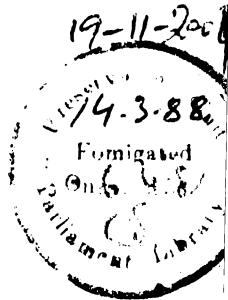


THE
COUNCIL OF STATE DEBATES

VOLUME I, 1937

(16th February to 8th April, 1937)

FIRST SESSION
OF THE
FOURTH COUNCIL OF STATE, 1937



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COUNCIL OF STATE.

Friday, 12th March, 1937.

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

MEMBER SWORN.

THE HONOURABLE MR. MEAD SLADE (Government of India : Nominated Official).

QUESTIONS AND ANSWERS.

DIFFICULTIES OF INDIAN EXPORTING HOUSES IN JAPAN.

55. THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL : (a) Are Government aware of the difficulties of Indian exporting houses in Japan to get adequate share in the cotton piece-goods quota ?

(b) Are Government aware of the difficulties experienced by Indian cotton merchants in securing adequate freight-space for cotton on Japanese ship ?

(c) If the answers to parts (a) and (b) above be in the affirmative, will Government be pleased to state what steps do they propose to take in removing these difficulties ?

THE HONOURABLE MR. H. DOW : (a) Government have received representations to this effect.

(b) No.

(c) As to (a), the matter is under consideration ; as to (b), Government have no intention of taking any measures whatever for the encouragement of foreign shipping.

RAILWAY EXPENDITURE ON OFFICERS' SALARIES AND PENSIONS, ETC.

56. THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL : Will Government be pleased to state separately the totals of each of the following items in the Railway expenditure :—

(i) Officers' salaries and pensions.

(ii) Wages of other employees.

(iii) Fuel.

(iv) Stores and materials.

THE HONOURABLE SIR GUTHRIE RUSSELL : (i) and (ii). I would refer the Honourable Member to the paragraph relating to the cost of staff in

Chapter VI of the Report by the Railway Board on Indian Railways for 1935-36, Volume I, which contains the available information.

(iii) and (iv). The Honourable Member is referred to Appendix A of Volume II of the same Report.

Copies of these are in the Library of the House.

MEASURES TAKEN TO MITIGATE POVERTY AND UNEMPLOYMENT IN INDIA.

57. THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL : Will Government be pleased to state what steps have they taken to mitigate poverty and unemployment in India in pursuance of the Resolution moved by the Honourable Sir Phiroze Sethna and accepted by this House in September last?

THE HONOURABLE MR. R. M. MAXWELL : The various steps which have been taken or are being taken to mitigate poverty and unemployment were explained in the speeches from the Government Benches during the debate on the Resolution and I would refer the Honourable Member to that debate. I may add that copies of the debate were forwarded to the Local Governments.

CLOVE TRADE IN ZANZIBAR.

58. THE HONOURABLE MR. NARAYANDAS GIRDHARDAS : What action have Government taken or propose to take on Mr. Binder's report on the Clove Trade in Zanzibar?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : The attention of the Honourable Member is invited to my reply to part (b) of the Honourable Mr. V. V. Kalikar's question No. 11 on the 23rd February, 1937.

ACTION TAKEN ON THE RECOMMENDATIONS OF THE INDIAN DRUG INQUIRY COMMITTEE.

59. THE HONOURABLE SIR PHIROZE SETHNA : Will Government be pleased to lay on the table a statement showing the action which they have taken, or intend to take, on the various recommendations made by the Indian Drug Inquiry Committee?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : A statement will be laid on the table as soon as it is ready.

UNIFORM SYSTEM OF EXCISE DUTY ON SPIRITUOUS MEDICINAL AND TOILET PREPARATIONS.

*60. THE HONOURABLE SIR PHIROZE SETHNA : Have Government considered the desirability of enacting an All-India Drug and Pharmacy Act, with a view to levying a uniform system of excise duty on spirituous medicinal and toilet preparations?

DEVELOPMENT OF THE SPIRIT AND PHARMACEUTICAL INDUSTRY IN INDIA.

61. THE HONOURABLE SIR PHIROZE SETHNA : Will Government be pleased to state what measures, if any, they propose to take for the development of the Spirit and Pharmaceutical industry of India?

THE HONOURABLE MR. J. C. NIXON : With your permission, Sir, I will reply to questions Nos. 60 and 61 together. I would refer the Honourable

*For Answer to this Question—see Answer to Question No. 61.

Member to the statement which has been promised to be laid on the table in reply to his question No. 59. Government have invited the views of Local Governments and certain Indian States on the question of convening a Conference of Excise Commissioners to consider, *inter alia*, the removal of inter-provincial barriers to trade in the pharmaceutical and drug industry in India. A majority of the replies is still awaited.

PROBABLE DATE OF THE ESTABLISHMENT OF THE FEDERATION.

62. THE HONOURABLE SIR PHIROZE SETHNA : Will Government be pleased to state what action they have taken to expedite the establishment of the Indian Federation under the Government of India Act, 1935, and what is the probable date of the establishment of the Federation ?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : Negotiations with Indian States are proceeding in connection with their entry into Federation. It is premature to forecast the probable date of the establishment of Federation, but the Government of India are taking all necessary measures to expedite it.

THE HONOURABLE MR. HOSSAIN IMAM : How long are we to wait for the coming of the Federation ?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : Sir, I have already given the answer. I can say no more than what I have already stated.

THE HONOURABLE MR. HOSSAIN IMAM : I wish to draw the attention of the Honourable Leader to this fact that if it is not established immediately, can we have the scheme revised?

THE HONOURABLE THE PRESIDENT : Have you any other question to put ? I do not want any arguments.

SALE OF TREES ALONGSIDE RAILWAY LINES.

63. THE HONOURABLE SIR PHIROZE SETHNA : Will Government be pleased to state whether the Railways receive any moneys by the sale of trees alongside the railway lines ?

THE HONOURABLE SIR GUTHRIE RUSSELL : Yes, but only from the sale of trees which have to be felled for reasons connected with the working of the railway.

TRAVELLING RULES TO BE FOLLOWED BY GOVERNMENT OFFICIALS WHILE TRAVELLING ON DUTY.

64. THE HONOURABLE SIR PHIROZE SETHNA : Will Government be pleased to state—

(a) Whether officials can travel by motor, taxis or lorries instead of by rail at their option or are there rules according to which they are required to travel by whichever is the cheaper method when they travel at Government expense ?

(b) Have there been cases where the sanctioning and auditing authorities have questioned payments and, if so, the number of such cases during the last financial year and the extra amounts involved by not travelling by the cheaper method ?

THE HONOURABLE MR. J. C. NIXON : (a) A Government servant can travel by road (in any way) or by rail at his option, but in journeys between stations connected both by rail and road, he is given travelling allowance as if he travelled by rail, unless any public interest is served by his travelling by road, when he is given road mileage.

(b) No.

SPEED OF GOODS TRAINS IN INDIA AND EUROPE.

65. THE HONOURABLE SIR PHIROZE SETHNA : (a) Will Government please state the speed at which goods trains in this country travel and the speed at which such trains travel in European countries ?

(b) Do the authorities propose to take steps to expedite the speed of goods trains in India ?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) Figures showing the average speed of goods trains on Class I Railways in India are published in statement No. 20 in Volume II of the Railway Board's Annual Report. Similar figures for European countries are not available.

(b) The necessity for accelerating the movement of goods traffic in transit is recognised by Railway Administrations, and such measures as are practicable to speed up such movements are constantly under review.

COLD STORAGE VANS ON RAILWAYS.

66. THE HONOURABLE SIR PHIROZE SETHNA : Will Government be pleased to state :—

(a) The names of those railways which have already provided Ice-Cooled vans for the carriage of milk and/or fruit and the number of such vans on each of such railways ?

(b) Will Government also state which other railways propose to introduce similar vans ?

THE HONOURABLE SIR GUTHRIE RUSSELL : Information is being collected and will be laid on the table of the House in due course.

CONVEYANCE OF MILCH CATTLE OVER LONG DISTANCES BY THE RAILWAYS.

67. THE HONOURABLE SIR PHIROZE SETHNA : Will Government be pleased to state on which railways improvements have been made during the last five years in the matter of conveyance of milch cattle over long distances by goods and passenger trains and what is the nature of such improvements ?

THE HONOURABLE SIR GUTHRIE RUSSELL : Livestock for carriage by rail is loaded in suitable wagons and when carried by goods train has precedence over all other goods traffic. I regret, therefore, I am unable to understand the nature of the improvements the Honourable Member has in mind.

RATES CHARGED FOR CARRYING CALVES BY THE RAILWAYS.

68. THE HONOURABLE SIR PHIROZE SETHNA: Will Government state whether calves are allowed to be carried free on the railways and if not, what are the rates charged for suckling calves in proportion to what is paid for the cows?

THE HONOURABLE SIR GUTHRIE RUSSELL: The rate for the carriage of calves is the same as that for cows, but one calf not more than 3 feet 6 inches high at the shoulder is carried free if accompanying its parent animal.

RESEARCH ON THE UTILISATION OF MOLASSES AND SUGARCANE COVERINGS.

69. THE HONOURABLE SIR PHIROZE SETHNA: Has any research been made by Government experts for the utilisation of molasses and sugarcane coverings on economic basis and if so, with what results?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: Research work with promising results has been carried out at the Harcourt Butler Technological Institute, Cawnpore, on the utilisation of molasses for (i) Manufacture of cattle feed, (ii) Road making, (iii) Preparation of Acetic Acid, and (iv) Manure. As regards bagasse (coverings of sugarcane), a scheme for research work on its utilisation for the paper and board industry has recently been sanctioned.

INVESTIGATION FOR THE UTILISATION OF JUTE AND SUGARCANE STICKS FOR THE MANUFACTURE OF PAPER PULP.

70. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Whether any investigation has been held for the utilisation of jute and sugarcane sticks for the manufacture of paper pulp or any other finished articles by the Agricultural Research Department of the Government of India? If so, with what result?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: The Imperial Council of Agricultural Research is not aware of any conclusive investigation in regard to the utilisation of jute for the manufacture of paper pulp or any other finished articles. The results of certain experiments at the Forest Research Institute, Dehra Dun, were not encouraging. The Council have however recently sanctioned a grant of Rs. 15,000 for carrying out research work at the Forest Research Institute, Dehra Dun, on the utilisation of sugarcane bagasse for the manufacture of paper and boards.

NATURE OF COURT FEES PRESCRIBED FOR THE ORIGINAL SIDE OF THE CALCUTTA HIGH COURT.

71. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Whether a system of levying initial *ad valorem* court fee stamps on litigation prevails in the Original Side of the High Court at Calcutta as in the mufassil courts in Bengal; if not, why?

THE HONOURABLE MR. R. M. MAXWELL: The Governor General in Council has no concern with the system of court fees prevailing in the mufassil courts in Bengal. As regards the system prevailing on the Original Side of the Calcutta High Court, I refer the Honourable Member to the Rules and Orders of that High Court. The Government of India have received no complaint about the latter: and will very shortly cease to have any concern with them.

REPRESENTATION OF INDIAN SHIPPING INTERESTS ON THE IMPERIAL SHIPPING COMMITTEE, LONDON.

72. THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL : Do Government propose to secure representation of Indian Shipping interests on the Imperial Shipping Committee, London ?

THE HONOURABLE MR. H. DOW : The Imperial Shipping Committee consists of official representatives of the various Empire Governments and a small number of expert members of whom only two are chosen as representatives of Shipping interests. India's official representative is the High Commissioner for India, and he has already been asked to see that any claims which an Indian non-official may have are not overlooked when the question of appointing an expert member on the Committee next arises.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL : When will that next opportunity arise ?

THE HONOURABLE MR. H. DOW : I am afraid it is impossible to say. As I have explained, there are only two members who are experts, and another difficulty is that the member must be resident in the United Kingdom and I think the Honourable Member will realise that that very much restricts the possibility of putting Indians on the Committee.

SHORT NOTICE QUESTIONS AND ANSWERS.

TAKING OVER OF THE ADMINISTRATION OF SUGAR AND MATCH FACTORIES IN INDIA UNDER GOVERNMENT CONTROL.

73. THE HONOURABLE SIR PHIROZE SETHNA : (a) Has the attention of Government been drawn to a telegram from Patna published in the " Civil and Military Gazette " of 5th March to the effect that Mr. P. C. King, Commissioner, Northern India Salt Revenue, is on special deputation to inquire into the feasibility of taking over the control of the administration of the sugar and match factories throughout India under the direct control of the Government of India ?

(b) Will Government be pleased to say if the statement in (a) above is correct, and if so, what exactly is contemplated ?

THE HONOURABLE MR. J. C. NIXON : (a) and (b). The statement is entirely incorrect. Mr. King's enquiry is concerned solely with the administration of Central excises and the possibility of bringing it under the direct control of the Central Government.

DATE WHEN THE REVISED EXCISE DUTY ON SUGAR TAKES EFFECT.

74. THE HONOURABLE SIR PHIROZE SETHNA : Will Government be pleased to say if the increased excise duty on sugar is made effective—

(a) immediately after the presentation of the Budget proposals on the afternoon of Saturday, 27th February, or

(b) from the morning of Sunday, 28th February, or

(c) from Monday, 1st March ?

THE HONOURABLE MR. J. C. NIXON : Under the Provisional Collection of Taxes Act a declared provision has the force of law immediately on the expiry of the day on which the Bill containing it is introduced. The increased excise duty therefore became effective from the morning of the 28th February.

THE HONOURABLE THE PRESIDENT : We will now proceed with the Resolutions, but as there are some new Members in this Council I will point out for their information that the Mover of the Resolution and the Member in charge may speak for 30 minutes each but all other Members will be entitled only to speak for 15 minutes. I wish to enforce this rule strictly today as there are six Resolutions before us and we must go through the list of business by the evening.

RESOLUTION *RE* CATERING ON THE BENGAL NAGPUR RAILWAY.

THE HONOURABLE MR. SITAKANTA MAHAPATRA (Orissa : Non-Muhammadan) : Sir, I beg to move :

"That this Council recommends to the Governor General in Council that a committee consisting of Railway officials and others not connected with the Railway Administration be appointed to enquire as to how far the present policy and arrangements of the Bengal Nagpur Railway Company for catering are responsible for the supply of bad food at high prices at the railway platforms and to suggest ways and means to remove these grievances."

Sir, in moving this Resolution I have reasons to claim that it is an extremely modest and innocent one. The catering policy and arrangements of the Bengal Nagpur Railway Company have been scandalously bad for many years past. The reason in short is this. The Bengal Nagpur Railway has got a catering department of its own which no other railway in India has. It gets about a lakh of rupees from letting out Indian catering contracts but the Railway department arranges for European catering where they lose nearly two lakhs. They rob Ram to pay Paul. In 1931 these arrangements in the B. N. Railway alone among all the railways in India and Burma drew the attention of the Railway Retrenchment Committee and they remarked as follows on page 64 of their report :

"We understand that the Bengal Nagpur Railway runs its catering departmentally and at an annual loss of over half a lakh for a number of years. The total cost of the establishment is about 2½ lakhs. We can see no justification for continuing this department at a loss and recommend that the question of adopting the system in force on other Railways of letting the catering to contractors should be considered immediately. We understand that the Railway also maintains two hotels at Puri and Ranchi which are working at a loss though a small profit was made in 1929-30. If these hotels continue to work at a loss, the question of closing them also must be similarly considered."

I have no information as to what steps were taken over this recommendation immediately after or during the next three years by the railway authorities. I believe no steps whatsoever were taken.

Then in 1934 Dr. Zia-ud-Din moved a Resolution in the Assembly pressing for the appointment of a committee to inquire into the catering arrangements on all State-owned railways. He raised among others five important points, namely :—

- (1) The system of giving big contracts to one man.
- (2) The system of subletting the contracts to other individuals.
- (3) The system of selling contracts.
- (4) The fixation of prices.
- (5) The supervision by a body in which non-Railway men may be associated.

[The Honourable Mr. Sitakanta Mahapatra.]

He said :

"The Railway Board or any committee under the direction of the Honourable the Railway Member might examine the opinions received from advisory committees on these specific points. The conclusions of the Board or the committee should be effectively carried out. If this is done, the purpose of my Resolution would have been served."

Sir, to this the Honourable the Railway Member replied :

"I will give this assurance that the Railway Board will see what steps are possible and what steps can appropriately be taken in order to secure the result we both want to secure, namely, the provision of good and wholesome food at reasonable rates for the travelling public. I will certainly have this done."

In pursuance of this assurance I believe the proceedings of the debate were forwarded to different railway administrations and they were asked to submit opinions and suggestions for improvement. The Bengal Nagpur Railway submitted its explanations after discussing the matter in the local advisory committees fully justifying the present arrangements and suggesting no improvements.

Now, Sir, unlike other Railways, the local advisory committees of the Bengal Nagpur Railway consists of members of whom the majority are nominated by the Agent himself. I suppose every Honourable Member of this House knows very well how nominated members of a body behave in a question in which their boss is interested and that in his presence. All the elected members in the committee fully bore out the grievances of lower class passengers as voiced in the Assembly in 1934 and all the nominated members opposed their suggestions for improvement. So, they were nowhere. One Mr. Badman, representing the Burma Shell interest, led the opposition in the Bihar and Orissa Branch Advisory Committee.

THE HONOURABLE THE PRESIDENT : We are not concerned with the proceedings of that committee.

THE HONOURABLE MR. SITAKANTA MAHAPATRA : This committee discussed the catering arrangements.

THE HONOURABLE THE PRESIDENT : They may discuss anything they like. But you only refer to it in a few words giving their decision.

THE HONOURABLE MR. SITAKANTA MAHAPATRA : I am sorry to observe that these European commercial people go against the interest of Indians as a principle even when their pockets are not touched.

THE HONOURABLE SIR DAVID DEVADOSS : Not always.

THE HONOURABLE MR. SITAKANTA MAHAPATRA : Sir, the explanations furnished by the B. N. Railway contain statements which are not only false but mischievous. They are designed not only to befool the Railway Board but also to hoodwink others as well and their purpose has been served. So, it is no surprise that these statements were taken by the Railway Board as Gospel truth and they found the arrangements in the B. N. Railway satisfactory. I challenge the Government if they dare to accept my Resolution and see the findings of the Committee. I have got certain facts and figures regarding the B. N. Railway, which I have compiled from documents that have come to my way. Let me examine the statements submitted by the B. N. Railway and see how far they are true. The statement is published

in the proceedings of the meetings of the Central Advisory Council for Railways for the 3rd and 8th October last,—Appendix A, page 2. The statement says that there are 8 contractors for Indian catering, but the fact is that there are 7 contractors only including a Muhammadan contractor for the whole line. So the number is 6 practically. Again it says that the contractors are residents in the districts, thereby meaning local men. 3,500 miles of the B. N. Railway are divided between 6 contractors. So, on an average, each has got 600 miles. How can they be local men? Of the 7 contractors, not a single one is a Oriya, although the B. N. Railway has got 800 miles in my province and exists for Puri. The fact is that all contractors are outsiders. It says that contractors are appointed for one year only, but that is not a fact. Instead of two contractors only during the previous years for the whole line, eight contractors were appointed in 1931 and they paid nearly rupees one lakh. They continued unmolested till 1934 when the rules were revised and one of them dropped, perhaps for not sufficiently pleasing the appointing authority, and 7 of them are still continuing. It says that rates at European refreshment rooms are fixed by the Catering Department on a commercial basis. This is absolutely false and mischievous. The fact is that the lakh of rupees that is obtained from licensing Indian catering contracts is credited to the accounts of the Catering Department. After spending all this money in European catering, they incur very heavy losses in the account. Let me give you the figures for the last 5 years. In 1931-32, the B. N. Railway Company obtained Rs. 38,216 from the Indian Catering licences and the loss in that Department was Rs. 93,980. In 1932-33 the income from the Indian Catering was Rs. 98,830 and the loss was Rs. 73,115. In 1933-34, Indian Catering gave Rs. 96,871 but the loss was Rs. 70,681. In 1934-35, they got Rs. 99,270 from Indian Catering and the loss was Rs. 27,612. But in 1935-36, they got Rs. 85,371 from Indian Catering and there was a profit of about Rs. 4,073. So, this is the only Railway in India, if not in the world, which makes enormous profits from selling foodstuffs to third class passengers and after spending the whole amount on English food incurs a huge loss therefor.

There are 2 or 3 hotels, one at Ranchi and one at Puri.....

THE HONOURABLE THE PRESIDENT: Your Resolution does not include anything about hotels; you had better not refer to that matter.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: I wish to say, Sir,.....

THE HONOURABLE THE PRESIDENT: Then you ought to have included it. Under the Standing Orders you must strictly confine yourself to the Resolution.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: Let me explain my position. The B. N. Railway has got its own catering arrangements and they maintain these hotels.

THE HONOURABLE THE PRESIDENT: That has nothing to do with your Resolution. You have not mentioned anything about hotels in your Resolution.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadian) : May the expenditure incurred in connection with the European side of the Catering Department be referred to in support of the position taken up by the Honourable the Mover of the Resolution ?

THE HONOURABLE THE PRESIDENT : May I refer you to Standing Order 62 which says :

“ The discussion on a Resolution shall be strictly limited to the subject matter of the Resolution ” ?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : May I repeat my point ?

THE HONOURABLE THE PRESIDENT : I have given my ruling.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : In presenting our case, are we entitled to refer to side arguments which go considerably to strengthen the aspect of the case which we wish to urge or not ?

THE HONOURABLE THE PRESIDENT : It won't be fair to Government, because the Government would not have those figures regarding the hotels. It won't be fair to the Honourable Member in charge who has got to reply to the Resolution, and therefore the details of these hotels, whether they have prospered or whether they have failed, should not be gone into.

THE HONOURABLE SIR PHIROZE SETHNA : The Resolution says : “ Catering by the Bengal Nagpur Railway ”.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA : “ On the railway platforms ”.

THE HONOURABLE SIR PHIROZE SETHNA : My contention is that the Railway also runs those hotels.

THE HONOURABLE THE PRESIDENT : I have already given my ruling.

THE HONOURABLE MR. HOSSAIN IMAM : Would it not be better if the Honourable the Chief Commissioner were to say whether he understood the Resolution to include hotels or not ?

(An Honourable Member : “ The thing is plain ”.)

THE HONOURABLE SIR GUTHRIE RUSSELL : I have no objection to include hotels.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Whenever this question has been discussed, the question of European hotels has come up, so that if my Honourable friend now mentions it, he is not springing a surprise.

THE HONOURABLE THE PRESIDENT : It has not been discussed in this House. As Sir Guthrie Russell does not object, I will allow reference to hotels.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: There are two or three hotels, one at Ranchi, one at Puri and perhaps a third one at Gopalpur maintained by the Catering Department. Railway officials can stay in these hotels at very low rates. They generally spend their week-ends there in gaiety and merriment. So these hotels pay losses. It says: "At all important stations Indian catering rooms are provided". But between Kharagpur and Puri there is an Indian dining room at Khurda Road only and none even at Cuttack and Puri. It says: "All aerated waters are obtained from one manufacturer". But since 1935 the B. N. Railway are themselves manufacturing aerated waters in contravention of the terms of their contract and are competing with private enterprise. It says again: "Contractors were originally appointed through the medium of advertisement". This is all bluff. No outsiders saw the advertisement except the 8 contractors who were appointed. There was no open sale. There was no advertisement in the newspapers or other public agencies. The advertisement perhaps did not leave the table of the Catering Superintendent. It again says:

"Three catering inspectors and others inspect the quality of food; one of these is an Anglo-Indian, another a Muhammadan and a third a Telegu".

For religious and other grounds they are incapable of tasting all varieties of food. Further, they have no special qualifications for inspecting foodstuffs. They and others might be going out for filling up both their bellies and pockets. The statement says that contractors are not charged any rents for buildings they occupy. In 1934 in the advertisement for contracts the following passage occurs:

"Rent will be paid by contractors quarterly in advance for living quarters and accommodation in sweetmeat factories adjacent in the nature of cookhouses at rates to be assessed by the Railway, which will be estimated prior to execution of the agreement."

It says also: "the license fees are reasonable". But from the figures that I have given just now you and other Honourable Members here will form their own honest opinion. Will the Honourable Chief Commissioner please state how much license fees are realised from Indian catering contracts from other Indian Railways?

Now let me examine how far the B. N. Railway Catering Department observes the 5 points raised by Dr. Zia-ud-din in 1934 and for which the then Railway Member assured a remedy. No. (1)—The system of giving big contracts to one member. You have heard that each contractor has on an average 600 miles. I will leave it to you to judge if this is big. (2)—The system of sub-letting contracts. I know all of these 7 contractors let out stations to sub-contractors and make enormous profits. A member of the Advisory Committee actually brought to the notice of the railway a case *Gopi Saur vs. Sushil Kumar Sarkar*, 1st class Magistrate at Dhanbad, judgment delivered on 29th September 1934, in which *inter alia* it transpired there was sub-letting of a contract over which there was a dispute. The railway took on action against the contractor concerned. The big contractors simply go round at intervals to collect money. (3)—The system of selling contracts. Although Government have assured repeatedly that catering contracts would not be sold, thereby imposing a tax on foodstuffs supplied to passengers, the B. N. Railway is getting a lakh of rupees from these heads. (4)—Fixation of prices. Sir, in 1931 the prices fixed by the B. N. Railway for Indian sweets was more than double the Calcutta city prices; but in 1932 these prices were enhanced by 2 annas per seer. Simultaneously with this the license fees were enhanced by Rs. 60,000, and these 1932 rates are still in force. This is how prices are

[Mr. Sitakanta Mahapatra :]

fixed. (5)—Supervision by a body in which non-railway men may be associated. This has never been attempted by the B. N. Railway. Sir, the Indian catering contractors pay heavy license fees, but as there is no open sale they pay much more in other shapes. Then they sub-let station to station and make enormous profits. These sub-contractors, besides paying the contractors, have got to satisfy the inspecting officers also. The poor third-class passengers pay all these and none else. But besides these things there are many other things for which there are no documentary evidence with me. If a committee is appointed, certainly these things will be made known.

I will now tell you another thing of much greater importance. Clause 75 of the contract between the Secretary of State and the B. N. Railway says :

"The Company shall not during the continuance of this contract without the sanction of the Secretary of State in writing first obtained engage in or carry on any business other than the business provided by this contract to be carried on by the Company."

I do not know if the B. N. Railway have obtained in writing sanction by the Secretary of State. The Honourable Chief Commissioner will enlighten us on that point.

THE HONOURABLE THE PRESIDENT : Your contention is that neither food nor water should be supplied to passengers ?

THE HONOURABLE MR. SITAKANTA MAHAPATRA : They are not supplied to passengers only but to outsiders as well. Nevertheless they are engaging themselves in side business in a vast scale and are competing with private enterprise and killing some of them. They have established an aerated water factory at Kharagpur. Aerated waters from this factory as well as ice are carried without any freight paid by the B. N. Railway and sold everywhere cheaply. They have got two hotels, one at Puri and one at Ranchi, side by side with other hotels and compete with them. I have recently understood they have opened another hotel at Gopalpur. The Catering Department provide the public in general with a comprehensive range of wines, spirits, beer, provisions, medicines and miscellaneous goods. They sell these goods on credit to railway officials and employees as also to recognised district officers. In their departmental catalogue it is stated "Orders will be executed at competitive rates". Is it meant for passengers ? The Bengal National Chamber of Commerce have repeatedly raised this question with the Railway Board as well as with the Honourable Member in charge ; but they have taken no action, not even a reply has been sent. With these telling facts, is there any doubt that the catering policy and arrangements in the Bengal Nagpur Railway are scandalous and mysterious ? Sir, I commend my Resolution for acceptance of the Government as well as of the House.

THE HONOURABLE SIR GUTHRIE RUSSELL (Chief Commissioner of Railways) : Sir, besides a general condemnation of the whole catering system on the Bengal Nagpur Railway, the Honourable Mover has suggested that some of the staff are not honest, and that the contractors also are not honest. He has also suggested that the upper class catering (hotels and refreshment rooms), is subsidised through the third class passengers. Now, Sir, it may help the Council if I gave a short account of how the present Bengal Nagpur Railway catering system came into force and what its activities are. Up till 1914, catering—dining cars, refreshment rooms and all other catering—was done by

contractors. About that time complaints from the public became so serious that the Bengal Nagpur Railway Administration had to think of some other scheme. They started off by having a refreshment room at Adra directly under the District Traffic Superintendent. This was a great success and other refreshment rooms on the small lines were opened. These experiments were so successful that there was a demand from the public and the Railway staff that the railway should have its own catering department. That catering department was started 22 years ago, and it has three main activities. It runs dining cars. These are absolutely essential if you have got to move traffic quickly. It is quite impossible now-a-days to arrange for meals at stations *en route* by the more important trains. The Bengal Nagpur Railway run dining cars on the Bombay-Howrah Mail and the Howrah-Madras Mail. These dining cars have earned actually in 1935-36 a net profit of Rs. 16,000. I do not think there is any Honourable Member of this House who travels on the Bengal Nagpur Railway but will admit that probably their dining cars are the best in India. Another activity are the hotels at Ranchi and Puri. Each of these hotels in 1935-36 made a profit. Now, apart altogether from the profits from hotels, the provision of these hotels encourages traffic. In fact it is an activity which every up-to-date Railway in the world encourages. We all know the great hotels in Great Britain run by British Railways. The main object is to get people to travel; people are given cheap fares so long as they travel to the Railway Hotels. The Bengal Nagpur Railway is more up-to-date than any other Indian Railway in this respect. Another activity is refreshment rooms. Here again contractors failed and there were complaints from the public. Another reason why it was necessary to have good refreshment rooms under the B. N. Railway Administration was for the sake of the staff. The Bengal Nagpur Railway, as we all know, runs through a sparsely populated part of the country. It is not like many of the other Railways which run through large industrial centres where there are large shops for the staff to obtain provisions, and with the exception of a very few settlements, the only places where the staff can obtain provisions are the railway refreshment rooms. Further, if you are to restrict the staff from obtaining provisions there, it would affect the general travelling public, because at these wayside stations it is quite impossible for the refreshment room merely on the few meals that would be served to run the business satisfactorily and the general public would suffer. So in that respect we may say that the staff subsidises the general public. The actual profit made by these refreshment rooms on the Bengal Nagpur Railway during the past year was Rs. 12,000. So I can assure the House that there is no justification for the claim that the upper class passengers, hotels and refreshment rooms have been subsidised at the expense of the third class passengers.

We come then to the question of vending contracts and the arrangements for third class passengers. The Railway actually is divided for this purpose into 12 sections, I believe, and there are 7 catering contractors. It may be correct, as the Honourable Mover said, that all these contracts are not in the hands of local men, but so far as possible the Bengal Nagpur Railway attempt to get local men. In the Howrah Division, presumably the contractor is a Calcutta man. He does not live in Howrah, but in Calcutta. Presumably you can call him a local man. Now, the Honourable Member said that it was untrue for the Bengal Nagpur Railway to say that the contracts were for a year only. The contracts are actually for a year only. But if the contractor has done his work well and has been a success, the contract is renewed. The Honourable Member also raised the question of the licensing fees. Actually in 1936 the license fees from the 7 licensees were Rs. 86,000. Commencing from this

[The Honourable Sir Guthrie Russell.]

financial year the Bengal Nagpur Railway propose to give these contractors a rebate of 10 per cent. on their fees so long as they receive no complaints from the public. The Honourable Mover further referred to the high price of the things sold by these vending contractors. I have not got a schedule of prices before me, but what I understand happens is this. The tariff of charges is compiled by the various contractors and submitted to the Catering Superintendent and it is only when he approves that the tariff becomes authorised. But I am quite prepared to find out from the Bengal Nagpur Railway if the statement of the Honourable Mover that the prices charged by the Bengal Nagpur Railway are twice the market rates is correct.

Now, as regards the supervision of the vendors' stalls, there are 3 Catering Inspectors who, I know personally, are constantly on the move inspecting the stalls. There is a Superintendent of Catering and an Assistant Superintendent of Catering. They are constantly making surprise checks. There is the Medical Department and here I know from my own personal knowledge that there is very strict supervision by that Department. The Honourable Mover referred to Dr. Zia-ud-din Ahmed's Resolution in the Assembly. As a result of that Resolution and the undertaking given by the Honourable Sir Joseph Bhore, Railways were asked :

- (i) to prepare a memorandum showing what their arrangements were for the sale of refreshments, appointment of vendors, etc. ;
- (ii) to place this memorandum before their Local Advisory Committees ;
- (iii) for their views on the question generally.

The Bengal Nagpur Railway did what they were asked to do, and placed the whole matter before their three Local Advisory Committees, one in Calcutta, one for Bihar and Orissa, and the third in Nagpur. At the meetings of these Committees the matter was considered, and having read through the proceedings, I can see no reason to believe that generally the Advisory Committees were not satisfied with the arrangements made. Actually the Calcutta Committee suggested that the Bengal Nagpur Railway Administration should take over the Indian catering themselves. From that it would appear they were fairly satisfied with the arrangements already made in other respects. The Bihar and Orissa Committee suggested that the prices were too high but they agreed that otherwise the catering arrangements might be said to be satisfactory. Now, as regards the Nagpur Committee, of which I understand you, Sir, were a member at that time, I understand that on your recommendation a Resolution was passed that the existing catering arrangements and services were satisfactory. Now, Sir, it appears to me that as this is one of the subjects which may be discussed by local advisory committees, if the Honourable Member is not satisfied with the arrangements on the Bengal Nagpur Railway, he should get one of the members of the committee to have the question re-discussed. And actually that was more or less the recommendation of the Central Advisory Council when the matter was discussed by them in October last year in Simla. The following is a paragraph from the recorded proceedings of the Central Advisory Council :

" It was also agreed that the system of auctioning contracts for the sale of articles other than necessities at railway stations, such as is in operation on the Moradabad Division of the East Indian Railway, might be left for regulation by the Railway Administration, who would regulate the system with reference to local conditions operating on the different sections on the system. It would be open to the Local Advisory Committees to bring to the notice of the Railway Administration concerned any matters in this connection which would require consideration."

Generally the Central Advisory Council recommended that these were matters for discussion with the Local Advisory Committee and I suggest that if the Honourable Member has any grievances to ventilate, they should be ventilated through those Committees.

The Honourable Member raised one other question—about the manufacture of soda water by the Bengal Nagpur Railway. Well, I may tell him now that that matter has been under investigation with the Bengal Nagpur Railway for some time. As he said, it was raised by the Bengal National Chamber of Commerce and I think within a very short time a final decision will be arrived at.

Now, Sir, I am afraid the Honourable Member started off by saying this is a very modest Resolution. It may be—it is a matter of opinion—but as the railways are provided with machinery for going into these grievances, I cannot agree that a committee as suggested by him should be appointed and I must, therefore, oppose the Resolution.

THE HONOURABLE MR. RAMADAS PANTULU (Madras : Non-Muhammadan) : Sir, I wish to say a few words, because I am not satisfied with the defence which the Honourable the Chief Commissioner of Railways has put up on behalf of the B. N. Railway. Sir, the two main charges levelled against the Railway's catering system are, firstly, that the food is unduly costly and unwholesome for third class passengers and, secondly, that out of the profits made by catering food for third class passengers, upper class passengers are subsidised. I have heard a categorical denial of the second charge by the Honourable Member in charge ; but no figures or convincing reasons are furnished to satisfy this House that the accusation made by Mr. Mahapatra has not been proved. I think his figures are so telling and so convincing with regard to the amount of profit made by the Company by vending food to third class passengers and the loss sustained on catering to the European and upper class passengers, as to be practically conclusive. As the defence is very weak and very unsatisfactory, I think there is a case for inquiry. All that the Resolution asks for is the appointment of a committee to inquire into the conditions of catering in the B. N. Railway. A *prima facie* case in my opinion has been made out that the third class passengers are charged unduly high rates, that they are given very bad food and unconscionable profits are made from this system and the profits are diverted to recouping the loss sustained in catering food to the European and upper class passengers. These are sufficiently grave charges, and materials for making out a *prima facie* case have also been placed before the House and the request of the Honourable Mover of the Resolution is for the appointment of a committee. I think Government ought not to oppose a Resolution of this nature, because the burking of an inquiry for which a sufficient case has been made out by the Member who moved this Resolution will, I think, lead to a strong suspicion that the Government is unwilling to face the inquiry. The very fact that they oppose the Resolution after sufficient material has been placed before them for an inquiry will lead to the inference that the Government is unjustifiably defending the Railway Company. Therefore it is in the interests not only of the third class passenger but also of the Government and of the Railway Company that this inquiry should be held, and I hope that the Government will not oppose the Resolution but will agree to the appointment of a committee as requested by the Honourable Mr. Mahapatra. I think he has put his case exceedingly well—briefly and tellingly.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces : General) : Sir, I have heard the defence of the Government on behalf of the Bengal Nagpur Railway. I believe, Sir, the Government ought to have taken a detached view of this case. My Honourable friend Mr. Mahapatra has made out a case and a very strong case so far as the supply of food to third class passengers is concerned. I think the Government should have conceded on the point of making an inquiry into the grievances and the complaints that have been put forward before this House by the Honourable Member. So far as the catering of the English food is concerned, I have nothing to say, but from my own experience, Sir, I can state before this House that the arrangements regarding the catering of the Indian food are very unsatisfactory on the B. N. Railway. I do not want to enter into the legal position propounded by the Honourable Mr. Mahapatra about the letting and subletting of contracts, but the real need of third class passengers is that they must get good food at a reasonable cost which they do not at present. I thought that the Government would not take sides on behalf of the B. N. Railway when they have come to know the complaints on the subject and instead of advising the Honourable Member to refer his complaints to the Advisory Committee they should have accepted his Resolution so that if the case of the Bengal Nagpur Railway is correct, the position they take that they are making good arrangements for supplying food to the third class passengers is true, then the B. N. Railway would have been freed from this charge. But, Sir, I find that the Government are taking sides which certainly, Sir, I cannot support. It is really a matter of regret, if the information that has been given before this House by the Honourable Mover is correct, that to a certain extent the English catering is being subsidised. If that is so, Sir, then there is a real grievance and it deserves a thorough inquiry on the part of a committee. If the Government do not accept the Resolution in its present form they should at least have taken up the stand that they would appoint their own members together with some non-official members to the committee and they should not have had any objection to the Resolution. Sir, I find that the attitude taken up by the Government cannot be supported and therefore I desire to support the Resolution.

THE HONOURABLE SIR PHIROZE SETHNA (Bombay : Non-Muham-
 madan) : Mr. President, the two main points in the

12 NOON. Resolution are (1) that the B. N. Railway supplies bad food and (2) such bad food at high prices, on the railway platforms. There is no mention of Indian Restaurant Cars. That is because I gather from a summary of the proceedings of the Central Advisory Council for Railways that the B. N. Railway does not consider that the running of Indian Restaurant Cars on the B. N. Railway is justified. Such Restaurant Cars for Indians are run on other lines and I do not suppose there are any complaints there. While the Honourable Mr. Mahapatra has given figures to show that the prices charged are heavy—in fact more than double of what they are in Calcutta—I do not think that in the course of his remarks he has been able to prove that the food supplied is bad. He might have enlightened us on that point. The explanation given by the Honourable Sir Guthrie Russell meets him to a very great extent. And what is more, he has offered to find out whether the charge about high prices is correct or not, and if it is correct, I am sure he will ask the Railway Administration concerned to take proper steps to see that such prices are charged as are in keeping with other Railways and particularly to see that they are not higher than what is the case in Calcutta. The other charge made by the Honourable Mr. Mahapatra and supported by the Honourable Mr. Pantulu is that the profits made on the catering for third class passengers is diverted for the benefit of the higher class passengers on the B. N. Railway.

I am afraid I cannot agree with my Honourable friends in that view. The Honourable Sir Guthrie Russell has explained that it is the business of a Railway Administration to see that its traffic increases, and if the Railway concerned has opened two hotels and is likely to open a third as pointed out by one of the speakers, it is all to the good. It will improve the traffic of the Railway and bring in more money.

Then the Honourable Mr. Mahapatra was able to show from the figures which he gave that the running of these hotels *plus* the running of the Restaurant Cars has resulted in a loss. But I gather from what the Honourable Sir Guthrie Russell said that although they did incur a loss in the past, they do not do so now and that they are now running at a profit. I did not exactly catch the figures Sir Guthrie Russell gave. If that is so.....

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : On each side of the account or taking both the accounts together ?

THE HONOURABLE SIR GUTHRIE RUSSELL : On each side of the account.

THE HONOURABLE SIR PHIROZE SETHNA : The Honourable Sir Guthrie Russell says, " On each side of the account ". That alters the case. If that is so, then I do not think we have much reason to complain. After the assurance the Honourable Sir Guthrie Russell has given that he will look into the case of the higher price, I will advise my Honourable friend Mr. Mahapatra to withdraw his Resolution. I do not think it will be fair to the Advisory Committees of the B. N. Railway if we go past it and institute inquiries by means of another Committee as has been suggested in this Resolution. The proper course would be for the Advisory Committee to take the initiative and if the Advisory Committee fails in its purpose, then it will be right and proper for any Honourable Member to approach the Legislature.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan) : Sir, may I request the Honourable the Chief Commissioner to throw a little more light than he has done so far on the income accruing from the arrangements made for the catering of superior class passengers and the licence fees obtained from contractors for the supply of food to third class passengers. I gather from the figures that are available to us in official reports that a great deal of the money obtained from the contractors is spent on making adequate catering arrangements for superior class passengers. It appears that if the Railway had not made themselves responsible for providing refreshment rooms and hotels for first and second class passengers, they would have made a much greater profit than they have done in the year 1935-36. It is true that taking the catering arrangements for all classes of passengers together, the B. N. Railway have made a small profit amounting to between Rs. 4,000 and Rs. 5,000. But from the figures before me it appears that if the Railway concerned themselves merely with the supply of food to third class passengers they would make a profit not of Rs. 4,000 or Rs. 5,000 but of between Rs. 80,000 and Rs. 90,000. If the Honourable the Chief Commissioner can show that the arrangements made for superior class passengers are paying and require no subsidy from the B. N. Railway, he will certainly have made out his case. But if all that he has shown so far means that the money taken from the third class passengers is spent on the needs and comforts of the superior class passengers, then his contention falls to the

[Pandit Hirday Nath Kunzru.]

ground and it will be the duty of this House to support the Resolution placed before it by my Honourable friend Mr. Mahapatra.

I draw the attention of the Chief Commissioner pointedly to this because the catering arrangements on the B. N. Railway have given rise to serious complaints in the Central Legislature during the last 5 or 6 years. The particular matter which my Honourable friend Mr. Mahapatra has brought to the notice of this Council was discussed by the Railway Retrenchment Sub-Committee. It also recommended that if the catering arrangements for higher class passengers could not be carried on at a profit, they should be put an end to. Notwithstanding this so far as one can judge from the papers placed by Government before the Central Advisory Council for Railways, nothing has been done by Government to remedy this evil. I tried to listen as carefully as possible to the Honourable the Chief Commissioner, but it is not easy to follow him. At any rate, he did not speak loudly enough for me. I was not therefore able to hear all that he said. But I gather that all that he said in opposition to Mr. Mahapatra's Resolution and in defence of the B. N. Railway was that the Railway, taking the catering arrangements for both third class and superior class passengers together, have made a small profit. This certainly is no reply to the question raised by my Honourable friend. We have repeatedly discussed in the Central Legislature the question of attracting more traffic to Indian railways by making railway travelling more comfortable for third class passengers and by devising ways and means of meeting the competition of lorries. One would think that under the present circumstances Government would consider it their bounden duty to do everything in their power to make it easier for the poorer class passengers to travel on railways, that no unnecessary prices would be charged to third class passengers and that the profits derived from them would be used for providing additional facilities and conveniences for them and not for richer and more privileged people. Here, however, if the facts mentioned by my Honourable friend Mr. Mahapatra are correct, Government, instead of devising ways and means of providing additional facilities for third class passengers, are using a good bit of the money wrung out of them for the comforts of those who can well afford to spend much more on their requirements than they do at present.

THE HONOURABLE SAYIED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) : Sir, I have no objection to the B. N. Railway catering for the needs of the higher class passengers. On the other hand, as has been observed by my Honourable friend Sir Phiroze Sethna, I think it is the duty of every commercial concern, as the railway is, to try and increase its business. It is, I feel, in the interests both of the travelling public and of the railways that amenities should be increased and every attempt should be made to draw the travelling public to the railways. But this is no excuse for the railway to disregard the interests of the lower class passengers. From what has been stated by the Honourable mover it is obvious that year after year the catering for the lower class passengers has resulted systematically in big profits, and all those profits have been eaten up by losses that occurred in the catering for higher class passengers. I ask whether it is fair that the railway company should rob the poor Indian passenger of his money and prevent him getting his money's worth in food in order to cater for the higher class passengers. From the figures that have been quoted by my Honourable friend Mr. Mahapatra it is quite plain that there is a lot of profiteering done at the expense of the Indian passenger in respect of foodstuffs supplied to

him on the B. N. Railway. He has proved his case to the hilt and has shown that it is not only the original 5 or 6 contractors who have to make their money out of the Indian catering, but a host of sub-contractors also have to make their margin of profit. So, between the Railway and the chief and sub-contractors, the lot of the Indian passenger is pitiable. The chief contractors have to pay license fees to the tune of Rs. 60,000 to Rs. 80,000 to the Railway Company, and they have to charge their margin of profit to the sub-contractors, and these last in turn have to charge their margin of profit to the lower class passenger. The result is that the poor Indian passenger does not get his money's worth in respect of his food. Sir, it is unfair that the third class passenger, who is denied a lot of other comforts and is put to a lot of inconveniences in the way of insanitary surroundings, insufficient accommodation, etc., should be subjected also to a double charge on the food he eats, which again is bad food. I feel that *prima facie* at least a case has been made out by the Honourable mover and it is necessary that an inquiry should be made into this matter. Whether a separate committee should go into this particular matter or whether the whole question of the supply of Indian food on all the railways in the country should be inquired into is a matter for decision by the Government. But so far as the existence of the evil is concerned, it has been proved to the hilt, otherwise this matter could not have been inquired into by the Retrenchment Committee in 1931. We feel that from the way in which the matter has come before the Central Legislature from time to time there is a genuine grievance in this matter and it requires to be thoroughly investigated.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL (Bombay : Non-Muhammadian) : Sir, it is not merely a question of accounts of one side of catering or the other which, important as it is, is not as important as another aspect of the inquiry asked for. The other one is that all those in touch with the persons who make use of the food supplied to third-class passengers know that the quality of food is such that there is a great complaint about it, and this complaint persists. The matter has been discussed and ventilated in the legislatures of the country and with all that the complaint persists. It is all the more necessary therefore that Government should ascertain what substance there is in the complaint. If there is an inquiry, it will help the Government to find out how far the complaint is substantial and what methods can be adopted in mitigating this evil. I would therefore ask the House and Government Members to give their best consideration to this aspect of the question and have an inquiry, so that the feeling may not be left in the minds of any of us that inquiry is being burked. If an inquiry is held then the Railway Company, apart from the information which they have from their own staff, which I do not say is deliberately false, may be able to find out the reasons for the complaint from other sources. Therefore it would help the Railway Administration to have an inquiry and not burke it.

THE HONOURABLE MR. SITAKANTA MAHAPATRA : Sir, the reply of the Honourable Chief Commissioner of Railways has taken my breath away. I never expected such an unsympathetic reply. It is my life's surprise. I did not propose to place the Government in any difficult or delicate position by my Resolution. I made it as modest as possible. As elected representatives of the people, it is our duty to lay before Government through this House public grievances. If Government unnecessarily turn a deaf ear we are helpless. Why then this farce of an august House of Elders in India? As the constitution stands, the Government can always command a majority in this

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House. If they make it a point to oppose every suggestion by elected Members however reasonable it may be, what is the good of our adorning this House? In the other House Government is more reasonable as otherwise they know they will be defeated. But here Government is power-drunk and has no sober judgment. Much was expected from the first non-official Railway Member, but he seems to be helpless. He cannot give effect to the assurances of his predecessor in office. It is a mystery to me why the Railway Board is so much afraid of the Bengal Nagpur Railway Company. In the Board of Directors there are many ex-high officials from India. My impression is that all is not good so far as catering in State-managed Railways is concerned, and so the Honourable the Chief Commissioner is afraid that if a committee is accepted for the Bengal Nagpur Railway people will clamour for committees for State-managed Railways and he will be in an unenviable position. As I have said before, the Bengal Nagpur Railway have misled the Railway Board by their faulty figures. The catering department of the Bengal Nagpur Railway have made some profits last year. The figure is only Rs. 4,073 in total. Rs. 86,000 from Indian catering were put in there. If these Rs. 86,000 are taken out, there will be a loss of Rs. 82,000. The Honourable the Chief Commissioner said that the hotels made a profit of Rs. 16,000—I am subject to correction—in 1935-36; but this is not a fact. They sustained a loss of Rs. 8,209. These figures are from the latest Administration Report. The Honourable the Chief Commissioner said that the members of the Local Advisory Committees are for taking over the Indian catering by the Department. I too agree with that; thereby catering for third class passengers will certainly improve. The Honourable Sir Guthrie Russell has not spoken anything about Indian catering. He has praised European catering arrangements in the Bengal Nagpur Railway. I too praise the same. I say it is best in India, because a lakh of rupees from Indian catering is put there. I have proved that the Local Advisory Committees in the Bengal Nagpur Railway are impotent. The majority of them are nominated by the Agent. What purpose will be served by bringing the question before such a committee? But if the Honourable Chief Commissioner assures me that he will himself take up the question, I shall be glad to withdraw my Resolution. But the way that he has suggested for the amelioration of the grievances that I have raised is absolutely hopeless. That will bring me no remedy. The elected members in the Local Advisory Committees who are in a minority will always be outvoted. So, after hearing from the Honourable Sir Guthrie Russell if he will be good enough to take up the question himself, I shall decide my course. As for the Honourable Sir Phiroze Sethna's question, I can only request him to taste and test the foodstuffs supplied to third class passengers in the platforms. I say they are absolutely bad and unwholesome, but it is a matter of opinion. I request him to experience the foodstuffs. Sir, I wait for the Honourable the Chief Commissioner's reply.

THE HONOURABLE SIR GUTHRIE RUSSELL (Chief Commissioner of Railways): Sir, before I actually reply to the points, I shall give some figures which I think will disabuse the mind of my Honourable friend Mr. Kunzru.

THE HONOURABLE THE PRESIDENT: You are entitled to reply to the whole debate.

THE HONOURABLE SIR GUTHRIE RUSSELL: I would like to give these figures. That is about all I have to say. The actual profit from dining cars

in 1935-36 was Rs. 16,000, from refreshment rooms under the catering department Rs. 12,000, from Puri Hotel about Rs. 7,000 and from Ranchi Hotel about Rs. 2,000. That is entirely separate and has nothing to do with third class passengers. These are the figures we have received from the Bengal Nagpur Railway. So the accusation that the upper class passengers and the stores for the staff were being subsidised at the expense of third class passengers is not correct.

THE HONOURABLE MR. SITAKANTA MAHAPATRA : May I put a question ? What became of the Rs. 86,000 obtained from third class Indian catering ?

THE HONOURABLE SIR GUTHRIE RUSSELL : That went into the revenues of the Administration presumably and a certain portion will be spent on providing additional facilities for third class passengers as far as I know, but certainly it will not be used for upper class passengers.

Now, there is just one other remark I have got to make as regards the figures supplied by the Honourable mover. He started off his speech by stating that the loss was Rs. 2 lakhs a year. Then he quoted from the Retrenchment Committee Report, which said it was half a lakh. This makes one rather sceptical of the accuracy of other figures he has quoted. He has made an offer that if I enquire into this matter myself, he will withdraw his Resolution. Well, I can assure the Honourable Member, if he so wishes, that I am quite prepared to send a copy of this debate to the Agent of the Bengal Nagpur Railway and ask him for his opinions on any suggestions which have been made to improve matters.

THE HONOURABLE MR. HOSSAIN IMAM : He wants you to inquire into the matter.

THE HONOURABLE SIR GUTHRIE RUSSELL : If I send a copy of this debate to the Agent and ask him for his report to me, it is tantamount to my inquiring into the matter myself.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Will the report be placed before the House ?

THE HONOURABLE SIR GUTHRIE RUSSELL : When the report is received I will consider that matter.

THE HONOURABLE THE PRESIDENT : Do you wish to press the Resolution ?

THE HONOURABLE MR. SITAKANTA MAHAPATRA : I ask permission of the House to withdraw the Resolution.

The Resolution was, by leave of the Council, withdrawn.

RESOLUTION RE SUPPLY OF FUNDS TO AGENCIES TO HELP AGRICULTURAL CREDIT.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadian) : Sir, I rise to move the following Resolution :

" This Council recommends to the Governor General in Council that in order to provide credit to poor agriculturists necessary arrangements be made for the supply of funds to approved agencies on their furnishing security and on their agreeing to lend money to poor agriculturists at a certain fixed and agreed percentage of interest and at a certain fixed percentage margin of profit."

[Rai Bahadur Lala Ram Saran Das.]

Sir, the Resolution I have the honour to move touches one of the most vital problems of national economy and I seek the indulgence of the Honourable House in describing the situation as faces us today. I am glad that this opportunity for discussion has occurred as the views of this Honourable House may prove of the utmost value to those who are about to form ministries under the new Government of India Act and who will have to devote a great deal of their attention to the problem referred to in my Resolution.

Sir, the total debt of agriculturists of British India was estimated in 1929 at Rs. 900 crores. It has surely risen to 1,400 crores by this time. And if we take into consideration fall in prices, the weight of the debt in terms of value of produce may be said to have become 2,800 crores.

However, taking the debt at 1,400 crores, we must see how far the existing credit agencies can meet the situation. Of the 1,400 crores 900 crores represent old hereditary debts and the rest is incurred for the cost of cultivation and for maintenance of cultivators. In other words, 900 crores represents long term debt and 500 crores short term debt.

It is not possible for Joint Stock Commercial banks working on the basis of short term deposits to deal with long term loans, while such banks will not deal with short term agricultural loans because it is difficult to estimate value of agricultural land which can be the only security. Moreover, in provinces like the Punjab, Central Provinces and Bundelkhand, agricultural land cannot be attached in satisfaction of debts, while crops, live stocks and the like cannot be a good security for short term loans on account of fear of floods, failure of rains, disease or pests.

It may be said that Co-operative Credit Societies are there to meet the needs of the agriculturists. It is true that the Societies are performing a useful role within their limited sphere, but they have not yet touched the fringe of the problem. 93 per cent. of the population of India is still outside the pale of these societies. The uninitiated may say: "The remedy lies in multiplying these Societies", I believe, Sir, there are very real dangers in a too rapid expansion of the Co-operative movement. Generally speaking, even today, owing to lack of experience and character in the management of the Societies, recoveries of outstanding debts are not properly made and capital of the Societies has become locked in loans granted without proper consideration.

Sir, I have shown that joint stock commercial banks do not meet the needs. In 2,500 towns of this country there are only 400 which possess any branch of such banks. The Co-operative Societies do not cover more than 7 per cent. of India's rural population. Which machinery then holds the field? It is the money-lender or the indigenous banker.

It is this class which can render the best and the most effective service to the rural population of India provided conditions mutually beneficial are enforced. I am sure that the House appreciates the force of the argument that no solution is possible without embracing the class of money-lender who is now the backbone of the rural credit.

Sir, my Resolution proposes that necessary arrangements be made for the supply of funds to approved agencies to help agricultural credit. Which really means that the money-lender be converted into a banker and should be trusted as such. To make the scheme workable and secure we must insist that the money-lender keeps proper accounts, charges interest within prescribed limits, gets his accounts audited annually by recognized auditors and

gives up all business other than banking. If these conditions are fulfilled the banker should be put on the approved list of the Agricultural Credit Department of the Reserve Bank and should be provided with rediscount facilities.

I am encouraged in my hopes by the Report of the Agricultural Credit Department of the Reserve Bank recently published. That Report shows that the authorities of the Bank have realized that generally speaking relations between money-lenders and the debtors are cordial; that the agriculturist money-lender is not more considerate than the non-agriculturist money-lender. Sir, as regard the agricultural money-lender I might cite the experience of the Punjab as given by Mr. Darling in his book "The Punjab Peasant" on page 208, Note (5). He says :—

"The inquiries referred to above were made by the Co-operative Department in 1926-27 and 1927-28 and embraced 23 per cent. of the villages in the province. Of the 4,340 agriculturist money-lenders discovered 49 per cent. were Hindus, 45 per cent. Sikhs, and 6 per cent. Muhammadans. Agriculturists advancing only on mortgage were excluded from the enquiry. Were they included, the number of agriculturist money-lenders would probably greatly exceed 19,000, for 75 per cent. or more of the land mortgaged in the past 25 years has been mortgaged to agricultural tribes."

In the same book Sir, on the same page, the writer says :

"A retired soldier told the writer that during eighteen years' service he saved only Rs. 600, but that by lending it out he doubled the amount in four years."

My Resolution suggests the method by which the hopes of the Government may be realized. It is better that Government faces the facts squarely and acknowledges that the Co-operative movement is not the main nor the final solution of the problem. After all these generations of efforts Co-operative Societies had a total working capital of only Rs. 30,46,26,000 on 30th June, 1930, while their share capital was only Rs. 8,14,55,000. These figures are hardly a drop in the ocean of rural credit which the money-lender furnishes.

The danger, however, arises from the fact that the money-lender is slowly drifting to towns, is investing his capital in other forms of investment and, if steps are not taken to curb this movement the Government may find the credit machinery of the rural areas shaken beyond repair. This is, to my mind, the psychological hour to create confidence and set up a machinery which will help the agriculturist and also find profitable channels for the savings of the nation. Otherwise the agriculturist money-lender will absorb the poorer peasants and reduce them to serfs. That this class of money-lender is already growing is acknowledged in the book of Mr. Darling. Mr. Darling also shows, Sir, that the agriculturists do not like the agriculturist money-lender.

Sir, if I may sum up the position as I see it, I would say that the problem of rural credit or of rural indebtedness will never be solved unless the various agencies are mobilised in a healthy spirit. The village money-lender and the co-operative societies must work arm in arm instead of in antagonism as at present and the Reserve Bank must give both these arms the full vigour of life by making them the channels for circulating the savings of the nation. Today the agriculturist is in terrible distress because he has been made to raise his standard of living without compensating increase in his income; today the money-lender is in distress because he can find no profitable channels for investment; today there is glut of cheap money in the market because there is no profitable investment. And yet in the face of all this cheap money stark poverty and misery is the lot of the people. Is it not up to this Honour-

[Rai Bahadur Lala Ram Saran Das.]

able House to suggest to Government that the remedy lies in so remodelling our financial and banking system as to rope in the money-lender and make him the agent of credit on terms which will ensure him honourable career and to the peasant cheap credit. Should any change in law be considered necessary I trust the Government will not hesitate to undertake it.

In commending my Resolution to the acceptance of the House I would wish my Honourable Colleagues to remember that it is not that the debt of rural India is larger than in any other country. In this connection Sir, I might say that in Prussia in 1902, 6,28,000 proprietors carried a debt of £377 millions and in 1910 the farmers of the United States owed £475 millions. India is no worse off than many other countries, but that the economic conditions of the masses cannot be improved unless a financial system is devised which is equitable and really liquid. It is true Provincial Governments have made some efforts but these are not enough and the real lead must come from the Central Government who can enforce uniform conditions and can bring into the picture the machinery of the central banking institution of the country.

Sir, the report of the Reserve Bank of India, Agricultural Credit Department, suggests some changes in the legislation. They say :

"The Reserve Bank is required under section 55 of the Reserve Bank Act to 'make to the Governor General in Council a report, with proposals, if it thinks fit, for legislation on the following matters, namely :—

- (a) the extension of the provisions of the Act relating to scheduled banks to persons and firms, not being scheduled banks, engaged in British India in the business of banking ; and
- (b) the improvement of the machinery for dealing with agricultural finance and methods for effecting a closer connection between agricultural enterprise and the operations of the Bank'."

I won't detain the House long. I will read a few more extracts from this valuable report. On page 5, when referring to the Land Alienation Act, they say :

"The Act fostered the growth of the agriculturist money-lender, and borrowing soon became as easy as ever. This would have been an advantage had the agriculturist money-lender allowed himself to be influenced by any fellow feeling for his debtor, but in this respect there is little to choose between him and his professional rival."

THE HONOURABLE MR. J. C. NIXON : Sir, might I point out that that is not, I think, a statement of the Reserve Bank. Is not that a quotation ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I will read what is here in the report :

"For a time the rapid increase in debt was kept in partial check by the Land Alienation Act ; but, with the tendency of all protective legislation, the Act fostered, etc."

So, it is their opinion.

THE HONOURABLE MR. J. C. NIXON : I still think that it is a quotation from Mr. Darling.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : It is a quotation from Mr. Darling's book but it has the support of the Committee of the Reserve Bank.

On page 17 they say :

" At the same time, apex banks, if their directorate is competent to exercise effective control, can provide a useful check over the amount of credit which may be devoted to a particular crop over a particular area, and, if properly organized, should form a useful channel through which the Reserve Bank could let capital flow to the cultivator and the small dealer."

THE HONOURABLE THE PRESIDENT : You will find many such useful extracts. Is it necessary to quote them ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Yes, Sir, there are useful extracts, but the question is whether they will be adopted and followed by the Government. Reports do come in, and they are simply filed if they do not suit the views of the Government. As this question involves a very serious matter regarding the credit facilities for the rural population for whom the Government of India and the Provincial Governments always proclaim to have great sympathy and concern, now is the time to prove how they translate their sympathy into action. Sir, the poor agriculturist, who has no security to offer, is practically unable to raise money. It is the duty of the Government to help him to raise money for his urgent needs, *e.g.*, in case of sickness in his family or in other urgent necessities. I know that the Co-operative Banks refuse him money. The Joint Stock Banks do not do business of this sort. When the Reserve Bank of India have put in this Report, the Government must devise some means for credit facilities for the rural people who are the backbone of the Government and who deserve their full support.

With these words, Sir, I commend my Resolution for the favourable acceptance of the House.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras : Non-Muhammadan) : Sir, I beg to move :

" That for the words ' approved agencies ' the following be substituted, namely :—

' indigenous bankers approved by the Reserve Bank of India and Co-operative Land Mortgage Banks approved by the Local Government of the Provinces in which they are situated '."

Shall I speak on the amendment only or also on the Resolution ?]

THE HONOURABLE THE PRESIDENT : You speak on both.

THE HONOURABLE MR. V. RAMADAS PANTULU : While I heartily support the Resolution moved by my Honourable friend, I seek to clarify the somewhat general expression " approved agencies " by specifying two particular agencies. I thought this might enable us to focus the discussion on certain suitable credit agencies. The Reserve Bank of India Act has made provision for bringing certain classes of indigenous bankers into the banking system of the country and has entrusted the Reserve Bank with the duty of investigating the problem and making a report. The preliminary report of the Bank has been published and it is a very useful document and it is well documented by quotations from eminent authorities who have first hand knowledge of the subject, specially Mr. Darling who has devoted a great deal of his time and life in India to the problem of the Indian agriculturist. The problem of how to link up the indigenous bankers with the banking system of the country received considerable attention at the hands of the Indian Central Banking Enquiry Committee also. They thought that indigenous bankers, who differed from money-lenders in two or three essential features—

[Mr. V. Ramadas Pantulu.]

indigenous bankers do not depend only on their own resources but they also receive deposits from the public; they also deal in Hundi business and they do money-lending—these indigenous bankers perform a very useful function even now in many provinces. In my own province, the Chetty community and the Mullanese discharge a very useful function in regard to financing of agriculturists; but they do not finance them for the purpose of carrying on their occupation as agriculturists, but they finance them more for movement of crops and marketing. In other words, they finance the agriculturists on the marketing side and for the movement of crops more than on the occupational side. They do not lend him money for his seasonal expenditure. I have purposely qualified the word “indigenous bankers” by the addition of “approved by the Reserve Bank of India”. It has been pointed out by the Indian Banking Enquiry Committee that many indigenous bankers, in addition to acting as money-lenders, also engage themselves in trade and other business which is often of a speculative character. And therefore all indigenous bankers may not be eligible to obtain credit facilities from the Reserve Bank of India, because if they engage themselves in speculative business which may end in loss it will be very inexpedient for the Reserve Bank to accommodate that class of bankers. Therefore if indigenous bankers shed business of a speculative character and comply with the regulations of the Reserve Bank and are put on the approved list of the Reserve Bank, it will be much easier for Government and the Reserve Bank to provide them with financial resources to be lent to agriculturists. Therefore I have merely amplified the agencies which my friend has in his mind by limiting those agencies to indigenous bankers approved by the Reserve Bank of India. In fact I find that the report of the Reserve Bank in one place says that the Bank will collect information about this class of bankers and supply a list to the Government and others concerned. At page 25 of the report there is the passage in which the Reserve Bank say that they are willing to prepare a list of such bankers and to supply it to those whom it may concern.

The second part of my amendment, Sir, speaks of another agency, namely the Co-operative Land Mortgage Banks. The indigenous bankers by the very nature of their business cannot give long-term loans. They can only deal in short-term loans which are made for a season and recovered out of the harvest. Therefore the indigenous bankers do not touch long-term business. Therefore I have included, in my specification of the approved agencies, Co-operative Land Mortgage Banks, which are I think proper agencies to supply the agriculturists with long-term needs. The agriculturist cannot always repay a loan given to him for his agricultural occupation in a year from the harvest, and sometimes not even in two or three years. For such loans a long period is required and the Co-operative Land Mortgage Banks are the proper agencies. In order to safeguard the interests of the tax-payer, of the Government and the Reserve Bank, who find funds for these land mortgage banks, I have mentioned that such land mortgage banks must be those approved by the Local Government of the province in which they are situated. I think with these safeguards the agencies mentioned by me will be suitable agencies to be trusted with funds for financing the agriculturist.

I entirely agree with my Honourable friend Mr. Ram Saran Das that the class of money-lenders to whom the agriculturist now goes are a great source of danger. I think the uncontrolled money-lender is the greatest bane of Indian rural economy today and the sooner he is eliminated from our rural economy the better for all concerned. The agricultural money-lender,

who sometimes was thought to be more humane than the ordinary money-lender has proved to be a greater shark. In fact the ordinary money-lender is more anxious to recover his money and interest than buy up land ; but the agricultural money-lender is anxious to extend his holdings and to swallow the debtors' land itself. He wants to augment his land at the expense of the poor neighbour to whom he lends money, and in practice in all provinces he has proved a source of greater danger to the poor agriculturist than the ordinary money-lender.

As for the co-operative banks, Sir, with which I am more intimate and of which I can speak with personal knowledge, I agree that, owing to several causes, such as want of education, lack of good management, bad business habits and so on, they have not done as well as they ought to have done, and the expectations raised of the benefits of the co-operative movement have largely not been realised. Nevertheless co-operative banks do perform a very useful function. Our deposits today in the whole of India stand at about 50 crores of rupees, and that is not an insignificant sum when we remember that the deposits in all the commercial banks in India amount to about Rs. 200 crores—70 crores in the Imperial Bank of India, another 70 crores in the foreign exchange banks and another 70 crores in the joint stock banks. Therefore the combined resources of these three great banking agencies, the Imperial Bank, the joint stock banks and the foreign exchange banks, is about 200 crores ; and they have been working in this country for nearly a century, while we came into the field only in 1912, because the Co-operative Societies Act of 1904 provided only for primary credit societies and our central banks were started only in 1912. And in these 25 years we have built up a working capital of over 50 crores, excluding the investments of one society in another society. Therefore I think we have done well and though we have only touched the fringe of the problem the potentialities are very great. But I must tell this House that, do what we will, the scope for expansion of the co-operative credit societies is not unlimited. There are very serious limitations on the expansion of co-operative rural credit. Today our trouble is not lack of money, because every bank is surplusng, every province has more money than we know what to do with. In fact at the Registrars' Conference held in December last under the presidency of the Honourable Leader of the House, one of the problems raised was how to restrict the inflow of money into co-operative societies and not how to find outlets for it. The fact of the matter is that the bulk of the agriculturists in this country are not eligible for credit. Agriculture is not a remunerative occupation. The margin of profits is so low that he cannot really repay a loan. So if you apply the ordinary banking standards to co-operative banking, there are not many cultivators in this country who can be financed on sound business banking lines. That is the trouble. Of course there are still a large number of people who can be financed whom we have not yet touched. Many more societies may be formed, and probably instead of 7 per cent., say, 15 to 20 per cent. of the population can be enrolled as members. But a large majority of the agriculturists cannot be touched, because they are not credit-worthy in the sense in which a bank would use that term. Nevertheless we have been stretching a point in their favour too, and instead of always asking for tangible security, wherever character is assured, wherever we believe that punctual repayment will be forthcoming, we have been financing them also on liberal lines.

In Madras the Government have done something for us. They have guaranteed the principal and interest on debentures, to the extent of 125 lakhs, floated by the land mortgage banks, to raise funds to be doled out to agriculturists ; and out of this 125 lakhs we have actually utilised 100 lakhs

[Mr. V. Ramadas Pantulu.]

and given it out as loans charging only 5 per cent. to the ultimate borrower. We began with a higher figure, but we have brought it down to 5 per cent., and I am glad to say we are getting back our loans without default and with punctuality. The money has been lent to agriculturists for 20 years and the benefits are appreciated. Recently our Government have amended the Agricultural Loans Act and provided for 20 lakhs each year to be distributed by revenue officers to small agriculturists, whose transactions owing to their small size would not be a paying proposition to the land mortgage banks. Land mortgage banks cannot deal with very small loans because the transactions involve a lot of preliminary expenditure. Therefore the Government have provided the staff. And our revenue officers are now advancing loans to agriculturists under the Agricultural Loans Act, preferably to those who are able to conciliate their debts with their creditors. A man who owes, say, three or four thousand to his creditors, may be able to induce his creditors to accept a lump sum of Rs. 2,000; and the Government in such cases lends Rs. 2,000 in entire discharge of his debts. And I am glad to say the Government is satisfied with a less stringent standard of security than the land mortgage banks naturally require, and in that way the scheme is working beneficially. It has now been linked up with the debt conciliation scheme for which a special Act has been passed. Therefore, Sir, when the Provincial Governments become autonomous, if these two agencies, the indigenous bankers placed on the approved list of the Reserve Bank, and co-operative land mortgage banks which are certified by a Local Government to be properly run and managed, if these two agencies are harnessed to any scheme for redemption of rural indebtedness and for financing the agriculturist, I think considerable benefit can be conferred upon the agriculturist.

I do not wish to take up the time of this House with any further details regarding these two agencies. But I wish to point out
 1 P.M. that in addition to finding credit, the Government must also implement some of the recommendations of the Royal Commission on Agriculture and the Indian Central Banking Enquiry Committee in regard to relief of agriculturists. You must restrict the money-lenders' operations by stringent enactments to control his money-lending and provide facilities for agriculturists to get their debts compulsorily settled and conciliated through official or unofficial agencies. And also eliminate the uncontrolled money-lender as far as possible. Wherever you can, compel him to register himself under a statutory system of licensing. At present money-lenders are an unlicensed lot and there is no way really to regulate them, because we do not know who the money-lenders are. The Royal Commission on Agriculture, though it does not make a specific recommendation, has said a great deal in favour of a system of licensing money-lenders and bringing them under strict control and also compelling them to maintain regular accounts and providing for their periodical inspection by officers; besides investing the courts with very wide powers of relieving debtors from hard bargains with their creditors. Some of these measures are recommended by various other committees as well. I hope these measures when coupled with any scheme of helping the agriculturist to liquidate his prior indebtedness and to find money for his current needs are bound to prove beneficial. Our aim must be restricting the unhealthy activities of money-lenders, ultimately with a view to replace them by or absorbing them into the regular banking organisation of the country. This alone will prove a right solution of the problem. I therefore commend my

amendment and I hope Government will accept the Resolution of my Honourable friend Lala Ram Saran Das with my amendment.

STANDING COMMITTEE FOR ROADS.

THE HONOURABLE THE PRESIDENT: Honourable Members, it is usual, when the House is sitting on Fridays, to accommodate the Muslim Members and I therefore propose to adjourn the House at this stage. But before I do so, I would like to communicate to you the result of the election which took place the other day.

I have to inform the Council that as a result of the election held on the 9th March, 1937, the following three Members have been elected to serve for the remainder of the current financial year on the Standing Committee for Roads:—

1. The Honourable Mr. R. H. Parker.
2. The Honourable Rao Bahadur K. Govindachari.
3. The Honourable Haji Syed Mohamed Hussain.

The Council then adjourned for Lunch till Twenty Minutes Past Two of the Clock.

The Council re-assembled after Lunch at Twenty Minutes Past Two of the Clock, the Honourable the President in the Chair.

RESOLUTION *RE* SUPPLY OF FUNDS TO AGENCIES TO HELP AGRICULTURAL CREDIT—*contd.*

THE HONOURABLE THE PRESIDENT: Before the debate is resumed, I wish to point out to Honourable Members that I propose to stop the proceedings at a quarter to five this evening as there is a very important meeting of the Empire Parliamentary Association at which many of our Members will have to be present and at which I have to preside.

The debate will now be resumed.

THE HONOURABLE MR. V. RAMADAS PANTULU: Sir, if you will permit, I would like to make a very short statement on one or two points which may facilitate the understanding the scope of my amendment. First of all, Sir, with regard to land mortgage banks, I do not mean to say that where there are no land mortgage banks something should not be done to provide long-term loans to agriculturists. It depends on the conditions of each province and I mentioned land mortgage banks because in my own province they worked well. Where conditions are different and there are no land mortgage banks, I am not against other agencies to provide long-term credit. Secondly, Sir, my whole object is, not to do harm to the money-lenders but to bring them under regulation and bring them into the banking system of the country. I do not want any credit agencies to operate in any areas which are outside the regular banking system. Uncontrolled money-lending is a great evil. Therefore, the object of my amendment is to bring all money-lenders into a regulated banking system by every means possible.

THE HONOURABLE SIE PHIROZE SETHNA (Bombay: Non-Muham-madan): Mr. President, it is generally acknowledged that India is one of the largest agricultural countries and it is also considered very necessary that our agriculturists should be helped as best possible. Efforts are being made in that direction and it is very gratifying that His Excellency the present Viceroy is taking a very keen interest in this question. The Resolution, therefore, which my Honourable friend, Lala Ram Saran Das, has brought forward is certainly to be welcomed, but the question is whether the Government is in a position to help to the extent that my Honourable friend desires. He has told us that the agricultural indebtedness of the country in 1929 was 900 crores which by now has risen to 1,400 crores. To finance that amount of indebtedness is beyond the possibility of the Reserve Bank or the Government of India or anybody else. However, attempts should be made to afford relief to as great an extent as may be possible.

Sir, I am afraid my Honourable friend's Resolution has been very loosely worded. It has however been corrected to an extent by the amendment of my friend on my left who instead of the words "approved agencies" has suggested "indigenous bankers approved by the Reserve Bank of India and Co-operative Land Mortgage Banks approved by the Local Government of the Provinces in which they are situated". The Honourable Lala Ram Saran Das in moving his Resolution observed that by indigenous bankers he meant those who did banking and no other business. In fact, he would require that as a qualification. (*The Honourable Rai Bahadur Lala Ram Saran Das*: "Not necessarily".) I am glad that the Honourable Member says: "Not necessarily." Because almost every indigenous banker does other business besides. Now, Sir, there is the system of co-operative credit banks. They cannot help. Nor can the ordinary business man for any length of time. And the main object of this Resolution is that funds may be given as loans to last for a considerable number of years. That certainly is a very great difficulty and we should like to know what the Honourable Member representing the Government in replying on behalf of Government will be able to say with regard to this proposal.

Again, Sir, another point to which I take objection in the Resolution as worded are the last few words. It asks that money might be lent to agriculturists "at a certain fixed and agreed percentage of interest and at a certain fixed percentage margin of profit". These two do not go together. At any rate, they do not appear to be consistent. If he drops out the last few words and simply says "at a certain fixed and agreed percentage of interest", that, I understand from Mr. Ramadas Pantulu, would be covered by his amendment inasmuch as he says indigenous bankers who are to be approved by the Reserve Bank of India and he infers therefrom that the Reserve Bank will lay down rules with regard to the rates of interest and also in regard to the margin of profit. That agricultural money-lenders earn a very considerable amount of interest was proved by the instance which the Honourable Mover himself quoted, where an agriculturist who had been able to lay by Rs. 600 during 18 years' service was able to double the amount in four years by lending it out. Now, Sir, that means that he obtained interest at the rate of $17\frac{1}{2}$ per cent., for there is the rough and ready formula that if you divide 71 by the rate of interest you get the number of years within which any amount doubles itself at that rate of compound interest with yearly rests. $17\frac{1}{2}$ per cent. is of course, a very usurious rate and if Government can help in the matter by providing loans for agriculturists at a reasonable rate, say 6 per cent. at a maximum, that I suppose would relieve the situation to a very great extent. As I said

at the start, it will not be possible even for the Reserve Bank to afford help by lending out as much as 1,400 crores of rupees, but at the same time if the Government take up the matter seriously it can make a beginning and that will help as time goes on. For example, Mr. Ramadas Pantulu gave an instance of the Madras Government who gave permission to issue debentures to the extent of a crore and a quarter at $3\frac{1}{2}$ per cent. and the rate has been since reduced to 3 per cent. That has afforded much relief and other Governments might do likewise, which if they do it will certainly relieve the position to a very great extent. I therefore support the Resolution.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary): Sir, when I was studying the Resolution of my Honourable friend, Mr. Ram Saran Das, previous to this debate, I thought I have to some extent understood what was in his mind. After listening to him this morning, I am not so sure about it. I had hoped that the Honourable Mr. Ramadas Pantulu when speaking on the subject would help to clear up for me what the Honourable Rai Bahadur Lala Ram Saran Das was getting at. But even he failed to give me that necessary help. I understand comparatively clearly what the Honourable Sir Phiroze Sethna was getting at, but I very much doubt whether he was actually getting the point which is in the mind of the Honourable Rai Bahadur Lala Ram Saran Das.

After all, the agricultural classes require loans for various purposes. They may require loans for genuine agricultural purposes. These agricultural needs are of two kinds:—(1) for permanent improvements and (2) for ordinary marketing purposes. The agricultural classes also require loans in order to redeem previously incurred debts and it was that aspect of the subject which the Honourable Sir Phiroze Sethna was obviously fastening on. But the agricultural classes, the same as other classes, require money for other purposes than these. They require money in order to meet what I would describe as unproductive expenditure. The Honourable Rai Bahadur Lal Ram Saran Das instanced one circumstance in which he considered these people ought to be able to raise funds, namely, sickness, and there are, as every one knows, various ceremonial and social obligations that all these classes have to meet. I still feel, after what I have heard today, that in the mind of my Honourable friend the Mover of this Resolution is the thought that there ought to be an agency in existence for granting the poorer agricultural classes credit for these last purposes—purposes unconnected with agricultural pursuits and unconnected with the matter of their past indebtedness. In the matter of accommodation required for genuine agricultural purposes, as all Honourable Members know, there are various Taccavi Acts in India. The Provincial Governments every year give out a certain amount in the form of taccavi loans and I have a statement before me showing what has been done in recent years by the different provinces. But this statement shows me one thing, and it is that when a particular circumstance arises the provinces respond almost immediately, and meet it, if it can be met in that way, by the issue of additional taccavi loans. I do not think there is any reason to believe that provinces in the matter of giving taccavi loans in the circumstances where taccavi loans may be given are lagging behind the necessities of the situation. The Punjab Government, I believe, is granting taccavi loans at the moment at 4 per cent., and nobody can claim that that is an unreasonable rate of interest. Nor, so far as I know, is there any difficulty in the small agriculturist financing himself in the marketing of his produce. At any rate, I am almost certain that that is not the problem that is in the mind of the Honourable the Mover of this Resolution.

It is a little hard. In the other House Government are asked what they propose to do in order to reduce the existing indebtedness of the rural classes.

[Mr. J. C. Nixon.]

In the last session of this House I had to meet several Resolutions asking what Government proposed to do in order to increase their indebtedness, and I feel that really what is in the mind of the Honourable the mover of this Resolution is something which falls into that latter class. He is not asking how we propose to relieve the previous indebtedness of the rural classes, but what means it is proposed to put at their disposal for increasing their indebtedness.

As we know, the former supplier of this type of credit was the money-lender. I cannot help feeling that though a lot of hard things have been said about the money-lender and though a lot of these hard things which have been said are justified, all the things that are said about him are not so justified. It is true he charges what, from the point of view of some of us town people, seems a high rate of interest. He may be charging 18½ per cent. or 36 per cent. interest. But, after all, one has to remember the risks he is taking, and on the whole, despite the single example which the Honourable Mover put before this House, I for one am not prepared to believe that taking all things together the money-lender in charging these rates of interest is charging more than the necessities of the situation require. I would like in that respect to refer to a remark of the Reserve Bank. On page 32 they say :

"The rates of interest charged by the village money-lender are not so fantastically high as they sometimes appear to be, in view of the risk against which he must insure himself".

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I may say that there is really no page 32 in the copy which has been supplied to me.

THE HONOURABLE MR. J. C. NIXON : I will give my Honourable friend a copy which is a facsimile of mine. His copy must be differently paged. The money-lender who is undertaking this sort of business has got to face up to the inevitable fact.....

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Nobody has got this pamphlet with page 32 in it. There are only 29 pages in our copy.

THE HONOURABLE DIWAN BAHADUR SIR K.	} We have not got it.
RAMUNNI MENON ;	
THE HONOURABLE SIR DAVID DEVADOSS :	

AN HONOURABLE MEMBER : Perhaps you did not ask for it.

THE HONOURABLE MR. J. C. NIXON : I will rectify this in due course. What I quoted was in paragraph 38.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : That is better.

THE HONOURABLE MR. J. C. NIXON : I will speak in terms of paragraphs, Sir. As I was saying, one has got to remember that the agency which undertakes this type of business amongst the rural classes has got to face up to not getting its capital returned at all in a fair proportion of cases, and that is one of the reasons why it has to charge such a high rate of interest to the people who pay at all. After all, the money-lender has been, at any rate in the past, an eminently suitable type of person for this particular purpose. I would like again to read what the Reserve Bank in paragraph 43 says about that. They say :

"Being on the spot they (i. e., the money-lenders) are able to advance promptly, to take risks and to make up for the lack of tangible security by personal knowledge."

Now, Sir, I do not think there is any evidence to prove that the money-lender has not, even at the moment, got the funds with which he could, if he wished, continue to undertake this business. In fact, as I understand it, he is even at present attempting to find means of employing his funds in the town areas. Nor, Sir, do I believe that any approved agencies, even agencies such as, in the words of the Honourable Mr. Pantulu, indigenous bankers, approved by the Reserve Bank of India, on their furnishing security—I would ask you to observe these words—would have any difficulty at the present moment in going to an ordinary banking institution or such like and raising considerable funds at a reasonable rate of interest. But I am quite sure that any of these agencies will use their resources, their credit, their money, in a line of business which is the more remunerative to them and in a line of business which has an element of safety in it. Government are not in a position to force private agencies to undertake a particular type of work. One can take a horse to water but one cannot make him drink. What would undoubtedly happen in these circumstances would be that the agency would make its own terms with Government, and I feel certain that one of the terms which it would make would be that all the risky part of the business should be borne by Government. In such circumstances I can hardly see the necessity to pay a middleman a margin for undertaking the safe work. To my mind the proposition as put before us by the Honourable Lala Ram Saran Das is not a business proposition. The middleman will serve no purpose at all, and his proposition really boils down to Government itself undertaking this sort of business.

Let me criticise it from another point of view. But before I do so, I would like to turn to something which my friend the Honourable Mr. Ramadas Pantulu said. And that again is where I come up against a difficulty, because I cannot really see how his amendment has any bearing at all on the original Resolution. In fact, in some respects it seems to me to be a complete negative of it. He suggests that institutions approved by the Reserve Bank should come into the picture, and surely the logical consequence of that would be that the institutions should be financed by the Reserve Bank. Instead of which, these institutions which are to be on the books of the Reserve Bank—and which by the way has a lot of funds which it would like to invest—are to be financed directly by Government. I think in that respect the Resolution and the amendment are hitting against one another. The Honourable Sir Phiroze Sethna also pointed out another weakness in the Resolution as put before the House, and that is with reference to the last two or three lines of it. The suggestion is that the money should be lent to these approved agencies or what not at a certain fixed percentage margin of profit. Now it is perfectly evident that in this sort of business no fixed margin of profit could be laid down for the whole of India. The fixed margin of profit would have to vary, at any rate from year to year and in accordance with the conditions of the agriculturist. It would probably have to vary indeed from season to season, and if the matter were conducted on proper business lines I have no doubt that it would have to vary from individual to individual. And indeed, even if the business were taken up by provinces in their own local areas, I feel certain that it would result in a multiplicity of margins for different purposes and a variation in those margins from time to time. Again, I must criticise the Resolution as put before the House as being quite unworkable in its including a condition such as that.

I do not wish, nor have I any reason, to criticise the debt legislation that has been undertaken in the provinces. It has achieved extremely useful results at a very difficult time. But I have to say that it has had one inevitable result, which is that certain of the sources of credit formerly open to the rural classes

[Mr. J. C. Nixon.]

has to a very large extent dried up. It is true that the poor agriculturist cannot at the present time raise money as freely as he did formerly. It is a well known fact that the agricultural classes, not only of this country but of many countries of the world, are as a body an improvident class. Nobody denies that the agricultural classes of this country in many places in many circumstances had got themselves into an impossible state of debt, and I do not think there would be many in this House who would deny that that condition of extreme indebtedness has been on the whole brought about not by debt incurred in agricultural pursuits but by reason of debt incurred for non-productive purposes. In the experience of every one of us here, I am sure there must have come to light instances where has been brought home to us the awful plight into which the poorer classes can get owing to their extravagant unproductive expenditure. And I suggest, Sir, to this Honourable House that there is something to be said for the view that what is required in the present circumstances is not an extension of the credit facilities open to the agricultural classes but that restrictions should be placed on the facility with which they formerly were able to get into debt. I would not describe it quite as a blessing is disguise, but I do honestly believe that there are certain not undesirable features about the present dearth of credit arrangements in the rural areas. The Reserve Bank again in this report of theirs have had some shrewd observations to make on this aspect of the question. In paragraph 14, a paragraph which is headed "Measures for restricting unproductive credit in future" they say :

"The ideal we have in view is to see the credit of the agriculturist so restricted as to make it difficult for him to incur debt except for *bona fide* agricultural requirements".

And again, over the page—

"In certain provinces recent legislation is apparently having the effect of inducing the money-lender to draw in his loans and to discontinue further advances. This may be a salutary interim stage for the agriculturist to pass through."

And yet again, in paragraph 46, where the Reserve Bank is rather coming to the end of its report and summing up, it says :

"No real amelioration is possible unless, when once the previous debt of the agriculturist has been brought within his capacity to liquidate, his future borrowings are restricted to what is required for productive purposes."

In fact, the history of this sort of thing in every country has clearly shown that easy credit conditions loosely administered constitute the very worst thing in the world for the poor person who is associated with land.

The credit of the agricultural classes consists of the lands and their crops. Agricultural classes in all parts of the world require from time to time to borrow money for genuine agricultural purposes, and I am quite sure that nobody wants to see these few bases of credit, their land and their crops, frittered away by being used as security for unproductive expenditure. The Government of India have to agree that the situation at the moment is one of extreme difficulty for the agricultural classes. They are not able, it is true, to raise money as easily as they formerly did, but the Government of India do believe that this state of things has not entirely undesirable aspects today.

In any event, I suggest, Sir, that this is a problem which cannot be tackled on an all-India scale, especially in view of the fact of the varied land tenure systems in India. For in the very final instance of course the credit for any borrowing of this sort must be the land. I have no reason to believe that

provinces are unaware of this problem. If in fact that have not taken any particular measures to meet it, it may be that they are moved by some of the considerations which I have already put before this Honourable House. As my friend, the Honourable Mr. Ramadas Pantulu has pointed out, the co-operative credit movement, though perhaps not on a scale sufficient to meet all the necessities of the situation, has gone to some extent to meet it and has in the past provided a certain amount of credit for the purposes in view. And I would like to remind the House while on this point that the Government of India have made a grant of Rs. 14 lakhs to the provinces in the hope that that money will be usefully spent on the reorganisation of co-operative credit societies.

Honourable Members will be at any rate partially acquainted with this Report of the Reserve Bank of India. If they study it carefully they will notice that most of the positive suggestions made by the Reserve Bank for action in this admittedly difficult field are for action which can only be taken by the Provincial Governments and by the Provincial Legislatures. The field for action in the Government of India is, if this Report stands for anything, extremely limited.

Therefore, Sir, I have, I am afraid, formally at any rate, to oppose the Resolution and at the same time I shall have to oppose the amendment. And I oppose it on three grounds. In the first place, as I have already said, I regard it as impractical and as not a business proposition. I oppose it too for the reason that although the present situation is an admittedly difficult one it is one not without desirable features in it. And I oppose it for a third reason, namely, that in my opinion this is a problem which has got to be solved by the provinces and I do not believe that the provinces are without the means of being able to tackle it.

I suggest that the Honourable Mover of the Resolution, together with the Honourable Mover of the amendment, might consider whether, instead of pressing these motions to a division, it would not, at the stage at which we have got, equally serve their purpose if I promised to send the printed reports of this debate to the various Provincial Governments.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muham-madan) : Mr. President, the Resolution which my Leader has moved and to which the Honourable Mr. Nixon has replied raises various questions on each aspect of which one can say many things. Now, our friend the Finance Secretary has very cleverly tried to burke the issue by bringing before us two enormous difficulties. Firstly, he suggested that the huge amount of 1,400 crores of past agricultural indebtedness is in itself an impediment to proceeding any further. Secondly, Sir, he brought forward a very sound argument that expenses on non-agricultural purposes like ceremonials are not conducive to the well being of the agriculturist and therefore restriction of credit is to the advantage of agriculturists themselves. We agree with him on this issue. We can also concede that as far as repayment of past debts are concerned, it is a very big problem and a problem which requires consideration from all sections and all sides of not only this House but of entire India. If a subject of importance like this is allowed to take care of itself, it will end in chaos, and bring communism nearer to India than anything else can do. Sir, I should have liked to deal with this aspect of the question, but I would defer that for some other occasion. Here I am concerned with two other aspects of the question which the Honourable Mr. Nixon himself raised, but about which he did not say anything to us. The first is the long-term credit for agricultural improvement. That is an item on which we can

[Mr. Hossain Imam.]

only embark at the time of depression. It is a well known maxim that depressions are sometimes caused by disparity between expenditure on capital goods and current consumption goods and there is no time more suitable than a time of depression for increasing your production, because things being cheaper you can expand on a smaller capital cost than you could do in times of boom. There is absolutely no machinery in India to advance money to the agriculturist even for productive purposes of land improvement. If an industrial concern wants to expand its production it can always go to the bankers and get facilities. But out in the rural areas even the most solvent zemindar cannot get facilities. I can give instances of zemindars having a net income of more than 10 lakhs being unable to get credit, except from Darbhanga. No bank would advance him a single penny. Now, Sir, what I was going to say was that it is easy to face us with difficulties, to tell us that the thing is too big, the thing is too complicated—but has the Government any place in the picture? What is the function of the Government of India? Is it here only just to collect funds, pay the army and its own officials and tell us that it has no responsibility? Has it any responsibility to do good to the country? Can it show any justification for its existence on the basic issue of public service? This is the question for the Government of India. I know these questions are transferred to the provinces. So is agriculture. But we have a Central Council for Agricultural Research to co-ordinate the work. So is Education, but you have a Board of Education here too. Why not do something even on those lines to relieve indebtedness of agriculturists, to give facilities to agriculturists to find money for good purposes? I am in agreement with him that no advance should be made to be squandered; but I wonder if he would like to have the same restrictions put on his own unremunerative borrowings. If there is a deficit year, would he like that there should be no place available for him to fill up his gap?

THE HONOURABLE THE PRESIDENT: I am afraid you have misunderstood his argument. What he said was that the machinery which you suggest will increase his indebtedness rather than decrease it.

THE HONOURABLE MR. HOSSAIN IMAM: We are prepared to give in as soon as we find that the Government is anxious to come to our rescue. We are not wedded to means, but we do demand that there should be some concrete action on behalf of the Government to better our condition. They should cease to regard themselves as a machine made to keep India in subjugation and nothing else. The primary duty of the Government of India should be the betterment of 80 per cent. of the population and every effort made in that direction will bring the Government of India into closer touch and will keep the doomsday farther and farther away. Now, Sir, the Honourable Member has rightly stressed one point, that there are many parts of the question which can be better tackled by the provincial Government than by the Central. But the provinces can tackle it and I hope, Sir, that when the party to which the Honourable Mr. Ramadas Pantulu belongs comes into power in the provinces their first action will be to serve the masses in this direction. But, Sir, there is a necessity that the different debt legislation passed by the provinces should be co-ordinated. The experience of one province should be available to others and in that direction the only body which can help is the Centre. By means of some Board or other agency the Government of India should be prepared to give facilities and help to the provinces if they want to do something in the way of debt legislation. In the end, Sir, I would ask the Government not to think only of the difficulties

but to think that those who are under the burden also have a claim on the Government. It does not matter what they do. As long as they agree to the end in view, the means do not matter to me.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, it has pained me to find the indifference of Government on this very important matter. They have been proclaiming always that they have at heart the betterment of the agriculturist and of the peasants in general. Sir, after what my Honourable colleagues who have supported me on this point have reduced my task I must say that this indifference of Government will create a great discontent among those agriculturists who are the roots and the support of the Empire. The Honourable Mr. Nixon says that I want to add to their indebtedness. I have explained in my opening speech that that is not my intention. But, Sir, in case the crops fail and the cultivator cannot make both ends meet and the calamity of hail storms or other reasons come in his way, will you not finance him? Will you let him die of starvation? It is an imperative need that the poor cultivator, who has suffered losses not on his own account but on account of providence, should be helped by Government. To refuse help to a needy person is nothing short of what I call high-handedness on the part of Government.

Sir, when various legislations were passed in various provinces to relieve indebtedness and to regulate the accounts, they were all meant to ameliorate the condition of the agricultural masses. But, Sir, what do we find in practice? The Land Alienation Act was passed with a very noble motive behind it and when we see that Act in force for the last 25 or 30 years we find that that Act has done nothing to ameliorate the condition of the masses. It has affected them reversely. The agriculturist moneylenders have enormously increased and they have mortgaged 75 per cent. of the lands which were mortgaged in the Punjab. The other provinces must have fared similarly. That shows that the objective underlying the Land Alienation Act has not been fulfilled. The bigger fishes have devoured the smaller fishes and the condition of the people has gone from bad to worse. In the Punjab masses had all their capital generally in silver and the disastrous exchange ratio policy of the Government of India made them lose 50 per cent. of their holdings in silver. I consider that owing to the manipulation of their exchange policy, the Government has forced the poor man to a loss of practically half his savings.

Then, Sir, various other legislations which have been passed have gone on to make that poor cultivator go to the wall. That is a fact which cannot be denied. We see that the pockets of these villagers are empty.

THE HONOURABLE MR. BIJAY KUMAR BASU : They have no pockets.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Well, of course, people like the Honourable Mr. Basu do not require pockets but big bags. I must say, Sir, that we find that a paltry sum of a few lakhs has been remitted in a few provinces, but where is the active interest the Government have shown? They have practically not remitted the revenue at all.

THE HONOURABLE KUNWAR SIE JAGDISH PRASAD : Oh yes, in the United Provinces by over a crore.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : What is still the condition of the tenants there?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I must, with due deference to the Leader of the House, say that that remission of a crore of rupees is only a fraction of what the poor zemindar has actually suffered. It is only what we call an eyewash that the Government has done. Instead of reducing the revenue proportionately to the fall of prices and appreciation of the rupee the Government have been facing the high revenues and thus adding to the poverty of the poor cultivator.

Sir, restrictions on sales of land have been a cause of much suffering and the report of the Reserve Bank of India, to which the Honourable the Finance Secretary has made many references, has certain paragraphs on the point to which I would draw attention. For instance, paragraph 38, which he himself quoted. Of course, he read us a few lines which were of interest to him and left out certain other lines which perhaps did not suit him. So, Sir, I will quote those lines which he has presumably omitted to read :

"In so far as the inability of the cultivator to meet promptly all his obligations arises out of the failure of crops, it is certainly not possible to prevent his falling into arrears."

The Reserve Bank Committee themselves admit that when such like conditions occur, the poor cultivator is bound to go into arrears. Then, Sir, . . .

THE HONOURABLE THE PRESIDENT : Please remember that you have only got 15 minutes.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I shall try to be as brief as possible, Sir, but I want to meet the points. Well, Sir, as far as the amendment of my friend Mr. Ramadas Pantulu is concerned, I accept the amendment but I was under the impression that the language of my Resolution covered what he meant. However, as Mr. Nixon says my proposition is rather vague and Mr. Pantulu's amendment clears it, I accept his amendment.

Now, Sir, I see that in paragraph 15 the Reserve Bank Report says :

"Restriction on the transfer of rights in land makes debt conciliation as well as long-term credit difficult and it is therefore desirable that Governments should give assistance to creditors who have voluntarily accepted reductions in debt under Government auspices and to recognised lending institutions, such as mortgage corporations, by amending the law, where necessary, to allow land to be mortgaged or leased for a period sufficient to secure repayment of instalments settled by debt conciliation, or long-term loans advanced by mortgage institutions and by simplifying the procedure for recovery."

Then Sir, I draw his attention to paragraph 17. Here also, with regard to Land Mortgage Corporations which the Honourable Mr. Ramadas Pantulu has said have proved very useful, they say :

"It is open to question whether a land mortgage system which is co-operative from top to bottom is the best for this country."

The Government has been instrumental in allowing the provinces to pass a legislation which has restricted the credit to the zemindars. They have practically kicked out the main credit agency from the rural areas and they have not replaced that agency by any other agency. I think it is the paramount duty of the Government to see that these poor agriculturists are not deprived of the agency for their credit.

The Honourable Mr. Nixon said, and the Honourable Sir Phiroze Sethna also observed, that my Resolution was not very clear in the end. What I

meant was that the Government or the Reserve Bank of India may find it difficult to advance money to a number of people without their agreeing to a certain percentage of profit and to a certain maximum rate of interest. If the Honourable Mr. Nixon considers that my Resolution needs some amendment, he may kindly suggest the amendment, and if it is suitable, that may be accepted by the House. But, Sir, without suggesting any amendment whatsoever, he simply brushes away the Resolution as a whole which, I think, is most unfair and most cruel. I do not want to take up much of the time of the Council. I must state that the sad plight to which the Honourable Mr. Nixon referred has been caused by the Government. I must also say that productive expenditure sometimes later on becomes unproductive. Supposing a cultivator adds some area to his cultivation in order to make it pay and by hail storms or for some other reason the crops are destroyed. Then, even that productive investment will become unproductive. It is for such like unproductive expenses, which are productive to start with, that the poor cultivator wants help from some credit agency. The Honourable Mr. Nixon observed that I want the Government to take the risk. I do not want either the Government or the Reserve Bank to take any risk. I say, let that Bank advance money on the security to certain agencies, which the Honourable Mr. Ramadas Pantulu has now defined as approved indigenous bankers or land mortgage banks or co-operative societies. The Reserve Bank will have enough of security on which they run no risk. The risk will be run by the agencies, who will advance the money to the poor. A middleman is required because Government, as the Honourable the Finance Secretary says, is not prepared to take risk. Let somebody else take the risk at a certain agreed margin of profit and let the poor cultivator be thus helped. If Government refuse to agree to even this modest proposal in the interests of the masses who form 73·7 per cent. of the Indian population, Government would be doing the most unfair thing. It will be the cause of the gravest discontent for which Government themselves will be responsible. I hope, Sir, that Government will accept this Resolution, and in case they cannot accept it in the form I have put it, I hope they will suggest a reasonable amendment which will prove that they are really honest as far as their dealings with the poor cultivators are concerned.

THE HONOURABLE MR. J. C. NIXON : Sir, there is very little indeed that I wish to say at this stage. I may clear up one difficulty which presented itself when I was quoting from my edition of the Reserve Bank Report. I have got a copy of the original published by the Bank from which the copy supplied to Honourable Members was a reprint. They are identical in their phraseology.

From the speech of the Honourable Rai Bahadur Lala Ram Saran Das it is quite clear now that he is definitely out for increasing the indebtedness of the agricultural classes. And I must express a certain amount of regret that he did not refer at all in his speech to what I consider to be the central point of mine. I suggested that there were certain aspects from which one could look upon the situation arising from the reduction in the sources of credit open to the agriculturist as having some merits. He entirely failed to refer to this. I must consequently conclude that he entirely disagrees with my views on that matter. He did not enter very much into practicalities, but he did refer to two sets of circumstances. One was when the agriculturist discovers himself in disastrous circumstances—when his crop is going wrong. I am not very familiar with the Acts on the subject, but so far as I know, those are exactly the circumstances in which Provincial Governments grant

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taccavi loans, and as I say, I have no reason to believe that in granting taccavi loans, the provinces in past years have been at all stinting. (*The Honourable Rai Bahadur Lala Ram Saran Das* : " Question !") (*An Honourable Member* : " They have been .") I have got the figures, Sir. (*The Honourable Mr. Hossain Imam* : " Will you please quote them ?") He referred again to certain disastrous results of the existence on the provincial Statute-Books of Land Alienation Acts. But I would like to point out that those Acts stand on the Statute-Books of provinces. I can only come back to the original statement which I made, namely, that a study of this Report will prove to Honourable Members that 9/10ths at any rate of the action that can be taken to deal with this subject lies in the provincial field. From the 1st April next the provinces will come into direct relationship with the Reserve Bank. The Reserve Bank will be their immediate bankers in the same way as they are now the immediate bankers of the Government of India ; and I think, seeing that the new relationship has to come about so soon, that the most suitable action that could be taken in the present circumstances in the matter of this debate is for copies to be passed on to Provincial Governments.

THE HONOURABLE THE PRESIDENT : I will first take the sense of the House on Mr. Ramadas Pantulu's amendment.

Amendment moved :

" That for the words ' approved agencies ' the following be substituted, namely :— ' indigenous bankers approved by the Reserve Bank of India and Co-operative Land Mortgage Banks approved by the Local Government of the Provinces in which they are situated .'"

The Question is :

" That that amendment be adopted."

The Motion was adopted.

THE HONOURABLE THE PRESIDENT : Then the Resolution, as amended, stands as follows :

" This Council recommends to the Governor General in Council that in order to provide credit to poor agriculturists necessary arrangements be made for the supply of funds to indigenous bankers approved by the Reserve Bank of India and Co-operative Land Mortgage Banks approved by the Local Government of the Provinces in which they are situated on their furnishing sufficient security and on their agreeing to lend money to poor agriculturists at a certain fixed and agreed percentage of interest and at a certain fixed percentage margin of profit."

The Question is :

" That the Resolution as amended be adopted."

The Council divided.

AYES—14.

Buta Singh, The Honourable Sardar.
Chettiyar, The Honourable Mr. M.
Chidambaram.
Govindachari, The Honourable Rao
Bahadur K.
Hossain Imam, The Honourable Mr.
Kalikar, The Honourable Mr. V. V.
Kunzru, The Honourable Pandit
Hirday Nath.
Mahapatra, The Honourable Mr. Sitakanta.
Mahtha, The Honourable Rai Bahadur
Sri Narain.

Motilal, The Honourable Mr. Govindlal
Shivlal.
Muhammad Husain, The Honourable
Haji Syed.
Pantulu, The Honourable Mr. V.
Ramadas.
Ram Saran Das, The Honourable Rai
Bahadur Lala.
Sapru, The Honourable Mr. P. N.
Sethna, The Honourable Sir Phiroza.

NOES—23.

Akram Husain Bahadur, The Honourable
Prince Afsar-ul-Mulk Mirza Muham-
mad.

Basu, The Honourable Mr. Bijay
Kumar.

Charanjit Singh, The Honourable Raja.

Clow, The Honourable Mr. A. G.

Dow, The Honourable Mr. H.

Ghosal, The Honourable Sir Josna.

Hissam-ud-din, The Honourable Lt.-
Col. Sir.

Intisham Hyder Chaudhury, The Honour-
able Syed.

Jagdish Prasad, The Honourable Kunwar
Sir.

Kay, The Honourable Mr. J. R.

Khurshid Ali Khan, The Honourable
Nawabzada.

Kirke Smith, The Honourable Mr. A.
Maxwell, The Honourable Mr. R. M.
Menon, The Honourable Diwan Bahadur
Sir Ramunni.

Nihal Singh, The Honourable Sirdar.

Nixon, The Honourable Mr. J. C.

Parker, The Honourable Mr. R. H.

Ray, The Honourable Maharaja Jaga-
dish Nath, of Dinajpur.

Russell, The Honourable Sir Guthrie.

Siddiqi, The Honourable Khan Bahadur
Shaikh Muhammad Bashir.

Slade, The Honourable Mr. M.

Todd, The Honourable Mr. A. H. A.

Williams, The Honourable Mr. A. deC.

The Motion was negatived.

RESOLUTION *RE* RESIGNATION OF SIR OSBORNE SMITH.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern Non-Muhammadian): Mr. President, I beg to move the following Resolu-
tion:

"This Council recommends to the Governor General in Council that he may be pleased to lay on the table a full statement on the causes leading up to the resignation of Sir Osborne Smith, lately Governor of the Reserve Bank of India."

Sir, the Reserve Bank was established by an Act of the Indian Legisla-
ture in 1934. It was laid down as a condition precedent to the establish-
ment of Federation and responsibility at the Centre that a Reserve Bank free
from political influence should be established and working successfully. Now,
Sir, at the Round Table Conference and at the Joint Select Committee the
British Delegates stood out for a policy of non-intervention with the Reserve
Bank. That is why Government, when the Bill came before the Legislature,
preferred a Shareholders' Bank. The insistence throughout the Conference
was that the Reserve Bank should be free from political influences. Of course
Mr. Attlee and the Labour Group took the view that the Bank should not be
free from political influence. Personally I agree with Mr. Attlee and the
Labour Group in this matter, but that was at any rate the British viewpoint,
the British Conservative and Liberal viewpoint throughout the Conference.
The first Governor of the Bank was Sir Osborne Smith. He had been Gover-
nor of the Imperial Bank of India. He had had long experience of the Indian
currency and banking world and he had the respect and confidence of the
business community as also of the banking community. Suddenly, Sir, on
the 30th October the announcement was made that Sir Osborne Smith had
tendered his resignation of the high office of Governor of the Reserve Bank
to the Governor General in Council and that the Governor General in Council
had accepted that resignation with great regret. Now, Sir, Sir Osborne
Smith had served over one year; he had I believe 2½ years more to run. The
question therefore is, why did he retire prematurely? There has been much
speculation about his retirement. Questions were put in the other House and
I believe certain questions were put in this House also about his retirement
and the reasons for his retirement. Now, the difficulty that we find is that
Government have given no straight answer to these questions. The answer
which Government have given has left the position much where it was. We
find that in the other House the Finance Member said.....

THE HONOURABLE THE PRESIDENT: Please do not read what the Finance Member said.

THE HONOURABLE MR. P. N. SAPRU: I am going to read what.....

THE HONOURABLE THE PRESIDENT: It does not matter. Please say what he said.

THE HONOURABLE MR. P. N. SAPRU: What the Finance Member said in the other House was that there had been no difference of opinion between the Government of India and the Bank on major questions of policy. The natural question therefore to ask is, has there been any difference of opinion between Sir Osborne Smith and the Government of India on minor questions of policy? The Finance Member said that there has been no difference of opinion between Sir Osborne Smith and the Government of India on major questions. Has there been any difference of opinion between the Government of India or the Finance Member and Sir Osborne Smith on minor questions? Another question that we might legitimately ask is, what is a major question and what is a minor question? We on this side of the House look upon, for example, the ratio question as a major question. I do not know whether the Honourable the Finance Secretary would look upon it as a major question at all. We on this side of the House look upon the question of a tax on gold export as a major question. I do not know whether the Honourable the Finance Secretary would look upon this question as a major question at all. Then, Sir, there has been much speculation, as I said, about the resignation of Sir Osborne Smith and one story is that he resigned because there was some difference between him and the Government of India in regard to the question of the rate of interest. The Bank's rate of interest was going to be reduced from $3\frac{1}{4}$ per cent. to 3 per cent. There was some difference of opinion between the Government of India and Sir Osborne Smith. Is that a major question or is that a minor question? And had Sir Osborne Smith the support of his colleagues in the view he was taking or had he not the support of his colleagues in the view that he was taking? Then, Sir, the question is, why should any differences have arisen between Sir Osborne Smith and the Government of India? The basic principle underlying the Reserve Bank is that it shall be a bank free from political influence. Well, what is the meaning of these words "free from political influence"? Is influence exerted by the Finance Member not political influence? Does political influence mean political influence only exerted by opposition parties in India? Are we not in a position to exercise political influence? Has the Finance Member to be in a position to exercise political influence? You cannot have it both ways. If you want a Reserve Bank free from political influence, then you must make the Reserve Bank absolutely an autonomous body. Do not interfere then with the internal working of the Reserve Bank. If you interfere with the internal working of the Reserve Bank, then you are not carrying out the policy of the Act which is that the Reserve Bank shall be free from political influence. We object to the influence of the city; we object to all kinds of political influence. If you want to have a Reserve Bank free from political influence, then let it be an absolutely autonomous body, and if it is an autonomous body and if you want it to be an autonomous body, then I do not see how any question of difference of opinion, major or minor, can arise. If Sir Osborne Smith has resigned for personal reasons, reasons of health, why cannot you make a plain statement to that effect? The answer in that case should have been, "Well, Sir Osborne Smith has resigned because of certain personal reasons"; but that is not the answer which was given in the other place by

the Finance Member. The answer rather suggests that there were certain differences of opinion between him and the Government of India ; and if that is the case, then we are certainly entitled to take this line, that you are not carrying out, you are not implementing, the policy of the Reserve Bank Act, which is no interference with the working of the Reserve Bank by the Government. This, then, Sir, is the position in regard to Sir Osborne Smith and I would say therefore that a frank and full statement is necessary in the interests of Government itself. There has been much speculation, as I said, about this resignation. One view, of course, is that Sir Osborne Smith resigned because he was backing Indian opinion in regard to certain wider issues. That may or may not be correct. We are not in a position to say what the reasons for his resignation were. But what I would say is that the answers have made the position even more mysterious than it was. There should have been, Sir, a frank and full statement and what my Resolution does is to ask Government to make that frank and full statement. I want, Sir, to give the Government the opportunity of clearing the position in regard to this mysterious resignation which has affected the credit of the country, and which has affected the business community also of this country. Because, Sir, the business community had confidence in Sir Osborne Smith. That Sir Osborne Smith was a successful administrator is evident from the fact that on his retirement a K. C. S. I. was given to him. That he did not resign on grounds of health is evident from the fact that health was not put forward as the reason by the Government itself. Therefore, Sir, there is something mysterious about his resignation and we desire to find out what the real facts are.

Sir, the relations between the Government and the Reserve Bank are regulated by the Reserve Bank Act so that there can be no question that the relations between the Reserve Bank and the Government of India are confidential. The Finance Member said that he cannot go into these matters because the relations between the Government of India and the Reserve Bank are confidential. Well, I do not understand that, Sir. Here is the Act and we find that the Act has given the general superintendence and direction of the affairs and business of the Bank to a Central Board of Directors. We do not find that beyond appointing the Governor and the Deputy Governor and certain Directors, the Government has any control over the Bank. Therefore, Sir, what is the meaning of these words—" confidential relationship " ? (*An Honourable Member* : " It means political relationship.") That is what I was going to say, Sir. It means therefore " political relationship ". In itself this political relationship we do not object to. Indian opinion wanted a State Bank because we were for political influence. But we were given a shareholders' bank and we were told that a shareholders' bank was necessary because it was desirable, having regard to the recommendations of certain international conferences, that the Reserve Bank should be free from political influence. (*An Honourable Member* : " Politics has no morals.") Sir, I believe that politics has morals. I have an attitude to life of my own. But we do find that in the actual world politicians behave as if there was no morality for them. The idealistic view is that our political relationship should be based on ethics. The real facts are that our political relationships are based on self-interest.

Well, Sir, I will not go into questions of high finance. I do not think it is necessary for me to go into those questions at all. It is a very simple Resolution and I want to put it as simply as I can. And all that I would say is that a full and frank statement ought to be made. That full and frank statement would be in the interests of the Government themselves. With these words, Sir, I commend this Resolution to the acceptance of the House.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Mr. President, the subject-matter of the Resolution is so full of possibilities and it has given rise to such high feelings in the press and in the other place that I congratulate my friend Mr. Sapru on the mild tone in which he moved it and the very modest demand which he has put before the House.

Sir, the Resolution may be regarded by some people as a censure on the Finance Department and the Finance Member. It is nothing of the sort. It is a helpful suggestion in the interests of the Finance Department itself and I think they would be ill-advised to reject it.

(At this stage the Honourable the President vacated the Chair, which was taken by the Honourable Sir Phiroze Sethna.)

Sir, let us analyse the position. A person who was imported into India especially by a Finance Member (the late Sir Basil Blackett) to be appointed eventually the Governor of the Central Bank comes here, remains here, acquires experience of Indian banking as the Governor of the Imperial Bank. Although an imported article, yet he becomes indigenous enough in his outlook and he gets great prestige in banking circles. He is liked by the commercial communities and he has won the confidence of many people in India. And what is more, he proves himself too independent for the liking of the Finance Department. The story goes about, Sir, that even the predecessor of the present Finance Member was not very friendly with Sir Osborne Smith. To put it mildly, we all knew that Sir George Schuster had a nominee of his own in view and if he had consented to come out to India, Sir Osborne Smith would not have been appointed, but because of the fact that that nominee did not like to come to India or perhaps would not consent to it eventually, we find that Sir Osborne Smith was appointed. (*An Honourable Member* : "An. I. C. S. would have been appointed".) Well, Sir, I did not like to refer to the matter because in the Select Committee we had taken a strong attitude to a certain class of persons whom we did not wish to come into the Reserve Bank as first Governor. In the first place, Sir, the appointment of the Governor ought to have been in the usual course for five years. We find which way the wind was blowing from the very beginning—he was appointed for 3½ years. Were the Deputy Governors also appointed for the same or longer periods? Why was this difference made?

Now, Sir, even before his resignation there were rumours in financial circles that all was not well in the relationship between the Finance Department and the Reserve Bank. When Sir Osborne Smith had gone to England we thought that if he had not resigned before, he would resign from there. But when we heard that he was coming back, we thought that the differences had been composed. It turned out that it had not. There is one question which the Finance Department have to answer. Is it a fact or not that there are items in which the Reserve Bank must have full autonomy? There are items in which I am prepared to concede that the Government have every right to interfere with the decisions of the Reserve Bank. Personally I would rather be inclined to agree with the Reserve Bank and not with the Government, but I do not deny the right of the Government to interfere in certain cases. I will just give you an instance. If the Reserve Bank wants to buy gold to add to its Issue Department Assets, it has to get the active support and help of the Government in the shape of the difference between the book value and the market value. That gives the Government a perfect right to refuse to agree to it, because they will have to foot the bill. I for one would want the Reserve Bank to buy gold and I would support the Reserve Bank. But I do concede the right of the Government to intervene there. As it is,

Sir, the Reserve Bank Act itself gives more than 3 dozen powers to the Governor General. The Governor General has been mentioned in about 40 places in that one Act.

There should be a demarcation between the actions in which the Government has a right to interfere and those in which the Government has not got that right. It may be asked why this demarcation was not provided in the Reserve Bank Act itself, and why it was kept loose. The reply to that is that Statutes are notoriously rigid and it is not possible that the relationship between the Reserve Bank and Government should be too rigid. One of the great financiers of Europe has remarked that it is only in day to day administration and in the ordinary course of business that a Reserve Bank has its independence of action, and whenever a major difficulty comes up, whenever any big questions come up, you cannot separate the Government and the Reserve Bank because their actions are so intimate. Therefore, Sir, it was not possible to provide for all eventualities in which it will be justifiable for the Government to interfere and those spheres in which Government should not interfere. But it is necessary that a healthy convention should be established from the very beginning that the Government can interfere only thus far and no further. If the Government is not prepared to accede to this position in clear terms, we would be forced to the conclusion that it is suffering from a guilty conscience; it knows that it has erred and therefore it is afraid of criticism. The presumption is that the issue which led to Sir Osborne Smith's resignation was of a major kind, that it was difficult for Sir Osborne Smith to choose to remain in office and be untrue to himself; he had to resign and keep his self-respect. A mere statement that there is no difference between the Reserve Bank and the Finance Department at the time when the Honourable the Finance Member gave this answer does not in any way remove the possibility of the existence in the past of major differences. Sir, there are questions on which we want that the initiative of the Reserve Bank should remain in tact. One of these questions was referred to by the Honourable Mover,—the fixation of the bank rate. As it is, our bank rate is not low enough. It is an unheard of thing that normally Government's long-term borrowing rate should be less than the bank rate. Private banks are now advancing money on Government securities at the bank rate or even below it. That is a state of affair which does show the unscientific nature of the high level at which the bank rate has been pitched.

(At this stage the Honourable the President resumed the Chair.)

THE HONOURABLE THE PRESIDENT: Two minutes more.

THE HONOURABLE MR. HOSSAIN IMAM: I shall finish my speech in time, Sir. On the 30th October the Government Communiqué in 4 lines stated that Sir Osborne Smith has tendered his resignation. May I read the words of that Communiqué, Sir?

THE HONOURABLE THE PRESIDENT: No objection.

THE HONOURABLE MR. HOSSAIN IMAM:

"The Governor General in Council has received Sir Osborne Smith's application to resign from the Governorship of the Reserve Bank of India. He has accepted it with great regret at the loss of an officer who has rendered invaluable service to India both generally and in the establishment and conduct of affairs of the Bank."

The Government regrets. Then why part with him? As my Honourable friend Mr. Sapru pointed out, there was no reason of health. I hope, Sir,

[Mr. Hossain Imam.]

the Government do not wish to insult our intelligence by suggesting that we are so foolish as to think that there was no major issue involved. There was no reason of health and yet a man resigned for no earthly reason. Things like that happen in melodrama but they do not exist in this practical world of ours where we live. The Governor resigns; the Board passes a resolution; the Governor General accepts the resignation, and yet the man is paid some sort of compensation. How are these things compatible? If you force a man to resign, then and then only can you pay him compensation. The resignation was manœuvred and therefore he is being paid compensation.

THE HONOURABLE THE PRESIDENT: Where do you get that information?

THE HONOURABLE MR. HOSSAIN IMAM: We hear that the Reserve Bank is paying him something, compensation or gratuity, call it whatever you like, but he is being paid something. Would the Honourable the Finance Secretary say that he is not receiving anything?

THE HONOURABLE SIB DAVID DEVADOSS (Nominated Indian Christian): How much does he get?

THE HONOURABLE MR. HOSSAIN IMAM: I have no definite figure.

THE HONOURABLE THE PRESIDENT: That is mere rumour.

THE HONOURABLE MR. HOSSAIN IMAM: I should be very much obliged if the Honourable the Finance Secretary will refute this rumour and say that he has not been paid anything.

THE HONOURABLE THE PRESIDENT: Did he not say something in reply to a question?

THE HONOURABLE MR. HOSSAIN IMAM: No, Sir, we have not received any categorical reply from Government whether he is receiving anything or not. You may not call it compensation. I am calling it compensation. They may give it another name. But call it by whatever name, the name does not matter, the thing remains. Sir, in former times we heard that diplo-

4 P.M. macy could not thrive without secrecy. In the post-war period that secrecy has been abolished. Similarly, in the case of finance, people do not think that financial matters can be ventilated. They think that they will suffer if exposed to the light of day. But the time is coming when this reticence and conservatism of the Financial Departments all over the world will disappear. Taking the representatives of the people into your confidence does no harm. Secretiveness creates suspicion, and if the Government wishes to clarify the situation and remove doubts, their best method is to state frankly the reasons leading up to this resignation. Therefore I appeal to the Government not to be sentimental but to be reasonable, to accept the Resolution and make a statement. Acceptance involves no more than making a frank statement on the case. That is the only operative part of the Resolution, which I support.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL (Bombay : Non-Muhammadian): I rise to support the Resolution of my friend the Honourable Mr. Sapru. Sir, the Reserve Bank plays a very important roll in

the economy of this country. It is a banker's bank, a central bank ; it controls remittance operations and the exchange ratio and also the credit system of this country, and it will gradually increase in its power and usefulness. When this Bank was established, a person of vast experience and ability like Sir Osborne Smith, who had acquired vast knowledge of Indian conditions of men and affairs, was appointed its Governor. After some time he resigned, and he resigned as is now evident because of some differences with the Government of India. What those differences are it is for the Legislature to enquire. Whatever may be said about the Bank being free from political influence, that is all moonshine. No Bank of this character in any part of the world is really free from political influence or Government influence. But somehow or other it has been said that the Bank should be free from political influence. If it has been said, more clearly and candidly, that it should be free from nationalist influence, that would have been much more intelligible. As it is, if the Government is to influence and control this Reserve Bank, then this Legislature which has the function of influencing the Government is entitled to know the reasons which resulted in the resignation of the Governor of the Reserve Bank. How otherwise can we influence the Government ? If we know those reasons we will be in a position to judge whether Government's view was right or not, and either approve the action or indicate the steps which Government ought to have taken.

For these reasons, Sir, I support the Resolution and hold that Government should place before us what the reasons were. I am prepared to accept their statement that the differences were not on major issues ; but after all whether an issue is major or minor is for each man to determine for himself. Therefore, whether the issues were major or minor, the Government should state their reasons and take the Legislature into their confidence.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces : General) : I think the Government ought to be thankful to my Honourable friend Mr. Sapru for bringing this Resolution before this House. It involves a very important issue about the resignation of Sir Osborne Smith. Various rumours are afloat that Sir Osborne Smith resigned on account of difference, not as stated by the Government in the other House on minor issues, but on major issues with the Government of India. Sir, when this legislation was introduced we were told that the Bank ought to be free from political influences in this country. We held then a different view and we still hold a different view. We desire that the Bank should be influenced by political parties. But then it was decided and therefore a shareholders' bank instead of a State Bank was established in this country. Now, the rumours are that the political influence of the Government of India is responsible to a very great extent for the resignation of Sir Osborne Smith. People say that he was forced to resign on account of his differences with the Government of India over the question of the rupee ratio ; they say that he resigned on account of his views on the policy of rural credit ; and now we have heard today that his resignation has been manœuvred and the gentleman got compensation. I think I cannot make up my mind about the real cause of his resignation without hearing an authoritative statement from the Government on that question. I give my support to this Resolution in the belief that we should be in a position to know whether the Government of India really interfered with the internal working of the Reserve Bank. Sir, the Government ought to congratulate my friend, because he has given them an opportunity of stating facts before this House, and if the Government will state the facts—I hope they will state the facts clearly—regarding the cause of the resignation, my friend will really withdraw his

[12TH MARCH 1937.]

[Mr. V. V. Kalikar.]

Resolution. But then if the Government brushes aside the position taken up by my friend in bringing forward his Resolution, we, who have not been able to gauge the real situation, will think, and the country will think, that the Government did really interfere in the internal working of the Reserve Bank and therefore Sir Osborne Smith had to resign. I therefore submit, Sir, that it is the duty of the Government to come forward with a statement stating all the facts in connection with the resignation of Sir Osborne Smith.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary): Sir, I propose to make my reply a very brief one.

On the 30th of October last the Government of India, in announcing their acceptance of the resignation of Sir Osborne Smith, published the resolution passed by the Central Board of the Reserve Bank on the subject. As was stated to the shareholders at the last Annual General Meeting of the Bank (and reported in the newspapers), Sir Osborne Smith resigned for personal reasons.

Practically all of the matters which fall to be discussed between the authorities of the Bank on the one hand and the Government on the other are of a highly important and confidential nature. They are such that the completest frankness on both sides is essential—a frankness which would be impossible were there a danger of disclosure of the discussions in any manner, either during a debate in the Legislature or otherwise. Just as is the position between the British Treasury and the Bank of England, or between the Government of any country and its Central Bank, the Government of India must hold that communications between them and the Reserve Bank are confidential. Any other attitude would be seriously detrimental to the conduct of public business. This is a general rule and Government propose to follow it in the present case. They therefore are unable to lay anything on the table.

But I repeat what the Finance Member stated in another place. There have been no differences of opinion between Government and the Reserve Bank on any major question of policy, and the Government of India have never at any time interfered with the Bank in the exercise of the Bank's statutory functions.

THE HONOURABLE MR. HOSSAIN IMAM: On a point of information; will the Honourable Member enlighten the House on the question of the bank rate, whether that is a statutory function of the Reserve Bank and whether the Government interfered in it or not? It is a straight issue.

THE HONOURABLE THE PRESIDENT (to the Honourable Mr. J. C. Nixon): You need not answer the question if you do not wish to.

THE HONOURABLE MR. J. C. NIXON: I have nothing more to say, Sir.

THE HONOURABLE MR. P. N. SAPRU: Sir, I am sorry for the attitude taken up by the Honourable Mr. Nixon. I wanted to raise a constitutional issue—the relation of the Reserve Bank to the Government, particularly having regard to the policy of the Act that there should be no political pressure on the Reserve Bank. I wanted the Honourable Mr. Nixon to give us an assurance that no political pressure of any kind was exerted on the Reserve Bank. That was the issue that I raised. What I said was that there was an apprehension in the public mind that the Government had interfered with the working of the Reserve Bank in those spheres in which the Reserve Bank ought to have

complete autonomy. Now, the Honourable Mr. Nixon has not given us any assurance that Government has not interfered with the working of the Reserve Bank in those spheres in which the Reserve Bank ought to have, and is intended to have, complete autonomy. If Mr. Nixon will tell us that there has been no interference with the Reserve Bank in those spheres, we on this side will be glad to withdraw this Resolution, because we are not interested in personal issues. What we are interested in is the public issue which the resignation of Sir Osborne Smith has raised and that public issue is—Has there been any interference with the autonomy of the Reserve Bank, with the freedom of the Reserve Bank in those spheres in which the Act intends that it shall act as an autonomous body?

Now, Sir, reference was made by the Honourable Mr. Nixon to the relationship that exists between the Treasury and the Bank of England. I cannot speak with authority about that relationship myself, but I think that is begging the issue. The issue was this. The Governor of the Reserve Bank, a man who had held a very high position in the banking world, whose appointment was welcomed by all classes of Indian opinion, resigned and the statement which was made on behalf of the Government was that he had resigned on an issue which was not of a major character. If the resignation was of a personal character, then there was no difficulty in saying that the resignation of Sir Osborne Smith was due to personal causes. But that has not been stated by the Honourable Mr. Nixon today. He has tried to evade that question. He will not commit himself to the position that the resignation was due to personal reasons.

THE HONOURABLE MR. J. C. NIXON : May I repeat what I actually did say in the matter?

"As was stated to the shareholders at the last Annual General Meeting of the Bank (and reported in the newspapers), Sir Osborne Smith resigned for personal reasons."

THE HONOURABLE MR. HOSSAIN IMAM : It is not the statement of the Government, Sir.

THE HONOURABLE THE PRESIDENT : I want to know from you if, as you put forward, he resigned for some important difference of opinion, would not the Board of Directors know of it? Even the Governor cannot introduce any fiscal policy without the consent of the Governing Board.

THE HONOURABLE MR. P. N. SAPRU : Quite so, Sir. I think you are quite right there. May I just ask this question. Would the Honourable Mr. Nixon say that the Board was right when it stated that he had resigned for personal reasons?

THE HONOURABLE THE PRESIDENT : I would have expected the Board to resign after him in that case.

THE HONOURABLE MR. P. N. SAPRU : There might have been some difference between the Board and him, or the Board might have thought that though his policy was right it was not proper for it to go to the extent of resigning itself.

THE HONOURABLE THE PRESIDENT : What was there for the Board to hide anything?

THE HONOURABLE MR. P. N. SAPRU : I do not know, Sir.

THE HONOURABLE MR. HOSSAIN IMAM: The first resolution of the Board to which the Honourable Mr. Nixon referred has no statement that he resigned on personal reasons. It was an afterthought and the case was made up.

THE HONOURABLE MR. P. N. SAPRU: And the Board might have liked to keep the thing private.

THE HONOURABLE THE PRESIDENT: It could not have been an afterthought if it was said to the shareholders.

THE HONOURABLE MR. HOSSAIN IMAM: Three months after the resignation.

THE HONOURABLE MR. P. N. SAPRU: The question that we would like to be enlightened upon is this. Do the Government also take the line that he resigned for personal reasons? If Government take the line or if the Government say that he resigned for personal reasons, then there is nothing to be said and we on this side of the House would not press this Resolution at all, because after all if he resigned for personal reasons—for reasons of health, there may be hundred and one personal reasons—we are not interested in those personal reasons. But if the resignation was not due to personal reasons, if the resignation was due to political reasons or was due to differences, then we are entitled to know what the nature of those differences was. We do not want the Government to place on the table all the confidential documents but certainly in a broad general way a reassuring statement can be made and we would like the Government to make that broad reassuring statement. The reassuring statement that we would expect from Government is that there has been no interference with the internal working of the Reserve Bank. My friend, Mr. Hossain Imam, said that the issue on which he resigned—of course we do not know—we can only speculate—was the bank rate. He wanted the bank rate to be reduced from 3½ per cent. to less than 3 per cent. Well, the bank rate is a matter within the exclusive purview of the Reserve Bank and if that was the issue, then we would certainly say that Government was wrong in interfering with the Reserve Bank. The powers of interference by Government are limited. There are only a few sections in the Reserve Bank and if one reads those sections one can have a clear idea as to the measure of control which it was intended that Government should have over the Reserve Bank. And what we want to know is whether that measure of control has been exceeded by Government, whether Government has kept within the limits prescribed by the Act. We are interested in seeing that the Reserve Bank is administered in accordance with certain principles which were enunciated by British statesmen themselves. They were very eager, very keen that this Reserve Bank should be free from political influence. We never objected to political influences. As a matter of fact, we would have been glad if the Reserve Bank could have been open to political influence. But the policy having been laid down by the British Government, we say that that policy ought to be faithfully, straightforwardly and honestly followed. And I am bound to say that the statement which the Honourable Mr. Nixon has made has not made the position clear in regard to the issue which I raised.

Now, Sir, of course, I do not wish to take up more time. But there is just one thing I would like to say. My friend Mr. Hossain Imam says that I must say it and he referred to it himself. Of course, I had not heard of it myself before I came here, so I did not say anything about it in my first speech. It appears, Sir, that some payment has been made by way of compensation to

Sir Osborne Smith. Well, you compensate generally a man whom you are forcing to resign. If he has received any compensation then the inference is that he was unwilling to resign and he was forced to resign.

THE HONOURABLE THE PRESIDENT: Not necessarily. You make compensatory payment often as a reward for good service, and in my time when I was a Governor of the Imperial Bank I can tell you that in half a dozen cases we paid them large sums of money as a way of expressing our gratitude for services rendered—after the full term had been served.

THE HONOURABLE MR. P. N. SAPRU: Well, the Governor of the Reserve Bank gets Rs. 10,000 a month and there are very few men who do not care for a salary of Rs. 10,000, and therefore it would not be an unreasonable presumption that Sir Osborne Smith was not over-keen to resign. People do not throw up their jobs in a huff—they have some reason. (*An Honourable Member:* "It might be he has a better one in expectation.") It might be, but that we shall have to wait and see. Nothing has transpired so far. Of course, we know that Sir Basil Blackett after he retired from the Government of India got a very much better job. So did Sir George Schuster. And we shall be glad if Sir Osborne Smith is equally lucky. But that we shall wait and see. But, Sir, what was stated by the Honourable Mr. Hossain Imam, and it has not been contradicted and therefore we must assume it to be correct, is that compensation has been given to Sir Osborne Smith. Now, why has compensation been given to him? Presumably because he was forced to resign. And therefore, Sir, the position after discussion remains as mysterious as ever. The discussion has not helped to clarify the position. The position is, if anything, more mysterious than it was before the discussion began. This is all I have to say in support of this Resolution.

THE HONOURABLE THE PRESIDENT: Do you wish to say anything more, Mr. Nixon?

THE HONOURABLE MR. J. C. NIXON: No, Sir.

THE HONOURABLE THE PRESIDENT (to the Honourable Mr. P. N. Sapru): Do you wish to press the Resolution?

THE HONOURABLE MR. P. N. SAPRU: Yes, Sir.

THE HONOURABLE THE PRESIDENT: Resolution moved:

"That this Council recommends to the Governor General in Council that he may be pleased to lay on the table a full statement on the causes leading up to the resignation of Sir Osborne Smith, lately Governor of the Reserve Bank of India."

The Question is:

"That that Resolution be adopted."

The Council divided.

AYES—16.

Abdus Sattar, The Honourable Mr.
Abdur Razzak Hajee.
Chettiyar, The Honourable Mr. M.
Chidambaram.
Govindachari, The Honourable Rao
Bahadur K.
Hossain Imam, The Honourable Mr.
Kalikar, The Honourable Mr. V. V.
Kunzru, The Honourable Pandit Hirday
Nath.
Mehapatra, The Honourable Mr.
Sitakanta.
Mahtha, The Honourable Rai Bahadur
Sri Narain.

Motilal, The Honourable Mr. Govindlal
Shivlal.
Muhammad Husain, The Honourable
Haji Syed.
Padshah Sahib Bahadur, The Honour-
able Saiyed Mohamed.
Pantulu, The Honourable Mr. V.
Ramadas.
Ram Saran Das, The Honourable Rai
Bahadur Lala.
Ray Chaudhury, The Honourable Mr.
Kumarsankar.
Sapru, The Honourable Mr. P. N.
Sethna, The Honourable Sir Phiroze.

NQES—28.

Akram Hussain Bahadur, The Honourable Prince Afzar-ul-Mulk Mirza Muhammad.

Ataullah Khan, The Honourable Chaudhri.

Basu, The Honourable Mr. Bijay Kumar.

Buta Singh, The Honourable Sardar.

Charanjit Singh, The Honourable Raja.

Clow, The Honourable Mr. A. G.

Devadoss, The Honourable Sir David.

Dow, The Honourable Mr. H.

Ghosal, The Honourable Sir Joana.

Glancy, The Honourable Sir Bertrand.

Hissam-ud-din, The Honourable Lt.-Col. Sir.

Ihtisham Hyder Chaudhury, The Honourable Syed.

Jagdish Prasad, The Honourable Kunwar Sir.

Kay, The Honourable Mr. J. R.

Khurabid Ali Khan, The Honourable Nawabzada.

Kirke Smith, the Honourable Mr. A.

Maxwell, The Honourable Mr. R. M.

Menon, The Honourable Diwan Bahadur Sir Ramunni.

Mitha, The Honourable Sir Suleman Cassum Haji.

Nihal Singh, The Honourable Sirdar.

Nixon, The Honourable Mr. J. C.

Parker, The Honourable Mr. R. H.

Ray, The Honourable Maharaja Jagadish Nath, of Dinajpur.

Russell, The Honourable Sir Guthrie.

Siddiqi, The Honourable Khan Bahadur Shaikh Muhammad Bashir.

Slade, The Honourable Mr. M.

Todd, The Honourable Mr. A. H. A.

Williams, The Honourable Mr. A. deC.

The Motion was negatived.

RESOLUTION *RE*: INDIANISATION OF THE GOVERNMENT OF INDIA SECRETARIAT.

THE HONOURABLE THE PRESIDENT: Honourable Mr. Kunzru, I do not think we can make much progress with your Resolution in the ten minutes that are at our disposal. But, in order that you may not lose your priority, I will ask you to read your Resolution to the Council. The debate will take place on the next non-official day.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan): I am much obliged to you, Sir.

Sir, I beg to move :

"That this Council recommends to the Governor General in Council to take immediate steps to increase the number of Indians occupying the higher posts in every department of the Secretariat of the Government of India so that the increase may be commensurate with the new constitutional status of India."

As suggested by you, Sir, I will reserve my speech for the next non-official day.

The Council then adjourned till Eleven of the Clock on Monday, the 15th March, 1937.