

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had no share in the development of the economic and fiscal policy of the Government of India. From time to time the Government of India itself has been fighting with the Secretary of State, and, as Mr. Kelkar has said, we welcome this measure simply because we think that after the Secretary of State is divested of some of his power the centre of gravity will shift to the Government of India. But we do not even want to have the Government of India fully independent of the popular control in the economic and currency policy of the country. On other points I do not want to take up the time of the House because when they come to be discussed there will be plenty of people capable of dealing with them. But on these two points I want to make it absolutely clear that we shall not under any circumstances accept the shareholders' bank, and under no circumstances can we agree to any scheme which does not give a majority of elected Indian Members on the Directorate of the Bank.

**Mr. M. S. Seshu Ayyangar** (Madura and Ramnad *cum* Tinnevely : Non-Muhammadian Rural) : It is rather difficult to speak on this motion under the circumstances in which the motion has been discussed in this House. I am extremely sorry that there is practically no unanimity whatever in regard to any express provision of the Bill, except it be that there is practical unanimity on this side of the House in regard to the Bank to be inaugurated, being a State Bank. But, as an honest student of economics and finances, taking a detached view of the provisions of the Bill, I am forced to submit that there is very little of the State in the alleged State Bank adumbrated in the Bill. So much so that it gave a handle to the Honourable the Finance Member to remark the other day that there is very little difference between a shareholders' bank that he was contending for and the State Bank provided for in the Bill, and that the difference was really unreal. I would submit to him in all seriousness that if really the difference between a shareholders' bank and a State Bank as he finds it in the Bill is unreal, then I would implore and request him in the interests of the country to drop his amendments and not to press them, with due deference to the almost unanimous wishes of this section of the House.

Sir, I support the Joint Committee's Bill so far as it goes ; but I am not unconscious of the fact that it is capable of being improved in very many essentials. I shall with your leave submit to the House only three essential points in regard to which the Joint Committee's Bill must be improved upon in the best interests of the country. Now, the Honourable the Finance Member put it in the forefront of his opening speech that an honest, pure and simple gold standard backed by a gold currency was a far-off dream, that he would not be a party to that and that he would see that no gold coin is minted in India for a long time to come. He was enabled to make these observations because, with due deference to the members of the Joint Committee, very halting proposals have been made in the Joint Committee's Report in respect of this matter. In paragraph 4 of the Joint Committee's Report they said :—

"We prefer the phrase "A Gold Standard" to the phrase "A Gold Standard Currency" as the Bill does not in fact purport to set up a gold currency, and a phrase which included that word might be liable to misconstruction."

I may assure the Honourable the Finance Member, who unfortunately is not in his place just now, that nothing short of a pure, honest gold



standard with a real gold currency will satisfy the Indian public. That has been our theme all through. That is the only thing upon which we have been concentrating our attention all these 34 years, since 1893 ; and the Government have been holding out hopes in that direction. But unfortunately, all that is to be shattered because of the Report of the Currency Commission ; because, in paragraph 54 of the Currency Commission's Report, they reach the conclusion that gold must not be allowed to circulate in the beginning and it need not circulate for ever. That is the central idea, Sir, which goaded the Currency Commissioners to come to the conclusion that India ought not to have gold currency. Unfortunately, the Honourable the Finance Member, who himself submitted a scheme for gold currency, had to abandon it in favour of the present position of his. I do not know if he was forced to assume that attitude because of the dictates of Whitehall. But whatever that might be, he stated also that clause 18 of the Joint Committee Bill, which makes currency notes expressible in mohurs, and clause 48 of the Bill which says that the Governor General in Council might, at his option, order the minting of a few coins, were incompatible with the gold bullion standard which is provided for in the Bill. I submit, Sir, that is a half-way house. Why should we have a gold bullion standard ? I am afraid the mistake I may be pardoned for the language if at all that underlay the Joint Committee's Report was this. They thought that this provision, halting as I submit it is, in clause 48 that a gold mohur may be coined in such quantity as the Governor General in Council might feel inclined to direct, was a great advance which they had made in the Report. But I am afraid there is no half-way house in these matters at all. It is this half-way house provided for the Bill that has given the handle to the Honourable the Finance Member to say openly the day before yesterday that this is incompatible with the gold bullion standard. We never wanted a gold bullion standard. It satisfies neither principles nor expediency. All that India has been wanting is a gold standard backed by gold currency. I submit that that is the thing on which we must concentrate our attention, and, come what may, we must put up a strong and strenuous fight to reach that goal. I think that the Bill in this particular must be improved upon.

The next point I wish to submit is this. The Honourable Mr. Jamnadas Mehta alluded yesterday to the fact that he was not in favour of what is called the proportional reserve issue system but was in favour of the fixed fiduciary system. The proportional reserve system that is given in the Bill has the demerit that it will enable the authorities that be to inflate and deflate as they please them and thus indulge in currency manipulation. We have suffered under this manipulation at the hands of Whitehall for the past 34 years. All our currency ills are due to the persistent manipulation of our currency from Whitehall. If this is going to be perpetrated in this Bill also, there is no hope for India. Therefore, it was that my friend Mr. Jamnadas Mehta insisted upon the fixed fiduciary system which obtains in England, being adopted in this Bill also. He also stated that the Cunliffe Committee's Report was entirely in favour of that principle being adopted. I may add that a later Committee which sat in 1925 also endorsed and confirmed the opinion of the Cunliffe Committee. Therefore, while the one system has the demerit of giving power to the powers that be to manipulate currency, the other has at least the

[Mr. M. S. Saha Ayyangar.]

merit of being fool proof, so to say. Therefore, I submit that the fixed fiduciary system must find favour in this House. When the amendment respecting this is taken into consideration I shall have more to say upon it.

The third point in which this Bill is capable of improvement is this. It will be in the recollection of this House that when I moved clause 5 in the Currency Act, IV of 1927, the Honourable the Finance Member conceded my position and stated that any mention of gold exchange and gold standard countries need not find a place in the Bill. He conceded that position to me and wanted me to withdraw my amendment, promising that he would do it himself, which he eventually did. I do not know what has enabled the Honourable the Finance Member and the members of the Joint Committee to revert to the old position again and make provision in a few clauses in the present Bill about the gold exchange and gold standard countries, and about having our reserves kept in gold standard countries. I submit this is a pernicious doctrine to be adopted, which would enable a portion of our reserves to be kept in foreign countries. It does not help at all. I would submit for the consideration of the House that in no foreign country, excepting Britain with which we have to deal—and even there I would limit the reserve that must be kept there to the extent of the Home charges of the Secretary of State which he is bound to maintain—excepting that, I submit that in no other foreign country, not even in America, should any portion of our reserve be kept. I submit for the consideration of the House that the clauses relating to this also will have to be deleted. These are the three essential points on which the Bill must be improved upon in the best interests of the country.

One word more. If eventually, as the Honourable Member threatens to do, for any reason he is inclined to drop this Bill, I for one would not be sorry for it, because by dropping the Bill, we would be saved from this costly superfluity, and we would be saved from a standing menace to our indigenous banks, because that is what the Reserve Bank Bill, with its auxiliary the Imperial Bank, proposes to do under the present conditions.

**Mr. Dharendra Kanta Lahiri Chaudhary (Bengal : Landholders) :**  
Sir, I rise to support the Bill as amended by the Joint Committee. In the beginning I wish to state what is the aim of the Central Bank. The aim of the Central Bank is stability in finance, by absorbing shocks to the various economic structures in the country, and that the Bank should be the spring from which water of life wells up. The commercial banks are the pipes and channels by which it is conducted to a thirsty economic system. Sir, this has also been adopted by the Hilton Young Commission, and we must not forget this main principle in discussing the matter which lies before us to-day. The first thing that strikes me to support the Honourable the Finance Member is how the Honourable the Leader of the House is going to solve the question of profit in a shareholders' bank. Sir, it has been generally agreed that stability in currency and credit is an end in itself, and that the Central Bank should not be charged with making profits. Sir, the Honourable the Finance Member might know that Governor Strong of the Federal Reserve Bank of America recently

observed in a Congressional Committee that the federal reserve system is not run to-day with a view to earning money. That notion has entirely disappeared. If, as I hope, these are the circumstances which have necessitated the creation of such an institution as the proposed Reserve Bank, then those only will prevent the Honourable the Finance Member from devising a shareholders' bank. The abstract theory that is embodied in Governor Strong's utterances cannot be carried out *in toto* in practice. The shareholders must expect a certain return on their investments, however small it might be. Some are of opinion that State ownership will bring political issues into an organisation which should be entirely free to carry out its important functions of control of currency and credit policies solely on lines of prudent finance. Sir, I do admit there are certain difficulties in supporting a State Bank. But, Sir, is it the fault of the people of a subject nation to demand the financial help of the State when they find themselves helpless before private concerns? Is it not common knowledge that the Imperial Bank has not been for the furtherance of any Indian enterprise? All that it has done is to stand sponsor to foreign commercial ventures in India. Sir, if I am to believe what a journalist says then I cannot in any way support the shareholders' bank. That journalist says :

"It is well known in Madras that the Imperial Bank has given to two European firms over drafts for more than a crore of rupees and the Imperial Bank has been and will be a veritable *Upas tree* under whose shadow no Indian commercial enterprise will rear up into prosperity."

Sir, if our commercial enterprise be so low under a shareholders' bank with partial Government support, then I cannot in any way support the Honourable the Finance Member in a shareholders' bank.

Now, Sir, I do not want to prolong the discussion any further as I do not wish to waste the time of the House. I must look to the constitution of the proposed bank as it has been amended by the Joint Committee. Sir, it said that there are to be 6 members elected from the Provincial and Central Legislatures, and of the 3 members who are to be elected from the Central Legislature one shall represent the interests of commerce and industry and from the Provincial Legislature 2 shall represent agriculture and one commerce and industry. Now, Sir, the first thing is that when they select these men they are to possess the following qualifications :

"Finally, we have added a clause (d) on the lines of clauses contained in certain other enactments establishing Central Banks, providing that no person shall be eligible either for nomination or election to the Board, unless he is or has at some time been actively engaged in agriculture, commerce, finance or industry. We are of opinion that a clause of this kind, though possibly somewhat vague, is essential and we have endeavoured by an Explanation to make it clear that a person who is or has been a director of any company or corporation shall be deemed eligible under the clause."

Sir, under this clause I can say that there is no fear of political interference in this matter. Those Members who will be elected from those Legislatures will be experts in commerce and industry and of course in agriculture. I do not understand what they mean when they say that by electing Members from these Legislatures political influence will intervene. So this is my point and I shall support the amendment of the Joint Committee.

**Mr. Arthur Moore (Bengal : European) :** Sir, we seem to have arrived at a complete deadlock. As far as I understand it, every side in the House is willing to agree to something which the others will not accept.

[Mr. Arthur Moore.]

The Opposition insist on a State Bank and I think we may now take it that that is the one point that definitely can be got through. We are all agreed upon a State Bank. I will not say that it is the solution that we should prefer, but we all recognise that the House wants it, and that it will be extremely difficult to get through any other form of bank with that proper measure of support that a national institution of this kind should have at the moment when it is passed. Now, Sir, the whole question boils down to this one point of an electorate. What we have really got to do in order to save the Bill is to find something which will in practice give us a majority of Indian directors, with at the same time proper representation of European mercantile interests. I think my friend Lala Lajpat Rai put the situation extremely clearly. One solution has been put forward from the opposite bench, this solution of electoral colleges. I regret to say that that is a solution which I think we in the centre of the House are not prepared to accept. Everybody arrives at a point where they are prepared to see the whole Bill go rather than accept a certain compromise, and I think that the majority who sit in the centre feel in that way about this particular proposal for electoral colleges. We regard it as totally unworkable and impracticable, and unlikely to produce satisfactory results of any kind. Well, Sir, I put down on the order paper to-day an amendment. With your permission I should like to refer to it at this stage, after the speech of my friend Lala Lajpat Rai. It suffers from this handicap, that I believe I know in advance that the Government will not accept it. But I wish to submit it to the attention of the House, and I think that if the House as a whole could arrive at some agreement in regard to it we should be in a strong position to ask the Finance Member, who has I think throughout the discussions on this Bill shown a disposition to strain every point to secure an agreement—we should be in a strong position to ask him once again to reconsider the whole matter. Sir, my proposal is this—that instead of those directors being nominated by this scheme of electoral colleges, a plan which we regard as unworkable, they should be nominated respectively by the Governors of 6 provinces on the advice of their Ministers, responsible to their Legislative Councils, the provinces to be selected in rotation. Now, I know exactly the argument that is going to be brought up by my Honourable friends opposite. They are going to say that this is nomination over again. Sir, I submit that it is not. I submit that this is more truly entitled to be called election than the scheme of electoral colleges. To begin with, I do not myself believe that, once this Bill is through in any form, you are going to get the slightest interest on the part of the general electorate in the Bill. I believe that the elections will fall into the hands of a few people who will manipulate them entirely for their own purposes quite forgetful of the national interests, simply because it is a natural tendency of the public to be very apathetic in matters of high finance and things which they do not understand. Now, you get your supposed electorate of 10 or 20 thousand people sending in postcards—I understand it is to be a postal election—and nominating a further body which will then nominate directors. Sir, what real democracy, what real electoral control is there in that? The franchise, I understand, is to be an income-tax franchise, and one idea is that it should be the Council of State franchise. Compare that, Sir, with

this other scheme. To begin with, the Government of India which is the controlling body that we are referring to throughout in these discussions does not come into it at all. We are dealing with Provincial Governments—a very different matter—and it is extremely likely that in the future of India it will become a still more different matter. Now, Sir, you have 6 out of 9 provinces at a time nominating. One province can nominate only one director. But that director is to be found by responsible Ministers who have themselves been elected on a democratic franchise and who are directly responsible to a Legislative Council elected on that franchise. I submit, Sir, that as far as democracy goes, as far as electoral control goes, it is far superior to this absurd and highly complicated scheme of creating an entirely brand new constituency of electoral colleges. And I do think that it is very important for us to consider the future. Gentlemen opposite are not always friendly to Ministers. It is their desire to get dyarchy removed. That is entirely a comprehensible aim. I have always thought that the best way to get rid of dyarchy was to get rid of the irremovable members and not of the removable Ministers. Surely, Sir, it is the duty of responsible Members opposite to think of the future, to think of the day when you may have provincial autonomy, to think of the day when you will not have the other half. Is it not our duty to see whether we can give the power to a responsible Government? I shall be told, from this side, perhaps that if we adopt this scheme we are bringing in politics again, we are bringing in Legislative Councils. Sir, I do not think that that is so. I think it is perfectly easy to arrange the matter so that the responsibility of the provincial Legislative Councils will be entirely and solely concerned with the personnel of the director chosen, that is to say, they shall not be entitled to interfere with the internal affairs of the bank, but they shall be entitled to call the Provincial Government of the day to account for the appointment which it makes. I wish, Sir, to submit this alternative proposition to my friend Lala Lajpat Rai.

**Rai Bahadur S. N. Singh** (Bihar and Orissa : Nominated Official) :  
I move that the question be now put.

**Munshi Iswar Saran** (Lucknow Division : Non-Muhammadan Rural) :  
Sir, I am very glad that the last speaker has put the issue very clearly before us. It is to be admitted that there is a great deal to be said in favour of a State Bank as well as in favour of a shareholders' bank. It is no good pretending that the advantages are all one way and one can summarily dismiss the view opposite to one's own. But the last speaker has said, and I hope correctly—it may be that he is in the know—that the idea of a State Bank is acceptable to Government. If that be so, one need not spend any time or energy over the discussion of the question of a State Bank *versus* a shareholders' bank.

Sir, some friends have grown poetical over this financial measure. It has been called a child of Sir Basil Blackett which was born very ugly and deformed, but which the nurses or the step-mothers have so beautified that it has caught their fancy and has come to possess considerable fascination for them. I wish to speak in a purely prosaic manner. If this measure is carried in an atmosphere of good will and sympathy by the whole House, Sir Basil Blackett will be perfectly entitled to claim it as one of his triumphs, and I do not suppose there is one single Member present in this House who will grudge him the distinction that will most

[Munshi Iqbal Saran.]

certainly attach to him. Sir, the only serious point of controversy, as I understand it, is, will this Assembly and the Council of State have the right of sending three directors to the Reserve Bank? It appears that we, the Members of this Central Legislature, have been born with a double dose of original sin, and Sir Basil Blackett will have nothing to do with us. He says "Oh, you are so hopeless that I would much rather drop this Bill than let you send up three directors to the Reserve Bank." It is supposed that we shall carry political opinions and bias into the affairs of the Bank. Sir, I have been thinking, I assure you, for the last three days what political influence really means. I submit, you cannot get rid of politics in modern times. Politics enter into every department of our life, even in religion. Government will send up their nominees. Are Government—I put it straight—are Government a non-political body? Well, I do not care whether it is a bureaucratic Government to-day or whether it is a Swarajist Government to-morrow, Government is and will be a political body; Government will be influenced by political considerations and will be swayed by political motives. What is the good of saying "If you send your men, your men will be swayed by politics". What about Government? They will be as much swayed by politics as the non-official Members of the Indian Legislature. Sir, if you read the original draft of the Bill, you will find that, according to it, not only should we not have the right of sending directors to the Reserve Bank, but that we should not be entitled to be elected. Take Sir Purshotamdas Thakurdas for instance, because he has the misfortune of being a Member of this Legislature; he would be ineligible for election as a director of the Reserve Bank. Let us hope, may I hope, that Sir Basil Blackett after retirement will settle down in this country and also, let us hope, that we elect him to this House; we shall not then be able to send him as a director of the Reserve Bank because he has committed the sin of having allowed himself to be elected a Member of this House. I remember, Sir, having read somewhere that our ways in India are mysterious. I can honestly assure you that I am unable to comprehend the reluctance of the Finance Member or the Government of India, or some other power behind the Finance Member, to agree to our electing three directors of the Reserve Bank. Sir, I do feel, and I do agree with the last speaker, that there is much difficulty about alternative proposals. Speaking for myself—I have not got the authority, I wish I had, of speaking for anybody else; being a backbencher I can speak only for myself, subject of course, to the control of the Party to which I belong—I can say that I shall be prepared to accept a scheme which is better than the scheme that has been put forward by the Joint Committee. Look at the scheme which has been suggested by the last speaker. What he said was that the Governor of a Province on the advice of the Ministers will nominate a director of the Reserve Bank. Now, here are these serious difficulties to face. If the advice is offered and if the advice is not accepted, what happens then? Again, are you quite sure that the Governor in making the nomination will go through the process of most distinctly and clearly separating his personality from all politics and that he will only select a man who is purely a business man, who has no politics, and who has had nothing to do with politics?

**Mr. Arthur Moore:** The Ministers make the selection.

**Munshi Iswar Saran :** The Ministers may. It comes to this that,

4 P.M.

instead of our selecting here, you let one man—whom we have elected to make the selection. I ask in all fairness where is the difference between these two positions? Instead of having an electoral college now consisting of about 100 or 150 men you are constituting an electoral college consisting of one man or two or three men. Now, I put it to the House, which is better? Is the judgment of 150 politicians better than the judgment of one politician? You will have to admit that the Minister of a province is a politician. He is elected on account of his politics and not on account of any religious merit that he might possess; and in rare cases he is a pure financier. You strive as much as you will, but you cannot get away from the fact that politics does enter into the consideration and settlement of all these questions. I wish to assure the House in all sincerity that I am not speaking on this question from any party point of view. I really beg the House to consider it from a detached point of view. There is no doubt that this House will be as much influenced by politics as any other constituency that you may create. Now, take an example. Suppose you put forward the name of Sir Purshotamdas Thakurdas. I am not going to forget his politics. But if you put forward in opposition to him a man who is purely a financier but who has not given proof of his honesty, of his courage, of his sincerity and of his patriotism, then every time I shall give my vote to Sir Purshotamdas Thakurdas in preference to the other man, and so will many people. It is politics; you cannot get away from it.

Sir, there are only one or two submissions more which I wish to make. I may tell the Honourable Sir Basil Blackett, and I hope he will not mind my saying to his face, that it was an admirable speech that he delivered, but at the end of it he reminded us of the highway robber we used to read of in novels, who would go with a loaded pistol to an unhappy man and say: "Your purse or your life." At the end of his speech Sir Basil Blackett said: "Either this provision goes or the Bill goes", and I got frightened. I must frankly confess I got frightened. I said: Let this provision drop but let us save the Bill. I do feel—I must confess, and I do not mind confessing it quite publicly—that I am not an expert in financial matters, but I do honestly feel that if this measure is adopted, it will prove beneficial to the best interests of India if it is worked in the proper and the right spirit. Therefore, my submission is that it ought to be the endeavour of everyone of us to save the Bill if we possibly can.

But let me say clearly that as far as I am concerned this suggestion of Mr. Moore will not be acceptable, and it is much better that we should be very frank about it. Nomination in such cases and circumstances stinks. Perhaps we are misguided, perhaps we are mistaken, perhaps these gentlemen who suggest it have got a better idea of nomination, but we fight shy of it. If you ask me, I would much rather go through the throes of an election than get myself nominated by Government. So far as this suggestion is concerned, I may tell my friend in anticipation that it has very little chance of being accepted, perhaps on account of our prejudice. We know how nominations are made.

There is only one other point which I should like to touch. My friend Sir Alexander Murray took to task Mr. Shanmukham Chetty and Mr. Jamnadas Mehta. His speech was so admirable in tone and so excellent in spirit that I think I should explain the position which these two friends



[Munshi Iswar Saran.]

took up yesterday. He said, why do you bring in racial consideration, and he said it feelingly. I shall say a word on this question as I share their views in regard to it. Let me be perfectly plain. I am one of those who do honestly believe that it is in the interests of India as well as of England that they should be together. If I did not hold this view, I should not hesitate for a moment to declare my views from the house tops. But, Sir, let me say this : As long as the world will be under the sway of nationalism, as it is to-day, every country will be perfectly justified in saying that its own nationals will have preference over foreigners. That is the real principle underlying all our demands. The Englishman will be perfectly justified in saying to us in England : " Yes, you are our fellow-subjects, true enough ; but in England Englishmen will have preference over you." Sir Alexander Murray put that question very feelingly and perfectly sincerely. I regret he is not here, otherwise I would have asked him to look at those Benches there and to tell us if the occupants of those Benches look like the members of the Government of India or like the members of some Government in which India plays a very subordinate and insignificant part. I do feel that if you brought a man who did not know Indian conditions, say, by an aeroplane, and put him in this Assembly and told him " Here is the Government of the country ", he would not be able to say whether it was the Government of England or the Government of India. I would ask Sir Alexander Murray in all sincerity : Is there not a real conflict of interests in certain matters between Englishmen and Indians in India ? Is there not a competition going on between the two ? Let us not shut our eyes to the truth. Let me declare my own faith and my own principle. I am prepared to accord a welcome to an Englishman as an equal, as a co-worker, as a friend and as a brother, but I am not prepared—and I hope no self-respecting Indian is prepared—to accept an Englishman as a master, and as one to whom we should always look up to in reverence and with submission. If Sir Alexander Murray would have only listened to the speeches that were made on the day that the Indian Sandhurst Committee Resolution was before the House, he would have felt the justification of the position taken up by these two gentlemen, namely, Mr. Shanmukham Chetty and Mr. Jamnadas Mehta.

One or two more remarks, Sir, and I shall sit down. I am glad that Sir Purshotamdas Thakurdas spoke out his mind in regard to the conference held at the Viceregal Lodge and I shall also do the same, because I feel rather strongly about it. Mr. Jamnadas Mehta criticised this conference. I call his criticism " political fire-works ".

Here, was this gentleman who was himself invited and who would have gone ; but as for certain reasons he could not go, the very next day he turned round and said that there was a constitutional impropriety in convening this conference.

**Mr. President :** Will the Honourable Member leave His Excellency the Viceroy to take care of himself. Perhaps the Leader of the House will explain the constitutional position.

**Munshi Iswar Saran :** I am obliged for your suggestion, Sir. I was only going to say that our criticisms either of Government or of any measure should be fair, should be just and should be impartial. I do hope, Sir, as you have been pleased to suggest, the Members of Government will give a fitting reply.



I wish only to make one further observation before I sit down. I hope that the Honourable the Finance Member will discuss the matter with the leaders of various parties and come to an understanding, and if he feels that the suggestions put forward by the Joint Select Committee are not so bad as at one time they appeared to him to be, he will accept them. If he does not agree to them, I hope he will himself devise some plan which will be acceptable to this side of the House. I am sure it will be to the credit of the Honourable Sir Basil Blackett if this measure will be passed in an atmosphere of good will, harmony and sympathy.

**The Honourable Sir Basil Blackett :** Sir, I am sure the whole House will join with me in congratulating the last speaker who has just made, I think, his maiden speech in this Assembly, but not the first speech that I have had the pleasure of hearing in this building. To see him get up and with his usual facility of language address this House reminded me forcibly of those years, now getting very far away, when I first arrived in India as a Member of the first Assembly. The last speaker referred to what has been said in regard to His Excellency the Viceroy's happy initiative in this matter. I should like, Sir, with your permission just to say one word about this. One Honourable Member—I am glad to say one Member only—made an attack upon the action of His Excellency the Viceroy on the ground that it was entirely unconstitutional, and that it was a partisan act that he should call a conference of that sort. The speaker added that it was only by a happy accident that he was not there. I am content to leave it at that. But, I must say a word in regard to the constitutional position. The constitutional position of His Excellency the Governor General in the constitution of India is not the same as the position of His Majesty the King in the constitution of Great Britain, or of the Governor General in the constitution of Ireland or Canada, and so on. Even, in their cases, it is not unknown that when party feeling is running high, or when danger seems to attach to differences of opinion that arise, special action is often taken on their initiative and an attempt is made under their aegis to come to an agreement on a question that seems to divide the nation unduly. But the position in India is not the same. His Excellency the Governor General, besides being an essential part of the Indian Legislature, is the administrative head of every department of the Central Government; and as such he has the indubitable right, if he thinks fit, to take part personally in any administrative problem or any problem affecting the administration that may arise. I am glad to remember that the speaker who raised this objection recognised that it was in no partisan spirit, but with a view to trying to hear both sides and to secure, if he could, a solution, that His Excellency the Viceroy intervened. He tried to secure a solution because no doubt he felt that although there seemed to be very acute differences of opinion on matters of detail there was fundamental agreement as regards principles. I am sure that I shall have the sense of the whole House with me when I say that, should, in the future, an analogous occasion suggest the desirability of the analogous action, the success—as I hope it will have proved to have been—of the action taken in this case will be a precedent that would be very useful to follow. (Applause.)

Perhaps my first task should be to deal with the amendment moved by Mr. Vidya Sagar Pandya in favour of a recirculation of this measure.

[Sir Basil Blackett.]

As has already been well said by one speaker, the objections to recirculation are very grave from the point of view of business. Now, it is nearly two years, I think perhaps quite two years, since the announcement was first made of the appointment of a Royal Commission on Indian Currency, and the continuance of uncertainty affecting business over the next busy season owing to the fact that this Bill is not either finally on the Statute-book or finally settled is a contingency which I should not like to have to face. It is most undesirable from the point of view of business that disturbance owing to the legislative discussion of this measure should be continued any longer. It is therefore, I think, quite obviously time that we should come to a conclusion. Moreover, I do not think the sense of the House is with Mr. Vidya Sagar Pandya in his desire for recirculation. Most of the arguments that were used by Mr. Vidya Sagar Pandya were not in favour of recirculation, but in favour of rejection and as the House obviously desires, if we can accommodate our views on certain essential points, that this Bill should reach the Statute-book almost unanimously, I think I may take it that the motion for consideration will probably be passed. If that is the case, most of the subjects which have been dealt with in the speeches to which I have listened for the last three days will come up again for discussion on the clauses and I do not want to duplicate debate by going deeply into many of them.

There are, however, one or two points which I should like to deal with.

First of all, I have a complaint to make. My architectural metaphor in my speech on the introduction of this measure has been very much mishandled. No one, I think, recognised that it was architectural. They found it easier to deal with it as if I had used a parental metaphor. I deliberately avoided the parental metaphor for two reasons. First of all I was aware of the fact that it was a metaphor to which effective retorts could be made, and that is why I avoided it. The course of the debate shows that I was justified in avoiding it. My second reason was that I am too modest to claim that I am the "sole and onlie begetter" of this measure. It has a considerable number of authors (laughter) not one. I can imagine a body of architects working together to produce a single model. It is inappropriate and almost indecent to use a parental metaphor in that connection. However, during the last few days, I have been somewhat consoled for this abuse of my metaphor, for I think that we have really made progress in the course of this discussion. It is quite clear that all of us are anxious, if we possibly can do so, to translate the model into a completed edifice and we all want it to be as beautiful an edifice as possible. There is little difference of opinion among the architects, as far as I can see, with regard to the internal structure of the building. We have some differences as to the extent to which the dome should be gilded and possibly also some differences as to the exact measures to be taken to prevent loose tiles from falling from the golden ceiling (laughter); but as regards the external structure there are more differences. At first we seemed to differ altogether as to what the elevation plans should be and we even differed as regards engineering questions such as the nature of the buttresses; but as time has gone on I think we have discovered that we

have really reduced our differences not to a question of what the nature of the buttresses should be, whether they should be of the Classical shareholders' style or of the Romantic State style, but we really differed solely as regards the nature of the ornaments—I will not say the gargoyles—which are to surmount the buttresses,—are they to represent shareholders or legislators? I think that we have very nearly come to an agreement that if we follow the electoral design we shall meet all our difficulties.

It is time, however, to leave metaphor. The Government, in spite of all that has been said, are strongly of opinion that the shareholder plan is the one which is most suited to the solution of our difficulties and best calculated to serve India's interests in this matter. In spite of the fact that, like my Honourable friend Mr. Kikabhai Premchand, I have a mind that is open to educative influence and can learn from wise teachers, I still remain convinced that the shareholder plan is the best; but it is quite evident that there are strong feelings on the other side and the question remains: Can we arrive at a solution if the Government of India on their part are willing to give up the shareholder plan? In doing so, remember, they are giving up something which they honestly regard as being the best thing in this matter. And it is not only the Government that are giving up this view but probably a majority, or at any rate very nearly a majority, but certainly not a large majority of the House, who are in favour of the whole of the shareholders' scheme. If, therefore, in these circumstances the Government give up the shareholders' scheme, it must be quite clearly in circumstances in which there is every hope that by a concession on this point alone they will secure that the Bill will finally reach the Statute-book in a shape acceptable to them. The concession that is asked is a big one and it ought to be met in a corresponding manner. Our difficulty all through has been not that it has not been known that the Government were willing in the last instance to scrap the shareholders' plan, but our difficulty has been to find a satisfactory method of forming a directorate without shareholders. I do not want to spend time to-day in singing the praises of shareholders because we are about, I hope, to pass beyond that phase of the discussion, and I think it is quite unnecessary that I should deal at any length with the Government's objections, on the other hand, to election by Members of the Legislature. However, I should like to say one thing. It is not any suspicion of the Legislatures or any disbelief in their value. It is that the Government feel that in the first place it is not the proper constitutional path for Legislatures to take part in making appointments to special posts; they are thereby definitely overstepping the functions of the legislative and usurping those of the executive; but also that Members of this Assembly and of the other Legislatures are elected by their electorates for definite political purposes and to serve definite political ends. If they were elected by the same electorates for the special purpose of electing the Directors of this Bank, I have no doubt that they would prove an admirable electorate; but as they are not, it is mixing up business and politics at the risk of both suffering. It is not desirable to use the elected Legislatures simply and just by chance for something for which they were not intended, namely, the election of the Directorate of the Reserve Bank. Now the Government, as I have said, are willing, in spite of their strong feelings in the matter, to make a concession in the matter of shareholders if we can

[Sir Basil Blissett.]

find another solution. There is an amendment on the paper for electoral colleges which was put down after it had been discussed with me and which, I must confess, appeals very strongly to me personally. It seems to me to be a better solution than any that has hitherto been put forward, and the Government are willing to accept that solution in principle. They do not desire at this stage to tie themselves down to particular details because they are very anxious that the solution that is found should be one which is acceptable very nearly unanimously to every quarter of this House. I have a good deal of sympathy with what was said by Mr. Cocke when he expressed the fear that these electoral colleges might prove unwisely and unworkable. I do not however believe that is necessarily the case, and I believe it ought to be in the power of the Government to make them workable. As regards the exact numbers I think that I should like to keep an open mind and in particular I think that before the amendment went down I expressed the view that the Government would desire more than the two nominated posts that were left to them. That is not because the Government want to nominate persons to look after their interests but because it is the Government's duty to see that this Board is, as far as possible, representative of India and that it is well balanced, and that capable people who are fit for the work and who are likely to do the work in an expert way will be on the Board. I desire at this point to refer to one thing which was said by Lala Lajpat Rai. The Government have no objection—in fact, they are in favour of the principle which he suggested that a majority of the members of the Board should be Indian elected members. That being so, I do not think that we ought to have any difficulty in coming to a final conclusion on this matter. I do not want to commit the Government at this point to the exact details of the amendment that is down, though, as I say, it is one that appeals to the Government and that they themselves would be prepared to accept. But we desire that it should be accepted with the approval of as large a majority of the House as possible, and therefore I think it is wise to keep open the details in order to make workable a scheme which at any rate is on the face of it attractive to a large body of this House. I do not know whether I should be regarded as doing an injury to my Honourable friend the Leader of the Congress Party if I were to thank him on behalf of the Government for the assistance he has given to us. (Laughter.) One of his followers gave me the advice that discretion is the better part of valour. I thought at once of another adage; but I was unwilling to apply it as it was not quite appropriate. It was, "Needs must when the devil drives". Perhaps it would be safer to take refuge in scripture and say, "Agree with thine adversary quickly while thou art in the way with him". At any rate I am sure it is a good augury for this Reserve Bank that it should start its career in this Session of the Assembly in a spirit of co-operation such as has appeared in this case. I do quite sincerely on behalf of the Government desire to thank those who have laboured to try and find a solution for this difficult problem. I myself am still not quite convinced that a really workable solution is possible without shareholders. But I have accepted in faith because I think even faith may be better than shareholding in some circumstances.

There are just one or two other points which have arisen in the course of the debate to which I should like to refer. The question of what took place in the Joint Committee is not open to discussion here, but I do feel that I owe it to myself to repudiate as best I can the charge that I have committed some breach of faith, or that I intentionally misled the members of the Committee or the public in regard to the question of the sale of silver. It will be within the recollection of a considerable number of members of this House when I say that before agreeing to anything whatsoever appearing in the report on the subject I made it clear that if I agreed to such words as were put in, namely, that sales should be resorted to only with extreme caution, I desired to clear myself in advance of any charge of bad faith if at any time sales took place. I carefully guarded myself with those words against this charge, and I am very sorry it should have been made by Mr. Jamnadas Mehta. As regards the misunderstanding on the question of the extent to which the Government intend to deal with sales of silver, undoubtedly I did at one time explain that our silver was divided into three categories, silver rupees, rupees melted down into rupee silver, and fine silver; and I did say that.....

**Mr. President :** The Honourable Member is referring to the conversations that took place in the Joint Committee. I have allowed him to go far enough and he should not go any further.

**The Honourable Sir Basil Blackett :** I recognize, Sir, that you have been very generous to me and that I have possibly been straying a little too far. I only want to add that beyond explaining the three different categories, I made and can make no kind of announcement either now or, so far as I can see at any time, in regard to the Government's policy in the matter of the sale of silver. That policy is, and must be, to sell a certain amount, provided it is clearly surplus, cautiously. They have up to date sold only what has been announced in the papers. Whether any more sales will take place is a matter on which I cannot prophesy and I cannot be expected to make any statement. I should like to say one or two words more about Sir Purshotamdas Thakurdas's speech. I hope he will forgive me for saying that ever since the Report of the Currency Commission came out I have found it difficult to discover whether or not he was in favour of a Reserve Bank. He seemed to me to be, if I may use the phrase, without offence, sitting on the fence, and I think he is still sitting on the fence. At any rate that was the impression that his speech left with me. He expressed himself very strongly to-day on the subject of shareholders. He said that the idea was an impossible one and had only to be mentioned to be rejected. I could not help reflecting that it was mentioned in the report of which he was a signatory more than a year ago, and it is only recently that it has been rejected by him with contumely. Sir Purshotamdas devoted a considerable part of his speech to an attack on the actions of Government since the passage of the Ratio Bill. If Members will cast their minds back to the prophecies of dire disasters that were going to happen immediately as the result of the passage of that Bill in March, I think they will recognize that the charges in regard to what has happened in the 5 months since are rather small beer. But as Sir Purshotamdas quoted at considerable length from newspapers in regard to it, I should like to read to the House one short passage also from one of the papers

[Sir Basil Blackett.]

he mentioned, the *Statesman*. This is what is said in the paper of August 26th, Exchange and Money Market column

"It may on the whole be said that a great deal of useful spade-work has been done during the last three months of intensified strain and stress, intensified because of the extraordinary abnormality of commerce and trade in 1926-27. There were complicated problems arising from the final statutory entrenchment of eighteen pence in a year of lean favourable balance of trade. The complications had their repercussions in the exchange and money markets and the Government's remittance and loan programmes. These problems have now been solved; what seemed a hopeless tangle has been more or less set right and the future career of the rupee-rate should be comparatively simple.

What time the Finance Member was busy devising and applying remedies, he was assailed by impatient criticism from certain quarters. Was it cancellation of *ad hoc* securities? It mattered little if even Indian economists consider 'created' as pariah securities; but that Sir Basil cancelled them was sufficient reason for condemning the operation. Was it sale of sterling securities? It was conveniently forgotten that sterling and rupee securities are, in essence, shift-weights in the balance of exchange; and protests were raised against the alleged frittering of India's gold resources. Was it sale of marketable securities? Sir Basil was roundly taxed for wrecking India's credit, though curiously enough he never got any credit for enhancing it beyond the wildest dreams. Was it sale of silver? The bogey of untold losses to the dumb millions was trotted forth; and even the ludicrous inconsistency in the demand for gold currency with the demand for maintaining the present level of silver prices caused no abatement in the fury of the tirade. Was it sterling loan? Pontifical advice was tendered against long term external borrowing. Was it short term sterling Bills? It was immediately put down as the final and conclusive evidence of the failure of the rupee loan. Was it rupee Bills? Evidence Number Two of failure. Was it deflation? Crime of crimes! No words were adequate to express its heinousness. And imagination ran riot in the facile pastime of conjuring dark pictures of monetary stringency, strangling of industries and trade panic. Faced with tremendous odds and exposed to unending cavil, the Finance Member's course has been, in Kipling's words 'to keep on keeping on'. And the reward for patience and faith cannot now be postponed for long."

I would not have ventured to express such a panegyric on my actions as I have found readymade for me in a newspaper. But I do not at all desire to stand in a white sheet in regard to anything that has happened, I am really rather proud of the great success with which the Finance Department have dealt with a difficult period. (Applause.)

**Sir Purshotamdas Thakurdas** : Must India suffer more before the Finance Member will see that we are passing through an unnecessary crisis which could have been avoided?

**The Honourable Sir Basil Blackett** : I have no doubt India will suffer many more darts of the sort mentioned here, but that India herself will greatly benefit by the fixation of the rupee..... (An Honourable Member "By articles in the *Statesman*." ) I was only quoting, Sir, from a paper on which Sir Purshotamdas had pinned his faith.

**Sir Purshotamdas Thakurdas** : I have no objection, Sir, to the Finance Member quoting all that suits him, and I wish that all of it may come out true. At present.....

**The Honourable Sir Basil Blackett :** I would draw his attention to the fact that I have been dealing with things which have occurred in the last few months. However, we are, I am glad to say, out of the atmosphere of last March on the Ratio Bill, and we are dealing now with a Bill on which I think there is every prospect of a real adjustment of views all round amongst most of the Members of this House. I cannot hope to meet the views of those who like my friend Sir John Bell are afraid of the effect on particular interests or particular banks of the passing of this Bill. I believe him to be completely wrong. I believe this Bill to be one of enormous promise for the existing indigenous banks and for their extension. It will, by concentrating the reserves, to which they themselves will quite naturally and rightly contribute a part, in the hands of the Reserve Bank enable them to be relent to them and to others in order to facilitate credit, to prevent undue stringency, and in general to make fruitful much of the capital which is now to be found in India, and though in certain directions particular institutions, the exchange banks or the indigenous banks, may find their profits on individual transactions slightly reduced, they will, I am sure, get back ten fold that amount in the extra business they will be able to do. Small profit and larger turnover will, I am sure, be of more value to them. Sir, I have nothing more to say at this stage except to hope that the Bill will be unanimously taken into consideration now.

**Mr. President :** Does the Mover of the amendment wish to withdraw his amendment ?

**Mr. Vidya Sagar Pandya :** I do not wish to press it.

**Mr. President :** Does he ask for leave to withdraw his amendment ?

**Mr. Vidya Sagar Pandya :** I ask for leave to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

**Mr. President :** The question is :

“ That the Bill to establish a gold standard currency for British India and constitute a Reserve Bank of India, as reported by the Joint Committee, be taken into consideration.”

The motion was adopted.

**Mr. President :** We will begin with clause 3.

The question is :

“ That clause 3 do stand part of the Bill.”

The motion was adopted.

Clause 3 was added to the Bill.

**Mr. President :** The question is :

“ That clause 4 do stand part of the Bill.”

**The Honourable Sir Basil Blackett :** Sir, this is the clause on which the question of share capital comes up. As I have said, the Government of India are willing, as a contribution to the spirit of harmony, not to



[Sir Basil Blackett.]

press their amendments with regard to share capital provided that they make their position clearly understood. They do not resile from their position that a shareholders' capital is the method most suited for solving the difficulties which have to be faced in the creation of a Reserve Bank, but if they do not press at this stage for the introduction of a share capital, it must be on the understanding that the Bill will clearly have to live or die according to our success in coming to a conclusion on clause 8 in finding a satisfactory directorate. The concession is one which Government make with a view to secure that the Bill might pass amid what my friend Munshi Iswar Saran spoke of as universal good will and that the Bank might come into being in that spirit. It must clearly be understood that in yielding on this point on which they have very strong opinions, the Government are doing so in the hope, not yet absolutely in sight, that a satisfactory solution will be found on clauses 7 and 8 and the other points still in question.

**Mr. Vidya Sagar Pandya :** Sir, I have given notice of another amendment even on clause 3.

**Mr. President :** Clause 3 is passed. The Honourable Member must know how to protect his own interests. Clause 3 is passed and no amendment can now be moved to that clause. We are now discussing clause 4. If the Honourable Member wishes to move any amendment on clause 4, he is entitled to do so.

**Mr. Vidya Sagar Pandya :** Sir, I beg to move my amendment :

" That clause 4 be omitted."

My object is that there is no necessity of a share capital of the small amount of 5 crores.

**Mr. Jamnadas M. Mehta :** There is no share capital.

**Mr. Vidya Sagar Pandya :** I mean subscribed by the State. There is no necessity for the State to subscribe any capital because all the resources of the State are always at the disposal of the Bank. I do not see any necessity for having any share capital subscribed to the Bank.

**Mr. Jamnadas M. Mehta :** I have an amendment to clause 4. If you are not adjourning, I should like to....

**Mr. President :** There is no question of adjourning. We are considering the amendment of Mr. Vidya Sagar Pandya. That amendment must be disposed of before we get on to another amendment.

**\*Pandit Madan Mohan Malaviya** (Allahabad and Jhansi Divisions : Non-Muhammadan Rural) : Sir, I cordially congratulate the Finance Member on the decision he has arrived at to accept the proposal of a State Bank and to give up this idea of a share capital bank. I congratulate him, Sir, because this is a matter of such supreme importance to the country that I think it is a matter of congratulation that he should have done so at this stage. With regard to the proposal of Mr. Vidya Sagar Pandya, I wish to say this much only, that many of us in the Select Committee and even outside still think that no capital need be provided for this Bank, and that like the Commonwealth of Australia Bank, this

\* Speech not corrected by the Honourable Member.



Bank might start without any capital. Towards this end Mr. Madon had suggested the omission of the whole of the present clause 4 and the substitution of the following clause therefor :

"The Bank shall have no share capital but shall have power to issue with the previous sanction of the Governor General in Council debentures to the extent of Rupees Ten Crores "

and more if necessary.

I venture to think, Sir, that this provision would have been quite sufficient for the purposes of the Bank, and if the House agrees to adopt Mr. Vidya Sagar Pandya's amendment, I certainly think that there will be no harm done to the interests of the country, but, if, on the other hand, the desire is to leave the provision as it stands, I do not feel any difficulty in supporting that proposal either.

**Mr. V. K. Aravamudha Ayangar** (Finance Department : Nominated Official) : Sir, there has been a good deal of misapprehension in regard to the Commonwealth Bank of Australia. The Commonwealth Bank of Australia ten years ago, whose working has been quoted as a model, had an understanding with Government that Government should not reduce its funds with the Bank below a certain amount. That, Sir, supplied the working capital of the Bank and there is no point in the Honourable Members of the House saying that the Commonwealth Bank has no capital. Ten years elapsed and then an attempt was made to make the Commonwealth Bank of Australia into a Central Bank of issue. At the time that this change was made it had a capital of £4 millions (the result of capitalising the accumulated reserves) in addition to over one million of Reserve Fund. Therefore, these five millions were quite sufficient for the working of the Commonwealth Bank as the Central Bank of issue. Secondly, Sir, if the Honourable the Finance Member has agreed to drop the provision regarding private share capital, he made it clear that it was under the pressure of certain very special circumstances, but he thought that a capital was necessary. The capital of a bank fulfils two purposes. The first is to allow the bank to carry on its ordinary banking operations, to purchase its furniture, its house properties, and then what is more important, during the period when it has not built up any reserve fund to shoulder any losses that may happen during the initial period. Secondly, Sir, though it is not perhaps pertinent on this occasion to press that point, the shareholders' capital provides an initial fund of private money which gives a guarantee of good Government and good management of the bank. Every rupee of the private shareholders' capital has to be lost before one pie of the public money can be lost. I therefore think, Sir, that there is no point in objecting to the capital of the Bank which Government has now agreed to subscribe. I therefore oppose the amendment.

**Mr. President** : The question is :

"That clause 4 be omitted"

The motion was negatived.

**Mr. Jamnadas M. Mehta** : Sir, I move the amendment which stands in my name :

"That to sub-clause (1) of clause 4 the following words be added at the end, namely :

'and shall be called up from time to time as may be thought necessary or advisable by the Board of Directors of the Bank '."

[Mr. Jamnadas M. Mehta.]

Sir, now that the sword of Damocles of the shareholders' bank has been removed from over our heads, we can breathe freely and consider each clause on its merits. We had agreed in the Joint Committee to have a capital of 5 crores to be subscribed by Government. That amount might remain but it is quite clear that from the very beginning, this Bank will not need many crores of capital for its operation. From the day on which this Bank will come into existence it will have crores of rupees of deposits from Government and therefore it is not necessary that it should have the whole of the 5 crores immediately paid up. The only object for which capital may be needed in the beginning would be to build a house for the Bank for furniture and installations, without which it would be impossible to start work, such initial expenditure is necessary even if it is going to be a State Bank and it would not be quite congruous to have all this expenditure incurred from the deposits to start with. Therefore we agreed that there may be some capital. But I do not see why the whole of the 5 crores, the whole of which may not be needed. If it is needed, by all means let the Board call it up. I am not preventing the Board of Directors from calling up the whole capital if they think it necessary, but at the initial stage I do not see why they should have the whole amount paid up on the opening day of the Bank and therefore I think the Finance Member should have no objection to accepting this amendment which does not run counter to any object he has in view. And if at all the time comes—which I hope it will never—when, as Mr. Ayangar says, the Bank will make a loss—I am very sorry that it should ever start with such an unhappy augury—but if it ever comes this Board is empowered to call the whole amount up. But why impose an unnecessary burden on the tax-payer to start with, when you may not need the money? You will have to seek investments for the many crores of deposits in the Imperial Bank, and before these are used why should we go on paying interest on the huge capital. For these reasons I hope this House will agree that, although the capital may be 5 crores, it need not be called up all at once.

**The Honourable Sir Basil Blackett :** I hope, Sir, Mr. Jamnadas Mehta will not press this amendment. I do not think that it is necessary. There is nothing in the Bill which requires the Government to subscribe the whole capital at once. That is left open and it is perfectly possible for the Government and the Bank to come to an agreement as to the time and amount at which the payment should be made. It is, however, I think desirable that the Government should fairly early in the proceedings get clear of any obligations on the Bank by paying over the whole amount and making a clear cut between the Government balance and the Bank's capital. It will be perfectly competent for the Government and the Bank between them to come to an arrangement as to the time and methods of payment over, and I think it is better that it should be open to arrangement between the two rather than that it should be at the sole option of the Board of Directors. There will be no fear of loss to the tax-payer because, if you come to consider it, it will be perfectly simple for the Bank to relend more than it wants at the

moment to the Government and it will be merely a bookkeeping transaction and as the whole of the profits are going to the Government, it makes no particular difference if the Government is paying  $4\frac{1}{2}$  per cent. and getting  $4\frac{1}{2}$  per cent.

**Mr. Jamnadas M. Mehta :** It might not get it. I will not withdraw.

**Mr. President :** The question is :

“ That to sub-clause (1) of clause 4 the following words be added at the end, namely :—

‘ and shall be called up from time to time as may be thought necessary or advisable by the Board of Directors of the Bank ’.”

The motion was negatived.

**Mr. Vidya Sagar Pandya :** Sir, I beg to move my amendment which runs as follows :

“ For sub-clause (2) of clause 4 of the Bill the following be substituted :—

‘ (2) The capital of the Bank may, with the previous sanction of the Indian Legislature, be increased or decreased in such manner and to such extent as may be necessary from time to time; and any such increase of capital shall be subscribed by the Governor General in Council ’.”

The object of my amendment is, as the Legislature have sanctioned the original capital, they must have the right to decide whether a further capital is required or whether it is to be decreased. If the Board makes a very good case for the increase or decrease of the capital, it will be certainly considered by this House and it is not necessary that the whole thing should be left to a body of Directors but it should be left to the Legislature to decide in the matter. I do not want to inflict any more speeches on the House, and I would request the House to adopt my amendment.

The motion was negatived.

**Mr. President :** The question is :

“ That clause 4 do stand part of the Bill.”

The motion was adopted.

Clause 4 was added to the Bill.

**Mr. President :** The question is :

That clause 5 do stand part of the Bill.”

**Mr. Vidya Sagar Pandya :** I have an amendment, Sir.

**The Honourable Sir Basil Blackett :** Sir, I have an amendment on this clause, amendment No. 13 :

“ That in clause 5 for the word ‘ branches ’ in both places where it occurs, the words ‘ branch offices ’ be substituted.”

This is purely a drafting amendment and does not need any long explanation. I move the amendment.

The motion was adopted.

**Mr. Vidya Sagar Pandya :** Sir, I beg to move :

“ That in clause 5 of the Bill after the word ‘ Rangoon ’ insert the words ‘ Lahore, Cawnpore and Karachi ’.”

[**Mr. Vidya Sagar Pandya**]

The object of my amendment is that we have already got centres for currency issue at all these places and the public should not be inconvenienced by the removal of those currency offices from those centres. We know how the Imperial Bank gives facilities for conversion of currency notes. It may be said that the Imperial Bank, being the agents of the Reserve Bank, will give facilities, but in actual practice we find a lot of difficulty in the matter. It is with this object that the public may not be put to inconvenience that I propose that in all the centres from which currency notes are now issued the Reserve Bank should have branches.

**The Honourable Sir Basil Blackett** : Sir, I desire to oppose this amendment. It is most undesirable that we should saddle the Reserve Bank in the initial stages with the expense of opening and keeping open a large number of branches unnecessarily. It is proposed that outside the three Presidency towns and Rangoon the Bank should use as its agents in the first instance the Imperial Bank which will give all the facilities that could be given by the Reserve Bank if it had its own branches and will give them at very much less cost to the Reserve Bank than would be involved if the Reserve Bank were to open its own branches in those places. There is no question of additional convenience to the public such as is suggested by Mr. Vidya Sagar Pandya.

While I am on this point, I may point out that there is an amendment to omit Rangoon. May I with your permission move that amendment ?

**Mr. President** : The Honourable Member is entitled to move it.

**The Honourable Sir Basil Blackett** : May I move it ?

**Mr. President** : The Honourable Member may move it.

The question is :

" That in clause 5 of the Bill after the word ' Rangoon ' insert the words ' Lahore, Cawnpore and Karachi '."

The motion was negatived.

**The Honourable Sir Basil Blackett** : May I move the amendment that stands in the name of Mr. W. S. Lamb ?

**Mr. President** : Is the Honourable Member not here ?

**The Honourable Sir Basil Blackett** : He does not seem to be here.

**Mr. M. S. Saha Ayyangar** : There is an amendment standing in my name under clause 5.

**The Honourable Sir Basil Blackett** : I should like with your permission, Sir, to move the following amendment :

" That in clause 5 of the Bill the word ' Rangoon ' be omitted."

I gather that the inclusion of Rangoon is not desired by the Burma commercial community. It was put in with my agreement in the Joint Committee on the ground that the Burma commercial community desired it. It was thought desirable that we should show the unity of India and Burma by having a branch at Rangoon at an early date. But if it is not desired by the commercial community it is an expense with which it is not necessary to saddle the Reserve Bank.

**Mr. R. K. Shanmukham Chetty :** (Salem and Coimbatore *cum* North Arcot : Non-Muhammadan Rural) : May I ask on what authority the Finance Member says that the commercial community of Burma does not want a branch to be established at Rangoon ?

**The Honourable Sir Basil Blackett :** On the authority of Mr. Lamb, who unfortunately is not here now.

**U. Tok Kyi** (Burma : Non-European) : As far as I know from the printed opinions, the Burma Chamber of Commerce has said nothing about this matter ; and I personally, as a representative of Burma, should like to have a branch office in Burma. (Applause).

**The Honourable Sir Basil Blackett :** In the absence of the prime mover, I do not wish to press it.

The amendment was, by leave of the Assembly, withdrawn.

**Mr. President :** Does any Honourable Member wish to move any other amendment to clause 5 ?

**Haji Abdoola Haroon** (Sind : Muhammadan Rural) : Sir, I beg to move :

“ That in clause 5 after the word ‘ Rangoon ’ the word ‘ Karachi ’ be inserted.”

Karachi is a rising port and I hope the Government Benchers will not oppose my amendment. I trust that this advantage will be given to Karachi.

**The Honourable Sir Basil Blackett :** Sir, what I said before applies in this case. It is undesirable to saddle the Reserve Bank in the initial stages with any further expense than is necessary. It will be an additional expense which in the present condition will fall directly on the tax-payer if a branch is opened at Karachi at once. I have not the least doubt that in the fairly early stages of its existence the Reserve Bank will open branches at Karachi and at several other places, but I submit it is undesirable to lay an obligation upon it to start it right away and incur an expense that will be unnecessary and may strain its resources in the matter of personnel at the first start off.

The motion was negatived.

**Mr. M. S. Sesha Ayyangar :** Sir, I beg to move :

“ That in clause 5, the words ‘ or with the previous sanction of the Governor General in Council, elsewhere ’ be omitted.”

My only point is that agencies outside India, except London, are quite unnecessary and may even prove dangerous, for that would involve a storage of reserves in those countries. Even England and Germany are not keen about that. I do not know why India should assume a different attitude. With these words, I move my amendment.

**Mr. V. K. Aravamudha Ayyangar :** Sir, if the Reserve Bank has to discharge its functions and take its proper place among the Central Banks of the world, it has to open branches outside India, of course with the approval of the Governor General in Council. I can quote a number of instances of statutes of Central Banks where such provision is made. The Chilean Bank may establish agencies and correspondents abroad. The Czecho-Slovakian Bank may maintain offices at any place where the interests of the State demand. The South African Bank may, with the

[Mr. V. K. Aravamudha Ayangar.]

consent of the Treasury, establish branches outside the Union. The Austrian Bank may establish branches subject to the approval of the Minister of Finance. This provision appears in every Bank statute and I would therefore oppose the amendment.

The motion was negatived.

**Mr. President :** The question is :

“ That clause 5 do stand part of the Bill.”

The motion was adopted.

Clause 5 was added to the Bill.

**Mr. President :** The question is :

“ That clause 6 do stand part of the Bill.”

**Mr. Vidya Sagar Pandya :** My clause runs like this :

“ The management of the business and the control of the Bank....

**Mr. President :** The Honourable Member must read his amendment.

**Mr. Vidya Sagar Pandya :**

“ shall be vested in the Board who may exercise all such powers....

**Mr. President :** What is the Honourable Member's amendment ? Will he read the amendment ? He is reading something which is not the amendment. Will he say : “ That for clause 6 of the Bill the following be substituted ? ”

**Mr. Vidya Sagar Pandya :** Sir, I beg to move :

“ That for clause 6 of the Bill the following be substituted :

‘ 6. The management of the business and the control of the Bank shall be vested in the Board who may exercise all such powers and do all such acts and things as may be exercised or done by the Bank under the Act or any Regulations made thereunder.’ ”

If you will turn, Sir, to the articles of the Banks on whose model our articles are drawn up, you will find, that every where the management and the control of the Bank is vested in the Board and not merely a general superintendence. It would be very harmful to leave the whole thing entirely to the Governor or the Deputy Governor. It is the Board of Directors who should be held responsible for all their actions. I will read to the House section 11 of the Act for the Commonwealth Bank of Australia. It runs as follows :

“ The Bank shall be managed by a Board of Directors composed of the Governor and seven other Directors.”

Further up it is said that the Governor shall be the executive officer of the Bank and the Deputy Governor shall perform the duties as directed by the Board. It is with a view to see that the management of the Bank be conducted properly and that the Board of Directors do feel their responsibility in the matter that I have brought forward this amendment for the consideration of the House.

**The Honourable Sir Basil Blackett :** Sir, Mr. Vidya Sagar Pandya seems to prefer himself as draftsman as against the Government draftsman. I have every confidence in the Government draftsman and therefore I suggest that his amendment be not passed. I cannot see that there is any point of substance in the redraft.

**Mr. President :** The question is :

“ That for clause 6 of the Bill substitute the following :

‘ 6. The management of the business and the control of the Bank shall be vested in the Board who may exercise all such powers and do all such acts and things as may be exercised or done by the Bank under the Act or any Regulations made thereunder ’ ”

The motion was negatived.

**Mr. President :** The question is :

“ That clause 6 do stand part of the Bill ”

The motion was adopted.

(Clause 6 was added to the Bill.

**Mr. President :** The question is :

“ That clause 7 do stand part of the Bill. ”

**Mr. N. M. Joshi** (Nominated : Labour Interests) : Sir, in view of the fact that we have sat long, may I request you to please adjourn the House ?

**Mr. President :** Is it for the Honourable Member's convenience or does the House want it ?

(Several Honourable Members also requested Mr. President to adjourn the House.)

**Mr. President :** Then the House stands adjourned till Eleven of the Clock on Thursday, the 1st September.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 1st September, 1927.