

13th September, 1933

THE  
**LEGISLATIVE ASSEMBLY DEBATES**  
**(Official Report)**

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Volume VI, 1933

*(5th September to 14th September, 1933)*

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**SIXTH SESSION**  
OF THE  
**FOURTH LEGISLATIVE ASSEMBLY,**  
**1933**



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# Legislative Assembly.

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# CONTENTS.

VOLUME VI.—5th September to 14th September, 1933.

	PAGES.		PAGES.
<b>TUESDAY, 5TH SEPTEMBER, 1933—</b>		<b>THURSDAY, 7TH SEPTEMBER 19 3</b>	
Questions and Answers . . . . .	891—940	<i>—contd.</i>	
Unstarred Questions and Answers . . . . .	940—50	Statements laid on the Table . . . . .	1121—26
Election of Members to the Standing Committees for the Departments of Commerce and Industries and Labour . . . . .	951	Statement of Business . . . . .	1126
Statements laid on the Table . . . . .	951—56	Resolution <i>re</i> Proprietary Rights of Citizens in the Land—Adopted . . . . .	1126—51
The Hindu Widows' Right of Maintenance Bill—Circulated . . . . .	956—69	Resolution <i>re</i> Admissions to the Military Academy—Withdrawn . . . . .	1151—63
The Indian " Khaddar " (Name Protection) Bill—Referred to Select Committee . . . . .	969—87	Resolution <i>re</i> Grievances of the Travelling Public on the Assam Bengal Railway—Discussion not concluded . . . . .	1164—69
The Removal of Doubts about the Application of the Doctrine of Representation, in case of Succession to Stridhan under the Dayabhag Bill—Circulated . . . . .	987—90	<b>FRIDAY, 8TH SEPTEMBER, 1933—</b>	
The Ajmer-Merwara Juveniles Smoking Bill—Passed . . . . .	990—92	Statements laid on the Table . . . . .	1171—74
The Untouchability Abolition Bill—Discussion not concluded . . . . .	992—1001	Message from the Council of State . . . . .	1175
<b>WEDNESDAY, 6TH SEPTEMBER, 1933—</b>		Statement of Business . . . . .	1175—76
Questions and Answers . . . . .	1003—46	The Reserve Bank of India Bill—Introduced . . . . .	1176—80
Statements laid on the Table . . . . .	1047—54	The Factories Bill—Introduced . . . . .	1180—81
Bills passed by the Council of State . . . . .	1055	The Indian Tea Control Bill—Introduced . . . . .	1181—82
Message from the Council of State . . . . .	1055	The Indian States (Protection) Bill—Discussion not concluded . . . . .	1182—1224
The Cotton Textile Industry Protection (Second Amendment) Bill—Passed . . . . .	1055—77	<b>SATURDAY, 9TH SEPTEMBER, 1933—</b>	
The Indian States (Protection) Bill—Discussion not concluded . . . . .	1077—94	Motion for Adjournment <i>re</i> Expulsion order passed by the Commissioner on some Residents of Phulra State—Request for leave to be renewed . . . . .	1225
<b>THURSDAY, 7TH SEPTEMBER, 1933—</b>		The Indian States (Protection) Bill—Circulated . . . . .	1225—28
Questions and Answers . . . . .	1095—1119	Demands for Excess Grants . . . . .	1229—31
Motion for Adjournment <i>re</i> Forfeiture by Government of the <i>Free Press Journal</i> Deposit—Ruled out of order . . . . .	1119—1120	Demand for Supplementary Grant . . . . .	1231—50
The Murshidabad Estate Administration Bill—Presentation of the Report of the Select Committee . . . . .	1121	<b>MONDAY, 11TH SEPTEMBER, 1933—</b>	
		Questions and Answers . . . . .	1251—81
		Unstarred Questions and Answers . . . . .	1281—90
		Motion for Adjournment <i>re</i> Expulsion order passed by the Commissioner on some Residents of Phulra State—Ruled out of order . . . . .	1291—92

	PAGES.
<b>MONDAY, 11th SEPTEMBER, 1933</b>	
—contd.	
Statements laid on the Table	1292—93
Election of Members to the Salt Industry Committee	1293—94
The Imperial Bank of India (Amendment) Bill—Introduced	1294
The Indian Lac Cess (Amendment) Bill—Introduced	1294—95
The Reserve Bank of India Bill—Discussion on the motions to refer to Joint Committee and to circulate—not concluded	1295—1332
<b>TUESDAY, 12th SEPTEMBER, 1933—</b>	
Questions and Answers	1333—88
Motion for Adjournment <i>re</i> Alleged Scurrilous Article in the <i>Daily Gazette re</i> Mahatma Gandhi—Talked out	1388—91, 1419—44
The Reserve Bank of India Bill—Discussion on the motions to refer to Joint Committee and to circulate not concluded	1391—1419

	PAGES.
<b>WEDNESDAY, 13th SEPTEMBER, 1933—</b>	
Questions and Answers	1445—72
Unstarred Questions and Answers	1472—85
The Indian Income-tax (Amendment) Bill—Presentation of the Report of the Committee on Petitions	1485
The Reserve Bank of India Bill—Referred to Joint Committee	1485—1531
<b>THURSDAY, 14th SEPTEMBER, 1933—</b>	
Message from the Council of State	1533
The Imperial Bank of India (Amendment) Bill—Referred to Joint Committee	1533—56
The Indian Merchant Shipping (Second Amendment) Bill—Passed	1556—58
The Murahidabad Estate Administration Bill—Passed as amended	1558—88

# LEGISLATIVE ASSEMBLY.

Wednesday, 13th September, 1933.

The Assembly met in the Assembly Chamber at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

## QUESTIONS AND ANSWERS.

### MUSLIMS APPOINTED IN THE MUSSOORIE HEAD AND SUB-POST OFFICES IN THE INFERIOR CADRE.

882. \***Lient. Nawab Muhammad Ibrahim Ali Khan** : With reference to the reply to my question No. 7, dated the 22nd August last, will Government be pleased to let the House have the information regarding the number of Muslims appointed in the Mussoorie Head and Sub-Post-Offices in the inferior cadre, during the years 1931, 1932 and 1933, in officiating and permanent vacancies ? If the information be not available as yet, when may it be expected ?

**The Honourable Sir Frank Noyce** : No permanent appointment was made in the Head Post Office and the Sub-Post Offices at Mussoorie in the inferior cadre, during the years 1931, 1932 and 1933. Nine Muslims were engaged in seasonal appointments during the period, two in 1932 and seven in 1933.

### COMMITTEES FORMED IN CONNECTION WITH CONSTITUTIONAL REFORMS.

883. \***Mr. M. Maswood Ahmad** : Will Government be pleased to state the names of the Committees which were formed in connection with the constitutional reforms and in which not a single non-Muslim was appointed and the names of the Committees in which not a single Muslim was appointed ?

**The Honourable Sir Joseph Bhore** : Since 1930 there have been three Committees to which no representative of the Muslim Community was appointed, namely

- (1) Sind Financial Enquiry Committee (1931).
- (2) Orissa Committee (1931-1932).
- (3) Orissa Committee (1933).

No. (1) was purely an expert official Committee to which no Indian, Muslim or non-Muslim, was appointed.

**Mr. M. Maswood Ahmad** : What is the reply to the second part of the question, Sir, in which it is stated that not a single non-Muslim was appointed to any of these Committees.

**The Honourable Sir Joseph Bhore** : The Sind Financial Inquiry Committee, Sir.

**Mr. M. Maswood Ahmad :** Was that Committee composed of Muslims only ?

**The Honourable Sir Joseph Bhoré :** Sir, I have just now stated that that was a Committee to which neither Muslims nor non-Muslims (I mean Indians) were appointed. It was a purely official Committee.

**Mr. M. Maswood Ahmad :** If these officials were neither Muslims nor non-Muslims, then what they were ?

#### HOURS OF DUTY OF RAILWAY MAIL SERVICE SORTERS.

884. **\*Mr. B. N. Misra :** (a) Will Government be pleased to state the weekly hours of duty worked by the Railway Mail Service sorters working (i) in Mail Offices, (ii) in Sections (running trains) during :

(A) day time, (B) combined day and night time and (C) night time ?

(b) Is the attendance of the sorters on the platform or in the mail van before the departure of the train from a railway station counted as duty ?

(c) Is any provision made for the time spent by the sorters in handing over charge to a mail agent or other set at a terminal or changing station ?

(d) Is the time spent by the sorters working in sections at Record Offices in order to prepare the work-papers for the next trip and on other duties counted in their weekly hours of duty ?

(e) If the reply to parts (b) to (d) be in the negative, will Government please state why the time of the sorters which is spent in performing official duties mentioned above is ignored ?

(f) Do Government propose to take these duties into consideration in calculating the duty hours of sorters ?

**The Honourable Sir Frank Noyce :** (a) Though Government have not definitely fixed the weekly working hours of sorters in the Railway Mail Service Mail offices, the following standards are usually followed as a rough guide in actual practice :

For wholly day work—not exceeding 56 hours.

For wholly night work—not exceeding 42 hours.

For work partly by day and partly by night—varying between 42 and 56 hours.

As regards the weekly working hours of the sorters of Railway Mail Service working in running sections, the Honourable Member's attention is invited to the reply to part (c) of Pandit Satyendra Nath Sen's starred question No. 1211 in this House on the 10th April, 1933.

(b), (c) and (d). No. The weekly working hours referred to in the latter part of the reply to (a) above are exclusively for work done by sorters in the running van.

(e) and (f). The standards laid down for the weekly working hours of sorters in running sections are so liberal that Government do not consider it necessary to make any separate allowance for the duties referred to by the Honourable Member.

INTERNATIONAL POSTAL CONFERENCE TO BE HELD AT CAIRO.

885. \***Mr. B. N. Misra** : (a) Is it a fact that an International Postal Conference will be held shortly at Cairo (Egypt) and that some Postal officers from India will represent Government at that Conference ?

(b) Is it a fact that the proceedings of the Conference will be conducted in the French language and that for that purpose the knowledge of the French language is essential for the Indian delegates who will attend the Conference ?

(c) If the replies to parts (a) and (b) be in the affirmative, will Government be pleased to state the names of the Postal officers selected for the Conference from India, stating whether each and every member of the delegation is fully qualified in the French language to take proper part in the deliberations of the Conference ?

(d) Do Government propose to select suitable officers having knowledge of French and Foreign Postal Work ?

(e) Will Government please state what will be the approximate expenditure on account of the delegation ?

**The Honourable Sir Frank Noyce** : (a) Yes.

(b) At previous International Postal Conferences the formal proceedings were conducted in French. At the last International Telegraph and Radio Telegraph Conference, however, it was decided that the proceedings should be conducted both in French and English, and it is possible that the same procedure will be followed at the forthcoming Postal Conference also. In any case, much of the discussion in which delegates take part is conducted in English, and an expert knowledge of French can hardly be regarded as essential, though knowledge of that language is very desirable.

(c) and (d). The names of the officers selected are :

- (1) Rai Bahadur P. N. Mukerji, C.B.E., M.A.,
- (2) Rai Bahadur S. C. Gupta, M.A.,
- (3) Mr. Mohamed Al Hasan, B.A.

Rai Bahadur P. N. Mukerji has already attended two previous International Postal Congresses. Rai Bahadur S. C. Gupta has been doing the preliminary work in connection with the forthcoming Congress. Both these officers are familiar with foreign post work and possess a working knowledge of French.

Mr. Mohamed Al Hasan is an experienced postal officer, who, it is believed will also prove a valuable member of the delegation though he has not specialised in foreign post work. He is expected to have a sufficient knowledge of French by the time he attends the Conference.

All three officers are considered quite suitable to represent India at the Congress.

(e) About Rs. 45,600.

**Dr. Ziauddin Ahmad** : Can we not insist on the Conference to follow the example of the League of Nations, where the speeches are permitted to be made in English or in French, and they are immediately translated. May I, therefore, request the Government to consider this fact ; and

I may further point out that a person who has a little knowledge of French will never be able to acquire sufficient command over French language so as to be able to take part in proceedings and make speeches. It is not an easy matter to understand speeches in French when they are made by Frenchmen and then to reply to those speeches in French ; and it is exceedingly difficult for any Indian to acquire such a thorough knowledge of French, and I would, therefore, request the Honourable Member in charge to consider this fact carefully and to press that the example of the League of Nations should be followed in all these Conferences and the proceedings should be conducted both in English and in French. We should press that this should be made a necessary condition for our participation.

**The Honourable Sir Frank Noyce :** I am very glad the point has been raised by the Honourable Member, but I would point out to him that this is a Congress of all the nations of the world, and I very much doubt whether a single Government is in a position to influence the authorities concerned as to the way in which the proceedings of the Congress should be conducted.

**Dr. Ziauddin Ahmad :** But the League of Nations is just in the same position. They represent 57 nations, and the only languages recognised there are French and English. That is a good example and we ought to insist on all Congresses and Conferences to follow the example of the League of Nations.

(No reply.)

#### DUTIES OF THE HEAD CLERK TO A SUPERINTENDENT OF POST OFFICES.

886. **\*Mr. B. N. Misra :** (a) Is the Head Clerk to a Superintendent of Post Offices an investigating officer ?

(b) Is it any part of his duties to conduct enquiries into any case of the Department ?

**The Honourable Sir Frank Noyce :** (a) and (b). Although the Head Clerk of a Superintendent of Post Offices is not usually regarded as an investigating officer, he may, in certain conditions, be required to make inquiries into departmental cases.

#### OFFICE BEARERS OF POSTAL UNIONS.

887. **\*Mr. B. N. Misra :** (a) Will Government please state whether there are any orders forbidding Postal Officials to become members and office bearers of their Unions ?

(b) Are Government aware of the impression that such office-bearers of Unions are penalised by transfer and other means for their holding such appointments ?

(c) If the replies to parts (a) and (b) above be in the negative, do Government propose to enquire into the case of the transfer of the Secretary, Bahawalpur Posts and Telegraphs Hindu Union (Mr. Dharam Chand) from Bahawalpur to Jampur in the Dera Ghazi Khan District ?

**The Honourable Sir Frank Noyce :** (a) There are no orders forbidding postal officials to join or become office bearers of any Union, membership of which is not opposed to the Government Servants' Conduct Rules. The

question is however under consideration whether gazetted officers should be allowed to be office bearers in associations composed mainly of subordinate staff.

(b) No.

(c) Government do not propose to make enquiries as the matter is within the competence of the Head of the Postal Circle concerned to whom a copy of the question is being sent.

RESERVATION OF SEATS FOR SOLDIERS IN THE ARMY HEADQUARTERS.

888. \*Mr. Muhammad Azhar Ali : (a) Will Government please state whether it is a fact that a Home Department circular laid down " that it has now been decided in consultation with the Army Department that 25 per cent. of the clerical staff in the Army and Royal Air Force Headquarters, hitherto reserved for soldiers and *ex*-soldiers, should in future include lady clerks as well " ?

(b) Is it open under that circular for any branch of the Army Headquarters to interpret the circular to mean that the 25 per cent. posts reserved for soldiers and *ex*-soldiers shall be confined to the upper grade and not spread over the entire clerical staff ?

Mr. G. R. F. Tottenham : (a) Yes.

(b) The 25 per cent. applies to Army Headquarters as a whole and not to any particular grade in any particular Branch. In practice however the men are divided between the first and second Divisions.

SOLDIERS HOLDING UPPER DIVISION APPOINTMENTS IN THE ARMY HEADQUARTERS.

889. \*Mr. Muhammad Azhar Ali : (a) Will Government please lay on the table a statement showing the percentage of soldiers or *ex*-soldiers holding upper grade appointments in the various branches of the Army Headquarters ?

(b) Is it a fact that in the Adjutant General's Branch an Office Order has been issued reserving 25 out of 36 upper grade appointments for soldiers and *ex*-soldiers ? If so, how do Government reconcile this order with their circular that 25 per cent. of the reservation shall be in respect of all clerical appointments ?

\* Mr. G. R. F. Tottenham : (a) A statement is laid on the table.

(b) The reply to the first portion of the question is in the affirmative.

As explained in the answer to the previous question, there is no order laying down the percentage of soldiers, *ex*-soldiers, and lady clerks to be employed in each Branch or grade. They are employed in accordance with the administrative requirements subject to the condition that their number does not exceed 25 per cent. of the total clerical strength of Army and Royal Air Force Headquarters as a whole.

*Statement.*

Office.	Percentage of upper grade appointments held by soldiers or ex- soldiers.
1	2
G. S. Branch ..	45.9
A. G.'s Branch ..	66.6
Q. M. G.'s Branch ..	24.4
M. G. O. Branch [excluding offices of Director of Contracts and Assistant Director of Ordnance Services (Provision)].	32
M. S. Branch ..	25
E.-in-C.'s Branch ..	4.5
Medical Directorate ..	40
J. A. G. ..	<i>Nil.</i>
Contracts Directorate ..	5.9
A. D. O. S. (P.) .. .. .	41
R. A. F. Headquarters .. .. .	53

NOTES:—1. The Upper grades in the Office of the A. D. O. S. (Provision) are recruited from arsenals.

2. An ex-soldier holds the only Upper Grade appointment in the Office of the Assistant Military Secretary (Personal), to H. E. the Commander-in-Chief.

UNQUALIFIED PERSONS PROMOTED TO UPPER DIVISION IN THE ARMY  
HEADQUARTERS.

890. \***Mr. Muhammad Azhar Ali** : (a) Will Government please lay on the table a statement showing the number of unqualified persons promoted to the Upper Division since the Public Service Commission authorised the Departments to make such promotions ?

(b) How many of such promotions were made in respect of soldiers and ex-soldiers and how many in respect of Indian employees ?

**The Honourable Sir Harry Haig** : The information asked for is being collected and will be laid on the table in due course.

APPLICATIONS RECEIVED FROM ASSESSEES IN SIND FOR TRANSFER OF THEIR  
ASSESSMENT.

891. \***Mr. Lalchand Navalrai** : Will Government be pleased to lay on the table a statement showing for each of the three years 1930-31, 1931-32 and 1932-33 the number of applications received from assessees

in Sind for transfer of their assessments under the provisions of section 64 of the Income-tax Act and the number in which transfers were refused ?

**The Honourable Sir George Schuster :** A statement is laid on the table.

*Statement showing the number of applications received from Assesseees in Sind for transfer of their Assessments under section 64 and the number in which transfers were refused during the years 1930-31, 1931-32 and 1932-33.*

	No. of applications received from assesseees for transfer of assessments under section 64.	No. of applications in which transfer was refused.
1930-31 ..	28	Nil.
1931-32 ..	31	1
1932-33 ..	72	4

AMENDMENT OF SECTION 64 OF THE INDIAN INCOME-TAX ACT.

892. **\*Mr. Lalchand Navalrai :** (a) Will Government be pleased to state if they have received any representations for amending section 64 of the Income-tax Act ?

(b) If so, will Government be pleased to state the nature of the representations so far made and the action so far taken or proposed to be taken in response to such representations ?

**The Honourable Sir George Schuster :** The Government have received one such representation. It suggested that provision should be made that a party concerned should be given a hearing before the Commissioner gives a decision under the section. As in practice an applicant can always have a hearing and as in the case mentioned by the person who made the representation it was clear that he had put his case to the Commissioner before orders were passed, the Government saw no occasion for any action.

INCOME-TAX AND ASSISTANT INCOME-TAX OFFICERS APPOINTED IN BENGAL.

893. **\*Pandit Satyendra Nath Sen :** Will Government be pleased to lay on the table a statement showing the total number of Income-tax Officers and Assistant Income-tax Officers appointed since April, 1922, to date in the Income-tax Department of Bengal ?

**The Honourable Sir George Schuster :** Twelve Income-tax Officers and fifteen Assistant Income-tax Officers have been appointed in the Income-tax Department, Bengal, since April, 1922.

**OFFICERS DISCHARGED FOR FAILURE TO PASS DEPARTMENTAL EXAMINATION  
IN THE INCOME-TAX DEPARTMENT IN BENGAL.**

894. \***Pandit Satyendra Nath Sen** : (a) Will Government be pleased to lay a statement on the table showing the total number of officers (gazetted) discharged for failure to pass the departmental examination from April, 1922, upto date and the total amount of salary paid to the discharged officers during the tenure of their service, in the Income-tax Department, Bengal ?

(b) Has any officer been confirmed during the said period, though he could not pass completely the departmental examination ?

(c) How many Examiners of Accounts have been confirmed after having passed the Departmental Examination in due course within two years during the said period ?

(d) How many Examiners of Accounts have been confirmed with grace chances after two years and how many have been confirmed, though they could not pass the departmental examination completely, in spite of grace chances having been allowed to them ?

(e) How many Examiners of Accounts have been discharged for failure to pass the departmental examination during the said period ?

**The Honourable Sir George Schuster** : (a) and (c). About six gazetted officers have been so discharged in the period named but the exact figure cannot be given without going through the records. As for the amounts of salary paid to them while in service, the answer to this, as also to part (c) of this question, is that the compilation of the information asked for would involve an expenditure of time and labour which would be incommensurate with the value of the results secured.

(b) No.

(d) Exact particulars could only be given at the cost of excessive labour, but the number is approximately six.

(e) None.

**INCOME-TAX DEPARTMENT IN BENGAL.**

895. \***Pandit Satyendra Nath Sen** : (a) Will Government be pleased to lay on the table a complete list showing the names of officers (gazetted) in the Income-tax Department in Bengal, who died in active service, and their respective age and lengths of service in this Department at the time of their death from April, 1922, till now ?

(b) Will Government be pleased to lay on the table a statement showing the percentage of discharged officers, and the percentage of death rate of officers separately, compared with the total sanctioned strength of Income-tax Officers in Bengal during this period ?

(c) Will Government be pleased to lay on the table a list showing the names and length of service of officers who have recently been retrenched on the ground of economy in the Income-tax Department of Bengal ?

(d) Is it a fact that the very same Government of India letter of June, 1933, which conveyed the sanction for retrenchment of seven officers, also conveyed the sanction for appointment of seven Examiners of Accounts

to replace the seven retrenched officers with a view to curtailment of expenditure ?

(e) Will Government be pleased to lay on the table a detailed statement showing the total amount of annual saving that they have in mind to effect by replacing the seven retrenched officers by seven newly appointed Examiners of Accounts after paying bonus, pension and earned leave pay for the retrenched officers ?

(f) Will Government be pleased to state the estimated additional expenditure that Government have to meet monthly from May, 1933, as a result of the reduction of ten per cent. cut to 5 per cent. in the pay of the whole force of the Income-tax Department of Bengal ?

**The Honourable Sir George Schuster :** (a) and (c). Two statements are laid on the table.

(b) The number of discharged gazetted officers was seven, (four Income-tax Officers and three Assistant Income-tax Officers). At the time, the sanctioned strength of Income-tax Officers was 35 ; the total number of gazetted officers was 62, out of a sanctioned strength of 66, two posts being vacant and two having been surrendered to correspond with an increase by two in the number of Examiners, in accordance with the programme of gradual absorption adopted in 1927. The total number of deaths of gazetted officers of all grades has already been given and may be compared with the sanctioned strength already given.

(d) Yes.

(e) Exact figures as to bonus, pension and leave pay of the retrenched officers are not yet available, but the approximate figures are—for pension, Rs. 915 monthly and for gratuities, Rs. 18,750. The annual saving in pay on account of replacement of the seven retrenched officers by Examiners of Accounts is Rs. 28,332 on average cost basis.

(f) Rs. 53,000 approximately.

*Statement showing the names of officers (gazetted) in the Income-tax Department, Bengal, who died in active service and their respective age and lengths of service in this Department at the time of their death from April, 1922, till now.*

Name of deceased officer.	Age years.	Length of service in the Department from 1922 at the time of death.
1. Mr. J. N. Chatterjee .. .. .	36	2 years and 4 months. .
2. „ W. B. Kirkwood .. .. .	Not known	4 years (approximately).
3. „ S. N. Roy .. .. .	48	7 „ „
4. „ K. H. Mazumdar .. .. .	37	7 „ „
5. „ N. Roy.. .. .	46	6 „ „
6. „ P. L. Adhikari .. .. .	33	10 „ „
7. „ N. C. Shaha .. .. .	40	11 „ „

*Statement showing the names and length of service of Officers retrenched in the Income-tax Department, Bengal.*

1. Mr. R. Ghatak .. .. .	Income-tax Officer .. .. .	23 years.
2. Mr. F. C. Chopra .. .. .	" " .. .. .	13 "
3. Mr. P. L. Bhattacharji .. .. .	" " .. .. .	13 "
4. Mr. S. K. Datta .. .. .	" " .. .. .	13 "
5. Mr. Nefazuddin .. .. .	Assistant Income-tax Officer .. .. .	2 "
6. Mr. Abdul Majid .. .. .	" " .. .. .	8 "
7. Mr. B. B. Basu .. .. .	" " .. .. .	7 "

SAVING EFFECTED BY THE RETRENCHMENT OF SEVEN OFFICERS IN THE INCOME-TAX DEPARTMENT, BENGAL.

896. \***Pandit Satyendra Nath Sen** : Will Government be pleased to place on the table a statement showing :

- (i) the total receipts in 1932-33 ;
- (ii) the total expenditure in 1932-33 ;
- (iii) the ratio of expenditure to receipts in 1932-33 ; and
- (iv) the ratio of savings to total expenditure that Government have in mind to effect by the retrenchment of the above-noted seven officers in the Income-tax Department, Bengal ?

**The Honourable Sir George Schuster** : I presume the question refers to the Bengal Income-tax Department. If so, the answers are :

- (i) Rs. 428½ lakhs.
- (ii) Rs. 11½ lakhs.
- (iii) 2.6 per cent.
- (iv) The saving due to the abolition of seven posts of Income-tax Officers referred to in the previous question will be on the average cost basis, 2.5 per cent. of the total expenditure in the Bengal Income-tax Department.

RETRENCHMENT IN THE INCOME-TAX DEPARTMENT, BENGAL.

897. \***Pandit Satyendra Nath Sen** : (a) Is it a fact that the General Purposes Sub-Committee of the Retrenchment Advisory Committee recommended (*vide* page 12 of Part I of the Report) the abolition of the two highly paid posts of Assistant Commissioners of Income-tax in Calcutta ? If so, have they been abolished ? If not, why not ?

(b) Will Government be pleased to state the number of additional Income-tax Officers who have been working or who have worked after confirmation in the Department without any powers like examiners on account of their inefficiency and the period during which they are having no such powers ?

(c) Has any of these additional Income-tax Officers, who have been working or who have worked without powers been retrenched on account of their incompetency and inefficiency ?

**The Honourable Sir George Schuster :** (a) Yes. The posts have not been abolished. The pay of the posts was reduced to Rs. 1,000—100—1,500 with a special pay of Rs. 250 in 1927, but as the present incumbents were holding the posts before 1927, they are drawing the old scale of Rs. 1,500—100—2,000. The revised scale will be introduced as they retire. It is not part of the Government policy of retrenchment to discharge officers and replace them by officers of the same grade but on lower rates of pay.

(b) No additional Income-tax Officers are working without statutory powers on grounds of inefficiency. Certain officers are working without powers for reasons of departmental convenience.

(c) Does not arise.

RELEASE OF PERSONS DETAINED IN JAILS FOR INDEFINITE PERIODS.

898. **\*Shaikh Sadiq Hasan :** Are Government aware that a peaceful atmosphere prevails at present throughout the country, and if so, are they prepared to consider the possibilities of releasing those persons who have been detained in jails for indefinite long periods ?

**The Honourable Sir Harry Haig :** With regard to the first part of the question I should prefer not to generalise. With regard to the second part, I presume the Honourable Member refers to State Prisoners detained under Regulation III of 1818. Their cases are reviewed from time to time in order to determine whether the orders for detention should continue in force or be modified.

REPRESENTATIONS TO GOVERNMENT OF MR. AZIZ HINDI, A STATE PRISONER.

899. **\*Shaikh Sadiq Hasan :** (a) Is it a fact that a State Prisoner has often to wait for a considerable period of three to four months for a reply from Government to his representations ?

(b) Is it a fact that Mr. Aziz Hindi, a State Prisoner, does not often get a reply to his representations made to Government ?

(c) Will Government be pleased to state what avenues are open to a State Prisoner if he feels that he is not being treated fairly and squarely at the hands of the authorities ?

**The Honourable Sir Harry Haig :** (a) and (b). I am not aware of any avoidable delays in disposing of representations by a State Prisoner, or of any instance in which a reply has not been sent to Mr. Aziz Hindi's representations.

(c) I would draw the Honourable Member's attention to the provisions of section 5 of Regulation III of 1818 from which he will observe that every representation which a State Prisoner may be desirous of making is forwarded to and dealt with by the Governor General in Council.

WELFARE SCHEME ON THE EAST INDIAN AND EASTERN BENGAL RAILWAYS.

900 **\*Mr. E. H. M. Bower :** (a) Is it a fact that there are welfare schemes on the East Indian and Eastern Bengal Railways for the benefit of the subordinate staff ?

(b) If the answer to part (a) be in the affirmative, will Government please state whether the staff of the Accounts Department of these Railways participate in the benefits of these welfare schemes ?

(c) If the reply to part (b) be in the negative, will Government please state what provisions there are for the staff of the Accounts Department to receive welfare relief in accordance with the policy operating on those Railways ?

**Mr. P. R. Rau :** I presume the Honourable Member is referring to the Staff Benefit Fund. If so, the reply to part (a) is in the affirmative. As regards part (b), I am not aware of any rule which prevents the Accounts Department from sharing in the benefits of the schemes. Part (c) does not arise.

SUSPENSION OF EMPLOYEES OF THE EAST INDIAN RAILWAY, ACCUSED OF AN OFFENCE UNDER THE INDIAN PENAL CODE BUT RELEASED ON BAIL.

901. **\*Mr. E. H. M. Bower :** (a) Is there any rule that when a subordinate employee on the East Indian Railway is accused of an offence against the Indian Penal Code and is released on bail pending trial, the accused employee is placed under suspension till such time as a competent court pronounces judgment ?

(b) If the answer to part (a) be in the affirmative, will Government please state whether the same procedure is applied in the case of the gazetted officers of the East Indian Railway ?

**Mr. P. R. Rau :** (a) The rule is that any person whose conduct is undergoing investigation on a serious charge shall be placed under suspension until his case has been decided by the competent authority.

(b) I am not aware of any case in which this rule has been disregarded in the case of gazetted officers by the East Indian Railway.

CERTAIN POSTS IN THE RATES AND CLAIMS OFFICES OF THE COMMERCIAL DEPARTMENT OF THE EAST INDIAN RAILWAY.

902. **\*Mr. E. H. M. Bower :** (a) Is it a fact that the Rates and Claims offices of the Commercial Department of the East Indian Railway are considered as one unit for the demotion of subordinate staff ?

(b) Are they also considered as one unit for the promotion of the subordinate staff ?

(c) Are the subordinate posts in these offices inter-changeable, e.g., can the services of a Rates Clerk be utilised as a Claims Clerk and *vice versa* ?

(d) Is it a fact that there are five subordinate posts in these two offices of the Commercial Department in the cadre of Rs. 400—500 ?

(e) Will Government please state :

(i) the names of the five substantive incumbents of these five posts ;

(ii) the dates on which they were appointed to these posts ;

(iii) their substantive salaries ;

(iv) whether they are actually performing the specific duties of their posts ;

- (v) whether any of these five posts are at present filled by officiating incumbents ; and
- (vi) the names and substantive salaries of such officiating incumbents ?

**Mr. P. R. Rau :** (a) to (e). Government have no information. These questions are all within the competence of the Agent to decide.

**RULES FOR DETERMINATION OF SENIORITY OF THE SUBORDINATE STAFF ON THE EAST INDIAN RAILWAY.**

903. **\*Mr. E. H. M. Bower :** (a) Is it a fact :

- (i) that the Agent of the East Indian Railway has circularised rules for determining the seniority of the subordinate staff ;
- (ii) that no definite rules have been framed regarding the seniority of officiating Transportation Inspectors ?

(b) Will Government be pleased to state how seniority is to be decided in the case of subordinates who officiate in the Transportation Inspectors' grade ?

**Mr. P. R. Rau :** Government have no information, but have sent a copy of this question to the Agent, East Indian Railway, for any action necessary.

**PROVISION OF FACILITIES TO ACCUSED SUBORDINATES IN DEPARTMENTAL ENQUIRIES ON THE EAST INDIAN RAILWAY.**

904. **\*Mr. E. H. M. Bower :** (a) Is it a fact that the rules governing departmental enquiries on the East Indian Railway do not make any provision

- (i) for the recording of the evidence of witnesses by the accused subordinates,
- (ii) for copies of the evidence and the findings of the enquiry being supplied to the accused subordinate ?

(b) Do Government propose either to grant facilities to the accused subordinate to record the evidence or supply him with copies of the same and the finding of the enquiry ? If not, why not ?

**Mr. P. R. Rau :** With your permission, Sir, I propose to reply to questions Nos. 904, 905 and 906, together. Rules were issued in 1930 under the authority of the Government of India regulating the discharge and dismissal of State Railway non-gazetted Government servants. These apply to all State-managed Railways : they provide for a departmental enquiry when it is considered that the offence with which an employee is charged is likely to lead to his dismissal. At this enquiry it is laid down that a definite charge in writing shall be framed in respect of each offence and explained to the employee, and the evidence in support of it, as well as his defence, along with any evidence which he may adduce in his defence, shall be recorded in his presence, provided that, for special reasons to be recorded, the evidence of any witness may be taken and recorded otherwise than in the presence of the employee. Copies of relevant documents, which in the opinion of the officer or the committee making an enquiry will be of assistance to the employee in the conduct of his defence, should be supplied

at his request. The Agents are empowered to make subsidiary rules for the purpose of giving effect to the provisions of these rules, but not to alter the main provisions and Government have no reason to believe that they are disregarded on the two Railways mentioned by the Honourable Member.

PROVISION OF FACILITIES TO ACCUSED SUBORDINATES IN DEPARTMENTAL ENQUIRIES ON THE EASTERN BENGAL RAILWAY.

†905. \***Mr. E. H. M. Bower** : (a) Will Government be pleased to state whether rules exist on the Eastern Bengal Railway for the conduct and procedure of departmental enquiries in which a subordinate employee is the accused ?

(b) Is the accused subordinate at such enquiries permitted to cross-examine witnesses ?

(c) Is he permitted to record the evidence of witnesses ?

(d) If the answer to part (c) be in the negative, is the accused provided with copies of the evidence and the finding of the enquiry ?

(e) Do Government propose to issue orders to the Railway authorities concerned to provide facilities to accused subordinates ? If not, why not ?

RULES GOVERNING DEPARTMENTAL ENQUIRIES ON STATE RAILWAYS.

†906. \***Mr. E. H. M. Bower** : (a) Will Government be pleased to state whether there is a common set of rules governing departmental enquiries on State Railways ?

(b) If so, are those rules followed by all the five State Railways ?

(c) If the answer to part (b) be in the negative, do Government propose to issue instructions to Agents of Railways to adhere to these rules in all such cases ?

PROCESSION ON THE EKADASI DAY IN SHAHDARA, DELHI.

907. \***Bhai Parma Nand** : (a) Will Government be pleased to state if it is not a fact that the Hindus of Shahdara (Delhi) have been holding a procession on the Ekadasi day every year from very ancient times ?

(b) Is it not a fact that up till this year, no restriction was placed on that procession ?

(c) Is it a fact that this year, the local authorities have laid down a condition, forbidding the Hindus to play music before the mosques ?

(d) Is it also a fact that as a protest the Hindus of Shahdara have given up the holding of the procession and as a result great discontent prevails among them ? If so, who is responsible for this innovation and consequent discontent ?

**The Honourable Sir Harry Haig** : (a) Yes.

(b), (c) and (d). In 1932 the Muhammadans of Shahdara objected to the procession playing a band in front of the Saraiwala Mosque because it interfered with their evening prayers. The Magistrate of Shahdara issued a written order forbidding the procession to play music before the mosque at the time of evening prayers. This condition was not entered

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†For answer to this question, see answer to question No. 904.

in the licence as the licence had been prepared and delivered before the issue of the order. The condition was, however, observed by the licencees. This year an application for the taking out of the procession was made to the Magistrate of Shahdara who sanctioned the application but in accordance with the precedent of 1932 ordered that the procession should not play music before the Saraiwala Mosque during the evening prayer time and this condition was inserted in the licence. The licencees, however, refused to accept it and the procession was not taken out. A meeting was held by the Hindus of Shahdara protesting against the condition inserted in the licence.

**Mr. Lalchand Navalrai :** May I know from the Honourable Member whether any objection was taken by the Muhammadans during this last occasion when permission was applied for ?

**The Honourable Sir Harry Haig :** I think we may assume that that was the case from the facts that I have stated to the House.

**Rai Bahadur Kunwar Raghubir Singh :** Is the mosque on the road ?

**The Honourable Sir Harry Haig :** I should require notice of that question. I am not acquainted myself with the locality.

**Mr. B. V. Jadhav :** May I know what was the necessity of inserting the condition in the licence when, on a former occasion, the insertion was not necessary and the Hindus had not broken that condition ?

**The Honourable Sir Harry Haig :** The point is that in 1932 the question arose at the last moment and it was not possible to insert the condition in the licence. It was a question of time. On this occasion the matter was taken into consideration sufficiently early and the condition was inserted in the licence.

**Mr. M. Maswood Ahmad :** Is it a fact that playing of music is not a part of religion ?

**The Honourable Sir Harry Haig :** That is a general question which it seems unnecessary to go into now.

**Mr. Lalchand Navalrai :** May I know if the licence was given for this year only or for the future also ?

**The Honourable Sir Harry Haig :** The licences are given annually as the occasion arises.

**Dr. Ziauddin Ahmad :** May I suggest that we may discuss this question outside the Assembly, and let us not discuss it on the floor of the House.

**Mr. Lalchand Navalrai :** Bhai Parma Nand will be prepared for it I think.

**Bhai Parma Nand :** May I know, if some three or four people or one go and raise an objection, should Government at once introduce a new condition altogether and ignore the tradition that had been going on for a century or more ?

**The Honourable Sir Harry Haig :** I have no doubt that all the circumstances of the case were carefully considered by the Magistrate before he came to his conclusion.

**Bhai Parma Nand :** Is it a fact that after that procession another procession by the Jain community was started and that no such condition was laid down for them ?

**The Honourable Sir Harry Haig** : I am afraid I have no information on that point.

**CIRCULATION OF A PROPOSAL FOR PURCHASE OF DERBY SWEEP TICKETS BY THE DIVISIONAL SUPERINTENDENT, MORADABAD DIVISION, EAST INDIAN RAILWAY.**

**908. \*Bhai Parma Nand** : (a) Will Government please state if it is a fact that the Divisional Superintendent, Moradabad Division, East Indian Railway, on April 3, 1933, under No. 12|199|32-E., circulated a proposal for purchase of Derby Sweep Tickets through the Chief Operating Superintendent, Calcutta? If so, what was the initial expenditure incurred in respect of this printed circular, postage stamps, remittance charges, etc., and was it justified?

(b) Is it a fact that the money collected for Derby Sweep, 1933 (approximately Rs. 500) in the Moradabad Division was sent through a special messenger to Calcutta, who travelled to and from Moradabad on a duty pass and was allowed the usual travelling expenses? If so, how far is it justified in the public interests?

**Mr. P. R. Rau** : I have called for the information and will place a reply on the table in due course.

**Pandit Satyendra Nath Sen** : May I know from the Honourable the Home Member whether the Derby Sweep is an institution recognised by the Government?

**The Honourable Sir Harry Haig** : I do not think it is a matter which comes within the jurisdiction of Government. Government have nothing to do with the Derby Sweep.

**Dr. Ziauddin Ahmad** : Does it come under the Gambling Act?

**Pandit Satyendra Nath Sen** : Are Government aware that the Derby Sweep has an extensive operation in India?

**The Honourable Sir Harry Haig** : The Honourable Member is referring to the Derby Sweep. I suppose he means the Sweep organised by the Calcutta Turf Club which is a private institution.

**Pandit Satyendra Nath Sen** : Yes.

**The Honourable Sir Harry Haig** : On that point I think I am right in saying that the provisions of the Indian Penal Code do not apply to that particular Sweep.

**Pandit Satyendra Nath Sen** : Is it a fact that, although the Derby Sweep is not a recognised institution, still Government do not take exception to the operations of that Sweep, while the operations of other raffle Sweeps are very vehemently opposed by Government?

**The Honourable Sir Harry Haig** : I understand that the legal position is that the Sweep organised by the Calcutta Turf Club does not offend against the law.

**Pandit Satyendra Nath Sen** : Is it the same with other Sweeps, as well, for instance, the Irish Hospital Sweep?

**The Honourable Sir Harry Haig** : It depends on the nature of the Sweep. I dare say if my Honourable friend wishes to pursue the legal question, my Honourable friend, the Law Member, would be able to throw further light on the subject.

**Pandit Satyendra Nath Sen** : Are Government aware that one Rabintra Nath Dhar was prosecuted and convicted last year for selling tickets for the Irish Hospital Sweep ?

**The Honourable Sir Harry Haig** : No, Sir. I was not aware of that fact.

**Mr. Lalchand Navalrai** : Might I know from the Honourable Member if special sanction has been given for carrying on this Sweep ?

**The Honourable Sir Harry Haig** : No special sanction has been given. It is merely a question of whether a particular transaction offends against the law or not.

**Pandit Satyendra Nath Sen** : Is it a fact that a large number of Government servants holding very responsible positions are members of the Derby Sweep ?

**The Honourable Sir Harry Haig** : I do not quite understand what the Honourable Member means by saying " members of a Derby Sweep ".

**Pandit Satyendra Nath Sen** : I mean the Derby Sweep Committee.

**Mr. Lalchand Navalrai** : Might I know if the Honourable Member has ever considered the legal aspect of this question as distinguished from other Sweeps ?

**The Honourable Sir Harry Haig** : The question asked did not appear to affect my Department and I must confess that I have not recently looked into these legal questions on which my Honourable friends opposite ply me with so many inquiries.

**Mr. Lalchand Navalrai** : Will the Honourable Member go into that question and find out why this Derby Sweep does not come within the purview of the Penal Code.

**The Honourable Sir Harry Haig** : If the Honourable Member wishes to put down a question, I shall be very happy to give him an answer.

**Pandit Satyendra Nath Sen** : I gave notice of several questions which have been disallowed.

**The Honourable Sir Harry Haig** : I am afraid I cannot take the responsibility for that.

**Mr. S. C. Sen** : Is it a fact that these tickets are sold privately and confidentially through members only ?

**The Honourable Sir Harry Haig** : That is the position.

**Mr. S. C. Sen** : Is that the reason why it does not come within the purview of the Penal Code ?

ISSUE OF DUTY PASSES FOR HIS PRIVATE SERVANT BY THE SUPERINTENDENT, RAILWAY SCHOOL OF TRANSPORTATION, CHANDAUSI.

909. \***Bhai Parma Nand** : Will Government be pleased to state if it is a fact that the Superintendent, Railway School of Transportation, East Indian Railway, Chandausi, issued duty passes for his private servants and for carrying his personal things ? If not, for what purposes were duty passes for third class, No. 006204, dated the 27th January, 1933, No. 006208, dated the 22nd February, 1933, ex-Chandausi to Cawnpore

Central, No. 006208, dated the 6th January, 1933, for 32 memials *ex-Chandausi* to Moradabad and for second class, No. 005286, dated the 6th January, 1933, for eight subordinates *ex-Chandausi* to Moradabad, issued and whether the Audit Department made any objection to such use of the passes ?

**Mr. P. B. Rau :** Government have no information but are enquiring into the matter.

USE OF AN OFFICER'S CARRIAGE FOR JOY RIDES UNDER ORDERS OF THE DIVISIONAL SUPERINTENDENT, MORADABAD DIVISION, EAST INDIAN RAILWAY.

910. \***Bhai Parma Nand :** Is it a fact that an officer's carriage, No. 4883, under orders of the Divisional Superintendent, Moradabad Division, East Indian Railway, has frequently been used for joy rides ? If not, on which dates the said carriage was booked to Hardwar and onwards upto Dehra Dun during the period from December, 1932 to August, 1933 and for what purposes ?

**Mr. P. B. Rau :** I have called for a report from the Agent, East Indian Railway, and will lay a reply on the table in due course.

DUTIES PERFORMED BY THE RAILWAY STAFF DURING MELAS AT GARHMUKTESAR, HARDWAR AND ROORKEE.

911. \***Bhai Parma Nand :** (a) Will Government be pleased to state the nature of the duties performed by the Mela Officer, Mela Supervisor and the staff deputed from Travelling Ticket Examiners (Mr. A. M. Alvi) and Junior Guards (Messrs. Ahmed Nabi and Jagdesh Narain) during the Melas at Garhmuktesar, Hardwar and Roorkee in the years of 1932 and 1933 ?

(b) From what appointments or cadre were the Mela Officer and Mela Supervisor drawn ?

(c) Did Government consider whether the appointment of the Mela Supervisor could be avoided in view of the Station Masters at these stations holding the supervising duties as their ordinary routine ?

(d) What was the necessity of having two officers (Mela Officer and Mela Supervisor) functioning at the same time for the Mela at the same station ?

(e) What was the extra expenditure incurred in respect of these appointments ?

(f) Is it a fact that the Mela Supervisor was provided with a first class four-wheel carriage ? If so, was he entitled to it and for how many days was it utilized by him ? Could he not be accommodated in a tent which was specially hired during the Melas ?

**Mr. P. B. Rau :** With your permission, Sir, I propose to reply to this and the next question together.

Government have no information, but have sent a copy of the question to the Agent, East Indian Railway, for consideration in connection with future Melas.

ARRANGEMENTS FOR THE ADH-KUMB MELA 1933 AT HARDWAR.

†912. \*Bhai Parma Nand : (a) Will Government be pleased to state who was directly responsible for the arrangements of the Adh-Kumb Mela 1933 at Hardwar ?

(b) Were the working rules of Hardwar Railway Station during Adh-Kumb Mela 1933 workable and approved by the Senior Government Inspector in accordance with the General Rules of the Open Line Working ? If so, will Government please lay on the table a copy of the said rules, together with a statement showing detentions of regular trains and details of derailments and accidents, if any ?

(c) Will Government please state how it was justified :

- (i) to open a Control Office at Hardwar ;
- (ii) to suspend the goods traffic between Moradabad and Saharanpur ;
- (iii) to lay an avoiding line off Lhaksar and erect and work cabins or flag stations at both ends ;
- (iv) to erect a cabin at Hardwar and work the same as a line clear station ;
- (v) to provide high power arc lamps in addition to the electric installation done for the Mela ;
- (vi) to purchase kerosine oil for the arc lamps ;
- (vii) to suspend the stoppage of light trains at Hardwar Tunnel (City Booking Office) and Bhimgoda and the booking of passengers therefrom in spite of the fact that every train stops there under a caution order of Engineering Department ;
- (viii) to suspend the booking of passengers to and from Jawalapur and Raiwala stations ;
- (ix) to post nine Assistant Station Masters, three Platform Inspectors and such other extra staff ;
- (x) to lay out extra lines and erection of temporary platforms out of capital outlay ;
- (xi) to keep engines on steam for a longer period than required in absence of any anticipation of running of a special ?

ARREARS IN FOREIGN SEA-BORNE TRADE STATISTICS FOR KATHIAWAR PORTS.

913. \*Mr. J. Ramsay Scott : (a) Are Government aware that foreign sea-borne trade monthly statistics for British India for July, 1933, have just been published ?

(b) Are Government aware that foreign sea-borne trade statistics for Kathiawar Ports for November, 1932, have just been published ?

(c) Are Government aware that the Kathiawar statistics are nine months in arrears ?

**The Honourable Sir Joseph Bore :** (a), (b) and (c). Yes, Sir.

† For answer to this question, see answer to question No. 911.

## IMPORT OF SUGAR THROUGH KATHIAWAR PORTS.

914. \*Mr. J. Ramsay Scott : Will Government please lay on the table a statement giving the total imports of sugar imported through Kathiawar ports for the year 1932-33 ?

The Honourable Sir Joseph Bhore : With your permission, Sir, I will reply to questions Nos. 914 and 915 together.

I lay on the table two statements furnishing the information required.

## STATEMENT I.

*Total imports of sugar into Kathiawar ports during 1932-33.*

1932-33.	Quantity (tons).	Value (R).
Sugar .. .. .	63,793	76,53,491

## STATEMENT II.

*Imports of cotton textiles and yarns into Kathiawar ports during 1932-33.*

Cotton manufactures.	Total imports.		Japan's share.	
	Quantity.	Value (R).	Quantity.	Value (R).
Twist and yarn .. lb.	20,333	20,792	1,400	765
Blankets .. lb.	448	3,408		
Canvas (a) .. yd.	7,115	3,271		..
Handkerchiefs (a) .. No.	3,600	220	3,600	220
Hosiery (a) .. Value		26,305		2,593
Lace and patent net (a) .. yd.	459,896	14,042		..
Piecegoods (a) .. yd.	6,256,256	12,27,745	2,992,532	4,12,025
Thread, sewing .. lb.	13,257	40,351	100	297
Other sorts (a) .. Value	..	40,247	..	5,340

(a) Weight not recorded.

## IMPORT OF COTTON TEXTILE AND YARN, ETC., THROUGH KATHIAWAR PORTS.

†915. \*Mr. J. Ramsay Scott : Will Government please lay on the table a statement giving the imports through Kathiawar ports for the year 1932-33 of :

(a) cotton textiles and yarn in weight and value ;

(b) the Japanese share of such imports in weight and value ?

† For answer to this question, see answer to question No. 914.

INCLUSION IN THE SEA-BORNE TRADE VOLUME OF STATISTICS OF IMPORTS THROUGH KATHIAWAR PORTS.

916. \***Mr. J. Ramsay Scott** : (a) Are Government aware that the yearly volume of sea-borne trade of 1931-32 does not give the full picture of imports into India, as Kathiawar figures are not included ?

(b) Are Government prepared to take steps, in view of the great increase of imports through Kathiawar ports, to have these statistics included in the sea-borne trade volume for 1932-33 ?

**The Honourable Sir Joseph Bhoré** : (a) Government are aware that Kathiawar figures are not included in the annual volume of Sea-borne Trade for 1931-32.

(b) Government will consider the suggestion made by the Honourable Member.

ARMY HEADQUARTERS SPECIAL TRAIN BETWEEN SUMMER HILL AND SIMLA.

917. \***Sardar Sant Singh** : (a) With reference to the reply to part (d) of the starred question No. 136, dated the 29th August, 1933, will Government be pleased to state the number of Army Headquarters technical clerks who are entitled to free conveyance under the military rules for living at a place more than half a mile distant from the office, and will they be pleased to place a copy of the said rules on the table of this House ?

(b) Will Government be pleased to state the total cost of giving the respective class of monthly ticket fares to only such clerks of the Army Headquarters who are entitled under the military rules to free conveyance for themselves and their school-going children reading in Simla schools ?

**Mr. G. R. F. Tottenham** : The information asked for by the Honourable Member is being collected, and will be laid on the table of the House in due course.

ARMY HEADQUARTERS SPECIAL TRAIN BETWEEN SUMMER HILL AND SIMLA.

918. \***Sardar Sant Singh** : (a) With reference to the reply to part (c) of the starred question No. 137, dated the 29th August, 1933, denying the fact stated in the said part of the question, will Government be pleased to state whether the following persons, who travel daily by the clerks' special, hold Army Headquarters passes for such free conveyance between Summer Hill and Simla in accordance with the Army Department instructions to the Quartermaster General, regarding the issue of such passes ?

- (i) Mr. C. Allan of the M. G. O. Branch, living in Summer Hill in a private house ;
- (ii) Staff Sergeant Gill of the office of the A. D. O. S. P. (M. G. O.) living in Summer Hill in a private house ;
- (iii) Mr. Edwards, a pensioner of Army Headquarters and at present employed in a private office but living in Government quarters by sufferance ;
- (iv) Mr. Augustine of the M. G. O. living in a private house in Summer Hill ;

- (v) Miss Gidson of the M. G. O. living in a private house in Summer Hill ;
- (vi) Mr. S. E. Souza of the M. A. G. which is not included in the Army Department instructions regarding issue of passes ;
- (vii) Mr. Wade of Indian State Forces who has not been allotted any Government quarters in Summer Hill ;
- (viii) Mr. Rutter of A. G.'s Branch and who has not been allotted any Government quarters ;
- (ix) Mr. Dannett of the office of the A. M. S. P. living in a private house in Summer Hill ;
- (x) Mr. C. Soisa of A. G.'s Branch living in a private house in Summer Hill ?

If not, do Government propose to enquire from the North Western Railway Administration whether any monthly tickets have been issued by the Assistant Operating Officer, Simla, in the name of those persons and if so, have those or any of those been issued after the notice of the previous questions were received by Government in the beginning of July ?

(b) If no Army Headquarters passes have been issued, nor monthly tickets have been purchased by those mentioned above, are Government aware that they are allowed to travel by the three bogies of the clerks' special paid from military estimates in contravention of the Army Department instruction to the Quartermaster-General ? If so, why ?

(c) If the answer to parts (a) and (b) be in the affirmative, will Government be pleased to state what steps they propose to take against the North Western Railway for denying the facts stated in part (c) of starred question No. 137 ?

(d) With reference to the reply to part (d) of the starred question No. 137, dated the 29th August, 1933, denying the facts stated in part (a) above, do Government propose to ask the North Western Railway whether such facts were brought to the notice of the Assistant Station Masters, Simla, especially Harbanslal and others who generally used to travel in the clerks' special as Guards in charge of the train about such distinctions, by a large number of the public utilising the train, and are Government aware that they always replied that they are not authorised to check the tickets or passes of the Army Headquarters' European clerks ? If not, do Government propose to ask the North Western Railway to enquire from the public ? If not, why not ?

(e) Will Government be pleased to state further how such a large number of European clerks as mentioned in part (a) were travelling and are still travelling in the bogies paid for from military estimates ?

**Mr. P. B. Rau :** (a) I am informed that of the ten persons mentioned in this question, only two namely Messrs. Rutter and Dannett hold Army Headquarters passes, at present.

It appears that since July monthly season tickets have been issued to two of the persons named, namely Mrs. Augustine for August and September, 1933, and Miss Gidson for September, 1933.

(b) I understand that persons found travelling without tickets or passes are charged excess fares by the Railway Administration, and no person is permitted to travel without a ticket or a pass.

The entrainment and detrainment is supervised by the Camp Sergeant and a certificate is forwarded to the Assistant Operating Officer, Simla, that only those entitled to travel in these couches actually have travelled.

(c) I cannot see in what respect the Honourable Member contends that the information given previously was incorrect.

(d) I am informed that all the three Assistant Station Masters report that no such facts were brought to their notice by anybody. They also deny having stated that they are not authorised to check the tickets or passes of Army Headquarters European Clerks.

Government do not consider that a public enquiry is called for.

(e) In view of the reply to parts (a) and (b), this question does not arise.

PROVISION OF A CLUB FOR INDIAN CLERKS LIVING IN SUMMER HILL QUARTERS.

919. \*Sardar Sant Singh : (a) With reference to the reply to starred question No. 138, dated the 29th August, 1933, will Government be pleased to state the reasons why the Club House built at Government expense is only reserved for a particular community of Government servants, namely Europeans and Anglo-Indians, living in Summer Hill Government quarters ?

(b) Will Government be pleased to state further the reasons why the Europeans and Anglo-Indians, working in the civil departments and offices as well are allowed to utilise the Club and why Indians who have adopted European style of living are not allowed to enjoy the Club House ?

(c) Do Government propose to remove this racial bar and allow the Indian tenants of Summer Hill Government quarters who have been allotted those quarters on the declaration that they have adopted European style of living ? If not, why not ?

(d) With reference to the reply to the starred question No. 138, dated the 29th August, 1933, will Government be pleased to state the number of European and Anglo-Indian allottees of Summer Hill Government quarters in the year of construction of the said Club House for whom Government did provide the said Club House, and will they be pleased to state the number of Indian allottees of Summer Hill Government quarters in the summer of 1933 and the summer of 1934 for whom no Club House has been provided ?

Mr. G. R. F. Tottenham : (a), (b) and (c). The Club House, Summer Hill, was provided for Europeans and Anglo-Indians at a time when there were very few, if any, Indians living in Government quarters in that neighbourhood. If there is any general desire on the part of Indian clerks residing in Summer Hill to become eligible for membership, they can always make that desire known to Government through their Associations. A representation on the subject from any of these Associations would receive the consideration of Government in consultation with the Committee of the Club.

(d) The Club House referred to was constructed in 1926, and in that year 63 European and Anglo-Indian clerks were allotted quarters in Summer Hill. The number of Indian allottees of these quarters in 1933 and 1934 is 28 and 31, respectively.

## ARMY HEADQUARTERS SPECIAL TRAIN BETWEEN SUMMER HILL AND SIMLA.

920. \*Sardar Sant Singh : (a) With reference to the reply to part (a) of the starred question No. 139, dated the 29th August, 1933, will Government be pleased to state whether cases of eviction of Indian ladies and school boys from intermediate class compartments attached to the clerks' Special by Army Headquarters clerks were ever reported to the North Western Railway staff and if so, how often ?

(b) Did the North Western Railway staff take any action on such reports ; if so, why did they take those steps for removing the aforesaid grievances ?

Mr. P. R. Rau : I understand no such reports were ever made to the North Western Railway staff.

## ARMY HEADQUARTERS SPECIAL TRAIN BETWEEN SUMMER HILL AND SIMLA.

921. \*Sardar Sant Singh : (a) With reference to the reply to part (b) of the starred question No. 139, dated the 29th August, 1933, will Government be pleased to state whether on the 28th August last, Lieutenant Whitnars and other European clerks and several school-going children were occupying first and second class compartments by the 4-20 train which is not the clerks' Special ?

(b) Is it a fact that the said Europeans forced a small Indian boy of about eight years' age to get down from a compartment of the train on the ground that the boy held an intermediate class monthly ticket ?

(c) Is it a fact that the said European clerks and children travelling by the Bombay mail with Army Headquarters' passes in first and second class compartments were asked by the North Western Railway staff, on the intervention of other Indian passengers, to leave the compartments, and is it a fact that they refused to do so unless the North Western Railway staff brought the railway police ?

(d) If the answers to parts (a), (b) and (c) be in the affirmative, do Government propose to make a thorough investigation for verifying whether the facts stated in part (b) of the starred question No. 139, dated the 29th August, 1933, are correct ? If not, why not ?

Mr. P. R. Rau : (a) and (c). On the 28th August, 1933, I understand some European gentlemen and several school boys and children, who did not possess tickets but were in possession of Army Headquarter passes, were prevented from travelling by the 16-20 train. They were accommodated in the Soldier Clerks Special leaving Simla at 16-29 hours. This action on the part of the Railway staff was not prompted either by the public or by the police.

(b) The Railway Administration is unaware of this.

(d) Government do not consider that any special investigation is necessary.

## PROVISION OF FACILITIES FOR FREE CONVEYANCE TO THE CIVILIAN CLERKS LIVING IN SUMMER HILL QUARTERS.

922. \*Sardar Sant Singh : (a) With reference to parts (b) and (c) of the starred question No. 140, dated the 29th August, 1933, will Government be pleased to state whether the civilian clerks of Army Headquarters living in Summer Hill Government quarters form the bulk of the Army

Headquarters pass-holders for free conveyance by the clerks' special train ?

(b) If so, is it a fact that such civilian clerks living in Summer Hill are not entitled to free conveyance under the military rules ? If so, will Government be pleased to state the reasons why other civilian clerks employed in other civil departments and offices of the Government of India other than the Army Headquarters are not allowed free conveyance by the said clerks' Special ?

(c) Do Government propose to remove this preferential treatment of one class of Government of India servants over another class ?

**The Honourable Sir Harry Haig :** With your permission I shall answer questions Nos. 922, 924 and 925 together.

The number of clerks of the Army Headquarters who travel free by the special train running between Summer Hill and Simla is as follows :

(a) Military clerks ..	24
and their children (entitled to free conveyance under military rules) .. ..	12
- (b) Civilian clerks not entitled to free conveyance under military rules .. ..	44

The question of free train service for the clerks of Civil Departments in occupation of Government quarters at Summer Hill was examined in 1924. The Imperial Secretariat Association who were consulted in the matter stated that there was no pressing demand for free conveyance. The matter was dropped and Government do not propose to reopen it.

It is within the discretion of various Civil Departments to allow such of their clerks as may reside at Summer Hill and who arrive in office by 9-45 A.M. to leave office at 4 P.M. to take advantage of the special train which is run between Summer Hill and Simla.

**GRANT OF HOUSE RENT TO CLERKS UNWILLING TO OCCUPY SUMMER HILL QUARTERS.**

923. \***Sardar Sant Singh :** With reference to the reply to part (a) of the starred question No. 143, dated the 29th August, 1933, will Government be pleased to state whether it is a fact that those who are liable to be allotted Summer Hill quarters are being compelled to occupy them on pain of forfeiting their house rent allowance in Simla ? If not, will Government be pleased to state whether men governed by the new house rent rules and declaring to have adopted European style of living but not willing to occupy Summer Hill quarters will be entitled to house rent allowance admissible under the Simla Allowance Code ?

**The Honourable Sir Frank Noyce :** Those Government servants, who are governed by the new rates of Simla house-rent allowance and who have claimed to be considered eligible for the European style of living quarters,

cannot draw the allowance if they refuse to accept the offer of quarters at Summer Hill.

PROVISION OF FACILITIES FOR FREE CONVEYANCE TO THE CIVILIAN CLERKS LIVING IN SUMMER HILL QUARTERS.

†924. \*Sardar Sant Singh : With reference to the reply to part (b) of the starred question No. 144, dated the 29th August, 1933, stating that the special train was sanctioned and free passes granted to all Army Headquarters clerks allotted Summer Hill quarters, majority of whom do not enjoy military status, to ensure that they should reach office punctually in the mornings and return to their quarters at a reasonably early hour in the afternoons without being compelled to walk the comparatively long distance to and from Summer Hill, will Government be pleased to state the reasons why the same consideration is not shown to Government servants belonging to civil departments and offices living in Summer Hill Government quarters and whose office hours are from 10-30 A.M. to 4-30 P.M. and do not coincide with the office hours of the Army Headquarters offices which are from 10 A.M. to 4 P.M. ?

CHANGE OF TIMINGS OF THE ARMY HEADQUARTERS SPECIAL TRAIN OR OF OFFICE HOURS OF GOVERNMENT OFFICES IN SIMLA.

†925. \*Sardar Sant Singh : Do Government propose to change the timing of the clerks' special or change the office hours of the Government offices in Simla in such a way as to make the timing of the clerks' special from Summer Hill to Simla and *vice versa* suitable to all clerks living in Summer Hill quarters irrespective of whether they belong to civil offices or Army Headquarters offices ? If not, why not ?

SUITS INSTITUTED BY GOVERNMENT FOR THE DECLARATION OF THEIR PROPRIETARY RIGHTS IN RESPECT OF CERTAIN SITES AND BUNGALOWS IN THE RAWALPINDI CANTONMENT.

926. \*Sardar Sant Singh : Is it a fact that Government have instituted law suits for the declaration of their proprietary rights in respect of certain sites and bungalows in the Rawalpindi Cantonment ? If so, will Government be pleased to state the names of the owners of such sites and bungalows against whom such cases were instituted this year and last year in Rawalpindi Cantonment ?

Mr. G. R. F. Tottenham : With your permission, Sir, I will answer questions Nos. 926 and 927 together.

In 1932 Government filed one suit in Rawalpindi Cantonment ; this was against Sardar Sohan Singh for a declaration of their proprietary rights in the site of bungalow No. 193.

Judgment was delivered on the 10th July, 1933, upholding Government's claim.

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† For answer to this question, see answer to question No. 922.

**SUITS INSTITUTED BY GOVERNMENT FOR THE DECLARATION OF THEIR PROPRIETARY RIGHTS IN RESPECT OF CERTAIN SITES AND BUNGALOWS IN THE RAWALPINDI CANTONMENT.**

†927. \***Sardar Sant Singh** : (a) Is it a fact that a law suit was instituted by Government for the declaration of proprietary rights for certain sites and bungalows in the Rawalpindi Cantonment recently ?

(b) Is it a fact that the judgment of the said case was delivered by the judge in favour of Government on the 10th July ? If not, when was the judgment actually delivered ?

**ABUSE OF DISCRETIONARY POWERS VESTED IN THE INCOME-TAX OFFICERS AT CALCUTTA.**

928. \***Mr. D. K. Lahiri Chaudhury** : (a) Are Government aware that the discretionary powers vested in the Income-tax Officers at Calcutta are highly abused ?

(b) Are Government aware that the Income-tax Officers at Calcutta do not give any reasonable opportunity to the assesseees to enable them to comply with the notices under sections 22 (4) and 23 (2) and that efforts are generally made to make heavy assessments under section 23 (4) of the Indian Income-tax Act, depriving the assesseees of their rights of appeal on merits ?

**The Honourable Sir George Schuster** : With your permission, Sir, I shall answer questions Nos. 928 and 932 together. Enquiries are being made and the results will be laid on the table in due course.

**PETITIONS FILED UNDER SECTION 27 OF THE INDIAN INCOME-TAX ACT IN CALCUTTA.**

929. \***Mr. D. K. Lahiri Chaudhury** : Will Government be pleased to state how many petitions under section 27 of the Indian Income-tax Act were filed during the years 1930-31, 1931-32 and 1932-33 ? How many out of them were accepted and what were the amounts of tax refunded to the assesseees by such acceptance ?

**The Honourable Sir George Schuster** : As regards the first part of the question, a statement is laid on the table. As regards the second part, the information desired is not on record and could not be compiled without the expenditure of time and labour disproportionate to the value of the results.

*Statement showing the number of applications filed under Section 27 of the Indian Income-tax Act, 1922, and those accepted during the years 1930-31, 1931-32 and 1932-33.*

	No. of applications filed under section 27.	No. of applications accepted under section 27.
1930-31	9,733	2,331
1931-32 .. .. .	9,545	2,397
1932-33 ..	12,613	3,058

† For answer to this question, see answer to question No. 926.

## AMOUNT OF INCOME-TAX COLLECTED IN CALCUTTA.

930. \***Mr. D. K. Lahiri Chaudhury** : Will Government be pleased to state what was the amount of income-tax collected under section 23 (4) of the Indian Income-tax Act, during 1930-31, 1931-32 and 1932-33 in cases where returns were filed ? And what should have been the amount of tax if they had been accepted as correct ?

**The Honourable Sir George Schuster** : The information is not on record and could not be compiled without an expenditure of time and labour disproportionate to the value of the results.

## INCOME-TAX CIRCULARS ISSUED BY THE CENTRAL BOARD OF REVENUE.

931. \***Mr. D. K. Lahiri Chaudhury** : Will Government be pleased to state whether the income-tax circulars issued by the Central Board of Revenue from time to time to the Income-tax Department are not made accessible to the assesseees ? If not, why not ?

**The Honourable Sir George Schuster** : Income-tax circulars issued by the Central Board of Revenue that are of general public interest are incorporated in the Income-tax Manual to which the public have access.

## ASSESSMENT OF INCOME-TAX IN CALCUTTA.

\*932. \***Mr. D. K. Lahiri Chaudhury** : Are Government aware that the Income-tax Officers at Calcutta while making assessments to the best of their judgment or while exercising their discretion under section 13 of the Indian Income-tax Act, generally place reliance on the reports furnished by their secret informers and give absolutely no opportunity to the assesseees to rebut them ?

## UNSTARRED QUESTIONS AND ANSWERS.

## RECRUITMENT OF MEMBERS OF MINORITY COMMUNITIES IN THE POST OFFICES AND RAILWAY MAIL SERVICE IN THE BOMBAY PRESIDENCY.

55. **Mr. N. M. Joshi** : Will Government be pleased to state :
- (a) whether the recruitment rules, regarding the communal composition of clerical staff in the Post Offices and Railway Mail Service in the Bombay Presidency, require every third vacancy to be reserved for communal preponderance ;
  - (b) whether the minority community for the purpose of recruitment in Bombay Circle includes Parsis, Christians, Muslims and the backward and depressed classes, or refers exclusively to Muslim community alone ;
  - (c) what are the supplementary instructions, if any, in connection with recruitment laid down by the Postmaster-General, Bombay, and whether they have the approval of the Government of India ?

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† For answer to this question, see answer to question No. 928.

**The Honourable Sir Frank Noyce :** (a) The fact is not exactly as stated by the Honourable Member but to prevent the undue preponderance of any one class or community, Government have laid down that one-third of all permanent vacancies to be filled by direct recruitment should be reserved for the redress of communal inequalities.

(b) The one-third reservation is not for Muslims alone but for the minority communities taken together.

(c) Government are not aware that any supplementary instructions are in force in the Bombay Postal Circle, but if the Honourable Member will give me particulars of any such instructions, I shall be glad to inquire into the matter.

**OVERSEER AND SORTING POSTMEN UNDER THE CONTROL OF THE PRESIDENCY POSTMASTER, BOMBAY.**

56. **Mr. N. M. Joshi :** Will Government be pleased to state :

- (a) the total number of overseer postmen and sorting postmen, since termed as Lower Division clerks, under the control of the Presidency Postmaster, Bombay, on 1st June, 1933 ;
- (b) the total number of Lower and Upper Division clerks under his control ;
- (c) the total number of reserve staff for the combined cadre of Upper and Lower Division clerks in accordance with 17 per cent. holding appointments in Bombay ;
- (d) if the full percentage of leave reserve has not yet been sanctioned, and, if so, when it would be sanctioned and what instructions have been issued so that the leave to the staff for want of reserve may not be refused ?

**The Honourable Sir Frank Noyce :** (a) to (c). Government regret that the information required for purposes of parts (a) to (c) of the question is not readily available.

(d) Government are not aware that a leave reserve of the full strength has not been sanctioned and that for this reason there has been any difficulty in granting leave to the staff. Should the facts be as reported by the Honourable Member it is for the Head of the Circle to represent the matter to the Director General ; a copy of this question is being sent to that officer.

**FRAUDS COMMITTED BY THE DEPARTMENTAL AND EXTRA-DEPARTMENTAL STAFF IN THE BOMBAY POSTAL CIRCLE.**

57. **Mr. N. M. Joshi :** Will Government be pleased to state :

- (a) the number of frauds committed by the (i) departmental, and (ii) extra-departmental postal staff in Bombay Circle during the period of six months from the 1st January, 1930 to the 30th June, 1930 ;
- (b) the number of frauds proved and under enquiry committed by (i) departmental branch postmasters, (ii) extra-departmental branch postmasters, (iii) postmen, and (iv) gratuity agents, from the 1st January, 1933 to the 30th June, 1933 ?

**The Honourable Sir Frank Noyce :** I regret that the information asked for is not readily available and it would involve undue labour to collect it.

**ALLEGED MISMANAGEMENT OF THE CENTRAL PUBLICATION BRANCH.**

58. **Mr. S. C. Mitra :** (a) Has the attention of Government been drawn to the report in the Delhi edition of the *Statesman*, dated the 27th August, 1933, under the caption "Rush to Buy Book on reforms—Busy Delhi Office" ?

(b) If so, will Government be pleased to state the amount earned by sale of publications of the Reforms Office from July to the 27th of August ?

(c) How many complaints against the Central Publication Branch were received during the last financial year from the Members of the Legislature, as stated by Mr. D'Eca, Officiating Manager, to the Press representative ?

(d) Will Government be pleased to state the circumstances of the complaints ?

(e) Who are those Members from whom complaints had been received ?

(f) What is the total number of indents received during the last financial year ?

(g) Did Mr. D'Eca invite the Press representative ?

(h) Is the present building, where the Central Publication Branch is located, four times as large as the one the Branch had occupied in Calcutta, as reported by Mr. D'Eca ?

(i) Is it a fact that lots of publications are lying in closed boxes in the verandahs ?

(j) If so, is it due to paucity of racks and space ?

(k) Is it a fact that the rains of late have done considerable damage to these publications ?

(l) Is it a fact that many publications are being damaged by white ants ?

**The Honourable Sir Frank Noyce :** (a) Yes.

(b) Rs. 454.

(c) The statement did not refer to the last financial year ; there are no records in my Department of any complaints being received from Members during that period.

(d) and (e). Do not arise.

(f) 64,359.

(g) No.

(h) On the basis of such information as it has been possible to obtain at short notice, rather over three times would have been more accurate.

(i) Yes.

(j), (k) and (l). No.

## CENTRAL BOOK DEPOT, CALCUTTA.

59. **Mr. S. C. Mitra :** (a) How long has the Central Book Depot, Calcutta, been in existence ?

(b) Was it opened during the time of Messrs. Letton and D'Eca ?

(c) What is the average sale-proceeds at present at that Book Depot ?

(d) What is the oldest Government of India publication in stock in the Central Publication Branch ?

(e) Is it a fact that from sale point of view Calcutta was better than Delhi ?

(f) If so, was this fact given due consideration before the transfer was given effect to ?

**The Honourable Sir Frank Noyce :** (a) About 9½ years.

(b) No.

(c) The average for the last 5 months is Rs. 2,568.

(d) Act No. II of 1834.

(e) Yes.

(f) Yes ; the Retail Book Shop was not transferred.

## USE OF OFFICE LORRY BY THE MANAGER, CENTRAL PUBLICATION BRANCH.

60. **Mr. S. C. Mitra :** (a) What is the monthly expenditure on account of petrol consumption of the lorry of the Central Publication Branch ?

(b) Is it a fact that the lorry goes daily to the Officiating Manager's bungalow in New Delhi to bring his lunch ?

(c) If so, is the Manager competent to use the lorry for his personal use ?

**The Honourable Sir Frank Noyce :** (a) About Rs. 144 a month.

(b) I am informed that this is not the case but that the lorry has brought the Manager's lunch from other places in New Delhi where it happened to be at the time.

(c) No.

## INSOLVENCY OF MR. JAMES ROWLAND HOPPER, AN EMPLOYEE OF THE CENTRAL PUBLICATION BRANCH.

61. **Mr. S. C. Mitra :** (a) With reference to the issue of the Gazette of India, dated the 26th September, 1931, Part II, page 1134, will Government please state whether Mr. James Rowland Hopper, adjudged insolvent, is still an employee of the Central Publication Branch ?

(b) If so, did the employee obtain previous sanction of the Department concerned before filing the insolvency petition ? If so, when ?

(c) What are the rules that govern public servants in respect of filing insolvency petitions ?

(d) If the answer to part (b) above, be in the negative, what action do Government propose to take in the light of part (c) above ?

**The Honourable Sir Frank Noyce :** (a) Yes.

(b) and (c). There are no rules requiring a Government servant to obtain the previous sanction of the Department in which he is serving before filing an insolvency petition, and so far as I am aware, no sanction was sought in this case.

(d) Does not arise.

#### SCHEME OF REORGANISATION OF THE CENTRAL PUBLICATION BRANCH.

62. **Mr. S. C. Mitra :** Is it a fact that the Controller of Printing and Stationery has submitted a scheme of reorganisation of the Central Publication Branch ? If so, on what lines is the reorganisation proposed to be effected ?

**The Honourable Sir Frank Noyce :** The answer to the first part is in the negative ; the second part does not arise.

#### RECRUITMENTS MADE IN THE CENTRAL PUBLICATION BRANCH.

63. **Mr. S. C. Mitra :** (a) Is it a fact that some new men have been recruited by the Officiating Manager, Central Publication Branch, in the grade of Rs. 45—140 ?

(b) If so, was any sanction for the appointments obtained ?

(c) Were the vacant posts advertised in any newspaper ?

(d) Did the men employed apply for the job ? If so, will Government please state the dates of the receipt of their applications ?

**The Honourable Sir Frank Noyce :** (a) Yes.

(b) Yes, in cases where sanction is necessary.      outside

(c) No.

(d) A formal application dated the 17th July, 1933, was received from one candidate. Others presented themselves personally for employment.

#### POSITION OF TEMPORARY CLERKS IN THE CENTRAL PUBLICATION BRANCH.

64. **Mr. S. C. Mitra :** (a) Is it a fact that a large number of temporary clerks employed in Calcutta in the Central Publication Branch, having considerable length of service, have been drawing Rs. 35 per mensem on being re-appointed at Delhi ?

(b) If so, will Government please state why these temporary clerks were not given preference over the new men ?

(c) Are Government aware that about 35 extra daily-paid men, in addition to the permanent strength, are doing clerical duties in the Central Publication Branch, Delhi ?

(d) Have Government received any report of paucity of staff in that office ?

(e) Did Government receive a report from the Controller of Printing and Stationery that with the removal of the Central Publication Branch to Delhi the office could be run with less staff and at less cost ?

**The Honourable Sir Frank Noyce :** (a) No. The number of men so appointed is four only.

(b) Because they were not considered suitable for the posts to which the newcomers were appointed in an officiating capacity.

(c) Yes.

(d) Yes, in 1931.

(e) No.

#### CLERICAL DUTIES DONE BY THE RECORD SUPPLIERS IN THE CENTRAL PUBLICATION BRANCH.

65. **Mr. S. C. Mitra :** (a) Are Government aware that in the Central Publication Branch office permanent Record Suppliers, possessing minimum qualification for clerical appointments are deputed to carry on clerical duties ?

(b) Is it a fact that the claims of these are ignored at the time when chances of promotion to clerical grades occur ?

(c) Is it a fact that two Record Suppliers are now maintaining Ledger Books of the Central Publication Branch ?

**The Honourable Sir Frank Noyce :** (a), (b) and (c). Government have no information on any of the points referred to by the Honourable Member which relate to matters of detail within the competence of the Head of the Department. It is open to any employee who considers that he has a grievance in the matter of promotion to make a representation to the proper authority in the ordinary way.

#### POLICY OF GOVERNMENT TOWARDS COMPANY-MANAGED RAILWAY SCHOOLS.

66. **Mr. S. C. Mitra :** (a) Will the Honourable Member in charge of Railways be pleased to state the policy adopted by Government towards the Railway schools under Company management ?

(b) Is it a fact that the whole question of education of the children of Railway employees is under the consideration of the Railway Board since 1926 and that no definite policy has been laid down as yet ?

(c) Is the Honourable Member aware that in the absence of a definite policy on the part of Government, the Railway authorities have been precluded from making any building grants to the Indian Schools ?

**Mr. P. B. Rau :** (a) I would refer the Honourable Member to the memorandum placed before the Central Advisory Council for Railways on this subject on the 30th June, 1930, copies of which are available in the Library of the House.

(b) The Honourable Member is correct in the assumption that the question was first brought up for consideration in 1926 ; since then Government have been in correspondence with Local Governments and came to preliminary decisions in 1930 after consulting the Central Advisory Council for Railways. An officer of the Education Department was then

deputed to investigate the cost of giving assistance to railway employees on the North Western, East Indian, Eastern Bengal and Great Indian Peninsula Railways towards the education of their children and to make recommendations for the introduction of improvements in the methods of administration. His report was received in 1932 and is still under the consideration of the Government of India.

(c) The instructions of Government to Railways are to the effect that no new railway schools should be opened except when it is clearly necessary to do so, for instance where the establishment of a school would cost less than the parental assistance or where the educational facilities of the requisite standard are lacking and the Local Government or local body is not prepared to provide the school or schools necessary.

AMOUNTS CONTRIBUTED BY THE BENGAL NAGPUR RAILWAY FOR THE CONSTRUCTION OF THE BUILDINGS OF CERTAIN INDIAN SCHOOLS.

67. **Mr. S. C. Mitra :** (a) Will Government please state the amounts so far contributed by the Bengal Nagpur Railway towards the construction of Indian, (i) H. E., (ii) Boys' Primary and (iii) Girls' School buildings at Khargpur, Adra and Chakradharpur ?

(b) Is it a fact that no school buildings have been provided by the Bengal Nagpur Railway for the Girls' and Boys' Primary Schools at Adra, though the schools were started in 1926 and 1928 respectively ?

**Mr. P. R. Rau :** With your permission, Sir, I propose to reply to questions Nos. 67 and 69 together.

Information is being obtained from the Railway Administration and a reply will be laid on the table in due course.

POSITION OF TEACHERS IN COMPANY-MANAGED RAILWAY SCHOOLS.

68. **Mr. S. C. Mitra :** (a) Will Government please define the position, in relation to the Railway Board, of teachers in Railway Schools under Company management ?

(b) Are they treated as regular Railway employees or employees under the local Fund as in the Bengal-Nagpur Railway, or as teachers of aided schools only ?

(c) Are they admitted to all the privileges to which a regular Railway employee is entitled ?

(d) Do the Railway Board exercise any control over these school teachers and regulate in any way their pay, grades, leave, promotion, etc. ?

(e) Will Government please state if they ever did, or do, contemplate placing the Railway schools under Company management on the same footing as those under State management ?

(f) In view of the centralised control of Railways, are Government prepared to consider the advisability of introducing one uniform system of control and the same scales of salaries for the teachers of both the State and Company-managed Railway schools ?

(g) Will Government please state the reason for introducing the percentage cut in the salaries of teachers in the Railway schools under Company management ?

(h) Will Government please state if they propose to direct the Railway authorities to refund the amount of the cut in their salaries to the teachers in schools under Company-managed Railway ?

**Mr. P. B. Rau :** (a) The Railway Board does not intervene in the relations between the Company-managed Railways and their servants.

(b) and (c). Government have no information.

(d) No.

(e) It is not possible for Government to take over the management of schools of Company-managed Railways.

(f) Government consider this unnecessary.

(g) The reason was the same as that for introducing a percentage cut in the salaries of railway staff in general, viz., the financial position of Railways and the Government of India.

(h) No.

#### CONSTRUCTION OF QUARTERS FOR TEACHERS OF BENGAL NAGPUR RAILWAY SCHOOLS.

†69. **Mr. S. C. Mitra :** (a) Will Government please state if teachers in Railway schools are entitled to free quarters ?

(b) Will Government please state the number of school teachers at Khargpur, Adra and Chakradharpur and the number of quarters built or made available for school teachers ?

(c) Are Government aware that no rented houses are available at Khargpur and Adra, specially at the latter place ?

(d) Are Government prepared to consider the necessity of providing immediate funds for the construction of quarters for the teachers in the Bengal Nagpur Railway schools ?

#### DEMOTION OF CERTAIN DRIVERS OF THE GREAT INDIAN PENINSULA RAILWAY.

70. **Mr. S. G. Jog :** (a) Will Government be pleased to state whether it is a fact that the following drivers of the Great Indian Peninsula Railway, Bombay were demoted from A. and B. Grades to C. Grades in April, 1931 :

Messrs. T. W. Kelly, H. V. Douter, E. O. Harper, L. George, H. B. Kirk, H. S. Leader, J. C. Ellis, W. H. Terry, E. Turner, F. Rustamjee, H. Dinshaw, and J. Jacobs ?

If so, have they been re-instated in their former grades in accordance with the recommendation of the Murphy Enquiry, viz., retrenchment was not warranted and the persons should be taken back in the same order as they were retrenched ?

(b) Is it a fact that the orders contained in Railway Board letter No. 683-E. G., of the 3rd March, 1932, regarding promotion of demoted hands are not acted upon by the Agent, Great Indian Peninsula Railway, in respect of these drivers ? If so, why ?

†For answer to this question, see answer to question No. 67.

(c) Is it a fact that junior drivers from the multiple units at Bombay were transferred to up-country Divisions where they were promoted and the said demoted drivers' claims remained unattended? If so, will Government please state whether the Railway Board letter No. 381-L. of the 19th August, 1932, is not applicable to the Agent, Great Indian Peninsula Railway, in respect of these demoted drivers?

(d) Do Government propose to inquire into and rectify the error, if any?

**Mr. P. R. Rau :** Government have no information, but I have sent a copy of the question to the Agent, Great Indian Peninsula Railway, for such action as he may deem fit to take.

#### RETRENCHMENT OF ANGLO-INDIANS BY THE SUPERINTENDENT, RAILWAY SCHOOL OF TRANSPORTATION, CHANDAUSI.

71. **Mr. S. G. Jog :** Is it a fact that the Agent, East Indian Railway, in one of his letters, No. A.E.-2427|3, dated the 13th July, 1933, stated that "there are at present no European or Anglo-Indian staff on the list of those to be retrenched"? If so, when was this list compiled and how many Anglo-Indians are discharged under terms of retrenchment by the present Superintendent, Railway School of Transportation, Chandausi?

**Mr. P. R. Rau :** Government have no information, but have sent a copy of the question to the Agent, East Indian Railway, for any action necessary.

#### UNIFORMS SUPPLIED TO TRAVELLING TICKET EXAMINERS ON THE EAST INDIAN RAILWAY.

72. **Mr. S. G. Jog :** (a) Is it a fact that Anglo-Indian Travelling Ticket Examiners under the Watch and Ward Department have been provided with decent white uniforms as compared with others under the Traffic Department? If so, why? Will Government please state whether the gaberdine grey purchased for the uniforms of the Travelling Ticket Examiners under the Traffic Department has by now been used up as stated in reply to question No. 1133 in the Legislative Assembly on the 2nd October, 1931?

(b) Was any indent for gaberdine grey placed after the 2nd October, 1931; if so, why?

**Mr. P. R. Rau :** I have called for information and will lay a reply on the table in due course.

#### NUMBER OF CERTAIN INDIAN OFFICERS ON THE NORTH WESTERN RAILWAY.

73. **Mr. S. C. Mitra :** (a) Will Government please state how many Indians are Loco. Foremen, Station Superintendents, Station Masters grade 6, 7, 8, Deputy Chief Controllers and Chief Controllers, etc., etc., on the North Western Railway?

(b) What is the total strength of the above mentioned officials on the North Western Railway, and how many out of them have qualified from the Walton Training School?

(c) Is there any exception to the rules that the existing incumbents, holding posts referred to in part (a) above can continue to work as such without qualifying from the Walton Training School ?

**Mr. P. R. Rau :** (a) and (b). I would invite the attention of the Honourable Member to the statement contained on page 51 of the report by the Railway Board on Indian Railways for 1931-32, Volume I, which gives information regarding the total number of subordinates on scales rising to Rs. 250 per mensem and over on the North Western Railway on the 1st April, 1932. There were 1,005 Indians out of a total of 1,348. Government are not aware how many of these have qualified from the Walton Training School.

(c) An enquiry is being made and a further reply will be placed on the table of the House in due course.

#### RECKONING OF SENIORITY ON THE NORTH WESTERN RAILWAY.

74. **Mr. S. C. Mitra :** Will Government please state if the Europeans, Anglo-Indians, Christians and Parsees are reckoned as seniors to their Indian colleagues on the North Western Railway on account of the former's high start in pay, and will now give way to the latter for higher appointments ?

**Mr. P. R. Rau :** Government have no information, but I have sent a copy of the question to the Agent, North Western Railway, for consideration.

#### CONFIRMATIONS IN THE GRADE OF ASSISTANT STATION MASTERS ON THE NORTH WESTERN RAILWAY.

75. **Mr. S. C. Mitra :** (a) Will Government kindly state how many men of the Station Staff have been confirmed in grade 5 of Assistant Station Masters on the North Western Railway ?

(b) What is the total strength of these officials of each community on the said Railway ?

**Mr. P. R. Rau :** Government have no information.

#### DISCRIMINATION IN THE DISTRIBUTION OF QUARTERS ON THE NORTH WESTERN RAILWAY.

76. **Mr. S. C. Mitra :** (a) Is it a fact that the Agent, North Western Railway, under his letter No. 961-E.95, dated the 21st September, 1932, addressed to the General Secretary, North Western Railway Union, Lahore, had declared the policy for distribution of the Railway quarters to the subordinate employees in the following order :

- (i) staff eligible for free quarters or house allowance in lieu thereof ;
- (ii) staff not eligible for free quarters but who, it is considered desirable, should live close to their work ;
- (iii) staff not covered by (i) and (ii) above ?

(b) If the reply to part (a) be in the affirmative, will Government please state whether some Railway Controllers, who are eligible for the

privilege of free quarters, are living at Delhi in houses which are below their cadres, while their colleagues paying house rent have been given a superior class of quarters for residential purposes by the North Western Railway authorities ? If so, under what rules ?

(c) Are Government prepared to order the Agent, North Western Railway, to abolish this sort of discrimination in theory as well as in practice ?

**Mr. P. B. Rau :** The required information is being obtained from the Railway Administration, and will be laid on the table in due course.

#### PASSES FOR DEPENDENTS OF EMPLOYEES OF THE NORTH WESTERN RAILWAY.

77. **Mr. S. C. Mitra :** (a) Is it a fact that free passes to dependent relatives of the employees on the North Western Railway under rule 25 of Pass Rule Book of 1928 are admissible to an employee's widow mother, sisters and step-sisters, unmarried or widowed, and not to the employee's son or sons of 18 years and above, who may be more dependent on their fathers on account of the present universal unemployment and trade depression ?

(b) Are Government prepared to see that these pass rules are modified so that the son or sons of the employees are made eligible for free passes upto the age of 25 years ?

**Mr. P. B. Rau :** (a) Yes.

(b) Government consider that the concession of free passes and the conditions attaching thereto are already sufficiently generous, and do not see reason to extend it further.

#### FORMATION OF AN INDIAN FORCE WING OF THE ROYAL AIR FORCE.

78. **Mr. S. C. Mitra :** (a) Is it a fact that it has been decided to form an Indian Air Force wing of the Royal Air Force ? If so, when was the decision arrived at and what progress has been made towards it since then ?

(b) Has the First Squadron of Indian Air Force been formed ? If so, when was it formed and how many of its personnel are Indians at present and how many are eventually to be Indians in each of the various trades ?

(c) When is the Second Squadron of the Indian Air Force to be formed and what will be the strength of Indians in its subordinate combatant ranks in the various trades separately ?

(d) When were the rules, etc., for recruitment of subordinate ranks for Indian Air Force issued by Government, and when is it proposed to issue similar rules, etc., for the recruitment of Warrant Officers for the Force ?

**Mr. G. B. F. Tottenham :** (a) and (b). The decision to form an Indian Air Force was arrived at some years ago, and after the necessary legislation had been passed, the Force, which does not form a part or wing of the Royal Air Force, was constituted on the 8th October, 1932. The present intention is to build up one squadron consisting of three flights, the first of which was formed on the 1st April, 1933.

The following statement shows the establishment of this flight and the number of Indians who belong to it :

General Duties Officers ..	9
Stores Officer ..	1
Other ranks .. .. .	53

NOTE.—Six officers have completed their training in England, two of whom were killed in a recent flying accident. One was diverted to Stores duties and is serving in India as a Stores Officer. Eight cadets are at present under training at the Royal Air Force College and one has recently passed out of the College and is undergoing further training in a Royal Air Force unit in England.

Twenty-two other ranks have been enrolled. Seventeen of these are still being trained in India and five have completed their training.

It is intended that the Flight should eventually consist entirely of Indians.

(c) The question of forming a second squadron has not yet been considered, and must depend on the progress made by the first.

(d) Rules for the recruitment of subordinate ranks were issued in 1931. There is no directly recruitment of Warrant Officers. Vacancies in Warrant ranks will be filled by the promotion of men from the lower ranks.

#### SELECTION OF PERSONNEL FOR ENROLMENT IN THE COMBATANT RANKS OF THE INDIAN AIR FORCE.

79. **Mr. S. C. Mitra :** (a) When is the next selection of personnel for enrolment in the combatant ranks of Indian Air Force to be made and what is the number of applications so far received and the number of persons to be selected for each trade ?

(b) Are any technical qualifications or workshop training essential for (i) trades involving apprenticeship and (ii) trades not involving apprenticeship ? If so, what particular training or previous qualifications, in addition to general education and knowledge of English, are necessary for each trade ?

(c) Can a candidate be enrolled direct for any of the "trades not involving apprenticeship" without first joining as an "aircraft-hand" ?

(d) Is it a fact that applications for "apprenticeships" have to be made direct to the Royal Air Force Headquarters but for "trades involving apprenticeship" have to be made through Recruiting Officers or Technical Recruiting Officers whose recommendation is considered necessary ? If so, what is the reason for this distinction ?

(e) Will Government please state when and how the final selection of candidates for enrolment in the subordinate combatant ranks of the Indian Air Force is to be made ?

(f) When is the recruitment to be made for enrolment as Warrant Officers and will these ranks be open for promotion to the personnel in the subordinate combatant rank ?

(g) Is there any non-combatant branch also of the Indian Air Force ? If so, what does it consist of ?

**Mr. G. R. F. Tottenham :** (a) Selection of personnel for enrolment in the combatant ranks of the Indian Air Force will be made during the next few months. Over 1,000 applications have been received. It is proposed to select about 27 apprentices for trades which involve training, such as :

Blacksmith and Welder,  
Coppersmith and Metal Worker,  
Electrician,  
Wireless Operator Mechanic,  
Wireless Operator,  
Fitter Aero Engine,  
Metal Rigger,  
Fitter Armour,  
Armourer.

About 13 men will also be required for trades which do not involve apprentice training, such as :

Carpenter,  
Photographer,  
Storekeeper,  
Clerk,  
Aircrafthand.

(b) Candidates for trades involving apprentice training should have received some preliminary technical education at a technical school or college, combined with some practical workshop training. It will be necessary for them to have sufficient knowledge of English to enable them to understand instruction imparted in that language. No preliminary technical or literary education will be required in the case of candidates for trades not involving apprentice training.

(c) No.

(d) Applications for enrolment as apprentices have to be made to Royal Air Force Headquarters. A list of technical schools and colleges which are considered likely to provide individuals with the necessary qualifications has been prepared and candidates from those schools and colleges have to apply through their Principals who have been furnished with full particulars regarding the enrolment of airmen in the Indian Air Force. Candidates for enrolment in trades not involving apprentice training should apply to the nearest Recruiting Officer. This is in order that they may be medically examined, interviewed personally, and reported upon.

(e) It is proposed that those who are recommended as suitable for training as apprentices by the Principals of Technical Colleges should be interviewed by a Board of Royal Air Force Officers.

Personnel for trades not involving apprentice training will be selected on the recommendation of Recruiting Officers.

(f) A reference is invited to the reply given to part (d) of question No. 99.

(g) Yes. The non-combatant branch of the Indian Air Force consists of certain technical workshop personnel and followers who are employed as ancillary personnel to Royal Air Force units and the Indian Air Force flight.

DEVICES ADOPTED BY CERTAIN PERSONS TO EVADE THE CHILD MARRIAGE RESTRAINT ACT.

80. **Mr. Bhuput Sing** : (a) With reference to my question regarding breaches of the Sarda Act by persons restoring to Chandarnagore and other places, answered on the 28th August, 1933, will Government be pleased to state whether proper enquiries were made from all places before the answer was given ?

(b) If so, was it verified whether the news published in the *Amrit Bazar Patrika*, *Haldhar* and *Searchlight* on this subject was incorrect ?

(c) If the news be incorrect, what action do Government propose to take against these newspapers for giving currency to false news ?

(d) If the news be correct, what action do Government propose to take against the departmental clerks who are responsible for furnishing these wrong answers in the Assembly ?

**The Honourable Sir Harry Haig** : The question which the Honourable Member asked, by deputy, on August, 28, 1933, was whether the attention of Government had been drawn to a practice of evading the Sarda Act by resort to Chandarnagore and Indian States for a single day, and my reply was that the attention of Government had not been drawn to this. The reply was accurate. I did not say, as the Associated Press report wrongly represented me as saying, that no marriages had been performed in Chandarnagore and Indian States by British Indian subjects to evade the Act, and had the Honourable Member been in his place to ask his question he could have been under no misapprehension as to my reply. If the Honourable Member wishes in future to draw attention to particular newspaper reports and enquire whether they are accurate, I would suggest that he should specify these reports and in accordance with the procedure recently laid down by the Honourable the President forward copies of them to my Department.

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THE INDIAN INCOME-TAX (AMENDMENT) BILL.

PRESENTATION OF THE REPORT OF THE COMMITTEE ON PETITIONS.

**Mr. Abdul Matin Chaudhury** (Mr. Deputy President) : Sir, I present the Report of the Committee on Petitions on certain petitions relating to the Bill further to amend the Indian Income-tax Act, 1922.

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THE RESERVE BANK OF INDIA BILL.

**Mr. President** (The Honourable Sir Shanmukham Chetty) : The House will now resume consideration of the Reserve Bank Bill.

**Sir Leslie Hudson** (Bombay : European) : Not only from the speeches which we have heard during this Session but throughout the long discussions in 1927 and 1928, there has been overwhelming argument in

[Sir Leslie Hudson.]

favour of the establishment of a Reserve Bank. The opposition which has been voiced hitherto has been on the narrower issue of procedure in regard to three or four essentials. I would not wish to weary the House with reiteration of the points already made during the present debate except that it is necessary for me briefly to state the views of European commercial opinion in this country. First, as to the necessity of a Reserve Bank. It has already been stated that the Government have, ever since British Government has been organised in India, carried out the necessary functions in regard to the control of currency, employment of funds, revenue and so on from Central, Provincial, Railway and cognate sources, loans and the service of those loans and a host of other financial responsibilities which are in reality the duty and responsibility of a Reserve Bank. Such a bank would have a permanent and expert staff, instead of the position at present of a department of Government of which the personnel, however competent, may be transitional and which cannot have the opportunity of close contact with the money and other markets of the country. It has been asked why the Imperial Bank could not be extended in its scope in order to take on the functions with which it is proposed to invest the Reserve Bank. I give the House one reason which is simple and will be appreciated by all Members, namely, that the Imperial Bank is itself a competitor for business, such as re-discounting, which it is intended that the Reserve Bank should undertake and the Imperial Bank therefore would not command the confidence as a Banker's bank which an entirely independent Reserve Bank would do. I spoke of three or four points on which there is still a difference of opinion. The first is whether it should be a State or a Shareholders' Bank. This has been argued by almost every speaker so far and it has been discussed *ad nauseam* for the last five or six years. The report of the London Committee goes against a State Bank and I am prepared to agree with that view. At the same time I consider that the suggestion which has been made that a proviso should be inserted in the Bill enabling the State to buy out the proprietors at the expiry of a stated period at a stated price might reasonably be very closely considered. This of course would entail a revision of the present arrangements for the appointment of the directorate, a revision which should first and foremost recognise the *sine qua non* that the Bank must be entirely removed from political interference and influence. At the International Financial Conference held at Geneva and Brussels in 1920 and 1922, it was recommended that Banks and especially Banks of Issue should be free from political pressure and should be conducted solely on the lines of prudent finance.

The next important point which has been referred to by most speakers is the Ratio. Here I am in very considerable agreement with both my colleagues from Bombay who spoke yesterday and who pointed out the impossibility, without risking inevitable chaos, of even considering the operation of the present ratio until the present uncertain conditions of the world's currencies and monetary problems are clarified and stabilised. Secondly, tied to sterling, the rupee, on its present basis, has the undoubted benefit of the wide sterling field and the stability of sterling backed as it is by the triumphantly re-established credit of His Majesty's Government. In addition I would refer to the Resolution of Empire delegates to the recent Economic Conference regarding cur-

rency stability within the Empire. Whatever may be the arguments in favour of altering the ratio, to do so at the present time, when what was before the war a strong and steady stream of exchange throughout the world is now a whirlpool of conflicting elements, and where a false step might easily mean financial destruction, would merely be to court disaster. Let the ratio wait until the current of that stream is clear, stable and smooth again and then weigh up the pros and cons and trust your Reserve Bank to give that advice to the Government which will enable it to fix the ratio at a point which will be for the benefit of the trade and commerce of India and for the benefit of the people of India. The main requirement of the present, and, indeed, of any time is a stable exchange and, with your permission, Sir, I would read an extract from the text of the joint statement on monetary policy issued by the Delegations from the leading countries of the British Empire to the World Conference. The statement was signed by Mr. Neville Chamberlain, Mr. R. B. Beunett of Canada, Mr. S. M. Bruce of Australia, Mr. G. W. Forbes of New Zealand, General J. C. Smuts of South Africa and Sir Henry Strakosch on behalf of India. The statement runs thus :

“ The undersigned delegations now re-affirm their view that the ultimate aim of monetary policy should be the restoration of a satisfactory international gold standard under which international co-operation would be secured and maintained with a view to avoiding, so far as may be found practicable, undue fluctuations in the purchasing power of gold. The problem with which the world is faced is to reconcile the stability of exchange rates with a reasonable measure of stability, not merely in the price level of a particular country, but in world prices. Effective action in this matter must largely depend on international co-operation, and in any further sessions of the World Economic and Monetary Conference this subject must have special prominence.

In the meantime the undersigned delegations recognise the importance of stability of exchange rates between the countries of the Empire in the interests of trade. This objective will be constantly kept in mind in determining their monetary policy, and its achievement will be aided by the pursuit of a common policy of raising price levels. Inter-Imperial stability of exchange rates is facilitated by the fact that the United Kingdom Government has no commitments to other countries as regards the future management of sterling and retains complete freedom of action in this respect. The adherence of other countries to a policy on similar lines would make possible the attainment and maintenance of exchange stability over a still wider area.”

The question of the Directorate has been raised on several occasions. I am inclined to agree with Mr. Mody that the Directorate should include representatives of the leading commercial bodies as being the best method of ensuring the presence on the Board of Directors of the highest commercial and financial qualifications. Sir, there were several other points made by other speakers and I think most of them, in fact, all of them can be dealt with in the Select Committee. There are just one or two points which I would like to touch upon before I sit down.

The question of the location of the Head Office of the Reserve Bank. It is laid down under clause 6 that the Head Office shall be in Bombay and that the meetings of the Board should be convened at least six times in the year, of which two meetings should be held in Calcutta. It is the opinion of some of this Group that the Head Office should perambulate in the same way as the Imperial Bank does. That is to say, the Head Office should be for five months in Bombay, six months in Calcutta, a fortnight in Madras and a fortnight in Delhi. That, again, is a matter which can be adequately considered in the Select Committee.

[Sir Leslie Hudson.]

Then, I would briefly refer to the clause in which the Bill exempts Directors of Co-operative Banks from the restriction that Directors and employees of other Banks shall not be Directors of the Reserve Bank. I do not yet see why this differentiation should be made. The abilities can be no greater in a Co-operated Bank Director and the disabilities are precisely the same so far as I can see.

Finally, Sir, I would pay tribute to the financial genius of the present Finance Member and also to his predecessor, Sir Basil Blackett, both of whom have laboured and, let us hope, not in vain to evolve a measure which, in spite of differences over details, commands the approval of everybody whose opinion is worthwhile in India. Also to His Majesty's Government who have given their approval to this Bill in spite of, so it is whispered, what was very strong opposition from the City of London. Now, Sir, I would emphasise once more that time is the essence of the contract and I would ask this House to get on with the business and let the Bill go to the Select Committee. Circulation can do no further good. The London Committee have reported favourably on the Bill and the Bill has been before the public of this country ever since the Currency Commission of 1926, and Sir Basil Blackett's Bill of 1928. It is part of the constitutional scheme for India's self-government—one of the pre-requisites for responsible government—and it is designed to place in India's hands India's financial control.

**Mr. K. P. Thampan** (West Coast and Nilgiris : Non-Muhammadan Rural) : Mr. President, I welcome the proposal for a Reserve Bank as a measure for the better management and control of credit and currency and for the economic welfare of this country. But if the objective of the Government is to make this a measure for the further exploitation of this country by Great Britain, then I will not be a party to it. Sir, to be frank, I must say that there is a suspicion in the country that the object of the Government, in introducing this measure, is to forge another link in the chain by which Great Britain might bind this country and make it under subjection for all times to come. At the time when further political reforms are proposed to be given to this country, the fact that the Finance Minister does not at all come into the picture of a Reserve Bank makes us believe that perhaps there may be an element of truth in that suspicion. What I would suggest, therefore, is that instead of the Governor General in Council now, and the Governor General at his discretion afterwards, the Finance Member now and the Finance Minister, when the reforms are introduced, must be made the authority to recommend to the Governor General all the appointments made under this Bill. Then only the opinion of the people affected can control and prevail in the policy of the Reserve Bank. The Bill has to undergo radical alterations and, therefore, I must say that my support to this Bill will depend upon the shape that this Bill will take when it emerges from the Select Committee. But, in the meantime, it will be only proper if I venture to make certain suggestions with regard to the several issues involved in the Bill. I will confine myself for the present to the main issues alone and leave the details to be discussed at a later stage.

The question as to whether it should be a Shareholders' Bank or a State Bank has been discussed in detail and I do not propose to

advert to it. But I will only say that the Joint Committee of 1927, composing as it did of several financial experts and patriots of this country, men like Sir Purshotandas Thakurdas, Pandit Madan Mohan Malaviya, Lala Lajpat Rai, Mr. Birla, Mr. Jamanadas Mehta and last, but not least in importance, your good self, all these experts examined the question in detail and came to the deliberate conclusion that it should be a State Bank; but it has been summarily brushed aside and a Shareholders' Bank is substituted in its place. The Government in 1927 acquiesced in a State Bank, and the Banking Enquiry Committee put forward their proposals on that basis. If they thought that the Reserve Bank which was to be constituted ought to be a Shareholders' Bank, they would have considered that aspect of the question and dealt with it in their Report. Therefore, it is up to the members of the Committee that met in London to satisfy us under what altered conditions and new circumstances they approved of a Shareholders' Bank in place of a State Bank, and, unless those facts are forthcoming, we are not prepared to accept their proposal. The country stands by the decision of the Joint Committee of 1927. Another difficulty is that we have been supplied only with a copy of the report of the Committee; their discussions have been withheld. We are at a loss to know what grounds might have actuated them to come to a conclusion of that kind. There are diverse conflicting interests in this country which I need not refer to now and, under such circumstances my own opinion is that a State Bank would be more suitable to the country. I would, therefore, request the House that in sending this Bill to the Select Committee, it must be insisted upon that the whole question may be kept an open one for the Select Committee to decide. In this connection I wish to say that I had an informal talk with the Honourable Sir George Sehuster on this subject and he only said that he might be trusted to give a generous consideration, but would not commit himself just at that stage. I wish to repeat once again that the question whether it should be a State Bank or a Shareholders' Bank should be entirely left open for the Select Committee to decide. The Honourable the Finance Member, in his opening speech, said that in moving this motion he was only following what his predecessor in 1927 did, namely, that it is to a Joint Select Committee of both Houses that this Bill was going to be referred to. What I say is that he should follow the example of 1927 in its entirety and leave it to the Joint Committee as before to decide whether it should be a State Bank or a Shareholders' Bank. If, however, it is decided to have a Shareholders' Bank, every endeavour should be made to guarantee that the Bank is not controlled by interested groups, particularly by the mercantile community of Great Britain who have come down to do business here. It was said that a Reserve Bank of this kind should be free from political and other influences. I am not as much afraid of the Indian political influence as of the British political and mercantile influences against which there is no proper safeguard.

Sir, I would, while on this point, venture to make, if I may, a few suggestions to ensure freedom from all kinds of influences. It is proposed that each share of the Bank should be of the value of Rs. 500. It is too large and should be reduced to Rs. 100 and then only the middle classes and the poor people can subscribe to it. If it is of a high value like Rs. 500, the chances are that rich men and big merchants and registered companies

[Mr. K. P. Thāmpān.]

alone will be able to subscribe to it. If the Bank should be a popular one and, if the popular voice should have any controlling influence in the affairs of the Bank, then the share value should be reduced to Rs. 100. I would recommend that it might be more advantageously reduced to Rs. 50. There is the precedent of 1928 to adopt wherein the value of the shares was only Rs. 100. Another thing about which I am very particular is that only Indian nationals, including Englishmen and other British subjects who are permanently residing in this country, should be allowed to subscribe for it. I do not like the idea that Europeans, who come here as birds of passage and for the purpose of making money, should have anything to do with it. I went through the constitution of the Reserve Banks of several countries and I find that in most of them it is specifically provided that every subscriber should be their own nationals. Why should we not follow their example? In this connection I might refer to the history of the National Bank of India. It was started in Calcutta with a rupee capital and, subsequently, the capital was converted into sterling. Though it is called the National Bank of India, I really do not know whether there are any subscribers, who are Indian nationals, in it. To a Japanese or Frenchman or any foreigner, who comes to India, it would appear as if the National Bank is a purely Indian national concern, but it is hardly so. It is only a misnomer. What I mean to say is that the Reserve Bank should not, though named the Reserve Bank of India, be a Bank controlled by foreigners in this country. It is indeed a very good thing that some attempt has been made to keep the Bank free from the influence of interested groups. The proposal of keeping regional registers has been made with this end in view; but unless it is provided that transfers from one register to another should be restricted and a minimum to the inhabitants of the locality is prescribed, the very purpose for which it has been provided would be nullified. A man living in Bombay might purchase a very large number of shares in Madras. There is nothing to protect the shares that are assigned to a province like Madras for instance from being held completely by Bombay people. To avoid a contingency like that, a minimum should be prescribed for the inhabitants of the locality concerned. Without that, it will not be of any use. My friend, Sir Leslie Hudson, said that like the Imperial Bank of India the Governors' office should not be permanently located in Bombay, but shifted in certain months to Calcutta, Madras and other places in rotation. That is an excellent idea and, I think, even if it is not taken to Madras and Rangoon, it must be held, as is done by the Imperial Bank now, in certain months in Calcutta. The fear is that if it is held permanently in Bombay, the Bombay magnates will have the upper hand over the destinies of the Bank.

As regards the Governors, you might remember, Sir, that in the last Bill it was provided that one of them should be an Indian. There is no provision like that in the present Bill. Government had agreed to that and it was a surprise to me that they have gone back on that arrangement.

Sir, with regard to the constitution of the Central Board, the appointment of four Directors to be nominated by the Governor General should be, as I said a little while ago, on the recommendation of the Finance Member at present and after the Constitution Act comes into being by the Finance Minister. I am very anxious that the nominations to the Board should

not be like the nominations that are now being made to the Imperial Bank. Reference was made yesterday to the appointment of old men like Sir Dinshaw Wacha and other people. However estimable they may be, it can't be denied that they are old. It was said that the average age of the Directors of the Imperial Bank was something like 72 years. If a High Court Judge or any other Government servant has to retire in his 60th year, I do not see any reason why that principle should not be extended to responsible institutions like the Directorate of the Reserve Bank. In this connection I might point out that it is provided that people who are connected with any incorporated Bank or people who are connected with agriculture, commerce or any such business alone should be appointed as Directors. Sir, there are many eminent men in other fields as well. There are competent journalists, distinguished economists and professors in universities, who can do useful work on the Directorate. Nobody would object to a man like Sir Stanley Reed, for instance, who was editor of the *Times of India*, being appointed a Director. There are distinguished university professors, men like Dr. Mathai, the President of the Tariff Board, who would be an ornament to a Board of this kind. So I suggest that it should not be restricted to people who have had experience in banking, agriculture and commerce alone.

Then, Sir, the strength of Directors should be increased slightly. There ought to be one more to all the regions than is provided for at present, that is, instead of two for Bombay, I should have three, similarly for Calcutta also three. That is, one more for every province and, in addition to these, two from the provincial co-operative banks. In the Bill of 1928, it was provided that co-operative banks could elect two Directors. That provision has been deleted now. It is absolutely necessary that two Directors at least should be recruited from the provincial co-operative banks. Unless the Directorate is enlarged on these lines, it would not be possible to keep the balance even among all the conflicting interests that are bound to crop up in its working. That is the reason for making this suggestion. Then, as regards its election also, I would suggest that the local shareholders ought to elect a panel of 28 people, so that the Governor General, on the advice of the Minister, might select 14 from among these 28. That would have a wholesome result and the right kind of men could be ensured. I would also suggest that including the Governor not more than four should be Europeans or non-Indians. The fear is that otherwise, it would be an institution like the Imperial Bank. Instances are not wanting where the Imperial Bank has gone out of its way to assist European clients and done deliberate harm to Indians. It is not my purpose here to condemn the policy, the discriminative policy, of the Imperial Bank. All the same it is better to ensure that the Reserve Bank is always kept above such charges and should look to the interests of our nationals more than the interests of the foreign settlers in this country. The tenure of these Directors is contemplated to be made five years. I went through the constitution of several Banks and, except in one or two, I did not find such a long tenure provided in them. Three years must be ample. In the Bank of England, it is only one year, but in the conditions obtaining in India, it might be advantageously made three years. A longer period than three years will be harmful. Another thing to which I attach great importance in connection with the constitution is that the first board constituted by the Governor General under section 15 should exist only till the allotment of shares and the election of the local boards are over when it should be dis-

[Mr. K. P. Thampan.]

solved. The elected Board must begin to function immediately after that. The idea is that there is a tendency among our people to stick to their offices and keep out other deserving people from entering their portals. The point will be brought home if I refer you to the instance of a Company Managing Director in the U. P. or some other neighbouring province who installed his wife in his place when he was appointed a Minister in that Province. That is a contingency that should be avoided.

12 NOON.

Another point of equal importance with reference to the constitution that I should like to insist on is that every shareholder, whatever number of shares he may hold, should have only one vote and not more than that. Then the manipulations that are now prevalent in the election of Directors could be avoided. In dealing with this aspect, I am anxious that a specific provision should be made in the Bill to enable the Government to purchase the shares at a fixed price after some time. That is done with regard to the railways ; and I do not see why, as long as the State guarantees and gives advantages to the Bank, a provision like that should not be made. When the Bank expects help from the State, it is only proper that the agreement should be reciprocal and mutual. If some of my suggestions are adopted, I venture to hope that the evils feared may, to a large extent, be mitigated. That is all I have to say with regard to the constitution.

Let me now deal with the other main issues that arise on this Bill without going into the details. I will first deal with the standard of currency. With regard to current ratio, you will agree with me, Sir, that there has been such an outcry in the country, and it is no use shutting our eyes to it, that it is being bled white on account of the ratio policy of the Government ; and I do not see why this opportunity should not be availed of to thresh out the whole question. I might also say that the Government have not discharged their duty by this country in allowing so much gold to leave the shores of India. That question has been raised several times in this Assembly, and it will bear any amount of repetition. The Government should have taken steps to strengthen their reserve instead of allowing such large quantities of gold to be exported. Government could have easily purchased at least a large portion of it and issued currency notes thereagainst.

Another aspect of vital importance and one of legitimate grievance is that in spite of the fact that in most countries the internal prices of primary commodities have been increased by depreciation of currency and other means, in this country the prices are still going down and the Government are sleeping. I refer particularly to the price of cocoanuts, paddy and pepper, the principal commodities with which I am concerned as these are the main products of my district, the prices of which have gone down considerably, by more than 60 per cent. since 1931. All countries have taken steps to increase the internal prices after they went off the gold standard and the dominions also have done it. It is unfortunately in India alone that that is not done. It is up to the Finance Member not only to explain the attitude of the Government in this matter, but also to do his level best to see that the internal prices are raised without any more delay.

With regard to the unsatisfactory character of the ratio, I make bold to challenge Sir George Schuster, the Finance Member, to deny this if he

can : between March and September, 1931, when they were getting gold from the public at the lower point, that is the level at which they should be selling gold, the ratio ceased to function properly. The ratio automatically receded from the parity of 1s. 6d. to a parity of 1s. 5½d. I ask, if it did not. The exchange is a matter into which the public at large are not allowed to have a peep. In this connection, I wish to read a sentence from "The Monetary Problems of India" by L. C. Jain : at page 47, he says, speaking about the gold value :

" Since August, 1931, the British people themselves have not been allowed to know on what principles sterling is controlled. The maintenance of a sterling exchange standard therefore means that Indian currency is under the arbitrary control of unknown men in no way responsible to India, who do not even condescend to make any statement about their intentions with regard to its future purchasing power or gold value. This is not a situation with which India can be content."

I cannot improve upon that. The situation is very serious and I venture to suggest to the Government with all the emphasis I can command that an expert Committee, with a personnel that will inspire confidence to find out the true facts of the ratio in relation to the Resolutions passed at Ottawa on monetary matters and repeated at a Conference of Empire delegates of the World Economic Conference with a view to raising internal prices, be appointed immediately. Sir, the Honourable the Finance Minister can do it if only he cares. When I read the minute submitted by Sir George Schuster to the Monetary Conference at Ottawa, which, I dare say, you have read, I thought it was written by a nationalist of nationalists in this country. Sir George Schuster has eaten the salt of this country for some time, and I must say he acquitted himself loyally. I was agreeably surprised that an Englishman should have written that minute. It was all in our favour and it is up to him to continue that mentality under which he wrote that minute so long as he is in charge of the finances of this country.

As regards the issue of currency, I have to say a few words. It must be borne in mind that there are two kinds of currency notes in this country: One, of paper, and the other, of silver. Silver contained in one rupee is worth only five annas intrinsically. The paper currency comes to about 180 crores, and from a modest estimate of silver,—it was estimated to be about 400 crores or so, but, I am told large amounts have come back to the Treasury after 1927,—it will not be very wrong to estimate the silver currency or rupees with the public at 200 crores, and one can easily understand, if a fair portion of it comes back to the Treasury, what a huge loss Government will have to face. Therefore, Sir, due provision to cover that must also be thought of in regard to the reserve to be maintained.

The rupee redemption fund, inaugurated on the recommendation of the Hilton-Young Committee, is now proposed to be done away with, and so it is all the more necessary that Government should strengthen the gold resources of the country. I would, therefore, suggest, Sir, that 35 crores, which is contemplated to be kept in gold under this Bill, is too low and it ought to be increased to 70 crores at least. That is the minimum I would suggest. Sir, when I read the Report of the London Committee, particularly paragraphs 23 and 24, I was simply amused. In paragraph 24, they say that :

" There is, moreover, a further argument that gold carries no interest, and any undue proportion of gold holdings would unjustifiably reduce the Bank's profits and so impose indirectly an unnecessary burden on the Indian taxpayer."

[Mr. K. P. Thampan.]

I can understand, Sir, English financiers, who abetted the flight of 150 crores worth of gold, becoming a party to such a statement, but there are several respectable Indians, some of whom are Members of this House, who are parties to such a statement.....

**Mr. B. Das** (Orissa Division : Non-Muhammadian) : But what can you expect from Modies and Cowasji Jehangirs ?

**Mr. K. P. Thampan** : Modies and Cowasjis are as much Indians as my friend, Mr. Das, and myself are.

**Mr. B. Das** : But they have vested interests.

**Mr. K. P. Thampan** : Sir, in England they have taken every care to accumulate the gold reserves. Gold in the Bank of England today is more than 170 millions. I believe, Sir, I am right in saying that it was only 120 millions or so two years ago, but since then they have increased the gold holding by 50 or 60 millions, and in the Treasury also, out of the 250 million exchange equalisation fund, a good proportion must be in gold alone. The details of this are confidential and not known to any one. On the whole, England has enormous quantities of gold in stock now. That is all to their good, I don't deny it, but my point is, why should not our Government also adopt the same principle, so far as India is concerned. If keeping or hoarding a large quantity of gold will only prevent the owner from getting interest, why should England forsake interest on all these large holdings of gold ? What is sauce for the goose must be sauce for the gander as well. I am reminded of a story of a Malabar Karnavan. The head of the tharwad or a joint family, who wields absolute control over the other members of the family, one morning found a junior member of his family eating a cucumber. He said : " My dear fellow, why do you eat the cucumber, you cannot digest it, give it to me", and so saying he took away the cucumber from him and ate it himself. Similarly, we are told by Englishmen : " Gold is not good for India, it is good only for us, come along and present it to us, you don't want it, because it is not good for you. Keep sterling securities, it will fetch interest". (Laughter.) That is a mentality, Sir, of which one ought to be ashamed.

Then, Sir, another point I have to urge is that sterling securities in the reserve should be the minimum that is absolutely necessary, and they should be confined to sterling securities of England alone. It is provided in the Bill that securities of all sterling countries may be purchased by the Bank. May I say a word about the loans raised by Australia and Ireland ? Last year, Sir, Honourable Members will probably remember, Mr. Lang repudiated the loan which Australia owed to England, and Ireland also similarly repudiated the loan which was advanced to her for purchase of land for the Irish peasants. Therefore, who knows what other sterling securities other than of Great Britain will not be repudiated in the future and where is the safety in them ? It is better to avoid them. My point is that sterling securities of Britain alone should be purchased by the Reserve Bank and of no other country. I would not allow even the sterling securities of Britain but for the fact that we have to remit every year more than 30 million sterling to England by way of interest, pay and pensions, and the large dealings of the commercial people in British sterling. Therefore, it should be specifically provided that sterling securities of countries other than that of Britain should not be handled by this Reserve Bank. The

death knell of any form of exchange standard in Europe was rung when, on the 21st September, 1931, countries like Holland, Belgium and Switzerland found that in their greed to earn  $1\frac{1}{2}$  per cent. in interest they lost about 25 per cent. in the principal. Therefore, care should be taken to avoid such mistakes. That is all I have to say on that.

Now, Sir, with your indulgence, I shall briefly advert for a moment to the question of contract with the Imperial Bank. Sufficient has been said already, but I think it will bear a little more repetition, and if I am not becoming tiresome, I should like to say this. When the last Reserve Bank Bill was introduced in this House, the term of contract with the Imperial Bank was not over, there were still three more years to run, and it was only proper that, if, before the expiration of the period of the contract, we had to cancel the contract, sufficient compensation ought to have been given to them. That situation no longer exists, the contract is now over, and there is neither a moral nor a legal claim for this special treatment proposed to be given to the Imperial Bank. Already they have derived tremendous benefits and advantages on account of the large reserves which Government kept with them, and it is entirely on account of, and, with the assistance of, such huge sums of Government money that they have been able to build such a substantial reserve for that Bank. Sir, I hold that the Imperial Bank have no claim whatever for special treatment and should be dealt with on the same terms as the other Banks of this country. Another reason advanced was that, out of the several branches that were started by the Imperial Bank according to the terms of the agreement, some were not paying. They said categorically that most of those branches would begin to pay after the year 1930. That time is also over. We are now in the year of grace, 1933, and there is no reason why an argument like that should weigh with us. The Imperial Bank has had several restrictions imposed on it by Statute with regard to its dealings, and when those restrictions and limitations are removed, as is contemplated by the Amending Bill, it will become a formidable rival to all indigenous Banks in this country, and if it chooses to do so, it can crush any business. I would, therefore, suggest that that Bank should be left alone. Of course, it can be appointed as an agent of the Reserve Bank, provided it can compete on level terms with the other indigenous banks. So far as the agency is concerned, I would suggest that the Reserve Bank should invite tenders from all indigenous banks that satisfy certain criteria, and then appoint them as agents. If any particular bank satisfies the conditions that the Reserve Bank imposes for that work, and undertakes to transact the work on a minimum commission, then there is no reason why that bank should not be appointed as the agent for the area it operates. The very fact that a particular bank is an agent of the Reserve Bank goes a long way to inspire confidence in the bank amongst the public. Why should not Government give such help and patronage to all banks? Then only the banking system can be fostered and will take deep root in the villages and other remote places. It is provided that all those banks, mentioned in the Schedule, should keep with the Reserve Bank a percentage of their deposits. I do not understand why it should be made obligatory on all banks. There are certain banks that might not want rediscounting facilities. That is the only help that is proposed to be given to these banks. Suppose, for instance, the Nedungadi Bank, in my part of the country, does not want any kind of rediscounting facilities, what is the compensating benefit that it gets by being forced to keep a few lakhs in the Reserve Bank? It loses interest, and how is the bank or the share-

[Mr. K. P. Thampan.]

holders benefited? But if the Government will provide a machinery as recommended in the Banking Enquiry Committee's report for the check and scrutiny of the banks embraced in the reserve system, that will be another matter. Unless some thing of that kind is provided which will inspire confidence among its shareholders that the bank is looked after properly by the Reserve Bank and that it is functioning properly, this obligatory deposit would be a penalty and burden on those banks. It would be a real hindrance to the working of small banks. I would, therefore, request the Select Committee that due consideration is given before the proposal is adopted universally for all banks.

Let me refer to one more point; it is with regard to keeping the banking department and the issue department separate. It is said by those who are competent to pronounce an opinion on this that this method is old, very inelastic and obsolete. In this connection I would invite the attention of the House to a paragraph written by the *Economist* of London in a recent issue. In the course of a large article criticising the proposals for the setting up of a Reserve Bank for India, it says:

"The Committee, however, has followed the analogy of the Bank of England, not merely by recommending a shareholders' bank, but in proposing, somewhat pedantically, the separation of the Issue Department from the Banking Department. It is difficult to see that anything is gained by reproducing in India a British tradition of 100 years ago which has never had anything much to recommend it, and is quite out of touch with modern central banking constitutions."

The Macmillan Committee, which was appointed in England to enquire into the finance and industry of that country, at page 143, paragraph 331, of their Report, say:

"The only solid reason, apart from the advantages of continuity and the dislike of changing ancient forms, has been of a different character, namely, that the separation of the Issue Department has provided a convenient formula for dividing the profits of the Bank of England between the Treasury and the Bank itself. This division might of course have been made in a different way and is so made in other countries."

Further on, they say:

"If, however, it is desirable to calculate the Treasury's share of the profits in this way, it is not necessary to have the paraphernalia of the Issue Department for the purpose. The same formula could be used without a separation of the departments."

In paragraph 335, the Committee say:

".....the separation of the Departments has not, in our opinion, led to a satisfactory formula for fixing the Bank's payment to the Treasury."

In paragraph 338, they give a form of schedule, for the publication of the Bank's Statements, which would satisfy all the conditions they think sufficient for the purpose. I do not understand why advantage should not be taken of the findings of the Macmillan Committee, not only in this respect but also in other respects, if their proposals will not conflict with the conditions of this country.

I find in the present proposals that the branch of the Reserve Bank in London which was provided for in the last Bill is now proposed to be dropped. I suggest that the London branch should be maintained. I may be told in reply that all central banks have their dealings in other countries only through their respective central banks, that, for instance, the Central Bank of France or the Bank of Belgium or the Netherland Bank has no agency in London. But the relations between India and England stand

altogether on a different footing, and the position of India is unique. Unlike those countries we have got to make enormous remittances to England and a nominal percentage on the total amount would be a large fabulous amount. Economically also it would be better to keep a branch there. But there is another aspect which is more important. I am afraid that if the agency is entrusted to the Bank of England, the dominance of that Bank over the destinies of India will be very difficult to get over. The Bank of England is naturally bound to act only in the interests of Great Britain and not in our interest. Recent instances have proved it. So, we must avoid contact of this kind with the Bank of England. It is said that the Reserve Bank will have reciprocal arrangements with the Bank of England. It really sounds grand. What are those reciprocal arrangements? I do not know whether the Reserve Bank, as the agent of the Bank of England, will be able to derive a profit of even one pie in a year. At any rate, there would be vast difference between the commission that the Bank of England might get as the agent of the Reserve Bank of India and that got by the Reserve Bank of India as the agent of the Bank of England in this country. As long as India is a dependency of Great Britain and until and unless Dominion Status with economic independence is given to this country, it is better to keep our own branch in London.

These are, Sir, the main points that I wished to urge before this House, but, before I sit down, I would like to say a word or two about the Joint Committee which is proposed to be constituted. There is a specific amendment on the Agenda to the effect that members who have attended the London Committee should be excluded. I myself had an idea of moving an amendment like that. They have had already their say in the matter and there is Sir George Schuster in the Committee to put forward their viewpoint. After all, we are going to have only 24 members in the Committee. Half of it will go to the Council of State. There will be thus only 12 from this House. If all the seven people, who were on the London Committee, get seats there, the new Members from the House will be only five and they will not be able to carry their point when the question of voting comes. I know it is entirely in the hands of the several Parties, but I must say, I am very anxious that those people who went to London should be excluded.

**Mr. B. Das** : Except Sir George Schuster.

**Mr. K. P. Thampan** : Of course he has to be there. Without the Prince of Denmark, there can be no play of Hamlet. Sir, let me warn the members of the Select Committee that the country is looking forward eagerly as to how they acquit themselves in this crucial matter. It is, I need hardly say, a matter of vital importance to the economic welfare of this country, a matter of life and death to every one of us. On the results of their deliberations and conclusions will depend the prosperity and welfare of the 350 millions of this land.

**Mr. R. S. Sarma** (Nominated Non-Official) : Sir, fools rush in where angels fear to tread. (Ironical Cheers.) In spite of the ironical cheers, I am not immodest enough not to appreciate that I find myself in that position today, but my friends will soon hear the reason why I have been emboldened to intervene in this debate and to put before this House one or two points of view. It is the boldness that I have acquired from a remembrance of the tragic difference between the conditions when the stage was set for a discussion of this character in 1927 and what they

[Mr. R. S. Sarma.]

are today, the tragic difference between the gigantic financial brains that took part in those days in this discussion and those who have been taking part in it for the last two days, between the lively character and the excitement that debate generated and the dull and uninspiring manner in which the discussion has been going on and the lack of interest displayed in this debate as evidenced by the thinness of the non-official Benches during the debate on a question which Mr. Thampan just now characterised as a matter of life and death to the nation.

Sir, from the trend of the debates that has been going on for the last two days, it is obvious that there is some sort of unanimity of agreement and concurrence on the main outlines of this Bill which Sir George Schuster introduced in this House. Of course, Sir, there have been differences of opinion regarding the details of this Bill. It is noteworthy, Mr. President, that the Parliamentary Paper shows ample evidence of a great amount of unanimity at the London Conference, which, I want this House to remember, consisted of a financial pandit, a man who is acclaimed as the fittest man to be the first Financial Minister under the Swaraj Government, Sir Purshotamdas Thakurdas, the Chairman of the Board of Directors of the premier Indian Bank, of which India is proud, the Central Bank of India, Sir Phiroze Sethna, the Editor of the best Nationalist and the most Swarajist Indian paper in this country, Mr. A. Rangaswami Iyengar. I want the House to remember that these gentlemen attended the Conference and signed the report.

Sir, the main attack on this Bill has been from the point of view that it is a Shareholders' Bank. When we buy Ford motor cars, we all know that the spare parts we get are all of standard specifications. Therefore, when we are going to establish a Reserve Bank, we have got, so to say, standard specifications available and, from that point of view, I will put a few questions to those critics who have been against the shareholders' scheme during the last two days. Is it or is it not a fact that the Bank of England is a Shareholders' Bank? What about the Federal Bank of the United States? What about the Bank of France, the Bank of Netherlands? Some of my friends may say that there are other banks which are State Banks. To them I would say that these countries are already contemplating the change from a State Bank to a Shareholders' Bank. This is the condition prevailing all over the world and I do not understand why India alone should launch on a new and novel experiment of a State Bank. With regard to the abuses that have been pointed out about the Shareholders' Bank, has not this Bill provided against such abuses by means of provisions intended to check such abuses and prevent a caucus from getting control of the institution? Is it not also significant that people like Sir Purshotamdas Thakurdas and Mr. A. Rangaswami Iyengar, who were in favour of a State Bank in 1927, are now warm supporters of a shareholders' concern? Is it not also significant that the people who initiated the agitation in 1927 for a State Bank should also be warm supporters of a Shareholders' Bank? When that is so, why should we not send this Bill to the Select Committee and get whatever improvements we want from the popular point of view? In this connection, a most fruitful suggestion has been given to the Members of this House who have had the benefit of listening to a very brilliant and illuminating address by the Editor of *Finance* given two days ago. Government should introduce a provision taking power

to purchase the shares at a price specified from now, if it is found at the end of 10 or 15 years that there are abuses in a Shareholders' Bank. That ought to dispel all fears.

**Mr. B. Das :** Did you understand that speech of the Editor of *Finance* ? He was for a State Bank.

**Mr. R. S. Sarma :** I am not dealing with the other portions of his speech except the one where he dealt on this point. We have come to a stage when we have got to realise that Government want a Shareholders' Bank and nothing is going to change that. When we are faced with that necessary evil, what is the best compromise between Government and the popular side ? If, in the next 10 or 15 years, it is found that the Shareholders' Bank lends itself to abuses, Government can exercise their option to buy up the shares and convert it into a State Bank, but, if on the other hand, it is going to be a good concern and if it goes to be a confidence inspiring institution, then the Government may not exercise that option. The Government can easily provide a clause like that and it will be in keeping with the provisions contained in similar agreements. It is not a novel procedure at all. A clause like that is inserted in all the agreements between Government and the railway. I place this suggestion, Sir, before the Finance Member for his acceptance.

Sir, there is another thing to which I should like to refer. It is the criticism that has been levelled against the Imperial Bank. My friend, Sir Kenneth MacDonald, who had been a silent spectator, must have been tremendously amused at the criticisms and the heaps of abuses that were showered on him when Mr. Vidya Sagar Pandya and Dr. Ziauddin Ahmad criticised his policy. Dr. Ziauddin Ahmad made a very novel complaint against the Imperial Bank of India when he said that it did not give money on land securities and buildings and things of that kind. From the mere point of view of the question of banking, I do not think anything more absurd was ever put forward.

**Mr. B. Das :** Do you borrow money from the Imperial Bank ?

**Mr. R. S. Sarma :** I have never done that. I have always had an honest living. I have never indented on any Party, on any Raja, on any Maharaja or on any other person for my trips either to England or to Simla or for doing my public business, like my friend, Mr. Das.

**Mr. B. Das :** Do you aspire to be a Governor of the Imperial Bank ?

**Mr. R. S. Sarma :** No, Sir ; I have no such ambition at all. To go back to my point. Do we find in England banks advancing money on land securities ? If my friend, Dr. Ziauddin Ahmad, wants money on land securities, he must bring a motion in this House for a land mortgage bank and he will find great support for his proposition in this House.

Secondly, with regard to the Directorate. Does my friend realise that even now, I think, I am safe in saying, 50 per cent. of the Directorates of the Local Boards are Indians and even today two out of the three boards have got Indians as their Chairmen ? Does he realise that the last annual meeting of the Imperial Bank of India was presided over by an eminent businessman, Rai Bahadur Badridas Goenka ? With regard to the question of the Indianisation, so far as I remember, I think Mr. Bunbury, presiding over the Imperial Bank annual meeting year before last, made it plain that they are resolved not to have any more

[Mr. R. S. Sarma.]

recruits from England, and, for the last four years, all appointments have been made here. I have no brief for the Imperial Bank, but as there are certain misgivings about it, I thought I could correct them to the extent to which I have knowledge of the affairs of that Bank. From that I should not be understood to mean that the agreement which the Imperial Bank should have with the Reserve Bank should be of the same character as it was in 1927. Things have changed enormously since then, and, therefore, any agreement that the Reserve Bank should have with the Imperial Bank ought to be changed in the light of the new circumstances that have now arisen.

Sir, I have nothing more to say except a word or two on behalf of the party I have the honour to lead at the moment. The Central Party always stands for conciliation and a policy of Responsive Co-operation. We have never been the followers of a policy of abject servitude to Government or blind obstruction for obstruction's sake. Believing in that policy, our Party has decided unanimously that we must let the Bill go to the Select Committee and that it is no use accepting the motion for circulation. At the same time, we do ask Government and appeal to them that they must accept all reasonable amendments that may be brought forward by the popular party, so that, when the Bill comes out of the Select Committee, it will be a proof against the machinations and the manœuvrings of vested interests.

**Mr. M. Maswood Ahmad** (Patna and Chota Nagpur *cum* Orissa : Muhammadan) : Sir, I do not propose to go into the history of this case, nor do I wish to discuss the character and capacity in which our representatives attended the Committee in London. My motto has all along been : Let past be passed and be cautious for the future. I can only say that the majority of the members who went to London were invited by the Government. So, without wasting a single minute, I wish to say something in the shape of practical suggestions.

In the first place, I wish to say that whether we support or oppose the motion, it is immaterial ; this Bill is now going to a Joint Select Committee and there is no other alternative. It is also obvious that, under the present rules, there is no other alternative but to have an equal number of Members of both the Houses. My suggestion to Government, therefore, is that it is better for them if they would try to get more official members from the Council of State without giving them the right to vote. If this suggestion is accepted, then I think many troubles will be solved. It is for the Government now to consider this question. You can have 14 men from the Council of State out of whom seven should be elected Members and seven official Members, the official Members not having the right to vote. In that case, many grievances will disappear.

Now, I want to refer, Sir, only to paragraph 3 of the Report of the Committee. There they say :

“ We fully accept the principle that the Reserve Bank should be free from any political influence.”

Sir, this is very objectionable. In the garb of this political influence, Government are taking away many things from the hands of a popular control. In the garb of this political influence, they want to have a Statutory Railway Board and, in the garb of this political influence, they want to have this Bank as a Shareholders' Bank. Had not the Postal

Department been a loosing concern they would have a Postal Board as well, to keep it away from political influence. What I mean to say is that the idea of the Shareholders' Bank is in itself not out of political influence. The Committee themselves have said that they fully accept the principle that the Reserve Bank should be free from any political influence. For the acceptance of any scheme, there must be some suggestions. Without suggestion, there can be no acceptance ; and where have those suggestions come from ? The reply is obvious, from the political influences in England. If you will see the Bill, you will find that the Governor General has been given so many powers, that this Bill cannot be said to be out of political influences.

Now, I come to the question whether the Reserve Bank should be a Shareholders' Bank or a State Bank. I have studied this Bill very carefully and I could not decide whether this is a State Bank or a Shareholders' Bank. As the Governor General has been given so much power of control, I think it is true to say that it is not a Shareholders' Bank at all. At the same time, I do find that the shareholders have also been given some right and, in that case, it becomes a Shareholders' Bank. So, it is neither a Shareholders' Bank nor a State Bank. The Governor General will receive instructions from the White Hall through the Cypher Bureau of the Political Department and will control the Currency of India. (Applause.) It will be true if I say that this is a Bill for having a Governor General's Bank.

If you look to the Directorate, you will see that the shareholders will have no hand in this Bank at all. I will refer only to this much at this stage, namely, that there will be eight Directors elected on behalf of the shareholders and four Directors nominated by the Governor General in Council and one Governor who will also have the right to vote. So there will be five votes, one for the Governor who will be nominated by the Governor General and four votes for the Directors who will be nominees of the Governor as against eight votes for shareholders. So the proportion will be 8 : 5. Now, sub-clause (4) of clause 8 says :

“ The Directors nominated under clause (b) and clause (d) of sub-section (1) shall hold office during the pleasure of the Governor General in Council.”

What will happen is that all these four nominated Directors will always be present just as we find in this House the nominated officials being present always. If any one is ill or goes out on business, then the Government take his resignation and nominate another man. What will happen in the case of elected Directors ? If anyone of the elected Directors falls ill or goes out on business or is sent out to some Conference, either here or in London, what will happen ? There will be one vote less on the elected side. After all, these elected Directors are all human beings and they may fall ill.

**The Honourable Sir George Schuster** (Finance Member) : May I point out to the Honourable Member that if an elected Director is absent, there is a special provision in the Bill that a substitute will be appointed by the local Board.

**Mr. M. Maswood Ahmad** : Certainly it is true. But there is one trouble. The local Board must have sufficient time to elect a substitute. Supposing an elected Director falls ill and sufficient notice is not given to the local Board to elect a man before a meeting of the Directors takes place,

[Mr. M. Maswood Ahmad.]

then the elected side will have one vote less. But there is no such difficulty for the Government. Their number will always remain the same. Another point is that many of these seats on the Directorate will go to Europeans and most probably they will support the other four Directors nominated by Government. Further, the Government will have the casting vote. So, Sir, the Government will always command a majority on the Directorate. I will leave this point for a minute.

I will read out what the report says :

“ The best device which the practical experience of other countries has evolved for achieving this object is that the capital of the Bank should be held by private shareholders, and we recommend that this plan should be adopted in the case of India.”

First of all I want to say that other countries also are losing faith in the Shareholders' Banks. Greece and Bulgaria are thinking now to have State Banks. Further, in this connection, I want to say that the condition in India is quite different from that of other countries. In India, apart from Indians, there are Europeans and domiciled Europeans, there are Anglo-Indians and there are so many other interests that it is very difficult to say that the conditions in India are the same as those in Europe. In the Bank of England, as far as I know, not a single Indian holds a share. They have a convention that only British subjects can have a share. Here, in this Reserve Bank, many Europeans and Anglo-Indians will have a large number of shares.

Further, this Bill is worse than the Bill which was placed before the Assembly in 1927. You will find that the share value in the old Bill was Rs. 100, but, in the present Bill, it is raised to Rs. 500. Further, there is another restriction that there will be votes to the extent of only two shares. I do not understand the benefit of this arrangement. Why not have Rs. 1,000 as the share value for a vote ? I suggest that this question also should be considered in the Committee and that they should fix the value of each share at Rs. 100. India, after all, is a poor country and it is very difficult for statutory Indians to buy shares of the value of Rs. 500. It is only the Europeans, domiciled Europeans and Anglo-Indians who will be able to purchase shares even to the value of Rs. 10,000, but the statutory Indians will find great difficulty in purchasing shares of such high value. I suggest that the Government should be kind enough to consider this question thoroughly in the Select Committee. Another difficulty is that in the old Bill the Directorate was 16 elected as against 7 nominated, whereas in this Bill it is 8 elected as against 5 nominated. This question also should be considered in the Select Committee.

Now, I come to clause 4 of the Bill which is very important. In this connection, I will discuss only clauses 4 and 8 and I want to say something on these two clauses. I find that Rangoon also has been included in the operations of the Reserve Bank. My information is that the question of separation of Burma has not yet been decided and so there must be a clause in the Bill as to what will happen if Burma is separated. I do not agree that, even after separation, the representatives of Burma should be on this Reserve Bank Board. I want that this Reserve Bank should serve purely the interests of India, and only Indians should be on the Directorate. The Reserve Bank should be governed by Indians and not by foreigners, whether they are foreigners coming from 6,000 miles away or from a

distance of 200 miles, it does not matter. I want that this Reserve Bank should be purely for Indians, administered by Indians and for the benefit of Indians. (Applause.) I do not agree that Rangoon should be included.

In this clause, the qualification for a shareholder is given as follows :

“ No person who is not domiciled in India, or a British subject ordinarily resident in India, or a company registered, etc.....”.

I suggest that the clause should run as follows :

“ Shares will be held only by Indians and by company registered, etc.....”.

I submit that this word “ domiciled ” is not a happy one and, therefore, I suggest it should be “ Indians ”. The clause further says :

“ . . . .or company incorporated by or under an Act of Parliament or any law for the time being in force in any of His Majesty's dominions and having a branch in British India.”

This provision is very objectionable. It is a different question if we afford facilities to England. But we are not prepared to give those facilities to the dominions. On several occasions, in reply to questions in this House, we have found what the attitude of the dominions is towards us. Unless those dominions are prepared to give the same facilities to us and unless they incorporate a similar provision in their Reserve Bank Acts, I am not prepared to afford them any facility unless they are prepared to reciprocate. This question also should be considered by the Select Committee.

Now, I turn to clause 8 and that is a very important clause, about the Directorate. In this connection I will say that the Directorate is very small. It should be enlarged in the Committee.

Further, I find that there will be four registers in India, that is, Bombay, Calcutta, Delhi and Madras. They have provided two Directors for Calcutta, Bombay and Delhi, but I say that instead of giving two Directors for these registers, they should be split up and there should be one Director from each register ; and if there be two Directors for Calcutta and if they combine Assam, Bihar and Bengal together, I do not think there will be any chance for Bihar in this. The other trouble is that if you have two Directors from one register, then the electorate will be very large and it will be very difficult for Indians to control this. There are, after all, 165 lakhs of rupees for the shares and the sharers will be too wide, the electorate will be too wide and it will be difficult for Indians to control such a wide electorate. I suggest that the electorates should be small, that these men may be in a position to know the local condition, and they may be in direct touch with the men who have elected them and they may know the real condition of agriculture, etc. So I suggest that these registers should be split up and, instead of two from each, there should be one. The other suggestion is that the elected Directors should be more than eight as the number eight is too small. Further, Sir, you will find in the report of the Committee that special mention has been made that agricultural interests should be kept in mind and in this case I will say that there must be direct representation of that interest just as it was given in the previous Bill. I am very sorry that I do not agree with the principle of nomination. I have protested against that on several occasions and now also I want to suggest that some means should be sought in the Select Committee stage to see that representation for the agricultural interests should be assured on that bank. Further,

[Mr. M. Maswood Ahmad.]

in this connection, I will say that I have got no alternative but to give some chance to our European friends to have shares in this Bank. I would have been very glad if there was a principle laid down here that only statutory Indians should have shares in this Bank, but, if that is not possible, I will request my Honourable friends, who will attend the Select Committee, to try and restrict it in this way that, beyond a certain percentage, no shares should go to foreigners.

**Mr. B. Das :** What percentage would you suggest ?

**Mr. M. Maswood Ahmad :** I think 10 per cent. is quite sufficient to safeguard their interests and, if Government want to give them more, in any case it should not be more than 15 per cent.

Further, Sir, they have mentioned the mode of election and said that the shareholders would elect five men and then the local Board would elect representatives to attend the Central Board. But what is the use of this double election ? The three nominees there will certainly influence the election to the Central Board. This is very objectionable. There is no harm if they may have local Boards as well for other purposes if they want, but direct election should be given and shareholders should be given a chance to elect their representatives in that Bank direct, and not in this way that the representatives should first be elected and then these five representatives *cum* three nominees should elect to serve in that committee.

There should be some provision in the Act that the future Government may purchase shares at a fixed price if they chose to do so.

Then, Sir, I turn to clause 10. I find that they have mentioned the qualifications and disqualifications of Directors and members of local Boards. In this connection, they have added a proviso to sub-clause (2) :

“ Provided that an official of a State in India (not being a Government official on deputation in the State) may be nominated as a Director or as a member of a local Board.”

Here I have got a serious objection. If they debar the Government of India officials from being Directors, what is the use of giving a chance to the officials of the State to be Directors in this Bank ? After all, these officials in the States are in no way better than the officials of my Government. When my Honourable friend, Sir George Schuster, has got no chance of being a Director in that Bank, why should the Prime Minister of Patiala or Hyderabad or any other State be given that chance ? (Laughter.) Then, about meetings also, I will say that they restricted the meetings to Bombay and Calcutta. But there I do not agree and I will suggest for my Honourable friend's consideration that at least one meeting must be held in all the centres.

Now, Sir, they have mentioned in clause 15, sub-clause (4) :

“ A Director so nominated to represent shareholders on the Bombay or Calcutta Register shall hold office for two years, and a Director so nominated to represent shareholders on the Delhi, Madras or Rangoon Register shall hold office for four years ”, etc.

I cannot understand why these Directors, who will represent Calcutta and Bombay, will be there for two years, and for Delhi, Madras and Rangoon it will be four years. The only reason that I can think of

is that there are more Europeans and Anglo-Indians in Bombay and Calcutta and there is....

**The Honourable Sir George Schuster :** Sir, may I explain to my Honourable friend that that provision merely refers to the first Directors nominated ? Different periods have to be put in so that all the Directors may not have to retire at the same moment. That is in accordance with the recommendation of the Committee and the provision was put in so that the Directors may retire by rotation.

**Mr. M. Maswood Ahmad :** Then, if that idea is accepted by the Select Committee, I will suggest that instead of having Bombay and Calcutta to retire first, it is better that the Directors from Delhi, Madras and Rangoon should retire first and Bombay and Calcutta afterwards. (Laughter.) Further, in clause 17, sub-clause (1), you will find this :

“(1) the accepting of money on deposit without interest from, and the collection of money for, the Secretary of State in Council, the Governor General in Council, Local Governments, States in India, banks and any other persons ;”

Here if “Local Governments” mean the Local Governments of the provinces, I will say that local authorities like District Boards and Municipalities should also be given a chance to keep their money, and certain provisions should be made here for that.

I find in sub-clause (5) of the same clause :

“(5) the making of advances to the Governor General in Council repayable in each case not later than three months after the close of the financial year in respect of which the advance has been made ;”

It is not said whether the money will be advanced to them with or without interest. What is happening today is that these Local Governments are taking money from the Central Government and they are not paying a single pie as interest. And, even after closing the financial year, the amount remaining is taken as overdraft and then these Governments pay the interest. So I want that it must be clearly defined whether this advance under this sub-clause will be with or without interest.

One other point I have to say is this. I refer to clause 28 which says :

“Notwithstanding anything contained in any enactment or rule of law to the contrary, no person shall of right be entitled to recover from the Governor General in Council or the Bank the value of any lost, stolen, mutilated or imperfect currency note of the Government of India or bank note :”

I want to say in this connection that the Reserve Bank note should have numbers in more than one place ; and, further, there must be some clear mention that if, by any chance, some mutilation takes place, in that case there must be some provision that these notes must be taken up by Government and the money given to holders of these notes.

As regards the Imperial Bank, I support the idea which has been mentioned—I do not want to repeat the same argument—but I say that two things must be considered : Government should not try to have this Imperial Bank in a privileged position. All the banks should be treated in the same way ; and, further, the time which has been mentioned here, namely, 25 years, is too long ; and if, for any reason, Government want to have this Bank, then it should be for ten years for the present ; and we should not tie the hands of the Directors who will come afterwards ; we must give them sufficient chance to decide whether they want to have the Imperial Bank as their agents or not.

[Mr. M. Maswood Ahmad.]

Again, turning to page 26, Schedule III, I will say that the proposed compensation which is to be given to the Bank must be omitted. What for are we giving them compensation? It was said in the year 1928, as I have come to know, that the proposal for compensation was raised, because the Imperial Bank of India had some contract with the Government of India and, as that period had not elapsed, compensation was proposed: but, in the present case, that is not so, and so I will request the Government to consider this point whether this Imperial Bank deserves any compensation or not. I request my friends who will attend the Committee to fight for this, that compensation should not be given to the Imperial Bank.

The only other point which I will press before I sit down is that this register should be split up: it should not be two Directors from one register, and the shares should not be transferable: if shares are transferable, then there will be no use of having separate registers, because, within a few years, everything will be hotchpotch and the provision of the allocation of shares they have mentioned here will disappear. (Applause.)

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

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The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

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**Rai Bahadur Lala Brij Kishore** (Lucknow Division: Non-Muhamadani Kural): Sir, the establishment of a Reserve Bank for India will be a step forward in the development of India's financial machinery and will, I think, assist that gradual and silent revolution in India's economic life which promises to bring higher opportunities of life and higher standards of living to every one in the country. Sir, the interest of the country also demands the early creation of an institution which will be the central reservoir to which all public balances should belong and the central fountain which will feed all fruitful national activities throughout the country.

It has often been argued that Indian interests demand a State Bank rather than a Shareholders' Bank.

It has been argued that a Shareholders' Bank will run, not on national lines, but in the interests of those capitalists who finance the Bank. This, I submit, Sir, seems to be an incorrect view. If the shareholders choose a selfish path, the Legislative Assembly is not barred from raising public opinion against this policy, and compel the shareholders to bow before the nation's demands.

Now, Sir, coming to the actual purchase of shares, I find that the Bill makes no provision to safeguard against an undue predominance of non-Indian interest. This point is of very great importance and is likely to be discussed at length in the Select Committee. I will not urge the closing of the door altogether for foreign capitalists—for, I believe that for at least some time to come we do require their help and guidance.

One word as regards the link with sterling. Since 1931, the rupee has been linked to the sterling. Whether that act was wise or not does not concern us at present : that exists today. The Bill very clearly and wisely states that the working of the Reserve Bank on the sterling basis is only provisional. Till the world returns to more stable economic conditions, it is undesirable to alter the standard of the currency or the exchange ratio. It is, therefore, inevitable that a Reserve Bank started today can work only on a sterling standard basis. There is no other alternative. I would make one suggestion and it is this, that the Reserve Bank should recognise the status of the Co-operative Banks. These Banks, I need hardly add, are more important to the common people, especially the agriculturist class, than other Banks. The Reserve Bank will thus be enabled to come into direct contact with the masses of India. The Reserve Bank will certainly prove much more beneficial to the agriculturists if it extends its recognition to the Land Mortgage Banks and Agricultural Banks. India is primarily the land of the agriculturists. Any scheme of Central Banking, which does not take them into account, cannot meet our requirements to the fullest extent. Any scheme, which makes the financial position of the agriculturist easy, must be welcomed. It is in this hope that I strongly appeal that the Select Committee may be pleased to consider favourably the recognition of Agricultural Banks and Co-operative Banks. Sir, with these few observations, I support the proposition of the Honourable the Finance Member who, I think, is unquestionably one of the ablest financial experts of India. I also appeal to him to give to India the benefit of his entire ability and wisdom in solving this correctly in the Select Committee.

**Mr. President** (The Honourable Sir Shanmukham Chetty) : Before other Honourable Members are called upon to speak, the Chair would draw the attention of the House to certain amendments that stand in the name of the Honourable Mr. Jog who has come back to his seat just now. The first amendment of Mr. Jog reads like this :

“ Each House should have a Committee of its own. The Committee of the Assembly should consist of 14 members.”

The motion that is before us is under a specific Standing Order for constituting a Joint Committee of both Houses, and the Chair would like to know what exactly is the meaning of this amendment.

**Mr. S. G. Jog** (Berar Representative) : Sir, I quite realise the point raised by the Chair, but this is an amendment. The motion before the House is that there should be a Joint Committee of both the Houses. This is an amendment to that in which I say that the selection of members of the Committee should be restricted only to this House, and it should not be a Joint Committee of both the Houses. That is the purpose of my amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty) : But the Honourable Member says that at the end of the motion the following be added. The motion is a recommendation to the Council of State that a Joint Committee be set up. The motion, as worded by him, has absolutely no meaning, and, therefore, it is out of order.

The next amendment standing in the Honourable Member's name is like this :

“ That at the end of the motion the following be added : ‘ The non-official Members who have already taken part in the London Conference should not sit on this Committee.’ ”

[Mr. President.]

A Committee of this House, whether a Joint Committee or a Select Committee, is set up by a motion of this House, and every Honourable Member, whoever he is, has got the right to sit on that Committee, if he is elected to that Committee, and no Resolution of this House can debar any individual from sitting on a Committee like that, and, therefore, that amendment is also out of order.

Then, the third amendment is :

“ That in the motion, after the words ‘ consist of 24 members ’ the words ‘ that out of the number allotted to the Council of State the majority should consist of elected Members ’ be added.”

Under Rule 42, this House can only recommend to the Council of State that a Joint Committee be set up, and this House has no power to restrict the right of the Council of State to determine the composition of that Committee, and, therefore, this amendment is also out of order.

**Mr. N. N. Anklesaria** (Bombay Northern Division : Non-Muhammadan Rural) : Sir, in supporting the motion of the Honourable the Finance Member and in opposing the amendments to his motion, I wish to say a few words with the indulgence of this House. Of course, I do not wish to say anything, nor am I competent to do so about the various matters of banking technique which are connected with the Bill. I wish to restrict myself to a few observations on matters of general interest to which Honourable Members have directed their attention.

The first point which I will address myself to is as regards the remarks of certain Honourable Members in respect of the personnel of the London Committee. I would have avoided this subject, but unfortunately or fortunately I had myself the honour of serving on that Committee, and I think it is in the fitness of things that this House should hear me in connection with the remarks addressed against the personnel of that Committee and its activities in London. In the first place, I think every remark addressed against the personnel of the Committee is absolutely irrelevant and foreign to the present matter. It is the *work* of the Committee with which we are concerned. It is not the personnel at all. What matters if the report has been signed by X, Y, Z. or P, Q, R ? It does not matter in the least. Secondly, my Honourable friends who have criticised the personnel of the Committee do not seem to have noticed that on that Committee sat men of the widest possible banking and currency experience,—the best experts in currency and banking matters which the British Empire can claim, so far as the Europeans were concerned, and as regards the Indian element, I must say that the Indian element contained men who were in daily and intimate contact with banks and banking operations. I think the Honourable gentlemen, who criticised the personnel of the Committee, ought to have suggested a better personnel so far as the Indian element was concerned. My Honourable friend, Mr. Sarma, has already spoken about the Indian element in the Committee and I will say nothing more about it.

I could not understand what object could possibly have influenced my Honourable friend, Mr. Vidya Sagar Pandya, in dilating on that topic. He talked of the personnel being a bridal party and so on, and the only thing I could think of which could have induced him to say what he has

said is that he was dissatisfied at his not being himself on the London Committee. I may assure him that I would have been the very first man to vote for his inclusion not only in the bridal party, but for his inclusion in the palanquin and for his taking the place of the cat therein.

My Honourable friend, Mr. Gaya Prasad Singh, and others dilated on the topic whether the Bank should be a State Bank or a Shareholders' Bank. If my Honourable friends had asked themselves and explained to themselves what were the purposes for which a Reserve Bank was constituted, I think they would have approached the question from a more correct angle of view. We all know that banks have to do with credit, and the two most important topics which come to our mind when we talk of credit are firstly, the creation of credit, and, secondly, the distribution of credit. If you look at the history of banking in Europe and everywhere else, you will find that the functions of creation of credit and distribution of credit were all concentrated in one hand, but, subsequently, on account of several inconveniences, the State took upon itself the function of creation of credit and left the banks to deal with the ordinary business of banking and distribution of credit. So far as India is concerned, after 1862, the State monopolised the function of the creation of credit leaving the function of distribution of credit to the banks. The history of the last 100 years of banking in Europe and other civilised countries shows that this dual system of creation and distribution of credit respectively by two different agencies has led to very undesirable results, and those results have been summarised in the book from which my Honourable friend, Mr. Gaya Prasad Singh, read,—Keynes' Indian Currency and Finance, at page 235. There are three pages of it and I do not propose to read them. If we regard the question from that angle of view that the functions of creation of credit and distribution of credit in the best interests of the nation should be united in one hand, I think the point about the bank being a State Bank or a Shareholders' Bank would be very easy of solution. For, in the first place, the State can assume this dual function only by taking upon itself the function of the distribution of credit and other functions of a bank of deposit. This the State cannot do unless it believes in State socialisation as is the case in Australia. On the contrary, the ordinary bank can take upon itself the creation of credit as is the case with regard to the large majority of banks in civilised countries. Therefore, I say, if you create a State Bank, the functions which the State cannot properly carry on will have to be entrusted to the State, while, on the other hand, if you create a Shareholders' Bank, the functions which a Shareholders' Bank can properly carry on will be entrusted to that Bank. Again, my Honourable friend said that a Shareholders' Bank would be more open to influences, political and otherwise, detrimental to the interests of the nation than a State Bank would be. I categorically deny the correctness of that position.

**Mr. Lalchand Navalrai** (Sind : Non-Muhammadan Rural) : On what grounds ?

**Mr. N. N. Anklesaria** : These grounds are mentioned—I have only a short time at my disposal, but if my Honourable friend does want to know the grounds, he will find them in Thakur's " Organisation of Indian Banking ", very well summarised at page 107. Thirdly, my Honourable friend ignored that India is a dependent country and the dependence of India, under the White Paper scheme, far from being eliminated, will, I

[Mr. N. N. Anklesaria.]

am afraid, be put on more secure foundations than it is today. This dependence means that a bank controlled by the State will be controlled by the Secretary of State for India, which means by the Lombard Street interests. Once in half a century you can get a Finance Member of the strong mind and broad views and Indian sympathies of Sir George Schuster, but, I am afraid, under the Constitution, he would be powerless to effect anything which the Secretary of State would like to do. I need not mention the incidents of the episode of the gold standard which happened in Simla in 1931. For all these reasons, I say a Shareholders' Bank is preferable to a State Bank, but my Honourable friend, Mr. Gaya Prasad Singh, says that under the scheme of the Bill you do not eliminate the influence of Lombard Street. You get this influence working in Indian affairs through the Governor General. I quite admit that the Governor General has got powers of appointment and removal of Directors, but when you consider India as a country in which many conflicting interests have got to be reconciled—economic interests, the interests of races and to them under the new scheme will be added the interests of Native States, you have got to resort to one impartial authority who would secure justice and fair play and I would challenge anybody to name any institution which would better function for such a purpose than the Governor General in Council.

**Mr. B. Das :** Challenge accepted.

**Mr. N. N. Anklesaria :** Let me know it. I think I am not disclosing any secrets with regard to the deliberations of the London Committee when I say that I was the first man to raise this point in the Committee there. I said I would agree to the powers given to the Governor General in Council if I was convinced that those powers would be used primarily in the interests of India and not of England and, I must say, to the credit of the European members there, they at once agreed with me and they said that some provision must be made to give effect to what I said, and one of them suggested and everybody agreed that a provision should be found in the Instrument of Instructions enabling the Viceroy to use his powers in the present connection primarily in the interests of India. That matter is not to be found in the report, but I think Sir George Schuster will bear me out and, if he does so, I am quite sure, many of the fears expressed outside and on the floor of the House will be allayed. Lastly, as regards the State Bank, my Honourable friend cited various authorities in favour of a State Bank. I will just quote seven lines from the report of Dr. Visering quoted in Mr. Thakur's book on page 107 :

“ The dangers attending the establishing of a State Bank have during the course of time been so universally admitted that at all the great international economic conferences held during the past six years warnings have been sounded against a State Bank and it was recommended that in countries where a State Bank was established it should be converted into an independent private bank, naturally, however, under sufficient supervision by the State.”

If you read the report, it contains sufficient provision which would enable the State to supervise the workings of the proposed Reserve Bank. It has been said that in future if it is found that a Shareholders' Bank is not in the national interest, the Act must contain a clause enabling the Government to buy up the shares. I believe, though I am not quite

sure, that there will be a provision in the Government of India Act about the constitution of a Reserve Bank, which I do not believe, I speak, subject to correction by the Government Members, it will be in the power of this House to amend or alter. This provision may be availed of by the political party in power for party purposes to the detriment of the real interests of the nation. Therefore, I say, a provision such as that suggested will be not only useless, but will be harmful, because, if such a provision were inserted, it would considerably depreciate the value of those shares and it is absolutely unnecessary. I would leave the matter to the British Parliament. The Parliament of Great Britain is omnipotent. It might do everything except make a man a woman or a woman a man. If Parliament is convinced that, in the interests of India, it is necessary to convert this Shareholders' Bank into a State Bank, I am perfectly sure the Parliament of Great Britain has power to do so. As there are many other speakers yet, I propose to resume my seat.

**Mr. B. V. Jadhav** (Bombay Central Division : Non-Muhammadan Rural) : I rise to support the motion brought forward by the Honourable the Finance Member to refer this Bill to a Select Committee, but I do not accept his recommendation of a Joint Committee. This House should be left independent in determining what should be the changes made in the present Bill. The other House has got a very small number compared with the number of Members of this House and, therefore, they can very easily go into Committee and thrash out the Bill when that Bill is placed before that House.

I am not in favour of the proposal made in the Bill that the Bank should be a Shareholders' Bank. That the Reserve Bank should be free from political influences has been laid down as an axiom. I am not going to say that the Bank or the Bank's Manager and the Board should be from the ruling party in the House of Representatives. That is not my idea. But I may point out that it is almost impossible to keep out politics out of a Reserve Bank either here or anywhere else. The Directors are men and they have got their political predilections and, when there is a change in the Directorate, there is some change, at all events, in the political outlook of the Directorate as a whole. May I ask a question : whether the Directors of the Bank of England are without politics like the Speaker of the House of Commons ? They are not required to be out of politics and, therefore, I do not think it will ever be possible to keep politics entirely out of the administration of the Reserve Bank. It is well known that the Governor of the Bank of England has frequent interviews with the Chancellor of the Exchequer and it is also well known that the Chancellor of the Exchequer is a puppet in the hands of his party. The Chancellor of the Exchequer belongs to a party and has to change his politics along with his party. Even such a strong bank as that of the Bank of England has to take the assistance of the Ministry whenever any important change is to be introduced and thus the Bank has to bow down to the present day politics. This will show that even the Bank of England is not outside the influence of politics. I shall here point out why so much stress has been laid upon the dictum that the Reserve Bank should be outside the influence of politics. From the year 1924, the Swaraj Party came into power, and, since then, Government found it difficult to carry on whatever they wished to carry. So, in the year

[Mr. B. V. Jadhav.]

1927-28, they found that the Opposition was a very strong one and, therefore, this theory of keeping the Reserve Bank out of politics was started. But, Sir, things have changed to a very great extent since then. We know what the politics of the present House are and how easily pliable the House is to the whims and wishes of the Government Benches and, in the future Constitution, as adumbrated in the White Paper, care has been taken to have this House at the beck and call of the Government Benches. There will not be the nominated block, but, in order to have a steadying influence in the constitution of the House, the condition of Federation has been laid down. So, when the representatives of the States will sit in this House in order to steady the politics of the House, then it will always be certain that the Government in power will have almost an autocratic authority. Also, to guard against the whims of the popular vote, care has been taken to keep special powers in the hands of the Governor General and the Governors. So, I do not think there is, with all these precautions and special powers with the Federation coming on, any necessity of fearing the advent of politics in the constitution of the Reserve Bank. However that may be, that is the point of view I hold. If the constitution of the Bank is to be a Shareholders' Bank, then I will insist that care should be taken that a very large majority, about 90 or 85 per cent. of the capital should be kept in the hands of the Indian subjects of His Majesty. Sir, the Bank of England has been constituted as a capitalists' Bank and the capitalists of England have been ruling the whole nation. The Labour Party has been raising its head and the socialist politics are coming more and more into the administration of the country. The trend of legislation during the last 25 years shows that even the Conservatives and also the Liberals have been adopting some of the doctrines of the Labourites. In England, the Labour Party was twice the ruling party and, in future years, no one can say that the Labour Party will not come into power. The main doctrine of the socialists is to nationalise the instruments of production and distribution and banks, as a class, are very prominent as instruments of credit and distribution. So, Sir, there is a move to nationalise the banks and, I am quite sure that in the near future even the Bank of England will have to be nationalised. We have to take note of the fact that, although during the past generations the nations of Europe have been organising their Reserve Banks on the principle of Shareholders' Banks, yet the new banks that are coming into existence, such as the Bank of Australia, are purely State Banks. The Honourable the Finance Member is shaking his head and I speak subject to correction. But I understand that even in Sweden there is a sort of a mixture of Shareholders' and State Bank. Some such expedient might be resorted to here also. I would recommend that there should be a clause kept in the Bill itself that the State should be at liberty to purchase all the shares from the shareholders in about 10 to 15 years. This option may not be exercised; but then there should be that provision. Such a provision has been kept in the contracts with the Railways that were built with the capital borrowed from outside and Government have exercised that option of purchase. A similar provision should be made in the constitution of the Reserve Bank. This is what I have to say with respect to a Shareholders' Bank. I do not want to take up the time of the House in going minutely into the other provisions of the Bill. The Select Com-

mittee will look into that and it is their province. But I would insist that the Reserve Bank should have a branch in London, if not for any other purpose, at least to train our young men in finance and in the operations of the money market. London has become the centre of the world's money market, and training for our young men at that centre is very beneficial and that ought to be provided for by having a branch of the Reserve Bank in London. It will not be advantageous to us to give the agency to the Bank of England. As the operations of India with England cover very vast sums, the commission itself will be sufficient to maintain a branch in London. For this purpose I insist, with all the emphasis at my command, that a provision ought to be made for opening a branch in London. We shall have to borrow, in the first place, a Governor and one of the Deputy Governors from outside. This provision ought to be made to train Indians for that job. After taking all the training that can be had in India, it is necessary that our young men should have a training ground overseas in England and, therefore, this branch is absolutely necessary. I hope the Select Committee will take note of this. We have the India House with the High Commissioner at its head. We ought to have our banking centre there in order to control financial matters. With a branch office in London, we shall be in a better position to negotiate our loans directly without the intervention of the Bank of England. We have found that the help of the Bank of England has not always been of advantage to this country. The Bank of England naturally would look to her own interests and to the interests of England in the first place. We cannot blame the bank for doing it. But if India wants to preserve her interests in the markets of England and also in the markets of the world, she must have her own financial institutions to safeguard them and not trust to the work which is done by an agency of the Bank of England. I need not say anything about the ratio of 18d. or 16d. My Leader, Sir Cowasji Jehangir, has sufficiently dealt with this question. But I have to support the view placed by Dr. Ziauddin the other day. In order to improve the finances of our country, the raising of the commodity prices is absolutely necessary. Until the prices rise, the peasantry and the mercantile community cannot raise their heads. In order to raise the commodity prices, the lowering of the currency is a very good device. England adopted that device when she went off the gold standard two years ago and America has also done so very recently. India no doubt profited to a certain extent when England went off the gold standard, because, in proportion, her currency was depreciated, but that is not sufficient. The advantage gained has passed away and our peasants and our merchants are in a very deplorable condition. In order to improve their condition, some drastic methods are necessary and I support Dr. Ziauddin Ahmad in saying that the lowering of the currency will be beneficial in these circumstances.

**Mr. C. S. Ranga Iyer** (Rohilkund and Kumaon Divisions : Non-Muhammadian Rural) : The Honourable gentleman who just concluded his speech has followed the very wise lead of the Acting Leader of his party whose representative character even the Honourable Mr. Vidya Sagar Pandya cannot deny. These very expressive words : " I hope the Select Committee will take note of this " , that and the other, these words, I believe, express in one sentence the bulk of opinion on this side of the House. Even though this sentence sums up our view, yet a

[Mr. C. S. Ranga Iyer.]

jarring note may yet be heard from this side in regard to the motion which is before this House. I would suggest that the measure should be thrashed out in the Select Committee and those who differ will place their views before the Committee and specially before the Honourable Sir George Schuster. I have no doubt whatever that, just as he was able to compose differences in London in the Committee, even so he will be able to convince the doubters in the Joint Select Committee.

It is good by the way that the amending motion for an Assembly Select Committee was not moved at all. Good, because in matters of this kind, momentous as they happen to be, involving the fate and the future of this country, such a controversial amendment should not be discussed in this House as we must carry the confidence of the Central Legislature as a whole which I believe represents all that is sanest and safest in the country. The importance in regard to the setting up of a Reserve Bank arises from two points of view, financial and political or constitutional. If we want financial autonomy as we have been clamouring for it for years from platforms of the Congress as well as from industrial and other Conferences, it is time that we create an atmosphere of confidence in this country and, to create that atmosphere, we must, with one voice and with one mind, vote for this motion and not press it to a division. (Hear, hear.) I hope nobody has the least idea of pressing it to a division. At the conclusion of this debate, I have no doubt, within the limited opportunity open to the Honourable the Finance Member, he will meet the arguments that are necessary to meet.

One question that has emerged in this debate, one controversy, one seeming cleavage is as to the wisdom of a State Bank or the unwisdom of a Shareholders' Bank. Listening as I have been rather closely to the argumentative side of the speeches of the advocates of a State Bank, I notice one thing and that is this. They were anxious to examine the contact that would be established between the Government, its Finance Minister and the Reserve Bank. And, as in the scheme before us, the Shareholders' Bank is not to be drifted into uncharted seas, as the Governor General and the Finance Minister will have contact with the Reserve Bank, the advocates of a State Bank may possess their souls in patience. Some one, in the enthusiasm of his argument for a State Bank complained that the Bill before us was setting up something in the nature of "a Governor General's Bank". Well, what can be a State Bank, if you read the White Paper scheme and note the Governor General's powers under it, but a Government Bank, dominated by the Governor General? That must incidentally be an argument in favour of the present Shareholders' Bank. However, those who honestly want a Government Bank know the Governor General's connection has not been cut off from the new scheme.

Sir, every attempt has been made to compose differences which arose in London and sometimes threatened to blow almost like a *loo*. I was present in one or two of these controversial discussions when Sir Purshotamdas Thakurdas, the great stalwart of Bombay, true to his traditions, stuck to his guns. Then the Finance Member argued, the experts from England argued, and after a heated argument they saw

light, the light, namely, the Bill before us. Even so, I am sure, in the Select Committee, our friends, who have got so much of heated argument and suspicion, will see that there is plenty of light and plenty of wisdom in the Reserve Bank Bill.

We are essentially politicians on this side of this House and that leads me to the political, the constitutional issue. Every one has read the White Paper scheme. It may be a pity, it may be a tragedy, that the White Paper scheme has placed us on the horns of a dilemma, but we have got to face the realities. Those who want central responsibility to come *pari passu* with provincial responsibility cannot stand up on the floor of the House and put obstacles in the way of the establishment of the Reserve Bank. If you want central responsibility, says the White Paper, you must agree to the setting up of a Reserve Bank. Even without that provision, I would have agreed to a Reserve Bank. Our leaders in days gone by, the late Pandit Motilal Nehru, Pandit Madan Mohan Malaviya, and others did not dispute the necessity for a Reserve Bank. They realised it even before the White Paper scheme was on the horizon; and, therefore, if they did not dispute that fact, I do not see why we should dispute it by pressing this motion to a division. (*A voice* : "We do not dispute that fact.") It will not and it cannot be pressed to a division after this healthy confession of the organiser in chief of the new Democratic Party (Mr. B. Das) which I wish all success in the Select Committee.

Sir, I personally do not propose to labour the objection to the provision in the White Paper scheme, because India wants a Reserve Bank, India which is far and away in its financial conditions, in its financial possibilities, in its financial equilibrium, head and shoulders superior to many other countries in these times which can boast of a Reserve Bank. That being so, we must have a Reserve Bank, and if I advocate a Shareholders' Bank as preferable to a State Bank, it is because nothing that has been said in this House or outside, nothing that has been recorded in the Bill can prevent this country, if it so chooses, after the experience of a Shareholders' Bank, from going in for a State Bank. The State will always have adequate powers for that purpose. Instead of starting with a State Bank, and the State Bank failing to fulfil expectations and regenerating as a Shareholders' Bank, it will be far better to start with a Shareholders' Bank; and if experience proves and suggests that we should have a State Bank instead, we can have State Bank. It is a matter on which there can be no dispute and, I am sure, when the Finance Member rises to speak in his seat or rises to discuss in Select Committee, he will make this point absolutely clear.

Sir, we have been attacked not only in prose, but also in poetry. It was that banking patriot or patriotic banker, Mr. Vidya Sagar Pandya, who reminded this House of a procession in London, a bridal procession that wended its way from India across the black waters. Sir, I was in this bridal procession. I was not a member of the Reserve Bank Committee. I have no aspiration,—he said there were aspirants galore on the floor of this House,—for a place on the Joint Select Committee. Therefore, I can speak with a certain amount of disinterestedness. The attitude of the Honourable the Mover of the

[Mr. C. S. Ranga Iyer.]

circulation motion who believes in delaying, "sweet, reluctant, amorous delay" (Laughter), is worthy of a bridegroom outside a bridal procession. These lines struck me as he rose and spoke.

"Fresh as a bridegroom and his chin new reap'd  
 Showed like a stubble-land at harvest time ;  
 He was perfumed like a milliner  
 And 'twixt his finger and his thumb he held  
 Paper sheets which ever and anon  
 He gave his nose and took away again."

As for Sir George Schuster, he can have the satisfaction that towards the close of his official career as Finance Member, he is leaving for his and our country, he has served to the best of his ability and his light, a rich legacy. Well may he feel :

"When I'm not thanked at all, I'm thanked enough ; , ,  
 I've done my duty and I've done no more."

**Mr. A. Das** (Benares and Gorakhpur Divisions : Non-Muhammadan Rural) : Sir, at the fag end of this debate and suffering from the disadvantages of being furthest away from you and not belonging to any party, I am obliged to you for giving me this opportunity to speak a few words on this important subject. I wish, Sir, that everybody in this House had taken the hint which you gave the other day of fixing a time limit. That would have saved much of the time being wasted and prevented also much of the repetition, and other Members would have had no grievance. I for one strictly wish to follow it and that is why I have kept the watch before me and I am not taking more than 15 minutes, or less, if possible. Sir, I have been connected with several local banks in the capacity of a Director for a number of years, but I prefer to speak on this question more as a lay Member than as one who has had experience of details.

I rise to oppose this motion for circulation and, in doing so, I wish to thank the Finance Member for his efforts in England and here, in order to put our country under a sure financial credit and to safeguard it. I claim that it is due to his efforts and also to the Government of India that at one time when the securities of India had gone down about 50 per cent. and it was rather at a low ebb, now they have gone up to about 85 per cent. ; and I think it is the credit of this country, guided by the able Finance Member and supported by the English banks, that no sooner a loan is opened than it is more than over-subscribed.

One thing is important : whatever the future constitution of this country may be, the important thing is the connection with England. I am one of those who think that for some time to come, however advanced India may be, in order to be a safe and financially sound country, it is essential that it should keep up its connection with England at least for a number of decades. If that is the correct view—and I hope others will agree with me in this view—then I think it is all the more important that a Reserve Bank should be established which would be independent of any political atmosphere and will be guided on safe financial principles. It would be necessary for a few moments to go into the history of legisla-

tion on this point. It is a fairly old one, and the question has been discussed in public and outside, and no object will be served by delaying this motion any further and passing the motion for circulation. The history of legislation for a Reserve Bank may be briefly summarised. It is as old as 1836 when a scheme was submitted to the Board of Directors of the East India Company in order to have a Reserve Bank. The idea was of a Central Bank of India, and certain advantages were pointed out for the scheme. They were that it would facilitate the use of English capital and finance English commerce, that it would give stability to the monetary system of India and that it would be convenient to the East India Company in connection with its own financial arrangements. That proposal fell through. Then, in 1920, there was an International Conference held at Brussels and they recommended that in countries where there is no Central Bank of issue, one should be established. This has been put in practice in various European countries, and I am glad that our country also is going in for it. In 1920, also, as we all know, this Imperial Bank of India was established and the three Presidency Banks were amalgamated into one. In 1925, we had the Royal Commission on Indian currency and exchange, and it was presided over by Mr. Hilton-Young. That Committee went into this question and the report of the Commission was submitted in August, 1926. The Committee recommended among other things the creation of a Central or Reserve Bank which, in their opinion, should be a Shareholders' Bank. We must bear this in mind when we decide whether it is to be a Shareholders' Bank or a State Bank; and they also stated another very important point which is also under discussion today, that the Bank should be immune from political influence. Lastly, they also said that no Member of the Council of State or of the Legislative Assembly should act as a nominated Member. Then, in 1927, we had the Bill of Sir Basil Blackett which was ultimately dropped. In that connection I would invite your attention to the fact that the question of the Reserve Bank formed the basis of discussion in the Session at Delhi in January, 1927, and the Gold Standard and Reserve Bank questions were discussed together. The then Finance Member moved the Bill for establishing a Reserve Bank for India and there it was brought out that the currency question was intimately connected with the Reserve Bank, and that is why I say that the two cannot be separated. One of the points urged then—and I think it holds good today—was that the establishment of a Reserve Bank will add enormously to the importance and influence of India's position in the financial counsels of the world when the Reserve Bank takes its place side by side with the other great central banks of the Empire and of the United States and elsewhere. It was also shown then that the Imperial Bank of India, which came into existence in 1920, when the three Presidency Banks were amalgamated into one. It has been in existence now for thirteen years; and can it be denied that it has helped considerably to foster many Indian industries, particularly sugar in my part of the country? I wish to say here a word against the criticism which has been pronounced against the Imperial Bank that the shareholders have no voice. I ask, whose fault is it? The Directors are chosen by the shareholders and if the shareholders do not wish to assert themselves, it is not the fault of the Bank. But look at the dividend they are paying. They are paying over 14 per cent., and

[Mr. A. Das.]

the value of their shares has gone up four or five times. Does it or does it not speak for the good conduct of the Bank ?

Coming back to that Committee, that Bill was opposed by Sir Purshotamdas Thakurdas and Mr. Birla ; and, if we are to keep our connection with England, it seems to be inevitable for the present that we will have to follow in the matter of the gold standard what England is doing. Having regard to the very large amount of foreign capital invested here, whether it be for good or otherwise of this country, we have to follow it.

Then there is the point about the share capital. The Bill provides that it should be subscribed in India and that the representatives of the shareholders should be the majority of the Directors. I should imagine that it will be more in the interests of the country than to have any foreign capital included in it.

You also, Sir, took part in that discussion in 1927, and although you did not agree about the going off from the gold standard, you were definitely of opinion that so far as the constitution of the Reserve Bank is concerned, you whole-heartedly welcomed the proposals in so far as it aims at co-ordinating the currency and the credit policies of the country. You further said that the control of the currency policy and credit policy should be placed in the hands of an independent bank, which this Bill also enacts. Then, in 1929, the Government appointed a Committee to enquire into the banking conditions in India and they made certain recommendations on certain assumptions which were to the effect : that the Reserve Bank should be established by an Act of the Indian Legislature ; that the capital of the Bank should be provided by the State ; that the Bank would be under Indian control, and that it would be free from interference, executive or legislative, in its day to day administration. Then, another attempt was made to introduce that Bill, but finally it was dropped. In 1933, we all know that a Committee was appointed and we have the report of the London Committee before this House. Here I wish to decry, as far as I can, the policy and utterances of those who want to go behind the sacred agreements and the debts which have been entered into by this country. Nothing, to my mind, is more detrimental to the sound financial position of any country than to decry and go back upon past solemn obligations. We have to state the facts as they are. We have to stand by all the obligations that have been made in the past. If we will do away with those obligations which were made by those who were in power at the time, how is it likely that the future obligations will be respected by those who will enter into them now.

Another important point is, we have to work the new Constitution, whether that Constitution be for good or bad,—many think it is for bad, but still some think it is for good. But be that as it may, it is certainly some improvement on the old Constitution, and we are going to have it in India, whether it be for good or bad, and so long as our connection with England continues, it is our duty to work it as best as we can and make it a success.

Sir, I have already submitted that the currency question and the question of the State Bank are very closely connected, and we cannot have one without the other. It was brought out very forcibly in 1927, and in the Select Committee there were many important Members. I am glad that Sir Purshotamdas Thakurdas is also a Member of this Select Committee.

Then, Sir, I wish to say a word or two more—because I find I have got only five minutes more to finish. I do think that there should be proper safeguards introduced into the Bill in order to help industrial and agricultural concerns. One other thing which I see introduced in the Bill is that, the U. P. has been ignored entirely in that there is no local Committee mentioned in the Bill. The U. P. is a very important trading centre, and, especially with the development of the sugar industry, I think it is only fair that a local Committee should be appointed for the U. P., and it may be located in one of the important centres of the U. P., either at Lucknow or at Allahabad, I don't mind which, but I certainly think that the U. P. should have a local Committee of its own, because it is a very important trading centre, and particularly the sugar industry in the next few years will make such great developments that I trust members of the Select Committee will see that a local Committee is appointed for U. P. We have already spent much time on this Bill, and I commend it to the Members of the House. There is one other suggestion that I wish to make, and that is, the Select Committee should not be confined to Members of this House and the Council of State. This is a measure on which depends the future life of our country for a long number of years. I would, therefore, suggest that on this Committee there should be not only members of both the Houses, but there should be the best financial brains in the country that may be available; they should be co-opted as members so that we may have the benefit of their advice, and when the Bill emerges finally from the Select Committee we may have the opinion of not only the Members of both the Houses, but also the opinion of the best financiers in India. With these few words, Sir, I support the motion and oppose the amendment.

**Mr. B. Das** (Orissa Division : Non-Muhammadian) : Sir, I am particularly gratified to speak at this stage, as I was very anxious to hear the four representatives who represent vested interests in this House. We heard our friend, Mr. Mody, Sir, and I take this opportunity on behalf of the capitalists and opportunists to congratulate him on his able defence of an indefensible proposition in defence of the Government of India. Then we heard our friend, Sir Cowasji Jehangir, who represents the vested interest of the Indian capitalists. Then came my friend, Sir Leslie Hudson, representing the vested capitalistic interests of Europeans. Sir, you and I were at Geneva, and we knew that when it affects the interests of the capitalists, the employers all over the world combine—against whom?—against the Governments, against the nations of the world and the people of the world. Then we heard the nominated representative Mr. Sarma. Well, he spoke in his Master's voice like a gramophone. His constituency is Government. I do not want to take any notice of the nominated Members of this House. I want Mr. Sarma to stew in his own juice.....

**Mr. R. S. Sarma** : You will also be nominated very soon.

**Mr. B. Das :** Now, Sir, speaking in Sir Cowasji Jehangir's words, as a democrat of democrats, I support the principle of the Bill. If it be the principle that there should be a Reserve Bank for India, I support it. At the same time, I want to know what my friend, the Finance Member, has to say, as to whether the idea to have a State Bank or a Shareholders' Bank, is also part of the principle of the Bill. If that is so, then we, democrats, oppose this motion before the House. Sir, this Reserve Bank which my friend had the privilege to introduce and for which he received so many congratulations, even from my friend, Mr. Ranga Iyer,—I have not got the time to quote his speeches which he made in 1927—is a bogus Reserve Bank. Is that the Reserve Bank with a Gold Standard Currency which Sir Basil Blackett introduced in 1927? My Honourable friend, the Finance Member, says there should be no political influence. Was there no political influence exercised on behalf of the Government of India in 1927? What happened when the Ratio Bill was seen through? There was my friend, Mr. Jamnadas Mehta, and he repeated it on the floor of this House, that pettycoat influences, dancing girls and *Shari* influences were used by the Government to rush the Bill through. I am merely repeating what has been repeated so often on the floor of this House. Then what happened?

**Mr. K. C. Neogy** (Dacca Division : Non-Muhammadan Rural) : That is no political influence!

**Mr. B. Das :** I am sorry. I thought it was political influence. Petticoat influence is part of the political influence exercised by the Government then through their whips.

**An Honourable Member :** It was social influence.

**Mr. B. Das :** All right, but I say that political influence was exercised then, and Sir Basil Blackett had to resign, because he agreed with the Joint Committee Report of 1927 that the Reserve Bank should be a State Bank. My friend, the Finance Member, knows it. If he does not know it, let him ask his assistants to look up the files. "At this stage",—this is from one of his eminent Professors whom he occasionally quotes on the floor of this House—"At this stage, the Secretary of State for India cabled from London and put his foot down firmly on the negotiations proceeding among the various groups in the Assembly. The Finance Member stated in the Legislative Assembly on the 8th September 1927, that the Government had decided not to proceed with the further consideration of the Bill during that Session." Sir, I shall quote another line. "Sir Basil Blackett tendered his resignation, which was refused, and a communiqué, dated 27th October, was issued from Simla to the effect that Sir Basil Blackett was proceeding on special duty to England on 29th October for the purpose of discussing with the Secretary of State the details of a plan for the constitution of the Reserve Bank on the basis of share capital"....

**Mr. President** (The Honourable Sir Shanmukham Chetty) : What book is that?

**Mr. B. Das :** Sir, I am quoting from the *Economic Journal*—December Issue, 1928. The writer is Professor G. Findlay Shirras, who is the official writer on many matters of finance. I do not know whether the present Finance Member is fond of quoting him as Sir Basil Blackett used to quote him very often on the floor of this House.

Sir, we all know that Sir Basil Blackett was against the 18*d.* ratio. He could not tender his resignation at that time, but he received a telegram from Whitehall or from the Bank of England and he had to fix the ratio at 18*d.* I am only illustrating how political influences are exercised from Whitehall. Political influence is contained in the White Paper proposals and under those proposals, my Honourable friend brings forward this Bill and yet he wants that there should be no political influence from this side of the House. My Honourable friend, Sir Cowasji Jehangir, whose absence I deplore, as everybody else deplores, has gone back after delivering his speech. He only talked of 1928 Bill. He forgot or probably he was out of India in 1927. He forgot the denunciation and condemnation of the action of Whitehall and the Government of India in refusing to go on with a State Bank. Much argument has been advanced why it should be a State Bank, but the last speech that was delivered for a Shareholders' Bank was delivered by my Honourable friend, Mr. Ranga Iyer. I tried to be convinced, because he is one of my most intimate friends, but I could not be convinced. I do not like to advance any argument from this side of the House ; I will only quote one paragraph from a person who is held in very high respect throughout India and by every Member of this House. I refer to you, Sir. (Cheers.) I only quote a few lines from your speech which you delivered on the floor of this House in 1927 on the 30th August. I hope my Honourable friend, Sir George Schuster, will have the same respect as he has for your views at other times and accept this opinion of yours. Or let him explain to us why he is going contrary to your opinion :

“ Our apprehension against having a shareholders' bank is this ; we cannot keep members representing European commercial interests from being shareholders in such a bank. And whether our apprehension is right or wrong, the impression remains that the interests represented by European commercial men come very often directly into conflict with the interests represented by Indian commerce. And so long as that state of affairs continues it is not possible for us to agree to any scheme which would hand over the management of the entire financial system of our country to foreign capitalists. Even if the management of the financial system of the country were to be entrusted to Indian capitalists, I would still have some objection to such a course.”

I am very grateful to you that you have tarred with the same brush the Indian capitalists :

“ I do not want that on an important concern like this vested interests should be created. For we all know as a result of the experience of almost every joint stock concern, not merely in India but all over the world, that the control exercised by the small shareholder is absolutely negligible if not non-existent.”

I would say that a Daniel has come to judgment :

“ The managing agents or directors of any joint stock company will tell you how ineffective and unreal the general control of the shareholders of the affairs of a corporation is.”

Mr. Vidya Sagar Pandya said the same thing, but my capitalist friend, Sir Cowasji Jehangir, himself a Bank Director, as his revered father, the Baronet, is one, pooh-poohed him :

“ It is, therefore, no use to say that provisions might be made in the Bill to ensure that persons should not be allotted more than a certain number of shares, thereby safeguarding against the passing of control into the hands of a few capitalists.”

I am very grateful for these few lines which sum up my own views in the matter as well as that of the Opposition.

**Mr. C. S. Ranga Iyer :** May I ask the Honourable Member if a similar view was not expressed by Sir Purshotamdas Thakurdas ?

**Mr. B. Das :** Thank you. I was coming to my friend, Sir Purshotamdas Thakurdas, and I thank you for it.

**Mr. C. S. Ranga Iyer :** As my Honourable friend thanks me for it, may I ask what authority he has got to presume that you, Sir, would not, in the changed circumstances, have held views that Sir Purshotamdas Thakurdas now holds ?

**Mr. B. Das :** The Chair has no politics today and let us leave aside the Chair, and let us talk of ordinary mortal men. Why my Honourable friend, Sir Purshotamdas Thakurdas, and Mr. A. Ranga-swami Aiyangar adopted the course they have done is known to gods and to those who attended this London Committee. But Sir Purshotamdas Thakurdas has not yet issued a statement to the country, to the Indian press to convince us as to his judgment in that cold atmosphere of the India Office and in that sweet, probably entertaining atmosphere that was provided by the British Government.....

**An Honourable Member :** You suggest dancing girls in London ?

**Mr. B. Das :** .....and why he changed his attitude. But it has been a surprise to me, and I take my hat off to Lala Ram Saran Das for sticking to his gun, and that he has not been influenced by Whitehall or Mr. Montagu Norman who seems to be the miracle worker in London. Until Sir Purshotamdas Thakurdas comes out publicly, I must think that he has been misled by the atmosphere that London brings.

I do not want to go very much into details, but I will only refer to one aspect of the question to which the Finance Member has referred. He was particularly happy that the present financial position of Government reserves was satisfactory. He said that the reserve which is provided in the Bill requires 89.88 crores, and, for that, he has got Rs. 44.49 crores in gold and Rs. 38.16 crores in sterling securities, a total of Rs. 82.65 crores, and he needed only Rs. 7 crores. I cannot understand the Finance Member when in one breath he says the Government are bankrupt and are running at a deficit, and in another breath he says the financial position, the banking position of the Government is very sound. The Bill of 1927 provided a reserve of Rs. 103 to 110 crores, I would like to be corrected by the Finance Member if I am wrong. It wanted to provide Rs. 110 crores of gold in reserves, and then Sir Basil Blackett was scratching his head, so to say, as to how to get that money. And in private he used to talk to us : " Let us float a Gandhi loan and get gold so that we may have the gold reserve necessary for a Gold Standard Reserve Bank." But my Honourable friend, who is responsible for the flight of Rs. 150 crores of gold from India, feels very happy that he has got Rs. 40 crores of gold, and out of those 40 crores he knows it well that Rs. 9 or 10 crores happen to be distress gold. And what has my Honourable friend done to keep the 150 crores of distress gold that took flight ? He is feeling very happy. On the silver tokens in the country for every rupee which is worth only five annas to the ordinary common man he has pocketed eleven annas, and no rupee redemption fund is to be provided. The assurances given by dozens of his predecessors were all set at naught.

4 P.M.

My friend gloats over it. He is happy he has got 44 crores of gold and only 9 crores is needed to have a sound Reserve Bank so as to ensure the credit of the successor of my friend, of the India Office with the British Government. They talk about

the new Constitution. I would rather have no new Constitution for India when this sort of muddling of the finances of India goes on. What did Sir Malcolm Hailey, one of his predecessors, do? He sold reverse councils and squandered away 200 to 300 crores of rupees. Sir Basil Blackett did no less in another way by his ratio policy. My friend himself has also squandered away Rs. 30 to 50 crores of paper currency reserve and also the money from the sales of silver. Yet, here, the Bill provides that part of the silver hoard will remain with the Government of India for the gambles of the future Finance Member or the future Financial Adviser who will be an omnipotent, sacrosanct, non-voted gentleman as provided in the White Paper. He will deal with finances in any way he likes. I would like the Government to justify their financial policy and show to this House whether they have got a consistent policy. Finance Members may come and Finance Members may go, but the poor taxpayer remains to foot the Bill of extravagance of every Finance Member.

Many of the details of this Bill will be gone into in the Select Committee. The little interlude between two capitalists, Sir Cowasji Jehangir and Mr. Mody, was a pleasant surprise to many of us. I do hope, the Honourable the Finance Member has read the editorial in the *Statesman* of Calcutta and also the *Capital* of Calcutta, where they said that they could not understand why there should be a fixity of ratio as stated in the White Paper proposals or as stated in the Reserve Bank Bill. Of course nobody wants to disturb the present conditions about exchange or currency. Here I should like to congratulate my Honourable friend on the action he took on the 17th September, 1931, before he got his master's order which asked him to tie the rupee to the chariot wheel of the sterling. I am very grateful to the *Statesman* and also to the *Capital* for suggesting to the English Finance Member of the Government of India to allow the rupee the same fluctuation as the Government of South Africa and Australia have for their currencies. Those are Dominion Governments. They can defy the British Government. But my Honourable friend at every stage follows the dictates of the British Chancellor of the Exchequer or the Bank of England whatever that might be.

I will now refer to the Imperial Bank of India. I agree with the criticisms that have been levelled against the Imperial Bank of India. The Imperial Bank of India may have Indian capital, but it is British managed. It has done very little to develop the trade and commerce of India. Very often it has been stated on the floor of this House that it finances mostly British businessmen in India. It seldom does that in the case of Indian industries and Indian trade. My Honourable friends of the Treasury Bench very often tell us that there will be a new Heaven when India gets provincial autonomy. Why are you allowing the Imperial Bank of India to continue its worse traditions of the past? It has always stood against Indian industries and Indian commerce and Indian trade. Why do you allow it to perpetuate its vested interests for another 25 years? Are there not co-operative banks? Are there not Indian owned banks? I would object to any concession given to the Imperial Bank wherever an Indian owned bank exists. They should have the same facilities as the Imperial Bank. Incidentally I will refer to Schedule II. No bank which is owned by Japan should be included in this Schedule and no foreign bank, French or any other bank, that does not belong to the British Empire, should be included in Schedule II of the Reserve Bank Bill. Lastly, I will say one word why I am opposed to a Shareholders' Bank.

[Mr. B. Das.]

The representative of the Democratic Party in the Joint Select Committee will oppose it tooth and nail. I do not know how my Honourable friend is going to have his 14 members elected by this House, but I am sure he will get it packed. If we fail in our fight to have a State Bank, the Shareholders' Bank should be so framed that it would not promote the vested interests of Bombay or Calcutta, and your speech, Sir, which I took the liberty of quoting, sums up the whole position. Therefore, I say, divide up India into provincial territorial units and do not allow the small shareholders in the villages to be influenced by the capitalists of Calcutta and Bombay and, even in the matter of choice of Directorate, I want there should be one Director to every province, besides the representation of provincial co-operative banks as was done in the 1927 Joint Select Committee report. We do not want to hand over our banking affairs to Calcutta plutocrats nor to Sir Leslie Hudson and Sir Purshotamdas Thakurdas of Bombay, however intimate and personal friends they may be and however intimately I may be connected in business matters with one or other of them. I am very much indebted to my friend, Sardar Sant Singh, who reminded me that it was a strange coincidence that whenever the Government of India brought out a Reserve Bank Bill, there was a flood in Orissa. In 1927, when the House threw out the Reserve Bank Bill, it took the opportunity to send a message of sympathy to Orissa and my friend was asking whether, owing to the floods in Orissa this year, the Reserve Bank Bill will also be thrown out.

Sir, as I said at the beginning, I am for a Reserve Bank, but I loath the Shareholders' Bank which will be controlled by the capitalists, be they Indians or Europeans. They will never look after the industries, the trade and the commerce and the interests of the agriculturists for which the State must exist. Whatever my Honourable friend may do, let him remember that the Reserve Bank, be it a State Bank or the Government Bank, must be a *national bank*. The plutocrat friends of mine, including the nominated representatives of the Government, do not and cannot think in terms of nationalism. They always think as to how far their own interests will be safeguarded and how much money they will themselves be able to make. My Honourable friend, Sir Cowasji Jehangir, or his sacred clique or the European clique will manage to become the Directors of the Reserve Bank by using some subtle influence which my Honourable friend, Sir George Schuster, may not understand, but the country understands and the country knows how they have managed to be the Directors of the Imperial Bank. Sir, I loath that system and, therefore, I want a national Reserve Bank.

**Several Honourable Members :** The question may now be put.

**Mr. President** (The Honourable Sir Shanmukham Chetty) : The question is that the question may now be put.

The motion was adopted.

**The Honourable Sir George Schuster :** Sir, I think it is perhaps as well that you have not got a Mr. C. Das to call upon. (Laughter.) When my Honourable friend spoke about the floods in Orissa, I thought that a little bit of the Orissa flood has over-flown into this House. (Laughter.) But my Honourable friend's flood of eloquence now being concluded, the task falls to me in a very short time at my disposal to wind up this debate. Naturally, I would have liked to reply to a great many points that have

been made in the course of this debate as they were being made. But obviously the time for that is the discussion in the Select Committee, when we can meet points as they are made, exchange views and, I hope, arrive at a general agreement. I think, reviewing the three days' debate, I have very little to complain of at least the quality of the speeches which have been made. As regards the quantity, perhaps I might have desired a somewhat shorter period for sitting through. If there is one speech that I would criticise—I am sorry that the Honourable Member who made it is not here—it is the speech made by my Honourable friend from Madras, Mr. Vidya Sagar Pandya. I do not think it is unfair to describe that speech as a general exercise in mud slinging at Directors of Banks, past, present and future. Now, Sir, I think that there is very little to be gained by that sort of process. We do not want to discuss this matter in an atmosphere of ill-will and suspicion. If Honourable Members want to use those methods, they will find plenty of people to meet them with the same methods in England. But those who have been responsible for framing these proposals are, I think I may claim, those who believe in India and who honestly wish to work for those ideals which inspire all Honourable Members opposite. These proposals have been conceived and discussed in London in an atmosphere of trust and understanding and I should like to transfer that atmosphere to the discussions which are coming on here.

Sir, we have heard a good deal said about the London Committee. It has been described as a packed Committee. I do not think that anyone, who looks down the list of the names of the members of that Committee, can honestly sustain that charge. If we had gone out of our way to choose people who were bold enough to attack Government and who had the ability to attack Government effectively, I do not think we could have chosen better men than those who actually went to London. Now, Sir, one of the speakers opposite—I think it was Mr. Thampan—accused the Government of having brushed aside the recommendations of the Joint Committee which sat on the earlier Bill. We had in that London Committee three—I think I am fair in so describing them—three of the most able members of that former Committee—Mr. Rangaswami Iyengar, Sir Purshotamdas Thakurdas and Sir Phiroze Sethna. All those three members took part in our discussions and, on the main issues, all were in complete agreement with the conclusions. We had other representative men from India, representing all interests, representing all Parties in this House, and they all agreed with the main conclusions. If now we come forward with a Bill based on those conclusions, then, Sir, it is not fair to accuse us of having lightly brushed aside the earlier recommendations. Then, Sir, there is another point arising out of the speech of my Honourable friend, Mr. Vidya Sagar Pandya. I do not wish to deal with all his points, but there are certain points which I cannot let pass without some mention. He went through a list of the Imperial Bank Directors and drew conclusions for the future, very disparaging to the chances of this Reserve Bank, from the fact that a number of Directors maintained their posts as Directors of the Imperial Bank for a long series of years. Sir, I think that if the Reserve Bank of the future can obtain the services—I would say the long and continuous services—of men like Sir Dinshaw Wacha, Sir Maneckji Dadabhoj, Sir Rajendra Nath Mukherji and Sir Purshotamdas Thakurdas,—then that Bank will be very fortunate indeed. One of the great practical difficulties in the future—and my Honourable friend, Mr. Mody, referred to it—will be to secure Directors of first class ability

[Sir George Schuster.]

and experience for the Reserve Bank. With all the limitations that have to be imposed on their selection, that will be a very difficult task. I hope that if the Reserve Bank is able to secure Directors of the class of the four Indians whom I have mentioned, it will retain their services for the natural period of their lives or at least for the period of their activity and useful work.

Now, Sir, I do not think I need say much on this motion for circulation. My Honourable friend, who made the motion, told us a story. He said that it reminded him of the old story of people who were expecting to meet a bride in a palanquin and, when they withdrew the curtains, they found a cat. If this is a cat and not a bride, I do not think that the circulation of that cat will turn it into a bride. (Laughter.) But possibly my Honourable friend might be influenced by the opinions received, and if they all said : " No, you are wrong ; this is not a cat ; this is a bride ; " he would have been prepared to accept their opinions. Sir, if my Honourable friend had been here, I should have liked to put it to him, though one does not like to refer to physical infirmities, that it was quite obvious while he was making his speech that my Honourable friend was rather short-sighted. (Laughter.) I would have suggested to him that perhaps with a change of spectacles and use of his own eyes, he might have discovered the truth, namely, that this is a very desirable bride and not a cat.

At least if my Honourable friend sits on the Select Committee, I hope to be able to persuade him that that is so.

Now, the main discussion has centred on this question of whether it is desirable to have a State Bank or a Shareholders' Bank or perhaps rather on the phrase that we have used, " freedom from political influence ". I do not want to say much on that, but I just want to put to the House in the very simplest terms what we understand by this phrase and what the essential purpose is which we have sought to preserve in this Bill. It is, of course, obvious that in modern life and in modern economic organisations, there are two important functions : they are the functions of those who have to raise and use money and there are the functions of those who are responsible for producing the actual tokens of money, the money in circulation. The basis of the whole proposal for setting up an independent Central Bank is to keep those two functions separate. The largest user of money in a country is the Government, and the whole principle of the proposal is that the Government, when it wants money to spend, should have to raise that money by fair and honest means in just the same way as every private individual has to raise money which he requires to spend for his own maintenance. If the Government is in control of the authority which is responsible for exercising the other function, then all sorts of abuses can intervene. I could spend hours taking Honourable Members through examples of what has happened very particularly in the concluding years of the War and the years since the War,—the many examples which there are of Governments which could not resist the fatal temptation of using the note-printing press to help them out of their difficulties or where banks were in control of currency, of forcing the Central Banks to make advances to them on terms which would never have been admitted as regards private individuals. History is full, recent history particularly is full of examples of countries being brought into the most serious

trouble, in many cases into absolute chaos by that process ; and the experience of all countries has pointed to the same conclusion and has produced a practically universal public opinion that it is desirable that the control of currency and credit operations should be in the hands of an authority independent of Government. Now, Sir, I may be told that that has not been the case in India hitherto. It is no part of my purpose to defend the present system. I quite admit that in principle it is wrong and that was admitted when the original Reserve Bank Bill was brought forward. But the need, if I may say so, becomes much more urgent when the responsibility for finance is going to pass into the hands of a popularly elected ministry. A popularly elected ministry must be much more influenced—Honourable Members opposite are always basing charges against us on that face—a popularly elected ministry must be much more influenced by political feelings and by the play and manœuvre of political parties, while a popularly elected ministry cannot have that continuity which we, as an official Government, have had, and it is essential that if the monetary policy of a country is to be successful, it must be directed with a continuity of policy and I say, again, with independence from the sort of political influence which might be brought to bear. (Hear, hear.) Now, Sir, this is not a question of our attempting by this means to set up some sort of alien authority in the country which will diminish the legitimate powers of the Indian Legislature. We hope that this Reserve Bank will become a trusted part of Indian public life and that it will be a truly independent institution and that it will command the confidence of Indian opinion. We believe that that will be the result, and I would go further and say that, if that is not the result, then the whole purpose of these proposals will fail, because, if that institution has not got the support of Indian opinion, it will not be able effectively to act as a check on the operations of the Government of the day. It will be quite impossible for the Governor General in the new Constitution to give that institution the necessary authority to provide the check and the balance that we want unless it has the support of independent opinion behind it. I trust Honourable Members will consider this matter in the light of what are likely to be the conditions in the future. So many of the Honourable Members who have spoken have spoken under the influence of prejudices which have had their birth in the conditions of the past, but all that is going to be changed and it is in the light of the future that Honourable Members should consider this matter. (Hear, hear.) Now, Sir, if we want that independence, it seems to us quite obvious that the Bank should be independent of the Government of the day and there is no known device other than that of setting up a Shareholders' Bank which, according to the experience of other countries, can achieve that purpose. It is in the honest belief that that is the best device which can be provided that we have launched these proposals. But like all other human institutions, this also will not be perfect. It will have great difficulties no doubt in its early years. It must learn by experience ; but if it has Indian opinion behind it, then, I think, it will grow into the position which is desirable in order to give a proper balance to the general financial policy of the country. That, Sir, is the reason why we have put forward these proposals and I do not think I need say anything more on that subject.

Certain Honourable Members have put to me the question whether this idea of a Shareholders' Bank is part of the principle of the Bill. Sir, I think in its technical sense that is probably an issue which you will be called upon to decide if any point of order is raised at a later stage. But

[Sir George Schuster.]

I think possibly the practical side of the matter is of more importance than the theoretical side. As to that, I wish to leave Honourable Members in no sort of misunderstanding as to our position. On the one hand, we do not wish to put a pistol at the heads of Honourable Members opposite and say to them that, after three days' debate, they must regard themselves as committed to the principle of a Shareholders' Bank, or otherwise to vote against the Bill or to refuse to serve on the Committee which may be elected. On the other hand, I wish to leave them under no sort of misapprehension that we have considered this matter very carefully, we have not had three days but many months and even years to consider it and we can see no other way of achieving that purpose which I have just described except through the method of a Shareholders' Bank. Now, Sir, having said that, I want to say again that we certainly do not want to exclude from this Committee Members who take the contrary view. I should want them there for two purposes, first, I should want them there in order that I might have a chance of convincing them that this is the right idea, because, Sir, if we launch this measure, we want to launch it with the maximum support from Indian opinion. I should want them there for a second purpose and that is to discuss their objections to a Shareholders' Bank idea in the hope that by considering those objections we might find ways of meeting them. We do not claim that our proposals, as they stand, are absolutely perfect. We welcome the opportunity of discussing them with those who take the contrary view in the hope that out of that discussion some agreed measure, which is better than our own original proposal, may emerge.

Now, Sir, there is one other topic on which I feel it necessary to say something and that is the question of the monetary system itself. I think I have made it clear on every occasion that I have spoken on this Bill that we do not consider that the ratio question arises at all in connection with it. We consider that this Reserve Bank is a piece of machinery which is to be set up to administer the system which is now going to be determined by the present Bill. Sir, I had prepared some remarks in order to explain the position still more clearly, but I had put before me just before I came in a leader from a paper which, I am sure, will command the confidence of Honourable Members opposite, and, I hope, perhaps command from my Honourable friend, Mr. B. Das, a little more confidence than those papers which he is now so fond of quoting, the *Statesman* and *Capital*. This is a leader from the *Hindu* of the 22nd August. The general purport of that leader was to urge Indians to concentrate on the main points of our proposals and not to be diverted by side issues. Having started on this note the writer proceeds as follows :

“ Take, for instance, the criticisms levelled at the 18*d.* ratio. It is not our purpose now to enquire whether that ratio has proved ruinous to the country and is still working havoc. It has been argued that a study of the price levels in India compared with those that have obtained in Britain, Europe, the United States and other parts of the world will show that the steeper fall of the commodity prices in India has been due to the artificially high eighteen pence ratio and that but for gold exports our international balance-sheet would have stood disrupted beyond recognition. Granting that this is so, how is that a reason for asking the Assembly not to agree to place the Bill on the Statute Book ‘ without adequate consideration of the various factors connected with the present ratio ’ ? The constitution of a Reserve Bank, which will so regulate currency and credit as to subserve the best interests of the country, ought not to be delayed longer than is absolutely necessary ; and for our part, we see no reason why

a fresh decision on the ratio question, doubtless after a prolonged enquiry, should be insisted on as an essential preliminary to the starting of the Reserve Bank. Today, the entire international monetary machine has been thrown out of gear; and the World Economic Conference which, it was hoped, would restore something like stability to the disorganised currencies of the world only succeeded in making confusion worse confounded showing that he who waited to attain currency stability in order to improve his business would long have waited in vain. One has no means of predicting when the time propitious for securing monetary stability will arrive; the only thing one can say is that it will not be in the immediate future. Is it wisdom, in the circumstances, to postpone the inauguration of a Reserve Bank till after we succeed in our quest for stable money? We do not think so and we shall be only playing into the hands of those who—wrongly but for their own purposes—have asked with all the authority of British vested interests that the establishment and successful operation of a Central Reserve Bank are a condition pre-requisite for the transfer of finance into the hands of a responsible popular Federal Government, indeed, of any responsibility at the centre. If, however, the conditions for ensuring currency stability make themselves felt sooner than we anticipate, the passing of the Reserve Bank Bill and the establishment of the Bank would have made the stabilisation of Indian currency at the proper level not more difficult, but appreciably easier."

Then, there is one other passage which I should like to read. I apologise to the House for the length of the passages I am reading:

"One other point of criticism made of the London scheme is that by continuing the sterling-rupee link, Indian interests will stand subordinated to those of Britain. Now, this will be so if the Indian Legislature were impotent and the Bank itself becomes an anti-Indian body. But such a development is not contemplated under the reforms. As a matter of fact, the Reserve Bank will be constituted by an Act of the Indian Legislature and under its authority; and it will have full powers, subject to certain constitutional restrictions, to control and supervise its policy. Today, whether one wishes it or not, the rupee is linked to sterling; and, so long as the direction, course and volume of India's trade and financial transactions continue as they are at present, the rupee will and must show a strong tendency sensitively to react to changes in the pound sterling. One may link the rupee to any currency one likes, but the external value of the currency must continue to be dominated by the trade connections which it subserves. The linking can only help to regulate the oscillations where they are not uncontrollably violent, and should India's affinities show striking changes in the future, we have no doubt the legislature then will take the measures necessary to keep the currency in conformity with them, delinking it from sterling and linking it with gold or whatever may seem called for in the then circumstances. If these facts are borne in mind, the course of the discussions on the proposed Bill will be calculated to be more helpful and fruitful of results than if they are ignored."

Sir, I think that that is a very good statement of the case, made not exactly from my own position, but strongly reinforcing the point which I want this Assembly to keep in mind. So far as this Bill is concerned, that is all I think I need say on the matter; but, as the question has been raised in debate and as the Preamble to the Bill itself, refers to this question, I wish to say just a few more words. The point of the passage in the Preamble is to indicate this—that if a time comes when the leading countries get back to an international gold standard, possibly at new parities, then the Indian position will obviously have to be reviewed and some basis different to that of our present basis will have to be adopted. That alone is the intention which is indicated in the Preamble. Now, Sir, I do not want to say anything on the merits,—I do not want to enter into a long discussion on the merits of our present policy. But I should like just to say this—that pending such review in the meanwhile and considering that our main trade relations are with England and that all our external obligations are in terms of sterling, there are such enormous advantages in maintaining stability of the value of the rupee in terms of sterling that no one, who is responsible for India's finances, can possibly contemplate with a light heart disturbing that stability. It is our duty, of course, as we are linked with sterling, to take every opportunity of

[Sir George Schuster.]

representing to the British Government the Indian needs for a rise in the level of prices and to press them to pursue a policy to that end. That duty, I can say, we have done our best to discharge, and the speech of mine made at Ottawa which my Honourable friend, Mr. Thampan, quoted with approval is an illustration of one occasion of the way in which we have sought to discharge that duty. We have been fortunate enough to have two occasions recently, one at the Ottawa Conference and one at the World Conference in London, to meet in close consultation with the British authorities and with the representatives of the other Dominions. And, I am sure, some of our Indian colleagues, who were present on those occasions, will testify that India's case has been well represented and represented with some effect. I think I may claim that we have undoubtedly influenced the policy of His Majesty's Government, and I know that His Majesty's Government are so fully apprised of our position that they are taking our position into account in all that they do. In the meanwhile amid the uncertainty which prevails everywhere, if I look round the world, I find it difficult to see any surer refuge for money than the rupee on its present sterling basis. Now, Sir, if we are going to bring this scheme to fruition, if we are going to maintain the reserves which we have already accumulated and to accumulate further reserves, we must do nothing to disturb the surety of that refuge. We contemplate doing nothing of that kind and I should like to warn all those who are desirous of speculating on a contrary event that they will be singularly unwise to do so.

Now, Sir, I have covered the main topics which have been raised in this discussion. I think I may take it that the general feeling of the House is that this Bill should be referred for further discussion in the Joint Committee. I can only tell all those Honourable Members who have spoken that we shall do our utmost to meet the points which they have raised. All I ask for is that they should enter those discussions with the sole desire of devising something which will be useful to the new India and not with their minds filled with prejudices born in the past. With these words, I think I can ask the House to approve <sup>marks the</sup> motion, without division. There is only one small point which I must <sup>make</sup> <sup>me</sup> <sup>just</sup> sit down and that is this: there stands on the paper an amendment to the effect that the number of the members of the Committee shall be 28. I think that amendment has not yet been formally moved; but, on behalf of Government, we have already said that we are prepared to accept that amendment if it is the wish of the House to have a larger Committee. (Cheers.)

**Mr. T. N. Ramakrishna Reddi** (Madras ceded Districts and Chittoor : Non-Muhammadan Rural) : Sir, I formally move the amendment :

“ That in the motion, for the figures ‘ 24 ’ the figures ‘ 28 ’ be substituted.”

**Mr. President** (The Honourable Sir Shanmukham Chetty) : The original question was :

“ That this Assembly do recommend to the Council of State that the Bill to constitute a Reserve Bank of India be referred to a Joint Committee of this Assembly and of the Council of State, with instructions to report on or before the 20th November, 1933, and that the Joint Committee do consist of 24 members.”

Since which an amendment has been moved :

“ That the Bill be circulated for the purpose of eliciting opinion thereon by the 31st December, 1933.”

The question is :

“ That the Bill be circulated for the purpose of eliciting opinion thereon by the 31st December, 1933.”

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty) : The question is :

“ That in the original motion, for the figures ‘ 24 ’ the figures ‘ 28 ’ be substituted.”

The motion was adopted.

**Mr. President** (The Honourable Sir Shanmukham Chetty) : The question is :

“ That this Assembly do recommend to the Council of State that the Bill to constitute a Reserve Bank of India be referred to a Joint Committee of this Assembly and of the Council of State, with instructions to report on or before the 20th November, 1933, and that the Joint Committee do consist of 28 members.”

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 14th September, 1933.